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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF SPIRIT LAKE EAST
WATER COMPANY'S TARIFF ADVICE TO
MODIFY TARIFF SCHEDULE NO. 1

)
) CASE NO. SPL-W-09-1
)
)
) COMMENTS OF THE
) COMMISSION STAFF
)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 30916 on September 30, 2009, submits the following comments.

BACKGROUND

On August 20, 2009, Spirit Lake East Water Company filed a Tariff Advice to modify the Company's Tariff Schedule No. 1. The Company proposes to add the following charges to the existing tariff: a late payment fee, a returned check charge, an after-hours reconnection charge, a seasonal reconnection charge and an after-hours seasonal reconnection charge. In addition, the Company proposes to begin billing its customers on a monthly basis rather than quarterly beginning October 1, 2009. Finally, the Company proposes to modify language in tariff Schedule No. 1 regarding how it will bill its customers in the event that it cannot read a meter(s). The Company

originally requested that this filing become effective within 30 days after filing. On September 11, 2009, the Company filed a letter requesting that the effective date be moved to October 1, 2009.

Spirit Lake is requesting the change to monthly billing because it will: (1) produce a more consistent revenue stream to support the operations of the Company and the provision of safe, adequate and reliable water service 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 and disclosure of any leaks on the customer's side of the meter.

Spirit Lake also proposes several non-recurring charges not previously contained in the tariff. The Company wishes to add: (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 is requesting these fees and charges to allow the Company to recover a portion of the costs incurred by the Company for late payment, returned checks, and reconnecting service directly from those customers causing the cost to be incurred.

The Company has provided notice of these changes through a direct mailing dated August 20, 2009, to each of its customers.

STAFF REVIEW

Seasonal Reconnection charge

Spirit Lake is requesting a seasonal reconnection charge of \$52 or approximately four times the monthly base charge. The Company indicated it currently has 21 customers that are metered and not taking service out of a total customer base of 330, which includes 289 active residential customers and 20 commercial customers. The Company was unable to provide previous seasonal reconnection numbers due to the recent change of ownership and the inability to secure previous customer account records.

Staff reviewed recent cases of companies of similar size whose service territories are subject to seasonal occupancy by their customers. Most recently considered by the Commission was Teton Springs Sewer and Water (TTS-W-08-01), which also bills on a quarterly basis. Teton Springs was

allowed a seasonal reconnection charge of \$236, equal to two times the quarterly flat rate of \$118 for residential customers, for all disconnections exceeding thirty days. Teton Springs' 2008 Annual Report indicated the Company served 196 residential customers and 5 commercial customers. Teton Springs primarily serves second and third homes subject to seasonal occupancy, but historical records indicating what percentage of customers have seasonal usage are not available.

During the recent general rate case of Stoneridge Water Company (Case No. SWS-W-06-01), Staff was able to identify the number of accounts that were seasonally reconnected for the previous four years, from 2003 to 2006. The number of customers seasonally reconnected remains somewhat constant from year to year, varying from 12 customers in 2003 to 8 customers in 2006, while the customer base grew from 41 residential customers and 13 commercial customers in 2003 to 366 residential customers and 8 commercial customers in 2006. In this case, the Commission approved a seasonal reconnection charge of three times the monthly base rate, for all customers disconnected for more than thirty days. For the smallest (3/4") service, the seasonal reconnection fee would be \$72. Staff recommends the seasonal reconnection charge of \$52 for accounts disconnected longer than thirty days.

After hours reconnection charges

The Company's normal business hours are 8:00 am to 5:00 pm Monday through Friday. Reconnection for other than normal business hours requires the Company to dispatch personnel outside of their normal working hours creating additional expense. The proposed charges allow the Company to recover a portion of these costs. The Company's proposed after hours reconnection fees of \$32 for accounts closed thirty days or less and \$65 for seasonal disconnection accounts closed longer than thirty days is within the amounts recently approved for other companies. Staff recommends the after hours reconnection fees of \$32 for accounts closed thirty days or less and \$65 for accounts closed longer than thirty days.

Returned check charges

The Company's request for a \$20 returned check charge is recognized by Staff as appropriate to reduce the costs incurred when the check is returned for non-sufficient funds. The charge of \$20 is consistent with what other companies charge and meets statutory requirements. Staff recommends approval of the \$20 returned check charge as appropriate to reduce the costs incurred when the check is returned for non-sufficient funds.

