

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF CDS STONERIDGE) CASE NO. SWS-W-23-02
UTILITIES, LLC’S TARIFF ADVICE)
REQUESTING AUTHORITY TO INCREASE) ORDER NO. 36186
ITS NEW CONNECTION FEES)
)

On November 27, 2023, CDS Stoneridge Utilities, LLC (“Company”) applied for authorization to increase its “non-refundable hook-up fees for a ‘new water service connection’” for new customers that are connecting to the Company’s system.¹ *Application at 1.*

On December 26, 2023, the Commission issued a Notice of Application and established public comment and Company reply deadlines. Order No. 36034. Commission Staff (“Staff”) and members of the public filed comments to which the Company replied. The Company also submitted a revised proposed tariff with its reply.

Having reviewed the record in this case, the Commission finds that it is not fair, just, or reasonable to authorize an increase in the hook-up fee (“Hookup Charge”)² for new customers in the amount requested by the Company. Instead, based on the record in this case, the Commission finds that it is fair, just, and reasonable to authorize a smaller increase than requested to the Hookup Charge as discussed below.

THE APPLICATION

The Company proposed to increase the non-refundable Hookup Charge for new connections under its Tariff No. 3, Sheet 3. Exhibit A to the Company’s Application contained proposed modifications to the Company’s proposed Tariff No. 3, Sheet 3.

The Company explained it no longer had in-house contractors able to perform connections for new homes. Accordingly, the Company reviewed its costs incurred from outside contractors for new connections for 2021 to 2023 and determined that it needed an “Emergency Increase” to

¹ The body of the Application does not include a requested effective date. However, a redlined section in the footer of Exhibit A indicates that the Company desires that an order approving its requested changes be issued prior to May 21, 2024.

² The Company’s Tariff No. 3 refers to a “Hookup Charge” and for purposes of this Order this term will be used rather than connection fee or hook-up fee.

its Hookup Charges. *Application at 2.*³ The Company provided an estimate in the amount of \$9,734.75 prepared by 7B Engineering in the Spring of 2021 for a full install. See Exhibit C attached to the Application. The Company also asserted it provided other recent estimates and details on completed connections. The Company also stated that the new homes in the area now typically request 1-inch service meters rather than the ¾ -inch that had customarily been requested.

COMMENTS

Staff Comments

Staff believed the Company's proposed increase to its Hookup Charge was unreasonable but generally supported that a change to these charges may be warranted. Staff recommended that the Commission direct the Company to:

1. Update the Non-Recurring section of the Company's Tariff (Tariff No. 3 Sheet 3, effective March 25, 2021) to allow for Itemized Hookup Fees based on Staff's proposed Hookup Fee Schedule;
2. Obtain and retain contractor, quotes, invoices, and other cost records of all future customer hookups broken down by individual installation categories (i.e., Complete Installation, Tap Main and Install Service Line to Curb Stop only, etc.), and further broken down by labor (hours and labor rate), material cost (cost of individual components), and equipment cost (hours and cost per hour)[;]
3. Allow customers the option to directly contract for their service connection using the Company's approved contractors and at their own expense as long as the work is approved through a Company inspection, or have the Company perform the installation and be billed at the Tariff rates for installation of the service connection; and
4. Work with Staff to update the language in the tariff(s) after the final order has been submitted and to submit the updated tariff(s) to the Commission through a compliance filing within 30 days for Commission approval.

Staff Comments at 2-3.

Staff's Proposed Hookup Charges

Staff requested that the Company provide detailed information for different categories of new connections and an itemization of costs for each of the contractor invoices that were attached

³ It appears that the Company assumed that updating the price would change Tarriff No. 3 to Tarriff No. 4. Staff did not support the Company's assumption regarding how tariffs are numbered. Therefore, in the record, the proposed increase is often referred to as Tariff No. 4 by the Company and Tariff No. 3 by Staff.

to the Application. Staff represented it used the different connection categories set forth in Order No. 34969 for estimating costs. Based on its review, from the limited data provided by the Company and few actual new connections since Order No. 34969 was entered, Staff recommended the following schedule.

