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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF BAR CIRCLE “S”)
WATER COMPANY’S APPLICATION TO) CASE NO. BCS-W-18-01
EXTEND WATER LINE)
)
) COMMENTS OF THE
) COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission comments as follows on Bar Circle “S” Water Company’s Application.

BACKGROUND

On July 27, 2018, Bar Circle “S” Water Company (the Water Company) asked for permission to extend its water service to the proposed, Garwood Corner Subdivision (the Subdivision). McCarthy Capital, Inc. (the Developer), is developing the Subdivision, which will consist of about 136 acres and approximately 24 lots in Kootenai County. The Water Company explained the extension would be a looped system with water supplied from three existing wells. The Application states that the Developer would pay the Water Company a \$2,500 hook-up fee at the closing of each purchased lot. *Id.* The Developer also would transfer the system and water rights to the Water Company. *Id. See* Application.

STAFF REVIEW

In support of its Application, the Water Company provided: (1) a letter from a property owner, North Idaho Rose, LLC, stating it would sell the property for the Subdivision to the Developer; (2) a letter from the Developer, asking the Water Company to serve the Subdivision's lots; (3) a letter from Rand Wichman Planning, also requesting the extension; (4) a Preliminary Plat Layout of the Subdivision from Johnson Surveying; and (5) the Water Company's current rate schedule, which would apply to future customers in the Subdivision. The Water Company would serve the Subdivision through a six-inch main extending east from Dolan Road to Lot 1, Block 1 (one of two large lots comprising the Subdivision) and a ten-inch main from its existing ten-inch main on Garwood Road to Lot 2, Block 1.

In response to Staff Production Request No. 1, the Water Company submitted a revised agreement to provide water service signed by the Water Company's owner Robert Turnipseed, and the Developer's president, Robert McCarthy. This agreement increases the residential lots to be served to 26 five-acre lots. In response to Staff Production Request Nos. 5 and 6, the Water Company stated the Developer would install the system (mains, connections, meter pits and meters) in the Subdivision, and would then convey the system to the Water Company.

In its review, Staff determined the Water Company would not need to amend its Certificate of Public Convenience and Necessity (CPCN) before serving the Subdivision. But the Water Company would need a waiver from certain provisions of its Tariff. The Staff's review is further explained below.

The Water Company need not amend its CPCN—the Subdivision is within the certificated service area

Staff sought to determine whether the Subdivision would be within the Water Company's service area as specified in CPCN No. 296. If the Subdivision were outside the service area, then the Water Company would need to amend its service area to include the Subdivision. And if the service area were enlarged to include the Subdivision, Staff would need to determine whether the Water Company's existing system could adequately serve the Subdivision.

Staff determined the Subdivision would be in the Water Company's existing service area as set in Order No. 28895 (BCS-W-01-01). In response to Staff's Production Request No. 1, the Water Company provided plat maps, including legal descriptions, which verified the Subdivision's location and the two planned connections to the Water Company's system. The

plat maps confirmed that the Water Company's service area includes: (1) property that is farther east than the Subdivision's eastern boundary; (2) the existing system is next to the Subdivision's southern and western boundaries; and (3) a northern border that is the same as the Subdivision's northern boundary. Because the Subdivision would be within the Water Company's existing service area, Staff recommends the Commission approve the Water Company's requested main line extensions so the Water Company can serve customers in the Subdivision.

The Water Company believes its existing system can adequately serve Subdivision customers. In an effort to confirm this, Staff reviewed the Water Company's most recent Enhanced Sanitary Survey, which was performed by Idaho Department of Environmental Quality in 2016. This Survey shows the system is sufficient for the Water Company's current service area. Staff also asked the Water Company for further information on the system's wells and storage capacity but the information the Water Company provided did not shed additional light on system adequacy. Nevertheless, since the Subdivision is within the Water Company's service area, and the 2016 Enhanced Sanitary Survey shows the system is sufficient to serve that area, Staff concluded further investigation is not warranted at this time.

The Water Company must obtain a waiver of certain Tariff provisions before serving the Subdivision

The Water Company proposed to charge its current monthly rates to new customers in the Subdivision. However, Staff believes the Water Company would need a one-time waiver of its Tariff's requirement that new customers pay hook-up fees. The Water Company's Tariff includes two non-recurring charges for new customers who connect to the system for the first time:

For a first time connection to the Bar Circle "S" Water Company system when an existing service line and meter base are already in place on the property the charge is \$400.

If there is no service line tap to the Company's water mains or meter box in place on the property the charge is \$2,500.

Here, since the Developer will connect all lots to the water system, the Water Company would not collect a \$400 hook-up fee from applicants who request new service, as required by the Tariff. Further, while the Tariff states new customers must pay a \$2,500 hook-up fee when they apply for service to cover the cost of necessary facilities, the agreement between the

Developer and the Water Company obligates the Developer to pay the Water Company the “\$2,500 per lot hook up fee” for each lot in the Subdivision. Since the Developer would already have paid the \$2,500 hook-up fee, new customers in the Subdivision would not have to pay a fee as required by the Tariff. These payment arrangements differ from what the Water Company’s Tariff requires. But Staff does not object to them, because they ensure existing customers will not pay for the cost to hook-up and serve new customers in the Subdivision. Staff thus recommends the Commission grant the Water Company a waiver that recognizes the Developer is paying the costs to connect the Water Company’s system to new customers in the Subdivision.

The agreement between the Developer and Water Company also requires the Developer to meet “All financial arrangements [to] run water line for 26 homes and lots (including) main and services.” The Commission’s Uniform Main Extension Rule for Water Utilities governs how a water utility serves new customers where a main extension from the utility’s existing distribution system is required. The Water Company’s Tariff incorporates this Rule. Section C of the Rule applies to extensions to serve subdivisions. The Water Company does not intend to collect an advance payment from the applicant or Subdivision Developer, which is allowed under Rule C.1.c. Instead, the Developer will install the necessary facilities and then convey ownership to the Water Company. Staff does not object to these alternative arrangements, and recommends that the Commission grant the Water Company a one-time waiver to the Uniform Main Extension Rule and approve the Water Company’s alternative arrangement with the Developer.

The Water Company’s Tariff allows a hook-up fee to offset the costs of improvements necessary to serve new customers. Here, the Water Company will collect the money from the Developer before the Water Company starts serving customers. To ensure the Water Company does not earn a return on the Developer-financed extension, the Water Company must properly book the funds so the cost of the extension is excluded from rate base. Commission Staff will review the Water Company’s treatment of these funds in a subsequent general rate case.

STAFF RECOMMENDATION

Staff recommends that the Commission:

(1) Allow the Water Company to serve the Subdivision. Since the Subdivision already is in the Water Company's service area under Certificate No. 296, the Water Company may serve these customers under its approved Tariff rates and the Commission's rules without having to amend the Certificate.

(2) Allow the Developer to build the system and convey it to the Water Company.

(3) Grant the Water Company a Tariff waiver so it may collect its \$2,500 hook-up fee per lot from the Developer instead of from new customers directly, and to preclude the Water Company from requiring future first time applicants in the Subdivision to pay either the \$2,500 or \$400 fees.

(4) Require the Water Company to record the funds collected from the Developer so the extended system is excluded from rate base.

Respectfully submitted this 25th day of February 2019.



Karl Klein
Deputy Attorney General

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 25TH DAY OF FEBRUARY 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. BCS-W-18-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY