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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
TETON WATER & SEWER COMPANY FOR)	CASE NO. TTS-W-17-02
AUTHORITY TO ACCESS THE COMPANY'S)	
EMERGENCY RESERVE ACCOUNT.)	COMMENTS OF THE
)	COMMISSION STAFF
)	
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Brandon Karpen, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure in Order No. 33942 on December 6, 2017, in Case No. TTS-W-17-02 to submit the following comments.

BACKGROUND

On October 13, 2017, Teton Water & Sewer Company submitted a one-page Application requesting the Commission approve access to a reserve fund to pay for two emergency valve repairs—Cluff Lane, at \$3,328.12, and Teton Springs Lodge, at \$5,351.22. The Company included detailed invoices with its Application, and requested that this matter be processed by Modified Procedure.

In January 2009, the Commission found that the Company was under-capitalized because the Company developed its water system using lot sales to recover infrastructure costs. Because the system was funded with contributed capital, the Company did not have plant-in-service that

qualified for rate base treatment. As a consequence, the Company did not have earnings should it experience a financial emergency. Order No. 30718. Accordingly, the Commission established an emergency reserve fund, and parameters for access to it, should such an emergency arise. *Id.* The Commission stated, “[t]he reserve fund is to be used only for emergencies and major unplanned capital expenditures (plant repair, maintenance and replacement). It is not intended to . . . fund capital expenditures that should have been planned.” *Id.* at 12.

With this Application, the Company requested permission to use its emergency reserve fund to pay for two emergency valve repairs that the Company completed in September 2016 and June 2017. The Company claims that the total cost for the repairs was \$8,679.34. The Company provided invoices and pictures to support its claims.

STAFF ANALYSIS

Staff recommends that the Commission approve the use of funds from the surcharge account. In Order No. 30718, the Commission authorized the Company to establish an Emergency Reserve fund with a separate account. The Commission directed the Company to file notice when money from the emergency fund is used. The Commission has allowed the Company immediate access to these funds, but the determination of specific withdrawals would be determined in after-the-fact applications. *Id.* In addition, the Commission directed the Company to provide an audit trail for the use of the funds. Further, the Commission directed that the use of funds from this account only be used for unplanned repair costs exceeding 10% of the Company's annual revenue requirement.

The Company has satisfied three of the four requirements. The requirement that the repair cost must be over 10% of the revenue requirement was not followed. However, Staff recommends that this requirement be eliminated for this and future filings because it is excessive, as explained below.

The Company's Application meets the first requirement. The Company has met the second requirement by providing an auditable paper trail. In this case, the Company provided copies of the invoices for these repairs in the initial filing. Staff reviewed these invoices and found them to be adequate and that they added up to the requested amount.

Staff agrees that project expenses were unplanned and therefore satisfy the third requirement. The first project was the repair of a leaky connector beneath the paved surface of

Cluff Lane, which required excavation, plumbing repairs, and repairs to the asphalt road surface. Total project cost was \$3,328.12. Staff believes this repair to be both necessary and unplanned.

The second project required repair and relocation of a leaky curb stop valve at the Teton Springs Hotel. The Company explained that the leak was due to settlement of the hotel's foundation. The Company also explained that access to the valve was difficult, and that it relocated the valve in order to facilitate future repair work. Total project cost was \$5,351.22, which includes the costs of excavation, repairing and relocating the valve, and replacement of landscaping over the valve. Staff believes this repair was also both necessary and unplanned. The decision to relocate the valve was prudent, and the incremental costs of relocation were small relative to the total costs of repairing this valve.

Staff recommends that the Commission approve these expenditures despite not satisfying the fourth requirement, that costs exceed 10% of annual revenue requirement. When the surcharge account was authorized, the approved revenue requirement was \$146,309. Order No 30718 at 22. This would set the minimum allowed project amount at \$14,631. This requirement is not met by the projects either individually or combined. As a small water company, Teton does not have ready access to capital markets. Staff believes that funding smaller projects from a relatively small emergency account¹ will allow the Company to address crucial system needs while maintaining the Company's cash flow and financial health. Furthermore, Staff recommends that this 10% requirement be eliminated as long as the other three requirements continue to be met.

STAFF RECOMMENDATIONS

Staff recommends that:

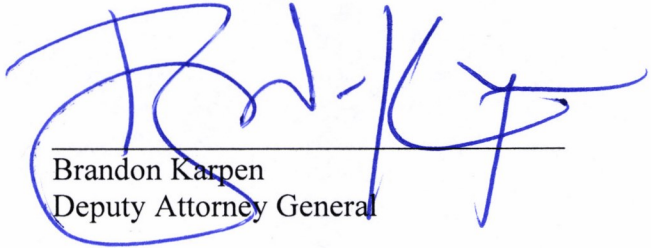
- The Commission approve the expenses for the Cluff Lane Valve Repair and Teton Springs Lodge Valve Repair for use of funds from the emergency reserve account.
- The Commission eliminate the requirement that repair costs exceed 10% of the revenue requirement for use of this account.

¹ Staff notes that the account balance was only \$15,543 at the end of 2016.

Respectfully submitted this

9th

day of January 2018.



Brandon Karpen
Deputy Attorney General

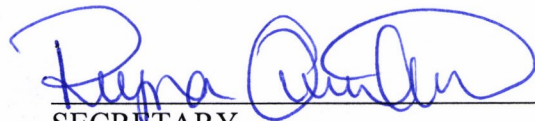
Technical Staff: Joe Terry
John Nobbs
Mike Morrison
Chris Hecht
Kevin Keyt

i:umisc/comments/ttsw17.2bkjtjnmchkk comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 9th DAY OF JANUARY 2018, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. TTS-W-17-02, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY