

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION) CASE NO. MWL-W-25-01
INTO MEADOWS WATER, LLC’S RATES)
AND CHARGES FOR SERVICE)
) ORDER NO. 37060
)

On May 8, 2025, the Idaho Public Utilities Commission (“Commission”) issued an order granting Meadows Water, LLC (“Company”) a Certificate of Public Convenience and Necessity (“CPCN”). Order No. 36595. The Commission also directed Commission Staff (“Staff”) to open a separate docket to evaluate whether the Company’s interim rates are fair, just, and reasonable.

Case No. MWL-W-25-01 was opened on October 1, 2025, to investigate the rates and charges of the Company. Order No. 36595.

On March 25, 2026, the Commission issued a Notice of Modified Procedure, establishing public comment and Company reply comment deadlines. Order No. 36984. Staff and several customers filed comments. The Company did not file a reply.

Based on our review of the record, the Commission now issues this Final Order directing the Company to file a general rate case application within 90 days, submit a compliance tariff identifying all non-recurring charges within 30 days, and provide a status update addressing unresolved system deficiencies and corrective actions within 6 months.

STAFF COMMENTS

Staff audited the Company’s operating expenses and plant-in-service for the 12-month period ending December 31, 2024, to determine whether current revenues adequately supported safe and reliable service while providing an appropriate return on investment. Staff Comments at 1. As part of the review, Staff examined the Company’s system description, revenues, rate design, non-recurring charges, and overall system reliability. *Id.* at 2.

Staff confirmed that the Company owned and operated the water system serving 214 customers in the Meadows at West Mountain subdivision in Valley County, Idaho, consisting of groundwater wells, pressure tanks, treatment systems, and a distribution network. *Id.* Based on its investigation, Staff believed that the Company’s current rates generated revenues exceeding those necessary to recover prudently incurred costs and provide an appropriate return. *Id.* Staff calculated that revenues under present rates totaled approximately \$148,376, while the adjusted revenue

requirement was approximately \$133,502, indicating an over-recovery of about 10% and supporting the need for a rate reduction. *Id.*

In reviewing the Company's rate base and plant investments, Staff calculated a net rate base of \$300,214, including plant-in-service and working capital. *Id.* at 3. Staff excluded from rate base a generator rebuild project costing \$31,418 because the generator had never been connected or placed into service and therefore was not considered used and useful for providing customer service. *Id.* Staff also adjusted accumulated depreciation and depreciation expense to remove amounts associated with the unused generator. *Id.* Staff believed that an 11% return on equity was appropriate based on recent rate cases involving similarly situated small water utilities. *Id.* at 4. After reviewing operating expenses, Staff reduced the Company's reported operating expenses from \$265,247 to \$104,298 by excluding or adjusting costs that were not considered reasonable or prudent for ratemaking purposes. *Id.* Significant adjustments included the removal of legal expenses associated with disputes between the Company and its customers, exclusion of regulatory fines and penalties assessed by the Idaho Department of Environmental Quality ("IDEQ"), and normalization of power and chemical expenses using historical usage data. *Id.* at 5-7. Staff also believed that the bookkeeping, insurance, internet, and certain routine operating costs were reasonable for inclusion in rates. *Id.* at 5.

Staff reviewed the Company's flat-rate rate design and believed that the existing residential rate of \$57 per month continued to produce revenues above the level necessary to recover prudently incurred expenses and provide safe and reliable service. *Id.* at 7-8. Staff therefore recommended that the Commission require the Company to file a general rate case to align revenues with the calculated revenue requirement. *Id.* at 8. Staff also reviewed the Company's non-recurring charges, including returned check fees, reconnection charges, late payment fees, and hookup fees, and generally found them reasonable for interim use, although Staff recommended that the Company file a compliance tariff clearly identifying such charges. *Id.* at 8-9.

In its reliability analysis, Staff identified significant operational and compliance concerns affecting the water system. *Id.* at 9-10. Staff noted that several deficiencies identified in IDEQ's 2022 sanitary survey remained unresolved, including the absence of annual backflow device testing, lack of auxiliary backup power, and failure to install auto-proportioning chlorinators. *Id.* at 10. Staff believed that these deficiencies could affect the system's ability to provide safe and continuous service. *Id.* Staff was unable to verify whether the system had sufficient capacity to

meet regulatory requirements because the Company failed to provide requested engineering data. *Id.* Additionally, Staff identified potential concerns regarding the adequacy of the Company’s water rights, noting that the authorized pumping rate appeared to be significantly lower than historical peak demand levels. *Id.* at 10-11. Because IDEQ and the Idaho Department of Water Resources (“IDWR”) hold jurisdiction over many of these matters, Staff stated that it would coordinate with those agencies and continue monitoring the issues. *Id.* at 11.

Based on its overall investigation, Staff recommended that the Commission order the Company to file a general rate case to reduce rates, submit a compliance tariff identifying non-recurring charges, and provide a status update within six months addressing unresolved system deficiencies and corrective actions. *Id.* at 11-12.

