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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE SALE/PURCHASE)
OF BITTERROOT WATER COMPANY.) **CASE NO. BIT-W-03-1**
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)
)
) **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 July 25, 2003, submits the following comments.

On June 17, 2003, Bruce Burnett, owner of Bitterroot Water Company, Inc. (Bitterroot; Company) filed documentation with the Idaho Public Utilities Commission (IPUC; Commission) for the sale of the water system's common stock to Cathy and Kenneth Rickel. The Bitterroot Water Company is a regulated public utility maintaining and operating a water system servicing approximately 101 customers in Kootenai County, Idaho. The Commission issued Certificate of Public Convenience and Necessity No. 319 to Bitterroot Water Company, Inc. on December 14, 1995. Case No. GNR-W-95-2, Order No. 26268.

STAFF ANALYSIS

Staff has reviewed Bitterroot's Application requesting approval to sell the Bitterroot Water system to Ken and Cathy Rickel. The Rickels currently own and operate the Rickel Water Company adjacent to, and interconnected with, the Bitterroot water system. The Rickels have an established history of successfully operating the Rickel Water Company in compliance with IPUC requirements.

The Bitterroot Water system serving the Silver Meadows subdivision is currently owned and operated by Bruce Burnett, the subdivision developer. As a developer-owned and operated system, the physical plant is considered contributed property to the water corporation (IDAPA 31.36.01.103) and therefore has no net value (rate base) for ratemaking purposes.

Bitterroot Water Company, Inc. proposes to sell its common stock rather than the physical assets of the water system. The Rickels plan to retain the corporate identity of the Bitterroot Water Company and to operate the two water systems as separate businesses. Staff has informed the Rickels that the plant valuation of Bitterroot Water Company will be carried forward at its existing zero net value for ratemaking purposes and the \$50,000 stock purchase price should not be recorded on the books of the Bitterroot Water Company. The stock purchase is a personal investment by the Rickels and as such is not recoverable from ratepayers.

Staff has contacted the Idaho Department of Environmental Quality (DEQ) to insure that both the Rickel and the Bitterroot systems are in compliance with DEQ regulations. DEQ informed Staff that both systems are in compliance except that neither system currently has a certified operator. DEQ requires that each system have not one but two certified operators. Mrs. Rickel told Staff that her husband Ken and his brother would be taking the certification course in the near future. Therefore, with common ownership, the Rickles themselves will be able to satisfy the requirement for both the Bitterroot and the Rickel water systems. Staff recommends that the Commission direct both companies to attain full compliance with the DEQ requirements as soon as possible.

Staff has determined that both corporations are in good standing with the Idaho Secretary of State's office. Staff believes that this sale will not adversely impact the customers of either water system. Although no rate changes are proposed, the Application indicates that a future rate increase may be necessary due to anticipated repair and maintenance work on the Bitterroot system. Common ownership and management of the two systems may provide operational efficiencies that do not currently exist.

CONSUMER ISSUES

On July 1, 2003, Bitterroot Water Company provided its customers a notice regarding the proposed sale of the water system to Ken and Cathy Rickel, local landowners and operators of the nearby Rickel Water Company. As of August 12, 2003, the Commission has received no comments from Bitterroot customers regarding the proposed sale.

Bitterroot Water Company states that no customer deposits have been collected. Therefore, it is not necessary for the Company to file a report regarding deposits on file as required by the Utility Customer Relation Rule 109.03.

Staff reminds the Company that even though a rate change is not requested at this time, should such a request occur in the future it will require proper customer notification and an additional application with the Commission. Staff further recommends that the Commission's Order make it clear that water rates are set by the IPUC after an audit and investigation of the Company's income and expenses during a rate case. Customers will have an opportunity to review any future rate change application and offer comments prior to the Commission's final decision.

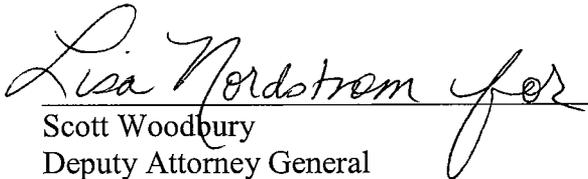
Both Rickel Water Company and Bitterroot Water Company are generally in compliance with the rules and regulations of the Idaho Public Utilities Commission, including the Utility Customer Relations Rules (IDAPA 31.21.01), Utility Customer Information Rules (IDAPA 31.21.02), and Small Water Company Policies (IDAPA 31.36.01). IPUC rules can be reviewed on line at <http://www.puc.state.id.us/Rules.htm>. Staff will work with the Companies to make minor revisions to the annual rules summaries pursuant to IPUC rule changes, that became effective in May of this year.

Additionally, the rules summary for Bitterroot Water Company indicates there is a reconnection fee of \$25. However, Bitterroot has no tariff approved for a \$25 reconnection charge. The Company has never imposed the unauthorized fee because it has never disconnected a customer. Because a \$25 fee is reasonable and comparable with other approved reconnection charges, Staff recommends the Commission approve a \$25 reconnection charge even though it was not included in the Application. Staff further recommends that the Commission allow the reconnection charge to be included with the full set of replacement tariffs to be submitted by the new owners after the sale is approved.

RECOMMENDATIONS

1. Staff recommends that the Commission approve the sale of Bitterroot Water Company, Inc.'s common stock to Cathy and Kenneth Rickel.
2. Staff recommends that the Bitterroot Water Company be prohibited from recording any costs of this transaction on the books of the corporation.
3. Staff recommends that the Commission direct the Company to attain full compliance with the DEQ Certified Operator requirements.
4. Staff recommends that the Company be directed to file the appropriate tariffs to incorporate the change of ownership and the \$25 reconnection charge.

Respectively submitted this 14th day of August 2003.


Scott Woodbury
Deputy Attorney General

Technical Staff: Bob Smith
Michael Fuss
Marge Maxwell

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14TH DAY OF AUGUST 2003, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. BIT-W-03-1, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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