

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF BAR CIRCLE "S" WATER)	CASE NO. BCS-W-09-01
CORPORATION FOR AUTHORIZATION)	
TO BORROW FUNDS TO MAKE WATER)	
SYSTEM IMPROVEMENTS)	ORDER NO. 30832
)	

On May 4, 2009, Bar Circle "S" Water Company (Bar Circle "S"; Company) requested authority to borrow \$55,000 to pay for certain water system improvements which include: (a) installing a six-inch flow meter; (b) abandonment of a well that is no longer in service; and (c) conversion from manual meter reading to an automated electronic reading system.

The Idaho Department of Environmental Quality (IDEQ) has instructed the Applicant to install a six-inch recording flow meter on the discharge side of the Company's booster pumps by July 1, 2009. App., Exh. 1. The total cost for the purchase and installation of the flow meter is estimated to be \$9,935. App., Exh. 2. The Applicant has been informed that there is at least a four-week lead time for receipt of the meter from the date of the order. Bar Circle "S" has placed the order for the flow meter with United Pump and Drilling to insure installation prior to the July 1, 2009, date required by IDEQ.

Bar Circle "S" owns a six-inch well that is no longer in service and must be abandoned in compliance with IDEQ and Idaho Department of Water Resources (IDWR) rules and regulations. IDAPA 37.03.09.012 and IDAPA 58.01.08.009. The estimated total cost to complete the abandonment of the well by United Pump and Drilling and Avondale Construction is \$4,500. App., Exhs. 3 and 4.

Finally, the Applicant intends to convert its current manual meter reading system to an automated electronic reading system. The Company claims that growth on the Bar Circle "S" system has exceeded the capacity of current manual reading methods. Conversion to the automated system will avoid the necessity to hire additional part-time employees and will make it possible to read customer meters in the winter months when snow accumulation makes the manual reading impossible. The Company also indicates that its experience in the past has shown that the use of temporary or part-time employees generally produces numerous errors in

meter reading and requires supervisory review. The quote received by the Company from General Pacific Inc. for all the equipment necessary to complete the conversion and training in its use is \$39,585.33. App., Exh. 5. All individual customer meters will require a retrofit of the existing mechanical equipment with the electronic equipment. The estimated cost by Avondale Construction to complete the retrofit of customer meters is \$5,400. App., Exh. 6. The total cost of converting to an automated meter reading system is \$44,985.33.

The estimated total costs of all system improvements are summarized as follows:

(a)	Installation of flow meter	\$ 9,935.00
(b)	Abandonment of unused 6-inch well	\$ 4,500.00
(c)	Conversion to electronic meter reading system	<u>\$44,985.33</u>
	Total Cost of Improvements	\$59,420.33

The Applicant has acquired a commitment for financing the improvements from Community Bank in Post Falls, Idaho, in the amount of \$55,000. App., Exh. 7. Interest on the loan will be a floating rate at one percentage point over the prime rate published in the Wall Street Journal and the term of the loan is for five years. The current interest rate would be 4.25%.

STAFF REVIEW

At present, the two production wells owned and operated by the Company are equipped with flow measuring devices. Both of the production wells discharge to an 180,000-gallon storage reservoir. Water is drawn from the tank to supply the system by four booster pumps and one fire pump in parallel. The IDEQ letter to Bar Circle "S" on April 20, 2009, reiterates IDEQ's requirements of installing a recording flow meter on the discharge line of the four booster pumps and that this meter needs to be installed prior to July 1, 2009, in order to capture peak-demand this summer.

Since the old well owned by the Company is no longer in service, the Company plans to abandon the well in compliance with the current rules and regulations by IDEQ and IDWR. The IDEQ rules pertaining to abandonment of wells are cited in IDAPA 58.01.08.510.09 – Well Abandonment. The IDWR rules pertaining to abandonment of wells are cited in IDAPA 37.03.09.025.16 – Decommissioning (Abandoning) of Wells. The Idaho Department of Water Resources apprised Staff that the new rules for decommissioning wells were recently approved by the Legislature and effective May 8, 2009.

