

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF FALLS WATER CO.,)	CASE NO. FLS-W-24-02
INC.'S APPLICATION FOR AN ORDER)	
AUTHORIZING INCREASES IN THE)	ORDER NO. 36745
COMPANY'S RATES AND CHARGES FOR)	
WATER SERVICE IN THE STATE OF)	
IDAHO)	

On January 30, 2025, Falls Water Company, Inc. ("Company") applied to increase its rates and charges for water service in Idaho ("Application") by \$899,493 or 25.02%. The Company requested a March 1, 2025, effective date for new rates.

On February 18, 2025, the Commission issued a Notice of Application and a Notice of Intervention Deadline, setting a deadline for interested parties to intervene. Order No. 36468. No parties petitioned to intervene. The Commission also suspended the Company's proposed effective date for five months and 30 days, consistent with *Idaho Code* § 61-622(4).

On April 15, 2025, the Commission issued a Notice of Modified Procedure, establishing public comment and Company reply deadlines. Order No. 36542. The Commission also set a virtual public workshop and customer hearing. *Id.* Commission Staff ("Staff") filed comments to which the Company replied.

On July 10, 2025, the Commission held a customer hearing. Eight customers testified. One hundred and twenty-four other public comments were filed.

Having reviewed the record in this case, we issue this Final Order authorizing the Company to raise its rates as described herein. Additionally, we direct the Company to take the steps described below to, among other things, address the unexplained water loss discovered during this general rate case.

BACKGROUND

Falls Water 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, and currently serves approximately 6,833 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 Case No. FLS-W-23-01.

THE APPLICATION

According to the Company, it will experience a net operating deficiency of \$658,867 under existing rates based on an adjusted base test year ending September 24, 2024. To avert this, the Company seeks to increase the revenue collected through rates by approximately \$899,493, or 25.02%. The Company proposes collecting this increased revenue with the tariffs that consolidate the Falls Water and Taylor Mountain water systems, believing that it will benefit the customer service and business practices for each system. If approved as filed, the Application would produce an expected Rate of Return (“ROR”) of about 7.96%—resulting from a 45%/55% debt/equity structure, a 10.20% Return on Equity (“ROE”), and a 5.22% cost of debt. The Company also seeks to increase its hookup fees for certain classes of customers in amounts ranging from \$25 to \$495, depending upon the size of the connection being hooked up.

STAFF COMMENTS

After reviewing the Company’s application, documents, responses, and financial records, Staff recommended that the Commission approve a revenue increase of \$284,333, which would raise the total annual revenue to \$3,587,713. This proposed revenue requirement is based upon a ROE of 9.7% applied to a net rate base of \$15,017,145. Staff supported the Company’s proposed consolidation of the rates for its three water systems into one schedule. Despite largely agreeing with the proposed reductions in water allotments under the Company’s the three-tiered rate structure, Staff recommended slightly more water for the lowest tier, higher rates for the highest tier, and keeping the monthly minimum charges for all customers essentially the same.

I. System Description

Falls Water Company operates three water systems: Falls Water (“FW”), Taylor Mountain (“TM”), and Morning View (“MV”), serving about 6,800 residential and commercial customers in total. The FW system serves areas east of Idaho Falls and north of Ammon in Bonneville County, Idaho, with nine wells, five wellhouses with backup generators, and a two-million-gallon storage reservoir. The MV system serves an area southeast of Rigby in Jefferson County, Idaho, and has one active well and backup generator. The TM system serves an area south of Idaho Falls in Bonneville County and includes two production wells with one backup generator. Neither the MV system nor the TM system have storage reservoirs or booster pumps. Each system distributes water through pipes ranging from 2 to 12 inches in diameter, made from various materials, and

delivered using service meters from 5/8 inch to 4 inches, with 98% of customers using 3/4-inch or 1-inch meters. Only the FW system chlorinates its water, using a mix of solid and liquid chlorine.

II. System Reliability

Staff concluded that the Company's water systems are safe and reliable. After reviewing recent Idaho Department of Environmental Quality ("IDEQ") sanitary surveys, Staff found no major issues or deficiencies affecting system reliability. There were also no customer complaints in 2023 or 2024 relating reliability concerns.

A. Current Capacity and Demands

Staff reviewed facility plans for all three water systems and determined that each system has enough total pumping capacity to meet current maximum daily demand ("MDD"). However, the MV and TM systems may have insufficient firm capacity to meet MDD if their largest well fails. Staff found that the MV system, with only one active well, has zero firm capacity and an MDD of 277 gallons per minute ("GPM"). The TM system's firm capacity drops to 215 GPM when its largest well is offline, which is below its MDD of 309 GPM. According to state regulations, systems must meet MDD even if their largest water source is out of service.

Staff also noted that the TM system may lack sufficient pumping capacity to meet both MDD and fire flow ("FF") needs. Bonneville County requires at least 1,500 GPM for fire suppression. The MV system has no fire hydrants, so fire flow was not considered in its analysis. Staff summarized its findings on pumping capacity and MDD in Table 1. IDEQ might investigate these issues in future sanitary surveys.

B. Projected Future Growth and Demands

From 2020 to 2024, the Company saw an average annual growth of about 4.7% and expects this trend to continue. Based on this growth rate and the Company's facility plan, Staff estimated future equivalent residential units ("ERUs") and associated water demands—MDD, average daily demand ("ADD"), and peak hourly demand—through 2040 for the FW system. Staff found that while the FW system's current firm capacity (10,300 GPM) sufficient to meet the projected 2025 MDD (9,479 GPM), it may be insufficient for the projected 2030 MDD of 11,926 GPM.

Staff also reviewed the facility plans for both the MV and TM systems and compared future demand projections with current capacities. The MV system does not expect growth, but the TM system could reach up to 500 ERUs at full buildout. As noted earlier, both systems currently lack

the capacity to meet their existing MDDs—277 GPM for MV and 309 GPM for TM. Additionally, the TM system may not be able to meet its projected full buildout MDD of 762 GPM.

C. Unexplained Water Loss

Staff found that among the Company's three systems, MV had the highest average annual water loss in 2024—around 42%—a 5.5% increase from the 2022 estimate in the Company's last general rate case. In contrast, TM's water loss dropped by 38.8%, and FW saw a slight 5.5% reduction. While FW and TM showed improvements following the Company's mitigation plan, Staff considered MV's water loss critically high. Staff recommended the Company continue identifying the causes of water loss—such as leaks, unmetered connections, or unauthorized hydrant use—and maintain the meter replacement program to demonstrate further system-wide water loss reduction in its next general rate case.

D. Meter Accuracy Testing Program

The Company reported that its meter replacement program was less effective than expected. Although about 250 meters were replaced during 2024, only 12 were tested for accuracy. The Company intended to test five different meter models, but test results indicate only one model was tested. Additionally, the tests were supposed to cover low, medium, and high flow rates, but only one type of test was performed, with no flow type specified. The Company explained that the full testing setup for all flow categories is still under construction.

Of the 12 tested meters, only one met the manufacturer's accuracy standard ($\pm 1.5\%$), but Staff considered the sample size too small to draw reliable conclusions. Despite this, the Company plans to continue the meter replacement program through 2030. Staff recommended that, in the next general rate case, the Company include detailed test data such as the test date, meter make and model, ID number, register manufacture date, results for each flow rate, weighted average calculations, and overall accuracy.

III. Revenue Requirement

As stated, the Company requested an \$899,493, or 25.02%, increase in annual revenues. Based on 30 recommended adjustments detailed in Attachment B to its comments, Staff recommended a smaller increase of \$284,333.

IV. Rate of Return

The Company requested an overall ROR of 7.96%, based on a capital structure of 45% debt at a cost of 5.22% and 55% equity at 10.2%. Staff recommended accepting the proposed

capital structure but adjusting the cost of debt to 4.7% and ROE to 9.7%, resulting in a lower overall ROR of 7.45%.

A. Cost of Debt

The Company based its proposed 5.22% cost of debt on the weighted average of long-term debt from Northwest Natural Holding Co. (“NWN”) Water credit agreements and term loans listed in NWN’s 2023 10-K report. Staff reviewed NWN’s 2024 10-K and recommended updating the debt data to reflect 2024 figures and to include only NWN Water term loans. Consequently, Staff recommended a reduced cost of debt of 4.7%, which lowered the revenue requirement by \$50,872.

B. Return on Equity

The Company requested an ROE of 10.2%, based on a proxy group of seven comparable companies and three ROE calculation methods: Comparable Earnings, Discounted Cash Flow (“DCF”), and Capital Asset Pricing Model (“CAPM”). Staff performed its own analysis using updated market data as of May 29, 2025, and calculated DCF and CAPM ranges using a proxy group of eight companies. Staff’s proxy group included the same companies used by the Company, with the addition of H2O America, which Staff found to be comparable to others in the group.¹ Staff also considered company-specific factors and prior Commission orders in its evaluation.

i. *Discounted Cash Flow*

The DCF method is based on the idea that a utility’s ROE equals the present value of expected future dividends. It is calculated by adding the dividend yield to the projected growth rate. Applying this method to its proxy group, Staff calculated an ROE range of 8.05% to 11.38%, with an average of 9.08%.

ii. *Capital Asset Pricing Model*

The CAPM calculates ROE by adding the risk-free rate to the market risk premium. The risk-free rate represents a guaranteed return investment, like a U.S. Treasury bond. The market risk premium is found by multiplying the stock’s beta—measuring its volatility relative to the market—by the expected market return. Based on this method, Staff calculated an ROE range of 7.55% to 11.83% for the proxy group, with an average of 10.27%.

iii. *Company Factors and Prior Commission Order*

In Order No. 36027, the Commission approved a balancing account to cover groundwater mitigation costs. These costs, which arise from overproduction of water, are unpredictable and can

¹ The full proxy group Staff selected is shown in Table No. 5 in Staff’s comments.

be significant. The balancing account helps limit the Company's financial risk from these expenses. Because this mechanism reduces the Company's overall risk, Staff believed it supports keeping ROE levels lower rather than increasing them.

iv. Summary of ROE

Staff calculated its recommended ROE by combining the DCF and CAPM method ranges, resulting in a range of 7.55% to 11.83% and an average ROE of 9.68%. Considering this analysis and the existence of a balancing account that reduces the Company's financial risk, Staff recommends a ROE of 9.7%. This recommendation results in a \$59,223 reduction to the revenue requirement.

V. Net-to-Gross Multiplier

The Company proposed a net-to-gross multiplier of 136.52% to ensure it collects enough revenue to cover bad debt, regulatory fees, and income taxes. This multiplier adjusts the revenue requirement so the Company can meet these obligations while maintaining its requested earnings. Staff updated the multiplier by removing bank service fees, applying the updated regulatory assessment rate, and using the new 2025 Idaho corporate tax rate. As a result, Staff recommends a revised multiplier of 134.674%.

A. Bank Service Fees

The Company proposed including bank service fees in the net-to-gross multiplier at 0.009%. However, as these fees vary annually and are not tied to a fixed percentage of revenue, they should not be included in the multiplier. Additionally, in Order Nos. 34925 and 36027, the Commission directed the Company to exclude bank service fees from the multiplier. Consistent with these orders, Staff recommended removing the fees from the revenue requirement, resulting in a \$7,173 decrease.

B. Regulatory Assessment Fees

The Company included regulatory fees in the net-to-gross multiplier at 0.2529%. However, Order No. 36545 updated the Commission's regulatory assessment fee to 0.2223%. Staff recommended using the updated rate, which resulted in a \$246 decrease to the revenue requirement.

C. State Income Tax Rate

The Company included state income taxes in the net-to-gross multiplier at 5.695%. However, Idaho's state income tax rate was reduced to 5.3% in 2025. Staff recommended using the updated 5.3% rate, which results in a \$3,291 decrease to the revenue requirement.

VI. Rate Base

The Company proposed a rate base of \$15,924,094, which includes plant-in-service ("PIS") and cash working capital, offset by accumulated depreciation and contributions in aid of construction ("CIAC"). Staff reviewed all rate base components, including recent PIS additions, accumulated depreciation, CIAC and its amortization, deferred tax assets, and cash working capital. Based on this review, Staff recommended reducing the rate base by \$906,948, resulting in a revised rate base of \$15,017,145.

A. Plant-In-Service

Staff reviewed the capital additions proposed for recovery, applying the following four criteria: (1) whether the assets are expected to be used and useful by the rate effective date; (2) whether project costs are known and measurable; (3) whether there is a clear need for the project; and (4) whether the costs are reasonable and represent the least-cost option among alternatives. Based on this analysis, Staff recommends a PIS balance of \$19,796,791, reflecting seven adjustments that reduce PIS by \$399,295.

i. Company Updated Plant-In-Service

The Company's initially requested a PIS balance of \$18,516,936 in the Application. In response to Staff's production requests, the Company reported a slightly lower balance of \$18,488,213. The difference is due to Account 334 – Meters. Staff recommended adjusting the PIS balance to reflect the updated amount for Account 334 as reported in the Company's response. This results in a \$28,723 reduction to PIS and a \$2,882 decrease to the revenue requirement.

ii. Water Rights

The Company included a proforma PIS increase of \$354,750 for the purchase of additional water rights. However, the Company provided invoices to Staff totaling \$356,059. Staff recommended adjusting the PIS to reflect the actual documented amount, resulting in a \$1,309 increase to PIS and a \$131 increase to the revenue requirement.

iii. Service Line Replacements

The Company included a proforma PIS increase of \$52,000 for service line replacements. However, the Company's discovery response showed actual costs totaled \$29,814 with no additional costs reported as of April 2025. Staff recommended adjusting the PIS to reflect the actual amount, resulting in a \$22,186 reduction and a \$2,801 decrease to the revenue requirement.

iv. Backup Generators for Well No. 5 & Office Building

The Company included a proforma PIS increase of \$155,000 for backup generators at Well No. 5 and its office building. However, delivery was delayed until August 2025, and Staff found it unlikely the generators will be installed and in use by the September 1, 2025 rate effective date. Staff also noted installation costs are not yet known. Therefore, Staff recommended removing the \$155,000 from PIS, resulting in a \$23,590 decrease to the revenue requirement.

B. Accumulated Depreciation

Staff reviewed the Company's accumulated depreciation calculations and recommended a revised balance of \$3,396,942. This reflects seven adjustments totaling \$559,573, as described below.

i. Company Updated Accumulated Depreciation

The Company proposed an accumulated depreciation balance of \$2,805,335 as of September 30, 2024. However, the Company's discovery responses indicated a slightly higher balance of \$2,807,424. Staff recommended using the updated amount, increasing accumulated depreciation by \$2,089, which results in a \$210 decrease to the revenue requirement.

ii. Accumulated Depreciation Updated to August 31, 2025

The Company's accumulated depreciation calculations extended only through September 30, 2024. As proforma PIS is included for recovery, Staff recommended updating the accumulated depreciation to reflect the period through the proposed rate effective date of September 1, 2025. This resulted in a \$564,973 increase to accumulated depreciation and a \$56,685 reduction to the revenue requirement.

iii. Project-Specific Accumulated Depreciation

The Company included six months of accumulated depreciation to calculate pro forma PIS additions. Staff agreed this method is reasonable, as it avoids the need to adjust depreciation for each project's actual in-service date. Additionally, as the total proforma accumulated depreciation is relatively small, any such adjustments would have minimal impact. Based on Staff's

recommended PIS adjustments—including Replacement Well No. 4, Falls Water Meter Replacements, Backhoe & Skid Steer, Service Line Replacements, and Backup Generators—Staff recommended a \$7,489 decrease to accumulated depreciation using the half-year method.

C. Contributions in Aid of Construction

The Company reported CIAC at \$2,806,099 as of September 30, 2024. However, its discovery responses showed a slightly lower amount of \$2,786,624 for the same date. Staff recommended adjusting CIAC to the lower amount, resulting in a \$19,475 reduction to CIAC and a \$1,954 increase to the revenue requirement.

D. Accumulated Amortizations of CIAC

The Company reported accumulated amortization of CIAC at \$1,009,922 as of September 30, 2024. However, the Company’s discovery responses showed a lower amount of \$997,192. Staff recommended adjusting to the lower figure, resulting in a \$12,730 decrease to accumulated amortization of CIAC and a \$1,277 decrease to the revenue requirement.

Additionally, the Company calculated accumulated amortization of CIAC through September 30, 2024. Staff recommended updating this to reflect the period through the proposed rate effective date of September 1, 2025. This results in an \$82,164 increase to accumulated amortization of CIAC and an \$8,244 increase to the revenue requirement.

E. Working Capital

The Company proposed a cash working capital balance of \$287,563 using the one-eighth method. Staff recommended a lower working capital balance of \$250,574 based on Staff’s proposed operating expense figures. This reduces working capital by \$36,898 and decreases the revenue requirement by \$3,711.

VII. Revenue

The Company included \$11,772 from Other Water Sales in its revenue. Because these sales include unpredictable items like hookup and late fees, Staff recommended removing Other Water Sales from the revenue requirement. This resulted in a \$15,853 increase to the revenue requirement.

VIII. Expenses

Staff recommended eleven adjustments to the Company’s proposed expenses. Each proposed adjustment is described below.

A. Employee Wage Increases

The Company requested a 10% increase in employee wages, citing retention and hiring needs. They supported this with national wage data and comparisons to City of Idaho Falls Water employee wages. However, Staff found the national data misleading because wages in Idaho Falls are generally lower due to cheaper cost of living. The Company also compared wages to the City of Idaho Falls pay scale but did so only by longevity without considering performance or other factors, making this comparison incomplete.

Using Idaho-specific wage data from May 2024, Staff analyzed where current wages fall compared to Idaho averages with no increase, a 3% increase, and the requested 10%. Staff concluded that a 3% raise would place most employees between the 25th and 75th percentiles of Idaho wages, with 60% above the median—which Staff believed is sufficient to retain employees. Additionally, a 1.7% regional inflation rate supports a modest increase rather than 10%. Staff also found the Company double-counted bonus expenses in both the bonus and admin labor accounts and corrected this. In summary, Staff recommended a 3% wage increase and removal of the duplicated bonus expense, resulting in a \$76,139 decrease to the revenue requirement.

B. Seasonal Labor

The Company included a 10% increase for seasonal employee wages, applied to 1,040 hours of seasonal labor. However, Staff found that actual seasonal hours worked were only reported for 2023 and 2024, averaging 706 hours. To avoid double counting, Staff calculated this adjustment separately and recommended a 3% wage increase applied to the 706-hour average. This results in a seasonal wage-related decrease to the revenue requirement of \$9,549.

C. Capitalized Labor

The Company offset labor expense by including a capitalized labor contra-expense to exclude capitalized labor from test year labor costs, ensuring it's only counted as part of PIS additions for capital projects and avoiding double recovery. The Company used 8% of proforma field labor for this calculation. Staff calculated the actual capital labor percentage at 9.7% by dividing capital labor by field labor from the test year and applied this to Staff's recommended field labor expense to update the capital labor amount. Staff recommended using the 9.7% rate, which decreases the revenue requirement by \$8,327.

D. Bonus Expense

The Company requested a bonus expense based on financial and customer growth metrics. Staff's discussions with the Company revealed that 55% of bonuses relate to financial targets (40% net income, 15% customer growth), which increase Company revenue and net income. The remaining 45% are tied to customer service and reliability metrics. Staff recommended removing the portion tied to financial metrics, as these don't directly benefit customers. This reduced the revenue requirement by \$7,454.

E. Payroll Taxes

The Company adjusted payroll taxes based on test year tax liability and projected labor expense increases. It calculated payroll taxes by applying the 7.65% employer FICA tax rate to total labor costs. Staff used the same 7.65% rate applied to its adjusted labor expense to update payroll tax liability. Accordingly, Staff recommended a revenue requirement decrease of \$6,555.

F. Power Expenses

The Company requested \$393,495 for electricity expenses. Staff recommended \$338,444 based on a five-year average water production and adjusted electricity rates from the Company's provider, PacifiCorp. Staff calculated the \$/gallon electricity cost for each system using 2024 data and accounted for recent rate increases approved in Commission Order Nos. 36452 and 36500. After applying these rate adjustments, Staff's total annualized electricity expense is \$338,444, resulting in a revenue requirement decrease of \$74,139.

G. Chemical Expenses

The Company requested \$9,942 for chemical expenses related to chlorine used in water treatment. Staff calculated an annual chemical expense of \$7,890 by converting solid chlorine usage to an equivalent liquid chlorine amount, then averaging the cost per gallon based on five years of data (2020–2024). This method accounted for both solid and liquid chlorine purchases and dosage requirements. Accordingly, Staff recommended reducing the revenue requirement by \$2,764.

H. Water Mitigation Amortization

The Company included an annual deferral amortization expense of \$119,691 related to fees from the Bonneville-Jefferson County Ground Water District for water production exceeding the Company's rights. Order No. 36027 authorized a balancing account for such expenses and set a two-year amortization period starting December 2023, with monthly charges totaling \$21,416

(\$6,172 amortization plus \$15,243 baseline revenue). When new rates become effective in September 2025, the Company will have collected \$449,729, resulting in a negative balance of \$301,593. Adding 2024 and 2025 assessment fees of \$297,923 results in a negative balance of \$3,670.

Staff also supported keeping the balancing account and the \$182,920 baseline to protect the Company and customers, since further assessment fees from overproduction are likely, and without this mechanism, the Company could face significant losses. However, Staff recommended amortizing this balance over two years, with an annual negative amortization of \$1,835. This leads to an adjustment of \$121,526, reducing the revenue requirement by \$163,664.

I. Shared Services

The Company adjusted its shared services expense based on the 2025 budget compared to the actual test year expense. The Company calculated its portion using the “Massachusetts Method,” which allocates costs based on a weighted average of Falls Water’s net plant, revenues, and employee count compared to all NWN subsidiaries. Staff agreed with this allocation method, but believed the budgeted amounts are not known and measurable. Therefore, Staff recommended using the actual test year expense instead, resulting in a revenue requirement decrease of \$35,903.

J. Bad Debt

The Company made two bad-debt adjustments linked to its proforma revenue changes. The first was based on multiplying the test year bad debt percentage by the revenue increase from updated customer counts. The second adjusted that amount further by the requested revenue increase percentage. Staff recommended keeping only the first adjustment and removing the second, which lowers the revenue requirement by \$5,274.

K. Rate Case Expense Amortization

The Company included a rate case expense recovery with a proposed three-year amortization period. Staff agreed with the three-year timeframe, matching the expected timing of the next rate case. The Company projected \$30,000 in expenses but has only received \$12,735 in invoices as of June 15, 2025. Staff recommended amortizing the actual incurred expense over three years, which reduces the revenue requirement by \$7,751.

IX. Rate Design

The Company’s current metered water rates have a different structure for MV customers compared to FW and TM customers. Staff reviewed the Company’s proposal to unify these rates

into a single schedule, including changes to monthly minimum charges, usage blocks, commodity rates, and the resulting bill impacts. Details on each part of the proposed rate design are discussed below.

A. Rate Consolidation

The Company proposes consolidating the rates for its three water systems into a single schedule. To support this, the Company cited Commission Order No. 36027 from its last rate case.

Staff supported the Company's proposal and recommended consolidating all rates into a single schedule. Currently, MV customers are charged a monthly minimum based on lot size—often double the amount paid by FW and TM customers for similar service. The Company's proposal to shift all customers to a meter-size-based minimum charge would reduce MV minimum charges by 20% to 56%. MV customers make up only 2% of the total customer base, so the resulting revenue shift would have a minimal impact on other customers' bills.

B. Monthly Minimum Charges

Despite supporting the alignment of minimum charges for all customers based on meter size, Staff did not support the Company's proposed 25% increase to those charges. Instead, Staff recommended keeping the monthly minimum charge at FW levels, aside from minor rounding adjustments. This approach shifts more revenue recovery to the commodity charges, providing customers with stronger price signals to conserve water.² Staff's recommended minimum charge recovers 55.5% of the total recommended revenue requirement. Staff believed this to be an appropriate level for a utility the size of Falls Water.

C. Block Volumes

The current rate structure uses a three-tier block design, where customers pay higher rates as their water usage increases. The Company has proposed reducing the number of gallons included in each block to encourage conservation. For example, the first block for ¾-inch meter customers would be reduced from 8,000 to 5,000 gallons.

Staff generally supported the Company's proposal to lower block volumes, as it gives customers greater control over their bills and promotes water conservation. However, Staff recommended a slight modification: setting the first block volume for 5/8-inch and ¾-inch

² Staff noted that the Company has incurred fees in recent years due to overproduction and is investing in new water rights to meet increasing demand—costs that ultimately affect all customers. Encouraging conservation helps reduce the need for such expenditures.

customers at 6,000 gallons instead of the proposed 5,000. This adjustment softens the bill impact for these customers while still aligning with the Company's overall strategy, reflecting a 2,000-gallon reduction that is consistent with reductions for larger meter sizes.

D. Commodity Rates

The final aspect of rate design Staff reviewed was the price relationship between the second and third block commodity rates. Because the first block is included in the monthly minimum charge, its effective rate is \$0.00. Currently, the third block rate is 2.25 times the second block rate. The Company proposed lowering this ratio to 1.5, aiming to shift revenue away from third block users and toward more moderate users for better revenue stability.

Staff acknowledged the Company's goal but recommended a third block rate set at approximately 2.0 times the second block rate. This maintains stronger conservation signals and ensures more equitable billing between high- and low-usage customers, while still providing the Company with improved revenue balance.

E. Bill Impacts

Staff analyzed the billing impacts of the Company's and Staff's proposals. Under the Company's proposal, the highest usage customers would receive the lowest percentage increases, mostly driven by flattening the difference between Block 2 and Block 3 rates. Staff's proposal results in more even percentage increases among the various customers and keeps a stronger price signal to conserve on a system facing large expenses for overproduction of water. Under Staff's proposal, holding the monthly minimum charge near current rates means that most customers may face little to no increase in their bills during months when water consumption is low. Collecting the increase in revenue requirement through higher commodity rates means that customers may face larger percentage increases in their bills during summer months than the overall system increase.

Consolidating rates into one schedule results in a decrease to MV customers' bills under most usage scenarios. Under its recommended rate design, Staff calculated that spreading the reduced revenue from legacy MV customers to all other customers would result in a \$0.53 monthly increase to bill amounts. Staff believed this amount does not adversely impact existing FW and TM customers. More importantly, rate consolidation results in all users with the same meter size paying the same amounts for their water.

X. Hookup Charges

The Company proposed updated hookup charges for new customers, but Staff found part of the proposal unreasonable. Specifically, Staff recommended updating Section No. 3–Hookup Charges of Schedule No. 2 using Staff’s estimated connection fees. To calculate these fees, Staff reviewed hookup data from 2022 to 2024, material costs, and labor needed for each meter size. The Company confirmed that hookups are done in-house and typically require one hour of labor. Staff used an average labor rate of \$27.84 per hour and noted recent increases in material costs for ¾", 1.5", and 2" meters. Staff recommended charges are listed in the following Table:

Meter Size	Current Charge	Company Proposal	Staff Estimation
3/4-inch	\$500	\$525	\$525
1-inch	\$600	\$600	\$600
1.5-inch	\$930	\$1,425	\$1,150
2-inch	\$1,205	\$1,675	\$1,450
>2-inch	Cost of materials and installation labor		

XI. Customer Notification and Press Release

The Company submitted a press release and customer notice with its Application on January 30, 2025. The notice was sent as a billing insert in February 2025. The number of public comments submitted through the Commission’s website and email suggests that customers were properly notified and had the opportunity to participate in the case.

XII. Public Customer Workshop

A virtual public workshop was held on May 28, 2025. One customer and one Company representative attended. The customer left during Staff’s presentation, and no questions were asked.

XIII. Further Staff Recommendations

In addition to the revenue adjustments and rate design recommendations outlined above, Staff proposed three further recommendations.

