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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF DIAMOND BAR WATER )  
COMPANY TO AMEND CERTIFICATE OF ) CASE NO. DIA-W-04-1  
PUBLIC CONVENIENCE AND NECESSITY NO. )  
413. )  
 )  
 ) **COMMENTS OF THE  
 ) COMMISSION STAFF****

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**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, , in response to the Notice of Modified Procedure in Case No. DIA-W-04-1 issued on June 23, 2004, and submits the following comments.

**BACKGROUND**

On June 7, 2004, Diamond Bar Water Company, a water utility in Kootenai County, Idaho, filed an Application with the Idaho Public Utilities Commission (Commission) to amend its Certificate of Public Convenience and Necessity No. 413 and to extend its certificated service territory to provide water service to Boekel Estates Subdivision (Boekel Estates). Reference, IDAPA 31.01.01.112; IC 61-526. Boekel Estates consists of approximately 70 acres of land platted as 14 five-acre lots in the SE 1/4 of Section 33, Township 52 North, Range 4 West, Boise-Meridian, Kootenai County, Idaho. As part of the Application, Diamond Bar has

submitted a Water Main Extension Agreement (Agreement) dated June 2, 2004 between Diamond Bar and Walter and Grace Singer, the developers of Boekel Estates. Diamond Bar intends to provide domestic and irrigation water under the terms of the Agreement and an attached exhibit setting forth General Rules and Regulations governing the Agreement.

## **ANALYSIS**

Staff has reviewed Diamond Bar's Application, has had discussions with the Company and developer and believes that there are four main issues to address:

- 1) The request for service area expansion.
- 2) The need for a hook-up fee.
- 3) The Water Main Extension Agreement.
- 4) The request for a charge for fire fighting water.

### **Service Area Expansion**

Staff has reviewed the Company's filing and responses to requests for additional information and recommends that the request for certificated area expansion be granted. Staff further recommends that all extension construction costs be recorded on Diamond Bar's books as Contribution in Aid of Construction (CIAC).

The Company has indicated that it has adequate supply to meet the needs of the expanded service territory. No other regulated water companies are in the immediate vicinity of this request. Service to the proposed area is at the request of the landowner/developer of the expansion area. Extension of service to Boekel Estates will require excavation, installation of mains, fire hydrants, services, meter boxes; grading; backfill; compaction; inspection; and testing. The estimated cost for this project is \$136,321, all of which will be paid by the developer pursuant to an understanding of the parties as will be more particularly referenced in a revised Water Main Extension Agreement. Staff recommends that this transaction be recorded as CIAC on Diamond Bar's books.

Staff believes the Company has an adequate source of supply to provide service to Boekel Estates in a safe and reliable manner. Staff believes that extension of Diamond Bar facilities to serve Boekel Estates is consistent with the public convenience and necessity.

### **Meter Installation Fees**

Staff recommends that a one-time \$200 meter installation fee be granted to the Company.

In Order No. 29247 the Commission rejected the Company's request for a \$1,000 hook-up fee for the installation of water meters. At that time no additional customers were anticipated and the Company reported that all lots within the original development had paid a hook-up fee prior to regulation. Diamond Bar water is now requesting to serve an area that could allow for 14 new houses or an additional 14 regulated customers. All backbone and mainline improvements will be contributed to the Company as CIAC. However, there are no provisions in place to recover the cost for meter installation from the additional individual customers.

In Staff Request No. 10, the Company provides an estimated cost of \$200 to install a water meter. Staff believes this is a reasonable rate based on the Company's cost estimate and it is within the range of other regulated water system hook-up fees in the area.

### **Water Main Extension Agreement**

Staff recommends that the June 2, 2004 Water Main Extension Agreement between Diamond Bar and the developers of Boekel Estates be rejected in its entirety. Staff recommends that a new agreement be executed reflecting the contribution of mainline and service line improvements by the developer of Boekel Estates Subdivision as CIAC, the application of the Commission's Customer Relation Rules and Diamond Bar's filed tariffs and rules to the expanded service territory.

Staff has reviewed the Agreement submitted by Diamond Bar Water System. The Agreement is quite extensive and makes reference to service quality, customer relations, and rate issues. In many cases the Agreement conflicts with the Commission's Rules and the Company's existing tariffs. Staff believes that these issues are already adequately covered by the requirements of either the Idaho Department of Environmental Quality, the Idaho Department of Water Resources, the Commission's Rules, or Diamond Bar Water's existing Tariffs. Staff believes that the proposed Agreement discriminates against the customers in Boekel Estates and should not be approved. Staff has discussed this with the Company and the developer. Diamond Bar has indicated that it will resubmit a Water Main Extension Agreement to reflect the contribution of Boekel Estates and the application of the Company's existing tariffs and rules to the expanded service area.

## **Fire Fighting Water Fee**

Staff recommends that the Commission reject the Company's request for a charge for fire fighting water.

In the proposed Water Main Extension Agreement at paragraph 2.16, the Company alludes to the imposition of a fire fighting water fee for customers in the service area expansion. The Company currently has no tariff for this fee and does not charge existing Diamond Bar Water customers such a fee. In response to Staff's production request, the Company confirms its inability to accurately determine the amount of water used for fire fighting. The Company indicates that it can determine an electrical demand charge that would be levied should the Company's much larger fire pump be initiated but can only provide local fire district estimates for the water used. In response to Staff Production Request No. 8, the Company states that it does not intend to submit a separate fire protection tariff but proposes charging the customer a water consumption fee equal to its existing water rate tariff or \$.45/1000 gallons.

Should the Company wish to pursue a fire fighting water tariff, Staff believes that it should submit a request under a separate Application. The Company's request should include a method of determining actual costs incurred and water used for fire fighting. The Company must also demonstrate that the costs can be directly attributable to a specific customer and expenses such as demand charges are not the result of hydrant flushing, line breakage, or excessive irrigation usage.

## **RECOMMENDATIONS**

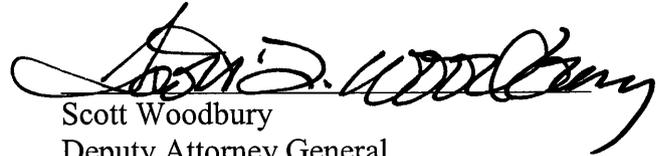
Staff Recommends that the Commission:

- 1) Grant the request for service area expansion.
- 2) Require that all water main extension costs be recorded as Contribution in Aid of Construction on Diamond Bar's books.
- 3) Authorize a one-time meter installation fee of \$200.00 and require the filing of a related tariff.
- 4) Require the Company to execute a revised Water Main Extension Agreement with the developer of Boekel Estates conforming to the Commission's Order and that includes 1) a provision requiring the contribution by the developer of Boekel Estates Subdivision of mainline and service line improvements, 2) a recitation that

the Commission's Customer Relation Rules and Diamond Bar's filed Tariffs and rules apply to the expanded service territory.

- 5) Deny the Company proposed fire fighting charge.

Respectively submitted this 21<sup>st</sup> day of July 2004.



Scott Woodbury  
Deputy Attorney General

Technical Staff: Michael Fuss  
Carol Cooper

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 21<sup>ST</sup> DAY OF JULY 2004, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. DIA-W-04-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY