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Attorney for the Commission Staff

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF CDS STONERIDGE</b>	)	
<b>UTILITIES, LLC'S TARIFF ADVICE</b>	)	<b>CASE NO. SWS-W-23-02</b>
<b>REQUESTING AUTHORITY TO INCREASE</b>	)	
<b>ITS NEW CONNECTION FEES</b>	)	
	)	<b>COMMENTS OF THE</b>
	)	<b>COMMISSION STAFF</b>
	)	

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**COMMISSION STAFF ("STAFF")** OF the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submits the following comments.

### BACKGROUND

On November 27, 2023, CDS Stoneridge Utilities, LLC ("Company") applied for authorization to increase its hook-up fees for new customers who are connecting to the Company's system. The Company filed the case as an "Emergency Tariff Advice." Application at 1. However, the Company also asked that the case be processed by modified procedure.<sup>1</sup>

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<sup>1</sup> The Commission previously noted that the Company's proposed increase is too large to be considered a tariff advice. Given that the Company also asked for its case to be processed by Modified Procedure, the Commission shall build its record through comments rather than a tariff advice.

The Company proposed to increase the rates that it charges for a new connection under its Tariff No. 3. Exhibit A contained proposed modifications to Tariff No. 3.

The Company explained it no longer had in-house contractors that were able to perform hook-ups for new customers. Accordingly, the Company had reviewed its costs, including third-party bids, for new connections from 2021-2023 and determined that certain increases would need to be made as found in Exhibit B. The Company proposed that these changes constitute Tariff No. 4, if approved.

The Company stated that the new homes in the area typically request 1-inch service meters rather than the ¾-inch that has customarily been used.

The Company stated that Exhibit C contained an estimate, prepared by 7B Engineering in the Spring of 2021, which estimated that the costs related to a full install are projected to be \$9,734.75.

The Company also included Exhibits D through I which include relevant information to the Application.

The main body of the Application does not include a request for an 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.

## **STAFF ANALYSIS**

The Company has proposed updated Hookup fees for a new customer to physically connect to the Company's water system. Staff believes that the Company's proposed Hookup fees are not reasonable; however, it generally supports the Company's Application to increase its Hookup fees. Based on Staff's review of the Company's Application and the Company's responses to Staff's production requests, Staff recommends the Commission direct the Company to:

1. Update the Non-Recurring Charges 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's Proposed Hookup Fees**

According to the Application, the current Hookup charges included in the Company's Tariff No. 3 Sheet 3 do not fully cover the costs incurred by the Company when it connects a new customer to the system. The Company indicated that it currently does not have an internal employee to perform its "in-house" installations for new Hookups, and they intend to solely rely on Third Party Contractors ("Contractor") for all future installations. The Company also emphasized their concerns regarding significant cost increase for Hookups in recent times.

During the discovery process,<sup>2</sup> to have a complete understanding of the actual costs incurred by the Company, Staff requested the Company to provide detailed information about the body of work done for different categories of installations and provide a breakdown of costs for each of the Contractor invoices that were included in the Application.

The installation categories in this schedule are defined by Commission Order No. 34969 (as included in Section 2 of the Company's Tariff No. 3 Sheet 5) and the Staff adopted the same definitions in estimating the costs. The definitions are as follows:

**Complete Installation:** Includes the costs of tapping the main and installing a service line to the curb stop and installing a complete Pit Setter and meter.

**Customer:** A person or entity who is receiving water service from the Company.

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<sup>2</sup> First production request of the Commission Staff to CDS Stoneridge Utilities, LLC; Request Nos. 12-19.

**Pit Setter and meter:** Includes the materials and costs necessary to install the Pit Setter (with enclosure) and meter and connect it to the Corp Stop.

**Tap Main and Install service line to Curb Stop:** Includes connection to the main, installing up to 50 feet of line to the Corp Stop, and the Curb Stop.

**Corp Stop:** A valve located on the service line and adjacent to the Company's main.

**Curb Stop:** A valve, located on the service line near the edge of the customer's property. The Curb Stop is used to turn-on/shut-off water to the customer. It is often located within the Pit Setter enclosure.