For Applicants Requesting a ¾” or 1” Connection:

Complete Installation	\$4,200
Tap Main and Install service line to curb stop only	\$1,900
Pit Setter and meter only	\$3,000
Install meter and turn-on water only	\$ 620

For Applicants Requesting a Connection Larger Than 1”:

Customer pays actual construction costs.

Staff Comments at 4.

Due to the Company not providing the detailed information requested in Production Requests, Staff had difficulty gaining clarity on specific new connection services and costs that could have informed its recommendations. Staff noted that after losing its operator who previously performed new connections, the Company did not believe that it was practicable to hire an employee to perform new connections going forward. Staff also noted that the Company did not furnish adequately itemized breakdowns from the two contractor bids it provided—which would have aided Staff’s review and recommendation. The Company also failed to provide Staff with a third bid it requested through discovery. The Company stated it was unable to secure another bid due to its remote location. Due to the Company’s failures to provide Staff adequate information, and to allow for a more robust evaluation in the future, Staff recommended that the Commission order the Company to provide additional contractor bids in its final order.

Staff believed it was reasonable to allow the Company to charge additional fees for boring and excavation but noted that these services were extraordinary and not required for most new connections. Accordingly, Staff recommended that the Commission not approve boring as a component of a standard Hookup Charge, but rather “allow the Company to charge the lesser of the contractor’s bid price or actual cost, based on time, material, and equipment cost basis” when boring and excavation are required for a new connection. *Staff Comments at 6.*

Staff noted that the Company had stated it used 1-inch meters, rather than ¾ -inch meters, due to supply chain issues. Staff was not concerned about this issue because the monthly rate for

both meter sizes is the same, and Staff understands the desire for timely installation by customers and the Company. Accordingly, this was not an issue Staff believed required direction from the Commission.

The Company’s proposed rate increases varied from 140 percent to 231 percent; Staff’s proposed Hookup Charge increases varied from 16 percent to 31 percent. Both sets of proposals are illustrated in Table No. 1 below compared to the currently approved rates.

Table 1: Comparison of impacts on customers due to Hookup Charge increases

Category	Current Fee	Company Proposal	% Increase with Company Proposal	Staff Proposal	% Increase with Staff Proposal
Complete installation	\$3,500	\$9,000	157%	\$4,200	20%
Tap main and install service line to curb stop only	\$1,512	\$5,000	231%	\$1,900	26%
Pit setter and meter only	\$2,296	\$5,500	140%	\$3,000	31%
Install meter and turn-on water only	\$533	\$2,000	275%	\$620	16%

Customer Option to Directly Contract Connection Services

While a customer has the option to connect to the system at the tariff rate, Staff proposed that the Commission also allow customers to use pre-approved third-party contractors—with the Company inspecting that contractor’s work prior to backfilling the excavation. Staff noted that the Company requested approval to “outsource not only all new connection work, but the oversight, pricing, management, and approval of all new connection to the customer directly and to remove [the Company] from these functions.” *Id.* at 7. Staff believed the Company’s position would unreasonably permit the Company to avoid its duties to ensure customers received safe and reliable service—noting that the Company has a duty to ensure that the water system would not be compromised, and that associated construction complied with State and Federal law. Staff’s proposal would give customers the option of using the Company at the tariff rate or hiring their own, pre-approved third-party contractor to perform the new connections.

Contributions in Aid of Construction (“CIAC”)

Staff discussed the Company’s CIAC fees in relation to total costs for construction of new connections. Staff also discussed amortization of CIAC in relation to Plant-in-Service and applicable depreciation. Finally, Staff stated that the Company had reported that connection costs

had exceeded contribution through Connection fees by \$200,989 since 2020. Staff noted that the Company may seek a prudency determination and possible return on these costs in its next general rate case but did not opine on the outcome of such a request.

Customer Notice, Press Release, and Public Comments

Staff reviewed the Company's initial customer notice and determined that it did not meet the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. While revisions were made and later sent out, Staff stated that customers did not have sufficient time to comment before the end of the public comment deadline established in Order No. 36034. Staff recommended the Commission consider any late-filed customer comments. Staff noted that all comments received as of the submission of its comments opposed a significant increase in the proposed tariff.

Updates to Tariffs

Staff recommended that the Commission order the Company to make the following changes to its existing tariff: (1) update the Hookup fee schedule in the Company's Tariff with individualized, itemized fees based on Staff's proposal; (2) add language regarding charges for extraordinary costs that conforms with Staff's recommendation and remove the charge for excavation/horizontal boring; (3) add language that allows for a 1-inch meter and $\frac{3}{4}$ -inch meter to be exchangeable; (4) add language allowing customers to obtain an approved third-party contractor to perform the new connection—which would be inspected by the Company prior to backfill; and (5) add language that mandates coordination between the Company and the customer in determining the placement of the pit-setter and meter.

Public Comments

The Commission received 42 public comments. All comments opposed the Company's proposal—although some comments noted that a lesser increase may be justifiable. Several commentors noted the challenges related to living on a fixed income—a common situation in the service area—and discussed how the proposed increase could create or exacerbate financial hardships for the Company's customers. Some commentors relied on their relevant work experience and expertise in support of their position that the Company's proposed increase was too high.

Several commentors suggested the proposed increase would make it more difficult to sell or develop the remaining undeveloped lots in the service area. Some commentors argued that

Hookup Charges should vary based upon usage. Certain commentors associated this case with the Company's recent request for a securities issuance and its general rate case—the latter of which was filed after the last public comment was received. *See* Case Nos. SWS-W-23-03 and SWS-W-24-01. Several commentors provided their opinion that the owner of the system was engaging in price gouging. Certain commentors also argued that, based upon the numbers provided by the Company, its 2022 deficits would have instead yielded an impermissibly high windfall for the Company if its proposed rates had been in place in 2022.

Company Reply Comments

The Company stated that Gem State Water Company, LLC's ("Gem State") tariff allows for a fee of \$5,500 per new connection, arguing that despite certain similarities between itself and Gem State, Gem State was closer to population centers—which the Company believed decreased the cost for Gem State's connections due to increased competition. The Company argued that this necessitated charging more than Gem State. Following this logic, the Company disagreed with Staff's recommendation for the general Hookup Charge.⁴

Advancing its argument for a higher Hookup Charge, the Company committed to seeking additional bids, potentially decreasing the cost of new connections. However, it argued that it was difficult to get contractors to include sufficient specificity in bids, as desired by Staff. The Company did not oppose allowing customers to directly contract for a new connection and noted it had included language in the revised tariff, submitted with its Reply Comments, to that effect.

The Company discussed the difficulties of not being able to bill customers directly for the difference between the tariff approved amount and the actual costs for the new connections. The Company noted it has connected 98 homes since 2018. The Company reiterated that it does not typically require its prospective contractors to provide the level of itemization in their bids that Staff recommended and instead the Company's focus is on the total price of the bid, seeking to keep the cost low.

Exhibit A of the Company's Reply Comments encouraged the Commission to approve a process which would shift the responsibility in finding a contractor for new connections to the

⁴ As seen in Table No. 1, Staff's recommendation for a complete installation was \$4,200. However, in its Reply Comments, the Company incorrectly stated that Staff recommended that the Commission approve "\$4,700" for a Hookup Charge. *Reply Comments at 1.*

customer.⁵ Relatedly, the Company also proposed providing a customer seeking a new connection with a list of the customer’s responsibilities as well as a list of pre-approved contractors and final inspectors.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company and the issues in this case under Title 61 of the Idaho Code. *Idaho Code* § 61-501. 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. The Commission, upon finding that the rates charged by a public utility are “. . . 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.

