

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF CAPITOL WATER) CASE NO. CAP-W-25-02
CORPORATION’S APPLICATION FOR)
AUTHORITY TO INCREASE ITS RATES) ORDER NO. 36948
AND CHARGES FOR WATER SERVICE IN)
THE STATE OF IDAHO)
)

On August 14, 2025, Capitol Water Corporation (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) requesting authority to increase its base tariff rates for water service in the State of Idaho by 6.004%, effective September 1, 2025 (“Application”).

On September 3, 2025, the Commission issued a Notice of Application, a Notice of Intervention Deadline establishing a 21-day intervention period, and a Notice of Suspension suspending the Company’s proposed effective date. The city of Boise City (“City”) intervened. Order No. 36789.

On November 6, 2025, the Commission issued a Notice of Modified Procedure setting written comment deadlines, a Notice of Public Workshop, and a Notice of Customer Hearing. Order No. 36837. Commission Staff (“Staff”) and the City filed comments. The Commission also received four public comments. No Company customers attended the January 22, 2026, customer hearing. The Company filed reply comments.

Having reviewed the record, we issue this Final Order authorizing the Company to increase its rates as described below and directing the Company to implement remedial measures to address recordkeeping concerns, also described below.

THE APPLICATION

The Company is a Commission-regulated water corporation serving 2,536 residential and 276 commercial customers in a service territory located in the city of Boise in Ada County, Idaho. Application at 1. The Company’s current rates were set in Case No. CAP-W-24-01. *Id.*

The Company sought to increase customer rates through an across-the-board 6.004% increase to its base tariff rates for water service. *Id.* The proposed rate increase was designed to recover costs associated with several significant capital improvement projects the Company completed since its last rate case went into effect, accumulated depreciation, and working capital

associated with the rate case expenses. *Id.* at 2. The Company's annual revenue would increase by \$49,447 if the proposed increase was approved. *Id.* at 3.

The Company intended to notify its customers of the proposed rate increase by inserting a written notice in each customer's bill mailed on August 31, 2025, and via a similar notice issued as a press release and posted on the Company's website. *Id.* Copies of the notices were included with the Application. *Id.*

STAFF COMMENTS

Staff reviewed the Company's Application, supporting exhibits, and responses to discovery requests. Staff Comments at 2. Staff also audited the Company's expenses and toured the water system. *Id.* Based on its review, Staff recommended the Commission allow a revenue requirement increase of \$36,275 or 4.4%. *Id.* Staff's recommended revenue requirement is based on a 10.08% rate of return. *Id.* Staff supported the Company's request to increase all billing components by an equal percentage. *Id.* at 7.

Staff's recommendation included an increase of \$264,362 to plant in-service ("PIS")—\$8,477 less than the Company's request. *Id.* at 2–3. This amount reflected Staff's belief that several plant additions included in the Application were either misclassified or lacked sufficient documentation in the form of supporting invoices or receipts. *Id.* at 3. Additional Staff-recommended deductions to the Company's requested PIS included: installation costs for the vacant portion of a subdivided lot for which the Company collected no advance, and therefore from which the Company has not begun earning revenue through service; pumping equipment and well painting where the actual cost was lower than the firm bid price included in the Application; and a double-counted transfer switch for a generator. *Id.* at 4–6.

Staff also recalculated the accumulated depreciation using its proposed PIS adjustments and actual values as of December 31, 2025. *Id.* at 6. Based on its calculation, Staff recommended a \$94,537 increase to accumulated depreciation, resulting in a decrease to the Company's revenue requirement. *Id.*

According to Staff, the Company's requested additional working capital of \$969 was improperly based on rate case expenditures classified as operating expenses. Staff therefore recommended removing the requested additional working capital from the Company's rate base. *Id.*

Additionally, Staff recommended adjustments to the expenses for which the Company is allowed to recover. *Id.* at 7. Staff believed the Commission should reduce the Company's requested depreciation expense associated with plant additions placed in service during 2024 and 2025, with pro forma plant through December 2025, by \$607. Staff also believed the Commission should increase the Company's requested recoverable expenses related to its rate case by \$2,035, based on additional expenses identified and supported through the Company's responses to Staff's discovery requests. *Id.*

Though Staff expressed a general concern about using billing determinants (based on customer counts and water consumption) from a prior rate case, because of the recency of the Company's last general rate case (rates went into effect on January 1, 2025) and its confined, developed service territory, Staff believed the proposal was reasonable in this instance. *Id.* at 8. However, Staff believed the Company should be required to use billing determinants corresponding to the test year in its next rate case. *Id.*

Following its analysis, Staff recommended the Commission issue an order (1) authorizing a revenue requirement of \$859,867 (representing an increase of \$36,275, or 4.4%); (2) authorizing a new rate base of \$169,824; (3) directing the Company to submit an action plan for improving its recordkeeping process as a compliance filing within 90 days of the order; (4) approving Staff's proposed rate design, as detailed in Attachment E to Staff's Comments; (5) directing the Company to use billing determinants corresponding with the test year in its next general rate case filing; (6) directing the Company to submit a compliance filing containing updated tariffs consistent with the order; and (7) directing the Company to collaborate with Staff to ensure customer documentation complies with the Utility Customer Relation Rules within 60 days of the order. *Id.* at 9–10.

INTERVENOR COMMENTS

The City filed comments expressing support for Staff's recommendations. City Comments at 2. The City shared Staff's concerns about the Company's recordkeeping and supplemented Staff's recommendation of an action plan compliance filing by suggesting the Commission require the Company periodically submit its records for review. *Id.*

PUBLIC COMMENTS

Of the four public comments received by the Commission, three were supportive of the Company's proposed rate increase. These comments generally expressed a belief that the requested increase was modest in relation to the service provided by the Company. One comment concerned

a belief that the Idaho Department of Environmental Quality had previously found a contaminant in the Company's water system, and the commenter inquired as to whether the rate increase would help address the issue.

COMPANY REPLY COMMENTS

The Company filed brief reply comments in which it expressed its general agreement with Staff's recommendations. Company Reply Comments at 1. The Company also stated that it would use billing determinants corresponding with the test year in its next general rate case but noted that doing so would likely increase its rate case expenses. *Id.* at 2.

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, upon finding that the rates charged by a public utility ". . . 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.

In a general rate case, the Company's "revenue requirement and every component of it, both rate base and expense, are at issue." IDAPA 31.01.01.124.01. "The Commission may grant, deny, or modify the revenue requirement requested and may find a revenue requirement different from that proposed by any party is just, fair, and reasonable." *Id.* The Company's retail rates and charges, both recurring and non-recurring, are at issue, and every component of every existing and proposed rate and charge is at issue. IDAPA 31.01.01.124.02. "The Commission may approve, reject, or modify the rates and charges proposed and may find that rates and charges different from those proposed by any party are just, fair, and reasonable." *Id.*

Based on the record before us, the Commission authorizes a 4.4% increase to the Company's base tariff rates for water service. These rates shall be based on a \$859,867 revenue requirement, a rate base of \$169,824, and a 10.08% rate of return. We also approve the rate design detailed in Attachment E to Staff's Comments.

Though the Commission is satisfied that the billing determinants used by the Company closely resemble the current customer base due to the developed nature of the Company's territory and recently approved rates, we expect the Company to use billing determinants corresponding with the test year in its next general rate case. While the Commission understands and appreciates

the Company's attempt to spare rate case expenses, matching the test year's revenue requirement components with accurate customer counts and water consumption data is a critical element of ensuring fair, just, and reasonable rates for customers.

Additionally, to address continued concerns regarding the Company's recordkeeping practices,¹ we direct the Company to submit an action plan for improving its recordkeeping process as a compliance filing within 90 days of this Order. We believe this will move the Company in the appropriate direction in lieu of requiring the Company to periodically submit records to ensure adherence to the action plan, as recommended by the City.

Finally, to ensure the Company's customer documentation (i.e. summary of rules, summary of rates, notices, etc.), complies with the Utility Customer Relation Rules, we instruct the Company and Staff to conduct a review of such documentation within 60 days of this Order.

ORDER

IT IS HEREBY ORDERED that the Company is permitted to increase its rates and charges as described above.

IT IS FURTHER ORDERED that the Company must submit tariffs in compliance with the rates and charges identified herein within 30 days of the service date of this Order.

IT IS FURTHER ORDERED that the Company must submit an action plan for improving its recordkeeping process as a compliance filing within 90 days of the service date of this Order.

IT IS FURTHER ORDERED that the Company shall collaborate with Staff to ensure customer documentation complies with the Utility Customer Relation Rules within 60 days of the service date of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within 21 days of the service date of this Order. Within 7 days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

¹ Staff's comments in the Company's most recent general rate case expressed concerns regarding the sufficiency of documentation regarding plant investments. Case No. CAP-W-24-01, Staff Comments at 5 Staff's comments in this case noted missing invoices and misclassified capital expenditures related to plant investments. Staff Comments at 3.

DONE by order of the Idaho Public Utilities Commission at Boise, Idaho this 26th day of February 2026.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary

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