

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF VALIANT IDAHO) CASE NO. VID-W-25-02
INC./TIC UTILITIES, LLC'S APPLICATION)
TO INCREASE ITS RATES AND CHARGES)
FOR WATER SERVICE IN THE STATE OF) ORDER NO. 36971
IDAHO)
_____)**

On March 4, 2025, TIC Utilities, LLC, an entity affiliated with Valiant Idaho, Inc. (“Company”), applied to the Idaho Public Utilities Commission (“Commission”) to increase the rates and charges for the Company’s water service (“Application”).

On November 3, 2025, the Commission issued Order No. 36818, authorizing the Company to increase its rates in an amount less than that requested in the Application.

On November 24, 2025, the Company filed a Petition for Reconsideration of Order No. 36818 (“Petition”), requesting the Commission reconsider the rates approved in Order No. 36818. The Company’s Petition was granted on December 19, 2025. Order No. 36879.

Based on our review of the record, the Commission now issues this Order modifying Order No. 36818.

THE COMPANY’S PETITION

The Company acknowledged that calendar year 2024 was an appropriate test year for establishing its revenue requirement but disputed certain adjustments to its actual 2024 revenues and expenses. Petition at 1. The Company asserted that reliance on historical data from years preceding 2024 or the use of three-year averages materially understated its actual operating costs. *Id.* at 2. The Company explained that expenses had increased significantly due to the addition of a chlorination system in March 2022, the installation of an iron filtration system in May 2023, growth in active connections from new home construction, and general market inflation. *Id.* The Company argued that these factors directly contributed to rising electricity, chemical, and water testing expenses, among other costs. *Id.*

The Company further disputed any claim that it had failed to provide evidence of actual revenues collected, noting that it submitted independently prepared financial statements for 2022,

2023, and 2024. *Id.* Those statements demonstrated that it had not collected \$165,240 in revenue in any full year of operation and was not on track to do so in 2025. *Id.* The Company maintained that the discrepancy between actual and potential revenues was primarily attributable to credit losses and emphasized that it lacked lien rights or the ability to deny service as practical enforcement mechanisms. *Id.* Accordingly, it argued that ratemaking should reflect actual revenues rather than normalized projections. *Id.*

Regarding salary expense, the Company objected to the approved \$30,000 annual compensation, contending that it would be unable to hire a qualified water system manager in North Idaho at that level of pay given the regulatory, operational, financial, and administrative responsibilities required. *Id.* It maintained that reliance on national wage data from the U.S. Bureau of Labor Statistics was arbitrary and that compensation data from Idaho water systems regulated by the Commission would provide a more accurate benchmark. *Id.*

With respect to operating expenses, the Company presented evidence that actual annual electricity, chemical, and water testing costs had exceeded the amounts allowed by the Commission in every full year of operation and in the trailing twelve months through October 2025. *Id.* at 3. It asserted that electricity expenses had consistently surpassed the approved \$9,794 level and reached \$15,935 in 2024, while chemical expenses exceeded the approved \$3,944 annually and totaled \$11,453 in 2024. *Id.* at 4. Similarly, water testing expenses exceeded the approved \$1,338 in each year and totaled \$8,910 in 2024, with even higher costs reflected in the trailing twelve-month period. *Id.* The Company argued that there was no reasonable basis to assume these variable costs would decline, particularly given increased water production and system expansion. *Id.* at 4-5. The Company supported its position with detailed monthly expense data, production records demonstrating growth in demand, invoices from Avista Power and E3 Consulting, and a professional engineering opinion affirming that the added treatment systems and increased production would necessarily raise electricity, chemical, and testing requirements. *Id.* at 7.

The Company concluded that using actual 2024 expenses or trailing twelve-month totals provided the most accurate basis for projecting forward-looking variable costs, rather than applying three-year averages that it believed understated current conditions. *Id.* The Company warned that failure to adjust the expense allowances would understate operating costs by at least

\$21,222 based on 2024 figures, or \$27,108 based on trailing twelve-month data, effectively eliminating any reasonable return and resulting in continued operating losses in 2026. *Id.* The Company asserted that such an outcome would be unjust and would likely necessitate another rate case in 2027, which it characterized as unnecessary and inefficient given the availability of current actual cost data. *Id.*

STAFF COMMENTS

Staff reviewed the Company's Petition, supporting documentation, and additional information obtained through discovery. Staff Comments at 2. Based on its review, Staff recommended that the Commission increase the Company's approved revenue requirement by \$12,040 to reflect higher power, water testing, and chemical expenses, while making no changes to previously approved revenues or the \$30,000 salary expense. *Id.* Staff also recommended including a rate for the Company's 2-inch meter serving the clubhouse to ensure consistency with the Commission's prior rate design intent. *Id.*

Regarding revenues, the Company asserted it had not collected normalized revenues approved by the Commission and reports revenues on a cash basis without recording write-offs for uncollectible accounts. *Id.* Staff explained that ratemaking principles require revenues to be calculated on an accrual basis, with uncollectible amounts addressed through the revenue conversion factor ("RCF"), not through revenue normalization. *Id.* Because the Company did not provide an accounts receivable aging report to substantiate a bad debt allowance, Staff did not recommend changes to Commission-ordered revenues. *Id.* at 2-3.

Staff further expressed concern about the Company's collection practices, finding a lack of consistent and proactive efforts to manage delinquent accounts. *Id.* at 3. Staff warned that failure to actively pursue collections weakens financial stability and shifts the burden of unpaid costs to other customers. *Id.* Accordingly, Staff recommended improved compliance with the Utility Customer Relations Rules under IDAPA 31.21.01, including documented payment arrangements, proper delinquency notices, enhanced communication, and, when necessary, service termination. *Id.* Staff also recommends the Commission consider the prudence of the Company's collection practices when evaluating revenue deficiency and rate relief. *Id.*

With respect to salary expense, Staff argued that the approved \$30,000 annual compensation was adequate. *Id.* at 4. Staff based its recommendation on the owner's reported

average of 12.5 hours per week performing utility management duties and wage data from the U.S. Bureau of Labor Statistics under the occupational category “Managers, All Other,” resulting in an estimated hourly rate of approximately \$46. *Id.* In the absence of new evidence demonstrating increased hours or expanded responsibilities, Staff supported maintaining the approved salary level. *Id.*

Staff revised its recommendations for chemical, water testing, and electricity expenses based on updated data. *Id.* For chemical expense, Staff recalculated annual chlorine costs using average usage from 2023 and 2024 and 2024 invoice pricing, including contractor markup for overhead. *Id.* at 4-5. This resulted in an annualized chemical expense of \$9,716, replacing the previously recommended \$3,944. *Id.* at 4. For water testing, Staff updated its three-year normalization methodology to reflect revised testing frequency and laboratory pricing, increasing normalized annual expense from \$1,338 to \$2,137, an increase of \$799. *Id.* at 6. For electricity expense, Staff recalculated normalized annual costs using updated 2024 power bills and production data from 2023–2024, resulting in an annualized expense of \$15,263, rather than the previously recommended \$9,794. *Id.* at 6-7.

Staff recommended that the approved increase in revenue requirement be allocated among all flowing customers, as the underlying adjustments relate to electricity, chemical, and water testing expenses directly associated with water production. *Id.* at 7. Staff believed that it is reasonable that these production-related costs be recovered from customers actively receiving water service. *Id.* Table No. 1 presented Staff’s recommended rates for each customer class and compares them to both the rates in effect prior to this proceeding and those authorized in Order No. 36818. *Id.*

Table No. 1: Comparison of rates prior to rate case and Staff’s recommendation after Interlocutory Order No. 36879

Customer	Prior to VID-W-25-02	Per Tariff Approved in Order No. 36886	Staff Recommended	\$ Change:	% Change
Flowing, ¾”and 1”	\$45	\$67	\$75	\$30	78%
Flowing, 2”	\$0	\$0	\$241	\$241	-
Non-Flowing	\$45	\$45	\$45	\$0	0%

Id. at 8.

Staff included a rate for the Company's single 2-inch service connection. *Id.* at 7. Although Staff's August 6, 2025, Comments incorporated revenue from the 2-inch connection in its recommended rate calculations, the Commission's language in Order No. 36818 did not specifically address that rate. *Id.* To ensure consistency with the rate design previously approved by the Commission, Staff calculated a specific rate for the 2-inch meter using the updated revenue requirement and meter equivalent ratios established by the American Water Works Association. *Id.*

Finally, Staff noted receipt of additional customer comments opposing the proposed rate increases and raising concerns regarding normalization, operating costs, and other matters. *Id.* at 8. Staff also reported allegations that the Company's owner terminated certain customers' memberships in a private club following their participation in this rate case. *Id.* While Staff has reached no conclusion regarding these claims, it emphasized that retaliatory conduct, if substantiated, could violate IDAPA 31.21.01.201, which prohibits unreasonable prejudice or discrimination. *Id.* Staff underscored the importance of protecting customer participation in regulatory proceedings and recommended that, if the allegations are substantiated, the Commission consider its authority to assess penalties under *Idaho Code* §§ 61-701 et seq. *Id.* at 9.