The Commission has reviewed the record and finds that the Hookup Charges proposed in Staff’s Comments are reasonable based on the record before the Commission and that the current level of Hookup Charges is insufficient to cover the costs the Company incurs. The Commission finds that Staff’s proposed Hookup Charges for the Company that are based on costs, labor, vehicle and equipment rental, mobilization, and others from invoices in the record from 2022 and 2023 are reasonable. Related to this finding, the Commission reminds the Company that it must expend all reasonable efforts to timely and adequately respond to Staff’s production requests—a requirement of being a regulated utility. We understand Staff desired more information to review the Company’s request and ultimately inform its recommendation. As it stands, the Commission finds that the Company’s proposed increase for Hookup Charges is not supported by the record. If the Company believes the Hookup Charge approved is too low, we remind the Company it is the Company’s—not Staff’s or the Commission’s—responsibility to support its proposed increases with accurate, itemized and verifiable cost information.

To provide the Commission with greater clarity going forward, the Commission orders the Company to report the actual cost, including the itemization of such cost, charged for *any* connection performed within the next six months so that all parties involved might have a better understanding of the true costs associated with this charge based on the varying installation

⁵ The Company did not advocate requiring customers to find their own contractor if the new connection was a “Set Meter Only.” *Id. at 13*. The Commission assumes that “Set Meter Only” means that only a meter is required to connect the customer to the system.

requirements or categories for connections. The Commission also notes that the Company must continue to seek additional bids that conform with Staff's itemization specifications.

The Commission finds that allowing customers to seek bids for new connections from third-party, pre-approved contractors is reasonable and provides additional customer protection. The Commission approves this practice accordingly. However, the Commission notes that the Company cannot entirely shift its duty to connect new customers to its customers or to provide safe and reliable service. Therefore, it must adequately inspect any third-party connections before backfilling begins. The Company must also offer to make new connections at the approved rates for customers who choose to have the Company perform the connection.

Staff requested that the Commission update the Non-Recurring Charges of the proposed tariff and allow itemized connections broken down into several categories. The Commission finds this is reasonable and directs the Company to update its tariff, as described in Staff's Comments.

Accordingly, the Commission directs the Company to work with Staff on the appropriate language for the Company's tariff and submit an updated tariff as a compliance filing within 30 days of the publication of this Order.

ORDER

IT IS HEREBY ORDERED that increased Hookup Charges for the Company are hereby authorized as recommended by Staff. This shall include updating the Non-Recurring Charges of the revised tariff. The Company shall work with Staff on the appropriate language of the revised tariff and submit a compliance filing within 30 days of the issuance of this Order.

IT IS FURTHER ORDERED that the Company's customers may seek alternative bids for connections from a pre-approved list of third-party contractors. The Company shall inspect the work before backfilling the excavation to fulfill its duty to ensure safe and reliable service.

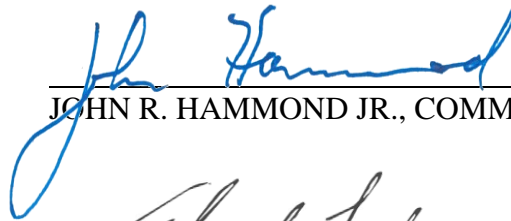
IT IS FURTHER ORDERED that the Company shall obtain additional bids that are appropriately itemized in accordance with Staff's recommendations and requests. The Company shall keep track of the actual costs of all connections for six months following the issuance of this Order. These bids and actuals shall be provided to Staff as the Company receives the information.

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. *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 20th day of May 2024.



ERIC ANDERSON, PRESIDENT

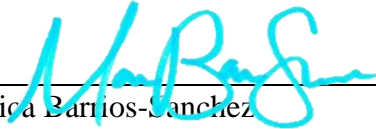


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Monica Barrios-Sanchez
Commission Secretary

I:\Legal\WATER\SWS-W-23-02_rates/orders\SWSW2302_Final_md.docx