

Bar Circle 'S' Water Co Inc

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Hayden ID 83835

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IDAHO PUBLIC
UTILITIES COMMISSION

January 11, 2010

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0074

Re : CASE NO. BCS-W-09-02
IN THE MATTER OF THE APPLICATION OF BAR CIRCLE "S"
WATER COMPANY FOR AN ORDER AUTHORIZING INCREASES
IN THE COMPANY'S RATES AND CHARGES FOR WATER
SERVICE IN THE STATE OF IDAHO

Dear Ms. Jewell:

Enclosed for filing are an original and seven (7) copies of Applicant's Petition for Reconsideration of Order No. 30970 in this case.

Also enclosed are 2 sets of new tariff sheets for the Commission's approval that comply with the Commission's findings in Order No. 30970. Please return one set of the tariff sheets with the Commission's approval stamp to the Company for our records.

Sincerely,



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

Robert N. Turnipseed, President
Bar Circle "S" Water Company Inc.
P.O. Box 1870
Hayden, Idaho 83835
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Representative for Bar Circle "S" Water Co.

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
BAR CIRCLE "S" WATER COMPANY) CASE NO. BCS-W-09-02
FOR AN ORDER AUTHORIZING INCREASES IN)
THE COMPANY'S RATES AND CHARGES FOR) PETITION FOR
WATER SERVICE IN THE STATE OF IDAHO) RECONSIDERATION**

COMES NOW Bar Circle "S" Water Company Inc., ("Bar Circle "S",
"Applicant" or "Company") and hereby petitions the Commission for
reconsideration of certain parts of Order No. 30970.

Applicant filed an Application with the Idaho Public Utilities Commission on
June 19, 2009 for authority to increase the water rates it charges its customers
and to make changes in certain non-recurring charges. On October 23, 2009,
the Staff of the Idaho Public Utilities Commission (Staff) filed its "Staff Report"
presenting its analysis of the Company and making recommendations regarding
the Application to the Commission. Applicant filed a reply to the Commission
Staff report on November 5, 2009. The Commission issued its Order No. 30970
on December 30, 2009.

Although Applicant does not agree with a number of the Commission's
findings in Order No. 30970, it is willing to accept the majority of those findings.

However, there are two issues Applicant believes are very important to the continued viability of the water company. The first of these issues is discussed in the Commission's findings on pages 5 and 6 of the order regarding Applicant's meter upgrade project. The second is regarding Applicants new customer connection fees discussed in the findings on page 13 of the order. The two issues are discussed separately below.

Automated Electronic Meter Reading Project

On May 4, 2009 Bar Circle "S" Water Company filed an application for authority to incur debt in the amount of \$55,000 (Case No. BCS-W-09-01) to pay for the installation of a 6 inch flow meter required by the Idaho Department of Environmental Quality (DEQ), to pay abandonment costs of a six inch well that was no longer in service and to convert from manual meter reading to an automated electronic meter reading (AMR) system. The Commission issued Order No. 30832 on June 3, 2009 authorizing the Company to borrow \$55,000 for these system improvements from Community Bank in Post Falls Idaho.

In its Order No. 30832 at page 3, the Commission reiterated the Staff's recommendations stating "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."

The Commission's findings in the order at page 4 stated "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 went on to state "We expect the Company to present a cost-benefit analysis of its capital expenditures in the next rate case." Applicant complied with the Commission's directive and submitted Exhibit No. 5, a cost benefit analysis, in its rate case (BCS-W-09-02).

Staff, in its report in this case, incorrectly concluded that Applicant had withdrawn its request to install the AMR project. Applicant in its reply to the Staff report explained that an internal ownership problem had delayed the project but the problem had been resolved and the project was back on track. Applicant intended to order the new meters the week of November 1, 2009 and indeed did meet with the equipment suppliers and received an updated cost quote. (Note that due to delays, the escalation in equipment costs have increased the total project cost from \$44,985 to \$51,274.) However, Applicant grew nervous about placing the order and committing the Company to a large loan requiring monthly debt service costs without assurance that the new rates the Commission would authorize at the end of this case would provide the necessary cash flow. Applicant has not taken out the loan and has diverted owner capital for the other projects. Applicant therefore elected to not place the order until the Commission issued its order. Applicant fully intends to move forward with the project and place the order for installation as soon as spring weather allows assuming the Commission will provide rates adequate to provide the necessary cash flow.

