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January 23, 2009

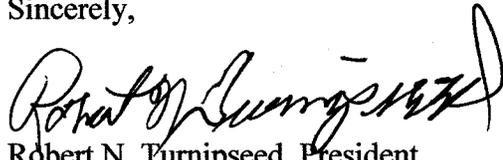
Idaho Public Utilities Commission  
P.O. Box 83720  
Boise, Idaho 83720-0074

BCS-W-08-01

ATTENTION COMMISSION SECRETARY AND HEAD LEGAL SECRETARY

Enclosed are an original and seven (7) copies of Bar Circle "S" Water Company's reply to the Comments and recommendations filed by the Staff of the Idaho Public Utilities in the above referenced case.

Sincerely,



Robert N. Turnipseed, President  
Bar Circle "S" Water Company

Robert N. Turnipseed, President  
Bar Circle "S" Water Company  
P.O. Box 1870  
Hayden, Idaho 83835  
Ph: (208) 665-9200  
Fax: (208) 665-9300  
e-mail: [avondalecon@verison.net](mailto:avondalecon@verison.net)  
Representative for Bar Circle "S" Water Company

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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION  
OF BAR CIRCLE "S" WATER COMPANY )  
TO AMEND ITS CERTIFICATE OF )  
CONVENIENCE AND NECESSITY )**

**CASE NO. BCS-W-08-01  
REPLY TO COMMISSION  
STAFF COMMENTS**

COMES NOW Bar Circle "S" Water Company ("Bar Circle S", "Applicant" or "Company") and submits the following reply to the comments of the Idaho Public Utilities Commission (Commission) Staff (Staff).

Staff at page 4 of its comments proposes that the Commission grant Applicant a service area expansion to its Certificate of Convenience and Necessity for only Phase 1 of the proposed Double T Estates subdivision. Phase 1 of this subdivision only contains sixteen (16) building lots along two main roads on the perimeter of the subdivision. Phase 2 of the subdivision contains thirty-one (31) building lots and will fill the interior area bordered by these two main roads.

Applicant objects to Staff's proposal to withhold approval of Phase 2 of the proposed service area expansion. Engineering design and construction would be entirely different if the water system were to be constructed only to serve the sixteen (16) lots included in Phase 1. Constructing facilities sufficient to serve the entire subdivision without assurance that Phase 2 could be developed and served water would put the Applicant and the subdivision developer in an untenable economic position.

Staff's position is summarized on page 4 of its comments where it states "Therefore, Staff recommends that only Phase 1 of the requested additional service area for Double T Estates be granted to the Company, until the Company has shown to the

Commission that it has satisfied the Rules and Regulations promulgated by IDEQ applicable to Phase 2, and the cost of required facilities are properly allocated.”

Regarding the first part of this statement, the Idaho Department of Environmental Quality (IDEQ) has the authority over Applicant to insure that Applicant complies with the rules and regulations of the IDEQ without the need for the Commission to withhold approval of the service area request pending satisfaction of IDEQ rules. Were the IDEQ to use similar reasoning, it would withhold approval of the water company expansion pending approval of the service area expansion by the Idaho Public Utilities Commission. Each of the two state agencies has its own rules regulations and responsibilities. Each has authority to enforce its own rules and approve or deny applications put before it without the need for the other to duplicate those efforts.

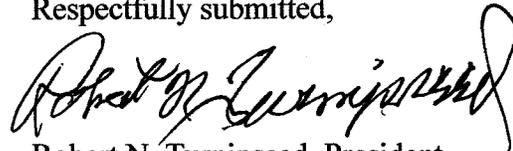
Regarding the second part of Staff’s statement that “....the cost of required facilities are properly allocated.” Staff is referring to certain system reliability, quality of service improvements that will be required and benefit all customers of the water system including existing as well as new customers. If the existing Bar Circle “S” subdivision were to be built today, these same improvements would be required to comply with today’s IDEQ Rules and Regulations. These improvements will bring the existing Bar Circle “S” water system up to current standards for community water systems. Staff refers to this procedure in its discussion of Applicants Line Extension Agreement with the developer on page 4 of its comments. The agreement sets forth an allocation of the cost of such improvements between Applicant and the developer based upon the number of lots within the existing system and lots included in the Double T Estates subdivision. Applicant believes the terms contained in the agreement are fair and equitable to both parties to the agreement as well as existing customers and future customers.

Finally, on page 6 of its comments, Staff expressed concern that Applicant may not have a valid water permit to serve the proposed expansion. Applicant hereby affirms that it has a valid water right for 561 Gallons per minute. The Company currently has three existing wells, one 16” well and two 6”wells. One of the 6” wells is not in service, and cannot be rehabilitated to make it usable. Bar Circle ‘S’ Water Co has received well drilling permit No.D0056569 authorized by the Regional Director of the Idaho Department of Water Resources. This permit should be finalized the week of January

26<sup>th</sup> 2009. Applicant plans to abandon the 6" well that cannot be rehabilitated and use the new drilling permit to replace this well with a 10" to 12" well. This well will be in operation prior to completion of Double T Estates Phase Two and will increase system reliability providing a suitable back-up to the Company's current primary well. Applicants existing water rights are sufficient to provide service to the existing service area as well as the expansion proposed in the Company's application. Applicant provided to Staff a copy of a water engineering report prepared by Toothman-Ortan Engineering Co. specifically for the purpose of determining Applicants ability to provide service to the expansion area proposed. The Idaho Department of Environmental Quality has reviewed and accepted this report.

Applicant hereby requests that the Commission approve the service area expansion for the entire Double T Estates subdivision as originally sought in its Application.

Respectfully submitted,



Robert N. Turnipseed, President  
Bar Circle "S" Water Company