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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)

BITTERROOT WATER COMPANY, INC. FOR)CASE NO. GNR-W-95-2

A CERTIFICATE OF PUBLIC CONVENIENCE)

AND NECESSITY.)

)STAFF COMMENTS

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COMES NOW the Staff of the Idaho Public Utilities Commission by and through its attorney of record, Susan Hamlin, Deputy Attorney General, and hereby submits these comments as provided for in the Notice of Application issued in this case on November 13, 1995.

BACKGROUND

Bitterroot Water Co. (Bitterroot or Company) filed an application with the Idaho Public Utilities Commission (Commission) on October 24, 1995 seeking a Certificate of Public Convenience and Necessity.  The Staff (Staff) of the Commission conducted its investigation of Bitterroot the week of November 6, 1995.

The Company ownership is in common with a development company known as Denali Vandals Inc. (Denali) that has developed a subdivision known as Silver Meadows.  The subdivision is located north of Brunner Road between Old U.S. Highway 95 and Clagstone Road in Section 29, Township 53 North, Range 03 West, Boise Meridian, Kootenai County Idaho.  It is located approximately 15 miles north of the city of Coeur d'Alene, and 1.5 miles west of the Silverwood Theme Park located on U.S. Highway 95.  The subdivision lies on relatively flat terrain with less than 40' of variation in elevation.  Lots in the subdivision are approximately five ( 5) to seven (7) acres in size.  The Burlington Northern Railroad mainline bisects the subdivision.

Bitterroot Water Company was incorporated in Idaho on June 21, 1995 (Idaho Corporation No. 111082).  Denali is an Alaska Corporation that was qualified to do business in Idaho on February 17, 1995 (Idaho Corporation No. 109476).  Both corporations are in good standing with the Idaho Secretary of State.

Denali is developing the subdivision in three phases.  Phases one and two are nearly complete and the lots are being marketed.  Phase three will be developed beginning in the spring of 1996.  When the third phase is completed the subdivision will be composed of 116 residential acreage.  One additional one (1) acre lot is dedicated to the Athol Fire District and a ten (10) acre parcel has been set aside for the Lakeland School District.

The water system is being installed by Denali.  Bitterroot Water Co. was created to take over the operation and maintenance of the water system once it is in place.  The common owners of the two company's are aware of the Commissions policy regarding recovery of the water system development costs through the sale of lots and realize there will be no capital investment or "Rate Base" recognized for the water system.

WATER SYSTEM

The Staff has received copies of the water system "as built" schematic drawings and toured the subdivision.  Attached for information purposes is a copy of the subdivision plat map.  The drawings are a fair representation of the water system that has been completed to date and indicate a very well engineered system.  The majority of the main lines are 8" PVC.  One 6" PVC dead end main was installed in the only cal-de-sac in the subdivision to serve five lots and another dead end 6" PVC main serves five lots on the northernmost part of the subdivision lying easterly of the Burlington Northern Railroad along Old U.S. Highway 95.  Fire hydrants have been placed within the subdivision to provide fire protection.  Main line service connections, meter bases and one inch meters have been installed as the water lines were laid.  All that is necessary to connect customers as new homes are built, is the installation of the individual service lines from the meters to the homes.  These service lines are the responsibility of the builder or homeowner.

Three additional dead-end lines currently exist.  Two of these are located between phases one and three of the subdivision.  These dead end lines will be interconnected in 1996 when phase 3 of the subdivision is developed.  This interconnection will provide a looped system in that part of the subdivision.  The third dead-end line lies in phase two of the subdivision.  There is a possibility this line may eventually be connected to another section of line lying outside the subdivision (see discussion following regarding Rickle property) which will provide a looped system in this part of the subdivision.

The primary water supply for the subdivision is an 8", 464' deep well located in the first phase on lot two of block one in the southwest extreme of the subdivision.  The well is equipped with a three phase, 480-volt, 25-horsepower submersible turbine pump.  The well is capable of delivering 125 gallons per minute into the system.  A 100,000-gallon underground concrete storage reservoir is under construction immediately adjacent to the well house.  The reservoir, when completed in the spring of 1996, will include three 5-horsepower booster pumps.  The well house currently contains six 250-gallon pressure tanks.

A secondary source of water is an existing interconnection with a system located to the east and south of the Bitterroot well.  Immediately across the Burlington Railroad tracks to the east of the Bitterroot well, an identical well was drilled by an unrelated party (Rickle).  The well house contains a 2,000-gallon pressurized storage tank.

Three members of the Rickle family own and are developing property adjacent to the Silver Meadows Subdivision.  The Rickle system will eventually provide domestic water service to 37 lots.  A 12" steel pipe was placed beneath the railroad track berm between the two well sites.  An 8" PVC water line has been installed inside this steel pipe and connects the two water systems.  The Rickle system is not included in Bitterroots' application for a Certificate of Public Convenience and Necessity.  No separate application has been filed for the Rickle system.

The Rickle supply and distribution system has been designed by the same engineering firm that designed the Bitterroot system.  The designs are compatible and in all reality resemble a single water system.  Bitterroot Water Co. is dependent upon part of the Rickle system to deliver water to phase two of the Silver Meadows subdivision.

A contract entitled "Water Use Agreement" between Bitterroot and Rickle provides the terms of the interconnection agreement.  Each party is to maintain its own distribution system.  Repair and maintenance of the distribution plant that is used in common by the two systems shall be shared by the parties.  The contract also provides for proration of the costs of operating and maintaining the two wells, well sites and pumps based upon the amount of water delivered to the customers of two systems.  The authority of the Public Utilities Commission is recognized within the contract.

A third land development project is also connected to the Bitterroot system.  A six inch PVC line crosses beneath Clagstone road immediately west of the Bitterroot well.  This line connects to a distribution system owned by members of the Gridley family.  The Gridley project is composed of a four inch PVC distribution system that will serve 25 to 28 lots.  The Gridley system also includes a well with a 25-horsepower pump and a 25,000-gallon storage reservoir with two 5-horsepower booster pumps.  The interconnection between the Bitterroot and Gridley systems is intended for emergency purposes only.  A post indicator valve is installed on the interconnection and is normally in the closed position.  Should one of the two systems experience an emergency, the interconnection valve would be opened providing an alternate source of water to either system.  The agreement between these two parties is an oral agreement.  No written contract exists.

RECOMMENDATIONS

As discussed above, there are actually three separate and distinct systems under development in the vicinity of Silver Meadows subdivision.  Bitterroot Water Co. is the only one of the three systems that have applied to the Commission for a certificate.  The information the Staff has gathered to date indicates the other two systems (Rickle and Gridley) should also require a certificate.  Staff discussed this with Mr. Cussick, President of Bitterroot Water and suggested the three systems consider joining together as a single water company.  Mr. Cussick indicated that this has been discussed but there was little interest in doing so.  He did not indicate that it was impossible.  Staff would strongly urge the principals of the three systems to give this option some serious consideration, particularly Rickle and Bitterroot whose water agreement make the two systems almost indistinguishable.

Utilities should have distinct boundaries, thus to prevent commingling of systems.  Idaho Code §61-528 specifies conditions may be included as part of the certificate, therefore included in the certificate should be a condition that the Bitteroot system should either be consolidated or severed from the Rickle and Gridley systems.  The condition should be satisfied by a date determined by the Commission.

These comments are being filed in response to the Company's request for a Certificate of Public Convenience and necessity.  Staff supports that request as discussed above for the three phases of the Silver Meadows subdivision.  The Staff will file its recommendations regarding  rates for water service at a later date in this proceeding.

DATED at Boise, Idaho, this                day November, 1995.

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Susan Hamlin

Deputy Attorney General

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