Applicant finds itself in a catch 22 situation. It cannot commit to a loan it cannot repay. The Commission characterizes the project as "...uncertain and speculative..." (Order page 5) and denies the project for inclusion in the calculation of revenue requirement to set rates.

Applicant specifically requests that the Commission reconsider its decision on this issue, find that the project is beneficial and authorize the Company to move forward with the project. Applicant proposes that the Commission consider the rates currently authorized by Order No. 30970 to be interim rates, subject to change upon completion of the AMR project. Exhibit No. 11 attached shows the effect of this proposal on the rates already approved by the Commission's order. Applicant pledges to provide the Commission with copies of purchase orders, invoices and status reports as the Commission deems necessary.

Customer Connection Fees

The Commission's Order No. 30970 at pages 12 and 13 discusses Applicants proposal to institute a new customer connection charge of \$2,500 for first time connection to the Company's water system when there is no main line service tap, service line or meter box in place on the property. The Commission accepted Staff's recommendation and denied this request stating in its findings on page 13 "We find no need to include this charge in the Company's tariff. The Company can request this charge later should its service territory be expanded and service conditions change." The Commission relied on the Staff's assessment that there are no lots within the Company's service area excluding the recently approved Double T Estates expansion that do not have meter boxes installed on the property. Applicant failed to address the Staff's recommendation in its reply to the Staff report.

Bar Circle "S" Water Company requests that the Commission reconsider its denial of this issue and approve the tariff submitted with the original Application. The Commission invites the Company to request this charge later should its service territory be expanded and service conditions change. The Commission has already approved (by Order No. 30731, Case BCS-W-08-01) an expansion of the service area to provide service to the Double T Estates subdivision as acknowledged by the Commission on page 12 of its order. As this subdivision is developed, no main line service taps or meter boxes have or will be installed until a property is purchased and water service requested. Due to the size of the building lots (5 acres and larger) the location of the main line service tap and service line are unknown until the location of structures on the property are known.

Denial of this tariff at this time will cause the Company to incur additional costs to file another application at a later time, increase the Commission's future case load and could unreasonably inconvenience and delay a property owner's construction of a new home. Contractors need access to a water source as well

as electricity during the course of construction. With the tariff in place the Company can respond quickly to a request for new service. Should there be no requests for new service for several years the problem is moot as no charges will be assessed.

CONTACT INFORMATION

Questions regarding this petition should be addressed to:

Robert Turnipseed
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P.O.Box 1870
Hayden, Idaho 83835
Ph: (208) 665-9200
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(replace XXX with avondalecon)

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Please provide copies of all correspondence, notices and orders to the above individuals.

Respectfully submitted,



Robert N. Turnipseed

President

Bar Circle "S" Water Company
Additional Revenue Requirement for AMR Project

	(A) Approved by Order 30970	(B) Adjusted for AMR Project & Loan
1 Rate Base	\$ 208,617	\$ 259,891
2 Rate of Return	12.00%	10.59%
3 Net Operating Income Required	\$ 25,034	\$ 27,522
4 Net Operating Income realized	(21,634)	(21,634)
5 Net Operating Income Deficiency	\$ 46,668	\$ 49,156
6 Incremental AMR Depreciation		3,418
7 Adjusted Net Operating Income Deficiency	\$ 46,668	\$ 52,575
8 Revenue Requirement to overcome Loss	\$ 21,634.00	
9 (Includes AMR Depreciation)		\$ 25,052
10 Incremental PUC Fees @ .1662%	36	42
11 Gross Revenue Requirement to Overcome Loss	\$ 21,670	\$ 25,094
Revenue Requirement to Achieve Income Requirement		
12 Net Operating Income Requirement Subject to Tax	\$ 25,034	\$ 27,522
13 Tax Gross-Up Factor	1.2809	1.2809
14 Revenue Increase Required	\$ 32,066	\$ 35,254
15 Revenue Increase Required	\$ 53,736	\$ 60,347
16 Amortize Rate Case Expenses	1,998	1,998
17 Total Revenue Increase Required	\$ 55,734	\$ 62,345
18 Additional Increase Required for AMR Project Percent Increase Required Over Commission		\$ 6,611
19 Authorized Rates		11.86%