

Leslie Abrams-Rayner
General Manager
Gem State Water Company, LLC
P.O. Box 3388
Coeur d'Alene, ID 83816

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF GEM STATE
WATER COMPANY LLC'S
APPLICATION FOR AN ORDER
AUTHORIZING AN INCREASE IN ITS
RATES AND CHARGES FOR WATER
SERVICE IN THE STATE OF IDAHO**

CASE NO. GSW-W-22-01

**COMPANY'S PETITION FOR CLARIFICATION
OR RECONSIDERATION**

Pursuant to Rule 331 of the Commission's Rules of Procedure, IDAPA 31.01.01.331, Gem State Water Company, LLC ("Gem State Water" or "Company") files this Petition for Clarification or Reconsideration of Final Order No. 35692, entered March 1, 2023 ("Final Order").

On page 7 of the Final Order, the Commission approved an annual revenue requirement of \$789,004. This revenue requirement is based on adjustments that are summarized in Attachment 1 to the Final Order. The adjustments contained within Attachment 1 impact the calculations related to the Company's taxes. However, the calculations related to taxes were not adjusted in the Final Order. The taxes need to be updated and flow through other adjustments because removing expenses from the revenue requirement impacts the net income that is subject to tax. If the taxes are not adjusted with the flow through calculation, then the Attachment 1 revenue requirement calculation applies the gross up factor to the incorrect net income amount and incorrectly calculates the incremental revenue requirement. As explained in more detail below, when modified for consistency with the adjustments reflected on Attachment 1, the Company's taxes will increase by approximately \$45,773. Accordingly, the Company respectfully requests that the

COMPANY'S PETITION FOR CLARIFICATION OR RECONSIDERATION

total revenue requirement be increased to account for the taxes that flow from the adjustments contained within Attachment 1.

The following Table 1, Rate Proof, demonstrates the return on equity from the Final Order, which does not reflect the tax adjustment. This results in an ROE of 5.0%. Because the Final Order establishes an ROE of 9.5% and a WACC of 7.41, *see* Final Order at 15, the Company believes the tax adjustment was an oversight and we ask the Commission to clarify or modify the Final Order.

Table 1: Rate Proof

| | Final Order | Company Adjusted to Reflect Proper Tax Calculations |
|---|--------------------|--|
| Revenue at Current Rate | \$574,600 | \$574,600 |
| Incremental | \$214,405 | \$260,270 |
| Revenue at Proposed Rates | \$789,005 | \$834,870 |
| % Increase | 37.3% | 45.3% |
| Total Expense | \$598,560 | \$598,560 |
| Net Operating Expense | \$190,445 | \$236,310 |
| Interest <i>1/</i> | \$30,090 | \$30,090 |
| Depreciation | \$66,898 | \$66,898 |
| Other Tax | \$42,414 | \$42,506 |
| Pretax Income | \$51,043 | \$98,816 |
| State Income Tax | \$2,960 | \$5,615 |
| Federal Income Tax | \$10,097 | \$19,152 |
| Net Income | \$37,985 | \$72,049 |
| Rate Base (x Equity Portion) <i>2/</i> | \$756,693 | \$756,693 |
| RORB | 5.0% | 9.5% |

1/ Interest Expense for Rate Proof (cost of debt of 4.86 x debt in capital structure 45% x Rate Base of \$1,375,819)

2/ Equity portion of Rate Base of Rate Base \$1,375,819 x 55% Equity in Capital Structure x 9.5% ROE

Therefore, the Company requests that the Final Order be revised or clarified to reflect a revenue requirement of **\$834,870**.