PUBLIC COMMENTS

David Frohnen

Mr. Frohnen filed four public comments following the Company's Petition.

Comment 1:

Mr. Frohnen's first comment addressed the Company's compliance Tariff filing. Frohnen Comment 1 at 1. Mr. Frohnen noted that the tariff appeared to be missing the Flat Rate Monthly Charge to be assessed to 2-inch service lines. *Id.* Mr. Frohnen also requested the Commission address whether the charge would be implemented monthly or quarterly. *Id.*

Comment 2:

Mr. Frohnen's second comment was filed in response to the Company's Petition. Frohnen Comment 2 at 1. Mr. Frohnen believed that the complaints regarding revenue collection were academic and not central to ratemaking under Idaho's cost-of-service framework, which authorizes an opportunity, not a guarantee, to recover an approved revenue requirement. *Id.* Mr. Frohnen reasoned that the Company remained responsible for implementing rates and managing

collections. *Id.* Variances in reported revenue appeared attributable in part to a 2024 change from advance to arrears billing and the selective waiver of charges, for which no accounting was provided. *Id.* Mr. Frohnen also noted that the Company possessed collection remedies but submitted no documentation of bad debt expense or collection efforts. *Id.*

Mr. Frohnen believed that an increase to the salary for management was unnecessary for the part-time administrative role. *Id.* at 2. Mr. Frohnen argued that the current role is inefficient and that customers should not have to pay for a role that could apply a more efficient staffing model. *Id.* Mr. Frohnen noted that the manager has other responsibilities, including work for the Company's affiliates, which should not be counted towards the responsibilities charges in rates. *Id.*

Mr. Frohnen requested that Staff carefully review all of the documentation submitted by the Company with regard to electricity adjustments, chemical adjustments, and water testing. *Id.* at 3-4. He also requested that Staff consider the years and number of customers to ensure there are no duplicate charges. *Id.* at 4.

Finally, Mr. Frohnen requested that the Commission consider adding a tariff for the 2-inch service lines, confirm the effective date of the tariffs and when they were actually implemented, confirm monthly vs. quarterly billing, and ensure fees to vacant lots are being applied without discrimination to all vacant lots, including those owned by the Company's affiliates. *Id.*

Comment 3:

Mr. Frohnen's third comment was in response to the Company cancelling his membership with the golf club in what he described as retaliation. Frohnen Comment 3 at 1. Mr. Frohnen stated that this comment was filed as requested by the Commissioners at the August 14, 2025, public hearing. *Id.* at 2.

Mr. Frohnen stated that he submitted public comments on December 15, 2025, with the Idaho Department of Environmental Quality ("IDEQ") concerning the Company's draft permits. *Id.* Mr. Frohnen met with Company representatives on December 18, 2025, and described the discussion as focused on "the negative impact of public participation" on the subdivision. *Id.* On December 19, 2025, Mr. Frohnen's Idaho Club Membership was canceled, and his \$17,500 initiation fees were retained by the Company. *Id.* at 3. Mr. Frohnen requested that the Commission

take this “act of retaliation” into consideration and suggested that the Commission could decrease the Company’s rate of return. *Id.* at 6.

Comment 4:

Mr. Frohnen’s fourth comment requested that the Commission deny rate adjustments for revenue normalization and order the Company to account for waiver obligations of the Real Estate Division and the impact the waivers have on rates. Frohnen Comment 4 at 1-2.

Christopher Norton

Mr. Norton filed two public comments following the Company’s Petition.

