Office of the Secretary
Service Date
September 21, 2026

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION INTO RED PHEASANT HOLDINGS, LLC'S RATES AND CHARGES FOR SERVICE	))))))	**CASE NO. RED-W-25-01** **ORDER NO. 37173**

On May 21, 2025, the Idaho Public Utilities Commission ("Commission") issued an order granting Red Pheasant Holdings, LLC ("Company") a Certificate of Public Convenience and Necessity ("CPCN"). Order No. 36604. 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. *Id.*

Case No. RED-W-25-01 was opened on December 17, 2025, to investigate the Company's rates and charges.

On June 16, 2026, the Commission issued a Notice of Modified Procedure, setting deadlines for public comments and Company reply comments. Order No. 37072. No public comments were received.

Based on our review of the record, the Commission now issues this Final Order finding the Company's current rates fair, just, and reasonable.

STAFF COMMENTS

Staff investigated the Company's rates for water service, including its revenues, expenses, and overall revenue requirement. Staff Comments at 1. Staff issued several production requests and reported that although the Company provided some responses, it repeatedly missed deadlines and did not provide complete responses to several requests. *Id.* at 2. Staff stated that it followed up with the Company multiple times between February and April 2026, and ultimately issued a formal letter on April 22, 2026, after the Company failed to provide outstanding information. *Id.* The Company later responded to several requests on May 6, 2026, but it still did not fully respond to Production Requests Nos. 1 and 2, which sought access to its accounting records and financial statements. *Id.* at 2–3. Staff also attempted to obtain the information in Excel format after determining that the accounting software link the Company provided was incompatible with

Staff's available software. *Id.* at 3. The Company indicated that it would contact its software provider for assistance but did not subsequently provide the requested information. *Id.*

Due to the lack of complete and timely financial information, Staff believed that its review was based on an incomplete record. *Id.* Staff stated that it had originally intended to use a test year covering July 1, 2024, through June 30, 2025, but could not do so because the necessary financial records were not provided. *Id.* at 3–4. Instead, Staff relied primarily on a 2024 income statement from a prior proceeding and updated certain expenses using information supplied in response to Production Request No. 3. *Id.* at 4. However, Staff could not independently verify many of the reported amounts or assess whether certain expenses were reasonable and prudent. *Id.* Staff therefore cautioned that the resulting revenue requirement should be viewed in light of the limited information available and encouraged the Company to become more familiar with the requirements of Idaho Code Title 61 and IDAPA 31 governing Commission proceedings and production requests. *Id.* at 3.

Staff stated that the Company operates a water system in Lewiston, Idaho, serving approximately 175 connections. *Id.* at 4. The system includes three groundwater wells, three chlorination systems, three storage tanks, six booster pumps, and a distribution system. *Id.* Staff believed that the system has adequate capacity, storage, and water rights to meet current demand. *Id.* The system's three wells and storage facilities provide sufficient capacity to meet maximum-day demand and fire-flow requirements, and the Company has sufficient authorized water rights to meet its current needs. *Id.* The latest Idaho Department of Environmental Quality ("IDEQ") sanitary survey, conducted in May 2025, did not identify significant deficiencies. *Id.*

Using the information available, Staff recalculated the Company's revenue at its current rates. *Id.* The Company reported $185,276 in 2024 revenue, including $179,968 in metered sales and $5,308 in other revenue. *Id.* Staff excluded the other revenue because it was nonrecurring or unrelated to regular water sales. *Id.* at 4–5. Based on 175 connections, the current monthly fixed charge of $16.50, and the applicable volumetric rate, Staff calculated annual revenue at current rates of approximately $132,416. *Id.* at 5. Staff then calculated a revenue requirement of $122,205, about $10,211, or 7.71%, below the revenue generated at current rates. *Id.* Although this could suggest that the Company was overearning during the 2024 period, Staff cautioned that the information was too outdated and incomplete to reliably evaluate the Company's current financial position. *Id.* For that reason, Staff believed there was not enough evidence to support changing the existing rates and recommended that the Commission find the current rates fair, just, and reasonable. *Id.*

Staff calculated a rate base of $14,354 consisting solely of cash working capital. *Id.* at 6. Staff used an 11% return on equity because the Company had no Commission-approved debt and had not provided sufficient balance-sheet information to determine whether to include debt in its capital structure. *Id.*

Staff also made several adjustments to the Company's operating expenses in its calculations. *Id.* at 7. Overall, the Company reported approximately $161,944 in operating expenses, while Staff calculated adjusted operating expenses of $114,830. *Id.* Among other adjustments, Staff reduced power expense based on actual bills, increased labor expense to reflect the more current information provided by the Company, annualized water testing costs, and reduced insurance expense using updated figures. *Id.* at 7–9. Staff excluded the $37,505 tank lease expense because the Company did not provide sufficient documentation to establish ownership of the tank, the terms of the lease, or whether the expense was reasonable and appropriate for recovery through rates. *Id.* at 9. Staff also removed advertising expenses because the Company did not provide enough information to demonstrate a direct benefit to customers. *Id.* at 10. Staff left other expense categories unchanged, including materials and supplies, administrative and general expenses, contracted professional services, transportation, and miscellaneous expenses, based on the information available. *Id.*

Staff also adjusted several regulatory and tax-related expenses. *Id.* at 11. Staff added a Commission assessment fee, while removing IDEQ regulatory fees from base-rate expenses because Staff believed those fees should instead be recovered through a separate tariff surcharge. *Id.* Staff also calculated payroll taxes, federal income taxes, and adjusted state income taxes based on the revised revenue and expense figures. *Id.* The Company's reported interest expense was excluded because the Company did not provide enough information to identify or verify the underlying obligation. *Id.*

Staff identified a separate concern regarding the Company's post-chlorination system. *Id.* at 14. The Company operates three chlorinators using sodium hypochlorite, but its financial records showed no chlorine expense from January 2024 through June 2025, even though it recorded chlorine expenses in earlier years when coliform bacteria was detected. *Id.* Staff believed the chlorination systems may have been used when bacteria was detected but may not be operated continuously as required for consistent disinfection. *Id.* Staff notified IDEQ and recommended that the Company consult with IDEQ regarding proper operation of its chlorination systems. *Id.* Staff further recommended that the Company submit a compliance filing within 90 days of the Commission's final order documenting IDEQ's guidance and any resulting operational changes. *Id.*

Staff also reviewed the Company's proposed non-recurring charges and recommended several changes. *Id.* For returned checks, Staff recommended a $20 insufficient-funds charge consistent with Idaho law. *Id.* at 15. Staff supported a late-payment charge but recommended reducing the proposed rate from 2% per month to 1% per month, consistent with late-payment charges the Commission has previously approved. *Id.* Staff also recommended eliminating the Company's existing $3,500 hookup fee because the Company indicated all the lots within its current service area had been developed and sold, and it does not anticipate adding new connections. *Id.* Staff offered that if the Company later expands its service territory or adds new connections, the Company could file a separate request for approval of a hookup fee based on the actual cost of providing new service connections when the time is appropriate. *Id.*

Staff believed that the available information did not provide a reliable basis for determining the Company's current revenue requirement or whether it is presently overearning or underearning. *Id.* at 15–16. While the available 2024 information suggested the Company may have been overearning during that period, the data's age and limitations prevented Staff from reaching a reliable recommendation about the Company's current financial condition. *Id.* at 16. Staff therefore recommended leaving the existing rates in place and finding them fair, just, and reasonable. *Id.* Staff also recommended that IDEQ fees should be removed from base rates and recovered through a separate tariff schedule, that the Company work with Staff to establish the appropriate IDEQ surcharge and file the necessary documentation within 45 days of the Commission's final order, and that the Company address the operation of its chlorination system with IDEQ. *Id.* Finally, Staff recommended eliminating the existing hookup fee and requiring a future filing if the Company adds new connections or expands its service territory. *Id.*

COMPANY REPLY

The Company acknowledged that, as a newly regulated utility, it is still becoming familiar with the procedures and requirements associated with Commission regulation. Company Reply Comments at 1. The Company explained that this transition was made more difficult by circumstances outside its control, including medical issues involving the Company's managing member and designated responder, as well as the Company's transition to new accounting software. *Id.* The Company explained that these circumstances contributed to delays in responding to Staff's production requests. *Id.*

The Company recognized that the delays limited Staff's ability to fully evaluate the Company's financial condition and the reasonableness of its existing rates. *Id.* In response to Staff's Comments, the Company provided additional information and supporting documentation concerning two issues that it believed materially affected Staff's analysis and recommendation. *Id.* at 1–2.

First, the Company addressed Staff's decision to exclude the storage tank lease expense from operating expenses. *Id.* at 2. The Company believed that Staff's adjustment was based largely on the Company's failure to provide documentation showing that lease payments continued during the proposed July 1, 2024, through June 30, 2025, test period. *Id.* The Company explained that although the original lease began in 2018 and appeared to have expired before the test period, the lease was amended in February 2020 to begin a new 60-month term. *Id.* That term extended into February 2025, meaning the Company paid approximately $22,000 in lease payments during the test period. *Id.* The lease was then extended for three additional months, followed by another amendment executed in June 2025 that established a new 60-month payment schedule. *Id.* Based on these agreements, the Company stated that it paid approximately $31,774 in lease payments during the proposed test period. *Id.* The Company further explained that the lease remains an ongoing expense through May 2030, with annual payments totaling approximately $28,863. *Id.* The Company argued that the tank lease should be recognized as an operating expense rather than exclude it from the revenue requirement. *Id.*

Second, the Company disputed Staff's suggestion that it may have over earned during the 2024 test period. *Id.* at 3. The Company argued that the 2024 income statement did not accurately represent a typical 12-month period because it included revenue from approximately two years of customer service. *Id.* Due to infrastructure work, repairs, and other complications, the Company did not bill customers between August 2021 and February 2023. *Id.* When billing resumed, the Company collected fixed and volumetric charges covering the accumulated billing period. *Id.* As a result, the 2024 income statement included approximately 24 months of customer charges, making the reported revenue unusually high for purposes of evaluating a single year's operations. *Id.*

The Company also noted that Staff used 175 connections when calculating fixed-charge revenue, while the Company maintained that it had only 168 connections during the relevant period. *Id.* Based on the Company's calculation, approximately $66,528 of the reported metered revenue came from fixed monthly charges, while the remaining $113,440 was attributable to volumetric charges that also reflected approximately two years of accumulated billing. *Id.* The Company argued that, if the reported revenue were allocated proportionally over the period in which the services were actually provided, its earnings for the test period would have been approximately $90,000. *Id.* This would be substantially less than Staff's recalculated test-year revenue of approximately $132,416 and would indicate that it may be underearning rather than overearning. *Id.*

The Company acknowledged that its failure to provide complete and timely responses to Staff's production requests required Staff to rely on assumptions and older financial information. *Id.* The Company did not challenge Staff's methodology or conclusions based on the information that was available during the investigation. *Id.* Instead, the Company stated that it offered the additional documentation to clarify the storage tank lease and the unusual billing history that affected the 2024 income statement. *Id.* Although the Company believed other aspects of Staff's analysis may also have been affected by incomplete information or the application of certain assumptions, the Company limited its response to matters for which it can presently provide supporting evidence. *Id.* at 3–4.

The Company requested that the Commission consider these circumstances when evaluating Staff's recommendation and the Company's current rates. *Id.* at 4. The Company emphasized that it is still adjusting to the responsibilities of operating as a regulated utility and requested the Commission's patience and consideration while it works to become more familiar with the regulatory process and its related requirements. *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, 61-129, and 61-501.

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 the Application, Staff's Comments evaluating the Company's operations, revenues, expenses, rate design, and system reliability for the 2024 12-month period and, the Company's reply.

