

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE INVESTIGATION</b>	)	<b>CASE NO. GNR-U-18-01</b>
<b>INTO THE IMPACT OF FEDERAL TAX</b>	)	
<b>CODE REVISIONS ON UTILITY COSTS AND</b>	)	<b>ORDER NO. 34174</b>
<b>RATEMAKING</b>	)	
	)	<b>(SCHWEITZER BASIN WATER,</b>
	)	<b>SPIRIT LAKE WATER,</b>
	)	<b>CAPITOL WATER, FALLS</b>
	)	<b>WATER, RESORT WATER,</b>
	)	<b>STONERIDGE UTILITIES, AND</b>
	)	<b>TETON WATER)</b>

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The federal Tax Cuts and Jobs Act of 2017 changed the federal corporate tax rate, effective January 1, 2018. In response, the Commission opened this multi-utility case to investigate whether to adjust utilities' rates to ensure any benefits from changes to the utilities' tax rates would flow through to customers. The Commission directed utilities, including water utilities with 200 or more customers, to file a report on the effect of the tax changes. *See* Order No. 33965.

In response to the Commission's Order, Schweitzer Basin Water, LLC; Spirit Lake East Water Company; Capitol Water Corporation; Falls Water Company; Resort Water Company, Inc.; CDS Stone Ridge Utilities, LLC; and Teton Water & Sewer Company filed reports. The Commission's Staff then audited the companies' reports and annual filings, and filed the audit results with the Commission.

Staff reported, in summary, that:

- Schweitzer Basin Water is a small water company with less than 200 customers and, therefore, did not have to file the tax report otherwise required by Order No. 33965. Accordingly, the case should be closed as to Schweitzer Basin Water with no change in water rates being ordered;
- Spirit Lake East did not benefit from the tax law change, because the company reported a net operating loss and would pay no income tax. Thus, the case should be closed as to Spirit Lake East with no change in water rates being ordered;
- Capitol Water, Falls Water, Resort Water Company, and Stoneridge Utilities' tax liabilities *increased* under the new tax law. These companies are now taxed at a higher rate than the tax rate the Commission used to calculate the tax expenses embedded in the water rates their customers currently pay. Thus, the case also

should be closed as to these companies with no change in water rates being ordered; and

- Teton Water & Sewer's taxes decreased by \$468 per year under the new tax law. Staff recommended that, instead of spreading this benefit to customers by adjusting water rates, Teton Water should pass the benefit to customers by increasing the company's annual contribution to the Emergency Reserve Fund, established in Case No. TTS-W-08-01 (Order No. 30718), by \$468. The company advised the Commission that the company concurred with Staff's recommendation.

### **DISCUSSION AND FINDINGS**

The Commission has jurisdiction over the above-referenced water companies, and the issues in this case, under Title 61 of the Idaho Code, including Idaho Code § 61-501, -502, -503, and -524. We have reviewed the record, including each company's report and the Staff's corresponding audit results and recommendations. We note that no one has intervened in this case as to these companies, or opposed Staff's recommendations.

Based on our review, we find that this case should be closed as to Schweitzer Basin Water, because Schweitzer Basin Water is a small water company with less than 200 customers and, therefore, was not a proper party to the case.

We further find that the case should be closed as to Spirit Lake East, Capitol Water, Falls Water, Resort Water Company, and Stoneridge Utilities because those utilities' tax liabilities either increased under the new tax law, or they paid no tax due to a net operating loss, as described above. There are, therefore, no tax benefits to pass to customers.

Lastly, we find the tax law changes decreased Teton Water & Sewer's water-utility tax expense by \$468 per year. We find it fair, just, and reasonable to direct Teton Water & Sewer to return this benefit to customers by increasing the Company's yearly contribution to the Emergency Reserve Fund, established in Case No. TTS-W-08-01 (Order No. 30718), by \$468 per year, beginning in 2018.


### **ORDER**

IT IS HEREBY ORDERED that this case is closed as to Schweitzer Basin Water, LLC; Spirit Lake East Water Company; Capitol Water Corporation; Falls Water Company; Resort Water Company, Inc.; and CDS Stone Ridge Utilities, LLC.

IT IS FURTHER ORDERED that Teton Water & Sewer Company shall increase its contribution to the Emergency Reserve Fund by \$468 per year, beginning in 2018.

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. 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 19<sup>th</sup> day of October 2018.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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