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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF BRIAN WATER CORPORATION FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES.	**CASE NO. BRN-W-11-01** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Kristine A. Sasser, Deputy Attorney General, in response to the Notice of Modified Procedure, Notice of Workshop and Notice of Comment Deadline (Order No. 32249) submits the following comments.

BACKGROUND

On February 25, 2011, Brian Water Corporation filed an Application for authority to increase its base rate from $12.50 to $18.00 for the first 4,000 gallons per month. Brian Water is located in Ada County and serves 46 residential customers. The Company requests that its increase become effective as soon as possible.

Brian Water asserts that its last request for a rate increase was in 2007. Its actual revenues since the Commission's approval of its 2007 increase have been lower than expected due to cool, wet weather over the past few years. Brian Water also states that its water supply nitrate levels exceed the EPA's maximum contaminant level (MCL) of 10 mg/L. The Application states that DEQ is directing the Company "to enact a longer range solution to keep the levels below the MCL." Application at 1. As a result, the Company is considering a new, deeper well.

The Application maintains that an increase in base rates would provide the current revenues needed since actual revenues have been less than what was granted during the last rate case in 2007.

On April 6, 2011, the Company revised its Application for a rate increase explaining that the primary reason for the request was to increase revenues and build reserve for maintenance issues as they arise for the aging water system. These costs include replacing old meters, replacing old galvanized service lines, mainline repairs, pump repairs, etc. The Company also points out that drilling a new deeper well to resolve the nitrate problem is still under consideration. However, the final cost of that project will not be known for some time and, therefore, is not included in this rate request.

On June 23, 2011, following its investigation of the Company's Application, Staff conducted a public workshop in Boise for the purpose of providing Brian Water customers an overview of the Company's Application and to dispense information. No Brian Water customers attended the public workshop.

STAFF ANALYSIS

System Condition

As part of the evaluation process, Staff conducted a field tour of the water system on May 2, 2011, accompanied by Tony Bowar, owner of Brian Water Corporation. The tour involved inspecting the various components of the water supply and distribution system focusing on project components that were recently completed including the replacement of distribution lines, check valve, service lines and customer meters. The Brian Water system was built in the early 1960s and currently has two production wells as sources of water supply. Well No. 1 is used as the primary well and Well No. 2 is used as a back-up well. Neither well has flow measuring devices and both are discharging directly to the mainline and distribution system. There are 46 residential customers currently served by the Company. The capacity of the water system appears to be adequate to serve the existing customers of Brian Water.

Annual Revenue

Brian Water Corporation reported annual revenues of $12,942, as shown on line 1 of Attachment A. Mr. Bowar reads customer meters six times per year.

Operating Expenses

Brian Water Corporation reported total annual expenses of $14,981 for 2010, as shown on line 20 of Attachment A. In the previous rate case, BRN-W-07-01, Staff found insufficient documentation of expenses for a 2007 test year and recommended a 2006 test year. During the current audit, documentation was improved, including that for 2007. Staff recommends a 2010 test year in this case.

1. Depreciation Expense was reported as $1,688, as shown on line 3 of Attachment A. In previous comments Staff has commented on Mr. Bowar's difficulties accounting for depreciation expenses. The use of Contribution in Aid of Construction (CIAC), in regulatory accounting, adds to Mr. Bowar's difficulties. Staff's adjustment reduced depreciation expense by $386, as shown on line 3, of Attachment A. The calculations are shown on Attachment B. The amortization of CIAC is the primary reason for the reduction.

2. Interest on Long Term Debt: This is primarily interest on Mr. Bowar's line of credit account. As in previous audits, Staff found this account used for both personal and business purposes. Staff removed the interest from this case because it is for a combination of personal and business use, and lacks the documentation necessary for separation. The adjustment is shown on line 8 of Attachment A.

