

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: January 21, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Thompson, Hudson)
Office of the General Counsel (Villafrate)

RE: Docket No. 150260-WS – Request for approval of late payment charges and return check (NSF) charge and request for approval of amendment to tariff sheets for miscellaneous service charges in Lake County by Brendenwood Waterworks, Inc., Harbor Waterworks, Inc., Lake Idlewild Waterworks, Inc., and Raintree Waterworks, Inc., and in Highlands County by Country Walk Utilities, Inc.

AGENDA: 02/02/16 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 2/08/16 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On December 10, 2015, U.S. Water Services Corporation (U.S. Water) filed an application on behalf of Brendenwood Waterworks, Inc., Country Walk Utilities, Inc., Harbor Waterworks, Inc., Lake Idlewild Waterworks, Inc., and Raintree Waterworks, Inc. (utilities) to add and/or modify late payment charges and non-sufficient funds (NSF) charges to their tariffs. U.S. Water is the management company for these particular utilities and would like to have consistent miscellaneous service charges among these systems for administrative efficiency. This recommendation addresses U.S. Water's request to add and/or amend these charges. The Commission has jurisdiction pursuant to Section 367.091(6), Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the request to implement a \$5 late payment charge for Brendenwood Waterworks, Inc., Country Walk Utilities, Inc., Harbor Waterworks, Inc., Lake Idlewild Waterworks, Inc., and Raintree Waterworks, Inc. be approved?

Recommendation: Yes. The request to implement a \$5 late payment charge for these systems should be approved. The utilities should be required to file a proposed customer notice for each respective system to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notices. The utilities should provide proof of the date each notice was given no less than 10 days after the date of the notice. (Thompson)

Staff Analysis: U.S. Water is requesting a \$5 late payment charge for these utilities in order to recover the cost of supplies and labor associated with processing late payment notices. The request for a late payment charge was accompanied by its reason for requesting the charge, as well as the cost justification required by Section 367.091, F.S. U.S. Water is requesting an amendment/addition to the existing tariffs as reflected below.

Table 1-1
Late Payment Charge

System	Current	Proposed
Brendenwood Waterworks, Inc.	\$3.00	\$5.00
Harbor Waterworks, Inc.	N/A	\$5.00
Lake Idlewild Waterworks, Inc.	N/A	\$5.00
Raintree Waterworks, Inc.	N/A	\$5.00
Country Walk Utilities, Inc.	N/A	\$5.00

Source: Utility Tariffs

U.S. Water utilizes an outside vendor, Opus 21 (Opus), for all customer service, billing, collection, service order generation, and dispatch, etc. Opus has mailed about 4,776 notices, of which 239 are for these utilities, over the last twelve month period. The total number of customers for these particular utilities is approximately 1,000. In the past, the Commission has allowed 10-15 minutes per account per month for clerical and administrative labor to research, review, and prepare the notice.¹ Opus indicated it will spend approximately 576 hours per billing cycle processing late payment notices, which results in an average of approximately 7.23 minutes per account (34,560 minutes/4,776 accounts) and is consistent with past Commission

¹Order Nos. PSC-11-0204-TRF-SU, in Docket No. 100413-SU, issued April 25, 2011, *In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.*; PSC-08-0255-PAA-WS, in Docket No. 070391-WS, issued April 24, 2008, *In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.*; and PSC-01-2101-TRF-WS, in Docket No. 011122-WS, issued October 22, 2001, *In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc.*

decisions. The late payment notices will be processed by Opus, which results in labor cost of \$4.21 (576x\$34.95/4,776) per account. The cost basis for the late payment charge, including the labor, is shown below.

Table 1-2
Cost Basis for Late Payment Charge

Labor	\$4.21
Printing/Paper	\$0.30
Postage	<u>\$0.49</u>
Total Cost	<u>\$5.00</u>

Source: U.S. Water Correspondence

Based on staff's research, since the late 1990s, the Commission has approved late payment charges ranging from \$2.00 to \$7.00.² 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 delinquent accounts solely upon those who are cost causers.

Based on the above, staff recommends that the request to implement a \$5 late payment charge for these utilities should be approved. The utilities should be required to file a proposed customer notice for each respective system to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notices. The utilities should provide proof of the date each notice was given no less than 10 days after the date of the notice.

²Order Nos. PSC-01-2101-TRF-WS, in Docket No. 011122-WS, issued October 22, 2001, *In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc.*; PSC-08-0255-PAA-WS, in Docket No. 070391-WS, issued April 24, 2008, *In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.*; PSC-09-0752-PAA-WU, in Docket No. 090185-WU, issued November 16, 2009, *In re: Application for grandfather certificate to operate water utility in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility.*; PSC-10-0257-TRF-WU, in Docket No. 090429-WU, issued April 26, 2010, *In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC.*; and PSC-11-0204-TRF-SU, in Docket No. 100413-SU, issued April 25, 2011, *In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.* PSC-14-0105-TRF-WS, in Docket No. 130288-WS, issued February 20, 2014, *In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.*

Issue 2: Should the request to implement a Non-Sufficient Funds (NSF) charge for Brendenwood, Country Walk, Lake Idlewild, and Raintree be approved?

Recommendation: Yes. The request to implement a NSF charge for Brendenwood, Country Walk, Lake Idlewild, and Raintree should be approved. Staff recommends that the utilities revise each respective systems tariff sheet to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notices. The utilities should provide proof of the date each notice was given within 10 days of the date of the notice. (Thompson)

Staff Analysis: Section 367.091, F.S., requires rates, charges, and customer service policies to be approved by the Commission. The Commission has authority to establish, increase, or change a rate or charge. Staff believes that the utilities should be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

1. \$25, if the face value does not exceed \$50,
2. \$30, if the face value exceeds \$50 but does not exceed \$300,
3. \$40, if the face value exceeds \$300,
4. or five percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with prior Commission decisions.³ Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks be spread across the general body of ratepayers. As such, staff recommends that the utilities revise their tariff sheet to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the NSF charges should not be implemented until staff has approved the proposed customer notice. The utilities should provide proof of the date each notice was given within 10 days of the date of the notice.

³Order Nos. PSC-14-0198-TRF-SU, issued May 2, 2014, in Docket No. 140030-SU, *In re: Request for approval to amend Miscellaneous Service charges to include all NSF charges by Environmental Protection Systems of Pine Island, Inc.*, and PSC-13-0646-PAA-WU, issued December 5, 2013, in Docket No. 130025-WU, *In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.*

Issue 3: Should this docket be closed?

Recommendation: No. The docket should remain open pending staff's verification that the revised tariff sheets and customer notices have been filed by the utilities and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariffs should remain in effect with the charges held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notices of the charges have been given to customers, the docket should be administratively closed. (Villafrate)

Staff Analysis: The docket should remain open pending staff's verification that the revised tariff sheets and customer notices have been filed by the utilities and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariffs should remain in effect with the charges held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notices of the charges have been given to customers, the docket should be administratively closed.