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Division of Public Utilities

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Memorandum

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

William Duncan, Manager

Paul Hicken, Technical Consultant

Stefanie Liebert, Office Specialist

Date: October 30, 2018

Re: **Review of South Duchesne Culinary Water Inc.'s Billing Procedures. Docket Nos. 17-2372-01 and 17-2372-02.**

The Division of Public Utilities (DPU) provides this update, noting that several issues remain as outlined below.

Background

On February 13, 2018, following an investigation of customer complaints, the Public Service Commission (PSC or Commission) found South Duchesne Culinary Water (SDCW) to have numerous violations with billing procedures and to be out of compliance with Administrative Rule 746-200 and with the company's own Tariff No. 1. The company was fined a total of \$20,250 with \$6,075 payable within 120 days of the order and the remaining \$14,175 suspended if there are no further violations of rule, statute or tariff within three years from the date of the order. The Commission instructed the DPU to complete a six-month progress report of the company's billing procedures and submit its findings.

DISCUSSION

The DPU has completed the review of the billing procedures for the last six months of SDCW billings as ordered by the PSC. In conducting the investigation the DPU issued four data requests, and conducted an on-site visit and interview with SDCW personnel. During the course of the investigation, the DPU reviewed several issues and found the following:

Monthly Billing:

SDCW states it had contracted with a third party billing company during the time period of the complaints, and SDCW represents that the third party billing company made many of the errors leading to the formal complaints. The DPU has verified that SDCW outsourced billing from approximately September 2015 to May 2017. Following the order issued by the PSC in February 2018, SDCW moved its bookkeeping and billing in-house. SDCW is now using QuickBooks to track invoices, payments, and deposits. While some billing errors may have occurred while the billing was outsourced, the DPU believes it is the responsibility of the utility to ensure bills are accurate and in compliance with PSC rules and its tariff.

According to SDCW bills are typically sent out two to four days before the first of each month and the due date on the invoices are identified as the 21st of the month to allow at least 20 days for the customer to remit payment as defined in the Tariff.

Based on information provided to the DPU payments are posted on a daily basis and deposits are made no less than two times per week.

Late Charges:

The Commission Order, made several references to the arbitrary and excessive late fees, which were not consistent with the amount allowed under the tariff.

In the Response to the First Data Request, SDCW stated,

“Since the PSC decision in February 2018, SDCW stopped assessing any late fees. SDCW spent time with assistants in March

and April to program interest charges into its QuickBooks billing system so that interest on past due accounts would be charged as set forth in paragraph 13 of the Tariff.”

Based on the above statement it appears as though SDCW is now assessing “late fees” as “interest charges.”

The DPU made several attempts in its First and Fourth Data Requests as well in its field audit to obtain definitive documentation verifying that the late charges were calculated and billed correctly.

During the field audit, the DPU noted that SDCW personnel did not appear to be familiar with QuickBooks and were unable to provide any meaningful reports showing that interest charges or late fees were calculated and assessed correctly. The DPU followed this up with its Fourth Data Request requesting documentation that showed interest charges or late fees were calculated and assessed correctly. The response provided in the Fourth Data Request was not adequate to determine if the interest charges or late fees were calculated and assessed correctly. The DPU’s analysis of the limited scope of the billing records showed several late charges for hundreds of dollars in February 2018 that are still included in the balances owed by the customers. Since March 2018, the DPU noted several small late charges, but the charges were not able to be verified as having been calculated correctly. All of the information and data provided by SDCW thus far has lacked the “balance due” amount on the account. Without this data, the proper calculation of the late charge cannot be verified.

Standby Fees:

A sample of active customer billings was provided to the DPU as a response to the First Data Request, and the billing cycle appears to be consistent with SDCW’s tariff. SDCW is now billing all accounts on a monthly basis, rather than quarterly for standby customers. This has been verified by the DPU.

SDCW indicated, in the response to the First Data Request, that 453 lots have water mains in place where water is available and no service is connected. Of these 453 lots, approximately 328 are billed the monthly standby fee of \$15.00. SDCW also stated the developer, Duchesne Land LLC owns approximately 125 lots that are not billed a monthly standby fee. The tariff indicates that a standby fee “applies to lots where service mains are in place and where water service is available, but no water service has been connected and no water service is used...” No explanation of why Duchesne Land LLC is not paying standby fees has been offered.

Reading of Meters:

In the Response to the First Data Request, SDCW stated,

“Meters are not read consistently on the same date each month. Rather the meters are read periodically and as needed inasmuch as individual lot usage is typically well below the 10,000-gallon amount.”

Upon further investigation, SDCW indicated that meters are only read if there is unusual water usage based on SDCW’s master meter. Because meters are not read on a monthly basis SDCW bills the minimum amount of \$40.00 per month regardless of water consumption. SDCW’s tariff states (Sheet No.5, Paragraph 12),

“All meters shall be read by the company monthly and charges shall be based upon meter readings...”

Based on the information provided by SDCW personnel and data requests answered there are 167 connected lots billed the monthly minimum of \$40.00. SDCW stated that the Steed’s (owner of SDCW) personal residence is not charged for water usage. The tariff indicates that each consumer unit must be charged \$40.00 minimum for each service connection.

2017 Water Annual Report:

SDCW has not filed its 2017 Water Annual Report. The DPU has made several requests for SDCW to provide the required annual report, both telephonically and in its Third Data Request.

Statement of Utility Consumer Rights and Responsibilities:

In the PSC's order of February 13, 2018, the Commission directed SDCW that the first notice of impending service disconnection must include a copy of the "Statement of Customer Rights and Responsibilities" found in R746-200-1(G). SDCW indicated to the DPU that it did not have a Statement of Customer Rights and Responsibilities to include in any future disconnections. To remedy this, SDCW has created a Statement of Customer Rights and Responsibilities and represents it has provided a Statement of Utility Consumer Rights and Responsibilities to all customers.

Company Contact (Emergency) Information:

According to Mr. Housekeeper's testimony and complaint, his calls to the utility repeatedly went unanswered. To help remedy this, SDCW added emergency contact information to each monthly billing statement. The DPU has verified that the contact number is provided on each bill.

Deferred Payment Agreements:

As SDCW familiarized itself with R746-200-5, it indicated that it has now implemented deferred payment agreements if a customer cannot pay a delinquent account balance on demand.

CONCLUSION

The DPU has conducted its review as requested in the order.

However, there are several issues that need to be corrected, including:

- Providing documentation on the calculation of late charges.

- Learning QuickBooks in order to access reports and information to better serve its customers and regulatory agencies.
- Billing of standby fees on all developer-owned properties and the Steeds' own property.
- Monthly meter reading as required by the SDCW tariff.
- Filing of the PSC required Annual Report for 2017.