Comment 1:

Mr. Norton’s first comment was in opposition to the Company’s Petition. Norton Comment 1 at 1. Mr. Norton believed that the revenue shortfall was not caused by credit loss, but instead due to a change in billing practices. *Id.* Mr. Norton stated that because of when customer bills were delivered on December 30, 2024, it was impossible to make payment until January 2025. *Id.* The December 30, 2024 bill covered service for October-December 2025 but was accounted for by the Company in January 2025. *Id.* Mr. Norton believed that any upward adjustment in the revenue was unnecessary. *Id.*

Comment 2:

Mr. Norton’s second comment was in response to alleged retaliatory misconduct by the Company. Norton Comment 2 at 1. Mr. Norton asserted that the Commission had both the authority and statutory duty to investigate and remedy improper conduct by the Company, citing prior Commission orders and Idaho Code provisions requiring oversight of utility practices and prohibiting unlawful or discriminatory acts. *Id.* He contended that retaliation against customers for participating in regulatory and local government proceedings had already been identified by the Commission in prior orders and continued despite express warnings that such conduct could result in penalties. *Id.* at 2. According to Mr. Norton, residents, including David Frohnen and himself, experienced retaliatory actions after submitting public comments or opposing the Company’s proposals, which halted public participation in Commission and Bonner County proceedings. *Id.*

Mr. Norton alleged a pattern of retaliation carried out through entities under the common control of Mr. Haberman, including the Company, The Idaho Club, and the homeowners association. *Id.* at 3-8. He maintained that this control enabled adverse actions, such as termination

of golf memberships and disparate treatment of residents, against individuals who opposed water system transactions, rate proposals, or subdivision applications. *Id.* at 4-7. He described his service as an HOA board member and his opposition to the proposed sale of the water system, asserting that retaliatory actions followed his protected participation in regulatory and governance matters. *Id.* at 4-5. He further alleged inconsistent representations by the Company to public agencies regarding ownership and operation of the water system. *Id.* at 5.

In addition, Mr. Norton detailed concerns regarding prolonged low water pressure at his residence, delayed compliance with an IDEQ order requiring connection to a pressurized line, and the absence of fire hydrants on North Star Lane. *Id.* at 5-6. He asserted that these issues, coupled with alleged retaliatory conduct, demonstrated discriminatory treatment and noncompliance with regulatory obligations. *Id.* at 6.

Mr. Norton requested that the Commission find that retaliatory conduct had occurred; order reinstatement of golf memberships or reimbursement of fees; impose monetary penalties for service violations and delayed compliance; require installation of fire hydrants; consider daily penalties and a reduction in the authorized rate of return; and grant any additional relief necessary to deter future retaliation and protect public participation. *Id.* at 11. He maintained that his complaint was grounded in regulatory compliance and public safety concerns rather than personal grievance and was supported by documentary evidence and prior agency findings. *Id.* at 10.

Read Tuddenham

Mr. Tuddenham stated that he and his wife are full-time residents of the Idaho Club community who receive water service from the Company and paid standby fees on two unimproved lots. Tuddenham Comment at 1. Mr. Tuddenham opposed the Company's request for reconsideration of Operations and Maintenance ("O&M") costs approved in Commission Order No. 36818. *Id.* He questioned whether the proposed increase in total O&M expenses was reasonable and compared the Company's approved and proposed O&M costs to those of a smaller system, VP, Inc. ("VP"), as approved in Commission Order No. 36314. *Id.* at 2. Although he acknowledged operational differences, such as the Company's deeper wells, additional treatment systems for iron and manganese removal, and booster stations, he noted that the Company's O&M cost per active connection was already 26% higher than VP's and argued that the Company should

benefit from economies of scale given its significantly larger customer base, including 212 standby customers. *Id.*

Mr. Tuddenham raised specific concerns about the reasonableness of charges from E3 Consulting, the Company's operator. *Id.* He cited substantial increases in monthly operation and maintenance fees from \$500 to \$2,900 per month between 2021 and 2025, questioning the justification for such increases. *Id.* at 3. He also identified examples in submitted invoices that suggested high markups on chemical purchases, water sampling, and subcontractor services, as well as possible billing inconsistencies or duplications. *Id.* at 3-4. He recommended a thorough audit to track chemical and testing costs from vendor invoices through operator billing to evaluate the appropriateness of markups and transportation charges. *Id.* at 4.

