

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )**  
**SPIRIT LAKE EAST WATER COMPANY )** **CASE NO. SPL-W-04-1**  
**REQUESTING AUTHORITY TO INCREASE )**  
**ITS HOOK UP FEES FOR WATER SERVICE )** **ORDER NO. 29513**  
**)**

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On January 14, 2004, the Spirit Lake East Water Company filed an Application requesting that the Commission authorize it to increase its hook up fee for new customers connecting to its water system. The Company's current hook up fee of \$650 has not changed since initially approved in November 1983 by Order No. 18466. The Company serves approximately 240 customers in two large lot subdivisions located near the community of Spirit Lake, Kootenai County, Idaho. Certificate No. 293 was issued to the Company by Order No. 17892 in February 1983.

As detailed below the Commission grants the Company's request to increase its hook up fee to \$1,200 for new customers connecting to its water system. In addition, the Commission finds that potential customers who paid the previous hook up charge of \$650 after January 14, 2004, but have not requested a date to be connected to the water system must do so prior to the end of the year or pay the difference between the old and new fee to be connected in 2005.

**THE APPLICATION**

The Company initially requested a hook up fee increase from \$650 to \$2,500 to cover increased contract costs that have occurred recently. The Company contended it had incurred direct contract costs of up to \$2,500 for installation of new water services. In addition to direct contract costs, the Company also identified labor and travel expenses incurred for the installation of new services and meters. The reasons given for the high contracting and labor expense are the limited number of contractors available in the area and the highly qualified contractor the Company hired to do the work.

The Company contended that hook up costs are also high because new services often require installing a complete service from the main to the property line and the developments served have lots that often exceed ten acres with building sites undefined.

## COMMENTS

1. Commission Staff. In 2002, Staff completed an audit of the Company for 2001. During that time the average contract cost for hook ups was just over \$1,000. In addition, Staff's review of the Company's recent annual reports reveals that its costs are lower than estimated by the Company in its Application. Given Staff's review it appears that the increase requested by the Company in its Application was not justified.

Staff prepared two production requests and evaluated the Company's responses that provided most invoices for the installation of new service lines from an independent contractor. However, the Company did not provide time cards to verify the level of Company supplied labor used in developing the proposed hook up fee. Through telephone conversations, Staff and the Company were able to agree on an appropriate level of Company provided labor necessary to complete each hook up. In response to Production Request No. 26, the Company provided a revised estimate of Company provided labor at \$135.07 per hook up and dropped its request for vehicle reimbursement and a 20% contingency. Staff believes this estimate is more reasonable than the \$866 labor and \$414 contingency costs per hook up included in the Company's Application.

Staff also inquired about how many potential hook ups remain. On March 31, 2004, the Company inventoried the remaining unmetered/unserved properties on the system and found that there are 90 additional hook ups possible. Eleven of the remaining hook ups are anticipated to be new meter installations and the remaining 79 are expected to be new service connections.

Staff recommended that the Commission set the hook up fee based on a weighted average hook up fee based on a new fixed price contract and a fixed contribution to the Company supplied labor of \$135. With this Staff anticipates that the hook up fee should not exceed \$1,200 including contract costs and Company labor costs for the possible 79 new service and 11 meter installations.

2. Spirit Lake East Water Company Reply Comments. In its reply comments, the Company agreed with Staff's recommendation that the hook up fee should not exceed \$1,200. As a result it would accept a new hook up rate of \$1,200 per lot if granted by the Commission. The Company has obtained a quote from a contractor on the Idaho Public Works contractor list who quoted a maximum rate of \$1,200 per lot, per hook up to apply to most of the remaining lots. The Company stated it would not recoup its administrative fees associated with the hook up

for each lot and still subject to rate increases by the contractor. However, the Company is confident in the contractor's ability to serve its customers in a timely manner and it wishes to conclude this issue. Accordingly, it accepts Staff's position on the recommended level for the hook up fee.

After the Application was filed, several customers paid the current \$650 hook up fee but did not provide the Company with a specific connection date. The Company advised these customers that connections must be completed prior to the end of 2004 for the current fee to apply. Spirit Lake indicated that an exception to this policy would be made only if an affected customer requested a connection date prior to December 31, 2004, but the Company was unable to complete the work due to inclement weather. Any affected customer who did not request connection prior to the end of the year would be required to pay the difference between the amount already paid (\$650) and the new fee authorized by the Commission. The Company requested that the Commission approve this policy.

#### COMMISSION DECISION

Spirit Lake East is a water corporation as defined by *Idaho Code* § 61-125 and is a public utility as defined by *Idaho Code* § 61-129. The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to Title 61, Idaho Code and the Commission's Rules.

After examining the record and reviewing the hook up costs for Spirit Lake East Company as agreed to by the Staff and the Company, the Commission finds the proposed amount per hook up to Spirit Lake's water system is reasonable. Accordingly, the Commission authorizes the Company to increase its hook up fee to \$1,200 for new connections to its water system. The Commission finds that this increase is consistent with the public interest and Spirit Lake's proper performance of its duties as a public utility. This new hook up fee shall become effective on the service date of this Order. The Commission directs the Company to file amended tariffs to reflect this new hook up fee.

The Commission also authorizes the Company to continue its policy regarding hook up requests made after its Application was filed in this case. Any customer who paid the \$650 hook up fee before the service date of this order must be connected to the system before December 31, 2004, to avoid being subject to the new, higher fee. An exception to this policy will be made only if an affected customer requests connection before the end of this year but the Company is unable to complete the work due to inclement weather or other reasons beyond the

Company's control. Any affected customer who does not request connection prior to the end of the year will be required to pay the difference between the amount already paid (\$650) and the fee in effect at the time of the customer's request. Affected customers who do not want to connect service prior to the end of this year may request a refund.

#### **ORDER**

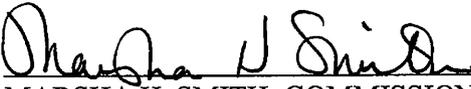
IT IS HEREBY ORDERED that Spirit Lake East Water Company's Application to increase the fee it charges to connect new customers to its water system is granted. Spirit Lake East Water Company is authorized to charge \$1,200 for requests to connect to its water system. The Commission directs the Company to file its amended tariffs to reflect this new hook up fee within three (3) days from issuance of this Order.

IT IS FURTHER ORDERED that the Commission authorizes the Company to continue its policy regarding hook up requests made after its Application was filed in this case. Any customer who paid the \$650 hook up fee before the service date of this order must be connected to the system before December 31, 2004, to avoid being subject to the new, higher fee. An exception to this policy will be made only if an affected customer requests connection before the end of this year but the Company is unable to complete the work due to inclement weather or other reasons beyond the Company's control. Any affected customer who does not request connection prior to the end of the year will be required to pay the difference between the amount already paid (\$650) and the fee in effect at the time of the customer's request. Affected customers who do not want to connect service prior to the end of this year may request a refund.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. SPL-W-04-1 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

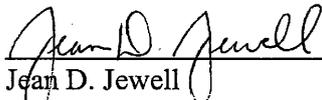
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 7<sup>th</sup>  
day of June 2004.

  
PAUL KJELLANDER, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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