3. Labor: Mr. Bowar's management fee for 2010, totaled $6,160. This total was split almost equally between, Account 601.1, Labor-Operations and Maintenance; and Account 601.8, Labor-Administrative and General. The respective amounts were reported as $3,160 and $3, 000, as shown on lines 9 and 10 on Attachment A.

Historically, Mr. Bowar has apparently operated as an independent contractor. In Order No. 22880, dated December 12, 1989, Mr. Bowar's management fee is discussed. The fee includes all self employment taxes, including Social Security, vehicle expenses, and identifies specific duties. In the current audit, no payroll taxes were reported as part of expenses. If Mr. Bowar was an employee, payroll taxes would be part of reported expenses. In their absence, we conclude that Mr. Bowar continues to operate as an independent contractor. We note that there is no written contract regarding Mr. Bowar's independent contractor status. Mr. Bowar is also the owner of Brian Water Corporation. Therefore, the amount of Mr. Bowar's compensation does not appear to be determined by an arms-length transaction. Consequently, Staff conducted three tests on Mr. Bowar's reported compensation.

In the first test, current compensation was compared to historical compensation and increases. In BRN-W-89-01, the total amount was $4,800. In BRN-W-98-01, the total compensation was $6,000, resulting in a 25.0% increase over ten years. According to Staff's report, the $6,000 was not considered unreasonable and was accepted by the Commission. In the current audit, BRN-W-10-01, the total reported compensation equals $6,160. This is a 2.7% increase, totaling $160, over twelve years. Staff believes this $160 increase is reasonable.

In the second test, Staff evaluated the $3,160, reported for Operations and Management. Staff compared the reported compensation to the Idaho Department of Labor, Occupational Employment and Wage Survey for the Boise City and Nampa Metropolitan Statistical Area, covering the year 2010. In that survey, SOC code 51-8031, Water and Liquid Waste Treatment Plant and System Operators, on page 16, is the best fit to Mr. Bowar's operational duties. The wage scale for this SOC code is $13.00 per hour for entry level wages. The highest wage is $23.72 per hour for licensed, experienced operators, with supervisory responsibilities, in large systems. Knowing that Mr. Bowar has no supervisory responsibilities, Staff considered Mr. Bowar's experience and the size of the Brian Water system. Staff chose the lowest end of mid-range, as the test wage, which is $16.13 per hour. This wage equals $33,550, annually, or $2,795 monthly, for a full time employee. This does not include the employer's portion of payroll taxes and benefits, nor vehicle expenses. Mr. Bowar acknowledges that he works less than full time, with emergency calls being the largest variable. Mr. Bowar recently moved to Boise and is available by telephone twenty four hours per day to handle emergencies and uses his own vehicle. Using the 2010 wage survey, Mr. Bowar's reported compensation of $3,160 equals 9.4% of the annual test wage. Staff believes this $3,160 is reasonable annual compensation for Mr. Bowar's operational duties. No adjustment is recommended.

In the third test, Staff compared the reported annual compensation of $3,000, for Labor-Administrative and General, to the SOC code 43-3021, in the wage survey cited above. SOC code 43-3021 is for Billing and Posting Clerks, and is listed on page 11. This SOC code was chosen because account billing and posting is one of Mr. Bowar's consistent, recurring duties in the administrative category. The entry level wage for this SOC code is $10.78 per hour. The middle range is $11.98 to $15.84 per hour. Given the small size and simplicity of the customer accounts system for Brian Water, Staff chose $11.98 as the hourly test wage. This is equivalent to $24,918, annually, or $2,076 monthly, before payroll taxes. In this evaluation, Staff considered three criteria:

Billing: Mr. Bowar estimated meter reading requires about 45 minutes. Billing and related activities requires about two hours monthly. Mr. Bowar did not include travel time and account posting in his estimates. Staff allowed four hours monthly for meter reading, billing, posting accounts, mailing customer bills and associated activities. Four hours per month at the hourly test wage of $11.98/hour equals $575 annually. The $3,000 claimed as Labor-Administrative and General, less $575 for wages leaves $2,425 for travel expenses and other duties.

Travel Expenses: Previously, bi-monthly meter readings required six trips, annually, from Mr. Bowar's Idaho City residence to Brian Water in Boise. Monthly readings will require Mr. Bowar to make a total of twelve trips from his Boise residence. Staff believes that travel expenses are roughly equal, given the shorter distance from Mr. Bowar's current residence in Boise.

Other Duties: $2,425 for travel expense and other duties equals $202 per month. The duties include paying bills, travel and calling for quotes. Paying bills is a regular activity, while others duties are situational. On balance, Staff believes that $2,425 annually is reasonable. No adjustment is recommended.

4. Materials and Supplies-Administrative and General: Total expenses in this category were reported as $914 for 2010. We tested this amount by computing a four year average. Since Mr. Bowar will be billing monthly, the additional billings will require more supplies. Also, complying with the Uniform Customer Relations Rules requires Mr. Bowar to produce annual account summaries, etc. Staff calculated a four year average and added the cost of additional paper, envelopes and first class postage. Attachment C shows the details and $244 is added to operating expenses, as shown on line 13 of Attachment A.

5. Contracted Services-Testing: These water testing expenses were reported as $481, as shown on line 15 of Attachment A. The required testing protocol has unequal timing and varying charges. Consequently, annualization is required to calculate the correct average, annual expense. The annualized expense is $138 larger than the reported expense and the increase is shown on line 15, Attachment A. Calculation details are on Attachment D.

6. Contracted Services-Other: The reported amount of $2,021 included $1,726 for items which are not operating expenses but are capital additions which should be included in rate base. Attachment E shows the individual items equaling $1,726. The improved quality of documentation for costs associated with meter installation is evident for meter additions during 2007 and in the 2010 invoices. The adjustment shown on line 16 of Attachment A reduces reported operating expenses by $1,726. The 2010 expense reductions are capitalized with $1,726 added to rate base. The adjustment to depreciation expense shown on line 3, Attachment A, includes depreciation for meters replaced during 2007 and 2010.

7. Rentals-Property and Equipment: Reported expenses were $413 for 2010. Invoices showed these expenses to be for repairs and property maintenance. Because this type of expense varies from year to year, we calculated an average of these expenses for 2007 through 2010, as shown on Attachment F.[1] The four year average of these expenses amounts to $637 – an increase of $225 per year as calculated on Attachment F and shown on line 17, of Attachment A.

8. Miscellaneous Expenses: Due to the variable nature of miscellaneous expenses, Staff compared the reported expense of $205 to a four year average for the years 2007 through 2010. The average is $241 as shown on Attachment G. The membership fee for the Idaho Rural Water Association (IRWA) was added to allow Brian Water to receive leak detection and other on-site technical assistance. The $255 fee, when added to the four year average miscellaneous expenses, totals $496. This total is $291 larger than the reported Miscellaneous expenses, as shown on line 19 of Attachment A.

Rate Base

The rate base for Brian Water Corporation for the year-end 2010 is $29,545. For Brian Water, rate base is limited to plant in service, CIAC and working capital, as shown on Attachment I.

Revenue Requirement

Staff recommends a 12.0% return on rate base, as was used in BRN-W-07-01. The return on rate base of $3,545 is shown on line 1 of Attachment I. When the return is added to reasonable operating expenses the total annual revenue requirement is $17,532, as shown on line

[1] In Attachment F, the $1,154 removed from reported expenses for 2007 are the 2007 meter replacements referred to above. This adjustment was necessary to calculate the correct four year average for expenses.

5 of Attachment J. This is an increase of 35.3%, as shown on line 8 of Attachment J, over the current revenue of $12,942.

Other Items

1. Cash Flow: Mr. Bowar listed cash flow problems as a reason for requesting a rate increase. Staff has performed an analysis of cash flow for the years 2006 through 2010. In addition, Staff performed an analysis of Accounts Receivable for the years 2004 through 2010 (Attachment H). Staff also constructed a pro-forma monthly cash budget for 2011 expenses comparing the budget to cash collections and billing patterns. Several points emerged.

First, historically, Brian Water Corporation has been thinly capitalized. Second, in evaluating accounts receivable, both amount and timing are important. Attachment H is a standard accounting analysis of accounts receivable. Line 7 shows that the average number of days to collect has varied from a high of 67 in 2004 to a low of 23 in 2008. The average collection period for 2010 was 39 days. Rule 202 of the UCCR provides for a minimum of 15 days after billing before accounts can be considered past due. The rule should give Mr. Bowar enough latitude to establish a reasonable collection policy.

A second method of evaluating accounts receivable is an aging report. An aging report is useful in identifying the largest and oldest delinquent accounts. These accounts are more likely to become collection problems in the near future. Managing collections will improve cash flow. Staff believes the aging report developed by Mr. Bowar's software is rudimentary at best. Consequently, Mr. Bowar is handicapped in managing his most delinquent accounts. Staff is willing to assist Mr. Bowar in developing an improved aging report to help him manage accounts receivable and cash flow. Staff believes this is most easily accomplished during the transition to monthly billing.

2. Emergency Reserve Fund: In his application, Mr. Bowar requested a reserve fund, but has subsequently removed this request. Specifically mentioned were replacing old meters, replacing old service lines, main line repairs and pump repairs. It appears Mr. Bowar's request for a reserve fund is based on a misunderstanding of its purpose. Repairs are part of normal operating expenses and Staff has considered the adequacy of funds for repairs in its recommended rate adjustments, discussed earlier. Expenditures to extend the useful life of the system or replace portions of the system essential to the operation and delivery of safe, potable water are not repairs. Funds for these purposes normally come from reinvested earnings, or invested capital. In addition to maintenance costs included in the revenue requirement, Brian

Water has cash from the annual depreciation allowance of $1,302 and return of $3,545. These cash flows are available for use and reinvestment as the Company needs.

More importantly, the water quality at the Brian Water well does not comply with Idaho Department of Environmental Quality (IDEQ) requirements. Staff believes that any application for financing well repairs should include the cost of flow meters and other items of infrastructure normally associated with the well. As yet, there are no cost estimates or engineering information available. Consequently, Staff has no reasonable basis for establishing a reserve fund at this time. The most appropriate option can be pursued when costs and circumstances become known.

3. Consent Agreement: The IDEQ consent agreement poses the most significant financial problem faced by Brian Water Corporation. Currently, water from the main well is not in compliance with IDEQ requirements. IDEQ has specified the options available to Brian Water Corporation to correct the problem. Mr. Bowar has not yet made a selection among the options. As a result, these future costs are unknown. No provision is included in the recommended rates for those unknown, future costs. See the additional discussion under Other Water System Operational Issues below.

RATE DESIGN

The Company currently uses a single block rate design with minimum customer charge volume allowance. This rate structure consists of a base rate or minimum customer charge of $12.50 per month with volume allowance of 4,000 gallons and a commodity charge of $1.35 for each additional 1,000 gallons. Brian Water proposes to raise the base rate from $12.50 per month to $18.00 per month for the first 4,000 gallons, an increase of 44.0%. The Company is not proposing to increase the commodity charge of $1.35 per 1,000 gallons.

Staff believes that it is appropriate to maintain a single block design with minimum charge volume allowance. Most of the small water utilities regulated by the Commission have been operating for decades with this rate structure because it is simple, easy to implement and easy to understand. This type of rate design has some element of conservation because if the customer uses more water, he has to pay more – compared to flat rate design for unmetered systems.

In response to Staff Production Request No. 12, Brian Water concedes that it had no rationale for using a 4,000 gallons volume allowance for the minimum customer charge. Although the Company has utilized the 4,000 gallons of volume allowance for 40 years, it is amenable to an adjustment of the current allowance. Staff conducted an analysis to determine whether the current level of volume allowance for Brian Water customers is appropriate. The Company provided Staff with four years of water use data from calendar year 2007 to 2010. Monthly readings were not available, but the meter readings every two months were recorded throughout the year. See Attachment K. Using the total amount of water sold during the winter months of the calendar year (i.e., water sales from January to April, and from November to December of the same year), the average winter usage was calculated by dividing the total volume of water sold by the number of months considered during the winter season and the number of customers. The average winter usage for four years per residential customer was 6,521 gallons per month (46 customers). See Attachment L for detailed calculations.[2]

The above methodology for estimating reasonable minimum customer charge volume allowance is consistent with the method used by Staff and approved by the Commission in recent general rate cases for small water utilities. TRH-W-10-01, Order No. 32151; BCS-W-09-02, Order No. 31002; and FLS-W-09-01, Order No. 31022.

Staff recognizes that the current 4,000 gallons per month volume allowance is already below the threshold of 6,500 gallons average winter water usage calculated by Staff. However, Staff believes that the current volume allowance would have a better conservation element in the overall rate design. Staff, therefore, does not oppose maintaining the minimum volume allowance of 4,000 gallons per month for all customers of Brian Water Company.

Staff does not support the Company proposal regarding no adjustment of the commodity charge because it is inconsistent with the Commission's historical approach to designing rates for small water utilities. First, it sends no conservation signal to customers. Second, it does not allow customers who consistently practice conservation the opportunity to impact their monthly bill.

As indicated previously, Staff's adjusted test year annual revenue requirement for the Company is $17,532. Using this adjusted revenue requirement and the recommended rate design as discussed above, Staff recommends a minimum customer charge of $17.50 with volume allowance of 4,000 gallons and a commodity charge of $1.51 per 1,000 gallons for water usage above 4,000 gallons for each customer.

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[2] This approach is suggested by the American Water Works Association (AWWA) which states that one criterion that might be considered is to base the water allowance included in the minimum charge on the winter time (non-irrigation) use of very small household. American Water Works Association, Manual of Water Supply Practices, Water Rates, AWWA M1, Fourth Edition, 1991, p.34.

There are no set policies in establishing the base charge or minimum customer charge in designing rates for small water utilities regulated by the Commission. The primary objective is to design rates and charges that generate the recommended revenue requirement. A rate design with high fixed charge may provide more stable revenues for a small water utility company. However, it would also offset the conservation incentives offered by the volume or commodity charges. Therefore, Staff strives to balance the conservation incentive of a commodity charge with a customer charge that reasonably meets monthly cash flow requirements of the Company.

The existing, Company proposed and Staff proposed rates and rate design are shown in the summary table below.

RESIDENTIAL CUSTOMERS	EXISTING RATES	COMPANY PROPOSAL	STAFF PROPOSAL
Min. Customer Charge	$12.5	$18.00	$17.50
Volume Allowance	4,000 gallons	4,000 gallons	4,000 gallons
Commodity Charge	$1.35 per 1,000 gals	$1.35 per 1,000 gals	$1.51 per 1,000 gals

To assure that the Staff's rate design meets the recommended revenue requirement, Staff developed a rate proof sheet as presented in Attachment M. The total revenue for the commodity charge was calculated using a normalized 4-year average (2007, 2008, 2009 and 2010) annual excess volume usage of 5,230,690 gallons for all customers. Staff believes that the average for the last four years, as opposed to a longer term average, would be a fair representation of the actual excess usage by Brian Water customers based on the general trend of decreasing annual water usage by the Company's customers. The normalized excess volume was calculated by analyzing individual water usage for each customer per billing period using a 4,000 gallons allowance per month or 8,000 gallons per 2-month billing period. The total calculated revenue using Staff's proposed rate design is $17,558 or about $26 over Staff's recommended revenue requirement. Staff believes that its rate design proposal is reasonable and appropriate for Brian Water.

Staff analyzed the potential monthly revenue collections under the Staff's design rate proposal and found that collections would reasonably cover the expected known monthly operating expenditures in the pro forma cash budget even during the low revenue months. Based on the Staff's proposed rate structure, a customer with an annual average monthly water usage of

13,125 gallons would see an increase of $6.46 per month or 26.0% above current rates. The rate impacts for residential customers with different monthly water usage are presented in Attachment O.

Other Water System Operational Issues

Water Quality Violations and Consent Order

The Company initially filed a rate case Application on February 25, 2011 indicating that one of the reasons for filing the increase was that the nitrate levels in the water supply has exceeded EPA's maximum contaminant level (MCL) of 10 mg/L. Consequently, IDEQ disapproved the water system and issued a consent order relating to nitrate mitigation. It is Staff's understanding that Brian Water is anticipating three major potential expenditures to address the Consent Order: 1) the cost for preparing a Technical Memorandum summarizing the alternatives analyzed and available funding sources to be prepared by the consulting engineer; 2) the cost for preparing the Preliminary Engineering Report and Design once the preferred alternative has been selected by Brian Water and approved by IDEQ; and 3) the construction cost for the selected alternative including engineering and construction oversight.

To date, the various costs noted above are not available. As noted in the Company's revised Application, Brian Water expects to submit another rate increase request in about 10 months to cover these costs. Staff recommends that the Company provide timely updates to the Commission concerning the progress of the nitrate mitigation project noted in the Consent Order.

Water Production Meter and Unaccounted-For Water (Losses)

During the Company's last rate case (BRN-W-07-01), Staff noted that water loss in the system is high. The Commission noted in its Order No. 30516 that water is a resource that must be conserved and not wasted, and the Commission encouraged the Company to take steps to better manage its resource. In this case, Staff concedes that before water loss can be reasonably estimated, accurate metering of water sold to customers and water pumped must be accomplished. The Company is currently replacing faulty customer meters as necessary. In response to Staff Production Request No. 3, the Company indicated that it did not install a flow meter on the system production well. The estimated cost to install these meters is approximately $1,500 per meter or $3,000 for two wells. The Company indicated that it does not have the funds available to install the meters. Staff notes that installation of production meters would be an added costs of operating the system at this time. The cost of a flow meter could be included as part of the cost associated with well construction when the Company applies for financing a well replacement assuming that this is the selected option in addressing the Consent Order. Staff also recommends that the Company conduct a leak assessment in its distribution system and fix leaks as they occur.

As mentioned previously, Staff is recommending that the Company apply for membership in the Idaho Rural Water Association (IRWA). As a member of IRWA, the Company would be eligible to seek some assistance, including leak detection assessment and other onsite technical assistance, offered by IRWA without charge. Staff included an adjustment in the yearly operation expense of $255 for membership of IRWA (annual membership fee for water utilities with 30-100 connections).

Meter Replacement Program

Staff notes that the Brian Water system was built in 1962. The Company acknowledges that because of lack of capital it has not been able to replace or rehabilitate water system infrastructure. The Company generally replaces or installs new parts of the system during emergency situations when specific components break down such as pipe breaks in the transmission, distribution or service lines, malfunctioning customer meters, or motor failure of the submersible pumping units.

The Commission encouraged the Company to test and replace defective customer meters to better manage water resources. BRN-W-07-01, Order No. 30516. In response to Staff Production Request No. 5, the Company indicated that it has not found anyone to test its old meters. The Company appears to be replacing customer meters only during an emergency situation such as when the meters are leaking or are found to be defective. For example in 2007, the Company replaced two customer meters at a total cost of $1,154. During the 2010 test period, it replaced two customer meters with a total cost of $1,726. Both charges were high because of unusual circumstances encountered during the replacements of these meters. Staff also understands that a couple of customer meters were replaced in 2006.

Staff believes that Brian Water should institute a customer meter replacement program because its meters have been operating for almost 49 years, and leaking and defective meters are already showing up as experienced in 2006, 2007 and 2010. The Company also apprised Staff that there are four meters that appear to be in bad shape and need to be replaced soon. Staff believes the recommended increase in revenues will allow Brian Water sufficient earnings to replace an average of five customer meters per year. With this customer meter replacement schedule, it will take about eight years to replace the remaining 40 customer meters. See previous discussion under ***Operating Expenses.***

CUSTOMER NOTICES AND PRESS RELEASES

The Company's Application included a copy of a letter dated February 22, 2011, that was sent to customers. The letter does not meet the requirements of the Commission's Rules of Procedure, Rule 125. The letter stated that the Company was going to apply for a rate increase and included the amount requested, but it did not include the percentage of increase requested, nor did it include information regarding where the customer could review the application or how to contact the Commission. The Company did not issue a press release as required.

On May 27, 2011, the Commission issued Order 32249, which included a Notice of Modified Procedure, Notice of Workshop and Notice of Comment Deadline. A copy of this Order was sent to all customers of the Company. Considering the small number of customers served by Brian Water, the apparent lack of awareness of the Commission's requirements on the part of the Company's owner, and the fact that the Commission has since published its own press release, sent customers notice of the scheduled workshop, and will hold a public hearing for customers and the public to offer comments, Staff does not feel that this lack of proper notification merits sanctions in this case.

The workshop was held on June 23, 2011, in the Commission's Hearing Room at 472 W. Washington in Boise, Idaho. There were no attendees.

BILLING

The billing statements provided by the Company indicate that it bills customers in February, April, June, August, October and December. The Company stated that the customers' meters are read at the beginning of the month prior to the billing statement. The Commission's requirements for billing documentation are contained in Rule 201 of the Utilities Customer Relations Rules (UCRR), which states that bills shall be issued on a regular basis and describes the content requirements for the bills. During the Company's last rate case (BRN-W-07-01), the Commission directed the Company to read meters and bill customers on a monthly schedule. Order No. 30516, at 5.

To date, the Company still reads meters and bills customers bi-monthly. In response to Staff Request No. 14, the Company indicated that it had switched to bi-monthly billing years ago. The Company referred to United Water's bi-monthly meter reading schedule and questions the advantage of monthly billing. The Company claims that it saves a little money and all the customers support it. The Company's refusal to bill monthly as required by Commission Order No. 30516 clearly places the Company in non-compliance. The Company's actions seem counterproductive considering that in both the 2007 rate case and the Company's current case, it has pointed out to Staff that monthly cash flow is a problem. It is reasonable to expect that there would be some added cost to the Company in transitioning from bi-monthly to monthly meter reading and billing but monthly cash flow problems could be lessened. The Company has reported that the time necessary to read meters and bill customers is approximately three hours. Staff recognizes the extra cost for monthly meter reading and billing and recommends an adjustment in the Company's annual operating expenses to address these costs. Staff continues to support monthly meter reading and billing and recommends that the Commission reaffirm its previous Order.

DOCUMENTATION

Rules 201 and 305 of the Commission's UCRR list the information required on bills and past due notices mailed to customers. The Company's bills and notices do not meet the requirements of those rules. Examples of missing information include the itemization of charges on bills and the due date of the bill. Staff recommends the Company update all documentation to comply with Commission requirements and is willing to offer its assistance to the Company.

The Company did not submit any documentation in response to Staff Request No. 25 for copies of the Company's Initial Notice to Terminate, Final Notice of Intent to Terminate Service, and written information provided to customers following termination of service, (described in Rules 304, 305, 310, and 311 of the UCRR). Instead, the Company stated that it has never terminated service to anyone, indicating that if someone gets too far behind, the Company sends a letter and the customer either calls or pays. Staff's review of the Company's Accounts Receivable indicates that the untimely collection of bills has had a negative effect on cash flow. Staff's review of documents on file at the Commission submitted in the course of previous cases and as a part of the document review process conducted by Consumer Assistance Staff indicates that the Company's documents do not meet the Commission's requirements. Staff is willing to