



Stoneridge Utilities
P.O. Box 298
Blanchard, ID 83804
Ph (208) 437-3148 Extn. 4

Sent by: Email

February 28, 2024

Commission Secretary
Idaho Public Utility Commission
11331 W. Chinden Boulevard
P.O. Box 83720
Boise, ID. 83720-0079

RECEIVED
Wednesday, February 28, 2024 6:02PM
IDAHO PUBLIC
UTILITIES COMMISSION

RE: CDS StoneRidge Utilities, LLC Response to Staff Comments SWS-W-23-02

Dear Staff/Commission Members:

Please find enclosed our response to "Staff Comments" regarding our Connection Fee Increase Case SWS-W-23-02 for StoneRidge Utilities, LLC Water Company in Blanchard Idaho.

Please let us know if you have any questions.

Sincerely

Teresa Zamora
Utilities Administrator

CASE NO. SWS-W-23-02

CDS STONERIDGE UTILITIES, LLC'S

RESPONSE TO STAFF COMMENTS

Background

Staff Analysis

1. Update Non-Recurring Charges Section—new Hook up Fee.

Company feels it is important to refer to GEM State Water which owns/manages the Spirit La Company feels it is important to make reference to GEM State Water which owns/manages the Spirit Lake East Water System in Spirit Lake Idaho.

ke East Water System and several other water systems in North Idaho. In reviewing Gem State Water Company's Tariff approved May 24, 2023, we note the new "Hook up Fee+ (New Service) is \$5,500 per each new customer connection.

Many of their new hookups are similar in nature to our more complex connections—i.e. s, yet they are 20 mins closer to population centers-subcontractors who can perform these services—we are at a cost disadvantage to them!

Yet, Staff only recommended \$4,700 for a "Hook Up Fee" for CDS StoneRidge Utilities for a new water customer. Given the greater mobilization charges and travel times, contractors face working in

StoneRidge we feel it is reasonable that Staff recommend that our Hook Up Fee be increased to \$5,500 as well.

2. Update Non-Recurring Charges Section—Obtain and retain contractor quotes.

The Company will continue to request written bids from 2-3 providers on new connection requests and we will retain those records as well. However, we have found that in a competitive market there is difficulty in asking a provider for more details in their written proposals than they typically provide.

3. Allow customers the option to directly contract for their service connection.

The Company is appreciative of this option being added to our Tariff and we have added language to implement this option into the attached “Marked Up” Tariff #4.

4. Work with staff to update the language in the tariff.

The Company has updated and revised Tariff #4 for Staff Review and approval by the Commission.

Draft Tariff #4 is attached reflecting the changes in the tariff non-recurring charges recommended by Staff.

which consists of approximately 251 meters and The Happy Valley Rancho's Subdivision of approximately 115 meters.

The StoneRidge Golf Community homes consist of homes on lots smaller than ¼ acre along with Timeshare Units, Condo Units, Motor Coach Pads and commercial Golf Course meters. The "water system" was designed and developed to service the golf community and infrastructure development, for the most part, consisted of installing service in the ROW to each lot with at least a "Curb Stop"—thus leaving many of the most recent connections within the golf community to be at most a box/pit setter/meter.

The Happy Valley Ranchos (HVR) subdivision was developed independently of the StoneRidge Golf Community and had its own well and distribution system to provide water to the individual lots. SRU was approached by DEQ to "Roll Up" the HVR system in approximately 2005 after the HVR well(s) "went bad". DEQ provided financing for the acquisition and the additions of infrastructure required to service the Subdivision—new well, storage and mainline extension.

The lots in this community are much larger, ranging from several acres up to 5+ acres and the initial infrastructure development was primarily the installation of wells and storage along with water mains in the road system ROW—thus leaving a wide range of existing conditions for remaining parcels to be connected. When we receive a request for new water connection in Happy Valley Ranchos there is typically a much greater need for exploratory locating of the existing services that can supply the new connection and each new connection's required "connection costs" can vary extensively, especially when the most recent parcels served (likely why they had not previously been built upon) tend to have longer distances to extend a service line from the main line to the Lot ROW etc.

