

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION) CASE NO. BCW-W-25-02
INTO BEAR CLAW WATER SYSTEM, LLC'S)
RATES AND CHARGES FOR SERVICE)
) ORDER NO. 36996
)

On July 14, 2025, Bear Claw Water System, LLC (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) requesting a Certificate of Public Convenience and Necessity (“CPCN”) to provide water service within the Bear Claw Subdivision in Bonner County, near Clark Fork, Idaho (“Application”).

On October 9, 2025, the Commission issued Order No. 36799, granting the Company’s request for a CPCN and directing Commission Staff (“Staff”) to open a separate docket to evaluate whether the Company’s interim rates are fair, just, and reasonable.

Case No. BCW-W-25-02 was opened on October 9, 2025, to investigate the rates and charges of the Company.

On February 10, 2026, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing deadlines for public comments, and for the Company to file reply comments. Order No. 36935.

Based on our review of the record, the Commission now issues this Final Order conditionally approving the Company’s current rates.

Staff conducted an audit of the Company’s operating expenses and plant-in-service (“PIS”) for the twelve-month period ending September 30, 2025, to support the development of a revenue requirement calculation. Staff Comments at 2. As part of the review, Staff evaluated the Company’s financial records, including invoices, bank statements, the general ledger, and responses to Staff production requests. *Id.* Based on its investigation, Staff believed that the Company’s current monthly rate of \$50 per customer did not generate sufficient revenue to cover operating expenses or provide the Company a reasonable opportunity to earn a return on its capital investments. *Id.* While additional scrutiny and adjustments could occur in a future general rate

case, Staff concluded for purposes of the initial investigation that the current rate likely produces revenues below the level necessary for the continued operation of the system. *Id.*

The Company's water system, located east of Clark Fork in Bonner County, Idaho, consists of a single well with a 10-horsepower pump and an approximate capacity of 35 gallons per minute. *Id.* The system serves 24 unmetered residential lots in the Bear Claw Subdivision, with a maximum capacity of 44 connections. *Id.* The system is subject to a Moratorium on New Connections issued by the Idaho Department of Environmental Quality ("IDEQ") on October 27, 2021, requiring agency approval before additional connections can be added. *Id.*

Staff's review of the Company's Application, the IDEQ sanitary survey, and responses to production requests indicated that the water system is capable of providing safe and reliable service to its current customers and was operating in compliance with the Idaho Rules for Public Drinking Water Systems. *Id.* at 3. The sanitary survey reported no significant deficiencies affecting system reliability but confirmed that new connections could not be added without IDEQ approval and that a second well would be required to serve additional customers. *Id.* The Company was in the process of developing a facility plan to address these requirements. *Id.* Staff recommended that the Company provide a copy of the completed facility plan to the Commission when available, communicate with the Idaho Department of Water Resources ("IDWR") regarding its water rights before developing a second well, and begin recording and maintaining periodic system pressure data, at least monthly, to monitor system performance and detect potential issues such as leaks or depressurization events. *Id.*

Staff also reviewed the Company's water production relative to its available water rights. *Id.* During the period from November 2024 through October 2025, the system produced approximately 2.1 million gallons, which was within the available water right. *Id.* at 4. However, a memorandum from IDWR dated August 8, 1997, indicated that the existing permit would not cover the subdivision at full build-out and would not authorize diversion from more than one well. *Id.* Accordingly, Staff recommended that the Company consult with IDWR before pursuing development of a second well. *Id.*

Based on its financial review, Staff initially calculated a revenue requirement of \$14,875 prior to adjustments. *Id.* After reviewing individual components and applying recommended adjustments, Staff recalculated the Company's annual revenue requirement to be \$24,734. *Id.* Staff

determined a net rate base of \$29,264, consisting of \$27,707 in net PIS and \$1,557 in working capital, with accumulated depreciation estimated at \$299. *Id.* at 4-5. The Company had no authorized debt; therefore, Staff applied an 11 percent return on equity consistent with other small water utilities. *Id.* at 5-6. Staff also identified additional plant investments made during the test year, including \$19,375 for pumping equipment and \$8,631 for emergency water leak repairs completed in October 2025, both of which were included in PIS and depreciated using the straight-line method over estimated useful lives. *Id.* at 5.

During the test year, the Company reported \$12,150 in total revenue from residential customers. *Id.* at 6. Because residents were not formally billed and payments were made voluntarily, Staff calculated potential annual revenue of \$14,400 if all 24 customers paid the \$50 monthly charge. *Id.* The Company reported operating expenses of \$12,053, which included professional fees, repairs and maintenance, utilities, and other general expenses. *Id.* After review and reclassification of certain costs, Staff calculated adjusted operating expenses of \$18,895. *Id.* Adjustments included estimated electricity expenses of \$1,663 based on power bills, chlorine chemical expenses of \$738 based on reported usage, and \$476 in well house breaker repair costs classified as operations and maintenance. *Id.* at 6-7.

