Office of the Secretary
Service Date
December 31st, 2013

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF TROY HOFFMAN WATER CORPORATION FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE IN THE STATE OF IDAHO	))))))	**CASE NO. TRH-W-13-01** **ORDER NO. 32958**

On July 5, 2013, Troy Hoffman Water Corporation applied to the Idaho Public Utilities Commission for authority to increase its rates for water service. Troy Hoffman provides water service to 146 residential customers and 1 commercial customer in Coeur d'Alene, Idaho. On July 26, 2013, the Company filed corrected Application pages that reduce the amount of the proposed increase from 72% to 34%. The Company asks that the new rates take effect on January 1, 2014.

We have thoroughly reviewed the record in this case, including the Application and comments submitted by Commission Staff and members of the public. Based on that review, we approve a new, total revenue requirement for the Company of $43,541. The Company's new rates and charges will take effect on January 1, 2014. Our decision is detailed below.

PROCEDURAL BACKGROUND

The Commission issued a Notice of Application on July 31, 2013 and a Notice of Modified Procedure on August 20, 2013. *See* Order Nos. 32863 and 32881. The latter Order scheduled an October 1, 2013 public workshop in Coeur d'Alene, Idaho, a November 14, 2013 deadline for Commission Staff to file written comments, and a November 25, 2013 deadline for the Company to file a reply, if needed. *See* Order No. 32881. Staff and three members of the public filed written comments. The Company did not reply, but it subsequently notified the Commission Secretary that it "accepts the staff comments/recommendations." The Commission held a public hearing on December 12, 2013. No members of the public appeared at the hearing. *See* Tr., Vol. I pp. 1-4.

THE APPLICATION

With this Application, the Company applied for a 34% increase in water rates as follows:

	Current Rates	Proposed Rates
Residential	$11.80 per month plus $1.10 per 1,000 gallons for all consumption exceeding 5,000 gallons per month	$15.76 per month plus $1.47 per 1,000 gallons for all consumption exceeding 5,000 gallons per month
Commercial	$15.50 per month plus $1.10 per 1,000 gallons for all consumption exceeding 5,000 gallons per month	$20.70 per month plus $1.47 per 1,000 gallons for all consumption exceeding 5,000 gallons per month

The Company notes that it did not seek a rate increase between 1996 and 2011 even though its operating expenses increased during that period. The Company then increased its rates in January 2011. *See* Order No. 32152. The Company says the January 2011 increase partially bridged the gap between its operating expense and income, but the Company needs another increase because operating expenses continue to exceed income. *See* Application.

THE COMMENTS

The Commission received timely comments from the public and Commission Staff. The Company did not reply, but on December 20, 2013, it notified the Commission Secretary that it "accepts the staff comments/recommendations." The public and Staff comments are summarized below. We include in each comment summary our decisions on the issues those comments raise.

I. Public Comments

Three public comments were received. Each commenter opposed the initially proposed, 72% rate increase. Two commenters noted that they were on a fixed income. The third commenter understood the need for some increase, but not a 72% increase. Each comment was filed before the Company decreased the amount of the proposed rate increase from 72% to 34%. No public comments were received after that.

We appreciate the time that the Company's customers took to comment on this case. We recognize that for some customers any rate increase will result in economic hardship. We also note that the Commission has an obligation to the Company and its customers to set rates at a level sufficient to allow the Company to recover its reasonable expenses and receive a reasonable return on its investments. Such rates enable the Company to remain financially sound and capable of providing adequate, safe water to its customers.

II. Staff Comments

After the Staff submitted its comments, the Company notified us that it wholly concurs with what Staff said. We appreciate the Company letting us know that it agrees with Staff's position. Based on our review of the record, including the parties' concurrence on the issues, we find that Staff's recommendations are appropriate and will produce rates, charges, and practices that are fair, just, reasonable and in the public interest. We adopt Staff's recommendations and direct the Company to comply with them, and we incorporate "Staff's Analysis" section of Staff's comments as the rationale for our decision. Staff's recommendations are discussed in the following sections.

A. Adjustments

1. Plant in Service. Staff notes that the Company put a new, $2,700 roof on its pump house after its last rate case. Staff recommended a 35-year useful life with a half year convention for depreciation expense and accumulated depreciation for this new investment.

Staff recommended the Commission remove two of the Company's proposed, pro forma adjustments from plant in service. First, Staff says the Commission should remove $2,254 for new valves because the Company won't start placing those valves in service until spring 2014. Thus, the valves will not be used and useful when the new rates take effect. Second, the Commission should remove the Company's proposed, pro forma vehicle adjustment. The Company requested a $49,327 pro forma adjustment to buy a new vehicle but incorrectly asked to include just the first year of payments in plant in service. The investment impacts revenue requirement by $11,200 per year due to depreciation expenses and return on investment, and the pro forma test year expense is $563. The proposed vehicle expense is not known and measurable because the Company will not buy the vehicle until after the proposed rates take effect. Further, there is no evidence supporting the Company's request to change from the current practice of reimbursing the Company for miles driven. Further, Staff thus recommended the proposed pro forma vehicle adjustment also be removed.

Staff's two recommended pro forma adjustments would reduce the Company's proposed plant in service by $10,482 and proposed revenue requirement by $964.

2. Depreciation Expense and Accumulated Depreciation. The Company determined accumulated depreciation and annual depreciation expense based on tax useful lives and annual depreciation expense from tax returns. Staff says the Company should use the straight line depreciation methods accepted in its prior rate case. *See* Case No. TRH-W-10-01, Order No. 32152. Using this method, Staff would reduce depreciation expense by $2,996 and accumulated depreciation by $24,939.

3. Contributions in Aid of Construction (CIAC). When the Company's present owners bought it, its books included $12,859 for accumulated amortization of contributions in aid of construction. Staff says this amount belongs in account 272. Staff recommended that the CIAC be amortized at the 35-year, meter depreciation rate starting in 2012. The net CIAC would be $12,492 (i.e., $12,859 minus $367 for the first year of amortization), which would decrease rate base by $12,492. The amortization of contributions would also lower depreciation expense by $367.

4. Materials and Supplies Inventory. The Company maintains a reasonable inventory of pipes, meters, and couplings for system repairs. Staff thus recommended that rate base include $697 for materials and supplies.

5. Removing Cost of Living Adjustments. The Company proposed pro forma inflation adjustments for materials and supplies-operations and maintenance, materials and supplies-admin and general, and rentals-property and equipment. Pro forma adjustments for these forecasted, future expense increases are not known and measurable. Staff thus recommended disallowing these pro forma adjustments and decreasing operating expenses by $712.

6. Removing Office Rental Expense. In the Company's last rate case (Case No. TRH-W-10-01, Order No. 32152) the Commission said the Company could not recover its office rental expense in rates. Despite this, the Company again included office rental expense for rate recovery in this case. The Company only uses a small part of the rented office space, while the rest is used by related parties. In addition, the rental arrangement involves a related-party transaction, thus subjecting it to heightened scrutiny under which the Company must prove that the rental expenses are prudent and necessary. The Company has not carried this burden. Staff thus recommended the office rental expense be disallowed, resulting in a $2,400 decrease in operating expenses.

7. Wage Adjustment. The Company included a 10% inflationary increase in labor-operations and maintenance, salaries-officers and directors, and contract services-professional. Authorized test year amounts were established in Case No. TRH-W-10-01. These expenses were incurred by parties affiliated with the Company. Actual hours worked by the affiliated entities were not available for review; Staff thus used the Idaho Department of Labor Wage data to determine if these wage-related increases could be justified by an increase in costs of labor in the Coeur d'Alene area. Staff found that overall wages from 2010 to 2012 in the Coeur d'Alene area were effectively flat, but bookkeeping wages increased by 4% and water operator wages increased by 30%. However, management wages decreased by 12%. Staff thus recommended that the Commission accept the proposed 10% increase to labor-operations and maintenance but disallow half of the contract services-professional increase and all of the salaries-officers and directors increase. Staff's recommended adjustments decrease operating expenses by $873.

8. Purchased Power Expense. The Company claims an annual purchased power cost of $5,980 during its test year. The Company proposes a 10% adjustment to reflect annual inflation, or 3.3% for the three years since the Company's last general rate case. The Company proposes a pro forma purchased power cost of $6,578. Staff says it would be better to normalize the test year purchased power expense based on average volume of water pumped. The cost of purchased power is affected by the volume of water pumped and the power rates during the time of use. Using the six-year annual average volume of water sold and applying the power cost per 1,000 gallons for 2012, Staff calculates the normalized cost of purchased power to be $6,558 per year. Staff recommended the test year purchased power cost be reduced by $20 ($6,578-$6,558).

9. Water Testing Expense. The Company proposes annual water testing expenses of $480. Staff disagrees because the actual test year expense should have been annualized. The Idaho Department of Environmental Quality (DEQ) requires different testing cycles for various regulated water contaminants. It is thus necessary to normalize water testing costs over several years. In consultation with DEQ, Staff developed a list of required tests using a nine-year water testing cycle. Staff calculated the annualized water testing cost to be $571. Staff recommended increasing the test year water testing cost by $91 ($571-$480).

B. Revenue Requirement

1. Total Test-Year Revenue. Staff investigated the Company's accounts receivable and revenues and found that the Company uses proper collection procedures and has very few delinquent accounts. Staff concurs that the Company collected $37,900 in total revenue during the test year.

2. Rate Base. Staff recommended the Commission find the Company's total rate base to be $42,547. This is an increase of $2,367 from the rate base proposed in the Company's Application.

3. Operating and Other Expenses. Staff recommended the Commission find the Company incurred annual operating expenses of $36,295, and other expenses of $3,332. This is a decrease of $3,913 and $3,363 from the Company's Application, respectively. Based on the adjustments discussed above, Staff calculates the Company has a net loss of $1,727.

4. Rate of Return. Staff recommended the Commission allow the Company a 12% return on equity (ROE) and an overall rate of return of 8.47%. Staff says the 12% return on equity (ROE) is consistent with the Commission-authorized ROE for many small water companies. The cost of debt is the actual rate paid by the Company.

5. Revenue Requirement. Staff recommended the Commission approve a total revenue requirement of $43,541. Staff calculated the revenues associated with the return on rate base in the amount of $3,604 ($42,547 x 8.47%). Of this revenue, $2,503 reflects interest on the debt that is a deduction for tax purposes. The remaining $1,101 is subject to federal and state taxes. The revenue requirement must be increased or "grossed-up" to account for these tax effects. The net-to-gross multiplier (128.17%) must be applied to the $1,101 to determine how much tax the Company must recover through rates to enable it to earn the overall 8.47% rate of return referenced above. The grossed-up ROE is added to the $1,727 net loss and the $2,503 debt-related portion of the capital calculation. This results in the Staff recommended income deficiency of $5,641 and a total revenue requirement of $43,541, for an increase of 14.88%.

C. Proposed Capital System Improvements

1. Gate Valves. The Company proposes to replace six gate valves in the water system at the rate of two gate valves a year. The Company would replace the first two valves during the first quarter of 2014 for $2,254. The Company adjusted its rate base by this amount. Staff supports the Company's plan to replace two valves per year; but the valves are not yet used and

useful because the Company has not yet purchased or installed them. Staff thus recommended the Commission exclude the valve adjustment from rate base.

2. Flow Meter for Pump No. 2. DEQ surveyed the Company's water system in January 2012, by reviewing the system's water source, facilities, equipment, operation and maintenance to assure that the system provides adequate and safe drinking water. During the survey, DEQ found that Pump No. 2, which is the back-up pump, is not equipped with a flow meter. DEQ says the Company must install a flow meter on Pump No. 2's discharge line the next time the Company materially modifies the system. The Company has no definite deadline by which it must install the flow meter; but it says it will cost $3,140 to install the meter, whenever that occurs. Staff believes it is necessary for the Company to install the meter, and recommended the Company install it when capital is available.

3. Relocation of Flow Meter for Pump No. 1. The Commission previously directed the Company to accurately assess water pumped and water sold. Specifically, the Company was to investigate the placement, and test the accuracy, of the newly installed production flow meter. *See* Order No. 32152. In this case, the Company explains that the meter is not faulty but was improperly installed by the pump contractor. The Company acknowledges that the meter does not meet the recommended installation requirements, and it informs Staff that it will relocate it during the first quarter of 2014 according to the manufacturer's placement recommendation. The Company did not tell Staff how much it would cost to relocate the meter, but Staff believes the primary cost will be labor cost. Staff believes relocating the meter is necessary to obtain the accurate volume of water pumped.

D. Rate Design

1. Rate Structure. The Company proposes to maintain a rate structure consisting of a minimum customer charge with volume allowance and a commodity charge. Staff believes this rate design remains appropriate because: (a) the total number and type of customers have not changed significantly since the rate was set by the Commission in 1996; (b) the customers' service meters do not significantly vary in size (out of 146 residential customers, 143 have 3/4-inch service meters and 3 have 1-inch meters); (c) the rate design is easy to implement and understand; and (d) the rate design is a common for small metered water utilities.

The Company does not propose to change how it classifies customers (i.e. as residential or commercial); but Staff recommended the Company eliminate the customer classes and instead implement a single rate design for all customers. Staff notes that the average total annual usage for the Company's sole commercial customer was about 0.473 million gallons, or 1.9% of the Company's total volume of water sold, over the last six years. The residential customers, on the other hand, averaged total annual usage of about 24.444 million gallons, or 98.1% of the total volume of water sold. Staff believes that a single commercial customer with low water usage does not warrant its own customer class. It would be easier to understand and implement the tariff if a single rate design applied to all customers.

The Company plans to charge customers a minimum amount to use up to 5,000 gallons of water per month. Staff says the 5,000 volume allowance is appropriate because, over the past six years, the Company's customers have used 5,405 gallons per month on average during the winter.

As noted above, Staff proposes an adjusted revenue requirement of $43,541. Using this adjusted revenue requirement and the recommended rate design discussed above, Staff recommended a minimum customer charge of $13.75 with a volume allowance of 5,000 gallons. This represents about a 16.5% increase in base rates. Staff recommended a commodity charge of $1.12 per 1,000 gallons for water usage above 5,000 gallons, which is about a 1.8% increase in the commodity rate.

The Company proposes to apply a uniform rate of the overall increase (34%) to both the minimum customer charge and the commodity charge for all customer classes. Staff did not uniformly increase the base charge and commodity charge, as noted above. Staff believes that a 16.5% increase in the base charge and a lower, 1.8% increase in the commodity charge is warranted to bring more balanced revenue collections throughout the billing period.

The Company's existing and proposed rates, and Staff's proposed rates, are as follows:

TYPE OF CUSTOMERS	EXISTING RATES	COMPANY PROPOSAL	STAFF PROPOSAL*
Residential			
Min. Customer Charge	$11.80	$17.76	$13.75
Volume Allowance	5,000 gallons	5,000 gallons	5,000 gallons
Commodity Charge	$1.10 per 1,000 gals	$1.47 per 1,000 gals	$1.12 per 1,000 gals
Commercial			
Min. Customer Charge	$15.50	$20.70	N/A
Volume Allowance	5,000 gallons	5,000 gallons	N/A
Commodity Charge	$1.10 per 1,000 gals	$1.47 per 1,000 gals	N/A

**Staff proposes a single rate design for all customers.*

Staff's rate design will yield the total revenue of $43,563, or about $22 more than what the Company needs to recover Staff's recommended revenue requirement. This rate design is reasonable and appropriate. The total revenue contributed by the minimum customer charge is 56%, and the revenue contributed by the commodity charge is 44%. With the current rates, about 52% is contributed by the minimum customer charge and 48% by the commodity charge. As discussed above the change in percent contribution of the minimum customer charge from 52% to 56% is warranted to bring more balanced revenue collections throughout the billing period. In addition, Staff generally predicates revenue derived from the base rate on a 50/50 split of fixed and variable expenses. In the case of Troy Hoffman, current operation expenses consist of about 78.8% fixed costs and 20.2% variable costs. The Commission has allowed a small water utility to recover up to 72% of its revenue from the minimum customer charge. *See* Order No. 30027, Case No. FLS-W-05-01.

2. Monthly Bill and Rate Impacts. Staff's proposed rate structure would produce an average monthly customer bill of about $32.23, an increase of $2.28 or 7.6% above current rates. Under Staff's proposal, which we adopt, average customer bills are expected to be:

Average Monthly Bill - All Customers

Season	Average Usage (gallons)	Current Monthly Bill	Proposed Monthly Bill	Amount of increase in ($)	Percent Increase (%)
Winter	5,000	$11.80	$13.75	$1.95	16.5%
Summer	38,000	$48.10	$50.71	$2.61	5.4%
Average increase ($ & %)		**$29.95**	**$32.23**	**$2.28**	**7.6%**

3. Other Water System Operational Issues. In the Company's last rate case, it was discovered that in 2006 and 2010 the Company pumped less water than it sold. This anomaly could have occurred due to a faulty production flow meter, faulty customer service meters, different dates of reading the production meter and the service meters, or meter-reading errors. Staff thus asked the Company for flow meter data as part of the current case. The meter reading data appeared erratic. Specifically, half of the monthly flow records show that the Company pumped less water than it sold in 2011, 2012 and 2013. Staff thus recommended the Company complete its plans to relocate the flow meter on Pump No. 1 (as discussed above) to potentially correct the inaccurate readings. Staff also recommended the Commission delay its directive in Order No. 32152, and not require the Company to randomly test 10% of its customer service meters until the flow meter is relocated and measuring accurately.

E. Recurring Charges

Rule 201 of the Commission's Utility Customer Relations Rules (UCRR) (IDAPA 31.21.01.201) states that "[b]ills shall be issued on a regular basis." It also describes what the bills must contain, including without limitation: (a) the time period covered by the bill; (b) the beginning and ending meter readings, where the bill is based on actual readings, or a clearly marked statement that the bill is estimated, if the meter was not actually read, and the quantity of service provided when applicable; and (c) an itemization of all charges, both recurring and non-recurring. *See* UCCR 201.02, .03, and .06. The Company's bills do not comply with this rule.

The Company bills customers at the end of February, April, June, August, October and December. But it only reads meters four times a year; it does not read meters in December or February because snow limits meter access. The Company's bills for the monthly charge times the number of months in the billing period (e.g., \$11.80/month x 2 months = \$23.60 at current rates). In preparing the April billing statement, the Company aggregates the 5,000 gallon monthly allowance for the six months from November through April (5,000 gallons x 6 = 30,000 gallons), and the customer is billed for usage exceeding 30,000 gallons based on the April meter reading. The bi-monthly billing periods and the aggregation of usage over the winter months result in billing statements that do not comply with Rule 201. Specifically, the billing statements do not itemize each monthly charge or identify the number of months for which the usage is aggregated or the water usage allowance included in the base monthly rate. *See* UCCR 201.03 and .06.