In retrospect, during the last 4 years SRU has experienced a potpourri of existing conditions on the new connections completed.

After a 10-year period of relatively few new connections annually, we had the following activity:

2018	8
2019	23
2020	29
2021	17
2022	18
2023	<u>3</u>
Total	<u>98</u>

The high “new connection” activity during this five year period reflected a significant increase over the prior 10 years. It also saw a wide range of new connection types as many infill and Happy Valley Rancho Lots were connected to the system and only a small number of lots were not owned by individuals. Many of these were bought and sold in recent years by individuals building their retirement homes along with some outside builders building speculative projects. Outside of approximately 17 lots in the “Ironwood” final phase. These lots all have existing curb stops, meter boxes/pit setters and will only need individual meters set to complete a new connection. No new plats were developed since 2018.

With the economy appearing to have entered a “correction” in late 2022 we anticipate a minimum number of new connections in the coming years until the general real estate cycle picks back up. Consequently, SRU anticipates a small number of new connections requests in 2024-2028.

In retrospect, the last 6 years of new connections represented a “virtual cleanup” of 30 years of lots that the majority of

were held by individuals acquired over the last 30 years and few were “developer owned” lots. Going forward SRU expects the majority of new connections to consist of meter setting only, especially within the StoneRidge Golf Community.

Common practice for new water connections in SRU since Esprit’s acquisition in 2018 has consisted of retaining an independent contractor to provide an estimate for the cost of the connection and upon SRU acceptance of the estimate, the contractor completes the work and invoices SRU and typically any additional/unexpected costs were added to the original contractor estimate. SRU on the other hand has always been bound by the approved IPUC Tariff and unable to “bill” to the new customer for any extraordinary costs incurred if they were not covered by the existing tariff.

The StoneRidge Golf Community is located in a rural setting that does not lend itself to a large supply of contractors willing to travel extended distances to complete new water connection work.

For the most part since 2019 we have relied on one primary contractor—Swank Excavating—to complete the majority of the jobs.

Recently, we have requested additional bids from alternative contractors, and we have not typically required a specific format for their estimate nor focused on their prices vs their costs—i.e. their “markup margins” is part of their business strategy and not germane to our focus—Total Price to the customer and what our current Tariff allows us to charge.

Request NO.1—Please see Narrative above. StoneRidge Utilities, LLC does not use nor require a “standard bid/estimate” from our new water connection contractors. Their pricing/cost/markup

strategies are not of our concern, rather we only are concerned about their total bid estimates.

Request NO. 2—Per NO. 1 above response, we do not engage in discussions nor review of our contractors cost/markup/pricing strategies. They present us with an estimate initially and an invoice at the completion of the work. We do not “markup” their invoices as our charges to our customer are fixed by our current tariff.

Request NO. 3—This report from 7B engineering was completed in May of 2020. It was prepared to support our request to IPUC to increase our “New Water Connection” fees from \$1,200 approved in the 2007 Tariff closer to the \$5,000 plus invoices we were experiencing. It was also our first analysis of what costs of labor and materials we incurred in new water connections from both an administrative and operating standpoint. In that we outsource all of the connection work to outside contractors and have decided not to track any internal costs since they do not appear to be directly recoverable.

Request NO.4—We have provided a copy of the Customer Notice as part of our submission. This was sent to all of our current customers as a label on the backside of their December water bill postcard. We had discussed this approach with Staff after we reviewed our 2021 Connection Fee application—in that case staff had determined that a “Notice to existing Customers” was not necessary given that only new customers would be impacted by the changes. Nonetheless, we proposed to Staff to provide the notice on the next water billing and were encouraged to proceed.

We are preparing a new customer notice for review after discussion with Compliance Staff before the holidays. This notice will be part of a separate mailer to our existing water customers.

Request NO. 5—The chart title on Page 7A should be Water Service Connections.

Request NO.6— Service area map and unconnected lots. We have an updated map under development and expect to have it completed by January 12, 2024 and will submit it at that time.

