

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3915
April 5, 1995RESOLUTION

(RES. W-3915) JENSEN WATER COMPANY (JENSEN). ORDER AUTHORIZING THE ESTABLISHMENT OF A LATE PAYMENT FEE ON A TEMPORARY BASIS AND A REQUEST TO INCORPORATE PUC CODE SECTION 2714 WITH SCHEDULE NO. 1.

BY DRAFT ADVICE LETTER RECEIVED ON NOVEMBER 21, 1994.

SUMMARY

This Resolution in accordance with Section 2714 of the Public Utilities Code allows the company to charge landlords for water when a renter defaults and also allows the establishment of a late charge of one and one-half percent (1.5%) of the balance owed for delinquent payments with a minimum of one dollar. The late charge is being established on a temporary basis and will be reevaluated when Jensen files its next general rate case at which time it will be discontinued or made permanent. This late charge will have a negligible effect on annual revenues.

BACKGROUND

Jensen requests authority to establish a late charge to help defray the additional costs of collection and to discourage late payment of bills.

In addition, Jensen has requested that it be allowed to add the following to its Schedule No. 1:

"In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option, be furnished on the account of the landlord or property owner."

Jensen states that it has experienced significant loss of revenues resulting from renters moving out and leaving their water bills unpaid. Jensen presently serves approximately 416 metered customers in its service area located south of Interstate Highway 10, in Cabazon, which is about 17 miles west of Palm Springs.

DISCUSSION

The inclusion of Section 2714 language in Jensen's tariffs is perfunctory. The establishment of a late charge is more problematical. Jensen originally proposed a late charge of 1.5% of the unpaid balance with a minimum charge of \$5.00 to help defray the additional costs of collection and to discourage late payment of bills. Jensen believes that the costs imposed by the customers who do not pay their bills in a timely manner should be borne by those customers causing the additional expense.

Jensen investigated other water purveyors in the area and found that the imposition of a late payment fee was a common practice.

The Water Utilities Branch (Branch) initially opposed the imposition of any late charge because Jensen's tariff rules already have a provision to collect delinquent accounts or turn off the water service. Usually, delinquent payments are not significant. Also, the establishment of a late charge without hearings or workshops does not allow the utilities and interested parties to comment on this precedential change in policy. Branch believes that generic proceedings to establish policy are beneficial in developing uniform, well-thought out rules without some of the inherent problems with piecemeal policy development.

The Branch had some concerns about possible compounding of the late charge and wants the utility to only apply the late charge once for each bill. The utility would normally shut off an account for nonpayment before a second late charge would be applied anyway. In addition, the Branch considered a \$5.00 late payment charge exorbitant in comparison to Jensen's average bill of \$28.17.

After further discussion, the Branch and utility agreed to establish the late payment charge with a minimum of \$1, on a temporary basis. The late charge will be reevaluated when Jensen files its next general rate case at which time it will be made permanent or discontinued.

FINDINGS AND CONCLUSIONS

1. Jensen should be authorized to establish a late charge of 1.5% of the delinquent balance with a minimum charge of \$1.00 on a temporary basis. The late charge should be applied only once for each bill.
2. When Jensen files its next general rate case, the Branch should review the effectiveness of the charge and recommend appropriate action for the temporary tariff by extending, eliminating, modifying, or making the tariff permanent.

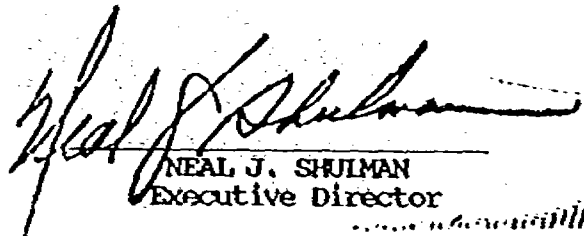
IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Jensen Water Company to file an advice letter incorporating the (new) Schedule No. LC, Late Payment Charge, attached to this resolution as Appendix B, and also to revise Rate Schedule No. 1, General Metered Service, as shown in Appendix A, and concurrently to cancel its presently effective Schedule No. 1. The filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of filing.

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Jensen/DrAL/RJT/LEP:mem

2. The Water Utilities Branch will report back to the utility with a recommendation on the extension, discontinuance, or the filing of a permanent late payment charge tariff when Jensen files for its next general rate case.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on April 5, 1995. The following Commissioners approved it:


NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
Commissioners

I abstain.
/s/ HENRY M. DUQUE
Commissioner

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Cabazon Estates Number Two, located in portions of the City of Cabazon, and vicinity, Riverside County.

RATES

Quantity Rates:

All Water, per 100 cubic feet \$ 0.33

Service Charge:

For 5/8 x 3/4-inch meter	\$ 23.50
For 3/4-inch meter	25.85
For 1-inch meter	35.15
For 1-1/2-inch meter	46.55
For 2-inch meter	63.15
For 3-inch meter	116.80

The Service Charge is a readiness-to serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option, be furnished on the account of the landlord or property owner.

(N)
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(N)

SPECIAL CONDITIONS

1. Delinquent bills are subject to the late charge as set forth in Schedule No. LC.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(N)
(N)

APPENDIX B

Schedule No. IC

LATE PAYMENT CHARGE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Cabazon Estates Number Two, located in portions of the City of Cabazon, and vicinity, Riverside County.

RATES

Late Charge: A late charge of 1.5% on the unpaid balance subject to special conditions and minimum charge below.

Minimum Charge: The minimum charge is \$1.00.

SPECIAL CONDITIONS

1. The bills are mailed on the first of the month and are billed bimonthly.
2. The balance is unpaid if it is not received by the end of the month of billing. This will always provide at least 19 days to pay the bill and avoid the late charge.
3. The late charge should be imposed only once on a delinquent bill since the account would be shut off before a subsequent bill and then subject to the reconnection fee as authorized by Tariff Rule No. 11.
4. This tariff will be reevaluated when Jensen files its next general rate case.
5. All bills shall be subject to the reimbursement fee as set forth on Schedule No. UF.