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Attorneys for Falls Water Co., Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION
OF FALLS WATER CO., INC. FOR THE
AUTHORITY TO INCREASE ITS RATES
AND CHARGES FOR WATER SERVICE
IN THE STATE OF IDAHO

Case No. FLS-W-23-01

STIPULATION AND SETTLEMENT

STIPULATION AND SETTLEMENT

This Stipulation and Settlement (“Stipulation”) is entered into by and between Falls Water Co., Inc. (“Falls Water” or “Company”) and Staff for the Idaho Public Utilities Commission (“Staff”) (collectively, “Parties,” individually, “Party”).

INTRODUCTION

The terms and conditions of this Stipulation are set forth below. The Parties agree that this Stipulation represents a reasonable compromise of the issues raised in this proceeding. The Parties recommend that the Idaho Public Utilities Commission (“Commission”) approve the Stipulation, without change, pursuant to Commission Rules of Procedure 271, 272, and 274, IDAPA 31.01.01.271, 272, and 274.

BACKGROUND

On May 15, 2023, Falls Water filed a corrected general rate case application requesting authority to increase rates by approximately \$1,174,000 or approximately 47.3%, with a proposed effective date of July 1, 2023.

On June 5, 2023, the Commission issued a Notice of Application, Notice of Suspension of Proposed Effective Date, Notice of Intervention Deadline, Order No. 35806.

On August 2, 2023, the Commission scheduled a virtual public workshop, set a deadline for Staff testimony, and deadline for the Company's rebuttal testimony.

The scheduled virtual customer workshop was held August 16, 2023, by telephone and webex.

After the Application was filed, Staff propounded numerous production requests, which Falls Water responded to.

On October 2 and 3, 2023 the Parties met for two settlement conferences and exchanged additional information afterwards. The Parties have agreed to the terms set forth in this Stipulation, subject to approval of the Commission.

On October 13, 2023, the Commission vacated the comment deadlines to allow the Parties to present this Settlement to the Commission for review.

As a compromise of positions in this proceeding, and for the mutual promises and consideration set forth below, the Parties stipulate and agree to the following terms.

TERMS OF THE SETTLEMENT

1. Revenue requirement. The Parties agree that Falls Water shall be allowed to implement revised tariff schedules designed to recover \$3,199,665 in total revenue requirement (the "Revenue Requirement"). This reflects an increase in revenue requirement of approximately \$714,562, or an increase of approximately 28.8%. The Parties agree that the Revenue

Requirement includes the following components, as summarized in Exhibit Nos. 1 and 2, including a total rate base of \$9,589,322 shown in Exhibit No. 2, Line No. 105, and a Return on Equity (“ROE”) of 9.7%. The adjustments to the Company’s initial application are shown in the following table and explained in further detail below.

Adjustment		Revenue Requirement Impact (\$)
Company Initial Application		1,174,356
a.	Gross Revenue Multiplier	(17,397)
b.	Change Interest on Debt	(34,464)
c.	Change ROE to 9.7%	(37,944)
d.	Water Assessment to Actuals	(64,268)
e.	Water Mitigation Amortization	(34,517)
f.	Rate Case Amortization to 3 Years	(31,746)
g.	Amortization Expense Reclass	(2,234)
h.	Update Depreciation Rates	(75,637)
i.	Proforma Plant in Service Removal	(90,692)
j.	Proforma Plant Accumulated Depreciation	2,379
k.	Proforma Depreciation Expense	(16,933)
l.	Proforma Plant to Actual Cost	1,173
m.	Restricted Stock Unit Benefit	(29,437)
n.	Employee Bonuses	(11,071)
o.	Actual 401k Expense	(4,876)
p.	Seasonal Employee	(9,754)
q.	Normalize Purchase Power	(2,376)
Agreed Revenue Requirement		<u>714,562</u>

- a. Gross Revenue Multiplier:** Updates the gross revenue multiplier to the most current Commission assessment.
- b. Change Interest on Debt:** Lowers the interest rate on the implied debt to 4.698%
- c. Change ROE to 9.7%:** Establishes the authorized ROE at 9.7%
- d. Water Assessment to Actuals:** Removes all estimates and accruals for the Water Mitigation Balancing account, leaving only actual expenses.

- e. **Water Mitigation Amortization:** The Parties agree that Falls Water will establish a balancing account effective December 15, 2023, for recovery of its water mitigation expenses. The beginning balance of the balancing account shall be \$148,136, which reflects the current amount deferred for these costs pursuant to Order No. 35706. Falls Water will book to the balancing account 1) actual costs levied by and paid to the irrigation district by Falls Water, and 2) amounts authorized by the Commission to be recovered each month. Under the stipulation, Falls Water will be authorized to collect \$183,920 annually for water mitigation expenses. In the Company's next general rate case, the Company will provide updated balancing account information and propose whether to continue the use of the balancing account for recovery of these expenses.
- f. **Rate Case Amortization to Three Years:** Increases the amortization period for rate case expenses from one year to three.
- g. **Amortization Expense Reclass:** Removes amortization expense from Operations and Management expense for calculation of the working capital allowance.
- h. **Update Depreciation Rates:** The Company will update its depreciation rates according to the table below.

Account	Depreciable Life (Years)
304 - Well Structures & Improvements	25
307 - Wells	25
310 - Generators	25
311 - Pumps & Accessories	20
320 - Separators - Sand Separators	20
321 - Separators - Chlorinators	7
331 - Water Mains	50

334 - Meters - Customer Meters	25
335 - Meters - Flow Meters	10
335 - Hydrants	30
339 - Other Plant & Equipment	Various
340 - Office Equipment - Technology	5
341 - Office Equipment - Other	10
341 - Transportation Equipment	10
343 - Tools & Equipment	10
345 - Power Operated Equipment	10
348 - Other Tangible Plant	39

- i. **Proforma Plant in Service Removal:** Plant in service after September 1, 2023, is not included for recovery in this case. Prudence of plant placed in service after September 1, 2023 will be determined in the Company's next general rate case.
- j. **Proforma Plant Accumulated Depreciation:** Adjusts the accumulated depreciation associated with the projects removed in adjustment i.
- k. **Proforma Depreciation Expense:** Adjusts the depreciation expense associated with the projects removed in adjustment i (proforma plant in service removal).
- l. **Proforma Plant to Actual Cost:** Trues up the costs of proforma capital projects to actual costs.
- m. **Restricted Stock Unit Benefit:** Removes the restricted stock unit benefit from rates.
- n. **Employee Bonuses:** Removes Christmas bonuses and 50% of the manager's bonus.
- o. **Actual 401k Expense:** Changes the proforma 401k matching expenses to actual expenses in 2022.

- p. Seasonal Employee:** Adjusts the proforma seasonal employee expense to an equivalent of a temporary employee for three months instead of six months.
- q. Normalize Purchased Power:** Normalizes purchased power expense based on 2022 actual purchased power expenses.

2. Rate design and consolidation. The Parties agree that the Revenue Requirement shall be collected in accordance with the rate design set forth in Exhibit No. 3. As set forth in Exhibit No. 3, the basic charges for the Taylor Mountain and Falls Water systems will be consolidated by meter size, and basic charges for the Morning View water system will be separated by acre size regardless of meter size. Taylor Mountain and Falls Water basic charges increased 20 percent from Falls Water current basic charges and Morning View's basic charges reduced \$5 for each lot size.

The Parties agree to move towards consolidation of the three water systems, each system shall have the same volumetric rates of \$0.64 and \$1.439 per 1,000 gallons for second and third block allotted usage, respectively. All systems will share a three-block tier structure as proposed by the Company. Falls Water and Taylor Mountain customers will be subject to the Company proposed 3-block tier based on their meter size, whereas all Morning View customers will be subject to the consolidated one-inch meter size block tier allotments.

3. Billing determinants. The Parties agree that billing determinants shall be as proposed by the Company in its Application and Testimony.

4. Rate effective date: The Parties agree that, if this Stipulation and Settlement is approved by the Commission, the effective dates for the resulting rates will be December 15, 2023.

5. **Secondary Irrigation:** The Parties support approval of the Company's proposal regarding secondary irrigation systems. Irrigation revenues will be considered system revenues.

6. **Revisions to tariffs:** The Parties agree that the components of this Settlement Agreement will be reflected in tariffs to be filed by the Company in accordance with any Commission order approving this Stipulation and Settlement. The revised tariff will include the Equal Pay Plan as proposed in the Company's Application and Testimony.¹

7. **Facility plans:** The Parties agree that the Company will provide facility plans for the Morning View and Taylor Mountain systems to Commission Staff by February 1, 2024.

8. **Plans to mitigate water losses:** The Parties agree that the Company will develop plans to identify root causes of water losses and related mitigation measures to address them and provide them to Commission Staff, no later than June 1, 2024.

9. **Plans to implement meter accuracy testing:** The Parties agree that the Company will develop plans to implement a meter accuracy testing program and provide them to Commission Staff, no later than June 1, 2024.

GENERAL PROVISIONS

10. The Parties agree that this Stipulation represents a compromise of the positions of the Parties on all issues in this proceeding. Other than the above-referenced positions, any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, none of the negotiations relating to this Stipulation shall be admissible as evidence in this or any other proceeding regarding this subject matter.

¹ The late payment charge does not apply to unpaid, negative balances accrued while in good standing in the Equal Pay Plan.

11. The Parties submit this Stipulation to the Commission, and recommend that the Commission approve the Stipulation in its entirety pursuant to Commission Rule of Procedure 274, IDAPA 31.01.01.274. The Parties shall support this Stipulation before the Commission. No Party shall appeal any portion of this Stipulation or any Order approving this Stipulation.

12. The Parties request that the Commission consider and approve this Stipulation as expeditiously as possible, while allowing for sufficient public input. The Parties stand ready to file comments and otherwise participate in any hearing or other process established by the Commission to consider this Stipulation.

13. The Parties agree that this Stipulation and the resulting rates are fair, just, and reasonable, in the public interest, and otherwise in accordance with law or regulatory policy. Accordingly, the Parties agree that the Stipulation should be accepted without modification.

14. In the event the Commission issues an order that rejects any part of, or all of, this Stipulation, or imposes any additional conditions on this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties, within 14 days of such order, to withdraw from this Stipulation. In such case, no Party shall be bound by any term of this Stipulation.


15. No Party shall be bound by, benefitted by, or prejudiced by any position asserted in the negotiation of this Stipulation, or while advocating for approval of this Stipulation. Agreement to this Stipulation is not an acknowledgement by any Party of the acknowledgement by any Party of the validity or invalidity of any particular method, theory, or principle of regulation or cost recovery.

16. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation. If any person not a Party to this Stipulation appeals, seeks judicial review of, or otherwise challenges this Stipulation, the Party's obligations under

this Stipulation are subject to the Stipulation, or the Commission's approval of this Stipulation, being affirmed, upheld, or otherwise confirmed by the reviewing court.

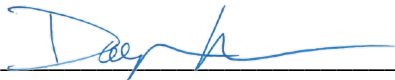
DATED October 27, 2023.

GIVENS PURSLEY LLP

By: 

Preston N. Carter
Attorneys for Falls Water Co., Inc.

Idaho Public Utilities Commission Staff

By: 

Dayn Hardie
Deputy Attorney General

CERTIFICATE OF SERVICE

I hereby certify that on October 27, 2023, I caused to be served a true and correct copy of the foregoing document to the person(s) listed below by the method indicated:

Jan Noriyuki, Commission Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg. 8, Suite 201-A
Boise, ID 83714

jan.noriyuki@puc.idaho.gov



Preston N. Carter

Exhibit 1 - Revenue Requirement		
1	Rate Base	\$ 9,589,322
2	Required Rate of Return	7.19%
3	Net Operating Income Requirement	<u>\$ 689,442</u>
4	Net Operating Income Realized	<u>\$ 158,733</u>
5	Net Operating Income Deficiency	\$ 530,709
6	Rate of Return prior to Rate Change	1.66%
7	Net Operating Income Deficiency	530,709
8	Gross up Factor	1.346430
9	Total Incremental Revenue Requirement	<u>714,562</u>
10	Revenues at existing rates	<u>\$ 2,485,103</u>
11	Total Revenue Requirement	<u>\$ 3,199,665</u>
12	Percent Increase Required	<u>28.8%</u> 714,562
Net to Gross Multiplier		
13	Total Gross Revenues	1.0000000
14	Less Uncollectibles (percentage)	-
15	Less 2023 Regulatory Fees (percentage)	0.0019820
16	Less Bank Service Charge Fees (percentage)	-
17	Net Revenue	0.998018
18	State Income Tax Rate	<u>0.057885</u>
19	Federal Income Tax Base	0.940133
20	Federal Income Tax Rate	0.197428
21	Net Operating Revenue	0.742705
22	Net Income to Gross Revenue Multiplier	1.34643
23	Composite Fed and State Tax Rate	25.58%

Exhibit 2 - Components of Revenue Requirement

Line No.	<u>Ordinary Income/Expense</u>	Settlement
	Income	
1	400 · Operating Revenue	
2	461.1 · Metered Residential	2,356,048
3	461.2 · Commercial Revenue	120,051
4	462 - Fire Protection Revenue	-
5	464 - Other Water Sales Revenue	9,004
6	470 · Late Payment Fee Revenues	-
7	471 · Misc Service Revenues	-
8	Total 400 · Operating Revenue	2,485,103
9	414 · Gain (Loss) on Property	-
10	Total Income	2,485,103
	Expense	
11	601.5 · Labor Field	393,027
12	601.8 · Labor Office	92,451
13	601.9 · Admin - Labor	118,981
14	602 · Payroll Expense Contra Account	(51,745)
15	604 · Employee Benefits	150,888
16	610 · Purchased Water	-
17	615 · Electrical Power	275,323
18	618 · Chemicals	11,375
19	620.2 · Source M&S	24,231
20	620.6 · Distribution M&S	16,838
21	620.7 · Postage	31,945
22	620.8 · Office	39,039
23	620.81 · Telephone Expense	14,683
24	620.82 · Bank service charges	41,170
25	620.83 · Office Utilites Expense	4,496
26	631.1 · Engineering	7,625
27	631.2 · Accounting	8,970
28	631.3 - Attorney	1,485
29	631.4 · Payroll Services	15,280
30	634.1 - NWN Shared Services	189,562
31	635 · Testing	26,728
32	636.2 · Source Contract Repairs	-
33	636.3 · Trash	1,226
34	636.4 · Outsourced Bad Debt Collection	-
35	636.6 · Distribution Contract Repairs	-
36	636.7 · Data Processing	88,257
37	636.8 - Contract Service - Consulting	-
38	641 · Rental of Property	-
39	642 · Rental of Equipment	-
40	645 - Lease Rent Exp - Interest	901
41	646 - Lease Rent Exp - Depreciation	4,825
42	650 · Transportation Expense	56,582
43	656 · Insurance Expense	98,517
44	656.10 · Insurance Contra Acct	(900)
45	656.1 · Workers Compensation Ins	-
46	660 · Advertising Expense	111

47	668.1 · Water District Fees	-
48	666 · Rate Case Amortization	-
49	670 · Bad Debt Expense	13,008
50	675.1 · Training Expenses	4,093
51	675.2 · Dues & Publications	4,719
52	675.4 · IDHW Fee Expense	19,982
53	675.9 - 2012 MXU Proj Mtr Reader Lbr	-
54	Total Expense	1,703,672
	Net Ordinary Income	781,431
55	Other Income/Expense	-
56	Other Income	-
57	419 · Interest Earned	-
58	421 · Non-Utility Income	-
59	Total Other Income	-
60	Other Expense	-
61	403 · Depreciation Expense	346,155
	407 - Amortizatoin Expense Other	199,587
62	408 · Taxes	-
63	408.11 · Property Taxes	43,211
64	408.12 · Payroll Taxes	50,124
65	408.5 · Payroll Taxes - Contra Account	(5,001)
66	Total 408 · Taxes	88,334
67	Income Taxes	(16,525)
68	408.10 · Regulatory Fee	5,147
69	426 · Misc. Non-Utility Expenses	-
70	426.1 · Donations - Tax Deductible	-
71	427.3 · Interest Expense	-
72	Total Other Expense	622,698
73	Net Other Income	(622,698)
74	Net Income	158,733
75	Net before int & Tax	137,207
76	Interest (cost of debt (cap struct) * rate base)	201,804
77	Net before Tax	(64,596)
78	Tax	(16,525)
	Plant In Service	
79	303 - Land & Land Rights	2,266,675
80	304 - Well Structures & Improvements	1,356,881
81	307 - Wells	683,008
82	310 - Generators	258,810
83	311 - Pumps & Accessories	793,127
84	320 - Purification Systems	74,104
85	331 - Water Mains	3,958,037
86	334 - Meters	1,736,954
87	335 - Hydrants	63,277
88	339 - Other Plant and Misc Equip	103,528
89	340 - Office Equipment	264,974
90	341 - Transportation Equipment	289,274
91	343 - Tools & Equipment	105,248
92	345 - Power Operated Equipment	130,294
93	348 - Other Intangible Plant	657,211
94	Total Plant in Service	12,741,402
95	Less Accumulated Depreciation	(1,857,477)
96	Net Plant in Service	10,883,925

97	Less Contributions in Aid of Construction	-	
98	Gross Contributions (FY 2022)	-	
99	Less Accumulated Amortization (FY 2022)	-	
100	Net Contributions in Aid of Construction	1,564,391	
101	Plus Deferred Income Tax	-	
102	2022 Year End and 2023 Additions	56,829	
103	Net Plant in Service	9,376,363	
104	Working Capital (1/8 of O&M Expense)	212,959	
105	Total Rate Base	9,589,322	
	Operating Expenses	1,703,672	
	Other Expenses	622,698	
	Rate base	9,589,322	
	Additonal Grossup due to Loss	(54,990)	
	Return	689,442	
	After Grosup	928,285	
	Revenue Requirement	3,199,665	-
	ROR	7.19%	####
	Grossup Factor	1.35	
		-	
	Income	2,485,103	
	Increase Requested	714,562	

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Exhibit 3 - Rate Design

							Settlement Rates				Revenue at Settlement Rates					
System	Meter Size	Bill Count	First Block	Second Block	Third Block	Total Volume (in 1,000 gallons)	Monthly Min Charge	Second Block			Volumetric			First Block	Second Block (Next)	Third Block (Over)
								First Block	Block	Third Block	Fixed Charge Revenue	Charge Revenue	Total Revenue			
Combined FW+TM	3/4"	4,408	309,795	291,223	428,375	1,029,393	22.50	-	0.640	1.439	1,190,160	802,814	1,992,974	8,000	16,000	24,000
Combined FW+TM	1"	1,670	134,324	139,025	136,257	409,606	31.68	-	0.640	1.439	634,962	285,050	920,012	11,000	22,000	33,000
Combined FW+TM	1.5"	37	2,787	3,103	10,119	16,009	40.86	-	0.640	1.439	18,101	16,547	34,648	15,000	30,000	45,000
Combined FW+TM	2"	69	8,304	10,758	47,678	66,740	51.96	-	0.640	1.439	42,763	75,494	118,257	19,000	38,000	57,000
Combined FW+TM	4"	5	1,814	2,066	2,313	6,193	92.82	-	0.640	1.439	5,569	4,651	10,220	33,000	66,000	99,000
Morningview .25	3/4" & 1"	27	1,880	793	193	2,866	50.00	-	0.640	1.439	16,200	785	16,985	11,000	22,000	33,000
Morningview .5	3/4" & 1"	64	4,606	4,109	4,990	13,705	60.00	-	0.640	1.439	46,080	9,810	55,890	11,000	22,000	33,000
Morningview 1	3/4" & 1"	40	3,357	3,848	11,707	18,912	65.50	-	0.640	1.439	31,440	19,309	50,749	11,000	22,000	33,000
		6,320	466,867	454,925	641,632	1,563,424					1,985,276	1,214,460	3,199,736			
System							Ratio Between Company Proposed Blocks 3rd tier/2nd tier							Final Revenue Requirement		\$3,199,665
			Current	New Base Charges				2.25			62%	38%				
Combined FW+TM	3/4"	\$	18.75	\$	22.50											
Combined FW+TM	1"	\$	26.40	\$	31.68											
Combined FW+TM	1.5"	\$	34.05	\$	40.86											
Combined FW+TM	2"	\$	43.30	\$	51.96											
Combined FW+TM	4"	\$	77.35	\$	92.82											
Morningview .25	3/4" & 1"	\$	55.00	\$	50.00											
Morningview .5	3/4" & 1"	\$	65.00	\$	60.00											
Morningview 1	3/4" & 1"	\$	70.50	\$	65.50											

Exhibit 4 - Water Mitigation Deferral

Water Mitigation Deferral		
Deferral Balance (12/31/2022)	\$	153,000
Estimated Deferral Expense		
2023 Assessment		122,000
Total Mitigation Expense	\$	275,000
Annual Amortization, 2023	\$	89,379