Late payment charges

The Company's request of a one percent (1%) late payment fee for all past due payments not received by the due date is appropriate to reduce the costs incurred in the collection of past due debt and should improve cash flow by encouraging timely payment of bills. The one percent late payment fee is consistent with what other companies charge. The revised tariff as submitted by the Company applies the charge to the unpaid balance at the time of the next monthly billing date and is based on the Company's request to switch from quarterly to monthly billing. If the Company continues to bill quarterly Staff recommends that the due date be set at thirty days after the billing date and a late payment charge of one percent be applied to the unpaid balance at that time to allow the Company to improve collections.

Quarterly to monthly billing

Staff agrees with the Company's assertions that the change to monthly billing will produce a more consistent revenue stream to support the operations of the Company, send better and more timely signals to the Company's customers about their individual water usage, allow the Company to obtain data showing a more accurate account of water usage or loss, and provide for a more timely discovery and disclosure of any leaks on the customer's side of the meter.

In response to Staff's original request for information upon receipt of the Tariff Advice, 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 of switching from quarterly to monthly billing. In addition to the expense of equipment there would be the cost of reading the meters monthly and recording all readings into customer records prior to billing.

Staff asked for but did not receive sufficient information from the Company to perform a prudency review of the costs to implement the proposed change in billing practices. Ultimately the Company must be able to provide a cost benefit analysis of its proposed billing change. The costs and benefits to be quantified and documented by the Company include but are not limited to:

- The current costs associated with meter reading as evidenced by positive time keeping (time cards, for example) and the calculation of the additional costs associated with the increased meter reading proposed by the Company;

- The costs associated with the current billing software and the costs for upgrading the Company's computer software as evidenced by a bid and/or other contract document that delineates the costs for the necessary software changes as a result of the billing change;
- A calculation of the historical cost of customer accounts that have been uncollected and written off by the Company and the anticipated reduction in uncollectibles;
- The current costs (postage, forms, personnel time) for the Company's quarterly billing and the expected additional costs associated with the increased number of bills sent to customers as proposed and evidenced by the cost documentation for the billing costs (cost per billing form, postage per customer billing, and additional personnel time to process these billings); and
- The Company's proposed increase in customer rates as a result of the costs to implement monthly billing as derived from its detailed and documented cost and benefit analysis.

Management may determine that it is in its best interests to bill customers on a monthly basis due to the economies and efficiencies it will obtain. Staff does not recommend that the Company be prohibited from billing on a monthly basis if it chooses to do so. However, due to the lack of cost-benefit information to enable Staff's prudence review of the associated costs, Staff recommends that the Company not receive recovery for its costs to bill on a monthly basis until the prudence review is completed. Staff recommends the Commission postpone any prudence review and recovery of monthly billing costs until such time that the Company presents sufficient detailed documentation to demonstrate that the costs to bill customers on a monthly basis do not exceed the benefits to customers and the Company. Customers should be given the opportunity to provide input on the benefits of monthly billing and the additional costs they would incur as would be allowed in a general rate case.

SUMMARY OF PUBLIC COMMENTS

No public comments have been received by the Commission regarding this case.

STAFF RECOMMENDATION

Staff recommends the Commission approve the proposed tariff changes. Specifically,

- (1) Staff recommends the seasonal reconnection charge of \$52 for accounts closed longer than thirty days.
- (2) Staff recommends the after hours reconnection fees of \$32 for accounts disconnected less than 30 days and \$65 for accounts disconnect longer than thirty days.
- (3) Staff recommends approval of the \$20 returned check charge.
- (4) Staff recommends approval of the one percent (1%) late payment fee for all past due payments not received by the due date.
- (5) Staff recommends the Commission allow the Company to implement monthly billing at its own risk if the Company sees benefits. However, Staff recommends the Commission postpone any prudence review and approval of monthly billing cost recovery until such time that the Company presents sufficient detailed documentation. Accordingly, the change to monthly billing may not currently increase customer rates. Future rates will only increase due to the switch if the Commission determines the associated costs to be prudent.

Respectfully submitted this 16th day of October 2009.



Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Chris Hecht
Patricia Harms
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16TH DAY OF OCTOBER 2009, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. SPL-W-09-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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