With respect to electricity expenses, Mr. Tuddenham noted inconsistencies between the Company's current higher cost claims and earlier pro forma financials provided in connection with a proposed system sale, which reflected lower utility cost estimates. *Id.* He asserted that the requested O&M increase of \$21,222 to \$27,108 would raise per-customer O&M costs to 49%–57% above VP's and would increase monthly rates for active users from \$67 to as much as \$84–\$89. *Id.* at 4-5. While acknowledging that private utilities were entitled to earn a profit and that the Company's system incurred additional treatment costs, he concluded that the existing approved O&M was reasonable and that the Petition and additional O&M recovery should be denied. *Id.* at 5.

COMPANY REPLY

The Company disputed Staff's conclusion that it failed to provide evidence of actual revenues collected, asserting that it submitted independently prepared financial statements for 2022, 2023, 2024, and the first nine months of 2025. Company Reply at 1-2. The Company stated that these statements demonstrated that it has never collected the \$165,240 in normalized annual revenue assumed by Staff and is unlikely to do so based on 2025 preliminary totals. *Id.* at 2. The Company maintained that the difference between actual revenues collected and potential revenues represented historical bad debt attributable to credit losses, emphasizing that it lacks practical legal remedies, such as lien rights or termination authority over non-flowing customers, to compel payment. *Id.*

The Company asserted that, given the actual revenue data provided and Staff's calculation of potential revenues, Staff could reasonably determine a bad debt percentage. *Id.* It also argued that pursuing small-dollar delinquencies through legal action would not be economically feasible and that, during the CPCN and rate case process, the Company believed it was restricted from modifying billing or collection practices. *Id.* Accordingly, the Company maintained that ratemaking should reflect actual revenues collected rather than hypothetical normalized revenues that do not align with operational realities. *Id.*

With respect to salary expense, the Company reasserted its objection to the approved \$30,000 annual compensation. *Id.* While acknowledging that the owner historically devoted approximately 12.5 hours per week to management duties, the Company explained that this estimate predates regulation by the Commission and does not reflect the additional responsibilities now required, including participation in regulatory proceedings and compliance with tariff-mandated office, business, and after-hours requirements. *Id.* The Company argued that it is not feasible under current labor market conditions in North Idaho to hire a qualified manager for \$30,000 annually, inclusive of payroll taxes and costs. *Id.* The Company believed that Staff's reliance on national wage data for the generic occupational category "Manager, All Other" from the U.S. Bureau of Labor Statistics was inappropriate and failed to reflect compensation levels for regulated private water utilities in Idaho. *Id.* at 3.

Regarding operating expenses, the Company disputed Staff's normalization methodologies for chemical and water testing costs. *Id.* For chemical expenses, the Company asserted that its actual 2024 expense of \$11,435, adjusted for inflation, more accurately reflects future costs, particularly given increased equipment, production volumes, and inflationary pressures. *Id.* While the Company agreed that all chemical-related overhead and operator markups should be recoverable, it objected to averaging 2023 and 2024 costs, arguing that expenses have risen each year and that incorporating older, lower-cost data understates current and projected costs. *Id.* Similarly, the Company argued that water testing expenses have increased annually due to the addition of chlorination and iron filtration systems and new customer connections. *Id.* The Company disputed Staff's reliance on a three-year normalization approach based on cyclical Department of Environmental Quality testing requirements, asserting that such averaging understates the higher and more representative expenses incurred in 2024 and the trailing twelve

months through October 2025. *Id.* The Company maintained that 2024 actual expenses, adjusted for inflation, provide the most accurate basis for forward-looking ratemaking. *Id.* at 3-4.

Finally, the Company denied allegations of retaliatory conduct related to customer participation in the rate case. *Id.* at 4. It stated that the affiliated private golf club referenced in complaints operates independently, and that membership is a privilege subject to established criteria unrelated to participation in regulatory proceedings. *Id.* The Company asserted that only one membership was terminated prior to the initiation of the rate case and before any public comments were submitted, and that a second membership termination occurred in January 2026 for unrelated business reasons after the final rate decision. *Id.* The Company characterized the retaliation claims as false, misleading, and unsubstantiated, and stated that it is prepared to defend against them if necessary. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company's Filing and the issues in this case under Title 61 of the Idaho Code including, *Idaho Code* §§ 61-501, -502, and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501, -502, and -503.

Reconsideration affords parties an opportunity to bring to the Commission's attention any matter previously determined and provides the Commission an opportunity to rectify any mistake before the matter is appealed to the Supreme Court. *Washington Water Power Co. v. Idaho Public Utilities Comm'n*, 1980, 101 Idaho 567, 617 P.2d 1242. Any person or public utility has the right to petition for reconsideration in respect to any matter determined in a Commission order. *Idaho Code* § 61-626(1).

Having reviewed the record on reconsideration, it appears that the issues to consider are: (1) the calculation of revenue; (2) the amount allocated to chemical expenses, water testing, and power expenses; (3) the rate for 2-inch service connection; and (4) allegations of retaliatory conduct.

Calculation of Revenue

We have reviewed the record in this case, including the Company's proposed revenue arguments, Staff's analysis, and the concerns raised regarding the Company's customer account management and collection practices. Based on the evidence presented, the Commission finds Staff's analysis to be reasonable and consistent with established ratemaking principles.

Staff's revenue calculation was based on the number of lots currently capable of receiving service, multiplied by the Commission-approved monthly rate and annualized. The Commission finds this approach appropriate. Although the Company asserts that it experiences collection challenges and may not collect the full amount of billed revenues, the Commission agrees with Staff that such concerns do not justify reducing normalized revenues.

Ratemaking revenues are determined on an accrual basis, not a cash basis; therefore, non-collection is not addressed through revenue normalization. Instead, uncollectible amounts are considered through the revenue conversion factor ("RCF"), which converts an income deficiency into a required rate increase by accounting for taxes and a reasonable allowance for bad debt. Determining an appropriate bad debt allowance requires review of an accounts receivable aging report identifying significantly past-due and likely uncollectible accounts. Because the Company did not provide an adequate aging report in this case, Staff could not calculate a reasonable bad debt percentage. Accordingly, the Commission finds that no reduction to Commission-authorized revenues based on alleged non-collection is warranted.

We are also concerned by Staff's findings regarding the Company's customer account management and collections practices. Staff's review indicates that the Company has not actively and consistently pursued collection of overdue or delinquent customer accounts, and it is unclear whether the Company has implemented a reasonable and timely collection process for accounts that are past due. We share Staff's concern that the Company's failure to proactively manage delinquent accounts may contribute to increased accounts receivable and uncollectible balances, thereby weakening the Company's financial position. Allowing overdue accounts to accumulate without appropriate collection efforts undermines revenue stability and increases the likelihood that unpaid costs will ultimately be recovered from all customers through general rate increases rather than from the customers responsible for the charges.

The Commission therefore finds it appropriate to direct the Company to improve its customer account management and collections practices. The Commission agrees with Staff that the Company should utilize the Utility Customer Relations Rules set forth in IDAPA 31.21.01. These rules establish customer protections while also providing utilities with reasonable tools to manage and reduce delinquent accounts. The Commission finds that effective use of these rules, including proactive outreach, timely notices, and reasonable payment arrangements, can assist with stabilizing the Company's cash flow and reducing the likelihood of future rate increases attributable to uncollectible accounts.

Finally, the Commission finds that the Company's collection practices are a relevant consideration in evaluating future requests for rate relief. The Commission expects the Company to improve its collections processes and maintain appropriate documentation regarding its efforts to manage delinquent accounts.

Expense Adjustments

We have reviewed the Company's proposed expense adjustments and, based on the record, we find that Staff's recommendations are reasonable.

The Company asserts that the approved \$30,000 salary expense is inadequate for a utility manager and that comparable managers receive higher compensation. Staff based its recommendation on the owner's reported work schedule during the onsite audit—approximately 12.5 hours per week performing utility management duties—and wage data from the U.S. Bureau of Labor Statistics for the occupational classification "Managers, All Other," resulting in an hourly rate of about \$46 and annual wages of \$30,000. The Commission finds that the Company did not provide documentation demonstrating additional hours worked, expanded duties, or other factors that would justify a higher salary expense. Absent such evidence, the Commission finds the approved salary expense reasonable and declines to modify it. For future rate proceedings, complete documentation of this information will be essential to support any increased salary level.

The Commission also finds Staff's revised calculations for certain operating expenses reasonable based on updated information provided in the Petition. Staff recalculated the annual chemical expense using chlorine purchase volumes from 2023 and 2024 and the 2024 invoiced cost, including the contractor's markup for overhead, resulting in an annualized expense of \$9,716, which the Commission approves.

