

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	<b>CASE NO. FLS-W-23-01</b>
<b>OF FALLS WATER CO., INC., FOR</b>	)	
<b>AUTHORITY TO INCREASE ITS RATES</b>	)	<b>ORDER NO. 36027</b>
<b>AND CHARGES FOR WATER SERVICE IN</b>	)	
<b>THE STATE OF IDAHO</b>	)	
	)	

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On May 12, 2023, Falls Water Co., Inc., (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) for authorization to raise the rates it charges for water service. The Company filed a corrected Application on May 15, 2023 (“Application”). The Company requested to increase its revenue requirement by about \$1.174 million—an approximate 47.3 percent increase in revenue collected in varying amounts from customers served in three different, but related systems: Falls Water, Morning View, and Taylor Mountain.

On October 27, 2023, the Company filed a Stipulation and Settlement (“Proposed Settlement”) and Motion to Approve Stipulation and Settlement. The Proposed Settlement was signed by the Commission Staff (“Staff”) and the Company (collectively, the “Parties”)—the only parties in the case. The terms of the Proposed Settlement would result in a \$714,562 increase to the revenue requirement, or approximately 28.8 percent.

Having reviewed the record in this case, including the Proposed Settlement, we now issue this Final Order approving the Proposed Settlement, as filed.

**PROCEDURAL BACKGROUND**

On June 5, 2023, the Commission issued a Notice of Application, Notice of Suspension of Proposed Effective Date, and Notice of Intervention Deadline.<sup>1</sup> Order No. 35806.

On August 2, 2023, the Commission issued a Notice of Modified Procedure and scheduled a virtual public workshop. Order No. 35872.

On September 7, 2023, the Commission scheduled a customer hearing for October 23, 2023. Order No. 35914.

On October 13, 2023, the Commission issued a Notice of Amended Comment Deadline moving the public comment deadline to October 26, 2023. Order No 35960.

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<sup>1</sup> Order No. 35806 suspended the Company’s proposed effective date for five months opposed to the standard 30 days plus five months as allowed under *Idaho Code* § 61-622(4).

On October 20, 2023, the Commission issued a Notice of Vacated Customer Hearing and a Notice of Continued Suspension changing the suspended effective date until December 15, 2023, and vacating the established customer hearing until a later one could be scheduled. Order No. 35963.

On October 30, 2023, the Commission issued an Order vacating the public comment and Company reply deadlines. Order No. 35975.

On November 7, 2023, the Commission issued an Order that noticed the Proposed Settlement, scheduled a customer hearing, and established public comment and Company reply deadlines. Order No. 35988. Staff and the Company filed comments in support of the Proposed Settlement. Several customers also filed comments opposing the Company's proposed rate increase.

### **BACKGROUND**

The Company is a Commission-regulated water corporation that provides service to the area north of the City of Ammon, northeast of the City of Idaho Falls. The Company currently serves approximately 6,510 residential and commercial customers in Bonneville County, Idaho. The Company provides service under Amended Certificate of Public Convenience No. 236. The Company's most recent general rate case was in 2020 in Case No. FLS-W-20-03.

### **THE APPLICATION**

The Company proposes a revenue increase of approximately \$1,174,000, representing a 47.3 percent increase. The Company submitted proposed Schedule Nos. 1, 2, and 3 setting forth the proposed changes to be made to customers rates. *See* Attachment 1 to Application. The Company represents the average customer bill for each customer type would change as follows:

Rate Class (Company)	Average Usage (in 1000 gallons)	Current Bill	Proposed Bill	Percentage Increase
Falls Water 5/8" & 3/4" Meters	19	\$25.17	\$35.19	40%
Falls Water 1" Meters	20	\$29.15	\$45.11	55%
Falls Water 1 1/2" Meters	37	\$47.81	\$65.33	37%
Falls Water 2" Meters	81	\$91.90	\$127.17	38%
Falls Water 4" Meters	75	\$101.19	\$142.88	41%
Taylor Mountain 3/4"	21	\$24.26	\$36.57	51%
Taylor Mountain 1"	23	\$25.68	\$47.18	84%
Taylor Mountain 2"	250	\$362.60	\$389.12	7%
Morningview 1/4 Acre 5/8 & 3/4 Inch	8	\$56.36	\$27.60	-51.0%
Morningview 1/4 Acre 1" Meter	9	\$56.53	\$38.90	-31.2%
Morningview 1/2 Acre 5/8 & 3/4 Inch	14	\$67.38	\$31.74	-52.9%
Morningview 1/2 Acre 1" Meter	19	\$68.23	\$45.50	-33.3%
Morningview 1 Acre 5/8 & 3/4 Inch	43	\$77.81	\$68.09	-12.5%
Morningview 1 Acre 1" Meter	37	\$76.79	\$60.28	-21.5%

The Company represents that the proposed rate of return under the proposed revised rates and charges is 7.71 percent.

The Company represents that the revenue realized under its presently authorized rates produces a rate of return of approximately -0.67 percent based on an adjusted test year ending December 31, 2022. The Company states that it seeks additional revenues to recover increased operating expenses and costs associated with plant additions, and to produce a fair rate of return.

The Company proposes to “consolidate the rates for former Morning View and Taylor Mountain system customers into a single ratemaking area” and would replace the Company’s current Schedule Nos. 4, 5, 6, and 7.

The Company proposes to “increase tiered rates for three different usage bands” and have a “separate rate for secondary irrigation systems.” Application at 3.

### **THE PROPOSED SETTLEMENT**

The Parties agree that the Company should be allowed to recover \$3,199,665 in total revenue requirement. If approved, this is an increase of approximately \$714,562, or approximately 28.8 percent. The Parties agree that the revenue requirement includes a total rate base of \$9,589,322 and a Return on Equity (“ROE”) of 9.7 percent.

The Parties agreed to the following adjustments to determine the revenue requirement<sup>2</sup> for the Proposed Settlement:

<b>Adjustment</b>		<b>Revenue Requirement Impact (\$)</b>
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)
<b>Agreed Revenue Requirement</b>		<b><u>714,562</u></b>

The Parties agreed the Company will update its depreciation rates (adjustment h).

The Parties agreed to rate design wherein 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 each increased 20 percent from Falls Water current basic charges and Morning View's basic charges reduced \$5 for each lot size. The rate design is included as Exhibit No. 3 to the Proposed Settlement. The Parties also agreed to move towards consolidation of the three water systems, each system will 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.

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<sup>2</sup> These adjustments are discussed in further detail on pages 3-6 of the Proposed Settlement.

The Parties agreed to include the Equal Pay Plan option which will allow customers to “flatten” their monthly bills by using an estimate of annual consumption spread over the following year to create levelized payments.

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

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 Staff, no later than June 1, 2024.

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

The Parties believe that the Proposed Settlement represents a fair, just, and reasonable compromise of the positions of the Parties in this case, and that the Proposed Settlement is in the public interest.

## **THE COMMENTS**

### 1. Staff comments

Staff filed comments in support of the Proposed Settlement and recommended the Commission approve it as filed. Staff opined that the Proposed Settlement offers the Company an opportunity to recover the costs it incurs to serve customers plus a reasonable return on its prudently incurred investments. Staff noted that the Proposed Settlement would result in the Company’s revenue requirement increasing by 28.8 percent. Staff’s comments were broken into three sections: (1) revenue requirement; (2) rate design; and (3) customer relations.

#### *a. Revenue Requirement*

Per the Proposed Settlement, the Company’s total revenue requirement would increase by \$714,562, or 28.8 percent, to \$3,199,665. The new revenue requirement would be based upon a rate base of \$9,589,322 and a 9.7 percent ROE. To achieve this, the Parties agreed to several adjustments based on the Company’s Application. Staff discussed the adjustments to the revenue requirement in its comments, which are depicted in the above table under “The Proposed Settlement” heading.