The Company plans to convert its manual meter reading system to an automated electronic reading system. The Company cited in its Application, and in additional information provided to Staff, several benefits of this conversion including: (a) avoiding the necessity of hiring additional part-time employees to obtain monthly meter readings; (b) avoiding re-reading meters due to previous reading errors, potential leaks or customer complaints due to unusually high bills; (c) avoiding additional vehicle expenses due to travel from the office to meter sites to re-read meters and conduct investigations; (d) avoiding extra time and expense in correcting meter data computer input, recalculating water usage, preparation of and sending revised bills to customers; (e) being able to identify leaks at the Company's service connection and/or broken meters in a timely fashion thus eliminating potential revenue lost and additional operating expense to the Company; (f) being able to identify leaks on customers' services in a timely fashion; (g) being able to absorb new customer growth with minimal future labor costs; (h) being able to read the meters in the winter season when snow accumulation makes manual reading impossible; and (i) improving the Company's cash flow by being able to bill customers on a monthly basis.

There are different levels of automated meter reading (AMR) technologies now available in the market from a simple hand-held (touch-read) system to advanced AMR/AMI system. Bar Circle "S" has selected to use a mid-level technology, the mobile or drive-by meter reading system. This technology requires installation of a radio frequency transmitter for each customer meter and the meter flow data is automatically read by a mobile reading device that includes navigational and mapping features.

As mentioned above, there are quantitative benefits and many qualitative benefits from AMR installation. To evaluate the cost-effectiveness of installing AMR in the Company's water system, Staff attempted to estimate the number of years of payback. Staff also evaluated the potential ratemaking treatment for the AMR system. Contact with Company consultant Robert Smith was utilized to make the evaluation. Mr. Smith indicated a rate case was being prepared for Bar Circle "S" and as part of that case, rate base treatment will be requested for the AMR. The loan costs will be included as the only debt component in the overall rate of return.

At this time, Staff believes the Company can justify the AMR installation provided rate base return over the life of the meters is used as the ratemaking treatment. This ratemaking treatment will allow for the final AMR cost quantification and evaluation in the rate case. Staff

encourages the Company to continue exploring the availability of American Recovery and Reinvestment Act of 2009 funding or stimulus money that may be available to water systems.

Bar Circle "S" requests authority to borrow \$55,000. The commitment letter from Community Bank provides the necessary financing terms to approve the loan request. Upon completion of the loan, Staff recommends Bar Circle "S" be required to file all final executed loan-related documents with the Commission.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. BCS-W-09-01 including the Company's Application and supporting exhibits. Bar Circle "S" has met the Commission's requirements for public notice (Application Exhibit 9). The proper filing fee of \$55.00 has been paid as provided by *Idaho Code* § 91-905.

The Company requests Commission approval of its proposal to borrow \$55,000 from Community Bank in Post Falls, Idaho. The proceeds will be used to finance several improvements to the Company's water system including: (a) installation of recording flow meter as required by IDEQ; (b) proper abandonment and sealing of a six-inch well that is no longer serviceable; and (c) installation of electronic meter reading equipment to improve efficiency and accuracy of meter reading. These improvements, we find, will put the Company's water system in compliance and will generally benefit the customers of Bar Circle "S". The Commission finds it reasonable to approve the Company's request to borrow \$55,000 from the Community Bank. We also find it reasonable to require Bar Circle "S" to file all final loan-related documents with the Commission upon execution. We expect the Company to present a cost-benefit analysis of its capital expenditures in its next rate case.

CONCLUSIONS OF LAW

The Commission has jurisdiction over Bar Circle "S" Water Company, a water utility, and the issues presented in Case No. BCS-W-09-01 pursuant to the authority granted in Idaho Code, Title 61, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Company is hereby authorized to borrow \$55,000 for water system improvements from the Community Bank in Post Falls, Idaho.

IT IS FURTHER ORDERED and the Company is directed to file a copy of all final executed loan-related documents with the Commission.

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 3rd day of June 2009.



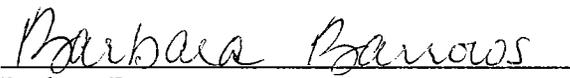
JIM D. KEMPTON, PRESIDENT



MARSHA H. SMITH, COMMISSIONER

Commissioner Redford out of the office
MACK A. REDFORD, COMMISSIONER

ATTEST:



Barbara Barrows
Assistant Commission Secretary

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