

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF UNITED WATER IDAHO INC. TO)	CASE NO. UWI-W-07-04
IMPLEMENT A PROGRAM OF MONTHLY)	
BILLING AND FOR RECOVERY OF COSTS)	
ASSOCIATED THEREWITH)	ORDER NO. 30494
)	

On September 17, 2007, United Water Idaho Inc. filed an Application requesting authority to convert from bimonthly to monthly billing and to increase its rates to recover the higher expenses associated with monthly billing. The Company requested that its Application be processed by Modified Procedure. The Commission issued Order No. 30446 on September 27, 2007, authorizing Modified Procedure and establishing deadlines for petitions to intervene and for submitting comments. The Commission Staff filed written comments, and approximately 340 comments were filed by United Water customers. By this Order the Commission denies the Company's Application to convert to monthly billing and increase its rates.

THE APPLICATION

United Water asserted that converting from bimonthly to monthly billing would serve the public interest in several ways: (1) a monthly bill should be easier for customers to budget and pay than a bimonthly bill, especially during the summer when consumption is highest; (2) monthly billing can enhance water conservation and ultimately lower bills by sending a more timely price signal to customers; (3) monthly billing would reduce the incidence of high-bill complaints from customers resulting from bills for two months of usage; and (4) monthly billing would double the number of visits to customer premises by meter readers, enabling quicker detection and troubleshooting of leaks or meter problems.

The Company estimated the additional annual cost of monthly billing to be \$1,125,905, including the cost of new personnel for meter reading, preparation and mailing of bills on a more frequent basis, increased processing, and administrative expenses. Recovery of the cost would require an overall increase in rates of 3.75%. The Company proposed to apply the increase to the fixed Customer Charge portion of customers' bills, resulting in an increase for all customers of approximately \$1.15 per month. The Company estimated it would need approximately five months to hire and train additional personnel and to make the operational

adjustments to implement monthly billing. The Company filed revised tariff sheets with its Application showing the proposed charges to convert from bimonthly to monthly billing.

STAFF COMMENTS

Staff agreed with United Water that monthly billing would provide customers with timely feedback on water consumption, and thus could lead to a reduction in water use. The current bimonthly billing cycle provides customers with only two bills during the summer irrigation season. By providing twice as many bills to customers during the summer season, Staff stated that customers would receive consumption information in a timeframe that will allow them to make adjustments during the peak water season.

Staff also stated that monthly billing is a prerequisite to an effective water conservation program. Staff was not able to find any study that quantifies the water saved by converting from a bimonthly to monthly billing cycle, but Staff noted that monthly billing is recommended by most resource planning guides. For example, a study prepared for Utah water utilities by Western Resource Advocates in the following section titled "Billing Frequency and Communication to Customer" concludes:

Customers' response to water rates is also influenced by the billing cycle and the ability to track their use. For example, bi-monthly billing cycles can be counter-productive to water conservation efforts. Customers interested in conservation or saving money adjust their home water use on an incremental basis, in response to consumption reported in each billing statement. This practice is particularly common during the summer irrigation months, when urban water use peaks. With a bi-monthly billing cycle, the summer can be half over by the time customers are notified of their recent consumption quantities. This may preclude many customers from making more efficient water use decisions earlier in the summer during the high water use months.

Water Rate Structures in Utah: How Utah Cities Compare Using This Important Water Use Efficiency Tool, Western Resource Advocates and the Utah Rivers Council, Jan. 2005.

Staff also mentioned a study completed by Western Resource Advocates where a strong correlation between monthly billing and effective conservation programs is implied. Western Resource Advocates prepared a study of conservation programs and rates for 13 water utilities on Colorado's Front Range. Of the companies evaluated in the study, the Denver water utility scored high for the range of water conservation programs and the amount of funding directed towards conservation. Nonetheless, the Denver utility's per customer consumption remained among the highest in the study, and the company's conservation efforts did not achieve

the same level of overall water savings as the other utilities. Staff noted that the Denver utility was the only utility in the study that used bimonthly billing rather than monthly billing.

Staff noted other benefits for customers, including that many customers, especially low-income customers, will find it easier to make smaller monthly payments than to pay for two months of usage. Staff expects that United Water would have fewer customers who fail to pay their bills and that a lower number of delinquencies per billing, requiring fewer notices to customers, would mitigate some of the increased costs.

Finally, Staff reviewed the proposed costs to United Water to convert to monthly billing. The Company identified the additional costs to make the conversion and projected the costs to total \$1,125,906 per year. Staff proposed to lower the projected costs by reducing the number of additional customer service representatives, billing costs and customer notices identified by United Water. According to Staff's comments, United Water subsequently agreed to implement monthly billing at a lower cost than originally projected. The Company indicated it could implement the program with an increase of 2.95% in annual revenue, although the Company believes the actual costs will be greater and it would seek recovery of the full amount in its next rate case.

PUBLIC COMMENTS

As of January 24, 2008, the Commission has received 339 comments in the case. The overwhelming majority opposed a rate increase to convert to monthly billing. Only seven comments support United Water's Application. Notably, Community Action Partnership Association of Idaho (CAPAI) stated that low-income households must budget month-to-month, and that United Water's bimonthly billing makes monthly budgeting more difficult. CAPAI asserted that monthly billing "would allow households to potentially alter their habits to lessen consumption for the following month."

The vast majority of customer comments, however, urge the Commission to deny United Water's Application. Most customers fail to see any advantage to individual customers and are opposed to the increased costs. Many customers addressed the benefits United Water claimed would flow from monthly billing and disputed the assertions. For example, many customers stated that budgeting for bimonthly billing is no more onerous than budgeting for a lower monthly bill. Regarding an increased incentive to conserve water, customers indicated that water costs are high enough now to encourage conservation, and that more frequent billing

was not likely to affect their consumption. About a fifth of the comments suggest the true purpose of a change to monthly billing is to help the Company increase its cash flow by collecting revenues more frequently and is not really a benefit to customers. In general, customers have no issue with the current system, and contend it is “unreasonable that the utility would request a monthly billing and rate cycle when the current bi-month cycle works well for customers and the company.” Comment filed October 24, 2007.

A number of customers noted that United Water proposed to apply the rate increase to the fixed customer charge rather than to the usage charge. Some customers argued that increasing the customer charge acts to discourage conservation because it does not change with reductions in consumption.

Many customers mentioned a recent change by the City of Boise from quarterly billing to bimonthly billing, allowing City utility bills for sewer and trash to arrive in months alternating with United Water’s bills. According to Staff’s comments, the City does coordinate its billing with United Water so that customers get City utility bills approximately one month after United Water bills.

DISCUSSION

On the record in this case, the Commission cannot find that increasing United Water’s rates to pay for higher costs associated with monthly billing is in the public interest. Although the research provided by Staff supports a conclusion that monthly billing may enhance a utility’s conservation program, Staff conceded it is not possible to quantify the potential benefit. Quantifying a conservation benefit is impossible in this case where the conversion to monthly billing was not proposed as part of a particular conservation program, in which case reduced water consumption might reasonably be anticipated and quantified as an offset to increased costs for monthly billing.

More important, it is clear United Water’s customers fail to see a benefit to monthly billing, at least one sufficient to justify the increased cost. The Commission rarely receives as many customer comments as it did in this case. Many customers specifically denied that the benefits to customers asserted by United Water and the Staff – that budgeting would be easier and that conservation would be encouraged – were real.

The Commission appreciates the effort United Water put into its Application. The Commission encourages and supports water conservation programs, and not long ago

specifically directed United Water to update its conservation program. The conservation benefits identified in this case, however, are unknown and not measurable. Customers overwhelmingly disputed the other benefits identified on their behalf. The evidence provided by the public supports a finding that anticipated conservation and other benefits from monthly billing may only be speculative. Therefore, the Commission cannot find that a rate increase to pay for the program is in the public interest. On the record in this case, the Commission cannot find that United Water's proposal for monthly billing is in the public interest, and the Application is thus denied.

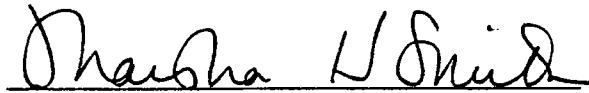
ORDER

IT IS HEREBY ORDERED that United Water Company's Application to implement a monthly billing program and increase its rates is denied.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. UWI-W-07-04 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. 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 31st
day of January 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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