Rather than requiring the Company to itemize monthly base charges on bills, Staff recommended the Company prepare a bi-monthly rate schedule (based on two times the monthly rate and allowance) to provide the necessary consistency between the Company's rates and its established billing practices. In addition, Staff recommended the Company revise its bills to indicate the usage allowance included in the base charge, the amount of water actually used during billing periods where actual meter readings are taken, and the net amount of usage to which the water usage charge is applied.

F. Non-Recurring Charges

1. Account Initiation Fee and Reconnection Charges. Rule 121 of the Commission's Rules of Procedure (RP) (IDAPA 31.01.01.121) requires that application exhibits show "in full each proposed change in rates, tolls, rentals, charges, rules or regulation by striking over proposed deletions to existing tariffs and underlining proposed additions or amendments to existing tariffs. . . ." *See* RP 121.01.a. Here, the Company did not include a marked up copy of its rate schedule for non-recurring charges (Rate Schedule No. 2) to show the proposed changes. It did include a clean copy of a revised schedule that doubled the Account Initiation Fee from $10 to $20, and increased Reconnection Charges from $20 to $40 for reconnections requested business hours and from $40 to $80 for reconnections outside normal business hours.

The Company does not discuss these changes in its Application or otherwise try to justify the increased fees and charges. The amount of the revised fees and charges are also higher than the amounts the Commission allows for similar charges at other water companies. Staff thus recommended the Commission deny the proposed increase in non-recurring fees and charges.

2. Late Payment Charges. The Company's tariff describes the Late Payment Fee as 1% per month of the unpaid balance at the time of the billing statement. Because the Company only bills bi-monthly, the wording of the tariff might be misinterpreted to allow monthly compounding of the late payment charges. Staff recommended for clarification, the tariff wording on Rate Schedule No. 2 – Non-Recurring Charges be changed as shown in Attachment Q to Staff's comments.

3. Summary of Rules and Explanation of Rates. The UCRR requires that the Company provide customers a copy of its Summary of Rules (UCCR 701) and an Explanation of Rates (UCCR 702) upon initiation of service and annually thereafter. The Company combines

its summary and explanation in one document. The Company has been mailing the Summary of Rules and Explanation of Rates to existing customers annually. But because most new customers initiate service through a phone call rather than stopping by the office, the Company discusses the rates with the customer if asked, but it does not send new customers the required information. Staff recommended the Company provide each new customer a copy of the Summary of Rules and Explanation of Rates upon initiation of service and annually thereafter.

Staff recommended the Company revise the Summary of Rules and Explanation of Rates to show the metered rate charges as bi-monthly charges to be consistent with the tariff.

The Company's billing statements and its Rate Schedule No. 1 – Metered Water Rates both describe the due date as 20 days from the bill date, which is consistent with the Company's actual billing practice. The Summary of Rules says that a bill may be considered past due 15 days after the bill date, which is the minimum requirement of the UCRR (Rule 202) but does not reflect the Company's actual practice. Staff recommended the Company revise its Summary of Rules and Explanation of Rates to consistently reference that a bill is due and payable within 20 days. *See* Attachment Q to Staff's comments.

4. <u>General Rules and Regulations Section of Company's Tariff</u>. Section 6 of the Company's General Rules and Regulations discusses Billing and Payment. Staff recommended the Company change Section 6 as reflected in Attachment Q to Staff's comments. In summary, Section 6.1 ambiguously says that the Company bills "on a regular basis." Staff recommended the Company change Section 6.1 it to say that the Company bills "bi-monthly." Section 6.2 discusses meter reading and estimated usage. The Company bills bi-monthly but only reads meters four times a year. Staff recommended the Company revise Section 6.2 to more accurately reflect the circumstances under which the Company reads meters, aggregates usage, and estimates usage. Section 6.3 discusses payment due date and mentions a 15-day time period. Staff recommended the Company revise its Section 6.3 to reflect its actual business practice of having bills due within 20 days.

