

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF SCHWEITZER BASIN WATER LLC) CASE NO. SCH-W-15-01
FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY) ORDER NO. 33543
)

On February 13, 2015, the Commission received an Application from Schweitzer Basin Water LLC (“Schweitzer” or “Company”) requesting the Commission issue the water utility a Certificate of Public Convenience and Necessity (“Certificate” or “CPCN”), pursuant to *Idaho Code* § 61-526. Schweitzer is a privately-owned community water system serving full-time and part-time residential customers at the Schweitzer Mountain Resort in Bonner County. Schweitzer also proposes that the Commission allow the Company to continue to collect its existing rates. Application at 1.

On May 28, 2015, the Commission issued a consolidated Notice of Application and Notice of Modified Procedure regarding both the CPCN and proposed rates. The Notice set a deadline for filing written comments and a deadline for the Company to file reply comments, if necessary. Order No. 33308. The Company’s deadline for filing reply comments was later extended until September 8, 2015. *See* Order No. 33372. On September 11, 2015, Staff later submitted supplemental comments amending some of its previous recommendations.

In this Order we grant Schweitzer a CPCN and establish rates for the delivery of water services as set out in greater detail below.

BACKGROUND

A. The Schweitzer Water System

Schweitzer is a for-profit small water system which has been operating in northern Idaho since 1964 in the vicinity of the Schweitzer Mountain Resort. Application at 1. Schweitzer is owned and operated by Mel Bailey since he purchased the water system in 1989. Schweitzer’s business office is located in Sandpoint, Idaho. The Company currently provides water service to the following geographic area: Township 58 North, Range 2 West, Boise Meridian, Section 20, Southeast 1/4 in Bonner County. Commission Staff became aware in 2014 that the Company did not possess a Certificate to operate as a water utility and began working with the Company to assist in the preparation of this Application.

Schweitzer's water system includes: four wells; five reservoirs with a usable storage capacity of 245,000 gallons; six pumps; more than six miles of distribution mains; valves associated with seven pressure zones; a slow sand filter and ultra violet chlorination systems; and fire hydrants. All distribution flow is by gravity. Schweitzer's water system is also interconnected with two adjacent water systems (Spires Water Company and Resort Water Company) to provide redundant water supply. Staff Comments at 3.

The distribution system consists of pipes ranging from 2 to 6 inches, and 8-inch "mains" in an unlooped configuration. All flow is by gravity. The pumps installed include a 2.0 horsepower pump in Well No. 1 with a rated capacity of 47 gallons per minute (gpm), and three 1.5 horsepower pumps in Well Nos. 2-4 with rated capacities of 34, 24, and 23 gpm, respectively. Two additional pumps are installed to pump from Reservoir No. 1 to Reservoir No. 5. These pumps include a 1.5 horsepower pump with a 25 gpm rated capacity and a 5.0 horsepower pump with an 85 gpm rated capacity. Distribution to residential customers is generally through 1 or 1.5-inch service lines for single-family homes, and 2, 4, or 6-inch lines for multi-family buildings.

B. Customer Base

Schweitzer and Staff agree that the Company currently provides water service to about 431 residential customers and 7.5 rental units for a total of 439 Equivalent Residential Units ("ERUs"). Staff Comments at 4-5. The Company's customer list indicates that there are 12 year-round customers and 5 customers that reside for about 120 days per year. The Company believes that its other customers occupy the residential units for approximately 20 days per year. All of Schweitzer's customers are billed a flat monthly rate for water service; there are no meters to measure the consumption of individual customers.

The Company expects the number of ERUs it serves to increase to as many as 620 ERUs. Because customer consumption is not metered, it is not possible to calculate the total amount of water consumed by the residential customers. Approximately 43% of the lots in the local subdivision are developed, with 139 undeveloped lots remaining. The total number of lots located within the Company's proposed service area is approximately 244.

Staff expressed some uncertainty regarding the total number of units that could be built within the Company's service area because existing property owners have the option to combine and/or divide lots which could affect the unit density within the residential

development. However, the Company projects that between 140 and 180 additional new living units will be built between 2013 and 2050. The Company estimates the number of ERUs will grow from the current number of 439 to a maximum number of 612 by the year 2050. There have been no additional homes or units built in the service area since 2001. Staff reviewed the diversion rates allowed under the Company's existing water right and agrees that the available water supply is adequate to meet the Company's estimates of future demand.

Ultimately, Staff's analysis of the Company's Application and water system supported its recommendation that the Company continue using ERUs in the future. Staff Comments at 5. Staff estimated that the domestic usage for a household in a single-family dwelling would be about the same as the usage compared to the same household living in an apartment or condominium. Accordingly, Staff believes that it is appropriate to use one ERU for a customer living in each unit of multi-family dwellings. For rate design purposes, a ten-unit condominium would be equivalent to ten ERU's.

THE APPLICATION

The Company's Application addresses several areas. First, the Company requests a CPCN to operate as a public water utility in Idaho. Second, the Company addresses three primary operations and maintenance issues: (1) system leakage and detection; (2) the occurrence of low water pressure associated with the connection of the fire hydrants; and (3) the need to develop a facilities plan for the future. Finally, the Company proposes a rate design for both its recurring monthly flat rates and its non-recurring miscellaneous service rates. With this background, we turn first to the Company's request for a Certificate of Public Convenience and Necessity.

A. The Certificate

Schweitzer requests a CPCN to operate as a public water utility in Idaho. Schweitzer's service area is mainly comprised of the housing development adjacent to the Schweitzer Mountain Recreational Ski Area. Accordingly, occupancy is highest (approaching 90%) between Christmas and New Year's, on holiday weekends, and far less concentrated during the rest of the calendar year. In its comments submitted in this case, Staff recommended the issuance of a CPCN for Schweitzer to provide water service in its designated service area.

The Commission received numerous customer comments regarding the Company's Application for a CPCN. Most of the comments supported the Company's request and expressed

great satisfaction with Schweitzer's water service. One customer commented that they "highly recommend [the] company to anyone who may choose to use [the] company in the future." Another stated, "I have been a customer of this water company at Schweitzer Mountain ski resort during ski seasons every year since 1985. Their service has continued to improve to the point where I have not experienced an outage in at least the last ten - fifteen years. The water is of the highest quality with no disruption of service." Still another commented, "We have always received excellent and timely service from Mel Bailey and SBWCLC."

Other supporting comments stated that: "[W]e are pleased with the value received for our water, we think the price is fair, we always have clean, pure, the best drinking water around"; "I express my satisfaction with the Schweitzer Basin Water LLC. We have been property owners at Schweitzer Mountain for over ten years and the water system seems to be very reliable and of high quality"; and "SBW will continue to provide excellent water quality, service, and system upgrades to those fortunate enough to own property in their service area. My family and I are most appreciative of the service and quality we receive."

Finally, a comment submitted by an alleged "unbiased engineer" remarked that "the water system is capable of providing the basic minimum fire flows with minimal modifications in relation to the current infrastructure." This gentleman included a report as justification for his finding.

The Company did receive some criticism regarding what customers deemed as Schweitzer's high operating expenses and lack of financial reporting. Other complaints expressed concern about inadequate fire flow.

Commission Findings: Based upon the record in this case, including the Company's Application, customer comments and Staff comments, the Commission finds that Schweitzer is operating as a water utility and serving customers for compensation. *Idaho Code* §§ 61-124, 61-125, 61-129. We appreciate the number of customers who provided helpful comments. The Commission further finds it reasonable to assert formal regulatory jurisdiction over the water system operated by Schweitzer and issue the Company a CPCN to provide water service within the aforementioned service territory in and around Schweitzer Mountain Resort. *Idaho Code* § 61-526. Now that we assume regulatory jurisdiction over the Company, we can begin to address issues raised by both customers and Staff as outlined below. The Commission shall issue

Certificate No. 521 to Schweitzer as a separate document based upon the legal description and map contained in the Application, Attachment 6-7.

As a regulated utility, Schweitzer shall adopt the Commission's Utility Customer Relations Rules, IDAPA 31.21.01 and procedural Rule 125, IDAPA 31.01.01.125. The Commission also orders the Company to adopt an accounting system consistent with the information required by the Commission's Annual Report for Small Water Companies and IDAPA 31.36.01.

The Commission also finds that the Company's use of "ERUs" is a fair and reasonable method to estimate domestic usage for Schweitzer customers. The Commission finds that the flat monthly rate design, based upon ERUs, is the most reasonable option available. The Commission further finds that charging customers based upon their actual usage would be impractical due to the absence of meters and the exorbitant financial cost of installing meters in Schweitzer's relatively small service territory.

B. Operational and Maintenance Issues

1. Leak Occurrence and Detection. Staff reviewed the information provided by the Company on the occurrence of leaks and the leak detection and correction efforts. Emergency leak repair reports provided by the Company suggest that the average time to find a leak is in excess of 200 hours. Staff Comments at 6. The Company also stated that in March 2014, there was a depressurization of a portion of the water system when a leak occurred. A small number of customer comments and Company reports suggested that leakage problems have the potential to be severe, well beyond the 10% to 15% that is considered acceptable for small water systems. *Id.*

Staff calculated that the total well production for the Schweitzer system during 2012 and 2013 were nearly twice as much as during 2014 (1.8 and 1.9 times, respectively). *Id.* Staff believed that water loss from leaks may be decreasing due to lower well production in 2014. The Company also explained that "it is difficult to calculate the water loss per month because of the large variation in the demand and that 2014 may have had fewer occupants when compared to the two previous years." *Id.*

Staff believed that if the Company implements an aggressive leak detection program, then unaccounted water is minimized but Staff remains concerned that significant leaks may lead to system depressurization. *Id.* As a member of IRWA, the Company is eligible for assistance,

including leak detection assessment and other on-site technical assistance, offered by IRWA without charge. *See Reply Comments at 2.*

2. Fire Hydrants. The Company has allowed customers to purchase and connect 22 fire hydrants to the water system. While the Company feels that fire hydrants benefit the community, it also recognizes that fire flows are not included in the water system design.

The Company provided fire hydrant flow and residual pressure data from August to October 2014 (Company Response No. 10). Staff reviewed the fire hydrant testing flows and the residual pressure data and found:

1. Twelve of the 22 fire hydrants had residual pressure of less than the minimum pressure accepted by the DEQ; (i.e., 20 pounds per square inch (psi)); and
2. Four of the 12 fire hydrants with extremely low pressure also had relatively low flows (i.e., between 410 and 490 gpm).

Staff expressed concern whether the water system can maintain adequate pressure (20 psi) during firefighting flows (approximately 300 gpm). Staff questioned that fire hydrant usage (i.e., testing or fire flow events) may lead to system depressurization. *Staff Comments at 7.*

3. Facilities Plan. DEQ conducted a sanitary survey of Schweitzer's system in 2009. DEQ found that the water system is operating in compliance with the Idaho Rules for Public Drinking Water Systems. Deficiencies identified in the survey included a variety of minor improvements and repairs that appear to have been implemented by the Company: (1) Schweitzer "must provide an engineering analysis and construction plans and specifications for modifications to the chlorination equipment; and (2) upon DEQ approval, the system must install a flow proportional hypochlorite feeder if (the Company) ever brings the slow sand filter online." DEQ Report 2009. In the Company's reply to the DEQ on August 24, 2009, it stated that this system is not used and that if it were used, the Company would contact DEQ.

The Company responded to Staff's concerns and claims that "the sand filter is maintained in a state of readiness . . . and the chlorination system has been installed." *Reply Comments at 2.* According to the Company, "it can be valved to operate with the sand filter or with well 4." *Id.*

Staff noted that the Company does not have a current DEQ-approved facilities plan developed by a qualified, licensed engineer. However, one is not currently required by the DEQ.

Staff believes that a well-researched facilities plan would provide effective solutions for leak detection, system pressure during fire hydrant operations, and increase the opportunities for the operators to detect and respond to a depressurization event. Staff recommended the Company assess the options for obtaining a facilities plan by a qualified, licensed engineer. Staff suggests that the Company consider including a plan for future development (e.g., an additional well, service expansions, etc.), a program to detect depressurization events, locate system leaks, and options to prevent low pressure events (e.g., through looped configurations and flow meters for each loop). Staff recommended the Company develop a facilities plan that includes a program to improve pressure for fire hydrant service.

In reply, the Company claims that “in the past 10 years we had only one (1) system, main line, failure with an associated depressurization.” *Id.* The Company remarked that it would “continue with our leak-detection program because it works.” *Id.*

Commission Findings: The potential health impacts from cross-contamination that may occur during system depressurization events due to leaks or fire hydrant usage is concerning. The Company’s plan to develop another well will improve system reliability and partially mitigate this concern. We are pleased that the Company recognizes that its “primary responsibility is to provide safe and reliable water” and that it has “an aggressive leak detection program to find small leaks before they become big leaks.” Reply Comments at 1.

Turning to the issue of fire flow, we agree with the Company and DEQ that while occasional pressure deficiencies may arise when flushing hydrants, “it is preferable to keep the hydrants in place for the safety and protection of residents and their property.” The Company and Schweitzer Fire District should coordinate the flushing of hydrants so that pressure within the water mains will be at or above the minimum 20 psi. *Id.*

Finally, the Commission also directs the Company to work with Staff to research and investigate the best available option for developing a Facilities Plan by a qualified, licensed engineer within six months from the date of this Order. We believe that a proper Facilities Plan will greatly assist the Company in addressing low pressure/fire flow and leak issues. See order No. 29840. Thereafter, the Company shall file a copy of its Facilities Plan with the Commission.

RATE DESIGN

A. Recurring Flat Rates

The Company's current flat monthly rates are established according to unit size and available living area. The Company proposed to continue to serve single-family residential and multi-family residential (apartments and/or condominiums).

The Company proposed to maintain its current flat rates: \$41/month for homes over 500 square feet; \$39/month for homes that are 500 square feet and under; \$82/month for a single unit with a second living area which can be rented; and \$65/month for a single unit with an additional guesthouse or attached living unit (no kitchen) which can be rented. *See* Application, Atch. 19. None of its residential customers are expected to maintain a green lawn or landscaping and there is no common property served or anticipated to be served by the Company. Schweitzer does not currently serve commercial units.

Staff agreed that the Company should continue to charge customers the current monthly recurring rates. Staff Comments at 10.

Commission Findings: Both Schweitzer and Staff recommend that the Company's current rate schedule, as described in Attachment 19 of the Company's Application, should be continued. Based upon our review, we find that Schweitzer's current monthly flat rate schedule is fair, just and reasonable and no party objected to the continuation of these rates. The Commission further finds that customers are accustomed to the current flat monthly rate and maintaining this rate design would therefore provide customers with some measure of rate stability and predictability. Accordingly, the Commission approves the Company's current monthly flat rate schedule found in Attachment 19 of its Application. The Commission directs the Company to work with Staff to develop and file tariff sheets reflecting the Commission's approval of the Company's current rate schedule for water service.

B. Non-Recurring Rates

1. Infrastructure Contribution Fee and Water Tap Fee. The Company proposed to charge an infrastructure contribution fee¹ of \$6,950 for new single-family units and \$3,475 for additional living areas to recover the cost of previously-installed infrastructure such as wells, pumps, a new reservoir, upgraded reservoirs, and upgraded distribution lines. The Company also

¹ During the case, the parties referred to this fee as a "hook-up" fee, however, this fee is intended to recover the Company's costs of previously installed utility plant. Typically a "hook-up" fee covers the Company's costs of connecting a new customer to the water system.

proposed to charge a “water tap” fee of \$2,000-\$3,500, depending upon location, to pay for the service lines to 147 lots on main lines installed prior to 1994, lots along Fall Line Road, and lots along Ullr Road.

In its supplemental comments, Staff recommended approval of the Company’s proposed infrastructure contribution fee and water tap fee in order to recover the cost for infrastructure previously installed and necessary for expanded water service capacity. Staff Comments at 11; Supplemental at 2. Staff recommended an infrastructure contribution fee of \$6,950 for new single-family units and \$3,475 for additional living areas. Additionally, in order to pay for service lines to 147 lots on main lines installed prior to 1994, Staff agreed that a water tap fee of \$2,000-\$3,500 was appropriate. The variance in the water tap fee is attributable to the customer’s relative location.

Commission Findings: The Commission again notes that the Company and Staff have agreed to the recommended infrastructure contribution fee and water tap fee. The Commission finds that a \$6,950 infrastructure contribution fee for new single-family units and \$3,475 for additional living areas is reasonable and appropriate to recover the Company’s rather significant investment in infrastructure to provide water service in a relatively rugged area with limited access. Further, the Commission approves the parties’ recommended water tap fee of \$2,000-\$3,500, depending upon the customer’s location, to provide water service to lots residing on main lines installed prior to 1994. The Commission has determined that the investment subject to recovery from these fees is not included in Company rate base recovered through customer rates or otherwise recovered through the sale of lots.

2. Late Payment Fee. Schweitzer allows its customers a “15-day grace period before the bill is late, Oct 30th.” Reply Comments at 4. The Company remarked that it currently “charge[s] 1.5% per month on the unpaid balance, minimum of \$15.” *Id.* The Company also claimed that it “rarely charge[s] a late fee.” *Id.* According to the Company, if the customer has been late before they will send them another bill after the end of the grace period. *See id.* If the customer has still not paid by the time the next bill is prepared for the following quarter (December 15) they then add a late charge. *See id.*

Schweitzer claimed that this 1.5% fee “was set in the 1989 when interest rates were higher” and that it “does not cover the cost of the second billing, postage, reentry in the billing

system, phone calls, etc.” *Id.* The Company proposes “a 1% late fee on the unpaid balance, or \$5.00, whichever is greater.” *Id.*

Staff recommended approval of a late payment fee of 1% of the past due balance at the time of the next billing statement. Staff supported adoption of a late payment charge to encourage prompt payment of bills.

Commission Findings: The Commission finds that the adoption of a late payment fee on a balance due and owing is fair, just and reasonable. It is also consistent with late charges assessed by other utilities. However, the Commission finds that a late fee of 1% on a past due balance, more than 15 days after the date a customer’s bill is due is more reasonable and appropriate.

3. Reconnection Fee. In its Schedule of Current Rates for Water Service and Connection Fees, the Company proposed to charge a reconnection fee of \$300 if service is terminated for non-payment or at the request of the customer. This is in addition to all past due amounts and interest prior to re-establishment of water service.

The Company argued that the reason for a “high [reconnection] fee was to discourage homeowners from turning their water off during the low usage months when they do not use their home and requesting reconnection for just the high use months.” Reply Comments at 4. Alternatively, the Company proposed “to charge six months flat rate for disconnections greater than 1 month.” *Id.* For involuntary disconnection of service for non-payment, the Company requests a “time based rate” which would take into account the amount of labor and mobilization of equipment required to disconnect/connect service. *Id.*

Staff believed disconnects are a normal business responsibility of the Company. Consequently, Staff recommended the Commission not approve a charge for disconnection. However, Staff agreed that a reconnection charge is appropriate following an involuntary disconnection of service for non-payment. Historically, the Commission has allowed a portion of actual costs to be recovered through a direct charge to affected customers.

Staff recommended the Commission deny the Company’s proposed disconnection and reconnection fee. Staff stated the amount requested by the Company is unreasonable and inconsistent with charges authorized by the Commission for other regulated utilities. Staff instead recommended a \$20 reconnection charge for reconnections following an involuntary disconnection of service for non-payment during normal business hours (e.g., 8:00 a.m. and 5:00

p.m., Monday through Friday, excluding legal holidays). Staff also proposed a \$40 reconnection charge for reconnections following an involuntary disconnection of service for non-payment to be applied when the reconnection is requested outside of normal business hours.

Commission Findings: Based upon the facts of this case, the Commission finds a \$300 reconnection fee is reasonable to discourage customers from voluntarily disconnecting from the system and reconnecting before the high water usage months. Given the flat monthly rates for this system, disconnecting for low usage months does not allow the Company to recover its fixed costs in a timely manner. In addition, the accumulation of snow in the Company's service area (adjacent to a ski resort) during the winter months increases the costs of disconnection/reconnection. For involuntary disconnection and reconnection, the Commission finds that a charge for reconnections following an involuntary disconnection of service for nonpayment should be "time based" to take into account the cost of labor and equipment required to reconnect service in addition to all past due amounts plus interest.

4. Fire Hydrant Fee. The Company proposed a fire hydrant fee of \$500 to a customer requesting the installation of a hydrant (for application, inspection, pressure testing, bacteria testing, and mapping). The Company provided a cost justification for this fee, along with a number of clarifications regarding the impacts to the customers and to the system for providing these services.

