

DECISION MEMORANDUM

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

FROM: CECELIA A. GASSNER

DATE: MARCH 6, 2007

**SUBJECT: CAPITOL WATER CORPORATION'S APPLICATION FOR APPROVAL
OF CUSTOMER REFUNDS, CASE NO. CAP-W-07-1**

On January 9, 2007, Capitol Water Corporation filed an Application for approval of customer refunds. If approved the Company would refund approximately \$65,000 to its customers.

On February 2, 2007, the Commission issued a Notice of Application and Modified Procedure and solicited comments from interested persons. The only comments received were filed by Staff.

THE APPLICATION

Capitol Water's Application states that during the course of its recent rate case, Case No. CAP-W-06-1, 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 proposes a mechanism to return these overcharges to the pertinent customers.

The Company proposes 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 supports 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 no longer taking service from the Company 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 proposes 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 would be inappropriate.

For those customers owed more than \$100, the Company proposes to refund the principal due with interest at the Commission's approved rate for customer deposits. Staff agrees 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.

COMMISSION DECISION

Does the Commission desire to approve the Company's proposed mechanism to provide refunds to certain customers? Does the Commission desire to do anything else with regards to this matter?



CECELIA A. GASSNER

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