

## Jean Jewell

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**Sent:** Friday, June 10, 2016 7:42 PM  
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**Subject:** Case Comment Form: Darrel Ramus

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Name of Utility Company: DIAMOND BAR WATER  
Comment:  
Diamond Bar Estates Homeowners Association  
1952 W. Diamond Bar Rd.  
Rathdrum, ID 83858

June 10, 2016

Idaho Public Utilities Commission  
P.O. Box 83720  
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Subject:Water Case No. DIA-W-15-01  
Water Rates Committee Response #3

I attended the public hearing for the Diamond Bar Estates Water (Company) Case this week to present our findings and listen to testimony provided by others. At the end of the public hearing we were informed that additional comments could be provided through this Friday on June 10th.

Following our extensive research on the details of this case, we consider the 80% increase to be completely unjustified. The rate increase recommended in the Staff Report addresses many of the minor issues in this case. However, further downward modifications should be considered for the labor rate increases and the unprecedented 5 pump replacements since 2010 at a rate of nearly 1 pump failure per year!

Labor rates should rely on some improvement in efficiency identified in many comments. Also, they should not rise more than the range of the Idaho Median Household Income for 2007-2016 that was up only 2% and the CPI Inflation Calculator for 2007-2016 that was up 15% in total.

Pump failures should not be treated as "improvements" or "investments" in the water system and should be subject to "normal accounting treatment upon the early retirement of an asset, the remaining book value would be written off as an extraordinary loss and would not be recoverable in rates" as mentioned in the Staff Report.

Recommended improvements to the electrical system as outlined in the AEI Engineering Report and guidelines required by Kootenai Electric, National Electric Code and the pump manufacture recommendations should be implemented in full

given the ongoing string of pump failures. This should not be part of the rate base either since these requirements have existed prior to any of the pump failures and ignored since at least 2002 when the Company acknowledged electrical issues.

Here are some excerpts from the legal opinion we requested from our attorney, Susan P. Weeks with James, Vernon & Weeks, to address what we consider to be an unreasonable rate increase.

ISSUE 1: Do requested increases to rates charged to consumers for water service by public utilities have to be reasonable?

BRIEF ANSWER 1: Yes. Under Idaho Code § 61-301, charges demanded by a public utility must be “just and reasonable.” IDAHO CODE § 61-301 (2015). Additionally, the Idaho Public Utilities Commission has the authority to approve, reject, or modify a rate or charge proposed to ensure that such charges are “just, fair, and reasonable.” IDAPA 31.01.01.124.02.

ISSUE 2: Is a requested increase in rates charged to consumers of approximately 79.39% a “reasonable” increase?

BRIEF ANSWER 2: Likely no. A requested increase of approximately 79.39% in rates charged to consumers is not a “reasonable” increase based upon prior administrative orders issued by the Idaho Public Utilities Commission because Diamond Bar Estates Water Company has not experienced significant growth in customer base nor has it made significant capital improvements to its water systems. Additionally, much of the requested increase is coming as a result of increased maintenance costs for replacement of defective water pumps, which are arguably the result of negligence in installation or operation.

2007 Case No. DIA-W-07-01: The Commission rejected the Company’s requested increase in bookkeeping services as unreasonable due to the fact that the Company could outsource the bookkeeping to a different company that would charge much less than projected. Id. at 7. In doing so, the Commission stated “[t]ransactions with unregulated affiliate companies must receive a greater degree of scrutiny, and the Company has the burden to come forward with substantial evidence establishing that increases and amounts paid to unregulated affiliate companies are just, reasonable, arms-length, least-cost transactions.” Id. Additionally, the Commission rejected the Company’s requested increase in water master salary because the system had not undergone any changes “to justify any additional time or expertise.” Id. at 6.

Pump Failures: As for the increased maintenance of water pumps, the Commission likely will not allow the Company to include the maintenance charges in its rate base. A similar situation regarding replacement of meters happened with Bitterroot Water Company in 2006. In re Application of Bitterroot Water Company for Authority to Increase its Rates, case No. BIT-W-05-1, Order No. 29966 (IPUC Jan. 31, 2006). If Diamond Bar Estates Homeowners Association can show the cost of replacement of the water pumps has increased as a result of negligence in installation, maintenance, or the like, it would be inappropriate for the Commission to include that charge in rate base calculations. An increase in rate base charges to compensate for water pump replacement, in that situation, would be unreasonable.

In Summary: The lesson from [previous] orders is the Idaho Public Utilities Commission makes a finding based on the specific evidence in question. It strongly takes into account the opinions of the Company’s customers and the findings of its own Staff. Requested increases for rising electricity costs are generally considered reasonable. Requested increases for rising administrative costs, such as salaries and bookkeeping, may be considered reasonable based on the situation, and in the past have been considered unreasonable if the cost to the Company of outsourcing the work is less than the cost of completing the work in-house. Requested increases for maintenance and repair may be considered unreasonable if the repairs are needed as a result of negligence or improper maintenance. Ultimately, what is reasonable must be determined by the Commission and its Staff.

We would like to thank the Idaho PUC Commissioners and Staff for all of your time and effort required to research and evaluate the details in this case and look forward to your decision.

Diamond Bar Estates Homeowners Association Water Rates Committee

Darrel Ramus, Director

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