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26294 Silver Meadows Loop Road
Athol, ID 83801

IDAHO PUBLIC
UTILITIES COMMISSION

July 25, 2005

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

Re: Case No. BIT-W-05-1

Dear Commissioners:

It has come to my attention that my domestic water supplier, Bitterroot Water Company, Inc. (Bitterroot) has filed an application with the Idaho Public Utilities Commission (IPUC) to increase the metered base rate for water from \$20.00 per month to \$45.00 per month. This application came to my attention from a neighbor who just happened to see this application while glancing at the legal notices in a newspaper. To date, this application for rate increase has **not** been provided to us by Bitterroot via our monthly water bill. Unless each of the 116 customers of Bitterroot are avid readers of the legal notices, it is doubtful whether a significant number of Bitterroot's customers are aware of this application.

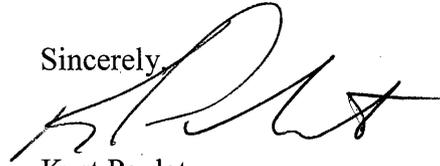
It is certainly understandable that public utilities must periodically pass onto their customers their increased costs for the services provided. The following is quoted from the Notice of Application, "The increased operating expenses, the Company contends, are largely out of its control. Rising power costs play the biggest role in recent operating expense increases." Using Bitterroot's own figures, the Company incurred an 11% increase in pumping costs from 2002 to 2003 and a 6% increase from 2003 to 2004. A request to increase the base rate from \$20.00 per month to \$45.00 per month, a 125% increase, seems excessive based on Bitterroot's own pumping cost figures.

In my review of Bitterroot's balance sheets, a couple of items stood out. The Owner/Manager took a charge for his labor of \$6324.50 only in year 2004 that inflated that year's costs above the previous years. Additionally, there is a charge in year 2003 under Operating Expenses, Line 19 for \$27,164.08 that was annotated for explanation in Schedule 5. However, upon inspection of Schedule 5, that explanation is missing. Without proper explanation, it is unclear what this charge is for. This one-time charge inflates costs for year 2003.

In reviewing the balance sheets, I would argue that the operating costs are rising not from "out of control energy costs" but rather from a significant labor charge and a rather significant increase in insurance costs. There are some apparent irregularities in Bitterroot's application. The Company has misrepresented its case for a rate increase. Again, a modest base rate increase due to rising energy and insurance costs can be made by Bitterroot.

I look forward to a local public workshop in the Athol/Coeur d'Alene area sponsored by IPUC. Please let me know when the workshop will be scheduled.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Pavlat', with a stylized flourish at the end.

Kurt Pavlat