

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

JULY 2, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (AUSTIN) *SP*
DIVISION OF LEGAL SERVICES (AGARWAL) *RT* *LT* *SP* *ck*

RE: DOCKET NO. 960675-WS - MHC SYSTEMS, INC. D/B/A FPFC-SIX -
APPLICATION FOR APPROVAL OF LATE PAYMENT CHARGE IN LEE
COUNTY BY MHC SYSTEMS, INC.
COUNTY: LEE

AGENDA: 07/16/96 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: JULY 29, 1996

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\960675WS.RCM

DOCUMENT NUMBER-DATE

07025 JUL-1 1996

FPSC RECORDS/REPORTING

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CASE BACKGROUND

MHC Systems, Inc. d/b/a FFEC-Six (MHC Systems or utility) is a Class B utility providing water and wastewater in Lee County. According to its December 31, 1995 annual report, the utility was serving approximately 1,756 water and 1,722 wastewater customers. During the twelve months ended December 31, 1995, the utility recorded operating revenues of \$357,749 and \$415,578 and a net operating income of \$64,843 and \$115,449, for its water and wastewater systems respectively.

On May 28, 1996, the utility filed a tariff requesting approval of a late payment charge in the amount of \$3.00 for both its water and wastewater operations. The company states that the purpose of this charge is to provide an incentive for customers to make timely payment and to place the cost burden of processing delinquent accounts upon those that cause such costs.

Under Section 367.091(5), Florida Statutes, the file and suspend statute, a company may apply to establish, increase, or change a rate or charge other than monthly rates for service or service availability charges. These applications are to be accompanied by a cost justification. The Commission may withhold consent to the operation of any or all portions of the new rate schedules, by a vote to that effect within 60 days, giving a reason or statement of good cause for withholding its consent.

DISCUSSION OF ISSUES

ISSUE 1: Should the tariff proposing to implement a late charge of \$3.00 in Lee County by MHC Systems, Inc. d/b/a FFEC-Six be approved?

RECOMMENDATION: Yes, the tariff to implement a late charge should be approved and should become effective for service rendered on or after staff's approval of the filed tariff sheets. (AUSTIN)

STAFF ANALYSIS: MHC Systems, Inc. d/b/a FFEC-Six (utility) filed a tariff request for approval to implement a late charge of \$3.00 in Lee County. The utility stated in its filing that the purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing such delinquent notices and accounts solely upon those who are the cost causers. Statistics filed with this request show that the percentage of delinquent customers has varied from 6% to 10% over the past eight months. The total monthly delinquent accounts receivable balance has been greater than \$4,900.

In the past, late payment fee requests have been handled on a case-by-case basis. Recommendations have been made based upon the conditions presented by each individual utility. The Commission has authorized late payment charges for wastewater companies based on demonstration by the company of a service delinquency problem. In Order No. 8157 issued on February 2, 1978, a 5% late charge was approved for residential customers of Santa Villa Utilities. Santa Villa is a sewer-only utility. In Order No. 20779 issued on February 20, 1988, the Commission authorized a 1.5% late charge on all customers of Longwood Utilities, also a sewer-only company. The Commission has approved a late charge for sewer-only operations because of the difficulty in shutting off a customer's sewer service.

Late charges for both water and wastewater operations have also been approved by the Commission. In Docket No. 891365-WS, Ortega Utility submitted cost justification for a late charge request of \$5.00. The Commission approved a \$3.00 late charge. The utility reported that 30% of its customer base was establishing a trend of paying late and it intended to discourage this practice by charging late payers. In 1992, the Commission approved a \$3.00 late payment charge for Palm Coast Utility Corporation, a water and wastewater utility in Flagler County, Docket No. 920349-WS, and for Ferncrest Utilities, Inc. a water and wastewater utility in Broward County, in Docket No. 920535-WS. In 1993, the Commission also

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approved a \$3.00 late payment charge for Rolling Oaks Utilities, Inc. (Citrus County) and Hydratech Utilities, Inc. (Martin County).

Presently, Commission rules provide that late payers may be required by the utility to provide an additional deposit. However, there is no further incentive for either delinquent or late paying customers to pay their bills on time. Staff believes that the cost causer should pay the additional costs incurred to the utility by late payments, rather than the general body of the utility's rate payers. Therefore, staff recommends that the utility's request to implement a late payment charge of \$3.00 should be approved.

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ISSUE 2: Should the docket be closed?

RECOMMENDATION: Yes, if Issue 1 is approved, this tariff should become effective on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed. (AGARWAL, AUSTIN)

STAFF ANALYSIS: If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.