Staff discussed the groundwater mitigation fees and deferral amortization for water pumped beyond what the Company’s water rights permit. Staff noted that in 2022, the Bonneville-Jefferson Ground Water District (“District”) levied an assessment of \$100 for each acre-foot

pumped beyond the Company's baseline. The Company had proposed to defer \$275,000 for these fees in its Application, but the District's levy imposed a smaller actual water mitigation fee on the Company—\$148,136. The Parties agreed that the actual, not proposed, levy would be amortized over two years. This decreased the revenue requirement by \$64,268. The Parties further agreed that the Company would establish a balancing account to place future water mitigation fees in and established a baseline for future water mitigation fees of \$182,920 to account for growth of the customer base and possible higher assessment fees.

The Parties agreed to adjust the Company's depreciation rates so they would be more closely aligned with the National Association of Regulatory Utility Commissioners' Depreciation Practices for Small Water Utilities. This practice results in separate depreciation rates for each account instead of depreciating assets on a project-by-project basis as the Company was doing. The depreciation rate modernization adjustment decreased the revenue requirement by \$75,637.

The Parties agreed to remove proforma capital projects that had not been completed when the parties entered the Proposed Settlement. Consistent with the Commission's practices, the Parties agreed to remove these from plant in service since they are not yet used and useful. This adjustment decreased the revenue requirement by \$105,246.

Staff's comments also discussed in greater detail the gross revenue multiplier, interest on debt rate case expense amortization, amortization expense reclassification, proforma plant to actual costs, restricted stock unit benefits, employee bonuses, actual 401k expenses, seasonal employees, and normalizing purchased power.

*b. Rate Design*

If approved, the Proposed Settlement would result in increased consolidation for rates of the three water systems that comprise Falls Water Company. The three systems will have the same volumetric rate—\$0.64 and \$1.49 per 1,000 gallons for the second and third blocks, respectively. Additionally, the basic charge for Taylor Mountain and Falls Water will be consolidated by meter size and for Morning View, the basic charge will be separated by acre size. This change will shift the revenue recovery slightly between the basic charge and volumetric charge. Revenue recovery will change from 65.6 percent to 61.6 percent in the basic charge, and from 35.4 percent to 38.4 percent in the volumetric charge. Staff supported this because the move shifts revenue recovery to the volumetric charge and will help promote water conservation. This is significant because Staff believed the Company will face large assessment dues from the District if it continues to grow as

it has recently. Staff hoped the shift to revenue collections in the volumetric charge would send signals to customers to conserve water.

Staff also discussed the new tariff for secondary irrigation systems which contemplates providing canal water from the Progressive Irrigation District and should aid the Company's groundwater mitigation efforts. Though secondary irrigation is not in place yet, the proposed rate structure for unmetered secondary irrigation water is \$16.85 per month. This will be available to new development. The monthly rate will be subject to review when customers begin to take service under the tariff.

The Parties also agreed the Company would complete and provide several plans in the first half of 2024, including: (1) providing facility plans for the Morning View and Taylor Mountain systems;<sup>3</sup> (2) developing plans for understanding the cause of water loss and related mitigation measures; and (3) developing plans to implement a meter accuracy testing program.

*c. Customer Relations*

Staff discussed the Equal Pay Plan that would allow participating customers to levelize their bills by establishing a monthly bill based on their previous 12 months' billing history. These plans would be reviewed and updated annually and are like plans offered by several other Commission-regulated utilities. At the end of each plan period, customers would have the ability to pay any negative balance that accrued based on actual consumption differing from the historical baseline or carry the balance forward into the next plan period. If a negative balance exceeds 25 percent at the end of the plan period, the account will have to be made current to enter a new plan.