G. Summary of Decision on Staff's Recommendations

In summary, we find that the Company concurs in Staff's recommendations, and we adopt those recommendations and direct the Company to comply with them. In summary, we:

1. Approve the use of a 2012 test year;
2. Approve a 12% ROE and an overall ROR of 8.47%;

3. Approve a rate base of $42,547;

4. Approve an annual revenue requirement of $43,541 (for an increase of 14.88%);

5 Direct the Company to eliminate customer classes and implement a single rate design for all customers;

6. Direct the Company to maintain the 5,000 gallon volume allowance for the minimum customer charge for all customers;

7. Approve Staff's recommended rate design;

8. Direct the Company to relocate the flow meter at Pump No. 1 as planned during the first quarter of 2014;

9. Delay our prior directive and direct the Company not to randomly check 10% of its customer meters until after the Company has assured Staff that the flow meter in Pump No. 1 is accurately measuring flow;

10. Direct the Company to prepare a bi-monthly rate schedule (Rate Schedule No. 1 at twice the monthly customer charge and allowance) to be consistent with the Company's existing bi-monthly billing schedule;

11. Deny the Company's proposed increases of the account initiation fee and reconnection charges;

12. Direct the Company to revise its Rate Schedule No. 2, General Rules and Regulations – Section 6.1 and 6.2, billing statements and combined Summary of Rules and Explanation of Rates to be consistent with the Company bi-monthly billing schedule; and

13. Direct the Company to revise its billing statements to indicate the usage allowance included in the base charge, the amount of water actually used during the billing period(s), and the net amount of usage to which the water usage charge is applied.

ULTIMATE FINDINGS OF FACT AND CONCLUSIONS OF LAW

Troy Hoffman is a water corporation. The Commission has jurisdiction and authority over Troy Hoffman and the issues raised in this case, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.* Based on our review of the record, we find that Troy Hoffman's existing rates, charges, and practices are unreasonable to the extent described in the body of this Order, and that the rates do not afford sufficient revenue to the Company. *See Idaho Code* §§ 61-501 and 502. We also find it fair, just, and reasonable for the Company to change its rates, charges, and practices as described in this Order. Accordingly, we approve a 12% return on equity (ROE) and an overall rate of return of 8.47% on a total rate base of $42,547, and we authorize the Company to increase its annual revenues by $5,641 to satisfy a total revenue requirement of $43,541. *See* the Attachment 1 to this Order, further detailing this decision.

ORDER

IT IS HEREBY ORDERED that Troy Hoffman Water Corporation shall have an annual revenue requirement of $43,541 with expenses, rate base, rate of return, capital structure, and rate design as detailed in the body of this Order and its Attachment. The Company shall promptly submit tariffs in compliance with the rates and charges identified in this Order, with the rates and charges to take effect for service rendered on and after January 1, 2014. The Company shall take such further actions as are directed in the body of this Order.

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 31st day of December 2013.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

O:TRH-W-13-01_kk4

Troy Hoffman Water Company
Revenue Requirement
FYE 2012

1	Rate Base			$	42,547
2	Required Rate of Return				8.47%
3	Return on Investment			$	3,604
4	Net Operating Income Realized			$	(1,727)
5	Net Operating Income Deficiency			$	5,331
6	Revenue Requirement to Overcome Loss			$	1,727
	Revenue Requirement Increase				
9	Subject to Income Tax	$	1,101		
10	Tax Gross Up Factor		0.00%		
11	Not Subject to Income Tax	$	2,503		
	Revenue Requirement Increase			$	2,503
12	Total Revenue Increase Required			$	4,230
13	Total Revenue Collected in Test year			$	37,900
14	Revenue Increase %				11.16%
15	Total Gross Revenue Requirement			$	42,130

Attachment 1
Order No. 32958
Case No. TRH-W-13-01