

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ALGOMA WATER’S APPLICATION FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE IN THE STATE OF IDAHO)))))))	CASE NO. AWS-W-23-01 ORDER NO. 36012
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On March 7, 2023, Algoma Water System dba Algoma Water (“Company” or “Algoma”) applied to the Idaho Public Utilities Commission (“Commission”) to change rates for its residential and commercial customers.¹ The Company’s Application includes its rate calculation and several exhibits. The Company did not request an effective date in its Application. In a later filing, the Company requested a June 1, 2023, effective date.

On April 18, 2023, the Commission issued a Notice of Application and set an intervention deadline for interested parties. Order No. 35745. No one intervened.

On May 2, 2023, the Commission issued a Notice of Suspension of Proposed Effective Date. Order No. 35766.

On June 27, 2023, the Commission issued a Notice of Modified Procedure setting public comment and Company reply deadlines. Order No. 35827.

On October 3, 2023, the Commission issued a Notice of Virtual Public Workshop and Notice of Customer Hearing setting a public workshop on October 11, 2023, and a customer hearing on October 18, 2023. Order No. 35943. No one testified at the customer hearing.

Staff and two members of the public filed comments. The Company did not reply.

Having reviewed the record in this case, the Commission now issues this Final Order authorizing the Company’s rate increase as discussed below.

THE APPLICATION

Algoma Water System provides service to 22 residential and five commercial customers in or around the Sagle, Idaho area.

The Company’s most recent general rate case was over fifteen years ago in Case No. AWS-W-07-01.

¹ The Company’s Application was not entered into the Commission’s case management system until April 6, 2023.

Under the Company's proposal, residential and commercial customers rates would increase 100 percent. The new rates would increase to \$54.00 per month for residential customers and \$89.00 per month for commercial customers.

The Company seeks additional revenues to cover expenses and costs associated with maintaining and operating the water system.

THE COMMENTS

1. Staff Comments

Staff supported the Company's Application to increase rates 100 percent for both residential and commercial customers. Under Staff's recommendation the Company would generate annual revenue of \$19,596.² Staff comments discussed system reliability, system efficiency, revenue requirement, rate design, and customer engagement.

While Staff noted that no significant deficiencies impacted the safety or reliability of the system which meets Idaho Department of Environmental Quality's water pressure standards, Staff recommended the Company (1) regularly maintain a log with water pressure readings beginning in January 2024; and (2) develop a system operations plan to avoid performing repairs when they arise. The systems operation plan would help address the lack of a reserve operations and maintenance inventory to ensure timely repairs can be made.

Staff audited the Company's electricity expense for pumping and believed the expenses were reasonable but could not determine system pumping efficiency on a gallons per kilowatt hour basis because no record of total gallons pumped exist. Staff recommended the Company begin recording total monthly gallons pumped starting in January 2024. Staff cited the electricity costs as one of the greatest expenses for small water companies and explained that pumping efficiency is one of the best ways to determine if a company is producing least cost water.

Staff noted in the Company's Application, it asked for a revenue requirement of \$27,378 which would equal a 181 percent rate increase despite only seeking to increase rates 100 percent. Staff explained despite supporting a 153 percent rate increase in its Application, Staff supported the 100 percent rate increase requested in the Company's Application. *See* FN no. 2.

² According to Staff calculations the Company supported a \$24,567 revenue requirement using an 11 percent return on equity and a rate base of \$62,974. However, the Company did not request a corresponding rate increase to support this.

Staff discussed the components of the Company's operating expenses; which includes (1) contract service professional, (2) contract service water testing, (3) purchased power, (4) materials and supplies, and (5) miscellaneous expenses. Staff reviewed each operating expense account and recommended a \$1,655.67 adjustment to the revenue requirement. The recommended adjustment consisted of (\$1,146.27) for water testing to comply with the nine-year average cost used by the Commission, regulatory fees (\$4.62), depreciation expenses (\$241.31), and amortization expenses (\$213.46).³

In its review of the Company's proposed rate base of \$61,326.69, Staff recommended an adjusted rate base of \$62,973.76. Staff's recommendation includes a \$5,441.85 adjustment to accumulated depreciation, a \$3,645.24 adjustment to contribution in aid of construction ("CIAC"), and a \$149.53 adjustment to working capital. Staff recommended using the NARUC depreciation manual for small water utilities to determine depreciation rates for the Company's capital additions. Based on the Company's acknowledgement in its 2007 rate case that all current plant in service was CIAC was contributed capital, Staff recommended adding the amortized CIAC at the depreciation rate to avoid a negative rate base.

Overall, Staff supported the Company's requested flat rate structure for residential and commercial customers, increasing residential monthly rates to \$54.00 and commercial monthly rates to \$89.00. Staff noted this increase will not generate Staff's revenue requirement of \$24,567 because the Company only requested a 100 percent rate increase and 100 percent rate increase equates a revenue requirement of \$19,596.

2. Public Comments

Two public comments were filed—both opposing the proposed 100 percent increase. One commentator suggested the Company should be directed to develop an action plan that states which improvements will be made and when. This plan would be sent to customers according to the commentator's comment. This commentator also requested a capital expense form be used to inform customers where money was spent and justify those expenditures.

³ Staff included a discussion of a cash infusion of \$58,218.77 from the WSM which the Company did not request recovery of. Staff notes that it does not recommend including this amount as an advance or debt because the Company would need to comply with the requirements of *Idaho Code* § 61-901 *et seq.* and receive approval prior to taking on debt.

COMMISSION JURISDICTION

This Commission has jurisdiction over “every corporation or person, their lessees, trustees, receivers or trustees, appointed by any court whatsoever, owning, controlling, operating or managing any water system for compensation within this state.” *Idaho Code* § 61-125. A “water corporation” as defined in *Idaho Code* § 61-125 is a “public utility” as defined by *Idaho Code* § 61-129. Public utilities are “subject to the jurisdiction, control and regulation of the commission and to the provisions of [The Public Utilities Law].” This Commission is “vested with power and jurisdiction to supervise and regulate every public utility in the state and to do all things necessary to carry out the spirit and intent of [The Public Utilities Law].” *Idaho Code* § 61-501. The Commission, upon finding that the rates charged by a public utility are “unjust, unreasonable, discriminatory, or in any wise in violation of any provision of law, or that such rates . . . are insufficient . . . shall determine the just, reasonable or sufficient rates . . . to be thereafter observed and in force and shall fix the same by order” *Idaho Code* § 61-502; *see also Idaho Code* § 61-503.

Public utilities are entitled to a reasonable rate of return on prudent investments. “[A] public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public, equal to the return generally being made at the same time and in the same general part of the country on investments and other business undertakings which are attended by corresponding risks and uncertainties.” *Utah Power & Light Co. v. Idaho Public Utilities Comm’n*, 105 Idaho 822, 827 (1983). The Commission has the power and the duty to set rates of return within a “broad zone of reasonableness.” *Intermountain Gas Co. v. Idaho Public Utilities Comm’n*, 97 Idaho 113, 128 (1975). “The main elements in fixing reasonable rates for service rendered by [a] public utility are the cost of rendering service on an economical and efficient basis, fair return to the utility on its property used and useful in such service and fairness to consumers.” *Application of Pacific Tel. & Tel. Co.*, 71 Idaho 476, 480-81 (1951).

COMMISSION FINDINGS AND DISCUSSION

The Commission has reviewed the record in this case and finds that the Company’s request to increase rates by 100 percent is reasonable. The Company’s current rate structure is insufficient to sustainably meet its obligations required to provide safe and reliable service going forward. We find that monthly residential rates of \$54.00 and monthly commercial rates of \$89.00 will enable

the Company to meet its obligation to provide safe and reliable service while providing the Company an opportunity to earn an 11 percent return on equity. While we are sensitive to customers who will see their water rates increase by 100 percent, we find the methods used to calculate the new rates were consistent with methods used to set other small water company rates and the rates are fair, just, and reasonable in this case. These rates will allow the Company to invest in its system and ensure that it can continue providing water to customers safely and reliably.

We agree with Staff that it would be beneficial for the Company to keep additional records that will provide better insight into the Company's pumping efficiency and water pressure. Beginning in January 2024, the Company shall maintain separate logs of (1) water pressure readings; and (2) total gallons pumped. In addition to these additional recordings, the Company shall also develop a system operation plan. We anticipate this plan will allow the Company to proactively anticipate and plan for maintenance and repairs needed by the system. Accordingly, this plan should help to ensure consistent delivery of safe and reliable water to customers.

ORDER

IT IS HEREBY ORDERED that the Company is authorized to charge a monthly flat rate of \$54.00 to residential customers and \$89.00 to commercial customers which should generate a revenue requirement of \$19,596 based on a rate base of \$62,973.76 and a return on equity of 11 percent.

IT IS FURTHER ORDERED that the Company shall develop a system operations plan to help anticipate maintenance and repairs.

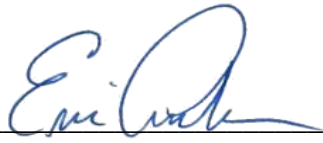
IT IS FURTHER ORDERED that the Company shall maintain a log of regular water pressure readings beginning in January 2024.

IT IS FURTHER ORDERED that the Company shall begin maintaining a log of monthly gallons pumped beginning in January 2024.

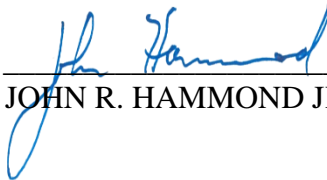
IT IS FURTHER ORDERED that the Company shall work with Staff to file conforming tariffs within 15 days of the service date of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding 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 29th day of November 2023.



ERIC ANDERSON, PRESIDENT



JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Monica Barrios-Sanchez
Interim Commission Secretary

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