

Penalties and Surcharges

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Penalties and Surcharges

Reference Number: MTAS-840

Penalties or Late Charges

Normally, utility billings specify a date by which the bill should be paid. Customers can be encouraged to make payment by this date through the use of a penalty or late charge. (Sometimes late charges are referred to as forfeited discounts.) If the billing is not paid by the due date a charge (typically 5 to 10 percent) will be added to the amount due. Utilities, as all other businesses need to maintain a steady cash flow in order to pay their bills. The late charge will help keep the cash flowing, and, when it is necessary to add the penalty, help offset the extra cost of collecting past due accounts.

Surcharges

Some city sewer systems have industrial customers that inject large amounts of industrial waste into the sewer. These customers may have to operate under a National Pollutant Discharge Elimination System (NPDES) permit specifying certain levels of waste that will be collected and treated by the system. If these levels are exceeded, the customer may be charged a penalty or surcharge. This surcharge is assessed because it costs more for the lines, pumping stations, and plants to handle and treat this type of waste. A surcharge also may encourage industrial customers to develop pre-treatment programs to treat these types of wastes before they enter the city sewer system. The purpose of surcharges is to recover some costs that otherwise would have to be paid by all customers through higher rates. It is also to encourage industries to be in compliance with their waste discharge permits. MTAS can provide the city with operational technical assistance to help determine surcharges.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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