A. Future Rate Case Filings

As the Company’s revenues are expected to exceed \$4 million, Staff recommended the Company begin following the regulatory requirements for large water utilities. To support this

transition, Staff recommended the Commission direct the Company to meet with Staff to establish future rate case practices.

B. Tariff Language

Staff recommended the Commission direct the Company to revise its tariff for clarity. In Schedule No. 1, the commodity charge is currently shown as a price per gallon, though customers are billed per 1,000 gallons. Staff recommended correcting this to avoid confusion. For Schedule No. 3, which covers secondary irrigation service, Staff found that the Company had no current customers served under this schedule, but noted that future use is expected. Staff recommended adding language to define secondary irrigation and specify the applicable months for the monthly charge.

C. Cost of Service

Staff recommended the Company include a cost-of-service analysis for secondary irrigation customers in its next rate case to ensure the monthly charge adequately covers the cost of providing that service.

COMPANY REPLY COMMENTS

The Company accepted many of Staff's proposed adjustments to the Company's proposed revenue requirement, expenses, rate base, and rate design. However, the Company disagreed with some of Staff's proposed adjustments. The Company's objections to Staff's proposed adjustments are described separately below.

I. Return on Equity

The Company opposed Staff's recommended ROE of 9.7%. Based upon an updated analysis attached to its reply comments as Exhibits 7a through 7h, the Company believes an ROE of 11.03 % is justifiable. Despite this, the Company proposed an ROE of 9.95%, reflecting the average of Staff's 9.7% recommendation and the Company's original proposal of 10.2%. The Company believed this was a reasonable compromise based on the evidence presented in the case.

II. Replacement of Well No. 4

Staff recommended allowing recovery of the \$212,422 actually spent through May 28, 2025, on the MV Replacement Well—rather than the Company's original estimate of \$305,000. However, the Company asserted that it spent an additional \$151,434 between May 28, 2025, and July 24, 2025, bringing the total cost of the well replacement to \$363,856. The Company requested

that this full amount be included in rate base, consistent with supporting invoices provided in its second supplemental response to Staff's Production Request No. 81.

III. Falls Water System Meter Replacements

Staff recommended reducing the cost of the meter replacement project to \$173,679, down from the Company's proposed \$221,700. In its Second Supplemental Response to Data Request No. 82, the Company included updated installation costs and added a hydrant meter that was initially omitted. This updated information supports a revised total cost of \$174,839, which the Company now requests be included in rate base.

IV. Employee Wage Increases

The Company requested approval of its proposed 10% wage increase, arguing it is necessary to correct years of below-market compensation and maintain competitiveness in a growing service territory. The Company argued that Staff's recommendation of only a 3% increase leaves 40% of its employees below median wages, which it believed is inadequate for a workforce delivering essential and technical services.

The Company also challenged Staff's reliance on the 1.7% CPI increase from May 2024 to May 2025 as justification for its recommended 3% wage increase. The Company noted that this limited view omitted the 26% CPI increase since 2020, during which employee wages have not kept pace. According to the Company, one purpose of the proposed 10% increase is to restore employees' purchasing power after years of inflation.

The Company further emphasized that its employee's wages will remain below or close to those of the City of Idaho Falls—its closest competitor for talent—even after the proposed increase. Additionally, the Company noted that the City offers pension benefits, which the Company does not. As most water utilities included in BLS data are municipal and offer pensions, Falls Water employees effectively receive lower total compensation even if wages are equal. The Company reasoned that this supports its argument for higher base pay.

The Company also challenged Staff's assertion that bonus expenses were double-counted, allegedly without providing clear evidence or a specific dollar amount.

Staff also claimed the Company double-counted bonus expenses but did not provide clear evidence or a specific dollar amount. The Company reviewed its records and found no double-counting. Accordingly, the Company requested approval of its full proposed salary expense, including the 10% wage increase.

V. Capitalized Labor

Staff recommended increasing the capitalized labor contra expense to reflect 9.7% of proforma plant, representing labor costs for employees working on capital projects. These labor costs are removed from operating expenses and instead included in rate base. Staff based its 9.7% figure on 2024 data. The Company used 8%, arguing that fewer labor hours will be spent on capital projects in 2025.

The Company contended that, although Staff increased the labor contra expense, it did not make a corresponding increase to proforma plant to reflect the added capitalized labor. The Company reasoned that, without this offset, the adjustment improperly lowers the Company's revenue requirement. Accordingly, the Company asserted that Staff's capitalized labor adjustment should be rejected.

VI. Bonus Expenses

Staff reduced the Company's bonus expense—arguing that 55% of the bonus is tied to net income and growth metrics, which Staff believed primarily benefit the Company rather than customers. Only the remaining 45% is tied to customer service and reliability.

The Company disagreed with Staff's rationale for reducing its proposed bonus expenses. Specifically, the Company asserted that improving net income between rate cases typically involves controlling costs—a clear customer benefit in future rate settings. Additionally, customer growth generates more revenue without raising rates, which can reduce the need for future increases. The Company reasoned that these metrics benefit customers and, therefore, requested that the full proposed bonus expense be approved.

VII. Payroll Taxes

The Company opposes Staff's proposed payroll tax adjustment because it reflects Staff's other wage-related adjustments. Because the Company disagreed with most of Staff's wage recommendations, it also disagreed with the resulting payroll tax adjustment.

VIII. Power Expenses

The Company argued that Staff's power expense adjustment, which relies on a five-year average to normalize costs, has several defects. First, the Company asserted that Staff double-counted waste production, artificially lowering the normalized expense.

Second, the Company argued that Staff erred by excluding 2024 from the average production calculation for being unusually high. However, the Company asserted that production

in early 2025 has surpassed 2024 levels, indicating that 2024 is not an outlier but reflects a new normal. Additionally, the Company reasoned that lower usage in 2022 and 2023 was due to drought conditions and customer conservation efforts, making those years less representative of typical operations.

Furthermore, the Company observed that two new booster pumps were installed in late 2023, leading to a permanent increase in power usage that cannot be normalized out. The Company also challenged Staff's reliance on Rocky Mountain Power's rate impact using general percentage increases, asserting that it does not reflect actual billing impacts under the utility's rate design. Instead, the Company applied the IPUC-approved rates directly to its test year usage, resulting in a revised power expense of \$388,494—\$5,000 less than originally proposed. Consequently, the Company requested the Commission adopt its revised power cost, which reflect actual usage and rates, rather than Staff's larger proposed reduction of \$74,139.

IX. Water Mitigation Amortization

The Company asserted that Staff appeared to have unintentionally excluded \$182,920 in recoverable expenses that should be included in the revenue requirement. Specifically, despite supporting retention of the balancing account and the \$182,920 baseline to protect the Company and customers, Staff's revenue-requirement calculations omitted the baseline amount. Additionally, Staff's proposed adjustment seems to rely on a different calculation of the deferral account balance than the Company's.

The Company noted that Staff has agreed to meet with the Company to review the balancing account for water mitigation amortization, including reconciling the current balance. Following this meeting, the Company will submit a compliance filing in the coming months to provide an updated and agreed-upon balance.