Professional service expenses were also evaluated. *Id.* at 7-8. The Company reported \$23,639 in professional fees, including engineering services associated with preparation of a facility plan required by IDEQ. *Id.* at 7. Staff determined that the \$16,036 cost of the facility plan provided a long-term benefit and should not be recovered in a single year. *Id.* at 8. Instead, Staff amortized the cost over three years and included only the annual amortization expense of \$5,345 in the revenue requirement. *Id.* After adjustments, Staff calculated \$7,603 in professional fees for the test year. *Id.*

Based on these calculations, Staff believed that the Company's current revenues were insufficient to meet its calculated revenue requirement, as test-year revenues of approximately \$14,878 were \$9,858 below the required level of \$24,734. *Id.* at 9. By Staff's calculation, the current flat rate of \$50 per customer was likely inadequate to support safe and reliable system operation while providing the Company an opportunity to earn a reasonable return. *Id.* Staff recommended that the Company continue improving its financial recordkeeping, issue monthly

bills to customers, ensure payment collection from all users, maintain compliance with IDEQ requirements, and consider filing a general rate case for a more comprehensive review of rates. *Id.*

Staff also recommended that the Company update and file a tariff consistent with the Utility Customer Relations Rules and include approved non-recurring charges. *Id.* at 10. Recommended charges included a \$20 return-check fee consistent with *Idaho Code* § 28-22-105, a \$50 reconnection fee for service restoration following non-payment, and a late payment charge of one percent per month on unpaid balances. *Id.* at 10-11. Staff did not recommend establishing a hookup fee at this time due to the existing moratorium on new connections but suggested the Company consider doing so once a second well is installed and system capacity increases. *Id.* at 11. Finally, Staff recommended that the Commission acknowledge that the current rate may be insufficient for continued system operation and direct the Company to submit a compliance filing that includes an updated tariff and a Summary of Rules consistent with regulatory requirements. *Id.*

PUBLIC COMMENTS

The Commission received four customer comments regarding the evaluation into the Company's rates and charges. The comments expressed concerns over the lack of billing statements, the lack of transparency on how the system is being maintained, the lack of investment into the water system, and water outages are caused by equipment failure. Customers also discussed the issue of the IDEQ moratorium and the desire to have a second well installed.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter and the issues in this case under Title 61 of the Idaho Code. The Commission regulates "public utilities," including "water corporations" that serve the public, or some portion thereof, for compensation. Idaho Code §§ 61-125, -129, and -501.

The Commission's regulatory authority extends to the service rates charged by public utilities. Specifically, upon finding that the rates charged by a public utility are "unjust, unreasonable, discriminatory, or in any way in violation of any provision of law, or that such rates . . . are insufficient" the Commission must "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.

However, this authority over rates is not unlimited. 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).

The Commission has reviewed the record in this case, including Staff’s audit and evaluation of the Company’s operations, PIS, and financial condition for the twelve-month period ending September 30, 2025. Based on the record, the Commission finds Staff’s analysis reasonable for purposes of this investigation. We agree that the Company’s current flat monthly rate of \$50 per customer likely does not generate sufficient revenue to recover reasonable operating expenses or provide the Company a fair opportunity to earn a return on its investment. Staff’s calculated adjusted annual revenue requirement and estimated annual revenues result in a shortfall. While the Commission does not establish rates in this proceeding, we find that the Company’s existing rates and charges may be inadequate to support the continued provision of safe and reliable service. Accordingly, the Commission approves the Company’s interim rates but acknowledges the potential insufficiency of the Company’s current rates and encourages the Company to file a general rate case application in the near future to allow for a comprehensive review of its rates, charges, and revenue requirement. If the Company does not file such an application within two (2) years of the date of this Order, the Commission finds it reasonable to direct Staff to initiate an investigation into the Company’s rates and charges to determine whether they are just, reasonable, and sufficient.

While the Company’s system is currently capable of providing safe and reliable service to its existing customers, the system remains subject to an IDEQ imposed moratorium on new

connections and will require additional infrastructure, including a second well, to accommodate future growth. The Company has begun developing a facility plan to address these needs. The Commission agrees with Staff that maintaining a current facility plan and coordinating with relevant state agencies is necessary to ensure long-term system reliability and regulatory compliance. Therefore, the Commission directs the Company to maintain its facility plan on file with Staff and to provide updates as they become available.

The Commission also finds that the Company's billing and recordkeeping practices require improvement. The record indicates that customers have not been consistently billed and that payments have been made on a voluntary basis. The Commission emphasizes that public utilities must implement consistent billing practices, ensure collection of approved rates and charges, and maintain accurate and complete records of customer billing and payments. The Commission therefore finds it appropriate to direct the Company to comply with all applicable rules governing rate billing and collection and to maintain sufficient financial and operational records to demonstrate compliance and support future review.

Finally, the Commission finds it reasonable and necessary to direct the Company to formalize its rates, charges, and customer service practices through a compliance filing. The Company shall work with Staff to prepare and submit a filing that includes a tariff clearly setting forth all rates, charges, and non-recurring fees, as well as a Summary of Rules consistent with the Utility Customer Relations Rules. This requirement will promote transparency, improve regulatory compliance, and ensure that customers are adequately informed of the terms and conditions of service.

Based on the foregoing, the Commission finds the above measures to be reasonable and necessary to ensure that the Company continues to provide safe, adequate, and reliable service while moving toward compliance with applicable regulatory requirements and cost-based ratemaking principles.

ORDER

IT IS HEREBY ORDERED that the Company's interim rates are approved and the Company is encouraged to file a general rate case application in the near future to allow for a comprehensive review of its rates, charges, and revenue requirement.

IT IS FURTHER ORDERED that if the Company does not file a rate case within two (2) years of the date of this Order, Staff shall initiate an investigation into the Company's rates and charges to determine whether they are just, reasonable, and sufficient.

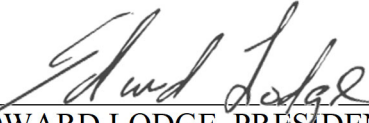
IT IS FURTHER ORDERED that the Company shall maintain its facility plan on file with Staff and to provide updates as they become available.


IT IS FURTHER ORDERED that the Company shall comply with all applicable rules governing rate billing and collection and maintain sufficient financial and operational records.

IT IS FURTHER ORDERED that the Company shall work with Staff to prepare and submit a compliance filing that includes a tariff clearly setting forth all rates, charges, and non-recurring fees, as well as a Summary of Rules consistent with the Utility Customer Relations Rules.

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 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 7th day of April, 2026.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary
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