Staff was able to determine the following recommended Hookup fee schedule from the limited cost information and small number of actual hookups completed since the last update in Case No. SWS-W-20-01(Commission Order No. 34969 at 5):-

**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's proposed Hookup fees are based on costs (labor, vehicle or equipment rental, mobilization, etc.) from the invoices dated in 2022 and 2023 provided by the Company in its Application.<sup>3</sup> Most of the above-mentioned costs were consistent in 2022 and 2023, and if any of the costs differed between these years, Staff used an average of invoice costs in its estimates. For materials costs, Staff used the price provided in the Application. *See* Exhibit I.

Through Discovery requests, Staff attempted to understand the need for an increase in Hookup fees and the reasonableness of the Company's proposal. Staff discovered that the Company's prior system operator who performed "in-house" installations left the Company

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<sup>3</sup> Company's Application: Exhibit D-G, and Exhibit I.

during the summer of 2023 and the Company does not foresee any positive economic value in establishing and maintaining additional labor. Staff also learned that most recent Hookups involved only the installation of a new meter and turning on water service, which were performed by the water operator. Only a handful of the recent Hookups required complex work such as installing a meter pit and pit setter, tapping the main line to the curb stop, and/or performing excavation. All of the above-mentioned extensive Hookups were performed by Swank Excavating (“Swank”) including a Complete Installation with a \$2000 “Horizontal Boring” (“Boring”) charge.

Staff also requested the Company provide an itemized breakdown of invoice costs for components and materials, labor, and a scope of work for each installation, but the Company did not provide the necessary detailed information. This made it challenging for Staff to determine reasonable estimates for new Hookups. In addition, without a breakdown of invoice line items such as specific equipment or supervision, Staff was not able to include these costs in its estimated charges. *See* response to Staff Production Request Nos. 12, 13, and 14.

The Company also included bids from two different Contractors, Swank and JADE Enterprise (“JADE”), for requested hookups in its Application. Staff requested breakdowns of the quoted cost information, but none of the information was provided. Staff also requested a third bid from a different Contractor, which the Company did not provide. The Company explained that, due to its remote location, the number of qualified and interested contractors are few.

Because of the lack of information and breakdowns of cost that could be used to determine updated hookup fees, Staff also recommends that the Commission direct the Company to obtain and retain contractor quotes, invoices, and other cost records of all future customer hookups broken down by individual installation categories, and further broken down by labor (hours and labor rate), material cost (cost of individual components), and equipment cost (hours and cost per hour) going forward. This will allow a more robust review if the Company seeks another update to its hookup fees.

#### Charges for Extraordinary Costs such as Excavation and Boring

Staff believes it is reasonable to allow the Company to charge the contractor’s bid price for extraordinary circumstances such as boring and excavation. As stated in Section 2 of the

Company's Tariff No. 3 Sheet 5 (based on Commission Order No. 34969), these are "[c]onditions not typically encountered when performing a hook-up. This may include the installation of service lines longer than 50 feet, excavation through rock outcrops, or excavation in areas with high water tables requiring additional equipment for water removal." Staff recommends that this item be removed from the current Hookup fee schedule and allow the Company to charge the lesser of the contractor's bid price or actual cost, based on time, material, and equipment cost basis.

#### Effect of Meter Size

The Company acknowledged that it typically uses 1-inch meters instead of ¾-inch meters for connecting new residential customers due to recent supply chain issues and availability of ¾-inch meters. However, Staff does not believe this is a concern for two reasons. First, Staff understands the importance of timely installations for new connections and believes it is prudent for the Company to install the larger meter if those are the only meters available. Second, the Minimum Monthly Customer Charge, Commodity Charge, and Reconnection Charge for Disconnection over 30-days are the same for both 1-inch meters and ¾-inch meters in their tariffs.

#### Impact of Increased Hookup Fees on Customers

According to the Staff estimated Hookup fees schedule, the new customers who want to connect to the Company's water system should experience approximately 16–31% higher Hookup fees based on the installation categories compared to the current rate. In comparison, if the Company's proposed rate was implemented, the customers would experience a much higher increase in fees, ranging from 140% to 231%. A comparison of the effect on customer rates between the Company and Staff's proposals are presented in **Table 1**.