For water testing expenses, Staff's normalization method appropriately accounts for testing requirements imposed by IDEQ and the three-year regulatory testing cycle. Using updated testing frequency and laboratory pricing provided by the Company, Staff recalculated the normalized annual testing expense, increasing it from \$1,338 to \$2,137. The Commission finds this adjustment reasonable and approves the \$799 increase.

Finally, Staff revised the electricity expense using updated billing information and the Company's 2023-2024 well production records to calculate a per-gallon electricity cost applied to normalized production. Given the limited production history available, the Commission finds Staff's use of the most recent two years of data reasonable and approves the revised annual electricity expense of \$15,263.

Accordingly, the Commission adopts Staff's revised expense recommendations while maintaining the approved \$30,000 salary expense due to the lack of documentation demonstrating additional hours worked or expanded responsibilities.

2-inch Service Connection

We have reviewed Staff's recommendation to include a rate for the Company's 2-inch service connection. In its August 6, 2025, Comments, Staff presented rate design options that included revenue from the Company's single 2-inch service connection in the calculation of recommended rates. Although we adopted Staff's rate option in Order No. 36818, the Order did not expressly establish a rate for the 2-inch connection.

The Commission finds that including a rate for the 2-inch service connection is necessary to ensure consistency with the approved revenue requirement and rate design. Staff has calculated the 2-inch service rate using the updated revenue requirement and the same methodology applied to other service sizes. The Commission finds this approach reasonable.

Accordingly, the Commission approves the inclusion of a rate for the Company's 2-inch service connection and directs the Company to include that rate in its tariff.

Rate Design

Based on our review of the record, we find it fair, just, and reasonable to approve Staff's proposed rate design outlined in Table No. 1 of Staff's Comments. Specifically, the Company is authorized to charge a flat \$75 monthly rate to 3/4-inch and 1-inch customers and a flat \$241

monthly rate to 2-inch customers who are consuming water. Additionally, the Company may continue charging a flat \$45 monthly rate to customers who are not consuming water.

Allegations of Retaliatory Conduct

We have been made aware of allegations raised by two customers asserting that the Company's owner engaged in retaliatory conduct related to their participation in this proceeding. The customers reported that their memberships in a private club owned by the same individual who owns and operates the regulated utility were terminated after they submitted comments in this general rate case.

The Commission makes no findings regarding the validity of these allegations in this case. However, the Commission emphasizes that allegations of retaliation against customers for participating in Commission proceedings are serious. Customer participation is a fundamental component of the regulatory process and must not be discouraged through intimidation, retaliation, or disparate treatment.

The Commission also notes that individuals who believe they have been harmed by retaliatory conduct may seek relief in the appropriate district court, which has authority to consider the evidence and grant appropriate remedies, such as possible damages, where warranted.

While the Commission finds the timing of the reported actions in relation to this rate case troubling, this is a general rate case and not the appropriate proceeding to resolve allegations of retaliation. Nevertheless, the Commission shares Staff's concern regarding the reports it received. Should additional reports or evidence of retaliatory conduct arise, Staff may consider whether to initiate a separate investigative proceeding to examine the matter further.

ORDER

IT IS HEREBY ORDERED that the Company's request for modification of Order No. 36818 is granted in part and denied in part as set forth above.

IT IS FURTHER ORDERED that Order No. 36818 shall be modified as set forth in our findings in this Order.

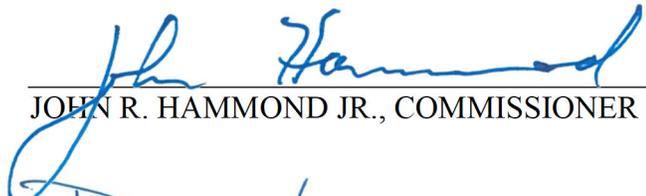
IT IS FURTHER ORDERED that the Company shall submit updated tariffs in compliance with this Order no later than thirty (30) days from the service date of this Order.

IT IS FURTHER ORDERED that except as expressly modified by this Order, the remaining contents of Order No. 36818 shall remain in full force and effect.

THIS IS A FINAL ORDER ON RECONSIDERATION. Any party aggrieved by this Order may appeal to the Supreme Court of Idaho within forty-two (42) days pursuant to the Public Utilities Law and the Idaho Appellate Rules. *Idaho Code* § 61-627; I.A.R. 14.

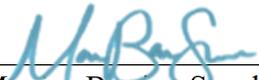
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th day of March, 2026.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary

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