X. Bad Debt

The Company adjusted bad debt to reflect increased revenues from both the 2023 rate case and the current rate request. As the test year includes only part of 2023, the Company annualized revenue to reflect 2024 rates across the full test year, resulting in a \$638 bad debt adjustment. An additional \$3,916 was added to reflect the higher revenues requested in this case. Staff recommended rejecting the second adjustment. However, the Company contended adjustments to bad debt based on anticipated revenue increases are a standard practice in ratemaking and, therefore, Staff's recommendation to exclude it should be rejected.

XI. Rate Case Expense Amortization

The Company requests that the total legal expense of \$20,136.50 be amortized over three years, resulting in an annual amount of \$6,712 included in rates. To support this, the Company noted that, as of July 30, 2025, it had received \$18,136.50 in legal invoices for this rate case, as shown in its supplemental responses to Staff's Production Request No. 87. Furthermore, the Company anticipates an additional \$2,000 in legal costs for final filings and review before an order is issued.

XII. Working Capital

The Company is requesting a working capital allowance of \$259,907, which is derived from its recommended adjusted expenses.

XIII. Cost of Service

The Company did not expressly oppose Staff's recommendation for a cost of service study for secondary irrigation customers. However, the Company has yet to determine whether a reliable cost-of-service analysis can be performed for secondary irrigation customers. If it has sufficient data, the Company agreed to complete and submit the analysis with its next rate case. If sufficient data is unavailable, the Company stated that it will explain what steps were taken to evaluate the feasibility of the analysis and justify why it could not be completed.

PUBLIC COMMENTS/TESTIMONY

As of June 16, 2025, the Commission received 113 comments. Of those, 102 opposed the proposed rate increases. Customers raised concerns about the size of the increase, the reduced water volume included in the base charge, and the overall economic climate, particularly for those on fixed incomes. Many questioned the timing of the request, given a recent rate increase, and asked for more justification. Some comments criticized the Company's status as a publicly traded entity, arguing that shareholder profits were being prioritized over customer needs. Others cited service issues, including low water pressure, boil water advisories, and the need for infrastructure improvements.

Eight customers testified during the July 10, 2025, customer hearing. Many customers echoed the concerns expressed in written comments described above. One customer put in considerable personal effort to analyze the Company's requested rate increase. According to this customer, his statistical analysis indicated that only a 6% rate increase could be justified. The customer questioned the Company's corporate parent's apparent prioritization of acquiring new

water systems, investing in those systems, and then increasing rates to cover the costs. The customer also highlighted the significant seasonal variation in water use in East Idaho and expressed concern about cost-driven reductions that could result from the Company's proposed tiered block rates.

Additionally, the customer challenged the statistical analysis Staff and the Company conducted to adjust the Company's ROE. Specifically, the customer questioned the omission of any indication of the error range or confidence level in these analyses. The customer found this especially concerning given the limited number of companies used to assess the Company's financial risk. Based upon the customer's calculations, a ROR as low as 5.5% could be justified.

The customer concluded his testimony by noting the substantial unexplained water losses the Company experienced. The customer believed this issue increased the likelihood the Company will incur substantial assessment fees for exceeding its water rights. To address this issue, the customer suggested a moratorium on new connections to this system until it can satisfy the demand of its current customer base.

COMMISSION JURISDICTION

The 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. A "water corporation" as defined in *Idaho Code* § 61-125 is a "public utility" as defined by *Idaho Code* § 61-129. Accordingly, the 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.

The Commission's regulatory authority extends to the service rates charged by public utilities. Specifically, upon finding that the rates charged by a public utility are "unjust, unreasonable, discriminatory, or in any wise in violation of any provision of law, or that such rates . . . are insufficient" the Commission must "determine the just, reasonable or sufficient rates . . . to be thereafter observed and in force and shall fix the same by order" *Idaho Code* § 61-502; *see also Idaho Code* § 61-503.

However, this authority over rates is not unlimited. Public utilities are entitled to a reasonable rate of return on prudent investments. "[A] public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the

public, equal to the return generally being made at the same time and in the same general part of the country on investments and other business undertakings which are attended by corresponding risks and uncertainties.” *Utah Power & Light Co. v. Idaho Public Utilities Comm’n*, 105 Idaho 822, 827 (1983). The Commission has the power and the duty to set rates of return within a “broad zone of reasonableness.” *Intermountain Gas Co. v. Idaho Public Utilities Comm’n*, 97 Idaho 113, 128 (1975). “The main elements in fixing reasonable rates for service rendered by [a] public utility are the cost of rendering service on an economical and efficient basis, fair return to the utility on its property used and useful in such service and fairness to consumers.” *Application of Pacific Tel. & Tel. Co.*, 71 Idaho 476, 480-81 (1951).

COMMISSION DISCUSSION AND FINDINGS

Under our statutory authority, we have reviewed the record in this case, including the Company’s Application, public comments, Staff comments, customer testimony, and the Company’s reply comments. Based on this review, we approve a new, total revenue requirement for the Company of \$4,223,928. The Company shall satisfy this revenue requirement through the single rate schedule set forth in this Order. Our decisions regarding the new rates and charges are set forth in detail below. The Company’s new rates shall go into effect on September 1, 2025.

I. Revenue Requirement

Our policy is to set a public utility’s annual revenue requirement and rates using a historical test year in which the utility’s actual, booked costs and revenues are verified through auditing. *See e.g.*, Order No. 30342 at 8 (Case No. SWS-W-06-01). Based on our review of the record we find there is no dispute on the use of a historical test year ending September 24, 2024, and that such a 2024 historical test year is reasonable and appropriate for this case. After establishing the test year, pro forma adjustments are made to the actual test year data for all known and measurable changes to the operating results of the test year. *Id.*

Using the above-described method, Staff recommended an overall revenue requirement of \$3,587,713. The Company did not object to Staff’s recommended adjustments to the Company’s proposed Net-to-Gross Multiplier, cost of debt, and many of Staff’s proposed adjustments to the Company’s proposed revenue requirement, expenses, rate base, and rate design. Based upon our review of the record, we find the undisputed adjustments Staff recommended above fair, just, and reasonable and reduce the Company’s proposed revenue requirement accordingly. Our decision on each of the adjustments the Company disputed is set forth below.

A. Rate of Return

Evidence in the record indicates that an ROE from 7.55% to 11.83% is appropriate. Many water utilities smaller than the Company have recently received a ROE of 11%. However, in a recent case, we granted a 10.5% ROE to a water utility somewhat smaller than the Company, reasoning that the underearning risk reduction provided by the utility's Purchased Power Cost Adjustment justified a lower ROE. *See* Order No. 36427. We find it similarly just and reasonable to authorize a ROE lower than 11% for the Company because of certain factors that mitigate its risk. Specifically, the Company is a subsidiary of a corporate parent, Northwest Natural Holding Co., that can access capital and expertise necessary to maintain the Company's water systems. Additionally, the Company has a balancing account to cover assessment fees should it need to divert more water than its water rights allow to meet customer demand. Accordingly, we find it fair, just, and reasonable to allow the Company the opportunity to earn a 9.8% ROE and associated ROR of 7.51%.

B. Rate Base

Staff recommended a rate base of \$15,017,145. The Company largely agreed with this recommendation, proposing a readjustment only to recover additional amounts spent on certain projects up to July 24, 2025, and a corresponding readjustment to its working capital allowance. Based upon our review of the record, we find it reasonable to grant the Company a rate base of \$15,048,936.

