

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

INVESTIGATION INTO SYRINGA WATER	)	CASE NO. SWI-W-24-02
INC.'S RATES AND CHARGES FOR	)	
SERVICE	)	
	)	ORDER NO. 36846
	)	

On September 6, 2024, the Idaho Public Utilities Commission (“Commission”) issued Order No. 36317, directing Commission Staff (“Staff”) to investigate the service rates of Syringa Water Inc. (“Company”) and recommend further action, if necessary. Since that time, Staff has propounded production requests upon the Company and conducted an on-site evaluation of the Company’s current rates and reviewed its rate structure, billing statements, operating expenses, lease agreements, and infrastructure investment.

On December 30, 2024, the Commission issued a Notice of Public Workshop, scheduling an in-person public workshop in Coeur d’Alene, Idaho, on January 25, 2025.

On July 2, 2025, the Commission issued a Notice of Modified Procedure, establishing a public comment deadline and a Company reply deadline. Order No. 36664. Staff and nine of the Company’s customers filed comments. The Company did not reply.

With this Order, we find that the Company’s current rates, together with a few newly authorized non-recurring charges, generate sufficient revenue for the Company to cover expenses and provide a reasonable opportunity for a fair return on its capital investments. Accordingly, we find it reasonable to direct the Company to submit an updated tariff as described below. After approval of this updated tariff, the Commission Secretary shall close this docket.

BACKGROUND

On March 28, 2024, the Company applied for a Certificate of Public Convenience and Necessity (“CPCN”) to operate as a public utility providing water service near Coeur d’Alene, Idaho. The Company serves 78 customers and charges volumetric rates. Staff recommended approval of the Company’s request for a CPCN. Subsequently, the Commission issued Order No. 36290, granting the Company authority to operate as a regulated water utility in Idaho and directing the opening of this docket to determine whether the Company’s rates are fair, just, and reasonable.

STAFF COMMENTS

Staff audited the Company's operating expenses and plant-in-service for the 12-month period ending June 30, 2024, to develop its revenue requirement analysis. Based on its findings, Staff concluded that the Company's current rates are reasonable and allow sufficient recovery of operating costs necessary to provide safe and reliable service.

I. Revenue Requirement

After reviewing the Company's financial data, Staff calculated an annual revenue requirement for the Company of \$99,130. Staff's analysis of each component of this revenue requirement is described below.

II. Rate Base

Staff calculated a net rate base of \$94,861, which includes \$84,470 in net Plant in Service ("PIS") and \$10,391 in working capital.

A. Plant-in-Service

The Company's water system was originally developer-owned, with system investments made after lot sales and upgrades completed as needed. The Company's financial records show a plant-in-service balance of \$40,155, which Staff determined to be fully contributed capital and therefore excluded from the rate base. However, the Company has since made new capital investments to improve system reliability and maintain safe and consistent service. In 2023, it funded a facility plan to install new pumps and expand its storage tank, and in 2024, it installed a new communication system to support its pump stations and treatment facility.

Staff reviewed vendor invoices supporting these investments and found that the 2024 pump costs, totaling \$52,455, had been incorrectly recorded as operating expenses instead of capital assets. Staff reclassified these costs to Federal Energy Regulatory Commission Plant-in-Service Account No. 311 – Power Pumping Equipment and applied straight-line depreciation over 20 years. Staff also included the \$34,278 cost of the new communication system in rate base, noting that although it was installed after the test year ending June 30, 2024, it is now in service and benefits customers. This investment was depreciated over an 18-year life. In total, Staff calculated \$86,733 in additional plant-in-service.

B. Accumulated Depreciation

The Company's financial records showed no accumulated depreciation. To establish an appropriate balance, Staff calculated accumulated depreciation by applying each asset's annual

depreciation rate to the number of years it has been in service. Based on this analysis, Staff determined an accumulated depreciation balance of \$2,263.

C. Contributions in Aid of Construction (“CIAC”)

The Company’s financial records show a plant-in-service balance of \$40,155. Staff intends to verify these balances in a future filing. However, Staff noted that under IDAPA 31.36.01.102, capital investments in small water company systems are presumed to be contributed and therefore excluded from rate base.

Because the Company’s water system infrastructure, including wells, pumps, distribution lines, valves, and the storage tank, was originally funded by the developer, Staff concluded that the entire \$40,155 represents contributed capital. Accordingly, this amount is excluded from rate base treatment.

D. Working Capital

Using the one-eighth method, Staff calculated a working capital allowance for the Company of \$10,391.

III. Rate of Return

The Company has no authorized or reported debt. Thus, its return on equity (“ROE”) serves as the overall rate of return. Consistent with recent rate cases involving small water utilities, Staff based its revenue requirement on a ROE of 11%, representing the Company’s weighted average cost of capital. Recent investments in the water system have been recorded as common stock, retained earnings, or other liability accounts, which Staff treated as equity for this audit.

IV. Revenues

For the 12-month period ending June 30, 2024, the Company reported total revenues of \$153,794, consisting of \$113,294 from metered residential water sales, \$12,500 from sewer charges, and \$28,000 from hookup fees. Staff removed both the sewer revenues and hookup fees. Sewer revenues were excluded because the Company’s sewer operations are not regulated by the Commission. Hookup fees were removed because they are intended to offset the costs of new customer connections and should therefore be recorded as CIAC.

In January 2024, the Company adopted a new rate structure consisting of a \$60.00 monthly fixed charge and a tiered volumetric rate based on water use per 1,000 gallons.¹ During its audit,

¹ The Company reads meters monthly from May through October, and customers are billed for actual usage during that period. From November through April, customers are charged the fixed monthly rate, with a “true-up” adjustment applied to the first metered bill in spring to account for winter usage.

Staff found that the Company had inconsistently applied its tiered rates (some customers were charged the highest tier rate for all consumption instead of the correct tiered breakdown) resulting in overcharges. The Company agreed to correct all 2024 billing errors and issue account credits in October 2024. Billing practices have since been corrected, and proper tiered billing is now in place. Based on the corrected data, Staff recalculated test year revenues to be \$111,343, approximately 10.97% above Staff's calculated revenue requirement.

V. Operating Expenses

For the 12-month period ending June 30, 2024, the Company reported total operating expenses of \$129,723, which included professional fees, repairs and maintenance, utilities, and other general operating costs. Staff audited these reported expenses and, after making adjustments and reclassifications, calculated total test-year operating expenses of \$91,831, a decrease of \$37,892 from the amounts originally reported by the Company.

A. Purchase Power

The Company correctly records its electricity costs in a Utility Expense account. Electricity is purchased from Avista Utilities to operate the three pump stations and treatment facilities. Staff reviewed all monthly invoices and determined the annual electricity expense to be \$19,860, compared to the Company's reported \$18,961. The discrepancy resulted from a duplicated invoice and the omission of one month, which Staff corrected in its adjustment.

B. Materials and Supplies – Operations and Maintenance

The Company reported \$68,683 in repair and maintenance expenses for the test year. Under standard utility accounting practices, operational and maintenance-related costs should be recorded in the Materials and Supplies–Operations and Maintenance expense account, which Staff has identified and relabeled accordingly.

After reviewing all related invoices, Staff made several adjustments. Staff reclassified \$49,279 as capitalized assets, reducing the repair and maintenance expense to \$19,404 for the test year. Specifically, the Company purchased and installed new pumps totaling \$47,980 that were incorrectly recorded as operating expenses. Because these pumps have a useful life exceeding one year and extend the system's overall service life, Staff determined they should be capitalized and depreciated over the appropriate period. Additionally, Staff reclassified \$1,295 in water testing costs to the Contract Services–Water Testing expense account and removed a \$4 late fee, which is not recoverable from ratepayers.

