

DECISION MEMORANDUM

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

**FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL**

DATE: FEBRUARY 15, 2012

**SUBJECT: FALLS WATER COMPANY'S APPLICATION TO INCREASE ITS BASIC
RATES AND CHARGES, CASE NO. FLS-W-12-01**

On January 30, 2012, Falls Water Company applied to the Commission for authority to increase its total revenue requirement by \$295,059.75, or 26.52%. Application at 1, 4. The Company says the accompanying rate increase will increase the average customer's bill by 26.8%. *Id.* at 5. The Company asked that its Application be processed by Modified Procedure, and that the proposed tariff changes take effect February 29, 2012. *Id.* at 2.

THE APPLICATION

Falls Water provides water service to more than 3,900 residential and commercial customers north of the City of Ammon and northeast of the City of Idaho Falls in Bonneville County. *Id.* at 2. The Company last increased its basic rates and charges in March 2010. Order No. 31022.

A. Revenue

Since its last rate case, the Company has replaced manually-read meters with new touch-read meters, installed radio transmitter units (MXUs) on all meters not already so equipped. The Company also has doubled its rented office and warehouse space, and added an on-line billing option for customers. *Id.* at 2. As a result of these and other expenditures, the Company now seeks to raise its rates to increase revenues by \$295,059.75 (26.52%). *Id.* at 1, 4. The Company proposes to increase its metered rates and reduce the included maximum gallons allows as follows:

Meter Size	Current Rate	Proposed Rate	% Change
3/4" or smaller	\$16.10 for up to 12,000 gallons	\$19.18 for up to 5,000 gallons	19.1% increase
1"	\$22.54 for up to 17,000 gallons	\$26.85 for up to 7,000 gallons	19.2% increase
1½"	\$28.98 for up to 22,000 gallons	\$34.52 for up to 9,000 gallons	19.1% increase
2"	\$37.03 for up to 28,000 gallons	\$44.11 for up to 12,000 gallons	19.1% increase
4"	\$66.01 for up to 49,000 gallons	\$78.64 for up to 20,000 gallons	19.1% increase
Commodity Rate per 1,000 gallons	\$0.611	\$0.67	9.7% increase

Id.

The Company proposes a 2011 test year. *Id.* at 2.

B. Rate Design

In its Application, Falls Water proposes to develop new rates as follows:

Meter Size	Current Rate	Proposed Rate
3/4" or smaller	\$16.10 for up to 12,000 gallons	\$19.18 for up to 5,000 gallons
1"	\$22.54 for up to 17,000 gallons	\$26.85 for up to 7,000 gallons
1½"	\$28.98 for up to 22,000 gallons	\$34.52 for up to 9,000 gallons
2"	\$37.03 for up to 28,000 gallons	\$44.11 for up to 12,000 gallons
4"	\$66.01 for up to 49,000 gallons	\$78.64 for up to 20,000 gallons
Commodity Rate per 1,000 gallons	\$0.611	\$0.67

Id. at 4. The Company says the average 3/4" metered-customer's bill will increase 26.8%; the average 1" metered-customer's bill will increase 24.3%; the average 1 ½" metered-customer's bill will increase 26.1%; the average 2" metered-customer's bill will increase 27.8%; and the average 4" metered-customer's bill will increase 28.1%. *Id.* at 4-5.

The Company says its proposal decreases the ratio of base charges from 66% to 65% and increases the ratio of commodity charges from 34% to 35%. *Id.* at 5.

The Company says the proposed rate design will produce \$1,407,749.70 in revenues, which is within \$78.59 of the \$1,407,671.11 revenue requirement. The average customer's bill will increase by 26.8%. *Id.*

C. Year-Round Meter Reading

Falls Water also proposes that it be allowed to read meters year-round on all of its metered rate schedules. *Id.* at 5. The Company presently reads single-family residential meters from April through October but not during the winter due to difficult meter access. However, the Company has finished installing radio-read units system-wide that will enable the Company to read the meters year-round. *Id.* The Company says year-round meter reading benefits customers and conserves water because plumbing leaks will be detected sooner. Also, customers would be able to

pay for any water use above the minimum amount allowed as the overages are incurred rather than being billed in April for excess water use that has accrued since October. *Id.*

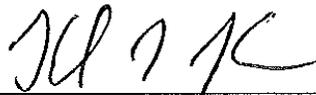
STAFF RECOMMENDATION

Staff recommends that the Company's Application be processed by Modified Procedure, and that the Commission issue a Notice of Application setting a 14-day intervention deadline. Once the Commission Secretary issues a Notice of Parties, the parties could meet informally to establish a schedule for processing this case.

Staff also recommends that the Commission suspend the proposed, February 29, 2012 effective date to allow adequate time for comments and processing of the case.

COMMISSION DECISION

1. Does the Commission find that the public interest may not require a hearing, and that this proceeding may be processed under Modified Procedure?
2. Does the Commission want to issue a Notice of Application setting a 14-day intervention deadline, after which the parties would meet to establish a schedule?
3. Does the Commission want to suspend the Company's proposed, February 29, 2012 effective date for 30 days plus five months pursuant to *Idaho Code* § 61-622?



Karl Klein
Deputy Attorney General

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