

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: FEBRUARY 5, 2004

**RE: CASE NO. UWI-W-04-01 (United Water)
RESIDENTIAL "BUDGET BILL" PAYMENT PROGRAM**

On February 3, 2004, United Water Idaho Water, Inc. (United Water; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to amend its Rules and Regulations to establish a "Budget Bill" payment program for its residential customers.

The proposed Budget Bill program has the following features:

- The program will be available to all residential customers residing in a premise that has six (6) actual historical bills. Customers must be in current account status with no past due amounts;
- Enrollment would be permitted at the convenience of the residential customer with no set enrollment period;
- No interest will accrue on positive or negative balances;
- Residential customers may be removed from the Budget Bill program for failure to timely pay the agreed Budget Bill amount;
- United Water may perform mid-term adjustments to the amount of the Budget Bill payment due to rate changes; extreme weather impact or other significant unforeseen circumstances (major leak, etc.);
- Upon enrollment the customer's payment amount under the Budget Bill program will be calculated based on twelve (12) months' history (six bi-monthly reads) of consumption at the premises. History may be based upon

the usage of the prior customer at the location. The customer will receive a Budget Bill monthly. An annual reconciliation will be performed with negative or positive balances, within limits, rolled forward into the next Budget Bill.

United Water believes providing a “Budget Bill” program to its residential customers will be in the public interest for the following reasons:

- ❑ United Water is of the opinion that there is a significant customer demand for such an option.
- ❑ For many residential customers, over 60% of the annual bill is comprised of the two summer period bi-monthly bills. This can lead to customer hardship.
- ❑ United Water’s rates for water service have, for approximately ten (10) years, contained a summer consumptive rate (from May 1 through September 30) that is 25% higher than the winter rate. In the Company’s opinion, the residential customers understand and react to the price signal inherent in the seasonal rate design. United Water believes that a Budget Bill program would not significantly dampen such a signal, while providing the residential customer flexibility to levelize their payments.
- ❑ United Water currently reads meters and renders bills on a bi-monthly basis. Conversion to actual monthly reading and billing for all customers would ease the burden of bi-monthly summer bills; however, the expense is prohibitive. United Water estimates monthly reading and billing would involve an increase in operating expenses of approximately \$1,100,000 annually. The Budget Bill program provides a significantly lower cost alternative to monthly reading and billing. Budget Bill program participants will receive monthly billing statements, although their meters will continue to be read on a bi-monthly basis.
- ❑ A Budget Bill program allows a residential customer to plan and budget water usage more effectively than the current “pay as you go” basis.

United Water states that it will advertise the availability of the Budget Bill program through news releases, bill messages, bill stuffers, publication of information on the Company’s

website, the Company's "on-hold" telephone message and through direct customer service representative contact. Residential customers will be permitted to enroll in person at United Water's Boise Office (8248 W. Victory Road), by telephone, by e-mail to a dedicated address or by voice mail to a dedicated voice-mail box.

United Water estimates costs associated with program implementation to be approximately \$72,000, assuming that 15% of its residential customer base enrolls in the "Budget Bill" program. The \$72,000 represents the annual costs of the program and is comprised of additional billing, postage and payment processing expenses. The Company requests an accounting order permitting the deferral of these additional costs for recovery in the Company's next general rate case, subject to audit and review for reasonableness. In the absence of deferral, the Company will likely defer implementation of the Budget Bill program to coincide with the next general rate case.

The Company recommends that its Application be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

Commission Decision

United Water proposes a "Budget Bill" program for residential customers and requests authority to defer program expenses. Staff recommends that the Company's Application be processed pursuant to Modified Procedure and that a standard 21-day comment period be established. Does the Commission agree?

Scott Woodbury

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