As noted above, Staff expressed concern whether the Company's water system would be able to maintain adequate pressure (20 psi) during firefighting flows (approx. 300 gpm). In its supplemental comments, Staff recommended approval of a hydrant assessment fee of \$500 per installation. Staff agreed with the Company that the inclusion of hydrants would be an overall benefit to the water system and customers. Staff supported the Company's proposal to charge customers for all of the costs, including the Company's cost to run the line from the main to the new hydrant when the customer requests fire service.

Commission Findings: The Commission finds that the Company's request to implement a \$500 fee for each new fire hydrant installation is just and reasonable. The Commission acknowledges the detailed cost justification offered by the Company in its Application, as well as the many benefits offered by fire hydrants in such a remote and forested area. Therefore, the Commission approves the \$500 fire hydrant fee proposed by the Company

and agreed to by Staff. This new one-time fee will be assessed to each customer requesting installation of a fire hydrant.

5. Test and Inspection Fee. The Company stated that its proposed “inspection and testing” or hook-up² fee of \$500 is a service to new customers. When customers connect to the curb stop for the first time, the Company requires that the service line be inspected for compliance with its rules and regulations regarding use of materials, bedding, and pressure tested. This may take several trips for the new connection to pass. The state plumbing inspector also inspects the connections for compliance within the new home. Currently, the state plumbing inspector asserts the Company’s system requirements are more stringent than the State’s so he accepted the Company’s inspection results.

The Company proposed to charge a flat hook-up fee of \$500 if the customer requires an inspection by a licensed operator for new water installations. No cost justification was provided by the Company. Alternatively, the Company stated that the homeowner could choose to use their own engineering firm and use the state inspectors.

Staff recommended disapproval of a test and inspection fee. Staff recommended the Company’s rate schedule exclude any general site visit or inspection charges.

Commission Findings: The Commission does not approve the Company’s request for the proposed inspection and testing/hook-up fee. We find that the Company did not present an adequate justification or evidence for the \$500 fee. There were no specific cost estimates regarding the amount of time it takes for Company personnel to perform these tasks. Moreover, costs associated with hooking up new customers should reasonably be included in the Company’s infrastructure contribution fee. We encourage the Company to provide evidence of its actual/projected hook-up fees.

6. Insufficient Funds Fee. The Company stated that its bank charges a fee of \$29.85 for returned checks. The Company added that it then has to send a second invoice, process a second check, and re-enter it into the billing system. The Company disclosed that it has never had a customer check returned due to insufficient funds. The Company believed that a charge of \$40 for a returned check due to insufficient funds, or an electronic payment drawn on an account with insufficient funds, would be appropriate.

² See *supra* note 1.

Staff recognized that an insufficient funds charge is appropriate to discourage customers from making payments that are not honored by their financial institution and allows partial recovery of the costs incurred in the collections process. However, Staff suggested the charge was too high and noted that the Company has never experienced a returned check. Consequently, Staff recommended a \$20 insufficient funds charge be approved. Staff added that the Commission has allowed utility tariffs to identify this type of charge.

Commission Findings: The Commission finds that a \$30 insufficient funds fee is fair, just and reasonable. This amount is commensurate with the Company's bank charge and consistent with the Commission's prior rulings in similar cases involving "returned check charges" utilized by other small water utilities in Idaho. *See* Order Nos. 32152 at 10; 30938 at 3. The Commission finds that this type of fee is a necessary deterrent and can mitigate the costs associated with delinquent customer payments. Therefore, the Commission finds in this instance that the \$30 insufficient funds fee is appropriate.

7. "Will Serve" Letter Fee. The Company proposed a \$500 non-refundable application fee for a "Will Serve" letter if the hook-up fees have not been paid. A "Will Serve" letter is often required by building permitting agencies to determine if the utility "will serve" the potential new customers. Staff recommended the Company's rate schedule exclude a fee for a "Will Serve" letter if the infrastructure contribution or water tap fees have not been paid.

Commission Findings: The Commission denies the Company's request for a non-refundable letter fee of \$500 if the customer has not paid the infrastructure contribution or water tap fees. The preparation of such a letter is a ministerial task that does not warrant a one-time charge of \$500.

C. Customer Service Issues

1. Billing. Schweitzer currently bills on a quarterly basis. Customer bills go out the 15th of the last month in the quarter (example: September 15) and the bill is due the 15th of the following month, October 15. The billing time period is for the quarter, July 1 through September 30.

Staff recommended the Company continue billing customers on a quarterly basis, with an annual payment option. Staff based this recommendation on the following: customers are already accustomed to this billing practice, quarterly billing would help the Company

maintain stable cash flow and customers may benefit by having payments spread evenly during the year.

Commission Findings: The Commission approves the Company's current practice of billing on a quarterly basis, i.e., every three months. The Company shall continue to bill its customers in this manner.

2. Billing Statement. Schweitzer included a copy of its quarterly Billing Statement in its Application. The Company's Billing Statement indicates that customers are billed at the start of each calendar quarter for the preceding quarter, (i.e., the July 2014 statement includes service for April, May and June 2014). The Company agreed that the bill date and last payment date should be added to its bill. In addition, the Company stated that it would change the "due date" on its billing statement to include the date late charges would begin to accrue.

Staff will work with the Company to revise the Billing Statement to ensure it meets the requirements of the Commission's Rule 201 of Utility Customer Relations Rules (UCRR), IDAPA 31.21.01.201. In addition, Staff will assist the Company with the development of its disconnection policy and the applicable notices as well as other required documents as described in the UCRR.

3. Annual Rules Summary. Staff also stated its willingness to assist the Company with its Annual Rules Summary and its Explanation of Rates as required by Rules 700 of the IPUC Rules of Procedure, IDAPA 31.01.01. Staff recommended the Company work directly with Staff to revise its bill statements and customer information and notices to comply with Commission rules and regulations. The Company included a copy of its proposed tariff, including its proposed rate schedules and the general rules and regulations. Staff has serious concerns about the rules and regulations contained in the Company tariff that are in conflict with the Commission's Utility Customer Relations Rules (IDAPA 31.21.01) and the Model Tariff for Small Water Utilities, including both the General Rules and Regulations and the Main Extension Rules. In addition, the Company's proposed tariff includes references to several non-recurring charges that were submitted by the Company for approval and have not been previously approved by the Commission for other utilities.

Staff recommended the Company use the Commission-approved General Rules and Regulations, including the Main Extension Rule. Staff recommended the Company work directly with Staff to develop a tariff that complies with Commission rules and regulations. Staff

also recommended the Company be directed to work with Staff to revise its billing statement and tariff so that it is consistent with the Commission's rules and regulations, and to create required documents, e.g., disconnection notices and an annual customer notice.

Commission Findings: The Commission directs the Company to work in a cooperative manner with Staff in order to develop an appropriate Billing Statement, tariffs, customer notices, and other procedures that are in full compliance with the requirements found in the Commission's rules and regulations. The Company shall adopt and use the Commission-approved General Rules and Regulations, including the Main Extension Rule.

ORDER

IT IS HEREBY ORDERED that the Application of Schweitzer Basin Water LLC for a Certificate of Public Convenience and Necessity is approved. The Certificate shall be issued in a separate document.

IT IS FURTHER ORDERED and the Commission does hereby establish rates and charges, as set forth in greater detail above in the body of this Order. The Company is directed to work with Staff and file tariff sheets reflecting the Commission-authorized monthly flat rates, including the non-recurring charges and general service provisions discussed in greater detail above, within 21 days of the service date of this Order.

IT IS FURTHER ORDERED that the Company shall adopt and implement the Commission's Utility Customer Relations Rules (IDAPA 31.21.01), Customer Notice Rule 125 (IDAPA 31.01.01.125), and an accounting system (IDAPA 31.36.01) consistent with information required by the Commission's Annual Report for Small Water Companies.


IT IS FURTHER ORDERED that the Company shall inform its customers of the Commission-approved rates and policies established by this Order. This may be accomplished as a stuffer in the quarterly billing statement. The effective date for the Commission's approval of the Company's rates and charges shall be July 1, 2016.

IT IS FURTHER ORDERED that, within six months from the date of this Order, the Company shall enlist a qualified, licensed engineer to conduct a Facilities Plan as discussed above. The Company shall file a copy of its completed Facilities Plan with the Commission.

THIS IS A FINAL ORDER. Any person interested in the Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in 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 23rd day of June 2016.



PAUL KJELLANDER, PRESIDENT

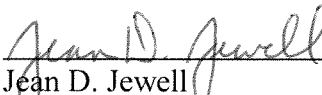


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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