PUBLIC COMMENTS

The Commission received eight public comments from customers of the Company. Customer comments raised concerns regarding service reliability, infrastructure deficiencies, water quality issues, and attempted rate increases implemented without Commission approval. Customers reported recurring water pressure losses, “Do Not Drink” and “Boil Water” notices, inadequate communication, and a lack of infrastructure improvements such as backup power and backflow prevention systems.

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’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 preferential, or in any way in violation of any provision of law” the Commission must “determine the just, reasonable or sufficient rates.” *Idaho Code* § 61-502; *see also Idaho Code* § 61-503.

The Commission has reviewed the record in this case, including Staff’s Comments evaluating the Company’s operations, plant-in-service, revenues, expenses, rate design, and system reliability for the 12-month period ending December 31, 2024. Based on the record, the Commission finds Staff’s analysis reasonable for purposes of this proceeding.

The Commission finds that the Company's current rates generate revenues exceeding those necessary to recover prudently incurred operating expenses and provide an appropriate return on investment. Staff calculated annual revenues under present rates of approximately \$148,376 and an adjusted revenue requirement of approximately \$133,502, indicating that the Company's existing rates may result in over-recovery from customers.

Based on the record, the Commission finds it necessary for the Company to file a general rate case so the Commission may comprehensively review the Company's rates, charges, revenues, operating expenses, rate base, and overall revenue requirement. The Commission directs the Company to file a general rate case within 90 days of the service date of this Order. The filing shall include all information necessary to evaluate whether the Company's rates are just, fair, reasonable, and sufficient, including updated financial information, plant records, and supporting documentation for all proposed rates and charges.

The Commission further finds that the Company's tariff and customer charge provisions require clarification and formalization. Staff reviewed the Company's non-recurring charges, including returned check charges, reconnection fees, late payment charges, and hookup fees, and generally believed those charges were reasonable for the interim period. However, the Commission agrees that the Company should formally identify all non-recurring charges in an approved tariff to promote transparency, consistency, and regulatory compliance. Accordingly, the Commission directs the Company to work with Staff and submit a compliance filing within 30 days of the service date of this Order that includes a tariff identifying all non-recurring charges, fees, and applicable terms and conditions of service.

The Commission also finds that continued monitoring of the Company's system reliability and regulatory compliance is necessary. Staff's investigation identified unresolved deficiencies previously documented by the IDEQ, including the absence of annual backflow testing, lack of auxiliary power for safe and continuous operation, and lack of auto-proportioning chlorinators. Staff also identified unresolved concerns regarding system capacity and water rights. The Commission finds these matters significant because they directly relate to the Company's ability to provide safe, adequate, and reliable water service to customers.

The Commission directs the Company to provide a status update to the Commission as a compliance filing within 6 months of the service date of this Order. The filing shall address all unresolved system deficiencies identified in Staff's Comments, describe corrective actions taken

or planned, and include documentation demonstrating progress toward resolution of those issues. The filing shall also address the status of any engineering studies, infrastructure improvements, operational changes, or other corrective measures related to system reliability, capacity, and water rights.

The Commission further directs the Company to comply with all applicable directives, requirements, consent orders, and regulatory determinations issued by IDEQ and IDWR. The Commission expects the Company to coordinate with those agencies and complete all required corrective actions necessary to ensure continued safe and reliable utility service and compliance with applicable laws and regulations.

Based on the foregoing, the Commission finds the above measures reasonable and necessary to ensure that the Company provides safe, adequate, and reliable service while moving toward full compliance with applicable regulatory requirements and cost-based ratemaking principles.

ORDER

IT IS HEREBY ORDERED that the Company shall file a general rate case within 90 days of the service date of this Order.

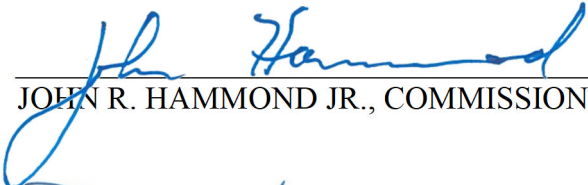
IT IS FURTHER ORDERED that the Company shall work with Staff and submit a compliance filing within 30 days of the service date of this Order that includes a tariff identifying all non-recurring charges, fees, and applicable terms and conditions of service during the interim period.

IT IS FURTHER ORDERED that the Company shall provide a status update to the Commission as a compliance filing within six months of the service date of this Order and shall address all unresolved system deficiencies identified in Staff's Comments, describe corrective actions taken or planned, and include documentation demonstrating progress toward resolution of those issues. The filing shall also address the status of any engineering studies, infrastructure improvements, operational changes, or other corrective measures related to system reliability, capacity, and water rights.

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

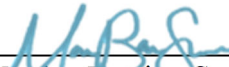
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 4th day of June, 2026.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary
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