In reviewing the Application, Staff propounded Production Requests on the Company seeking information about PIS balances through May 31, 2025. Staff based its proposed PIS adjustments on the Company's responses. As noted, the Company largely accepted these adjustments, opposing only those associated with a well replacement for the MV system and the Company's meter replacement project. The Company's opposition to these two adjustments resulted in associated readjustments to accumulated depreciation and working capital.

In its reply comments, the Company requested recovery of not only the amounts it spent on the MV well replacement and meter replacement project through May 2025, as recommended by Staff, but also additional amounts it allegedly spent through July 24, 2025. To support this request, the Company provided invoices for this additional amount as supplemental responses to Staff's production requests that accompanied its reply comments. Because these amounts were

spent before its new rates will become effective, the Company requests that these additional amounts be included in rate base.

We appreciate the Company's effort to provide more evidence to support its request for additional rate base. However, since this information was submitted with the Company's reply comments, Staff and other interested parties have not had a chance to review, verify, or respond to it. Therefore, we find it fair, just, and reasonable to deny the Company's request to include the amounts spent between May 28, 2025, and July 24, 2025, in the rate base at this time. The Company may seek recovery of these amounts in its next general rate case. Consequently, we find that the Company should be allowed to include \$212,422 in rate base for the MV system well replacement and \$173,679 for its meter replacement program. Because we have denied the Company's request for additional rate base, we also reject the Company's associated adjustments to accumulated depreciation and working capital.

C. Expenses

The area of greatest dispute between the parties to this case is operating expenses. Staff proposed eleven adjustments to the Company's proposed expenses. The Company accepted only three. Specifically, the Company agreed to Staff's proposed changes to its annual chemical expenses, its portion of shared services across all NWN subsidiaries, and its seasonal labor expense. Our decision on the remaining disputed adjustments is set forth below.

i. Employee Wages

The Company seeks approval of a 10% wage increase for all employees, but Staff recommended only a 3% increase and the removal of an expense for bonuses from the administrative labor account. As stated, Staff found a smaller raise reasonable due to low short-term inflation, stable retention of experienced employees, and the proposed raise pushing most employees above Idaho's median income. The Company argued that a larger wage increase was needed to offset years of wages lagging behind inflation and to match pay levels in the City of Idaho Falls.

After reviewing the record and considering the parties' arguments, we find a 6% wage increase for all the Company's employees to be fair, just, and reasonable. Although the consumer price index increased by only 1.7% between May 2024 and May 2025, more significant inflation has occurred over the last half decade. Additionally, although 3% raise would bring 60% of the Company's employees above the Idaho median wage, some of the Company's competitors provide

other benefits to their employees in addition to salary. For example, the City of Idaho Falls provides retirement benefits to its employees in addition to their base salary. These factors militate in favor of a wage increase higher than 3% for the Company's employees. Accordingly, we find that authorizing a 6% wage increase will allow the Company to offer competitive wages to attract and retain qualified employees.

We must also briefly address the double-counting issue that Staff identified in its comments. Specifically, Staff noted that the Company had double-counted its bonus expense by including it in both the bonus expense account and the administrative labor account. We agree that the Company did double-count the bonus expense in the administrative labor account. The \$5,535 amount double-counted should be removed.

ii. Seasonal Labor

Staff proposed lowering the Company's seasonal labor expense by reducing the work hours from 1,040 to 706—the average hours worked in 2023 and 2024—and applying its proposed 3% wage increase to that amount. The Company disagreed with the adjustment but did not contest it. Although we find Staff's proposed reduction of work hours reasonable, we believe Staff's proposed 3% wage increase is too low. Instead, we believe it fair, just, and reasonable to allow a 6% wage increase for seasonal labor for the same reasons we authorized a similar increase for the Company's nonseasonal employees.

iii. Capitalized Labor

The Company disputed Staff's proposed adjustment to its capital labor expense, arguing Staff erred by failing to adjust proforma plant when it added additional capitalized labor to the expense contra account. We disagree. Additionally, the Company asserted that it anticipates devoting fewer employee work hours to capital projects during 2025. However, the Company's anticipated labor division for 2025 does not support departing from the actual labor expenses the Company incurred during 2024. Accordingly, we find Staff's capital labor expense adjustment fair, just, and reasonable.

iv. Bonus Expense

We find Staff's proposed adjustment to the Company's bonus expense due to the criteria for awarding the bonuses to be fair, just, and reasonable. Only 45% of the metrics the Company uses to award bonuses are customer service and reliability metrics, the remaining 55% are net income and growth metrics. The Company's arguments to the contrary notwithstanding, we find

that only the customer service metrics the Company uses to award bonuses have a sufficiently direct benefit to customers to justify inclusion in rates.

v. Payroll Tax

The wage-related adjustment discussed above includes a component that flows through to payroll tax. Staff calculated this by multiplying its total proposed labor expense by the employer Federal Insurance Contributions Act (“FICA”) tax rate of 7.65%. However, because we have not accepted either Staff’s or the Company’s proposed labor expense, we also reject their proposed payroll tax expense. The approved payroll tax expense is the total labor expense as approved above multiplied by the 7.65% FICA tax rate.

vi. Power Expenses

In its reply comments, the Company proposed a purchased power expense of \$388,494 for electricity the Company obtains from Rocky Mountain Power (“RMP”). This amount is slightly lower than the \$393,495 requested in the Application, as that figure was based on rates RMP proposed in its most recent rate case, which had not yet been approved. Staff recommended a significantly lower purchased power expense of \$338,444.

Much of the gap between Staff and the Company’s recommendations stems from their disagreement over how much water the Company will need to produce for customer demand. This is significant as both parties used historical production data to calculate the Company’s purchased power expense. Staff asserted that 2024 was an atypically high production year while the Company argued that 2023 and 2022 were drought years with unusually low production. To further support its claim that 2024 was not an anomaly, the Company pointed out that its water production in the first half of 2025 exceeded that of the same period in 2024. Additionally, the Company argued that Staff’s analysis overlooked the permanent increase in power usage from two new booster pumps installed in 2023 and failed to properly account for RMP’s rate design when calculating the Company’s normalized power bill.

In light of the conflicting evidence in the record and the overall trend of increasing demand, we find the Company’s \$388,494 purchased power expense to be reasonable. However, we do not reach this conclusion without reservation. We are particularly troubled by the significant increase in unexplained water loss by the MV system during 2024. While the TM and FW systems saw reductions in water loss, the MV system reported a 42% unexplained water loss—an increase of 5.5% from the 2022 estimate presented in the Company’s last general rate case. We find it

reasonable to direct the Company to continue investigating the root causes of water loss across its systems. If the Company fails to identify the root cause of these water losses and demonstrate improvement—should the losses prove to be real—an adjustment to its purchased power expense may be warranted in the Company’s next rate case to prevent customers from bearing the cost of producing wasted water.

vii. Water Mitigation Amortization

Staff recommended keeping the existing baseline of \$182,920 in the balancing account for fees paid to the Bonneville-Jefferson County Ground Water District for water production exceeding the Company’s rights. However, Staff inadvertently omitted the baseline amount from its revenue requirement calculations. While reviewing Staff’s comments, the Company discovered that it had failed to request this baseline amount in the Application, instead seeking only \$119,691 in water mitigation fees.

