



50% equity for a healthy Company; if the Application was approved as the Company requested, this ratio would be much farther from that desirable balance.

Instead, Staff recommended that the Commission reclassify the debt as additional paid-in-capital and treat it as owner's equity. Staff noted that the Company would still be able to pay its parent entities back in the form of dividends. Staff also noted that its proposal avoided the obligation to conduct a related party analysis because Commission approval is not needed for additional paid-in-capital.

### **COMMISSION FINDINGS AND DISCUSSION**

The Commission has jurisdiction over the Company 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.

After reviewing the Application and all submitted material, we reject the proposed securities issuance. However, we find that the paid-in-capital treatment suggested by Staff is fair, just, reasonable, and for a lawful purpose within the Company's corporate powers. Treating the debt as paid-in-capital allows the Company's creditors—related entities—an opportunity to recover the funds that were lent to the Company. The Commission notes that that Staff's proposal provides the best solution to mitigate the potential risks associated with a non-arm's length transaction and also provides a better capital structure for the Company. In the future, if the Company wishes to issue debt securities, we direct the Company to comply with the applicable provisions of Idaho Law, including *Idaho Code* §§ 61-901 *et seq.*

The Commission's Order authorizing specific accounting treatment for the funds borrowed by the Company that may or may not have been expended already does not constitute a Commission determination or approval for ratemaking purposes. The Commission does not have before it for determination, and so does not determine, the effect of the proposed transaction on rates the Company will charge for water service.

### **ORDER**

IT IS HEREBY ORDERED that the Company's request for authority to incur \$980,000.00 of debt by borrowing from Esprit Enterprises, LLC and/or JD's Resort is denied. However, the Commission here approves the Company reclassifying the debt as additional paid-in-capital and treated as owner's equity in the Company capital structure.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of the Commission with respect to rates, utility capital structure, service accounts, valuation, estimates for determination of cost or any other matter which may come before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order or any act or deed done or performed in connection therewith shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any debts assumed or guaranteed under the provisions of this Order.

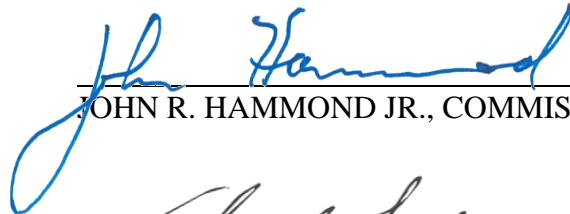
IT IS FURTHER ORDERED that this Order does not constitute acceptance of the Company's exhibits or other material accompanying the Application for any purpose other than issuing this Order. This Order does not constitute a prudency determination which shall occur in a future rate proceeding.

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 12<sup>th</sup> day of February 2024.



ERIC ANDERSON, PRESIDENT



JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Monica Barros-Sanchez  
Commission Secretary

I:\Legal\WATER\SWS-W-23-03\_securities\SWSW2303\_Final\_md.docx