

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF ISLAND PARK WATER COMPANY, INC.</b>	)	<b>CASE NO. ISL-W-08-01</b>
<b>FOR AUTHORITY TO INCREASE ITS</b>	)	
<b>RATES AND CHARGES FOR WATER</b>	)	
<b>SERVICE</b>	)	<b>ORDER NO. 30668</b>
	)	

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On March 26, 2008, Island Park Water Company, Inc. (Island Park; Company) filed an Application with the Idaho Public Utilities Commission (Commission; IPUC) requesting a 124% increase in rates, from \$125 per year to \$280 per year. The Company's billing cycle is annual, from June 1 to May 31 each year. The Company's existing rates were established in July 1992. Island Park is located in eastern Idaho near West Yellowstone and provides water service to approximately 334 customers.

The Commission Staff is the only other party of record in this case. After performing its audit, Staff filed its Report and Recommendations on August 22, 2008. Staff recommends that an annual revenue requirement of \$92,304 for Island Park be established and that rates for all customers increase to \$280 per year. Staff recommends changes in Company operations to improve service, proposes protocols to improve Company communication with customers, and recommends approval of tariff additions (charges and fees) that it believes are necessary for the utility to conduct its business.

After reviewing the Application of the Company, the Report and Recommendations of Commission Staff, the transcript of public testimony and the written comments of customers, the Commission in this Order approves the proposed increase in rates, authorizes implementation of non-recurring charges (hookup fees, reconnection charges and late payment charge), and directs the Company to implement changes in its operations.

**Background**

Island Park is a regulated water utility operating in Fremont County, Idaho under Certificate of Public Convenience and Necessity No. 317. The service area of Island Park is comprised of seven separate water systems with 13 wells located within 5 subdivisions (Shotgun North, Shotgun South, Aspen Ridge, Goosebay and Valley View).

Island Park contends that an increase in rates is necessary to meet increased operating expenses, including the costs of power for the wells, lab fees for water testing, and labor and materials for repairs and maintenance to the pumps and water lines.

A Notice of the Company's Application was issued by the Commission on April 8, 2008. The Commission Staff held a public workshop at Ponds Lodge in Island Park on June 10, 2008 dispensing information, answering questions and obtaining customer input regarding the Company's Application.

On July 18, 2008, the Commission established an August 22 filing deadline for the Report and Recommendations of Commission Staff, an August 29 customer comment deadline, and a September 5 Company reply deadline. Staff's analysis and recommendations in the case are based on its audit of the Company's financial records, physical facilities and operations. The Company filed no rebuttal or reply. On September 9, 2008, the Commission held a public hearing in Island Park for the purpose of receiving public comment.

The Commission has reviewed and considered the filings of record in Case No. ISL-W-08-01 including the Company's Application, the Report and Recommendations of Commission Staff, the written comments of customers and the transcript of the September 9 public hearing. The Commission finds that the record provides a sufficient basis for decision in this case, without further procedure or hearing. Staff's Report forms the content of our discussion below.

### **Reorganization of Company and Change in Corporate Status**

In the Commission's initial Notice, David E. Benton was identified as the manager of the Company. The Commission is informed by Staff that the Company has recently reorganized and has a new management team. Mike Bischoff, an engineer, is the newly appointed general manager. Bill Warner is the certified operator with general maintenance duties. Also part of the team is Roger Buchanan who comes on as a director (uncompensated). Mr. Buchanan is an owner of Andrew Drilling, one of the primary service and repair providers for the Company.

A review by Staff of the Company's incorporation records at the Idaho Secretary of State's office reveals that in 1995, Island Park Water changed its corporate status from "for profit" to an Idaho non-profit corporation. Amended and Restated Articles of Incorporation – filed February 10, 1995. Idaho Code, Title 30, Chapter 3. Pursuant to Article 5 of the Company's Amended and Restated Articles of Incorporation, "no dividends shall be paid, and no

distribution of net income shall be made or distributed to officers or directors.” Accord Second Amended and Restated Articles of Incorporation – filed August 18, 2008.

We find that the utility, Island Park Water Company, and not its customers continues to exert control over Company operations and management and the pricing of water and related services. We find that Island Park continues to be a public utility and water corporation operating and providing water and related services pursuant to Certificate of Public Convenience and Necessity No. 317. *Idaho Code* §§ 61-104 (Corporation); -124 (Water System); -125 (Water Corporation); and -129 (Public Utility). Despite the Company’s change in corporate status, we continue to find that Island Park Water Company is subject to Commission jurisdiction and regulation. Reference Kootenai Heights Water (KHW-W-05-01, Order No. 30219); Falls Water Company (FLS-W-95-1, Order No. 26443). We are encouraged by the reorganizational changes of the Company and hope that the new management team ushers in an era of better service and communication for the customers of Island Park.

### **System Description**

The service area of Island Park is comprised of seven separate water systems with 13 wells located within 5 subdivisions (Shotgun North, Shotgun South, Aspen Ridge, Goosebay and Valley View). Initially developed for summer/seasonal use in the 1970s, the Company’s service area is increasing in year-round occupancy and year-round recreational weekend use. The increase in usage in terms of number of visits, length of stay and frequency of visits has put strains on the capacity of the individual water systems. The systems are also compromised by the freezing of mainline water pipes, pipes buried at less than the minimal depth required for frost protection. As reported by Staff, the water systems appear to be poorly maintained. Only 3 of the 13 wells are equipped with a flow meter. There are no meters, no isolation valves, no shut-off valves leading to customer service lines and no flushing hydrants in the mains or at dead ends of the branch lines. It is not possible to work on any part of a system without shutting down the entire system.

The customers of Island Park in filed comments and testimony at hearing generally oppose any increase in rates unless there is a reciprocal improvement in service. We detail the physical deficiencies in our description of the system. There is little that can be done to immediately re-engineer and correct the physical plant in the ground. The Company’s infrastructure was in place for many years before a Certificate of service was issued in the early

1990s and this Commission began regulatory oversight of the Company. What can be done in this case, however, is to require an engineering study to explore the costs of upgrading the individual systems from what was developed as a seasonal utility to what is now a year-round water company. The Company can then be directed to take steps to ensure that it acts as a better steward of the water provided to customers; that it complies with all Idaho Department of Environmental Quality (DEQ) testing requirements; that it secures the well-head points of entry and possible contamination vectors; that it inspects all new interconnections; and that it responds promptly and appropriately to customer reports of water line breaks and service interruptions. Protocols can also be established to improve Company communication and customer relations. In this Order, the Commission makes all these changes.

### **Test Year and Revenue Requirement**

The audited expenses incurred by the Company during 2007 were used as the test year basis for determining the operating expenses used by Staff to determine revenue requirement. The Company filed no reply to Staff's proposed rate base and adjustments to the Company's 2007 expenses. The Commission finds it reasonable to use a 2007 test year and to accept Staff's calculations and unchallenged adjustments as a fair and just basis for establishing the Company's revenue requirement.

### *Rate Base/Rate of Return*

As reported by Staff, the Company carries no recorded rate base on its books. Staff identifies \$17,183 in improvements made in 2008 to the Shotgun North east well, the Valley View No. 1 well and electrical upgrades to the Chickasaw well No. 2 in the Shotgun South subdivision. To this amount, Staff adds a proposed \$10,000 pro forma adjustment for the metering of all wells, an amount supported by a Company engineering estimate. With an adjustment for accumulated depreciation based on a 10-year average useful life (\$2,718), a Staff-recommended 12% authorized rate of return on the net amount results in a net rate base of \$24,465 and a revenue requirement from rate base of \$2,936. Grossed-up for taxes, the end result or revenue requirement for the return is \$3,738. Staff Comments Atch. C & D. We find a 12% return on equity to be consistent with the equity returns authorized for other small water companies. We also accept Staff's rate base calculations, pro forma adjustment and related revenue requirement figure.

### *Operating Expenses*

The Company's audited 2007 expenses totaled \$70,226. Staff accepted some of the Company's audited 2007 expense levels (accounting, water testing, real estate taxes, other taxes, IPUC fees and IDEQ fees) and proposed adjustments totaling \$18,439 to other expense categories (labor, bookkeeping, legal, engineering, professional fees, rent for office space, power costs, telephone, insurance, office supplies, maintenance on wells, general repair and maintenance, metering wells and depreciation expense). The total annual expense amount recommended by Staff is \$88,665. Staff Comments Atch. E. Staff's expense adjustments are set forth below:

*Labor* – total compensation recommended to be paid to the new management team will be \$1,200 in director fees and \$19,620 in compensation.

*Bookkeeping* – the Company has contracted with Bobbie Warner (wife of Bill Warner) to do all the bookkeeping. Ms. Warner will be paid \$300 per month (\$3,600 per year).

*Legal Fees* – Staff recommends \$875 for legal fees related to attorney attendance at quarterly board of directors' meetings.

*Engineering* – Staff recommends \$2,000 for engineering services to assess and prioritize water system improvement projects.

*Professional Fees* – Staff eliminates \$975 from 2007 expense for accounting services that were unrelated to the continuing operation of the Company.

*Office Rental* – The Company has been housed in a 3,000-square foot building owned by Benton Engineering and will continue to use that building as its registered address. The Company will use one office space in the building (125 square feet) and will have full access to the common areas. The total rent is \$275 per month (\$3,300 per year).

*Power Costs* – The Company anticipates being able to offset any potential power increase by managing future power costs with better maintenance on the wells and delivery system. The total cost for power is left constant at the 2007 \$15,441 amount.

*Telephone* – The Company has not had a dedicated telephone line. Staff recommends that the Company obtain a dedicated phone line with a 24-hour answering service. All calls could be immediately forwarded to either Mr. Bischoff or Mr. Warner. The total cost for a dedicated line and answering service is estimated to be \$1,620.

*Insurance* – The Company has obtained liability insurance for its well site lots (\$600) and director liability insurance for its directors (\$900).

*Office Supplies* – Staff estimates that a reasonable amount necessary for office supplies for the Company to bill and service more than 300 customers is \$750.

*Well Maintenance* – The conditioning of the wells and pumping structures is in need of attention and additional future maintenance. In 2007 the Company expended \$22,917. Staff recommends that \$25,000 be included in revenue requirement as a reasonable amount to maintain the Company's wells.

*General Repairs and Maintenance* – The expenditures in this category are for repairs to the delivery system. The transportation and distribution system is old, not buried deeply enough and in general disrepair. In 2007, the Company spent \$5,432 to fix leaks and broken pipes. Staff recommends that this amount be increased by \$568 to \$6,000 for future repairs.

*Metering Wells* – Staff recommends the metering of all the Company's wells. The Company has estimated that the cost to complete the metering will be \$10,400. Staff is recommending a pro forma adjustment to rate base of \$10,000 for this metering.

*Depreciation Expense* – Staff recommends a composite depreciation rate of 10% on recognized rate base. Staff includes annual depreciation expense of \$2,718.

Based upon the record, the Commission finds Staff's proposed adjustments to the test year to be reasonable. We find the recommended increase in revenue required to be justified and necessary for the Company's continued operation. Adding the \$3,738 revenue requirement related to rate base to the \$88,665 in annual expense results in a total annual revenue requirement of \$92,403. Staff Comments Atch. D.

## **Rate Design**

### *Number of Customers*

The Company proposes to maintain a single flat rate for all water customers, whether they are full-time or part-time. None of the Company's customers, Staff notes, are metered. The mix of part-time and full-time customers is ever-changing and difficult to determine. The Company in its Application states it has 310 customers. This number, Staff contends, is inaccurate. In response to a Staff production request, the Company indicates there are 324 service connections consisting of 228 lots with homes and 96 lots without homes. The total number of customers billed by the Company in 2007 was 324. Even this number, though, is

inaccurate. Based on its investigation, Staff contends that not all of the people hooked up to the Company's water systems are being charged. This belief comports with the written comments filed by some customers and is not disputed by the Company. According to records in the Fremont County Assessor's office, 343 of 833 lots within the five Island park subdivisions are improved lots. Staff uses a customer count of 334 in its revenue calculations, 10 more than the Company's latest billing but 9 less than the total number of improved lots (343). The discrepancy in the number of customers is due to a Company practice of allowing customers to connect themselves to the water system. In some instances, this is done without Company knowledge. Staff proposes a rate design using 334 as the total number of customers connected to the water system. Because the customers are unmetered and cannot be easily monitored, Staff makes no distinction between part-time and full-time. The Commission finds that closer monitoring and oversight of interconnections is required by the Company. This is an operational and safety requirement. We find Staff's 334 customer count to be reasonable for ratemaking purposes. We encourage the Company to take steps to ascertain a precise customer count.

#### *Rate Design Options*

Staff considered two rate design options: (1) a flat-rate option, single uniform tariff for the entire system (all systems and subdivisions); and (2) a flat-rate option, multiple tariffs (one for each system and subdivision). Option 1 provides greater stability in rates – a total revenue requirement of \$92,403 spread across 334 customers results in an approximate uniform rate of \$280 per year for all systems and customers. Option 2 results in considerable differences between the water systems and presents a problem of greater volatility as future improvements are made and expenses incurred. In time, Staff states that each water system will require some major expense. As the Company's water systems are presently configured, we find the single uniform rate option to be fair and reasonable. It enables both the Company and its customers to deal with present and future costs in this unmetered system in what the Commission finds to be a more equitable manner. Customers complain that the rates of all customers are the same despite differences in usage patterns – both time and volume. Without customer meters and the ability to monitor time of use, we regret that this identified inequity cannot be resolved. We accordingly find the resultant rate, \$280 per year per customer, to be fair, just and reasonable. We also note that the fixed costs of having the system in place are present year-round.

## **Other Operational and Maintenance Issues**

### *Flow Meters – Wells*

Of the 13 wells operated by the Company, only 3 of the wells were observed by the Staff to have flow meters. Staff stresses the importance of collecting well production data and recommends installation of flow meters on all the remaining wells. A cost estimate and proposal to install the meters was submitted to Staff by the Company and was used by Staff in developing its pro forma adjustment to rate base and revenue requirement. We find flow meters to be a reasonable and necessary first step in upgrading the Company's physical plant facilities. The Company, we find, must first determine the total water volume pumped. With flow meters in place the Company will be better able to assess problems of water pressure and water loss. The Company is directed to provide Staff with a schedule and timeline for installation of the well meters.

### *Water Quality*

Several customers indicated in writing and at hearing that the water they receive is sometimes of poor quality (yellow or brown in color; sulfur smell; bad taste). Staff notes in its Report that it contacted IDEQ-Idaho Falls to verify the water-quality issues in the Island Park water system and was informed that the public water systems serving Shotgun North, Shotgun South, Aspen Ridge and Goosebay subdivisions are currently meeting Idaho's water quality standards for public water systems. Because of the small number of customers, testing is not required by DEQ for Valley View. Island Park by statute is required to provide such service as will promote the safety and health of its customers. *Idaho Code* § 61-302. This Commission expects continued Company compliance with DEQ water testing requirements. We further direct the Company to test Valley View water if there is reason to suspect that it has been contaminated or that the water is not potable.

In an effort to improve water quality, Staff notes that the Company plans to install two-inch flush valves on the end of its distribution lines. Installing larger flush valves will increase the flow rate during flushing, thereby ultimately improving the quality of water delivered to customers. Staff supports the Company's plans and recommends that the Company implement a schedule to regularly flush all main and distribution lines. We concur with Staff's recommendations.



### *Freezing Water Lines*

Customer comments also reveal a continuing problem of some lines freezing up during the winter resulting in water service interruption. To prevent freezing, the Company advises customers to run a steady pencil stream of water during periods of extreme cold. Staff notes that the Company's water systems were originally designed for summer use and that most of the distribution lines were not built to engineering standards to withstand winter weather operations. Staff recommends that frozen line issues be addressed by the Company on a case-by-case basis. In order to bring the individual systems up to acceptable engineering standards and be able to supply water to customers all-year-round, Staff believes that an extensive engineering study and infusion of significant capital for reconstruction of the various systems will be required.

Given the present reality that customer use is transitioning from seasonal to year-round, the Commission finds it reasonable to direct the Company to develop an engineering plan for upgrading each individual water system to assure that all mainlines are buried below the winter frost line. Individual customer meters (with meter bases) and turn-offs should be included as part of the engineering study. Costs should be developed for each subdivision with a five-year plan for implementation. Once a plan is developed, the Company should present its proposal to customers and determine the level of customer support for implementing such an upgrade.

### *New Service Connections*

Staff notes that new service connections and mainline extensions are often made without prior notification to the Company. A visit to several of the different systems' well locations by Staff showed evidence of forced entry to well-head cisterns, with missing or broken padlocks or the nuts securing the steel covers to the underground cement cisterns removed or missing. These unauthorized system shut-offs, Staff states, not only disrupt service to customers but create a potential health risk. Staff notes that the Company has installed an alarm system at some of the wells which consists of a red flashing light and siren. The Company is also in the process of constructing signs to be posted close to the alarm systems which provide a Company phone number to call. The intent is that if the alarm is triggered by an unauthorized shut-off of the pump, nearby customers can call the Company to report the problem. Staff recommends that the Company complete the installation of the alarm systems and signage at all well-head locations.

The Company indicates that it wants customers to continue to install their own connections and line extensions. Although water companies typically require customers to install their own service lines, Staff states that it is unusual to expect customers to connect to the utility system or construct an extension of the company's lines. The Company's policy contributes to the problem of connections being made without the Company's knowledge or authorization. It also increases the possibility of potential contamination of the water if connections are not completed properly. To ensure the integrity of the system and the safety of its customers, Staff recommends that the Company develop and implement a procedure requiring persons to notify the Company of the need to make a new connection or extend a mainline. Staff also recommends that the Company develop and implement a procedure to respond to calls for new service and the need for temporary system shut-offs.

The Commission finds the interconnection policy of the Company to be seriously deficient. We expect the Company to develop a protocol regarding signage and notice at its well-heads. To discourage unauthorized persons from terminating or interrupting service we expect the Company to send a letter to all area contractors apprising them that prior notification of interconnections to the Company's system is required and that inspection of all work done must be performed by the Company prior to any burial.

### **Non-recurring Charges**

Staff recommends that the Company be authorized to establish the following non-recurring charges to allow it to recover costs and to better ensure the safety and integrity of the water systems.

#### *Hookup Fee*

Authorized Connections – \$200

The Commission finds that it is fair and reasonable for the Company to require a person requesting new service to pay the Company a service fee for hookup. It is also important to require a meter box and shut-off valve for all new connections. The service fee for new hookups would entail cost to the Company for locating mainlines/distribution lines, shutting off and turning on of pumps, notifying customers of pump shut-downs due to connections, inspection of proper connections to the main, and inspection of a customer meter box and shut-off valve installation. The recommended hookup service fee of \$200 per connection is approved. It is still the responsibility of the customer to pay the costs for the contractor to tap the

Company's distribution line, install the service line and install a customer shut-off valve and meter box near the customer's property line.

#### Unauthorized Connections – \$1,100

The Commission finds that the Company should also be allowed to collect charges when a customer hooks up a service line to the Company's system without notification or authorization to recover the costs of verifying and inspecting the interconnection after the fact to ensure that it meets the specifications and standards of the Company. This cost to the Company entails locating the service line and area of connection, hiring a contractor to dig up the area of connection, inspecting the connection, replacing the connection if not installed according to specifications, installing a customer shut-off valve if the customer has not installed one, and back-filling trenches. The proposed hookup fee of \$1,100 shall be assessed for unauthorized connections to encourage new customers to notify the Company prior to interconnection.

#### *Reconnection Charge*

Where there is an existing shut-off valve, the Commission finds a reconnection fee should be based on recovering the cost of sending personnel into the field to reconnect service when water service has been terminated or discontinued and the water physically turned off. This charge is standard for many small water utilities. The suggested fees of \$20 for reconnection during normal business hours and \$40 for reconnection before or after normal business hours are approved.

The Commission also adopts the recommendation to install shut-off valves on existing connections at the Company's expense as the opportunity arises to minimize the time and expense of disconnection and reconnection in the future.

#### *Late Payment Charge*

The Company sends its annual bills out in May of each year. The Commission finds that the Company may assess a late payment charge of 12% per annum or 1% monthly on the unpaid balance. We also find that the Company should initiate a system of sending reminder notices on unpaid accounts on a monthly basis and that it warn customers of the possibility of disconnection due to non-payment.

The Commission recognizes a need for shut-off valves to enforce collection of overdue bills. We find that the Company shall be allowed to recover the costs of installing a

shut-off valve (\$1,100) when a customer is more than 15 months past due, has no shut-off valve, has been properly notified and has failed to make payment arrangements.

### **Communication and Customer Relations Issues**

#### *Customer Relations – Telephone*

One of the biggest complaints of customers, as reflected in both Staff's Report and customer comments, is poor communication and lack of appropriate and timely response on the part of the Company to customer calls. In addressing this deficiency, the Commission is informed that the Company has agreed to set up a dedicated phone line in its Idaho Falls office. Calls may be forwarded from that office to both Mike Bischoff and Bill Warner. The dedicated number will have the capability of recording and retrieving customer messages after normal business hours. This will improve the Company's ability to dispatch personnel to investigate customer problems and to perform maintenance in a more timely manner. Staff recommended that the Company directly answer calls received during normal business hours, Monday through Friday between 8 a.m. and 5 p.m.; and that calls received after normal business hours up to 10 p.m. either be answered by Company personnel or monitored and a call-back made if requested by the customer, particularly in the case of an emergency. Calls placed to the Company after 10 p.m. need to be responded to on the following work day. Because many of the customers utilize their properties only on weekends, Staff recommends that Company personnel be available to respond on weekends in case of an emergency. In improving its customer relations, we find that the Company can take no greater step than providing a telephone number, returning calls and answering customer questions. We direct the Company to implement these Staff recommendations.

#### *Customer Notification – Service Interruptions*

To reduce the disruptive consequences of service interruptions for the purpose of scheduled maintenance or installation of new connections, Staff recommends that the Company give written advance notice to all affected customers regarding any scheduled event when the customer's service will be interrupted. Staff recommends that in situations when unscheduled repairs cannot be completed quickly due to the unavailability of parts and/or equipment that the Company provide written or verbal notification of the status of repairs to the affected customers if possible and maintain an updated message on its telephone answering machine, voice-mail box, and/or answering service to keep customers advised of the status of repairs. The

Commission finds Staff's recommendations reasonable and directs the Company to implement them.

#### *Complaint Records*

A customer of Island Park or applicant for service may complain at any time to the utility about billings, termination of service, quality or availability of service, or any other matter regarding utility services, policies and practices. The Company is required by the Commission's Utility Customer Relations Rules (UCRR) to maintain a record of all customers calling to complain or request a conference. IDAPA 31.21.01.403 (Record of Complaints). The Company does not maintain such a register. To bring the Company into compliance, Staff recommends that the Company establish and maintain a Call Log in addition to the required complaint record and make these documents available for review. The Call Log should contain at a minimum the customer name and contact number, date and time of call, reason for call, date and time that the Company responded to a message left on the line, and the action taken in response to the call. The Commission directs the Company to comply with Commission rules and regulations.

