Office of the Secretary
Service Date
March 26, 2008

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF BRIAN WATER CORPORATION FOR AUTHORITY TO INCREASE ITS RATES	)	**CASE NO. BRN-W-07-01**
	)	**ORDER NO. 30516**

On September 10, 2007, Brian Water Corporation (Brian Water, Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting that its monthly base rate (minimum charge) for the first 4,000 gallons per month be increased from \$10.50 to \$15.00. No other change in rates or charges was requested. The Company states that a rate increase is needed to recover repair expenses, meter replacements, and power costs. No supporting documentation was submitted. No effective date for new rates was proposed. The Commission in this Order approves an increase in the monthly minimum base rate from \$10.50 to \$12.50 and an increase in the commodity charge for monthly usage exceeding 4,000 gallons from \$1.08 to \$1.35 per 1,000 gallons.

BACKGROUND

Brian Water is a regulated water utility providing water service under Certificate of Public Convenience and Necessity No. 260. The Company has 46 residential customers in Brian Park Subdivision, a development located in Ada County, Idaho, a few miles east of Boise along old State Highway 21. The Company's water rates were last adjusted by the Commission in Order No. 27998 issued April 22, 1999 in Case No. BRN-W-98-1. The current rates for water service are a base rate of \$10.50 per month for the first 4,000 gallons and a commodity rate of \$1.08 for each 1,000 gallons thereafter. The Company's proposed base rate increase of \$4.50 per month per customer would generate a \$2,484 increase in annual revenue, an increase to customers of \$54 per year.

A Notice of the Company's Application was issued by the Commission on September 19, 2007. A public workshop for customers was held in Boise on January 16, 2008. The deadline for filing written comments was January 24, 2008. Commission Staff performed an audit and investigation of the Company's financial records and physical plant and was the only party to file comments. On February 5, 2008, the Company filed a reply proposing an adjustment to water testing expense.

Staff Recommendations

The Commission Staff contends that an increase of $3,170 in annual revenues is required to provide for the Company's present and continued viability. This results in an annual revenue requirement of $14,823, and an average rate increase of 27.2%. Staff recommends that this be recovered by increasing the customer minimum charge for the first 4,000 gallons from $10.50 to $12.50 per month and increasing the excess commodity charge for usage exceeding 4,000 gallons per month from $1.08 to $1.35. Staff calculates that this rate change, on average, will result in a total increase to customers of approximately $68.00 per year.

Staff recommends also that the Company bill customers monthly as its tariff requires; and that the Company's tariffs, bills and notices be updated and revised to comply with Commission Rules. Staff further recommends that an explanation of rates and summary of rules be distributed to customers at the time of sign up and to existing customers on an annual basis as required by Commission Rules.

Staff Analysis

As reflected in Staff comments, Brian Water does not maintain conventional journals and ledgers. The Company's records for many recent years are incomplete. The records for year 2006 were the most substantially complete and form the basis for Staff's rate case analysis.

Brian Water is currently facing a trio of adverse financial circumstances: (1) declining metered sales, (2) a rate schedule based upon nearly decade-old costs, and (3) the expenses of maintaining an aging water system. Based on the results of Staff audit and analysis, Staff calculates a rate base (December 31, 2006) of $18,558 (consisting of $59,358 plant-in-service; ($24,228) accumulated depreciation; and ($16,512) on amortized contributions in aid of construction). The Company did not specify a requested rate of return. Staff used a return on equity of 12%, a return comparable to that recently authorized by the Commission for other small water companies, e.g. Falls Water Company (FLS-W-07-01); Morning View Water Company (MNV-W-06-01). With adjustments to 2006 test year expense (including updated Company water testing expense), Staff calculates an annual revenue requirement of $14,823.

Staff notes that the only increase requested by the Company is a 43% increase in its current minimum charge, from $10.50 per month to $15.00 per month. Staff believes that the Company's proposal to increase the minimum charge without increasing the commodity charge is not in keeping with the Commission's historical approach to designing rates for small water companies. First, it sends no conservation signal to customers and secondly, it does not reward customers who consistently practice good water conservation.

Brian Water has two wells, a large well producing approximately 160 gallons per minute (gpm) and a smaller well producing approximately 110 gpm. Well output is not currently metered. Based on analysis of energy use and pump curves, Staff estimates lost and unaccounted-for water for the system is high. Possible reasons for this include defective meters and water leaks. This loss of water, Staff states, can be diagnosed and remedied by placing a master meter at the pump outlets on both wells and embarking on a program of testing and replacement of defective individual meters.

Consumption data over the past 10 years shows a decline in metered sales of approximately 25% from 2002 through 2006. Staff cannot explain the reason for the decline. In 2007 consumption increased to 8,066,322 gallons, 10% over that in 2006 and a figure more closely approximating the Company's seven-year average annual usage, i.e., 8,338,881 gallons. Staff uses the 2007 consumption data in the calculation of rate design because it is more representative of normal usage. Currently the minimum charge accounts for 48% of the revenue for the Company and the commodity charge accounts for 52% of the total revenue generation. Staff sees no reason to change that relationship and calculates that the Company can recover its revenue requirement by increasing its minimum charge from $10.50 to $12.50 with no change to the 4,000-gallon allowance, and increasing the excess commodity charge from $1.08 to $1.35 per 1,000 gallons.

Staff investigation revealed that the Company is out of compliance with Commission Customer Information Rules and requirements regarding initial and annual explanation (to customers) of rate schedules (Rule 101), Utility Customer Relations Rule 701 regarding Summary of Rules, Rules 201 (Issuance of Bills – Contents of Bills) and Rule 305 (Contents of Notice of Intent to Terminate Service). IDAPA 31.21.01 and 31.21.02. Examples of missing information include the itemization of charges on bills, due date of the bills, and Commission contact information on notices. Staff is willing to assist the Company in bringing itself into compliance with current rules and regulations.

Commission Findings

The Commission has reviewed and considered the filings of record in Case No. BRN-W-07-01 including the comments and recommendations of Commission Staff and the Company's reply. We find it reasonable to process this case and issue our Order based on the established record and without further notice or proceedings. Reference IDAPA 31.01.01.204.

Staff in this case recommends an increase greater than the amount requested by Brian Water. The Commission notes that its authority and power to determine the reasonableness of the Company's rates and charges is derived from statute, Idaho Code, Title 61 – Public Utilities Law. In this case, the Commission considered Commission Staff's report, analysis, and conclusions. Staff's recommendations were the results of its investigation, discovery, and inspection. *Idaho Code* § 61-610; IDAPA 31.01.01.221-240. Our grant of authority to determine and fix rates includes the power to investigate. See *Idaho Code* § 61-502 – Determination of Rates; 61-503 – Power to Investigate and Fix Rates and Regulation. Brian Water for its part has a statutory duty to maintain adequate, efficient, just, and reasonable service. *Idaho Code* § 61-302 – Maintenance of Adequate Service. We have a reciprocal duty to customers to ensure that the Company has the wherewithal to provide such service.

In determining the reasonableness of Brian Water's tariff rates, we must consider whether they provide the Company with enough revenue to meet its maintenance and operation obligations as they come due, and provide it with the ability and means to make necessary repairs and replacements to its water system in an otherwise timely and efficient manner.

In reviewing the record, we find Staff's proposed revenue requirement and rate design to be fair, just, and reasonable. We find that the Company's request was not based on an accounting analysis of the Company's financial position or on a standard revenue requirement methodology. Based on our consideration of the established record, we find it reasonable to approve a calculated revenue requirement for Brian Water of $14,823 and to establish the following tariff rates for metered service: An increase in the Company's base rate for the first 4,000 gallons per month from $10.50 to $12.50 and an increase in the excess commodity charge (over 4,000 gallons per month) from $1.08 to $1.35 per 1,000 gallons. As calculated by Staff, we find that this rate change, on average, will result in a total increase to customers of approximately $68 per year, or 27.2%.

The revenue requirement in rates that we approve is derived from an approved adjusted 2006 test year operating expense of $11,442, a 12% equity return on an approved calculated rate base of $18,558 and a pre-tax income requirement of $14,277. The Company is directed to file amended tariff sheets reflecting the approved rates.

Staff notes with some concern that there appears to be a possibility of significant unaccounted-for water in Brian Water's system. This problem, Staff states, can be addressed by metering the two wellheads and testing and replacing defective customer meters. Water is a resource that must be conserved and not wasted. We encourage the Company to take steps to better manage and husband this resource.

As reflected in Staff comments, Brian Water is out of compliance with Commission Utility Customer Information Rule 101, and Utility Customer Relations Rules 201, 305 and 701. The Company also reads meters and bills customers in a manner other than required by its tariffs. We direct the Company to bring itself into compliance with Commission rules and regulations and further direct the Company to read meters and bill customers on a monthly schedule.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction and authority over Brian Water Corporation, a water utility, and the issues raised in this case, pursuant to Title 61 of the Idaho Code 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 Commission in Case No. BRN-W-07-01 does hereby approve a $3,170 or 27.2% increase in authorized annual revenue for Brian Water Corporation for a total authorized annual revenue requirement of $14,823.

IT IS FURTHER ORDERED and the Commission does hereby authorize and establish tariff rates and charges as set out above for an effective date of April 1, 2008. The Company is required to file tariff sheets consistent with this Order.

IT IS FURTHER ORDERED and the Company is directed to revise its current rules and regulations to conform to Commission requirements and to read meters and bill its customers monthly.

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 26th day of March 2008.

MACK A. REDFORD, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

JIM D. KEMPTON, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

O:BRN-W-07-01_sw