

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3940
September 7, 1995

R E S O L U T I O N

(Res. W-3940) HAVASU WATER COMPANY (HAVASU). ORDER AUTHORIZING THE ESTABLISHMENT OF A LATE PAYMENT CHARGE TARIFF ON A TEMPORARY BASIS AND THE INCORPORATION OF PUBLIC UTILITIES CODE SECTION 2714 AS A SPECIAL CONDITION IN THE FILED TARIFFS.

BY ADVICE LETTER NO. 19 FILED ON APRIL 27, 1995.

SUMMARY

This Resolution authorizes the establishment of a late payment charge of one and one-half percent (1.5%) of the balance owed for delinquent payments with a minimum charge of one dollar. The late charge is being established on a temporary basis and will be reevaluated when Havasu files its next general rate case at which time it will either be modified, made permanent, or discontinued. This late charge will have a negligible effect on annual revenues.

This Resolution also authorizes all other water companies to file similar late payment charge tariffs by advice letter, as well as approves the inclusion of Public Utilities (PU) Code Section 2714 as a special condition in their filed tariffs.

BACKGROUND

Havasu, by Advice Letter No. 19 received on April 27, 1995, requests authority to establish a late payment charge to help defray the additional costs of collection and to discourage late payment of bills.

In addition, Havasu requests to add the following Special Condition to Schedule No. 1--General Metered Service:

"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."

Havasu states that it has experienced significant loss of revenues resulting from renters moving out and leaving their water bills unpaid. Havasu presently serves about 200 metered customers in its service area located near

Havasu Landing, approximately 28 miles south of Needles in San Bernardino County.

DISCUSSION

Havasu requests the establishment of a late charge of 1.5% of the unpaid balance with a minimum charge of \$1.00 to help defray the additional costs of collection and to discourage late payment of bills. Though delinquent payments are not significant, Havasu 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.

Havasu proposes to apply the late charge once for each bill as Havasu would normally shut off an account for non-payment before application of a second late charge. Havasu's tariff rules currently contain provisions to collect delinquent accounts and turn off the water service for nonpayment of bills.

To date, the Commission has approved by resolution three late payment charge tariff requests for water companies. In each case, the tariff was approved on a temporary basis until the utility's next general rate case. As late charges are relatively new and lack a revenue stream history, the Commission believed it prudent to evaluate their merits at the utility's next general rate case proceeding.

As the inclusion of PU Code Section 2714 language in Havasu's Schedule No. 1 is perfunctory, the Water Utilities Branch (Branch) concurs that this language be included in the filed tariffs. Branch also agrees with Havasu's temporary late payment charge proposal and recommends the late charge be reevaluated when Havasu files its next general rate case.

As the Commission has approved several late charge tariff requests, and other companies have expressed an interest, Branch recommends that all water companies be allowed to file similar late charge tariffs by advice letter that can be approved administratively by Branch, on a temporary basis, without prior Commission authorization. Water companies filing for such late charge tariffs will be required to maintain a monthly log of the number of customers subject to the late charge, and the amount collected from each customer, for evaluation by the Branch.

NOTICE AND PROTESTS

Havasu mailed a notice of the proposed Late Payment Charge tariff and the PU Code 2714 incorporation in Schedule No. 1 to its customers on July 1, 1995. The Branch received two protests. One protest, from the Havasu Mobile Estates Association--representing over one half of Havasu's customers, does not oppose the late charge per se, but is concerned with Havasu's past noncompliance with its own tariff rules.

Branch investigated the Association's complaint and found that Havasu has in the past disregarded its own tariff rules with respect to customer deposits. Havasu informed the Branch that it has discontinued this practice and now rigorously follows its tariff rules. Branch is reasonably certain of Havasu's current compliance with its tariff rules.

FINDINGS AND CONCLUSIONS

1. Havasu 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. Havasu should maintain a monthly log of the number of customers subject to the late charge and the amount collected from each customer. The late charge should be reevaluated by the Water Utilities Branch when Havasu files its next general rate case.
3. The Water Utilities 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.
4. Havasu should be authorized to include PU Code Section 2714 as a special condition of Schedule No. 1, General Metered Service.
5. All other water companies should be allowed to file late payment charge tariffs or PU Code Section 2714 language tariffs by advice letter, and Branch should be allowed to approve them in compliance with this resolution.

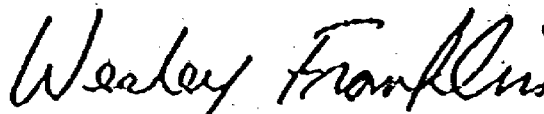
IT IS ORDERED that:

1. Havasu Water Company is authorized to incorporate and make effective Schedule No. LC, Late Payment Charge, and revised Schedule No. 1, General Metered Service, attached to Advice Letter No. 19 and to concurrently cancel its presently effective Schedule No. 1. The effective date of the revised schedules shall be five days after the effective date of this resolution.
2. Havasu shall maintain a monthly log of the number of customers subject to the late charge and the amount collected from each customer.
3. All water utilities are authorized to file advice letters to establish late charge tariffs of no more than 1.5% of the unpaid monthly balance if they keep a log per Ordering Paragraph 2, and to incorporate the provisions of Section 2714 of the Public Utilities Code as a special condition in their filed tariffs, and Water Utilities Branch is authorized to approve them in compliance with this resolution.

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Havasu Water Co./AL19/RUT/RSK:mem

4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 7, 1995. The following Commissioners approved it:



WESLEY M. FRANKLIN
Acting Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
Commissioners