The Commission recognizes that Staff's review was based on incomplete and outdated financial information. The lack of complete and timely responses to several of Staff's production requests limited Staff's ability to accurately verify the Company's revenues and expenses as is necessary to evaluate the Company's current revenue requirement. Staff therefore relied, in significant part, on the available 2024 financial information and made adjustments based on the information provided by the Company. Although the Company subsequently provided additional information concerning its storage tank lease and billing history, that information does not provide a sufficient basis for the Commission to determine a different revenue requirement in this proceeding.

The Commission also recognizes the circumstances the Company attributed to the delays in responding to Staff's requests. We recognize the Company is relatively new to the Commission's regulation and understand that it is still becoming familiar with the Commission's procedures and requirements. The Company also identified medical issues as well as a transition to new accounting software, as circumstances that complicated its ability to respond to Staff. The Commission appreciates the Company's candor concerning these circumstances and acknowledges the hardships the Company experienced during the investigation. At the same time, all regulated utilities are responsible for complying with the Commission's rules and requirements, including providing the information necessary for Staff and the Commission to conduct a thorough review of applications made before the Commission. The Commission expects the Company to become familiar with and comply with those requirements going forward. To this, we recommend if the Company finds ever itself unable to respond to Staff for any reason that it communicate with Staff to find a suitable path forward.

Staff's analysis indicated that, based on the available information, the Company's existing rates generated more revenue than Staff's calculated revenue requirement. The Company, however, provided information suggesting that the 2024 income statement included approximately two years of accumulated customer billings because customers were not billed for an extended period while infrastructure work, repairs, and other complications were addressed. The Company also disputed Staff's use of 175 connections and asserted that it had 168 connections during the relevant period. These circumstances reinforce Staff's belief that the available financial information is not reliable to determine the Company's current financial condition.

The Commission therefore finds that the existing rates shall remain in effect and are fair, just, and reasonable based on the record developed in this proceeding. This determination is based on the evidence presently before the Commission and does not prevent the Company from seeking to modify its rates in the future. If the Company believes that its current rates are insufficient to recover its reasonable costs and provide an opportunity to earn a fair return, it may, at any time, file a rate case supported by complete and current financial information for the Commission's consideration.

The Commission also shares Staff's concerns regarding the Company's chlorination system. The Company operates three chlorination systems using sodium hypochlorite. Staff observed that the Company's financial records reflected no chlorine expense from January 2024 through June 2025, despite chlorine expenses being recorded in earlier periods when coliform bacteria were detectable. Staff raised concerns about whether the chlorination systems were operating continuously as required for proper disinfection. The Commission directs the Company to consult with IDEQ regarding the proper operation of its chlorination systems and to comply with IDEQ's direction concerning their operation. The Company shall also provide a compliance filing documenting IDEQ's guidance and any resulting operational changes within 90 days of this Final Order.

We also find it appropriate to modify the Company's non-recurring charges. Consistent with Staff's recommendation, the Company shall assess a $20 insufficient-funds charge for returned checks. We also find that the Company's late-payment charge should be reduced from 2% per month to 1% per month. Further, it is appropriate to eliminate the Company's existing $3,500 hookup fee. The record indicates that all the lots within the Company's current service territory have been developed. Under these circumstances, the Commission finds no continuing basis for maintaining the existing hookup fee. If the Company later expands its service territory or adds new customers requiring new service connections, the Company should file a request for Commission approval of a hookup fee supported by evidence of the actual costs associated with providing those connections.

The Company shall reflect these changes in its tariff. The Commission directs the Company to work with Staff to update its tariff to reflect these changes within 45 days of the date of this Final Order.

ORDER

IT IS HEREBY ORDERED that the Company's existing rates shall remain in effect.

IT IS FURTHER ORDERED that the Company is directed to consult with IDEQ regarding the proper operation of its chlorination systems and to comply with IDEQ's direction concerning their operation and make a compliance filing documenting IDEQ's guidance and any resulting operational changes within 90 days of this Final Order.

IT IS FURTHER ORDERED that the Company shall work with Staff to update its tariff to reflect the changes outlined above and make a compliance filing reflecting the changes within 45 days of the date of this Final Order.

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.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 21st day of September 2026.

EDWARD LODGE, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

DAYN HARDIE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary
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