

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
COMMISSION STAFF

**FROM:** DON HOWELL

**DATE:** AUGUST 6, 2007

**SUBJECT:** FALLS WATER COMPANY'S APPLICATION FOR A GENERAL RATE INCREASE, CASE NO. FLS-W-07-01

On July 27, 2007, Falls Water Company filed a general rate case Application seeking authority to increase its metered rates an average of 46.2%. Because the Company is in the process of converting its flat rate customers to metered service, the Company is not requesting any increase in its flat rate service under Schedule R-2. If approved, the Company's revenues would increase \$330,705 annually. The Company proposes using a 2006 test year. Falls Water serves approximately 3,200 customers near Ammon and Idaho Falls. The Company proposes that its new rates become effective with service provided on and after September 1, 2007.

### THE APPLICATION

#### *A. Revenue*

Falls Water maintains that its overall revenues are no longer reasonable given the Company's increased costs. The Company further maintains that it is in the process of complying with Order No. 30027 that requires the Company to convert its existing flat-rate customers to metered service by mid-2008. Application at 2-3. The Company maintains that installing the meters will increase its rate base by approximately \$181,522. The Company further maintains that the Company is constructing four separate line-looping projects to improve system reliability, pressure and quality of service. The Company expects to complete these projects in 2007 at a cost of \$152,800. Application at 3, Exh. 1. Finally, the Company proposes a number of pro forma adjustments to its results of operation which increases the Company's test year expenses by \$144,854. Exh. 2.

Falls Water seeks a return on its rate base of 7.2%, utilizing a return on common equity of 12%. Application at 5; Exh. 3.

### ***B. Rate Design***

1. Metered Rates. In its Application, Falls Water proposes to increase the rates for its metered customers but is not proposing any rate changes to its flat-rate customers. At such time as these latter flat-rate customers are converted to metered service (by mid-2008), they will begin to pay the metered rate. Application at 6. The Company is proposing to increase both the monthly minimum charge and the commodity rate for all metered customers. The Company proposes increasing the minimum charge for metered customers from \$11.53 to \$16.47, an increase of 43%. *Id.* The Company proposes to increase the commodity rate for all metered service from 48¢ per 1,000 gallons to 73¢ per 1,000 gallons, an increase of 52%. *Id.*

The Company maintains that the average residential meter customer will experience an increase in their average bill of approximately 46.27%. If approved, the Company's new meter rates would result in the average residential customers annual bill (tariff R-1) increasing from \$219.92 to \$321.68, an increase in the annual rate of 46.27%. The average annual bill for multi-family residential customers (R-3) would increase from \$232.63 to \$341.00, an average annual increase of 46.59%

The average commercial customer will experience an increase in its rate of 47%. *Id.*, Exh. 5. The average annual bill for metered commercial customers (tariff C-2) would increase from \$415.23 to \$618.72, or an average annual increase of 49%.

2. Connection Charge. The Company is also proposing an increase in its customer connection for metered service. The Company is proposing that the connection charge for 1.5-inch meter connection increase from \$825 to \$930, a 13% increase. The Company is also proposing to increase the cost of its 2-inch meter connection from \$900 to \$1,205, an increase of 34%. Exh. 6.

Consistent with Utility Customer Information Rule 101, the Company filed a copy of its customer notice. The Company maintains that the customer notice was included with the bills mailed on July 25, 2007. The Company also made arrangements for publication of the customer notice in the Post Register newspaper.

### STAFF RECOMMENDATION

Staff recommends that the Commission issue a Notice of Application and set a deadline for intervention. Once the Commission Secretary issues a Notice of Parties, the parties could meet informally to establish a schedule for processing this case.

### COMMISSION DECISION

1. Does the Commission wish to issue a Notice of Application including a 14-day deadline for intervention?

2. Unless suspended, the Company's Application would be effective on or about September 1, 2007. Does the Commission wish to suspend the proposed rates for a period of 30 days plus 5 months pursuant to *Idaho Code* § 61-622?

3. Does the Commission desire to set a prehearing conference or should the parties meet informally to discuss a proposed schedule to process this case and then notify the Commission?



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Don Howell

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