2. Company reply comments

The Company filed reply comments recommending the Commission approve the Proposed Settlement without change, effective December 15, 2023. The Company argued that the Proposed Settlement is in the public interest and will result in fair, just, and reasonable rates if approved. The Company supported this assertion by noting that: (1) the Proposed Settlement represents a compromise of the requests made in the Application and was reached in an efficient manner; (2) several issues beyond the Company's Application were resolved, including developments of several plans that will benefit customers and the Company; and (3) the Proposed Settlement consolidates rate schedules or moves towards full consolidation. Regarding the consolidation of rate schedules, the Company noted the basic charge for Taylor Mountain and Falls Water

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<sup>3</sup> The Company has already completed a facility plan for the Falls Water system.

customers would increase by 20 percent while the basic charge for Morning View customers would decrease by \$5 for each lot size.

### 3. Customer comments

The Commission received 39 customer comments. These comments almost exclusively opposed the Company's proposed increases. While not every customer opposed a small rate increase, for the commentors who filed comments, the main reason for opposing the proposed rate increase was the proposed magnitude. Customers provided several additional reasons or ideas to mitigate the need to raise rates including: not making the increase apply to seniors, increasing the hook-up charge to be closer to municipal hook-up fees, spreading the increase over multiple years or a requiring a stay out, regrouping customers (i.e. residential homes with yards v. trailer courts), and making development pay for the added costs of development. Customers consistently cited the inflationary pressure from other facets of life as factors putting pressure on their finances. Only one comment was filed after the Proposed Settlement was filed and it did not address the Proposed Settlement.

## 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 DISCUSSION AND FINDINGS**

Under our statutory authority, we have reviewed the record in this case, including the Company’s Application, Proposed Settlement, public comments, Staff comments, and the Company’s comments. Based on that review, we approve a new, total revenue requirement for the Company of \$3,199,665. A schedule summarizing the Commission’s decision regarding the new rates and charges is attached as Attachment 1. The Company’s new rates shall go into effect December 15, 2023.

We appreciate the Parties working together to deliver a Proposed Settlement that balances the needs of customers to receive safe and reliable water service at reasonable rates and for the Company to earn a reasonable return on its prudently incurred investment. While we are always sensitive to any rate increases and the impact these increases have on customers, we also must ensure that we have healthy utilities in Idaho that can offer services to customers. We find the Proposed Settlement results in fair, just, and reasonable rates by balancing the interest of both customers and the Company.

We find the revenue requirement included in the Proposed Settlement will allow the Company to meet its obligations to provide safe and reliable water service to customers. Importantly it will help mitigate the impact of future levies assessed by the District with the creation of a balancing account for levy expenses. Relatedly, we look forward to seeing how the new tariff option for secondary irrigation might decrease the need for groundwater as customers who can begin taking service of canal water for irrigation.

We support the move towards increased consolidation of rates for the Falls Water, Morning View, and Taylor Mountain water systems. This is a move towards ensuring customers are treated

more equitably in rates and that customers are receiving appropriate price signals. We encourage the Company to continue working towards consolidation of the three water systems. We also support the slight shift from the basic charge to the volumetric charge. We agree with Staff that this shift can encourage water conservation which might in turn help reduce the levies assessed by the District in the future.

The Company's Equal Pay Plan will provide an additional payment option for customers who seek less fluctuation in their water bills. We appreciate the Company's desire to offer this option to customers and believe the proposed mechanism will protect non-participating customers and the Company from the possible adverse effects of any customers running large negative balances.

Finally, we are encouraged by the plans the Company has agreed to develop and provide Staff. These plans will help ensure efficiency in the way the Company's systems are managed, operated, and maintained and that customers are charged accurately for their water consumption. Additionally, understanding the causes of water loss can help the Company reduce the amount of water it pumps and therefore reduce the impact of the District's levies. We anticipate these plans will provide benefits for the Company and customers.

### **ORDER**

IT IS HEREBY ORDERED that the Proposed Settlement is approved, without modification, with rates to be effective December 15, 2023.

IT IS FURTHER ORDERED that the Company shall develop the agreed upon plans by the dates listed in the Proposed Settlement.

IT IS FURTHER ORDERED that the additions to Schedule No. 3—Equal Pay Plan and Secondary Irrigation Rate—are approved.

IT IS FURTHER ORDERED that the Company shall file conforming tariffs within 15 days of the service date of this Order as a compliance filing.

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 14th day of December 2023.

  
ERIC ANDERSON, PRESIDENT

  
JOHN R. HAMMOND JR., COMMISSIONER

  
EDWARD LODGE, COMMISSIONER

ATTEST:

  
Monica Barrios Sanchez  
Interim Commission Secretary

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# ATTACHMENT 1

System	Meter Size	Bill Count	Total Volume (in 1,000 gallons)			Settlement Rates		Revenue at Settlement Rates							
			First Block	Second Block	Third Block	Monthly Min Charge	First Block	Second Block	Third Block	Fixed Charge Revenue	Volumetric Charge Revenue	Total Revenue	First Block	Second Block (Net)	Third Block (Over)
Combined FW+TM	3/4"	4,408	300,795	291,220	428,375	22.50	-	0.640	1.430	1,190,160	802,814	1,992,974	8,000	16,000	24,000
Combined FW+TM	1"	1,670	134,524	139,025	136,257	31.68	-	0.640	1.430	634,962	285,050	920,012	11,000	22,000	33,000
Combined FW+TM	1.5"	37	2,787	3,103	10,119	40.86	-	0.640	1.430	16,101	16,547	34,648	15,000	30,000	45,000
Combined FW+TM	2"	69	8,304	10,758	47,878	51.96	-	0.640	1.430	42,763	75,464	118,227	19,000	38,000	57,000
Combined FW+TM	4"	5	1,814	2,090	2,313	92.42	-	0.640	1.430	5,569	4,651	10,220	33,000	66,000	99,000
Morningview .25	3/4" & 1"	27	1,860	700	193	50.00	-	0.640	1.430	16,200	785	16,985	11,000	22,000	33,000
Morningview .5	3/4" & 1"	64	4,608	4,100	4,900	60.00	-	0.640	1.430	48,080	9,810	55,890	11,000	22,000	33,000
Morningview 1	3/4" & 1"	40	3,357	3,848	11,707	65.50	-	0.640	1.430	31,440	19,308	50,748	11,000	22,000	33,000
		6,320	466,867	454,925	641,632					1,985,276	1,214,460	3,199,736			

  

System	Meter Size	Current	New Base Charges
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

  

Settlement Rates				Revenue at Settlement Rates					
Monthly Min Charge	First Block	Second Block	Third Block	Fixed Charge Revenue	Volumetric Charge Revenue	Total Revenue	First Block	Second Block (Net)	Third Block (Over)
22.50	-	0.640	1.430	1,190,160	802,814	1,992,974	8,000	16,000	24,000
31.68	-	0.640	1.430	634,962	285,050	920,012	11,000	22,000	33,000
40.86	-	0.640	1.430	16,101	16,547	34,648	15,000	30,000	45,000
51.96	-	0.640	1.430	42,763	75,464	118,227	19,000	38,000	57,000
92.42	-	0.640	1.430	5,569	4,651	10,220	33,000	66,000	99,000
50.00	-	0.640	1.430	16,200	785	16,985	11,000	22,000	33,000
60.00	-	0.640	1.430	48,080	9,810	55,890	11,000	22,000	33,000
65.50	-	0.640	1.430	31,440	19,308	50,748	11,000	22,000	33,000
				1,985,276	1,214,460	3,199,736			

  

Ratio Between Company Proposed Blocks 3rd tier/2nd tier	2.25	62%	36%	Final Revenue Requirement	\$3,199,665
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