

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF SPIRIT LAKE EAST)
WATER COMPANY'S TARIFF ADVICE TO) CASE NO. SPL-W-09-01
MODIFY TARIFF SCHEDULE NO. 1)
ORDER NO. 30938

On August 20, 2009, Spirit Lake East Water Company filed a Tariff Advice to modify the Company's Tariff Schedule No. 1. The Company proposed to add fees for late payments, returned checks, and reconnecting service, and also proposed to begin billing its customers on a monthly basis rather than quarterly beginning October 1, 2009.

Spirit Lake provides service to approximately 330 customers residing in a six-square-mile area in Spirit Lake, Idaho. The Company last requested a rate increase in 2006, and the Commission approved a modest increase, while noting pressing problems with the water delivery system. The Commission directed Spirit Lake to promptly address leakage and a generator problem, and assured the Company "the Commission will respond as quickly as possible if the Company requests recovery of the costs in rates." Order No. 30279, p. 11. Spirit Lake subsequently provided reports to the Commission indicating the Company made the necessary improvements, but has not requested recovery of the costs in rates.

The Company originally requested that its proposed tariff changes become effective within 30 days after filing, but later filed a letter requesting that the effective date be moved to October 1, 2009. On September 30, 2009, the Commission issued a Notice and Order No. 30916 suspending the effective date of the tariff changes "for a period of 60 days from October 1, 2009, or until such earlier time as the Commission enters an Order accepting, rejecting or modifying" the proposed terms. Order No. 30916, p. 3. The Notice of Modified Procedure established a period for filing written comments.

The Company proposed the new fees to recover costs caused by customers who make late payments, pay with insufficient-funds checks, or ask for reconnection after disconnection for seasonal service. Specifically, the non-recurring charges Spirit Lake proposed are the following: (1) a late payment charge of one percent (1%) per month of the unpaid balance not received by the next statement date; (2) a \$20 returned-check fee each time a customer's check for payment for water service is returned by the bank; (3) a reconnection fee of \$32 for reconnection within

30 days of disconnection but at times other than normal business hours; and (4) new reconnection fees for customers disconnected more than 30 days of \$52 during normal office hours and \$65 for other than normal business hours.

Spirit Lake stated the proposed change to monthly billing will (1) produce a more consistent revenue stream to support the operations of the Company in supplying adequate and reliable water to its customers; (2) send better and more timely signals to the Company's customers about their individual water usage; (3) allow the Company to obtain data showing a more accurate account of water usage or loss; and (4) provide for a more timely discovery of any leaks on the customer's side of the meter. The Company provided notice of the proposed changes through a direct mailing to each of its customers dated August 20, 2009.

Staff reviewed changes to Schedule 1 requested by Spirit Lake and filed written comments. No other comments were filed with the Commission.

The Commission finds that the non-recurring charges proposed to be added to Spirit Lake's tariff are fair, just and reasonable. The seasonal reconnection charge of \$52, or approximately four times the monthly base charge, is consistent with reconnection charges approved for other small water companies. Seasonal disconnection does not appear to be a significant service challenge for the Company, as it indicated it currently has 21 customers who are metered and not taking service out of a total customer base of 330.

The Company proposed after-hours reconnection fees of \$32 for accounts closed 30 days or less and \$65 for seasonal disconnection accounts closed longer than 30 days. The Company's normal business hours are 8:00 a.m. to 5:00 p.m., Monday through Friday. After-hours reconnection creates additional expense because personnel are dispatched outside of their normal working hours. The proposed charges will enable the Company to recover a portion of the extra costs. The Commission finds the after-hours reconnection fees of \$32 for accounts closed 30 days or less and \$65 for accounts closed longer than 30 days to be just, fair and reasonable.

The Company's request for a \$20 returned-check charge is appropriate to recover costs incurred when a check is returned for non-sufficient funds. The charge of \$20 is consistent with charges of other similar companies and meets statutory requirements. The Commission finds the \$20 returned-check charge is just, fair and reasonable.

The Company's request of a one-percent late payment fee for all past-due payments not received by the due date is appropriate to reduce the costs incurred in collecting past-due amounts and should improve cash flow by encouraging timely payment of bills. The one-percent late payment fee is consistent with similar charges approved for other small water companies. Because the Commission does not approve the change to monthly billing in this Order, the due date will be 30 days after the billing date and the late payment charge of one percent will be applied to the unpaid balance after that time. The Commission finds the one-percent late payment fee is just, fair and reasonable.

In its review of the Company's request to change to monthly billing, Staff stated it "did not receive sufficient information from the Company to perform a prudency review of the costs to implement the proposed change in billing practice." Staff Comments, p. 5. Staff nonetheless recommended the Company not be prohibited from making the change to monthly billing, but not be allowed recovery of any associated costs until a prudency review can be completed.

The Commission finds that a determination on a change to monthly billing should be made after all costs are known and can be measured against the benefits. It may be, as the Company asserts, that a change to monthly billing will produce a more consistent revenue stream, send clearer signals to the Company's customers about their water usage, provide better data about water usage or loss, and allow for earlier discovery of leaks on a customer's side of the meter. These benefits do not come without costs. The Company indicated that the existing billing system, software program and special postcard-sized forms would need to be upgraded as part of the process to switch from quarterly to monthly billing. In addition, the costs for reading meters and recording all readings into customer records prior to billing would increase. Without knowing the significance of the added costs, it is not possible to adequately assess the relative benefits of monthly billing. In addition, customers should be given the opportunity to provide input on the benefits of monthly billing as compared to the additional costs they would incur.

The Commission approves the proposed tariff changes to add non-recurring charges. Specifically, we approve (1) a seasonal reconnection charge of \$52 for accounts closed longer than 30 days; (2) an after-hours reconnection fee of \$32 for accounts disconnected less than 30 days and \$65 for accounts disconnected longer than 30 days; (3) a \$20 returned-check charge;

(4) a one-percent (1%) late payment fee for all past-due payments not received by the due date. The proposal to change to monthly billing is not approved, but will be reserved for a rate case when the additional costs and benefits can be adequately evaluated.

ORDER

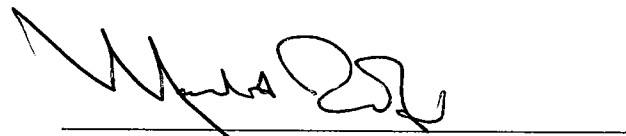
IT IS HEREBY ORDERED that Spirit Lakes' proposed changes to its Schedule 1 tariff to add non-recurring charges, as set forth in this Order, are approved. The Company is directed to file revisions to its tariff consistent with this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of October 2009.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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