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IDAHO PUBLIC
UTILITIES COMMISSION

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**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF SUEZ WATER'S
PETITION FOR AUTHORIZATION TO
ELIMINATE COLLECTION OF GROSS-UP
PAYMENTS ASSOCIATED WITH
CONTRIBUTIONS IN AID OF
CONSTRUCTION

Case No. SUZ-W-20-01

**CITY OF BOISE CITY'S
FORMAL COMMENTS**

COMES NOW, the city of Boise City, herein referred to as "Boise City" and pursuant to Rule 202 of the Rules of Procedure of the Idaho Public Utility Commission (IDAPA 31.01.01.202) and, pursuant to that Notice of Petition; Notice of Modified Procedure, Order No. 34738, filed on July 29, 2020, hereby submits its formal written comments and states as follows:

1. On June 22, 2020, Suez Water ("Company") filed its Petition for Authorization to Eliminate Collection of Gross-Up Payments Associated with Contributions in Aid of Construction ("Petition"). The Company requests the Idaho Public Utility Commission (the "Commission") issue an order allowing the Company to no longer collect the federal and state income tax amount

related to Contributions in Aid of Construction (“CIAC”) from developers and instead, pay this tax itself through rates paid by customers served. The Company alleges it is at a competitive disadvantage in attracting new customers within its service territory because new developments may choose to go with a publicly owned or build their own public water system to avoid paying the federal and state CIAC tax.

2. The Company argues this has an adverse impact on existing customers because, under its business model, the more customers they serve, the greater ability the Company has to spread the cost over more customers, hence lowering individual customer costs.

3. In the Notice of Petition; Notice of Modified Procedure, Order No. 34738, the Commission states that “[t]he Company proposes to change the CIAC income tax collection method by paying the tax itself and recovering its costs to serve the new development through rates paid by the new customers served.” Order No. 34738, p. 1. However, Boise City is concerned that the general rate base may end up subsidizing these costs. It is unclear how Suez intends to recover the full amount of the CIAC income tax collection solely from the new customers within the new development and not from the general customer rate base.

4. In the Direct Testimony of Cathy Cooper on Behalf of Suez Water Idaho Inc., the idea of new project customers paying for the CIAC tax obligation is discussed. Cathy Cooper, Direct, p. 5-7. Ms. Cooper discusses the data analysis that was conducted by the Company to support the idea that additional revenue from new development customers would cover the cost of the CIAC tax obligation. *Id.* at 6. “The State and Federal Tax amount was calculated as 26.47 percent of the Actual Project Cost, in accordance with our approved tariff. The Annual Revenue Requirement for State and Federal Tax was calculated utilizing a 9.31 percent calculated rate of

return in accordance with Section 85 of the Company's approved tariff." *Id.* Ms. Cooper's testimony goes on to describe the annual amount of revenue generated in excess of the revenue requirement as support for the concept that the new development customers are paying for the CIAC tax obligation.

However, the conclusion that new customers would solely be paying for the CIAC tax obligation seems to lack clarity or explanation on how this actually, or practically, would occur. It appears that the CIAC tax obligation would practically be paid for by the entire customer rate base's payments toward the Company's general 9.31 percent calculated rate of return. Therefore, how would the Company ensure that only new customers were actually paying for the related new development CIAC tax obligation? How would these funds be separated to ensure that other revenue needs, or budgets, were not being inadvertently affected or drawn from? In other words, how can general customers be assured that the funds needed to pay the CIAC tax obligation will be paid for by the rate of return or Company profit margin and not other revenue sources? Likewise, it is unclear how existing ratepayers would not be harnessed with the burden of paying the CIAC tax obligation in the inevitable likelihood of a future housing market downturn where new infrastructure sits idle, generating no annual revenue or rate of return from new customers.

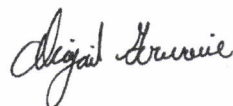
5. In addition, the Company alleges in its Petition that this modification will actually have savings to existing customers. However, there seems to be a lack of tangible evidence supporting how this is quantified and will be achieved. Boise City would request additional information in support of this suggestion.

6. Boise City also has concerns as to the outreach conducted by the Company related to the Petition. It is apparent by the comments filed to date that the Company did substantial

outreach to the development community and those who would benefit from the proposed modification in the Petition. However, it is unclear what outreach was conducted by the Company to the general rate base as to its proposal or potential affects this proposal may have on the general customers. General customers should be given the same notification of these changes as was apparently given the development community and afforded the opportunity to provide input as to how they believe this modification may affect them and their rates.

7. Boise City respectfully requests the Commission direct the Company to provide more detail and explanation on how current customers will not end up subsidizing the cost of the CIAC tax obligation. This should include assurances that the rate of return from these new customers will be held separately and used solely to pay for the CIAC tax obligation, as well as an explanation of the proposed timeline for paying this CIAC tax obligation. Boise City also respectfully requests information on the outreach to the general customer base conducted by the Company related to this Petition.

DATED this 15th day of September 2020.



Abigail R. Germaine
Deputy City Attorney

CERTIFICATE OF SERVICE

I hereby certify that I have on this 15th day of September 2020, served the foregoing documents on all parties of counsel as follows:

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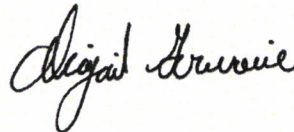
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