Additionally, for the sake of clarity and to ensure consistency, the Company requests that Attachment 1, page 1 of 2, be updated as follows, with the changes shown in red:

Table 2: Update to Attachment 1, page 1 of 2

| | | Current Order | Requested Correction |
|----|---------------------------------------|----------------------|-----------------------------|
| 1 | Rate Base | 1,375,818 | 1,375,818 |
| 2 | Rate of Return | 7.41% | 7.41% |
| 3 | Net Operating Income Requirement | 101,948 | 101,948 |
| 4 | Net Operating Income Realized | (57,289) | (91,353) |
| 5 | Net Operating Income Deficiency | 159,237 | 193,301 |
| 6 | Gross Up Factor | 1.34645 | 1.34645 |
| 7 | Total Incremental Revenue Requirement | 214,404 | 260,270 |
| 8 | Revenue at existing rates | 574,600 | 474,600 |
| 9 | Total revenue requirement | 789,004 | 834,870 |
| 10 | Percent Increase Required | 37.3% | 45.3% |

Attachment 1, page 2 of 2, should be adjusted on the line marked Income Taxes from \$(74,409) to \$(40,346), which flows through to the Total Other Expense and Net Income lines as follows, with changes in red:

Table 2: Update to Attachment 1, page 2 of 2

| | Current Order | Requested Correction |
|----------------------|----------------------|-----------------------------|
| Income Taxes | (74,409) | (40,346) |
| Total Other Expenses | 33,329 | 67,393 |
| Net Income | (57,289) | (91,353) |

The Company proposes the following revised Attachment 2, which is consistent with the Staff recommendations and the Final Order, but incorporates the adjustments described above and the total revenue requirement of \$834,870 instead of \$789,004.


Table 2: Update to Attachment 2

| Water System | Meter Size | Fixed Charge | Volume Included (gal) | Price for Excess | Fixed Monthly Charge | Price for Excess |
|--------------------------|------------|--------------|-----------------------|------------------|----------------------|------------------|
| Spirit Lake East | 1-Inch | 35.00 | 7,500 | 2.52 | 37% | 8% |
| Spirit Lake East | 1 1/2-Inch | 70.00 | 15,000 | 2.52 | 174% | 8% |
| Spirit Lake East | 2-Inch | 112.00 | 30,000 | 2.52 | 338% | 8% |
| Bar Circle "S" Water | 1-Inch | 35.00 | 7,500 | 2.52 | 28% | 45% |
| Bar Circle "S" Water | 1 1/2-Inch | 70.00 | 15,000 | 2.52 | 155% | 45% |
| Bar Circle "S" Water | 2-Inch | 112.00 | 30,000 | 2.52 | 308% | 45% |
| Diamond Bar Estates | 1-Inch | 41.00 | 7,500 | 2.40 | 0% | 107% |
| Lynnwood Estates | 1-Inch | 35.00 | 15,000 | 2.40 | 0% | |
| First Block | | | 15,001 – 10,000 | | | 140% |
| Second Block | | | 100,001 – 200,000 | | | 20% |
| Third Block | | | Over 200,000 | | | -20% |
| Bitterroot Water Co. | 1-Inch | 35.00 | 7,500 | 2.40 | 67% | 39% |
| Rickel Water Co. | 1-Inch | 35.00 | 7,500 | 2.40 | 17% | 118% |
| Troy Hoffman Water Corp. | 1-Inch | 35.00 | 7,500 | 2.40 | 27% | 114% |
| Happy Valley Water | 1-Inch | 35.00 | 7,500 | 1.65 | 30% | 136% |
| Happy Valley Water | 1 1/2-Inch | 70.00 | 15,000 | 1.65 | 159% | 136% |
| Happy Valley Water | 2-Inch | 112.00 | 30,000 | 1.65 | 315% | 136% |

Finally, the Company requests that pages 7, 15, and 16 in the Final Order be modified such that the references to revenue requirement of "\$789,004" and "37.3%" increase be changed to a revenue requirement of "\$834,870" and a rate increase of "45.3%."

DATED March 13, 2023.

GEM STATE WATER COMPANY, LLC

By 

Leslie Abrams-Rayner
General Manger

Eric W. Nelsen
Senior Regulatory Attorney
NW Natural
Representing Gem State Water Company, LLC

CERTIFICATE OF SERVICE

I certify that on March 13, 2023, a true and correct copy of the foregoing was served upon all parties of record in this proceeding via electronic mail as indicated below:

Commission Staff

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

Via Electronic Mail

jan.noriyuki@puc.idaho.gov

/s/

Eric W. Nelsen