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IDAHO PUBLIC
UTILITIES COMMISSION

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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF BAR CIRCLE "S" RANCH WATER)
COMPANY AND ITS PROPOSAL TO)
PURCHASE THE GARWOOD BUSINESS)
CENTER WATER SYSTEM AND EXPAND)
ITS CERTIFICATED SERVICE AREA.)
_____)**

**CASE NO. BCS-W-01-1
COMMENTS OF THE
COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on September 19, 2001, submits the following comments.

APPLICATION

On July 22, 2001, Bar Circle "S" Water, Inc. (BCS; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting Commission approval of the Company's purchase of the Garwood Business Center Water System (Garwood). Reference July 20, 2001 Purchase and Sale Agreement (Agreement). The Company also seeks to extend its certificated area of service to two areas that are presently undeveloped. Reference IDAPA 31.01.01.112.

STAFF COMMENTS

Staff has reviewed the Company's two requests, one, to approve the acquisition of the Garwood Business Center Water System and two, to expand the service area. Staff supports both requests.

System Descriptions

Bar Circle "S" Water Company Inc.

The Bar Circle "S" water system provides culinary water service to 117 residential and one (1) commercial customer(s) in Kootenai County, Idaho. It consists of a looped metered distribution system with one (1) 50 horsepower 600 gallon per minute well and a 55,000 gallon elevated steel water tank.

Garwood Business Center Water System

The Garwood Business Center water system serves one (1) commercial customer and 13 additional commercial development lots. It consists of a looped metered distribution system with one (1) 15 horsepower 58 gallon per minute domestic well. The system also includes three (3) booster pumps and a 185,000 gallon storage tank that provide 2000 gallons per minute of fire booster pump capacity.

Garwood Business Center Acquisition

Bar Circle "S" Ranch Water has entered into a purchase agreement with Charles Tramner, Larry Gilman and Sharon Gilman to purchase the Garwood Business Center Water System for \$50,000. The acquisition will provide the Company with an additional culinary water source, a 185,000 gallon storage tank, and fire booster pump capacity of 2000 gallons per minute. The interconnection of the two systems will provide Bar Circle "S" with a backup water supply and an increase in available fire flow capacity.

The \$50,000 price for the Garwood Business System appears to be negotiated at arms length and is a reasonable price given the added benefits to Bar Circle "S". The estimated \$64,000 of interconnection costs also appears to be a reasonable expense for connecting the Garwood system to the Company's existing customers and providing a backup power source for the new Garwood water supply well. Staff notes that the Company's current gross investment in plant (well and reservoir improvements) is \$73,755 and all distribution mains and services have

been contributed to the Company. The \$50,000 Garwood purchase price together with the \$64,000 in interconnection costs represents a new investment of \$114,000 or a 154% increase in the Company's gross investment in plant. Bar Circle "S" has not requested a change in rates to cover the costs of acquisition and interconnection. Therefore, the acquisition will not immediately increase customer rates.

Avondale Construction, the development company owned in common by the owners of Bar Circle "S" Water, is currently negotiating for the purchase of additional development property within the area the water company has requested be added to its certificated service area. This property when developed will add additional customers to the water system. The acquisition of the Garwood well and reservoir in the current application will provide additional water supply to meet this growth.

Bar Circle "S" does not have a separate commercial customer rate or private fire system hook-up fee. Staff notes however, that the increased number of potential commercial customers added by the purchase of the Garwood Business Center will likely increase the fire protection criteria for the Company's system. The Northern Lakes Fire District has indicated to Staff that commercial customers typically require 2000-2500 gallons per minute available fire protection and residential customers typically require 1500 gallons per minute.¹ Staff suggests that the Company develop a way to recover the costs associated with the newly acquired fire protection service requirements.

In addition to flow requirements, Staff notes that commercial developments typically require an increased number of fire hydrants and fire line connections. The Company's line extension tariff currently includes provisions that require developers to pay for the additional hydrant and fire line installations. Therefore, Staff believes the Company has a method in place to protect existing customers from this type of additional requirement.

Service Area Expansion

The requested service area is contiguous to the existing service area and is a logical expansion area. Staff has no objection to the increased service area. However, within this increased service area a portion may require a substantial amount of capital investment, specifically the area east of highway 95 and the Union Pacific Railroad tracks. Staff believes

¹ The Company reports that the current water system capacity is 600 gallons per minute.

that extending service to this area will likely require some form of boring or tunneling under at least these two transportation corridors. The Company reports that it has no immediate plans for expansion into this area. Staff assumes that the Company will comply with its line extension rules to insure the costs for expansion into this area will be properly allocated to customers or developers requesting service.

STAFF RECOMMENDATION

Staff recommends approval of the Company's requested acquisition of the Garwood Business Center Water System and requested service area expansion.

Dated at Boise, Idaho, this 26th day of October 2001.



Scott Woodbury
Deputy Attorney General

Technical Staff: Michael Fuss

SW:MFuss:i:umisc/comments/bcsw01.lswmfuss

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 26TH DAY OF OCTOBER 2001, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. BSC-W-01-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY