Office of the Secretary
Service Date
October 12, 2012

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF COUNTRY CLUB HILLS UTILITIES FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE	CASE NO. CCH-W-12-01 ORDER NO. 32662

On March 22, 2012, Country Club Hills Utilities ("CCHU" or "Company") filed an Application/Letter requesting authority to "increase its rates and charges for water service." *Application* at 1. The Company asked for a revenue increase of 32%. Subsequently, Commission Staff ("Staff") worked with the Company to rectify several deficiencies in the Company's Application.

On April 12, 2012, the Commission issued a Notice of Application and suspended CCHU's Application for a period of 30 days plus 5 months pursuant to its authority under *Idaho Code* § 61-622. *See* Order No. 32518. On August 8, 2012, the Commission issued a Notice of Modified Procedure and Intervention Deadline. The Commission invited written comments to be filed no later than September 17, 2012. *See* Order No. 32610. Staff and several CCHU customers submitted written comments regarding the Company's Application. On September 25, 2012, a public hearing was held in Idaho Falls, Idaho, and several CCHU customers offered testimony regarding the Company's Application.

After reviewing CCHU's Application, the written comments and the testimony at our hearing, we approve an annual revenue increase of $9,358, a 21.7% increase over the amount approved in the Company's last general rate case, CCH-W-05-01. We authorize the new rates to become effective on the service date of this Order.

THE APPLICATION

In its Application, CCHU states that it "provides water service to 147 residential customers and 1 commercial customer in Bonneville County, Idaho." *Id.* CCHU attached a map of the Company's service area showing the location of wells, reservoirs, transmission mains and distribution lines and a written legal description defining the boundaries of the service area. *Id.*

The Company sought Commission authorization for "a general 32% increase in water rates. . . ." *Id.*[1] The following is an outline of CCHU's proposal:

1. Increase flat rate residential/commercial rates from $17 per month to $25 per month;

2. Increase metered residential/commercial rates from $0.60 per 1,000 gallons for all consumption in excess of 30,000 gallons per month to $0.60 per 1,000 gallons for all consumption in excess of 15,000 gallons to 25,000 gallons and $0.70 per 1,000 gallons for all consumption in excess of 25,000;

3. Increase flat rate for condominiums with no landscape from $15.75 per month to $23.75 dollars per month.

4. Increase metered landscape rates for condominiums from $20 per month to $23.75 per month during the months of use. Increase metered landscape rates for condominiums from $0.60 per 1,000 gallons for all consumption used in excess of 30,000 gallons per month to $0.60 per 1,000 gallons for all consumption used in excess of 15,000 to 25,000 gallons and $0.70 per 1,000 gallons for all consumption used in excess of 25,000 gallons.

5. Increase the hook up fee from $500 dollars to $750 per hook up.

6. Increase the reconnection fee from $14 per reconnection during normal business hours and $28 at all other times to $50 per reconnection during normal business hours and all other times.

Id. at 1-2.

CCHU did not include a copy of its customer notice with its Application as required by Commission Rule 125. The Company requested that its Application for a rate increase be processed through Modified Procedure. The Company did not request a specific effective date for its proposed increase but did include March 1, 2012, as the effective date on its revised tariffs, submitted as an attachment to its Application.

REVENUE REQUIREMENT

CCHU did not file a revenue requirement calculation as part of its Application. Staff conducted an audit of the Company's financial records and recommended a revenue requirement

[1] Based on the requested changes in the rate design and structure, Staff later calculated that the overall rate increase is approximately 49.1% compared to the actual revenue reported by the Company in 2011.

of $52,425. This represents additional revenue of $9,358, a 21.7% increase in revenues over the amount approved in the 2005 rate case.

A. Test Year

The Company did not offer a proposed test year in its Application. Staff reported that in its audit the Company listed revenues and expenses for the calendar year-end (CYE) 2011 on a cash basis. Thus, Staff utilized 2011 as the relevant test year in this case.

Commission Findings: The Commission finds that it is fair, just and reasonable to use a calendar test year ending on December 31, 2011.

B. Working Capital

The Company did not provide a working capital calculation or provide information to precisely determine an appropriate amount for working capital. Therefore, Staff utilized the amount of $6,011 as an appropriate amount for working capital. Staff's decision was based on the 1/8th rule, i.e., average operating expenses during a 45-day period.

Commission Findings: The Commission finds that $6,011 is a reasonable amount of working capital to be utilized by the Company to meet the expenses of its day-to-day operations.

C. Rate Base

CCHU did not provide a rate base calculation in its Application. The Company reported the same unamortized amount it used in its last rate case, $275,200, for contributions in aid of construction (CIAC) on its balance sheet since the previous audit and rate case. Staff calculated a rate base for the Company but did not include assets acquired as CIAC for ease of understanding and computation. The Company's accounting records and reports do not contain accounts for recording amortization of CIAC.

Staff's audit included a chronological list of changes in assets since the previous audit and rate case, $20,347. Staff calculated an amount of ($2,823) as accumulated depreciation for the time period of 2004-2011 on the Company's wells and pumps for a net plant in service of $17,524. Thus, adding the net plant in service amount to Staff's recommended working capital of $6,011, Staff recommended a rate base of $23,534 for the Company.

Commission Findings: Based upon our review of the record and Staff's comments, we find that the Company's current plant in service totals $20,347. Subtracting the accumulated depreciation ($2,823) from this amount and adding $6,011 for working capital results in a total rate base of $23,354. We find that Staff's calculations are reasonable and supported by the evidence. Further, we note that the Company did not challenge these calculations.

D. Return on Rate Base

The Company did not include a proposed rate of return calculation in its Application. Staff recommended a 12.0% return on equity and an overall rate of return on rate base of 12.0%. Staff recalculated interest expense associated with water utility operations as a surrogate return compared to the normal return on rate base.

Commission Findings: The Commission has allowed a 12% rate of return in several contemporary cases pertaining to requests for rate increases from small water companies. *See* Order Nos. 32105, 30970, 30342, 30198, and 30279. Based upon the record in this case, the Commission finds that it is fair, just and reasonable to approve a 12% rate of return for CCHU.

1. Revenues. In this case, CCHU reported revenues and expenses for the CYE 2011 on a cash basis. Staff examined the record of collections identifying several sources of collections including sewer services, several fees, and owner contributions of capital and water sales. Water sales revenues equaled $43,707; DEQ fees equaled $725; and hookup fees totaled $323. Total revenue collected totals $44,755.

2. Expenses. Staff recommended several adjustments to the Company's 2011 reported expenses.

a. Purchased Power: Staff calculated normalized purchased power expense by applying current electric rates to a five-year average of water sales volumes. Staff calculated the normalized cost of purchased power to be $11,845. Attachment C shows Staff's calculation of normalized purchased power cost equaling $11,845 and the recommended increase in purchased power expense equaling $830.

b. Water Testing: Next, Staff normalized the costs attributed to water testing over several years. Staff consulted with IDEQ and obtained a complete list of required tests during a nine-year water testing cycle. The annualized water testing cost calculated by Staff is $738.78. *See* Attachment D. Staff recommended an increase of $409. The Company did not submit the cost of water testing with its Application.

c. Rental Expense: Staff adjusted CCHU's annual rental expense (office, common and storage spaces, including their furnishings and equipment) for 2011 of $8,400, the Company's second largest annual expense. The reported annual rental expense utilized a compound annual growth rate (CAGR) of 11.79% over a seven-year period. CCHU failed to provide a written contract or other documentation outlining its rental agreement with its landlord, Pembroke Corporation. Staff asserted that a CAGR of 3.0% is more reasonable. A 3.0% CAGR would equal a total rental expense of $4,735 for 2011, reducing the rental expense by $3,665.

d. Bad Debt Expense: As noted above, CCHU reports on a cash basis. Bad debt expense is allowed only when the revenue was previously accrued and reported or collection expenses were paid. Again, the Company did not provide supporting documents on its use of collection services. Therefore, Staff recommended an adjustment to reduce bad debt expense by $337.

e. Depreciation Expense: Staff's audit of depreciation expenses included a request for property records, a depreciation schedule and a schedule of CIAC. The only information supplied by the Company was a list of values based on estimates or other valuations assigned to asset groups. Staff's analysis of the documentation provided showed that the amount of $7,912 included depreciation on plant which was previously determined in the last rate case to be contributed capital. In Order No. 29794, the Company accepted this valuation. Consequently, Staff recalculated depreciation expense using the $12,697 in plant in service determined in the prior case plus changes during the 2005 through 2011 time period. Attachment G shows the plant changes, the depreciation expense calculation and Staff's recommended adjustment reducing depreciation by $6,622.

f. Property Tax Expense: CCHU provided documents showing that the amount the Company paid in property taxes was 477 less than the amount the Company reported in its 2011 annual report to the Commission. Therefore, Staff recommended a reduction of $77 in property tax expense.

g. DEQ Fees: Staff reclassified the revenue collected by the Company from customers for DEQ fees as an expense item. Because these items offset each other, they are not part of the incremental revenue requirement or incremental base rate design.

h. Interest Expense: CCHU reported interest expenses of $3,784 for 2011. Staff's audit examined payment records and account statements, including those on credit card accounts. Staff noted that in the 2005 rate case, interest expense was used as a surrogate for return on rate base. In this case, Staff recalculated interest expense associated with water utility operations as a surrogate return compared to the normal return on rate base. Consistent with its recommendation to return to the customary return on rate base, 12% (see below), Staff recommended removal of the interest expense, totaling $3,784.

The following table summarizes the Staff's position:

Total Company Revenue	$44,755
Company Reported Operating Expenses	$63,346
Staff Adjustments	
Purchased Power	830
Water Testing	409
Rental	(3,665)
Bad Debt	(337)
Depreciation	(6,622
Property Taxes	(77)
DEQ Fees	(725)
Interest Charges	(3,784)
Net income (loss)	$5,668

Commission Findings: CCHU is "entitled to rates that will cover its operating costs and provide an opportunity to earn a reasonable rate of return on its investment. . . ." *See* Order No. 30970. The record before the Commission demonstrates that the Company did not dispute nor offer a rebuttal of the adjustments made by Staff to the Company's reported revenues and expenses. Therefore, the Commission finds that the adjustments are reasonable and necessary in order to support the adequate operation and maintenance of CCHU's water system.

Specifically, the Commission approves the foregoing adjusted revenue and expense levels recommended by Staff that result in the following revenue requirement for the Company:

Rate Base	$23,354
Rate of Return	12%

	$2,824
Gross Up Factor	x 1.08 = $3,050
Approved Expenses	$49,375

Approved Revenue Requirement	**$52,425**
Proforma Water Sales Revenues	$43,067

Approved Revenue Increase	**$9,358 (21.7%)**

See also Attachment B.

CAPITAL REPLACEMENT FUND

In its comments, Staff noted that the Company did not request the establishment of a capital replacement fund in its original Application. However, in response to Staff production requests, the Company indicated that it is seeking the rate increase to offset yearly operating losses for the past several years and hoped to establish a capital replacement fund. Additionally, the Company claims that IDEQ requires all public water systems to maintain a capital replacement fund and that the Company does not have such a fund because of the negative income range where it currently operates.

Staff stated that a capital replacement fund may be appropriate for CCHU in the future. However, Staff does not recommend the establishment of a capital replacement fund as part of this rate case for three reasons. First, the Company has provided no support to justify the size of the fund or describe under what condition it would actually be used. Second, the Company did not specifically request the establishment of a capital replacement fund as part of its Application for a rate increase. Finally, the total overall percent revenue requirement increase recommended by Staff is approximately 21.7%. Any additional increase of the revenue requirement for the establishment of a capital replacement fund will be a significant burden to customers.

On October 2, 2012, CCHU sent an e-mail response to Staff regarding the establishment of a fund to pay for system deficiencies. The Company stated that Staff's recommendation for a rate increase "does not go far enough." The Company cited to IDAPA 58.01.08 (Idaho Rules for Public Drinking Water System) which refers to a capital replacement fund. CCHU states that it is in "immediate need" of funds to recover costs associated with pump failures, service line repairs, replacement of customer landscaping, street repair, replace 14 broken water meters, installation of SCADA equipment for automatic control of water system, pump house for Well No. 2, replace water meters at Wells No. 1 and No. 2, and repair/replace a sand separator in Well No. 1. The Company estimates a total cost for these improvement to be $56,300.

Commission Findings: In response to the Company's reference to the capital replacement fund mentioned in the Idaho Department of Environmental Quality's Administrative Rules, the Commission notes that IDEQ rules specifically exclude regulated water utilities from the IDEQ's facility and design requirements for new water systems in cases where those requirements "are in conflict with the provisions and requirements of the IPUC." IDEQ Rule 500.07; IDAPA 58.01.08.500.07.

The Commission finds that the institution of an emergency fund, or capital replacement fund, is not warranted at this time. In this case, the Commission authorizes an approximately 21.7% increase in the Company's revenues. The Commission finds that an additional surcharge on top of this increase would be unduly burdensome for the Company's small customer base.

Additionally, the Commission finds that CCHU has failed to demonstrate an adequate level of expertise and sophistication in its accounting and recordkeeping methods. As evidence of this, the Commission notes that the Company's Application was woefully incomplete and failed to provide even the most basic calculations regarding the Company's current financial structure and position. While CCHU did eventually respond and comply with the audit and production requests issued by Staff in this case, it is clear that the Company must demonstrate a capacity to properly document and account for its day-to-day business operations before undertaking to collect and account-for a capital replacement fund. When the Company demonstrates that it has rectified its accounting and recordkeeping deficiencies the Commission will entertain an application by the Company for the establishment of a fund to reimburse the Company for emergency repairs to its water system.

RATE DESIGN

Currently, CCHU has a single-block rate design with a base charge for the first 30,000 gallons of consumption. CCHU's volume allowance is currently the highest of all the 30 water utilities regulated by the Commission. As noted above, the Company's Application requests Commission approval of an inverted two-block (increasing) rate design with an inclining commodity charge for consumption levels exceeding 15,000 gallons/month and 25,000 gallons/month. *See supra.* p. 2.

Staff recommended the Commission maintain CCHU's single-block rate design. Staff cited several reasons for its recommendation. First, using the current single-block rate design with a minimum volume allowance is simpler to administer, and is already understood by the Company's customers. Second, using the current single-block rate design and reducing the volume allowance in the minimum charge from 30,000 gallons to 15,000 gallons already incorporates a strong conservation element in the rate design. Third, a two-tiered rate design is unnecessarily complicated for a small water company such as CCHU with only 136 residential metered customers. Finally, the Company's residential and commercial meters are not read monthly throughout the season.

Staff believes that an inclining, two-block rate design becomes ineffective during the winter season or even during the shoulder months when meter readings are either delayed or combined into one reading such as the case for meter readings done in 2010 (later part of June covering May and June usage) and in 2011 (readings in early July covering May and June usage).

Staff supports lowering the Company's base volume allowance to 15,000 gallons. Staff arrived at its recommendation by calculating the average residential monthly winter usage, approximately 6,500 gallons per customer. Thus, a reduction of the volume allowance to 15,000 gallons for metered customers would bring it to a level that is slightly more than twice as much as the current average winter monthly usage and still send a strong conservation signal to customers. Staff calculated the impact of decreasing the volume allowance from 30,000 gallons to 15,000 gallons using the current rates for base and commodity charges. A customer with an average summer usage of 67,000 gallons would experience a rate increase of 23%. The average 67,000-gallon water usage was estimated using the summer months of June, July and August for two years (2010 and 2011).

Number of Active Customers: Staff noted that the Company submitted conflicting information regarding customer class numbers. For the purpose of calculating the expected revenues to be collected by the Company under Staff's proposed rate design, and the pro forma revenue under the current rate, the total number of customers used was 149, broken down as follows:

- Residential customers-metered year-round – 136
- Unmetered customers – flat rate (residential, condominiums and other buildings using domestic water only year round) – 11
- Commercial customers-metered year-round – 1
- Landscaping customers-metered – 1

For its 136 residential metered customers, Staff states the Company is applying the "Residential and Commercial Metered Year Round Customers" tariff. For its eight residential non-metered condominium customers using domestic water only, the Company applies the "Flat Rate Condominium Rate" tariff. The Company is billing two other duplex units without meters. The Company bills these units separately but applies the base charge of the tariff for "Residential and Commercial Metered Year Round Customers." Staff believes the Company is applying the wrong tariff because the two units (customers) are not metered.

The Company has one metered commercial account that it bills under the tariff for "Residential and Commercial Metered Year Round Customers." The same commercial meter is being used to record year-round domestic consumption of another residential building (owned by the commercial customer). This customer should not be billed because its consumption is already being billed in conjunction with another metered account.

Staff recommended that the current tariff classification and description remain in place with the exception of the "Flat Rate Condominium Rate." Staff recommended this rate be referred to as "Unmetered Customers – Flat Rate." This rate will apply to all customers without meters and using only domestic water year-round, and include residential, condominiums and other building units served by the Company.

As noted above, Staff recommended an annual revenue requirement of $52,425. Using two years of customer billing records (2010 and 2011), Staff estimated the average annual pro forma excess usage for various metered customers as follows:

- Residential-metered: 29,000,000 gallons per year
- Commercial-metered: 801,000 gallons per year
- Landscaping-metered: 802,000 gallons per year

Using the estimated volume of excess usage, the projected annual revenue is $48,489, which is insufficient to cover the Staff recommended revenue requirement of $52,425, a difference of $3,936. Staff investigated design options to meet its recommended revenue requirement. In order to emphasize the conservation element of the rate design for metered customers, Staff recommended increasing the commodity charge and leaving the customer charges at their current levels.

1. Base Customer Charges

Customer Class	Proposed Base Charge	Proposed Vol. Allowance
Metered Residential & Commercial	$17.00	15,000
Unmetered Customers – Flat Rate	$20.25	N/A
Metered Landscaping (Condominium) Rate	$20.00	15,000

2. Commodity Charges

Customer Class	Proposed Commodity Charge (< 15k gallons)
Metered Residential & Commercial	$0.71 per 1k gallons
Unmetered Customers- Flat Rate	N/A
Metered Landscaping (Condominium) Rate	$0.71 per 1k gallons

As shown above, Staff proposes allowance decreases but there is no increase in the monthly base customer charge for metered residential and commercial customers.

With the Staff-recommended rate structure, the average monthly bill for a metered residential customer is approximately $35.46, an increase of $7.36 or 18.8% above current rates. The average bill was calculated by taking the average water usage during winter season and the average usage during the summer season. The total annual revenue generated from rates is estimated to be $52,449 ($30,721 from base + $21,728 from commodity).

Commission Findings: The Commission finds no justification to maintain the extremely high-volume allowance of 30,000 gallons currently allowed. We find that it is reasonable and appropriate to reduce the volume allowance to a more reasonable level: 15,000 gallons for metered customers. Additionally, the Commission finds that maintaining the single-block rate design is appropriate. The Commission finds that a two-tiered rate design is unnecessarily complicated for a utility of this size. It would not offer any additional price or conservation signal beyond the impetus provided by the lowering of the volume allowance in the base rate from 30,000 to 15,000 gallons/month. Therefore, the Commission finds the Staff-proposed rate design is reasonable and herein approves it with the corresponding volume allowances, base and commodity charges for consumption exceeding 15,000 gallons/month.

Further, the Commission acknowledges customer input and testimony regarding sub-optimal water pressure and irrigation problems arising from the subdivision's porous landscape.

We also note that many of the customer comments received by the Commission expressed concerns about the impact of the proposed changes to the Company's rate design on high-volume water users. The Commission encourages the Company and its customers to utilize the winter season to explore conservation ideas including, but not limited to: alternate watering days; staggered watering; and alternative landscaping options.

The change in the commodity charge is an increase from $0.60 to $0.71 per 1,000 gallons of water usage, a difference of $0.11 per 1,000 gallons or 18.3%. The non-metered flat rate for condominium customers is increased from $15.75 to $22.25, a 28.6% increase. For the metered landscaping rates, the base charge remains at the same rate. The rate impacts for CCHU customers using various monthly water volumes are presented in Attachment C to this Order.

3. Hookup Fees

CCHU's current fee for new service installation is $500. The Company proposes to increase this hookup fee for new service from $500 to $750. Staff agrees with the Company's position.

There are 31 undeveloped residential lots and three undeveloped commercial lots in the subdivision currently served by CCHU. The Company anticipates that one to two residential developments will take place annually with no commercial developments in two to three years.

The Company produced a detailed estimate of hookup costs including a typical plan for a new installation that totaled $1,179. The Company explains that it included a very rough estimate for installing a new hookup in its Application and the subsequent higher amount resulted from a detailed estimate. When the subdivision was developed there was no meter base installed in the undeveloped lots. A one-inch service line was previously installed from the mainline to the lot and capped. To provide a new customer hookup, a meter base must be installed, as well as the new meter and other fittings.

Commission Findings: The Commission finds that an increase in the hookup fee is necessary to collect the cost of new installations from the customers who require that serivce. We find that the Company's detailed estimate of $1,179 is reasonable. "Requiring the collection of costs for hook ups from the customers receiving the service will prevent that expense from being added to base rates." Order No. 29194 at 8. Given the potential for development of vacant lots within CCHU's service territory and CCHU's relatively small customer base, it is particularly important that new customers contribute an appropriate amount to cover the cost of the investment made on their behalf and to avoid adding those costs in the rates of all other customers.

4. Late Fees

CCHU does not have a late payment charge and did not request one in its Application. Staff's audit revealed that the Company has a problem with past due accounts. While the Company has not submitted an Accounts Receivable Aging Report, its balance sheet indicates that over the past seven years the percentage of past due accounts has increased to almost 9% of the total amount owed to the Company.

Staff recommended a late payment charge of 1% of the unpaid balance at the time of the next monthly billing (12 percent annually). Staff believes that the Company would benefit from the implementation of a late payment charge in two ways: (1) enhanced cash flow; and (2) mitigate the costs of additional collection efforts. Staff believes that a late payment charge along with a revised collections procedure will encourage customers to pay in a timely manner, decrease the dollar amount and aging of arrearages, and reduce the Company's accounts receivable to a more reasonable level.

Commission Findings: The Commission finds that Staff's proposal to institute a 1% per month (12% annually) late payment charge, due at the time of the next month's billing, is fair, just and reasonable. The Commission notes that it has previously authorized identical late payment charges for other similar regulated utilities. Ultimately other customers will shoulder the burden of uncollected revenues so this is an area the Company should carefully monitor.

5. Reconnect Fees

In its Application, the Company requested an increase in its reconnection charge from $14 during normal business hours and $28 for all other times to $50 for all times. No reason was given for the requested increase nor an explanation for why the requested charge is the same for normal business hours, evenings, weekends and holidays. The system is located about10 miles from the Company's office location. In the case of a reconnection requested after hours, someone would have to be dispatched to the system. Staff disagrees with the amount of the proposed increase and with the Company's request for a charge that does not vary regardless of when the customer requests reconnection.

Staff recommended a reconnection charge of $20 for normal business hours (8:00 a.m. to 5:00 p.m. Monday through Friday, excluding State holidays) and a reconnection charge of $40 for other than normal business hours.

During normal business hours, reconnections can be scheduled as part of an employee's regular workload. However, the need to dispatch an employee after hours is an additional duty and expense that justifies a differential in the charge for after hours. The amount of the charge should allow the Company to recover a portion of the cost to perform the service and encourage customers who are involuntarily disconnected to request reconnection during normal business hours or avoid disconnection altogether by making payment arrangements. An excessive reconnection charge places a further financial burden on customers. Both the customers and the Company would be better served by the Company's implementation of an improved collections policy.

Commission Findings: The Commission finds that the Company's proposed increase to its reconnect fee is excessive for regular business hours and that some differential between regular business hours and after hours reconnections is warranted. The approach proposed by Staff is reasonable. Therefore, the Commission approves an increase in the Company's reconnect fee to $20 during normal business hours (Monday through Friday, 8:00 a.m. to 5:00 p.m., excluding State holidays) and to $40 during non-business hours.

6. Customer Issues

Rule 304 of the Commission's Uniform Customer Relations Rules (UCRR) describes the requirements a Company must follow prior to termination of a customer's service. The UCRR states that the Company shall send an initial notice giving a minimum of seven days' notice and may send a final notice at least three days prior to the termination date. The UCRR also requires the Company to make a diligent attempt to contact the customer either in person or by telephone at least 24 hours prior to termination. CCHU's procedures and notice do not follow the UCRR. The Company's termination notice is labeled as a Final Notice; however, review of the language indicates that it is an Initial Notice. The Company stated that it initially calls the customer and then sends the Final Notice. Staff recommended the Company revise its termination policy and modify its notices to conform to the UCRR. The Commission has sample forms of the termination notices available on its web site and Staff is available to assist the Company in revising its notice and procedures.

In its comments, Staff noted that the Company was found at fault for failing to provide proper termination notice to a customer as required by Rule 304. Staff recommended the Company revise its Termination Notice and Summary of Rules, and its procedures to conform to Commission Rules. Staff also recommended the Company create an Explanation of Rate Schedules and mail it to new customers upon initiation of service and annually to existing customers as required by Commission Rules.

Commission Findings: The Commission orders the Company to work in a collaborative manner with Staff to establish collection and service termination procedures and notices that conform to Commission Rules.

7. Tariff Issues

Staff recommended the Company revise its tariff, deleting obsolete rate schedules and including the updated General Rules and Regulations for Small Water Utilities and the Main Extension Rules.

The Company's existing tariff was submitted prior to the Commission's adoption of the Model Tariff for Small Water Utilities that was implemented in 2008. The Company's tariff does not include the Uniform Main Extension Rules. The rate schedule portion of the Company tariff includes a public drinking water fee which is no longer effective according to the tariff page itself. Staff offered to assist the Company in revising its tariff by providing it an electronic copy of the 2008 Model Tariff and the updated Uniform Main Extension.

Commission Findings: The Commission finds that the Company should update its tariff to include the revised and updated General Rules and Regulations for Small Water Utilities (2008 version) and the Uniform Main Extension Rule and file conforming tariffs.

Additionally, the Commission responds to persistent customer concerns regarding the future ownership and operation of the Company. Unfortunately, operational problems arising due to the lack of an ownership succession plan are not unique. They occur with some frequency in small, regulated water utilities. The lack of a succession plan may lead to widespread service interruptions.

Therefore, the Commission strongly encourages the Company to develop an appropriate succession plan to ensure a smooth transfer of ownership and operational control.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Country Club Hills Utilities, a water utility, and the issues presented in Case No. CCH-W-12-01 pursuant to Idaho Code, Title 61, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

Having fully reviewed the record in this proceeding, we find that CCHU's existing rates and charges are unreasonable and do not provide sufficient revenue to the Company. We find that it is just and reasonable for CCHU to receive an equivalent 12% return on rate base. The Commission authorizes an annual total revenue requirement for CCHU of $52,425. The rates and charges approved by the Commission are found in Attachment C to this Order. The Commission finds that the rates and charges authorized in this Order are fair, just, reasonable and nondiscriminatory.

ORDER

IT IS HEREBY ORDERED that the Application of Country Club Hills Utilities for an increase in its rates and charges for water service is approved as modified and in accordance with the foregoing analysis and discussion included in this Order. The Company is authorized to collect a total revenue requirement of $52,425 per year, for an overall percentage increase of 21.7%.

IT IS FURTHER ORDERED that the Commission approves, as more particularly described and qualified above, changes to CCHU's non-recurring fees/charges for new customer connections and reconnections.

IT IS FURTHER ORDERED that the rates, tariffs and charges authorized in this Order shall become effective for service on or after the service date of this Order. CCHU is directed to submit tariffs in compliance with the rates and charges authorized and more fully set out above in this Order and in Attachment C.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. CCH-W-12-01 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. 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 12th day of October 2012.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

O:CCH-W-12-01_np4

Country Club Hills Utilities
Rate Base
Case No. CCH-W-12-01

L#	Description	Staff	Reported	Difference
1	Plant In Service	20,347	314,852	(294,505)
2	Accumulated Depreciation	(2,823)	(241,747)	238,924
3	CIAC	0	(275,200)	275,200
4	Net Plant In Service	17,524	(202,095)	219,619
5	Working Capital - 1/8th Rule	6,011	0	6,011
6	**Total Rate Base**	**$23,534**	**($202,095)**	**$225,629**
7				
8				
9				
10	**Working Capital Calculation**			
11	Expenses	49,375	63,346	13,971
12	less: Depreciation	(1,290)	(7,912)	(6,622)
13	Less: Bad Debts	0	(337)	(337)
14	Subtotal	$48,085	$55,097	$7,012
15	1/8 Rule	$6,011	$0	($6,011)

Country Club Hills Utilities
Revenue Requirement
Case No. CCH-W-12-01

		RateBase	Rate	Return		
1	Return on Rate Base	23,534	12.00%	$2,824		
2	Gross Up Factor			1.08		
3	Grossed up Return				$3,050	
4	Audited Expenses				$49,375	
5	**Total Revenue Required**					**$52,425**
6						
7	Water Sales Revenues					$43,707
8	**Increase Needed**					**$8,718**
9						
10	Percent Increase					19.9%

ATTACHMENT B
CASE NO. CCH-W-12-01
ORDER NO. 32662

Surrogate

Purchas	$7,755	9.24%	717
WkgCap	$6,011	21.99%	1,322
Total			2,038

ATTACHMENT C
CASE NO. CCH-W-12-01
ORDER NO. 32662

Country Club Hills Water Co.
Case No. CCH-W-12-01
Rate Design and Calculated Revenue
Commission-Approved Revenue Reqt. **$52,425**

Customer Class	Number of Customers	Customer Charge	Commodity Charge*	Base Revenue	Commodity Revenue	Total Revenue
Residential - Metered						
1-inch meter	136	$ 17.00	$ 0.71	$ 27,744	$ 20,590	$ 48,334
Excess Volume (x 1000 gal)					29,000	
Residential - Unmetered Customers						
Flat Rate	11	$ 20.25	N/A	$ 2,673	$ -	$ 2,673
Commercial - Metered						
2-inch meter	1	$ 17.00	$ 0.71	$ 204	$ 569	$ 773
Excess Volume (x 1000 gal)					801	
Landscaping - Metered (Condo Units)						
Meter size - N/A	1	$ 20.00	$ 0.71	$ 100	$ 569	$ 669
Excess Volume (x 1000 gal)					802	
Total	**149**			**$ 30,721**	**$ 21,728**	**$ 52,449**

Revenue from Rates (base and commodity charges)	**$ 52,449**
Revenue collected over (under) Revenue Requirement	**$ 24**
Various Charges as a % of Gross Revenue:	
Base (Customer Charge)	**59%**
Commodity Charge	**41%**
Total Percent	**100%**

Commodity charge - $ per 1,000 gallons.