C. Materials and Supplies–Administrative and General

The Company uses QuickBooks accounting software to manage its financial records, incurring both annual and monthly subscription fees. The Company reported \$19 for this expense under “Other Expenses,” but Staff determined that it should be classified under Materials and Supplies–Administrative and General.

Staff also reviewed office supply expenses for items such as printer ink, paper, stamps, envelopes, and other related materials. These costs were similarly reclassified to the Materials and Supplies–Administrative and General account. Based on its review, Staff calculated a total test-year expense of \$1,932 for this category.

D. Contract Services–Professional Fees

Professional Fees covers payments to contractors providing accounting, engineering, bookkeeping, water operations, and meter reading services. The Company reported \$39,464 for the test year, but this included only seven months of expenses. To reflect a full year, Staff added \$6,724.

During 2023, the Company hired an engineering firm to prepare an IDEQ-required facility plan costing \$17,241. Staff amortized this expense over five years instead of allowing full recovery in one year. Staff also reclassified \$305 in IDEQ fees to Other Taxes – DEQ Fee, added \$109.99 in computer charges, and included an \$850 tax preparation fee. After adjustments, Staff calculated total Contract Services – Professional Fees of \$29,602 for the test year.

E. Contract Services–Water Testing

Staff reviewed all invoices related to water testing for the test year ending June 30, 2024. The Company recorded \$1,295 in water testing expenses under Repairs and Maintenance, but these costs are more appropriately classified as Contract Services–Water Testing. Accordingly, Staff reclassified the \$1,295 from Materials and Supplies–Operations and Maintenance to Contract Services–Water Testing.

F. Insurance

During its onsite audit, Staff reviewed documentation supporting the Company’s water system insurance premiums and found the expense reasonable. Accordingly, Staff included \$10,460 for insurance expense in the test year.

G. Miscellaneous Expenses

The Company's miscellaneous expense account included bank fees, computer and internet costs, and meals and entertainment. Staff reviewed these expenses and reclassified them to the appropriate accounts in accordance with the Uniform System of Accounts for Water Utilities, as specified in IDAPA 31.12.01.002.04.

As noted earlier, Staff reclassified the \$109.99 computer and internet expense to Contract Services—Professional Fees. After adjustments, Staff calculated total test-year miscellaneous expenses of \$572.

H. Additional Expenses

During its audit, Staff identified \$13,574 in pro forma expenses not recorded during the test year, including insurance, the IDEQ drinking water fee, state income tax, and facility plan amortization. The Company leases the land for its pump stations and treatment facilities from an affiliated entity for \$12,000 annually. Staff excluded this lease in the revenue requirement but recommended comparing it to estimated property taxes in the next rate case.

Staff reclassified the \$405 IDEQ fee to Other Fee—DEQ Fee, the \$20 state income tax to State Income Taxes, and amortized the \$17,241 facility plan over five years, resulting in a \$3,448 annual expense. The plan, required by IDEQ for system upgrades, provides long-term benefits, making amortization appropriate.

I. Depreciation Expense

Since 2023, the Company has been purchasing water system assets without capitalizing them. Staff reclassified these expenses to plant-in-service and calculated annual depreciation using NARUC's average depreciable lives for small water utility assets. Staff determined a total new depreciation expense of \$4,527 for the added assets and advises the Company to maintain and calculate annual depreciation for each asset as outlined in this report.

VI. Rate Design

The Company's rates, effective January 1, 2024, were set to cover system maintenance and repairs. Staff confirmed the rates are reasonable. Previously, the \$60 basic charge included 20,000 gallons with tiered rates, but high usage prompted the current structure to better align with consumption and promote conservation. Reverting to the old structure would be retroactive ratemaking.

Adjusted test-year revenues of \$111,343 exceed Staff's calculated revenue requirement by \$12,213, indicating rates are sufficient. If the \$12,000 land lease is deemed reasonable, the revenue requirement would rise to \$115,497. Staff did not recommend changing the current rates.

VII. Tariff

In Case No. SWI-W-24-01, the Company's proposed tariff reflected its current rate structure, with no changes for non-recurring charges. Staff recommended updating the tariff to include such charges, which the Company may enforce if approved by the Commission. Staff suggested adding a return check fee, reconnection charge, and late payment charge, and will work with the Company to ensure the tariff reflects these charges once approved.

A. Return Check Charge

Idaho Code § 28-22-105, allows a company to charge up to \$20 or the face amount of the check, whichever is less, for a returned check. Consistent with this statute, Staff recommended a \$20 return check fee for payments returned due to insufficient funds.

B. Reconnection Charge

The Company's tariff does not currently include a reconnection fee for involuntary service disconnections. Staff recommended a \$50 fee for reconnecting customers after non-payment, which is reasonable given the system's remote location and the water operator's travel time.

C. Late-Payment Charge

Staff supported a late payment charge to encourage timely bill payment. A 1% monthly fee, previously allowed for utilities, should be applied to any unpaid balance at the next billing cycle.

D. Hookup Fees

Staff did not recommend a hookup fee. The Company previously charged \$7,000, which was not tied to actual costs like labor, meters, pipes, or fittings. Currently, customers cover all hookup costs, including the meter, while the Company's only potential expense would be the meter and the operator's labor to complete the connection.

In sum, Staff concluded that the Company's current rates generate sufficient revenue to cover operating expenses while providing a reasonable return on capital investments. Staff recommended the Commission find the current rates fair, just, and reasonable, and direct the Company to file a compliance tariff including the additional non-recurring charges discussed in these comments.

CUSTOMER COMMENTS

Nine customers filed comments with some customers filing multiple comments. These comments raised various issues, including improper billing, inadequate fire protection, and system inadequacies. Some comments also challenged the reasonableness of the Company's rate increase that occurred in January 2024.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission has the express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential or discriminatory, or in violation of any provision of law, and may fix the same by Order. *Idaho Code* §§ 61-502 and 61-503.

Based on our review of the record, we acknowledge Staff's conclusion that the Company's current rates are fair, just, and reasonable. Although Staff may propose different adjustments or rate designs following a more detailed review of the Company's financial information in a general rate case, we find it appropriate to leave the initiation of such a case with the Company.

We find it further reasonable to authorize the Company to include a return check charge, reconnection charge, and late payment charge in its tariff. By statute, the Company is allowed to charge a customer up to the lesser of \$20 or the face amount of any check that is not honored. *See Idaho Code* § 28-22-105. We find it reasonable to allow the Company to impose such a charge for dishonored checks. We further find it reasonable to authorize a \$50 fee to reconnect customers who are involuntarily disconnected due to unpaid bills. This amount will cover the water operator's travel and labor associated with reconnecting the customer. Finally, we also find it reasonable to authorize the Company to impose a 1% monthly late payment charge. This amount is consistent with the late charge authorized for other similar utilities.

Additionally, we encourage the Company to ensure compliance with the Commission's Utility Customer Relations Rules (*see, e.g., IDAPA 31.21.01.203*) as it corrects billing errors that occurred after coming under Commission regulation. These rules apply to all Commission-regulated water utilities and establish fair, just, and non-discriminatory rules regarding billing issues like those Staff identified in its comments.

ORDER

IT IS HEREBY ORDERED that the Company's current rates generate sufficient revenue to cover the Company's operating expenses while providing a reasonable opportunity for the Company to obtain a fair return on its capital investments.

IT IS FURTHER ORDERED that the Company shall work with Staff to file an updated tariff reflecting the additional non-recurring charges authorized above.

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. *Idaho Code* §§ 61-626.

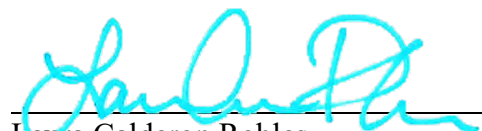
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 14th day of November 2025.


EDWARD LODGE PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Laura Calderon Robles
Interim Commission Secretary

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