

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF KOOTENAI HEIGHTS) CASE NO. KHW-W-23-01
WATER SYSEMS' APPLICATION FOR)
AUTHORITY TO INCREASE ITS RATES) ORDER NO. 35978
AND CHARGES FOR WATER SERVICE IN)
THE STATE OF IDAHO)
)

On March 28, 2023, Kootenai Heights Water System (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) for authorization to increase its rates and charges for water service (“Application”). The Company requested a May 1, 2023, effective date. The Company also filed a supplemental exhibit on March 29, 2023.

On April 14, 2023, the Commission issued a Notice of Application, Notice of Intervention Deadline, and Notice of Suspension of Proposed Effective Date. Order No. 35741. No parties intervened.

On August 2, 2023, the Commission issued a Notice of Virtual Public Workshop and Notice of Modified Procedure setting deadlines for public and Commission Staff (“Staff”) comments and the Company’s reply. Order No. 35871. Staff and one member of the public filed the only comments in this case.

The Commission issued a Notice of Customer Hearing scheduling a customer hearing on October 18, 2023. Order No. 35953. The Commission held a public hearing on October 18, 2023, in Sandpoint, Idaho where three members of the public attended but chose not to testify.

Having reviewed the record in this case, the Commission issues this Order authorizing the Company’s rate increase as discussed below.

APPLICATION

The Company is a water corporation serving 11 residential customers in and around the city of Kootenai in Bonner County, Idaho.

The Company requested that its residential monthly flat rate increase from \$38.50 to \$57.65—a 49.74% increase. The Company stated that this increase was necessary to cover the expenses of the system to ensure safe and reliable water service.

The Company filed a spreadsheet with supporting information on March 29, 2023.

COMMENTS

a. Public Comment

On June 1, 2023, the Commission received one comment. The commentor opposed the proposed rate increase. The comment outlined concerns about the underlying costs that would justify the rate increase and argued that the information provided did not justify the Company's proposal.

b. Staff's Comment

i. Staff Analysis

Staff reviewed the materials provided by the Company and recommended a revenue increase of \$2,442, or 47.35%, for a total revenue requirement of \$7,600. This is based on a Return on Equity ("ROE") of 11% applied to a \$851 rate base.

Staff stated that the system had 11 customers with an 8-inch well. Staff noted that the most recent Sanitary Survey found the Company's system had no significant deficiencies and was in compliance with the Idaho Rules for Public Drinking Water Systems. Staff Comments at 2.¹ Customers are billed on a flat rate as the system is unmetered. The Company has three operating expense accounts: Contract Services Professional, Purchased Power, and Miscellaneous.

The Company contracts with a third party, Water Systems Management, Inc. ("Management Company"), to manage the system. The Company incurred \$5,819 in total Contract Services Professional Expenses from the Management Company in the 2022 test year. Staff reviewed these expenses and believed that they were prudently incurred.

The Company listed \$788 in Purchased Power Expenses in the 2022 test year. Staff reviewed the Company's electricity invoices for 2020, 2021, and 2022 and confirmed that all Purchased Power Expenses for the 2022 test year were accurate.

Staff noted that the \$200 Miscellaneous expenses for the Company arose primarily from purchasing office supplies. Staff stated that these expenses were reasonable and should be recoverable.

ii. Rate Base

The Company has not added any new plant in service to its rate base since its last rate case in 2007. Accordingly, the Company's Application listed a "Net Plant in Service of \$26,327 and Working Capital of \$851." Staff Comments at 3. The Company's "Net Plant in Service balance

¹ See IDAPA 58.01.08.000 *et seq.*

includes an offset for Contributions in Aid of Construction (“CIAC”) received from customer hookup fees.” Staff Comments at 3-4. Staff reviewed these items and believed they were calculated correctly. The Company’s working capital was calculated using the 1/8 method which is used by other water utilities in the industry. Staff believed that the Company’s calculations were accurate.

iii. Rate of Return

Staff noted that the Company requested a 12% ROE. Staff recommended a 11% ROE to be consistent with the Commission’s approved ROE in similarly situated small water rate cases. *See Order Nos. 33658 and 33910.*

iv. Rate Design

The monthly rate is reached by dividing the annual revenue requirement by 11 (the number of customers) and then again by 12 (to account for each month in a year). Staff proposed a monthly flat rate of \$57.58 using this method—which was only 7 cents less than the Company’s proposed monthly flat rate of \$57.65.

v. Customer Relations

Staff noted that it was not apparent from the Application that the Company had issued a customer notice or press release. Staff explained that the Company later provided information indicating it had complied with Commission Rule of Procedure 125 regarding customer notice. IDAPA 31.01.01.125.

vi. Company Tariff

Staff discussed the Company’s current rate as well as the proposed rate discussed above for Schedule 1. Regarding fees for late payment dealt with in Schedule 2, Staff suggested that the Company replace its current \$10.00 flat late payment fee with a Late Payment Charge equal to 1% of the unpaid balance (to be accounted for on the next billing statement). Staff noted that this treatment was consistent with late fees previously approved by the Commission.

vii. Staff Recommendations

Staff recommended the Commission approve the Company charging a monthly flat rate of \$57.58 based upon an annual revenue requirement of \$7,600, a rate base of \$851, and a ROE of 11%.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company and the issues in this case under Title 61 of the Idaho Code. Specifically, the Commission regulates “public utilities,” including “water

corporations” that serve the public or some portion thereof for compensation. *See Idaho Code* §§ 61-125, -129, and -501. The Commission, upon finding that the rates charged by a public utility are “. . .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.

The Commission has reviewed the record and finds that the Company’s current monthly rate of \$38.50 is insufficient to meet its obligations to maintain safe and reliable service going forward. Accordingly, the Commission finds that increasing the monthly flat rate to \$57.58 with an accompanying 11% ROE is fair, just, and reasonable. The Commission notes that Staff’s recommendation was reached using practices and methods that have been consistently utilized by Staff in other rate cases for small water companies. The Commission also finds that the Company updating Rate Schedule No. 2 so that the fee for late payment is 1% of the unpaid balance (rather than a flat fee of \$10.00) is fair, just, and reasonable.

One public comment was filed at the onset of this case. The Commission finds that the data and analysis provided by Staff adequately address the concerns voiced in that comment and justify the increase that Staff has recommended. The Commission also notes that it received no written comments or public testimony that opposed Staff’s recommendations during the respective comment period or public hearing for this matter. The Commission finds that the Company’s customers were sufficiently notified of the Company’s proposed rate increase and that the Company complied with Rule of Procedure 125. IDAPA 31.01.01.125. Staff has noted that it is willing to assist the Company in filing updated tariffs. The Commission approves the Company’s rate increase as proposed by Staff for the reasons discussed above.

ORDER

IT IS HEREBY ORDERED that the Company is approved to charge a monthly flat rate of \$57.58 based upon an annual revenue requirement of \$7,600, a rate base of \$851, and a ROE of 11% effective November 1, 2023.

IT IS FURTHER ORDERED that the Company shall charge a fee equal to 1% of the unpaid balance for late payments based upon an updated Rate Schedule No. 2 effective November 1, 2023.

IT IS FURTHER ORDERED that the Company shall file updated tariffs compliant with the requirements discussed above within 28 days of the issuance of this Order.

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

matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code §§ 61-626.*

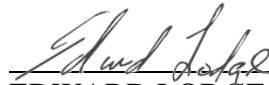
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of October 2023.



ERIC ANDERSON, PRESIDENT

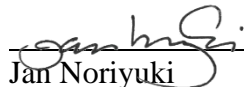


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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