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IDAHO PUBLIC  
UTILITIES COMMISSION

P.O. Box 3388 Coeur D Alene, ID 83816  
877-SLK-WATR

February 28, 2013

Idaho Public Utilities Commission  
P.O. Box 83720  
Boise, Idaho 83720-0074

SPL-W-13-01

RE: Application to Increase Rate and Charges by Modified Procedure

Dear Commission:

Spirit Lake East Water Company (Company) requests the Commission's approval of an increase in the rates it charges its customers using the modified procedure. Spirit Lake East Water Company proposes to increase the current base rate by 106%, from \$12.50 per month for 9k gallons to approximately \$24.75 per month for 9k gallons.

The company is also seeking to change the billing and meter reading procedure from quarterly to monthly with meter reading occurring during month's weather permitting where the customer will be billed for all usage that exceeds 9,000 gallons for each billing period during which an actual meter reading was not obtained by the Company. For example, if the meter could not be read one month but was read the following month, all usage in excess of 18,000 gallons (9,000 gallons times 2 billing periods) would be billed at the rate of 12 cents per 100 gallons.

A change in billing procedure and more frequent meter reading has been requested by many of the Companies customers and the Company believes that it would be in the best interest of the public to convert to a program of monthly billing for the following reasons:



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- Monthly meter reading and billing will allow the Company to provide accurate and timely water usage numbers to the customers enabling them to better track personal usage, perform water conservation, and to realize, find, and correct water loss issues. For example The Company forgave \$2,773.49 in the test year totaling 2,311,242 gallons of “lost” water for customers who repaired their leaks in a timely manner after being notified of high water usage. Which also means that the customers paid \$2,773.49 more in water usage due to leaks that could have been avoided had more frequent meter reading been allowed. Often times the high water loss numbers result from a span of up to 9 months where no meter reading occurred.
- Monthly meter reading and billing will relieve financial burden that can occur with the longer usage and billing periods that are currently associated with quarterly schedule. A monthly bill would ultimately allow for customers to budget more effectively, especially for high usage months that produce and increase in per gallon charges.
- Monthly meter reading will also allow for the Company to more accurately track water balance between production and delivery to pinpoint any water loss that may be occurring on the Company side of the meter.

The current meter reading and billing procedure cost the customers approximately \$7,424.00 during the test year. The Company estimates that a new meter reading and billing procedure will cost the customers approximately \$8,549.00 which would produce and increased cost of approximately \$1,125.00, providing a total savings of approximately \$4,422.00 to both the customers and the Company from water loss due to customer leakage.



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The Company has attached work papers as well as a disc with all documents for the Commissions review.

The Company appreciates the Commissions consideration in the above matters and looks forward to working through this process to improve the Spirit Lake East Water Company.

Very Truly Yours.

Leslie Abrams

Owner/ Operator Spirit Lake East Water Co.

Spirit Lake East Water Company  
Rate Base  
Year Ended October 31, 2011

1 Plant in Service	\$1,120,089
2 Less Accum Depr	840,489
3 Less Contributions in Aid	70,050
4 Net Plant in Service	<u>\$209,550</u>
5 Materials & Supplies Inventory	12,291
6 Add Working Capital	10,909
7 Rate Base	<u>\$232,750</u>

Spirit Lake East Water Company  
 Detail of Plant in Service  
 Year Ended October 31, 2011

	Per Books	Correction "A"	Correction "B"	Correction "C"	Corrected Totals
101-304 Structures and Improvements	\$48,222				\$48,222
101-305 Collecting and Impounding Reservoirs	77,073				77,073
101-307 Wells	30,132				30,132
101-310 Power Generation Equipment	30,500	54,339			84,839
101-311 Power Pumping Equipment	140,994		8,290		149,284
101-320 Purification Systems	796				796
101-330 Distribution Reservoirs & Standpipes	7,134				7,134
101-331 Transmission & Distribution Mains & Accessories	519,732				519,732
101-333 Services	71,097				71,097
101-334 Meters & Meter Installations	17,035				17,035
101-339 Other Plant & Misc. Equipment	5,407				5,407
101-340 Office Furniture	5,632				5,632
101-341 Transportation Equipment	5,001				5,001
101-345 Power Operated Equipment	24,981				24,981
101-346 Communications Equipment	1,951				1,951
101-347 Miscellaneous Equipment	639				639
101-348 Other Tangible Property	133,763	(54,339)	(8,290)	(43,769)	27,365
Leak detection Program				43,769	43,769
Total Property Plant & Equipment	1,120,089	-	-	-	1,120,089
151 Materials and Supplies Inventory	12,291				12,291

Note: Includes \$1,514 booked to Acct 150

Note: Corrections "A", "B" and "C" are simply reclassifications to proper accounts per Co's Accountant  
 Correcting entries to be made to correct classifications on Co Books.

Spirit Lake East Water Company  
Income Statement  
For Year Ended October 31, 2011

<b>Revenue</b>	
1 Metered Water Revenue	\$70,370
2 Connection Fees	2,500
3 Total Revenues	<u>\$72,870</u>
<b>Operating Expense</b>	
4 Purchased Power Expense	\$18,270
5 Fuel for Power Production	867
6 Operation And Maintenance Labor Expense	14,797
7 Materials & Supplies O&M	2,882
8 Administrative and Management Labor	24,212
9 Materials & Supplies A&G	2,654
10 Water Testing Expense	975
11 Rental Expense	14,400
12 Transportation Fuel Expense	1,788
13 Insurance	2,510
14 Misc Operating Expense	2,176
15 Telephone Exp	1,745
16 TOTAL Operating Expense	<u>\$87,275</u>
<b>Other Expense</b>	
17 Depreciation Expense	\$23,927
18 Property Taxes	497
19 DEQ Fees	1,027
20 Regulatory Commission Expense	162
21 State Income Tax	30
22 Interest Expense	1,913
23 Total Other Expenses	<u>\$27,555</u>
24 Net Income	-\$41,961

Note: Excludes \$1904.11 non utility exp  
if included loss is -43865.1

Spirit Lake East  
 Weighted Cost of Capital  
 Year Ended October 31, 2011

		Ratio Percent of Total	Cost	Weighted Cost
Common Stock Issued	296,434			
Other Paid in Capital	326,769			
Retained Earnings	(460,008)			
Total Equity Capital	163,195	91%	12.00%	10.97%
Notes Payable	15,375	9%	5.30%	0.46%
Total	178,570	100%		11.42%

NOTE:

Ret Earnings

PUC 460008

Trial Bal 416144

Dif 43864 It appers trial balance is preclose of loss to RE

Spirit Lake East Water Co.  
Revenue Requirement

Rate Base	\$232,750	
Required Rate of Return	11.42%	
Net Operating Income Required	<u>\$26,587</u>	
Net Operating Income Realized	<u>(41,961)</u>	
Net Operating Income Deficiency	\$68,548	
Deficiency Not Subject to Gross-up Factor		\$41,961
Deficiency Subject to Gross-up Factor	\$26,587	
Gross-up Factor	1.29	
Grossed-up Deficiency		<u>34,251</u>
Total Revenue Deficiency		<u>\$76,211</u>
Rate Case Expense	4,000	
Three Year Amortization		<u>1,333</u>
Total Revenue Deficiency		<u>\$77,544</u>
Test Year Revenues at Current Rates		<u>72,870</u>
Total Gross Revenue Requirement		<u>\$150,414</u>
Percent Increase Required		106.41%
Gross-up Factor Calculation		
Net Deficiency	100.00%	
PUC Fees	0.2340%	
Bad Debts	0.5000%	
	<u>99.27%</u>	
State Tax @ 8%	7.94%	
Federal Taxable	<u>91.32%</u>	
Federal Tax @ 15%	13.70%	
Net After Tax	<u>77.63%</u>	
Net to Gross Multiplier	128.82%	

# BILLING WORKSHEETS

<b>Test Year</b>		<b>multiplication</b>	
<b>11/01/2010-10/31/2011</b>	<b>cost per</b>	<b>factor</b>	<b>total cost</b>
Meter Reading	3.00 per meter	290	870
Bill Creation Administration	25.00 per hour	6	150
Postage	.33 per customer	290	95.7
Forms	0.51 per customer	290	147.69
Ink	4.00 per billing	1	4
Customer Inquiry	25.00 per hour	16.2	405

\$1,672.39 per meter reading billing period  
\$3,344.78 total for 2 meter reading billing periods

\$802.39 per non meter reading billing period  
\$1,604.78 total for 2 billing periods without meter reading

\$7,424.34 total for meter reading and billing for test year

**Future Cost For Monthly Billing**

	cost per	multiplication factor	total cost
Meter Reading	2.00 per meter	290	580
Bill Creation Administration	25.00 per hour	4	100
Postage	.33 per customer	290	95.7
Forms	0.09 per customer	290	26.1
Ink	4.00 per billing	1	4
Customer Inquiry	25.00 per hour	4	100

\$905.80 per meter reading billing period  
 \$7,246.40 Total for 8 meter reading billing periods

\$325.80 per non meter reading billing period  
 \$1,303.20 Total for 4 non meter reading billing periods

\$8,549.60 total for meter reading and billing for new billing procedure

Increase in cost to move to monthly billing and meter reading.  
 \$1,125.26 providing new form options with better customer notes and more frequent meter reading to increase productivity, water conservation, and water loss prevention.