By way of summarizing the operational changes we discuss above and that we find reasonable to require, the Company is directed to:

1. Take steps to ascertain a precise customer count.
2. Provide Staff with a schedule and timeline for installation of flow meters at all well-heads to monitor production.
3. Provide Staff with a schedule and timeline for installation of two-inch flush valves at the end of its distribution lines.
4. Implement a schedule to regularly flush all main and distribution lines.
5. Develop a five-year engineering plan and cost estimate for upgrading each individual water system to assure that all mainlines are buried below the frost-line. The study should include installation of meter bases, individual customer meters and shut-off valves.
6. Develop a formal interconnection policy and protocol requiring prior notification and inspection, and inform all area contractors of the policy.
7. Install signage, contact information and notice at well-heads regarding new connection requirements.

8. Develop a protocol for scheduled, emergency and temporary system service interruptions and a plan for customer notification (and status updates).
9. Require shut-off valves and meter bases for all new service connections.
10. Install shut-off valves and meter bases for existing customers as the opportunity arises during periods of system maintenance, repairs and excavations.
11. Install a dedicated phone line (with answering and message service).
12. Implement a system for timely response to customer requests.
13. Establish and maintain a complaint record and call log.

#### **ULTIMATE FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Island Park Water Company is a water corporation subject to our jurisdiction pursuant to *Idaho Code* §§ 61-125 and 61-129. Island Park is an Idaho corporation and the holder of Certificate of Public Convenience and Necessity No. 317. The Commission has jurisdiction over the issues raised in this case pursuant to *Idaho Code* §§ 61-502 and 61-622 and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

Having fully reviewed the record in this proceeding, we find that the Company's existing rates are unreasonable and do not afford sufficient revenue to the Company. Recognizing that Island Park Water Company is a non-profit corporation, we find that it is just and reasonable for the Company to receive an equivalent 12% return on rate base. As a non-profit corporation, this equivalent return and associated tax allowance is to be utilized for system improvements. We authorize an annual total revenue requirement for Island Park of \$92,403 and an increase in annual rates for all customers from \$125 to \$280. We conclude that the rates and charges authorized in this Order are fair, just and reasonable.

#### **ORDER**

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that Island Park Water Company's request to increase rates from \$125 per year to \$280 per year is granted. The Company is authorized to charge customers the prorated

difference for the days remaining in the current annual billing cycle. The Company is directed to file a tariff schedule setting forth the Commission-approved rates.

IT IS FURTHER ORDERED and we hereby direct the Company to implement the operating protocols and policies identified above and to prepare the required engineering upgrade study.

IT IS FURTHER ORDERED and the Commission approves the following non-recurring charges:

1. Hookup fee:
  - (a) A \$200 hookup fee for authorized connections
  - (b) A \$1,100 hookup fee for unauthorized connections
2. Reconnection Charge:
  - (a) A \$20 reconnection fee for reconnections during normal business hours where there is an existing shut-off valve
  - (b) A \$40 reconnection fee for reconnections before or after normal business hours where there is an existing shut-off valve
3. Overdue Accounts:
  - (a) A late payment charge of 12% per annum or 1% monthly on unpaid balances
  - (b) For accounts more than 15 months past due and where there is no shut-off valve, an \$1,100 charge to recover the costs of installing a shut-off valve.

The Company is directed to file tariffs setting forth the Commission-approved charges.

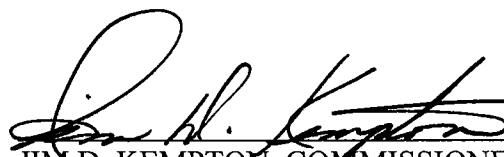
IT IS FURTHER ORDERED and the Company is directed to work with Staff to update its tariffs and rules and to bring itself into compliance with the Commission's Rules and Regulations for Small Water Utilities. IDAPA 31.21.01.000 *et seq.* (Utility Customer Relations Rules); IDAPA 31.21.01.000 *et seq.* (Utility Customer Information Rules).

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.

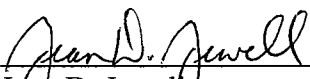
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 5<sup>th</sup>  
day of November 2008.

  
MACK A. REDFORD, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
JIM D. KEMPTON, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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