

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

APPLICATION OF CDS STONERIDGE) CASE NO. SWS-W-20-01
UTILITIES, LLC TO CHANGE RATES FOR)
NON-REFUNDABLE HOOK-UP FEE FOR)
NEW WATER CONNECTIONS)
) ORDER NO. 34969
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On June 4, 2020, CDS Stoneridge Utilities, LLC (“Stoneridge”) applied to increase the fee for a new customer to physically connect to Stoneridge’s water system from \$1,200 to \$9,735 (the “Hook-Up Fee” or “Hook-Up Fees”). *See Application* at 1. Stoneridge requested an effective date of July 27, 2020. *Id.* On June 25, 2020, the Commission ordered the Application to be processed by Modified Procedure and suspended Stoneridge’s proposed effective date to January 26, 2021. *See* Order No. 34702.

On January 5, 2021, the Commission extended the suspension period and set comment deadlines. *See* Order No. 34886.

The Commission Staff (“Staff”) filed comments on January 26, 2021 and was the only party to do so. Stoneridge replied on February 9, 2021.

Having reviewed the record, the Commission authorizes Stoneridge to increase its Hook-Up Fee and to implement other charges to be used in specific situations as set forth in our findings below.

Further, the Commission approves additions and modifications to Stoneridge’s Tariff as discussed below.

APPLICATION

Stoneridge represented it costs more than the Commission-authorized \$1,200 Hook-Up Fee to connect a new customer to its water system. *Id.* For example, Stoneridge asserted that the original design plans Stoneridge received from the water system’s prior owner failed to show that Stoneridge would have to cut into the paved streets to connect service lines to water mains. *Id.* Stoneridge contended a summary of expected costs for a new connection to its water system, which includes its personnel costs and contingencies, totals \$9,735.00. *Id.*

COMMENTS

1. Staff Comments

Staff reviewed the Application, Stoneridge's responses to its Production Requests, and other documents obtained from Stoneridge. Staff recommended that the Commission approve an increase in the Hook-Up Fee but not to the amount requested by Stoneridge. *Staff Comments* at 2.

Staff recommended that the Non-Recurring Charges section of Stoneridge's Tariff be modified to allow itemized Hook-Up Fees based on the specific work required for each customer that wants to establish a new physical connection to Stoneridge's water system. *Id.*

Staff's Recommendation for an Increase in Hook-Up Fees

Staff noted that Stoneridge experiences a variety of circumstances that affect the cost to connect new customers in its service territory and believed the \$1,200 Hook-Up Fee is now insufficient. *Id.* For example, Staff stated sometimes a service line and other components have been installed and Stoneridge only installs a meter and performs an inspection. *Id.* In other instances, Stoneridge must excavate, tap the main, run a service line across the road, and install a meter and pit setter. *Id.* To reflect the different circumstances Stoneridge encounters, Staff proposed that new customers pay the following Hook-Up Fees depending on the specific circumstances involved to connect to Stoneridge's water system:

For Applicants Requesting a ¾" or 1" Connection:

Complete Installation	\$3,500
Tap Main and Install service line to curb stop only	\$1,512
Adder for excavation or horizontal boring across a road	\$1,800
Pit Setter and meter only	\$2,296
Install meter and turn-on water only	\$ 533

For Applicants Requesting a Connection Larger Than 1":

Customer pays actual construction costs.

Id. at 2-3.¹

Staff noted that, with regard to internal costs, Stoneridge represented that its employees are salaried and it could not break out the cost for any of their work specifically to connect new

¹ Staff's recommended Hook-Up Fees are based on Stoneridge's costs for new connections obtained through Stoneridge's Responses to Production Request Nos. 4, 5, and 6. *Id.* at 3. Staff included external costs but not internal administrative, labor, or overhead costs in its estimates. *Id.*

customers. *Id.* Staff recommended that internal costs continue to be included in base rates and not included in any Hook-Up Fees. *Id.*

Using Stoneridge-supplied bids, Staff estimated a Complete Installation costs \$3,808; however, invoices provided by Stoneridge in Case No. SWS-W-20-02 showed that Stoneridge pays only \$3,500 for a Complete Installation. *Id.* Staff thus recommended the Commission authorize Stoneridge to charge a new customer \$3,500 for a Complete Installation. *Id.*

Staff believed most residential lots in Stoneridge's service area only require a 3/4-inch meter. *Id.* Stoneridge has represented that material costs for a 1-inch meter installation are less than for a 3/4-inch installation. *Id.* Staff believed it would be prudent for Stoneridge to install the 1-inch meter so long as the cost to install the 1-inch meter is less than the cost to install a 3/4-inch meter. *Id.* Currently, Stoneridge is authorized to charge customers a Minimum Monthly Customer Charge of \$24.00 for customers with a "0.75" inch meter and \$42.67 for customers with a "1.00" inch meter. *Id.* a 4; *citing* CDS Stoneridge Utilities, LLC Tariff ("Tariff"). Staff advocated that a customer requesting a 3/4-inch meter should be charged only the Minimum Monthly Customer Charge for a 3/4-inch meter even if a 1-inch meter was installed by Stoneridge to reduce material costs. *Id.* Staff also recommended that in Stoneridge's next general rate case it consider whether the Minimum Monthly Customer Charge should differ for 3/4 and 1-inch meters. *Id.*

Other Recommended Changes to the Tariff

For clarity, Staff recommended that new definitions be included in Section 2 of Stoneridge's Tariff for: "Applicant"; "Complete Installation"; "Customer"; "Pit Setter and Meter"; "Tap Main and Install service line to Curb Stop"; "Corp Stop"; "Curb Stop"; and "Extraordinary Circumstances." *Id.* at 4.

Staff also proposed that the current definitions for "Connection or Hook-Up Fee" and "Customer" be updated. *Id.* at 5. Finally, Staff recommended that the term "out-of-the-ordinary" (used in Section 9.4 of Stoneridge's Tariff) be replaced with "extraordinary." *Id.*

Accounting Treatment and Recovery of Excess Costs

Staff stated Stoneridge does not properly record Hook-Up Fees collected or additional costs incurred to connect customers to its water system. *Id.* Staff stated costs incurred to connect a customer to the water system, regardless of who pays for those costs, should be posted in the proper Plant in Service account. *Id.* at 6.

Staff asserted that Stoneridge should book the Hook-Up Fees it collects in Account No. 271, Contributions in Aid of Construction ("CIAC"). *Id.* The balance of this account is used to

reduce Plant in Service and decrease Stoneridge's rate base. *Id.* at 5. The CIAC balance is amortized at the same rate as the assets they were used to purchase. *Id.* The annual amortization will be posted as a reduction to Account No. 403 Depreciation Expense. *Id.* The accumulated amortization should be recorded under Account No. 272 Accum. Amort. of Contrib. in Aid of Const. *Id.* Staff also recommended that annual depreciation expense should be recorded in Account No. 403 Depreciation Expense, and the accumulated depreciation should be posted to Account No. 108.1 Sub Account 333 Services and Sub Account No. 334 Meters and Meter Installations. *Id.*

Prudent capital costs incurred by Stoneridge should be included in rate base when it files its next general rate case. At that time, Stoneridge will be able to seek recovery from all customers of net depreciation expense and a reasonable rate of return on its net rate base.

Customer Notice and Press Release

Staff stated the Commission's notice and press release rules did not require Stoneridge to issue a customer notice or press release.

Staff ultimately recommended the Commission approve its suggested changes to the Tariff, including the new Hook-Up Fees, new and revised definitions, and changes to Sections 2.4.1, 2.6 and 9.4; and remind Stoneridge that failing to comply with the Commission-approved Tariff could expose it to penalties under *Idaho Code* § 61-706.

2. Stoneridge Reply Comments

Stoneridge states it hired an engineer to determine what a new connection to the water system should cost. *Stoneridge Reply Comments* at 1. Stoneridge asserted the engineer determined this service would cost it \$9,132.94. *Id.* Stoneridge alleged that the engineer also determined that a "Complete Installation" would cost \$7,087.10, and not \$3,500 as Staff recommended. *Id.* Stoneridge also disagreed with Staff's recommendation that the Hook-Up Fee should not account for its internal costs. *Id.* Stoneridge stated that some new connections have cost nearly \$12,000 without including its internal costs. *Id.* Stoneridge asserted it will suffer financially if the Hook-Up Fee is set too low. *Id.* Further, Stoneridge asserted that existing customers should not be penalized or be required to subsidize new connections that exceed a Commission-authorized Hook-Up Fee. *Id.* Stoneridge also alleged that Staff's estimates omit profit or its overhead. *Id.* Stoneridge also argued that the new Hook-Up Fee should be based on its historical average costs and not on the lowest cost as used by Staff. *Id.* at 2. Based on its engineer's estimates and bids it has received from contractors, Stoneridge asserted that Hook-Up Fees should be:

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|---|---------|
| 1. Complete Install | \$9,500 |
| 2. Pit Setter and Meter only | \$6,000 |
| 3. Install Meter and Turn on Water only | \$2,000 |
| 4. Traffic Control | \$ 945 |

Id. at 3.

Stoneridge agreed with Staff’s recommendation to add new definitions and changes to Sections 2.4.1, 2.6 and 9.4 of its Tariff. *Id.* Stoneridge also asserted it charges a \$24.00 Minimum Monthly Charge to any customer that requests or requested a ¾-inch meter even if a 1-inch meter was installed. *Id.* Last, Stoneridge represented it will comply with any Commission-approved Tariff. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over Stoneridge 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 “unjust, unreasonable, discriminatory, or in any wise in violation of any provision of law, or that such rates . . . 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; *see also Idaho Code* § 61-503.

Based on our review of the record, the Commission finds it is fair, just and reasonable to authorize Stoneridge to implement the following Hook-Up Fees when a new customer establishes a new connection to its water system:

For Applicants Requesting a ¾” or 1” Connection:

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|---|---------|
| Complete Installation | \$3,500 |
| Tap Main and Install service line to curb stop only | \$1,512 |
| Adder for excavation or horizontal boring across a road | \$1,800 |
| Pit Setter and meter only | \$2,296 |
| Install meter and turn-on water only | \$ 533 |

For Applicants Requesting a Connection Larger Than 1”:

Customer pays actual construction costs.

The Commission finds that any new customer since J.D. Resort began to operate Stoneridge, at least as early as June of 2018, that requested a 3/4-inch meter but had a 1-inch meter

installed by it should not be charged the higher Minimum Monthly Customer charge for a 1-inch meter. For a customer establishing a new connection to the water system that needs a 3/4-inch meter or 1-inch meter, the Commission finds it reasonable that Stoneridge charge the customer the Minimum Monthly Customer Charge for a 3/4-inch meter. Stoneridge shall modify page 1 of its Tariff to reflect this change. And since these customers now will pay the same Minimum Monthly Customer Charge regardless of meter size, the Commission finds it reasonable to direct Stoneridge to modify page 2 of its Tariff to reflect that Stoneridge will charge the same reconnect fee, \$65.00, if the customer is disconnected from the water system for over 31 days, whether or not they have a 3/4-inch meter or a 1-inch meter.

Stoneridge has argued that these amounts are too low. Unfortunately, Stoneridge's evidence lacks the detail necessary to support its claim for a larger increase. The record reveals that Stoneridge's position is based largely on estimates and not on actual costs it has incurred. Further, Stoneridge's internal costs are not itemized in a way that would allow us to determine what work was in furtherance of establishing a new customer connection.

The Commission also finds it reasonable to approve the new and modified definitions to the Tariff as proposed by Staff, and agreed to by Stoneridge. These changes will further clarify what Stoneridge may charge to connect a new customer to its water system.

The Commission also finds that Staff's recommended accounting treatment is reasonable and directs Stoneridge to modify its accounting accordingly. Should Stoneridge have questions about any accounting treatment, it can raise them with Staff informally as they arise.

The Commission reminds Stoneridge that, consistent with the "filed-rate doctrine," it may only bill its customers the rates contained in its Commission-approved Tariff. *See Idaho Code § 61-313* (no public utility may charge a greater or different compensation for any service rendered or to be rendered than the rates and charges for such services as specified in the utility's tariff schedule on file with the Commission and in effect at the time). As discussed in Order No. 34974, Case No. SWS-W-20-02, Stoneridge violated the "filed-rate doctrine" repeatedly by overcharging new customers to establish a new connection. Failure to comply with this statute may lead to the imposition of penalties. The new rates contained in this Order are effective upon issuance of the Order. Such rates are not retroactive.

ORDER

IT IS HEREBY ORDERED that Stoneridge is authorized to charge the Hook-Up Fees as set forth more specifically in the above Order, effective upon issuance of this Order.


IT IS FURTHER ORDERED that customers who have connected to the water system with either a 3/4-inch meter or 1-inch meter since J.D. Resort began operating Stoneridge shall be charged only the Minimum Monthly Customer Charge for a 3/4-inch meter. Stoneridge shall modify its Tariff to reflect this change. Additionally, Stoneridge shall modify its Tariff to reflect a single reconnect fee of \$65.00 for customers disconnected from the water system for over 31 days, regardless of whether they have a 3/4-inch meter or 1-inch meter.

IT IS FURTHER ORDERED that the proposed modifications to the definitions section of Stoneridge's Tariff are approved. Stoneridge shall file conforming Tariffs within 10 days of 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 of this Order about 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.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 25th day of March 2021.



PAUL KJELLANDER, PRESIDENT

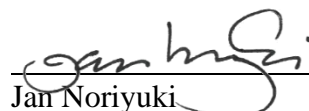


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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