

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN) CASE NO. ISW-W-25-02
SEWER AND WATER CORPORATION'S)
APPLICATION TO CHARGE AN INTERIM) ORDER NO. 37015
RATE FOR SERVICE)
)

On May 29, 2025, Intermountain Sewer and Water, Corp. (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) requesting a Certificate of Public Convenience and Necessity (“CPCN”) authorizing it to provide water service in and around the Mayfield Springs Planned Community in Elmore County, Idaho (“Service Area”). The Company also requested authority from the Commission to charge an interim rate for service, as determined by a calculation proposed by the Company (“Application”).

The Commission bifurcated the Company’s requests and ordered the creation of a separate docket to consider the Company’s request to charge an interim rate for service and the reliability of the Company’s water system, contingent upon the resolution of the Company’s request for a CPCN. Order Nos. 36688, 36772. On September 2, 2025, this case was opened.

On September 29, 2025, the Commission issued an order approving the Company’s request for a CPCN in Case No. ISW-W-25-01. Order No. 36772. On October 23, 2025, the Commission issued the Company’s CPCN. Certificate No. 562.

On January 23, 2026, the Commission issued a Notice of Application and a Notice of Modified Procedure setting written comment deadlines. Order No. 36916. Commission Staff (“Staff”) filed comments to which the Company replied. The Commission received no public comments.

Having reviewed the record, we issue this Final Order authorizing the Company to increase its rates as described below.

THE APPLICATION

According to the Company, the Service Area water facilities (including wells and distribution facilities) (“Water System”) have been built in accordance with all applicable regulations associated with public drinking water. Application at 3. The Water System has been reviewed and approved by the Idaho Department of Environmental Quality (“IDEQ”). *Id.* The Water System will be operated by Valley Hydro, Inc. *Id.* The Company stated that it has the

resources to ensure the Water System can be operated safely and appropriately. *Id.* The Company currently has no customers, as the planned community within the Service Area is in development. *Id.*

The Company sought approval of its proposed interim rate, which is based on calculations provided by the Company. *Id.* at 4, 409–430. The proposal included a monthly flat rate of service for all customers for the first 10,000 gallons of water used in a month, beginning at \$71.00 and decreasing based on ranges of metered customer counts, until the flat rate reaches \$48.00 after the Service Area includes more than 2,000 lots. *Id.* at 411. The Company also proposed a \$0.0003 per gallon rate for usage above 10,000 gallons in any calendar month. *Id.* Additionally, the Company sought approval of non-recurring charges for late payments; reconnection fees; transactions initiated without sufficient funds; customer requested service calls; and hookup charges. *Id.* at 412, 430.

STAFF COMMENTS

Staff reviewed the Company’s Application and supporting documentation from Case No. ISW-W-25-01 and responses to discovery requests. Staff Comments at 2. Staff also audited the Company’s infrastructure, financial records, and processes during an on-site tour of the Company’s Water System and through multiple discussions with the Company. *Id.*

Subject to recommended adjustments discussed below, Staff believed the Company’s requested interim fixed monthly rate of \$71 is reasonable until new rates can be established through a general rate case. *Id.*

Water System

The Company is expected to provide service to approximately 2,319 lots at full build-out of the Service Area. *Id.* The Water System is currently comprised of two groundwater wells, a storage tank, a booster pump, and a distribution system. *Id.* The Company plans to expand the Water System to meet demand as development continues. *Id.* According to Staff, the Water System has insufficient capacity to meet demand for the Service Area at full build-out. *Id.* at 3.

Though the Water System currently has 1,250 gallons per minute (“gpm”) total capacity from its two wells, IDEQ rules require that with any pump out of service, the service must be capable of providing the Maximum Day Demand (“MDD”) plus equalization storage. *Id.* With the water system’s largest pump (Well No. 3) out of service, the remaining capacity is only 250 gpm. *Id.* This capacity, considering the MDD of 0.61, would allow the Water System to serve only 410

lots. *Id.* Staff believed the current capacity could reliably serve the projected 100 lots expected to be built by the end of 2027. *Id.* However, to serve the expected 500 lots by the end of 2029, the Water System will require additional capacity for Well No. 1, which is planned to be in service by 2027. *Id.*

Revenue Requirement

Staff stated that the Company's proposed phased approach to calculating the revenue requirement would result in prudent cost recovery and rate stability. *Id.* at 4. Staff believed the Company's requested revenue requirement of \$85,200 for the first 100 customers was reasonable based on supporting documentation for the Company's proposed rate base components and operating expenses. *Id.* at 4–5. Staff noted that the Company had calculated a revenue requirement of \$144,300 for the first 100 customers but under its phased approach, it proposed using a revenue requirement of \$85,200 for the first 100 customers. *Id.* at 4.

Rate Base

The Company proposed a plant-in-service amount of \$6,649,193, which was entirely attributable to contributions in aid of construction, and thus, not included in rate base. *Id.* at 5. Staff recommended reducing the Company's requested cash working capital amount from \$1,521 to \$1,129 to reflect Staff's proposed adjustments to the Company's operating expenses (discussed below). *Id.* at 6.

Cash Reserve Fund

The Company's revenue requirement proposal included \$29,680 of capital reserve fund for the first 100 customers. *Id.* Staff recommended excluding capital reserve fund contributions because requiring customers to pay for future capital expenditures for assets that are not used and useful would be inconsistent with traditional ratemaking principles. *Id.*

Operating Expense

Staff recommended inclusion of \$82,100 in operating expenses for the revenue requirement for the first 100 customers rather than the \$110,600 requested by the Company. *Id.* at 7. The Company calculated its proposed amount using engineering estimates and data from an affiliated water company. *Id.*

Staff recommended removing \$28,500 that was attributable to projected heavy construction activities from the Company's requested purchased power expense included in its operating expenses. *Id.* According to Staff, these costs were development-related and should be

recovered from the developer through a separate construction water rate. *Id.* Staff believed the Company’s remaining \$16,500 budgeted for construction activities was reasonable. *Id.* Additionally, Staff recommended the Company use a power expense calculation method based on historical data when it files a general rate case. *Id.* at 8.

Though Staff estimated a chemical expense of \$1,244 for the first 100 customers compared to the Company’s \$2,000, because neither estimate was based on actual historical data, Staff believed the Company’s request was reasonable. *Id.* However, Staff encouraged the Company to adopt Staff’s calculation method (detailed in Attachment C to Staff’s Comments) for use in a general rate case. *Id.*

Rate of Return

Staff recommended approval of the Company’s requested 11 percent rate of return. *Id.* at 5. Staff believed the request was consistent with returns approved for similarly situated small water companies. *Id.*

Rate Design

Rather than the six-phase declining fixed monthly charge rate design proposed by the Company, Staff recommended maintaining the initial \$71 monthly charge until a new rate is authorized through a general rate case. *Id.* at 9. According to Staff, “there is little to no information regarding actual operating expenses, customer growth, or customer consumption” on which to base rates beyond the Company’s first couple of proposed phases. *Id.* Staff worried that attempting to set future rates based on estimates could lead to significant over or under collecting of revenues. *Id.*

Staff’s proposal versus that of the Company is demonstrated in the following table.

Phase	1	2	3	4	5	6
Metered Connections	1–100	101–250	251–500	501–1000	1001–2000	2001+
Company: Proposed Fixed Monthly Rate	\$71	\$67	\$63	\$58	\$53	\$48
Staff: Proposed Rate	\$71	\$71	Staff does not recommend setting rates for these periods. Staff recommends maintaining the \$71 rate until a rate is authorized in a general rate case.			

Id. Staff believed a \$71 monthly charge represented a fair balance between the interests of the Company and its ratepayers and was comparable to the rates of other regulated small water companies in the state. *Id.* at 9–10.

Rather than implementing the Company’s proposed declining fixed monthly charge structure, Staff suggested that the Commission require the Company to file a general rate case within 12 months of connecting its 250th customer. *Id.* at 10. Staff believed the Company would have a reasonable amount of data to inform a general rate case by that time. *Id.* Staff recommended maintaining the \$71 monthly charge until a new rate is authorized in a general rate case. *Id.*

Staff further recommended that the Commission decline to implement the Company’s proposed \$0.0003 per gallon rate for monthly usage above 10,000 gallons. *Id.* According to Staff, the lack of consumption data prevents a reasonable estimate of the revenue a commodity rate would produce and Staff’s recommended fixed charge already produces its proposed revenue requirement based on 100 connections. *Id.*

Fees and Charges

Following discussion with Staff during the discovery process in this case, the Company made several changes to its requested non-recurring fees and charges, including: (1) decreasing the reconnection fee interest rate to 12 percent from 18 percent; (2) removing the charge for customer requested service calls; (3) increasing the hookup fee by \$5 to a total of \$405. Staff Comments at 11. Staff supported these revisions. *Id.* However, Staff recommended reducing both the Company’s requested time-and-materials charge for after-hours reconnections and meter testing charge from \$75 to \$50.

Additionally, Staff recommended “that the Commission order the Company to submit a compliance filing that includes: (1) a tariff that complies with IDAPA 31.21.01 and reflects any approved rates and charges; (2) an updated Summary of Rules; and (3) include a separate schedule for IDEQ fees.” *Id.*

COMPANY REPLY COMMENTS

The Company filed brief reply comments expressing its agreement with Staff’s recommendations. Company Reply Comments at 1. However, the Company wished to emphasize the goals reflected in its requested rate structure were to protect its customers from unreasonable rates to promote efficient use of resources through conservation. *Id.* While the Company believed its proposed declining fixed monthly charge structure and usage rate supported these goals, the

Company accepted Staff's recommendations and acknowledged its proposals could be revisited in a future rate case. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter and the issues in this case under Title 61 of the *Idaho Code*. The Commission regulates "public utilities," including "water corporations" that serve the public, or some portion thereof, for compensation. *Idaho Code* §§ 61-125, -129, and -501. The Commission, upon finding that the rates charged by a public utility "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.

In a general rate case, the Company's "revenue requirement and every component of it, both rate base and expense, are at issue." IDAPA 31.01.01.124.01. "The Commission may grant, deny, or modify the revenue requirement requested and may find a revenue requirement different from that proposed by any party is just, fair, and reasonable." *Id.* The Company's retail rates and charges, both recurring and non-recurring, are at issue, and every component of every existing and proposed rate and charge is at issue. IDAPA 31.01.01.124.02. "The Commission may approve, reject, or modify the rates and charges proposed and may find that rates and charges different from those proposed by any party are just, fair, and reasonable." *Id.*

Based on the record before us, the Commission approves a revenue requirement of \$85,200 for the Company's first 100 customers. We direct the Company to implement an interim monthly charge of \$71 for metered water service without a volumetric usage rate. The \$71 monthly fixed charge for service will remain in place until a new rate is approved through a general rate case. We also authorize the Company to charge a \$405 hookup fee. The reconnection fee interest rate shall be 12 percent. There will be no charge for customer requested service calls. Within 12 months of connecting its 250th customer, the Company shall file a general rate case with the Commission.

Within 45 days of the issuance of this Order, we instruct the Company to submit a compliance filing that includes: (1) a tariff that complies with IDAPA 31.21.01 and reflects all approved rates and charges; (2) an updated Summary of Rules; and (3) a separate schedule for IDEQ fees.


ORDER


IT IS HEREBY ORDERED that the Company is permitted to increase its rates and charges as described above.

IT IS FURTHER ORDERED that within 45 days of the issuance of this Order the Company shall submit a compliance filing that includes: (1) a tariff that complies with IDAPA 31.21.01 and reflects all approved rates and charges; (2) an updated Summary of Rules; and (3) a separate schedule for IDEQ fees.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within 21 days of the service date of this Order. Within seven days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* § 61-626.

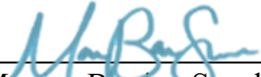
DONE by order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of April 2026.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary

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