

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF CAPITOL WATER CORPORATION FOR ) CASE NO. CAP-W-07-01  
APPROVAL OF CUSTOMER REFUNDS )  
 ) ORDER NO. 30272  
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On January 9, 2007, Capitol Water Corporation filed an Application for approval of customer refunds totaling approximately \$65,000. On February 2, 2007, the Commission issued a Notice of Application and Modified Procedure and solicited comments from interested persons. Order No. 30236. The only comments received were submitted by the Staff. The Company did not file reply comments.

**THE APPLICATION**

Capitol Water's Application stated that during the course of its recent rate case, Case No. CAP-W-06-01, a billing error was discovered that resulted in overcharges to certain metered customers. The total over-billing from December 1, 2003 until September 1, 2006, was approximately \$65,000. In this Application, the Company proposed a mechanism to return these overcharges to the pertinent customers.

The Company proposed the following plan to distribute the necessary refunds:

- (1) To the 99 customers currently connected to the water system to whom the Company owes a refund of \$100 or less, an immediate credit to each of their respective accounts in the proper amount;
- (2) To the 18 former customers to whom the Company owes a collective \$2,269.30, by locating them and issuing them refund checks;
- (3) To the 13 former customers who were in arrears on their accounts, by reducing the amount owed to them by the amount in arrears;
- (4) To the 112 current customers to whom the Company owes more than \$100 each, bill credits each month over a 36-month period. The total credits would be calculated as an amortization of the refund principal due together with interest at the Commission's approved rate for customer deposits of 5%. These refunds represent an aggregate total of \$58,937.26. The billing credits would reduce the Company's monthly revenues by \$1,767.51 during the refund period.

## STAFF COMMENTS

Staff commented that it believes the Company has identified the impacted customers, and the corresponding overcharges, and is proposing a reasonable method for providing the refunds. Staff also noted that the over-billing total of approximately \$65,000 over the three-year period is consistent with Staff's analysis of metered customers that were over-billed. Therefore, Staff generally supported the Company's proposed method for refunding metered customers that were over-billed from December 1, 2003 through September 1, 2006.

Staff also voiced its concern regarding the 18 former customers to whom the Company owes refunds totaling \$2,269.30. In the event that the former customers who have left the system cannot be located, the Company proposed to transfer to the Company's surcharge account funds equal to the amount of the refunds due to those customers. Staff believes that any refund checks for customers that cannot be located may be subject to Idaho's unclaimed property law, *Idaho Code* § 14-501 *et seq.*, and that depositing the unreturned refunds in the Company surcharge account may be inappropriate.

For those customers owed more than \$100, the Company proposed to refund the principal due with interest at the Commission's approved rate for customer deposits. Staff agreed with the Company's proposal to apply interest at a rate equal to the current customer deposit rate of 5%. While the customer deposit rate has the potential to change yearly, Staff believes that keeping the interest rate at 5% for the entire 36-month amortization period, rather than changing it to reflect any future changes to the customer deposit rate, is reasonable. Staff noted that the amount of interest is minimal, and keeping the methodology for the refunds simple is beneficial to customers.

### *Staff Recommendation*

Staff recommended that the Application be approved, except that the Company be directed to handle any amounts owed to former customers who cannot be located in accordance with Idaho's unclaimed property laws. Staff also recommended that the Company keep track of the refunds and file a report with the Commission detailing the amount of refunds pending and the amount of refunds paid, and any other pertinent information necessary to keep track of the balance of the refunds with the Company's next quarterly surcharge report and then annually thereafter. Staff had further recommended that the Company file its customer notice with the

Commission prior to sending it to customers. The Company has done so since the Staff filed its comments, and the Staff believes the notice is adequate.

### **FINDINGS AND CONCLUSIONS OF LAW**

We find that the Company's proposal for providing certain of its customers refunds for overcharges to be reasonable; however, we do not find that the Company should necessarily deposit into its surcharge fund the monies due to former customers (not in arrears) who cannot be located. Instead, we direct the Company to contact the Idaho State Tax Commission to verify any steps it may need to take with regard to such monies if it cannot locate these former customers.

We also find that it would be useful for the Company to file a report with the Commission to inform us of its progress in making the refunds as set forth above. We direct the Company to set forth in its reports an update on its discussions with the Idaho State Tax Commission with regard to the refunds to its former customers not in arrears. If necessary, we may revisit the handling of these refunds at a later date, once the applicability of the State unclaimed property laws is understood. Lastly, we find that using an interest rate equal to the current customer deposit rate of 5% is reasonable.

The Commission has jurisdiction over the Company pursuant to *Idaho Code* §§ 61-125 and 61-129. We further have jurisdiction over this matter pursuant to *Idaho Code* §§ 61-641 and 61-642.

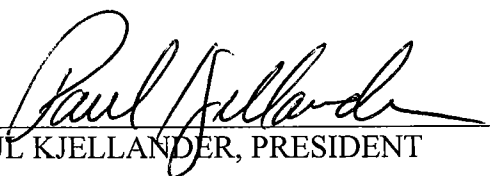
### **ORDER**

IT IS HEREBY ORDERED that the Application of Capitol Water Corporation, Case No. CAP-W-07-01, is hereby approved, except that Capitol Water shall handle all refunds to its former customers not in arrears as set forth above.

IT IS FURTHER ORDERED that Capitol Water shall file a report as set forth above with its next quarterly surcharge report, and then annually thereafter.

THIS IS A FINAL ORDER. Any person interested in this Order 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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

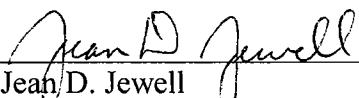
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15<sup>th</sup>  
day of March 2007.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
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MACK A. REDFORD, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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