

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF EAGLE** ) **CASE NO. EAG-W-15-01**  
**WATER COMPANY'S APPLICATION** )  
**FOR AUTHORITY TO IMPLEMENT** )  
**A CUSTOMER SURCHARGE** ) **ORDER NO. 34265**  
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On December 28, 2018, Commission Staff moved the Commission for an order approving a Joint Settlement Stipulation between Staff and Eagle Water Company. If approved, the Settlement Stipulation would, among other things, adjust the Company's rate base and revenue requirement to correct the Company's booking of capital expenditures and expenses from regulated and nonregulated operations, and apply the Company's surcharge balances to the benefit of customers. The Settlement Stipulation would not increase rates and charges for customers.

Having reviewed the record, the Commission finds the Settlement Stipulation is fair, just, and reasonable. The Commission thus grants the Motion and approves the Settlement Stipulation in the public interest as discussed below.

**BACKGROUND**

On November 10, 2015, Eagle Water Company applied for authority to implement an immediate and temporary surcharge of 53.82% on customers' water usage over 600 cubic feet per month. The Company also asked for permission to access funds in an existing surcharge account. The Company proposed to use the new surcharge and the balance in the surcharge account to pay for several large capital improvement projects, and for the legal and accounting fees associated with the proceeding. Application at 3-5.

On December 3, 2015, the Commission issued a Notice of Application and Notice of Intervention Deadline. No one intervened. The Commission also suspended the proposed effective date for 90 days, until March 10, 2016. Order No. 33430. The effective date was suspended several more times after that (*see* Order Nos. 33478 and 33509) and, in October 2017, Commission granted an indefinite stay of all proceedings. Order No. 33911.

The parties entered settlement discussions and, on December 14, 2018, Staff moved the Commission to approve the Settlement Stipulation. The Commission then lifted the stay, and issued a Notice of Proposed Settlement and Notice of Modified Procedure that allowed interested persons to comment on the proposed settlement until January 16, 2019. Order No. 34225.

Commission Staff filed the only comments, and recommended the Commission approve the Settlement Stipulation.

The Settlement Stipulation and the Staff's Comments are summarized below.

### **THE SETTLEMENT STIPULATION AND COMMENTS**

Staff believes the Settlement Stipulation is fair, just, and reasonable, and that the Commission should approve it in the public interest. *See* Settlement Stipulation; Staff Comments at 5. The Settlement Stipulation provides, in summary:

#### ***1. Rates and Charges***

The resulting settlement will not increase rates or charges to any Eagle Water customer. Rather, the Company will discontinue hookup charges of \$600 per Tariff Schedule No. 5. The balance of the hookup charge account (approximately \$370,000) will remain in the account to be used as a line-of-credit.

#### ***2. Accounting Correction***

The parties submit that the Company has accumulated a substantial negative rate base through years of improperly booking capital expenditures, and failing to maintain documentation of plant. The negative rate base has accumulated to the point of creating unsound ratemaking requests, such as the proposed surcharge in the underlying Application. Based on an extensive audit conducted by Staff, the parties agree that a one-time accounting correction be made. That is, an elimination of \$1,236,375 in negative rate base beginning in 2008 by reducing contributions in aid of construction by the same amount.

#### ***3. Capitalized Plant***

The parties have agreed to allow capitalization of improperly documented plant including the Company's well 8, meters, repairs, equipment, materials, and labor. Going forward, the Company must properly document and capitalize all plant and labor, or recovery will be disallowed.

#### ***4. Accounting and Reporting***

The parties have agreed that the Company will provide Staff with quarterly reports of costs and expenses. Staff will conduct routine audits to ensure proper booking of expenditures.

#### ***5. Collaboration on Tariffs***

The Company agreed to work with Staff to update the Company's tariff language to the Commission's satisfaction.

## **DISCUSSION AND FINDINGS**

The Commission considers settlement stipulations under Rules 271-277. IDAPA 31.01.01.271-277. When a settlement is presented to the Commission, the Commission will prescribe the procedures appropriate to the nature of the settlement to consider it. IDAPA 31.01.01.274. Further, proponents of a settlement must show that the settlement is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. IDAPA 31.01.01.275. Finally, the Commission is not bound by settlement agreements. Instead, the Commission “will independently review any settlement proposed to it to determine whether the settlement is just, fair and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.” IDAPA 31.01.01.276.

We have reviewed the record, including the Company’s Application, the Settlement Stipulation, and Staff’s Comments. We note all parties have signed the Settlement Stipulation and support it, and that no one opposes it. Further, the Parties represent that the Settlement Stipulation reasonably resolves the case and that it is in the public interest for the Commission to approve it. We agree.

We note that the Settlement Stipulation would not increase customers’ rates. Further, it corrects accounting errors in which the Company improperly booked capital expenditures and inadequately documented plant installation for years, which contributed to the Company having a negative rate base. The Company also misallocated costs between the Company’s regulated utility business and the owners’ unregulated construction business. The Settlement Stipulation reasonably corrects how the Company booked these capital expenditures and expenses, and enables the Company to use the balances in three surcharge accounts as a line-of-credit for future plant investments to benefit customers. Accordingly, on the record before us, we find it reasonable and appropriate to approve the Settlement Stipulation in the public interest. IDAPA 31.01.01.273.

## **ORDER**

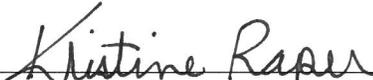
IT IS HEREBY ORDERED that the Motion is granted, and the Settlement Stipulation is approved.

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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this  
day of March 2019.

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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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