

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
 COMMISSIONER SMITH
 COMMISSIONER HANSEN
 COMMISSION SECRETARY
 COMMISSION STAFF
 LEGAL**

FROM: DONOVAN E. WALKER

DATE: JULY 19, 2005

**SUBJECT: TERRA GRANDE WATER TARIFF SCHEDULE NO. 3 –
 RECONNECTION FEES, CASE NO. TGW-W-05-2**

On May 24, 2005, Terra Grande submitted Tariff Schedules No. 2 and No. 3 regarding new service connections and reconnection fees, respectively. Schedule No. 2 was processed as a tariff advice. Comments were sought regarding Schedule No. 3, through Modified Procedure. Commission Staff filed comments. The Company filed reconnection cost information and an affidavit of Barbara Child, the owner of Terra Grande Water.

THE COMPANY'S PROPOSED RECONNECTION FEE

Terra Grande proposes a reconnection fee of \$65 during the office hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, and \$100 for after-hourS reconnections. As support for the proposed fees, the Company provided a letter from D&D Plumbing stating that connecting or reconnecting a water service requires a service call, which is billed at a \$65 minimum for up to one hour including travel time. The letter also states that all after-hours work is charged at \$97.50 per hour. The Company also filed additional reconnection cost information including an affidavit from the Company's owner, Barbara Child, as well as several copies of invoices showing charges to the Company from D&D Plumbing for reconnections and disconnections to the system.

The Company states that it simply needs to recover the actual costs of the reconnection services performed, and if it does not it will suffer financial hardships. The Company provided evidence that there have been seven disconnections and seven reconnections to the system from October 2004 to the present time. The licensed plumber that performs this

service for Terra Grande charges \$65 for each service call, which generally means that Terra Grande will be charged \$65 to shut off someone's water service, as well as \$65 to reconnect the water service. The Company states that disconnection and subsequent reconnection after payment of a delinquent account is a necessary collection tool that the Company must utilize. The Company is typically charged \$130 for a disconnection and subsequent reconnection if two service calls are required. The Company states that, as a small water company, the inability to recover these costs will be detrimental to its financial integrity and hamper its ability to operate and maintain the water system.

STAFF COMMENTS

Commission Staff filed comments on July 13, 2005. Staff states that the reconnection fees requested by Terra Grande are excessive, and recommends a reconnection fee of \$20 during business hours, and \$30 after business hours.

Staff states that a review of the approved reconnection tariffs for other water companies shows an average reconnection charge of approximately \$20 during business hours, and \$30 after business hours. Staff also looks at the time, effort, and costs likely to be incurred by Terra Grande to reconnect a customer, and concludes that a \$20 fee is more appropriate. Staff states that the rates charged by D&D are consistent with hourly rates charged by licensed plumbers for service to a residential customer. However, from Staff discussions with Ms. Child, and with Terra Grande's plumber, some of the work being done on service calls may include installing a valve, vault, or other equipment and goes beyond what Staff would normally include in a reconnection charge. Staff further states that the reconnection work, consisting of accessing and turning a valve when there is no meter to be removed, does not require an hour of time. Staff calculates that the travel time from D&D to the Terra Grande service area is 4.5 miles with a driving time of 10 minutes. Staff estimates a time of 30 minutes to perform a reconnection, including travel time, to be reasonable. Additionally, Staff states that there is no reason that this work needs to be performed by a licensed plumber, and calculates that a helper or other employee could be used for this work. Staff calculates that an employee being paid \$20 per hour with a wage multiplier of 2.0 for overheads and profit would result in a cost to Terra Grande of \$20 for the half-hour service.

Staff also reports that it found an “unusual service condition” where only 50% of the customers of Terra Grande have a vault with a shut-off valve installed. The Company is installing new vaults and meter sets on an as needed basis.

COMMISSION DECISION

Based upon the record in this case, does the Commission find the requested reconnection fee, as stated in Terra Grande’s proposed Tariff Schedule 3, to be reasonable? Does the Commission find the requested reconnection fee to be excessive? What does the Commission find to be a just and reasonable reconnection fee for customers of Terra Grande?

A handwritten signature in black ink, appearing to read "Don E. Walker", written over a horizontal line.

Donovan E. Walker

M:TGW0502_dw