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IDAHO PUBLIC
UTILITIES COMMISSION

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Attorney for the Staff of the
Idaho Public Utilities Commission

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE INVESTIGATION
INTO THE IMPACT OF FEDERAL TAX CODE
REVISIONS ON UTILITY COSTS AND
RATEMAKING**

)
) **CASE NO. GNR-U-18-01**
)
) **REPORT OF THE**
) **COMMISSION STAFF RE:**
) **SCHWEITZER BASIN WATER**
) **LLC.**
)

The Staff of the Idaho Public Utilities Commission submits this report about the impact of the federal Tax Cuts and Jobs Act of 2017 (the “TCJA”) on Schweitzer Basin Water LLC (the “Company”), as directed by Order No. 33965.

BACKGROUND

On December 22, 2017, the President signed the TCJA into law. Effective January 1, 2018, the TCJA decreased the federal corporate tax rate from 35% to 21%. In response, the Commission opened this multi-utility case to investigate whether to adjust the rates of certain utilities that benefit from the reduced tax rate. *See* Order No. 33965. The Commission directed all rate-regulated utilities—except for small water companies with less than 200 customers, and the small electric utility, Atlanta Power—to immediately account for the tax benefits as a regulatory liability, and to report on how the tax changes affected them, and how resulting benefits could be passed on to customers. *See id.* at 1-2.

The Company filed a response on February 9, 2018, stating that Order No. 33965 does not apply to it because it has fewer than 200 customers. The Company's response also indicated that it is a sole proprietorship and not taxed as a corporation.

STAFF REVIEW

Staff has reviewed the Company's response, the 2017 Annual Report filed by the Company on April 13, 2018, and additional information requested from the Company. Based upon its review, Staff believes that Order No. 33965 does not apply to the Company because it has less than 200 customers. Staff notes that the TCJA also reduced individual income tax rates, so the Company was not exempt from Order No. 33965 on the basis of its sole proprietorship filing status.

In its 2016 and 2017 Annual Reports, the Company reported it has 442 residential customers. The Company has been reporting customer counts based on the Equivalent Residential Use ("ERUs") method, where an ERU equals the water use for a single-family residence. The Company uses the ERU method in its Annual Reports and for billing and planning purposes. The Company has varying flat rates for service depending on the size of the customer's home. The varying flat rates assume that smaller units use less water than larger units, and that an area added to a house for a rental with a kitchen adds an additional ERU for billing purposes. Staff reviewed the Company's customer database and determined that, while the Company's total ERU may have equaled the use of 442 single-family residences, the Company actually had just 119 customers in 2017.

STAFF RECOMMENDATION

After reviewing the Company's customer database to confirm the Company has less than 200 customers, Staff recommends that the Commission acknowledge that Order No. 33965 does not apply, and close the case as to Schweitzer Basin Water LLC.

Respectfully submitted this 25th day of May 2018.

A handwritten signature in blue ink, appearing to read 'K. Klein', is written above a horizontal line.

Karl T. Klein
Deputy Attorney General

Technical Staff: John Nobbs

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 25TH DAY OF MAY 2018,
SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO
SCHWEITZER BASIN WATER'S TAX REPORT**, IN CASE NO. GNR-U-18-01, BY
MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

MEL BAILEY
SCHWEITZER BASIN WATER
PO BOX 772
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SECRETARY

CERTIFICATE OF SERVICE