

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
JEAN JEWELL
RON LAW
BILL EASTLAKE
LOU ANN WESTERFIELD
DON HOWELL
RANDY LOBB
TERRI CARLOCK
BOB SMITH
MARGE MAXWELL
TONYA CLARK
BEV BARKER
GENE FADNESS
WORKING FILE**

FROM: JOHN R. HAMMOND

DATE: AUGUST 16, 2002

**RE: IN THE MATTER OF THE APPLICATION OF STONERIDGE WATER
COMPANY FOR APPROVAL TO INCREASE ITS RECONNECTION FEE FOR
WATER SERVICE. CASE NO. SWS-W-02-1.**

On June 5, 2002, Stoneridge Water Company filed an Application requesting that the Commission allow it to increase its reconnection fee from \$14 to \$50. The Commission issued Notice of Application and Modified Procedure on July 10, 2002. Order No. 29071. The Commission's Order suspended the Company's Application and required parties to file written comments within 21 days of its issuance. Stoneridge provided notice to its customer's of the proposed increase to its reconnection fee by written communication mailed on July 10, 2002. Two Stoneridge customers have filed written comments. The Commission Staff filed comments on July 29, 2002.

BACKGROUND

As stated previously, Stoneridge's Application requests that the Commission allow it to increase its reconnection fee from \$14 to \$50. In December 2001, when the Commission approved the sale of Stoneridge Water System to CDS Stoneridge Associates-Land, LC, a Utah Limited Liability Company qualified to do business in Idaho, dba Stoneridge Water Company, it did so with the

continuance of the rates and charges for water service that had been previously established. In the Application to purchase the Stoneridge Water System, the new owners requested a \$50 reconnection fee plus \$14 per month as a stand-by fee for the time a connection was turned off. It later revised its request to say “the Customer will have the option to pay the monthly minimum of \$14, or pay a \$50 reconnection fee, due and payable at the time of reconnection.” In the meantime, Staff had discovered that the Commission set reconnection rates of \$14 during business hours and \$28 after hours in an earlier case SWS-W-00-1. However, a tariff had not been submitted to the Commission for processing and the new owners of Stoneridge were unaware of the approved fees. In order to proceed with the sale paperwork, the new owners agreed to abide by the previously approved reconnection fees for the time being. Now the Company has filed an Application requesting that the water reconnection fee be increased to \$50.

Stoneridge is a golf and recreational community. The water system serves 33 residential customers, a condominium time-share complex of 4 buildings containing 145 residential units and several commercial services associated with the golf course. The Company states that of the 33 residential customers, 16 left for 3 or more months last winter and 6 of the 16 disconnected service. The resort community is still in the development stage and ultimately may have as many as 200 residential customers connected to the water system.

The Company believes, and Staff agrees, that a reconnection charge of \$14 provides financial incentive to anyone leaving for more than one month to discontinue service. When this occurs, the Company’s revenues go down while its fixed operating costs remain. As the development grows the potential for seasonal reduction in revenue increases. Staff recognizes that this is a resort community with homeowners not necessarily in residence on a full time basis. The water system, however, is built to serve all customers and the availability of water is a benefit to all property owners whether or not they are using water for the entire year.

Staff also recognizes that customers who are gone for an extended period of time have valid reasons for wanting the water service disconnected. Winterizing vacant properties during the winter decreases the possibility of property damage caused by frozen pipes. Setting a high reconnection fee for seasonal disconnections removes the financial incentive to leave the system, thereby requiring customers to base their disconnection decisions on other valid rational; it supports a portion of the Company’s on-going fixed costs; and, it protects those remaining connected customers from carrying an

unfair share of those fixed costs. At the same time, Staff believes that reconnection fees for customers who are involuntarily disconnected due to financial hardships should not be set so high as to cause additional hardship. Thus, Staff believes a \$50 reconnection fee for those customers who are involuntarily disconnected is too high.

STAFF RECOMMENDATION

Staff recommended two separate reconnection fees. Disconnections lasting 30 days or less, which would include involuntary disconnections due to non-payment of services, should continue at the current rate of \$14 during business hours, or \$28 after hours. Staff does support a higher seasonal reconnection fee for those disconnected 30 days or longer. The Company requests a reconnection fee of \$50 that covers slightly more than three month's worth of base rates. Staff supported this request in the interest of simplicity. Staff also recommended that an after hours seasonal reconnection fee be established at \$64 which is \$14 more than the rate during business hours and is the same additional amount for an after hours reconnection premium currently approved for involuntary disconnection.

STONERIDGE CUSTOMER COMMENTS

Richard Corbit states that he is a homeowner at the Stoneridge development. Corbit states that for four to five months during the winter his residence is vacant and the water service is shut off completely. Corbit does not believe those Stoneridge customers who leave for the winter months constitute more than a 50% loss of the Company's revenues. Accordingly, Corbit states that a \$50 reconnection fee is unreasonable. Corbit also contends that because it takes the Company less than five minutes to reconnect his service that a \$50 fee is out of line. Thus, Corbit's opinion is that the \$14 reconnection fee, as previously approved by the Commission, is reasonable and should not be changed.

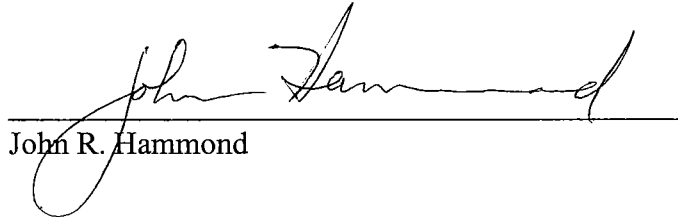
Fred Ghio's comments are consistent with Mr. Corbit's. Ghio also adds that he believes that the golf course and resort at the Stoneridge development use the bulk of the water service provided by the Company. Accordingly, he does not believe that disconnecting residential customers cause the Company to lose almost 50% of its revenue. Ghio concludes that the reconnection fee should not be changed from the current \$14.00 level.

COMMISSION DECISION

Does the Commission wish to approve Stoneridge's Application for an increase to its reconnection fee as filed?

If not, does the Commission wish to approve Stoneridge's Application with the modifications as recommended by Staff?

If not, does the Commission wish to deny Stoneridge's Application in its entirety.



John R. Hammond

Staff: Bob Smith
Marge Maxwell

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