Request NO.7—During our phone call with IPUC staff last month we discussed this issue to provide better clarification of the ¾" vs 1" water meter choice during the last few years. From 2019 -2023 we have experienced "supply chain" issues in obtaining water meters on a timely basis. Our previous operator made the decision to use 1" meters vs ¾" meters as the lead time to obtain the 1" meters was shorter than the ¾" meters. While there is typically a price differential with the 1" meters being 20-40% greater than the ¾" meters, the lack of availability of the ¾" meter led SRU to switch to the larger meter—it was not a customer option.

Request NO.8—As per NO. 7 above, meter size was not a customer option.

Request NO.9—Due to the volatility of "New Connections" on an annual basis, there is no economic positive value of establishing and maintaining labor and equipment capacity within SRU to perform new connection work vs outsourcing it. We have no intent nor expectation that SRU will maintain this specific capacity going forward.

Rather as covered in Exhibit A attached, it is our intent to ask for IPUC approval to outsource not only all new connection work, but the oversight, pricing, management, and approval of all new

connections to the customer directly and to remove SRU from these functions.

Request NO.10—We have made requests to three contractors for this in the last 2-3 weeks, but have yet to receive their responses.

Request NO. 11—The majority of these “in-house installations” involved lots that already had a curb stop, meter box, and pit setter in place in the lot ROW. The only items required were to purchase a meter and connect it.

Request NO. 12—As discussed in the Narrative, we do not require/request our independent contractors to provide us with cost breakdowns, markup margins etc. on their final bills to us. We receive an initial estimate (often times verbal) and only when exceptional conditions occur during the installation work do we even discuss the final bill with the contractor. We have a very limited number of contractors available for this work and even fewer who also are willing to be available for emergency repair work that requires immediate attention.

Request NO. 13—This, again, is something that we do not require/nor request of our contractors in either their estimates or invoices. This specific request for details is not something we can now request from Swank Excavating.

Request NO. 14—As discussed above, our installation contractors are not required to submit detailed estimates of their proposed work—primarily because our remote location significantly restricts the number of contractors interested in our work. Consequently, we do not typically have any subsequent discussions/conversation

regarding the bid/estimate with the contractor prior to the installation. Usually the initial phone conversation scheduling the work is the only contact with the contractor prior to the day of the installation.

Request NO. 15—As above for Swank Excavating, JADE Enterprises (a new vendor who has not previously worked for SRU) provided us a written bid for the 2-3 installations as we requested. We have provided all of the documentation that they have provided us with and we do not request any further itemization/details that what they volunteered. There are no other phone/written/email exchanges between JADE and SRU. Again, given the lack of qualified/interested contractors we are not in a position to require/request additional documentation.

Request NO. 16—We have provided all related documentation we have received from Swank Excavating on this project. Swank has completed the majority of our installations in the last 4 years and as a consequence our primary focus has been to get installations scheduled and completed on a timely basis, given the lack of leverage with contractors we have experienced in the market from 2019-2023.

Request NO. 17—Same answer as above, we have submitted all related documents from JADE. There are no other phone/written/email exchanges between JADE and SRU.

Request NO. 18—SRU does not own any excavation equipment, we do lease a backhoe from Esprit Enterprises and do not have any specific details of the model number nor purchase information readily available.

Request NO. 19—We have attempted to obtain an additional bid from a 3rd party other than Swank and JADE for the additional two new connections but given the recent holiday periods we have been unsuccessful in obtaining any responses. We will submit this new bid when we receive it.

Request NO. 20—Other than an extension of the main water supply line on the 3rd phase of the Ironwood Plat (in which all costs were paid by Esprit Enterprises, LLC and not SRU) there have been no mainline extensions since 2021.

Request NO. 21—Our “new connection charges” were updated effective March 25, 2021. See attached Exhibits 1-3 showing the breakdown of connection charges by classification.

Request NO. 22—SRU did not send customers “Bills” prior to/or after new connections are completed from 2019-2023. When a customer made application for a New Connection, the customer completed an application form that specified the type of connection anticipated out of the five options outlined in our current tariff and the specific “connection fee” under the option their connection is classified. Each customer file contains a completed application which includes the specific connection charge each customer paid along with other specific information related to the installation.

Request NO. 23—For the most part the “In-house” connections performed in 2022 were performed on lots that already had a curb stop, Meter Box and Pit Setter in place. The only work necessary to complete the install on these connections was to obtain a water

meter and set it in place. Our current tariff only allowed \$533 to be charged for those installs so beyond the meter cost there was typically less than \$200 for all operating and admin labor involved.

Request NO. 24—One of these two was completed in December by a homebuilder who has built a number of homes in StoneRidge. The invoice was for \$4,000.00 and we provided a meter (\$4,400.00 total) and is very likely a “one time” occurrence as SRU was facing a tight timeline to complete the connection for the property owner and a favor was asked of the homebuilder to do this “onetime favor” for this price. We have been unable to get this contractor to bid on any other work since this time.

Request NO. 25—Copies of all available Swank Excavating invoices are attached.

EXHIBIT A

StoneRidge Utilities, LLC Proposal to shift the majority of all new connection responsibilities to the property owner.

Overview: Since acquiring CDS StoneRidge Utilities, LLC in 2018 the process of making new connections to the existing Water System has followed the same pattern/guidelines that have been followed in the last 20-30 years by prior operators of the system, especially for new connections within the StoneRidge Golf Community separate from the Happy Valley Ranch Community. "Finished Lots" within the "Golf Course" side of Lake Sans Souci typically had a curb stop, water meter box, & pit setter installed at "final plat approval" of all new lots. Consequently, the only requirement for making a "new connection" on these finished lots was/is the "setting of the water meter". This usually does not require any special equipment, boring/taping etc. and can be completed with minimal investment of labor and materials.

New Connections on the other side of Lake Sans Souci and within the Happy Valley Rancho Subdivision tend to be much more varied ranging from Complete installs and adders of boring and hot tapping etc.

It is anticipated that any and all new "Finished Lots" developed in the future within the water company service area will only require the setting of a meter at minimal expense.

Because of significant "losses" (these losses occurred for the most part on the other side of the lake from the Golf Course and within the Happy Valley Rancho Subdivision) on the approximately 98 new connections since 2018 and the difficulty in getting the IPUC Tariff for new connections raised, SRU is requesting to IPUC for the ability to have all future installations that are not "Meter Only" be the responsibility of the Property Owner subject to specific detailed requirements from SRU in regards to Contractor Qualification, System Connection Specifications and Satisfactory Completion of a "Post Install" Inspection.

Once the remaining unconnected lots have service installed then the expectation is that going forward the water company will only be connecting to "Finished Lots" only requiring a "Meter Set".

Of the remaining unconnected lots only a small number of them are owned by entities related to the water company. It is only reasonable that those independent lot owners who purchased those lots “as is” should “bear the brunt” of extraordinary water connection costs resulting from their lots not being “meter only” status—i.e. their investment in the lot should include the potential future impact of connection costs beyond the “meter only” level.

StoneRidge Utilities, LLC has experienced ongoing negative operating losses since it was acquired in 2018. Along with the anticipated General Rate Case Application in 2024, the transfer of the new connection costs to the property owner will “most likely” reduce the operating losses for SRU in 2024 forward.

IPUC Staff has responded positively to this proposal during previous verbal conversations with SRU and Staff recommended we make a formal request for this option to be discussed by Staff and for possible recommendation for review by the Commissioners.

Lacking a formal outline from IPUC for implementing this process for SRU the following items would seem to be a start for this option to move forward in its evaluation by IPUC.

1. Property owner would contract with SRU for a New Connection to the SRU water system. Unless the parcel is a “Set Meter Only” situation (in which case SRU would perform the connection) SRU would inform the new customer that it will be their responsibility to manage, supervise and pay for the connection costs.
2. A new application would be developed and submitted to IPUC for review and approval and would spell out the Customers responsibilities. SRU would provide them with an “Approved Contractor” list, System Specifications and an “Approved Final Inspection Inspectors” list.