We find it reasonable to keep the balancing account and the \$182,920 baseline amount. Considering the growth the Company has experienced in recent years additional assessment fees from overproduction are likely. The balancing account and baseline amount protect both the Company and its customers as without them, the Company could incur significant losses from paying potentially unrecoverable assessment fees.

viii. Bad Debt

We find Staff’s proposed bad debt adjustment to be reasonable. Bad debt is a component of the Company’s Net-to-Gross Multiplier. Thus, increased bad debt expense will be included in the Net-to-Gross Multiplier. To avoid double counting, we reject the Company’s proposed bad debt expense adjustment based upon the revenue increase proposed in this case. This results in a \$3,916 adjustment.

ix. Rate Case Expense

Generally, utilities are allowed to recover actual, known, and measurable rate case expenses that are reasonably and prudently incurred. *See* Order No. 33658. Based on the evidence in the record, we find it reasonable to allow the Company to recover \$18,136.50 in rate case expenses amortized over three years. This represents the amount the Company incurred as of July 30, 2025.

The Company also requested recovery of an additional \$2,000 rate case expenses that it expects to incur before the proceeding concludes. However, the Company did not submit any

supporting evidence to show that these future expenses will in fact occur. Accordingly, we find that the additional \$2,000 cannot be considered actual, known, or measurable at this time. Furthermore, without knowing what the \$2,000 would be used for, we cannot determine whether those expenses would be reasonable or prudent. Therefore, we decline to include the \$2,000 in the amount approved for recovery.

x. Working Capital

Both Staff and the Company agree that the one-eighth method is the proper way to calculate the Company's working capital allowance. Because we have not entirely accepted either party's operating expense adjustments, we similarly do not accept their proposed working capital allowances. Applying the one-eighth method to the operating expenses approved in this order, we find it reasonable to grant the Company a working capital allowance of \$282,364.

D. Rate Design

Based on our review of the record, we find it fair, just, and reasonable to approve the Company's request to consolidate the rates for its three water systems into a single schedule. As we have said in previous cases, this consolidation moves towards a more equitable treatment of customers and provides customers with more appropriate price signals. Although this results in a reduction in the minimum charge for customers served by the MV system, this will not significantly increase the bills of other customers as the MV systems constitutes a relatively small portion of the Company's total system. Accordingly, we approve the rate design in the following table for the Company.

Each customer shall pay the base monthly charge associated with their meter size for the block of water listed in the "Block 1" column below. After consuming that first block, customers shall pay \$0.83 for every thousand gallons for the block of water listed in the "Block 2" column. After consuming this second block of water, customers shall pay \$1.662 for every thousand gallons of water consumed.

Meter Size	Base Monthly Charge	Block 1*	Block 2	Block 3
FW & TM				
5/8 inch	\$24.65	0 - 6,000	6,001 - 15,000	>15,000
3/4 inch	\$24.65	0 - 6,000	6,001 - 15,000	>15,000
1 inch	\$34.75	0 - 9,000	9,001 - 27,000	>27,000
1.5 inch	\$44.80	0 - 13,000	13,001 - 39,000	>39,000
2 inch	\$57.25	0 - 17,000	17,001 - 51,000	>51,000
3 inch	\$79	0 - 19,000	19,001 - 57,000	>57,000
4 inch	\$102.25	0 - 21,000	21,001 - 63,000	>63,000
6 inch	\$411	0 - 21,000	21,001 - 63,000	>63,000
Morning View				
3/4 inch -Quarter Acre	\$24.65	0 - 6,000	6,001 - 15,000	>15,000
3/4 inch-Half Acre	\$24.65	0 - 6,000	6,001 - 15,000	>15,000
3/4 inch-Acre	\$24.65	0 - 6,000	6,001 - 15,000	>15,000
1 inch-Quarter Acre	\$34.75	0 - 9,000	9,001 - 27,000	>27,000
1 inch-Half Acre	\$34.75	0 - 9,000	9,001 - 27,000	>27,000
1 inch-Acre	\$34.75	0 - 9,000	9,001 - 27,000	>27,000
*Blocks are measured in gallons of water consumed.				

II. Hook-up Charges

Staff and the Company agreed on the hook-up charges for 3/4-inch connections, 1-inch connections, and connections greater than 2 inches. Based upon our review of the record, we find these hook-up charges to be reasonable. Despite aligning on these smaller connections, Staff and the Company differed as to the proper hook-up charge for 1.5-inch and 2-inch connections. Based upon the record, we find Staff's proposed hook-up fees for these connections to be fair, just, and reasonable.

III. Future Rate Case Filings

The Company's revenues are expected to exceed \$4,000,000 before its next general rate case. Accordingly, we find it reasonable to direct the Company to meet with Staff to discuss and establish practices for future rate cases.

IV. Tariff Language

We agree with Staff that certain portions of the Company's tariff should be clarified. Accordingly, we find it reasonable to direct the Company to make two revisions to its tariff. First, as described above, the commodity charge under Schedule No. 1 is listed per gallon, but customers are billed per 1,000 gallons. This should be reconciled to avoid confusion. Second, although there

are currently no secondary irrigation service customers served under Schedule No. 3, a definition for secondary irrigation that specifies the months during which the monthly charge applies should be included in the tariff.

V. Cost of Service

The Company did not directly oppose Staff's recommendation that it incorporate a cost-of-service analysis for secondary irrigation customers in its next rate case to ensure the monthly charge accurately reflects the cost of providing the service. We find it reasonable to direct the Company to perform such an analysis and include it in its next general rate case. If the Company lacks sufficient data for such analysis, the Company must describe what was done to see if the analysis was possible and explain why it couldn't be completed.

In sum, we find that the Company's existing rates, charges, and practices are unreasonable to the extent described above, and that those rates do not afford sufficient revenue to the Company. *See Idaho Code* §§ 61-501 and -502. We also find it fair, just, and reasonable for the Company to change its rates, charges, and practices as described in this Order.

ORDER

IT IS HEREBY ORDERED that the Company is permitted to increase its rates and charges as described above, effective September 1, 2025.

IT IS FURTHER ORDERED that the Company must submit tariffs that reflect the rates, charges, and other requirements contain herein no later than 30 days from the service date of this Order.

IT IS FURTHER ORDERED that the Company shall meet with Staff to discuss and establish practices for future rate cases before filing its next general rate case.


IT IS FURTHER ORDERED that the Company shall perform a cost-of-service analysis for secondary irrigation customers and include it in its next general rate case. If the Company lacks sufficient data for such analysis, the Company must describe what was done to see if the analysis was possible and explain why it couldn't be completed.

IT IS FURTHER ORDERED that the Company shall continue investigating the root causes of water loss across its systems and take reasonable steps to mitigate such losses.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order about 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.*

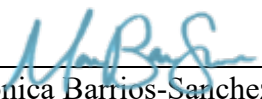
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th day of August 2025.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary

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