***Table 1: Comparison of impacts on customers due to Hookup Fee increases.***

<b>Category</b>	<b>Current Fee</b>	<b>Company Proposal</b>	<b>% Increase with Company Proposal</b>	<b>Staff Proposal</b>	<b>% Increase with Staff Proposal</b>
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 Hookup Services**

Staff recommends that customers be given the option allowing them to install the service line and meter base using Company approved Contractors at their own expense or have the Company perform the installation and be billed the tariff rates for installation of the service connection. However, with either option, Staff believes the Company is responsible for final inspection of the installation prior to backfilling the excavation for all connections and further recommends that the Commission work with Staff to develop the specific language that should be added to the Tariff.

Stoneridge’s response to Staff’s Production Request No. 9 stated, “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 connection to the customer directly and to remove SRU from these functions.” Staff believes that the response to Staff’s Production Request No. 9 by the Company is not acceptable. Staff asserts that the Company cannot abdicate its responsibility to provide oversight, pricing, management, and approval of new connections to the customer and remove itself from these functions. Staff’s position is that the Company must perform these tasks to maintain adequate control over their water system and to provide safe, reliable water service to customers. Staff further contends that, without direct Company oversight and management of its service connections, the integrity of the water system could easily be compromised. It is the Company’s responsibility to ensure each connection is constructed in a manner that meets applicable State and Federal rules and laws and uses sound engineering practices.

## **Contributions in Aid of Construction (“CIAC”)**

Hookup fees allow the Company to recover costs to connect new customers. The Company may incur additional costs when a new service line connects to the Company’s distribution line. Total constructions costs should be booked to Plant-in-Service and any Hookup fees should be treated as a CIAC, which is recorded as a contra asset account on the Company’s Balance Sheet and is an offset to the Company’s Plant-in-Service. The CIAC is amortized over the same time period as the associated Plant-in-Service, so as the associated plant becomes fully depreciated, the CIAC is fully amortized. The Company can request to recover any additional cost it incurs to connect a new customer in a general rate case.

Since 2020, the Company has reported \$200,989 in excess of hookup fees collected. When the Company files a general rate case, it can seek recovery of the net depreciation expense associated with excess costs and it may be eligible to earn a return on the net amount.

## **CONSUMER RELATIONS**

### **Customer Notice and Press Release**

The Company’s customer notice was included with its Application. Staff reviewed the document and determined that the notice did not meet the requirements of Rule 125 of the Commission’s Rules of Procedure. IDAPA 31.01.01.125. After revisions on January 29, 2024, the Company sent out the press release and the customer notice was mailed separately to customers. Customers were given until February 15, 2024, to file comments.

Because the customer notices were not mailed until January 29, 2024, the customers did not have sufficient time to comment on the case. However, Customers must have the opportunity to file comments and have those comments considered by the Commission. In this instance, Staff encourages the Commission to consider any late-filed comments from customers.

### **Public Comments**

As of February 12, 2024, eleven comments have been filed. All of the comments received were against a significant increase in the proposed tariff change.



## **Updates to Tariffs**

In reviewing the existing tariff, Staff discovered several issues that need to be updated and/or corrected depending on the Commission's final decisions in this case. This includes:

1. Updating the hook-up rate schedule in Tariff No. 3;
2. Removing the "adder for excavation or horizontal boring across a road," and adding language that captures Staff's recommended charges for "extraordinary costs;"
3. Updating language that allows interchangeability between a ¾ -inch meter and a 1-inch meter;
4. Adding language that would allow customers to directly contract for their own service connection while maintaining Company oversight;
5. Adding language that requires the Customer and Company to work together to determine the location of the pit-setter and meter.

Staff recommends that once a final order in this case has issued by the Commission, the Company should work with Staff to determine changes that need to be made to the Company's tariffs and then submit its updated tariffs through a compliance filing within 30 days of the order for approval by the Commission.


## **STAFF RECOMMENDATION**

After review of the Company's Application and additional information provided through discovery, Staff recommends the Commission direct the Company to:

1. Update the Non-Recurring Charges 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 of the order for Commission approval.

Respectfully submitted this 15th day of February 2024.

  
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Michael Duval  
Deputy Attorney General

Technical Staff: Shubhra Deb Paul  
Travis Culbertson  
Jolene Bossard  
Jon Kruck

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15<sup>th</sup> DAY OF FEBRUARY 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO CDS STONERIDGE UTILITIES**, IN CASE NO. SWS-W-23-02, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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