

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: SCOTT WOODBURY

DATE: APRIL 1, 2004

RE: CASE NO. PIC-W-04-1 (Picabo Water)

On March 25, 2004, Picabo Livestock Company, Inc. filed an Application for a rate increase for the Picabo Water System (Picabo; Company). Nick Purdy, Manager of the Picabo Water System, reports that it has been ten years since Picabo asked for a rate increase (Case No. PIC-W-94-1, Order No. 25447) and in the meantime expenses for power, maintenance, materials and water testing have increased dramatically.

To make the system more dependable, Mr. Purdy reports that a well was drilled in 2000 at a cost of over \$50,000 and a variable speed booster pump was installed to make the pressure in town more stable. The added expenses for power and interest on the well investment has raised the operating expenses several thousand dollars a year. As reflected in the Company's 2003 Annual Report, Mr. Purdy reports that income from the system was \$6,182 and expenses were \$8,283. Expenses do not include any labor to operate the system or any depreciation to replace the equipment at the end of its life.

The Company's survey of a water system similar to Picabo in the town of Carey, Idaho, revealed that the minimum payment for a hydrant is \$50 a month and that an average monthly bill for a household of four that waters their lawn is \$70. Picabo provides water at an un-metered flat rate. Picabo's rate for a single hydrant is a minimum of \$12. Residential rates for Picabo are \$14/month year-round plus an additional \$12/mo for sprinkling (April 1-September 30), for an annual charge/residential customer of \$240. Commercial rates are \$24/mo year-round plus an additional \$21/mo for sprinkling (April 1-September 30), for an annual charge/commercial customer of \$456.

The Picabo Water System has 26 residential customers and 2 commercial customers. To bring expenses in line with revenues, Mr. Purdy contends that it would take about \$6 a month increase in water rates to make the system break even; however, at that amount there still would not be any money to cover depreciation or labor. The Company anticipates additional increases in electric bills and water sampling costs in the next several years. The Company is therefore requesting an \$8 per month increase in its published water rates. This increase would equate to an annual water charge for residential customers of \$336 and for commercial customers of \$552.

The Company requests that the proposed increase in rates take effect no later than July 1, 2004.

Commission Decision

Staff recommends that the Commission issue Notices of Application and Modified Procedure in Case No. PIC-W-04-1. Staff apprises the Commission of its intent to conduct an investigation and hold a public workshop for customers. Staff will file a report with the Commission when its investigation is complete. Does the Commission agree with Staff's recommended procedure?

Scott Woodbury

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