Office of the Secretary
Service Date
August 10, 2011

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF BRIAN WATER CORPORATION FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES.	)	**CASE NO. BRN-W-11-01**
	)	**ORDER NO. 32324**

On February 25, 2011, Brian Water Corporation filed an Application for authority to increase its base rates from $12.50 to $18.00 for the first 4,000 gallons per month. Brian Water is located in Ada County and serves 46 residential customers. The Company requests that the increase become effective as soon as possible.

On March 24, 2011, the Commission issued a Notice of Application and Notice of Modified Procedure setting a June 30, 2011, comment deadline, and July 8, 2011, deadline for reply comments. Order No. 32211. On June 23, 2011, following its investigation of the Company's Application, Staff conducted a public workshop in Boise for the purpose of providing Brian Water customers an overview of the Company's Application and to dispense information. No Brian Water customers attended the workshop. Commission Staff filed comments on June 30, 2011. A public hearing was held on August 3, 2011. Two customers testified at the hearing.

After reviewing the record, including the analysis, comments and recommendations of Staff, we approve an increase of $4,590, for a total annual revenue requirement of $17,532. We authorize the new rates to become effective August 12, 2011.

THE APPLICATION

Brian Water asserts that its last request for a rate increase was in 2007. Its actual revenues since the Commission's approval of its 2007 increase have been lower than expected due to cool, wet weather over the past few years. The Application maintains that an increase in base rates from $12.50 to $18.00 for the first 4,000 gallons per month would provide the revenues needed. The Company is not proposing to increase the commodity charge of $1.35 per 1,000 gallons. Brian Water also states that its water supply nitrate levels exceed the EPA's maximum contaminant level (MCL) of 10 mg/L. The Application states that DEQ is directing the Company "to enact a longer range solution to keep the levels below the MCL." Application at 1. As a result, the Company is considering a new, deeper well.

On April 6, 2011, the Company revised its Application for a rate increase explaining that the primary reason for the request was to increase revenues and build a reserve for maintenance as the need arises for the aging water system. These costs include replacing old meters, replacing old galvanized service lines, mainline repairs, pump repairs, etc. The Company also points out that drilling a new, deeper well to resolve the nitrate problem is still under consideration. However, the final cost of that project will not be known for some time and, therefore, is not included in this rate request.

STAFF COMMENTS

Brian Water Corporation reported annual revenues of $12,942.[1] Staff recommended utilizing a 2010 test year in this case. The rate base for Brian Water for year-end 2010 is $29,545. For Brian Water, rate base is limited to plant in service, CIAC and working capital.

Staff recommended a 12.0% return on rate base, as was used in BRN-W-07-01. When the return is added to reasonable operating expenses the total annual revenue requirement is $17,532. This is an increase of 35.3%, over the current revenue of $12,942. In order to improve cash flow problems, Staff recommended that Brian Water utilize monthly, rather than bi-monthly billing.

Staff noted that the Company currently uses a single block rate design with minimum customer charge volume allowance. This rate structure consists of a base rate or minimum customer charge of $12.50 per month with volume allowance of 4,000 gallons and a commodity charge of $1.35 for each additional 1,000 gallons. Staff believes that it is appropriate to maintain a single block design with minimum charge volume allowance. Most of the small water utilities regulated by the Commission have been operating for decades with this rate structure because it is simple, easy to implement and easy to understand. This type of rate design has some element of conservation because if the customer uses more water, he has to pay more – compared to flat rate design for unmetered systems.

Staff supports maintaining the minimum volume allowance of 4,000 gallons per month for all customers of Brian Water. However, Staff does not support the Company proposal regarding no adjustment of the commodity charge. As indicated previously, Staff's adjusted test year annual revenue requirement for the Company is $17,532. Using this adjusted revenue

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[1] Mr. Bowar, the owner of Brian Water Corporation, reads customer meters six times per year.

requirement, Staff recommended a minimum customer charge of $17.50 with volume allowance of 4,000 gallons and a commodity charge of $1.51 per 1,000 gallons for water usage above 4,000 gallons for each customer.

The existing, Company proposed and Staff proposed rates and rate design are shown in the summary table below.

RESIDENTIAL CUSTOMERS	EXISTING RATES	COMPANY PROPOSAL	STAFF PROPOSAL
Min. Customer Charge	$12.50	$18.00	$17.50
Volume Allowance	4,000 gallons	4,000 gallons	4,000 gallons
Commodity Charge	$1.35 per 1,000 gallons	$1.35 per 1,000 gallons	$1.51 per 1,000 gallons

The total calculated revenue using Staff's proposed rate design is $17,558 or about $26 over Staff's recommended revenue requirement. Staff believes that its rate design proposal is reasonable and appropriate for Brian Water.

Staff analyzed the potential monthly revenue collections under Staff's rate design proposal and found that collections would reasonably cover the expected known monthly operating expenditures in the pro forma cash budget even during the low revenue months. Based on Staff's proposed rate structure, a customer with an annual average monthly water usage of 13,125 gallons would see an increase of $6.46 per month, or 26.0% above current rates.

During the Company's last rate case (BRN-W-07-01), Staff noted that water loss in the system is high. The Brian Water system was built in 1962. The Company acknowledged that because of lack of capital it has not been able to replace or rehabilitate water system infrastructure. The Company generally replaces or installs new parts of the system during emergency situations when specific components break down, such as pipe breaks in the transmission, distribution or service lines, malfunctioning customer meters, or motor failure of the submersible pumping units. The Company indicated to Staff that it did not install a flow meter on the system production well. The estimated cost to install these meters is approximately $1,500 per meter or $3,000 for two wells.

Staff recommended that Brian Water institute a customer meter replacement program because its meters have been operating for almost 49 years, and leaking and defective meters have been an issue for the Company since at least 2006. Staff believes the recommended increase in revenues will allow Brian Water sufficient earnings to replace an average of five customer meters per year. With this customer meter replacement schedule, it will take about 8 years to replace the remaining 40 old customer meters. Staff also recommended that the Company conduct a leak assessment in its distribution system and fix leaks as they occur.

Staff also recommended that the Company apply for membership in the Idaho Rural Water Association (IRWA). As a member of IRWA, the Company would be eligible to seek some assistance, including leak detection assessment and other onsite technical assistance, offered by IRWA without charge. Staff included an adjustment in the yearly operation expense of $255 for membership of IRWA.

Rules 201 and 305 of the Commission's Utility Customer Relations Rules (UCRR) list the information required on bills and past due notices mailed to customers. The Company's bills and notices do not meet the requirements of those rules. Staff also noted that the Company's policy regarding termination of service is inconsistent with Commission rules. See UCRR 304, 305, 310, and 311. The Company stated that it has never terminated service to anyone. Staff's review of the Company's accounts receivable indicated that the untimely collection of bills has had a negative effect on cash flow. Staff recommended that the Company revise its billing statements to include itemization of all charges including past due amounts and the bill due date. Staff also recommended that the Company's notices be updated to comply with UCRR requirements. Staff recommended that the Company implement a system of notification and collection of past due bills consistent with Commission requirements. In addition, Staff recommended that a one percent (1%) per month late payment charge be applied to any unpaid balance at the time of the next monthly billing statement.

The three sections of a small water utility tariff – the Commission approved rate schedules, the General Rules and Regulations for Small Water Utilities and the Uniform Main Extension Rules – describe the relationship between the customers and the Company and establish the basic rules for providing service. Staff recommended that Brian Water revise its tariff to include its rate schedules, the General Rules and Regulations for Small Water Utilities, and the Uniform Main Extension Rule.

UCRR 701 requires the Company to provide a summary of the Commission's Rules and Regulations when it signs up new customers and provide all customers a copy on an annual basis. Currently, the Company does not provide Summary of Rules to any of its customers. UCRR 702 requires that the Company provide a clear and concise explanation of the applicable existing rate schedule for each customer annually, and give it to each new customer at the time of initiation of service. Staff recommended that the Company combine its rate schedules with the Summary of Rules and provide a copy to customers as required under Rules 701 and 702.

FINDINGS AND CONCLUSIONS

The Commission has jurisdiction and authority over Brian Water Corporation, a water utility, and the issues raised in Case No. BRN-W-11-01, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

The Brian Water system was built in the early 1960s and currently has two production wells as sources of water supply. Well No. 1 is used as the primary well and Well No. 2 is used as a backup well. Neither well has a flow measuring device and both are discharging directly to the mainline and distribution system. There are 46 residential customers currently served by the Company. The capacity of the water system appears to be adequate to serve the existing customers of Brian Water.

After reviewing the record, including the analysis, comments and recommendations of Staff and customer comments, we find it fair, just and reasonable to approve annual expenses in the amount of $13,019 and a total annual revenue requirement of $17,532. The Commission finds it reasonable, and consistent with the public interest to approve a minimum customer charge of $17.50 with volume allowance of 4,000 gallons and a commodity charge of $1.51 per 1,000 gallons for water usage above 4,000 gallons for each customer. The Commission's objective in approving such rates and charges is to balance the conservation incentive of a commodity charge with a customer charge that reasonably meets monthly cash flow requirements of the Company. We authorize the new rates to become effective August 12, 2011.

The Company cited cash flow problems as one if its reasons for requesting a rate increase. The Commission finds that the Company's untimely collection of bills has had a negative impact on cash flow. Managing collections by utilizing the tools provided through the Commission's rules will improve cash flow. See UCRR 201, 304, 305, 310, and 311. We also find it reasonable and direct the Company to implement a one percent (1%) per month late payment charge to be applied to any unpaid balance at the time of the next monthly billing statement.

At the conclusion of the Company's last rate case (BRN-W-07-01), the Commission directed the Company to read meters and bill customers on a monthly schedule. Order No.

30516 at 5. To date, the Company still reads meters and bills customers bi-monthly. The Company's actions are counterproductive and in direct violation of a Commission Order. In failing to institute monthly billing, Brian Water not only exacerbates its cash flow problems but also subjects the Company to potential penalties. *Idaho Code* §§ 61-706, 61-707. Furthermore, the added cost to the Company in transitioning from bi-monthly to monthly meter reading and billing has been included in the Company's Commission-approved annual operating expenses. The Commission directs Brian Water Corporation to institute monthly billing immediately or face civil penalties. We recognize that Brian Water is a very small company. However, the requirements of the Commission's rules have been tailored taking that into account and are not onerous to a utility of this size.

Water is a resource that must be conserved and not wasted, and the Commission continues to encourage the Company to take steps to better manage its resource. During the Company's last rate case, it was noted that water loss on Brian Water's system is high. Before water loss can be reasonably estimated, accurate metering of water pumped and water sold to customers must be calculated. The Company does not utilize a flow meter on the system production well. The estimated cost to install these meters is approximately $1,500 per meter (or $3,000 for two wells). The Company indicated that it does not have the funds available to install the meters. However, if the Company chooses to construct a new well to address IDEQs Consent Order, the cost of a flow meter could be included as part of the cost associated with well construction when the Company applies for financing. Therefore, should the Company choose to build a new well, we direct Brian Water to include a flow meter in its costs of construction. Any undertaking to build a new well should include a flow meter in order to allow Brian Water to better manage its precious resource.

At the conclusion of its prior rate case, this Commission encouraged Brian Water to test and replace defective customer meters to assist in better managing its water resources. Order No. 30516. The Company appears to be replacing customer meters only during emergency situations such as when the meters are leaking or are found to be defective. Brian Water's original meters have been operating for almost 49 years. We find that the increase in revenues approved by this Order should allow the Company sufficient earnings to institute a customer meter replacement program. We direct the Company to replace an average of five customer meters per year until the remaining original meters are replaced. This process will further allow the Company to better manage its resource.

The water quality at the Brian Water well does not comply with Idaho Department of Environmental Quality (IDEQ) requirements. IDEQ has specified the options available to Brian Water Corporation to correct the problem, but Mr. Bowar has not yet made a selection among the options. As a result, these future costs are unknown. Therefore, no provision is included in the rates and charges approved herein for those unknown, future costs.

ORDER

IT IS HEREBY ORDERED and the Commission does hereby approve as just and reasonable an annual revenue requirement of $17,532, an increase of $4,590. We also approve as just and reasonable the detailed changes in revenue requirement, capital structure, return on rate base, and rate design.

IT IS FURTHER ORDERED that the Company submit tariffs in compliance with the rates and charges identified in this Order no later August 12, 2011. The rates and charges authorized by this Order shall become effective for service rendered on and after August 12, 2011.

IT IS FURTHER ORDERED that the Company immediately implement monthly billing and that it revise and file with the Commission its notices, bills, and other documents as more fully described herein to conform to the requirements of the Utility Customer Relations Rules no later than ninety (90) days from the service date of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10th day of August 2011.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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Brian Water Corporation
BRN-W-11-1

Line #	Revenues	ACCT#	Reported	Audit Adjustments	Adjusted Totals
1	Metered Sales	461.1	12,941.58	0.00	12,941.58
2	**Total Revenues**		**$12,941.58**	$0.00	**$12,941.58**
	Operating Expenses				
3	Depreciation	403.00	1,687.91	(385.98)	1,301.93
4	PUC Regulatory Fees	408.10	50.00		50.00
5	Property Taxes	408.11	254.69		254.69
6	DEQ Fees	408.13	230.00		230.00
7	State Income Taxes	409.11	30.00		30.00
8	Interest on LT Debt	427.30	747.58	(747.58)	0.00
9	Labor-O&M	601.10	3,160.00		3,160.00
10	Labor-A&G	601.80	3,000.00		3,000.00
11	Purchased Power	615.00	1,620.89		1,620.89
12	Mat&Suppl-O&M	620.10	167.16		167.16
13	Mat&suppl-A&G	620.70	913.81	243.90	1,157.71
14	Contract Svs-Prof	631.10	0.00		0.00
15	Contract Svs-Testing	635.00	481.00	137.82	618.82
16	Contract Svs-Other	636.00	2,020.58	(1,726.32)	294.26
17	Rentals	641.00	412.73	224.66	637.39
18	Bad debts	670.00	0.00		0.00
19	Miscellaneous	675.00	205.00	291.47	496.47
20	**Total Expenses**		**$14,981.35**	**($1,962.03)**	**$13,019.32**

22	Plant In Service	$68,307	
23	Accum Depr	($29,866)	
24	Net Plant in Service		$38,441
25	CIAC	($15,171)	
26	Accumulated Amtz	$4,810	
27	Net Unamortized CIAC		($10,361)
28	Net Plant		$28,080
29	Working Capital		$1,465
30	**Rate Base**		$29,545
31	Rate of Return		12.00%
32	Total Return		$3,545

Brian Water Corporation
BRN-W-11-01

	$	%	Amount
Return on Rate Base	$29,545	12.0%	$3,545
Tax Gross Up Multiplier			1.273
Subtotal			4,513
Annual Operating Expenses Inclu depr			13,019
Total Revenue Required			**$17,532**
Less: Current Revenue			(12,942)
Increase Needed			$4,590
Percent Increase			35.3%

Tax Calculation	
Beginning	100.00%
State Taxes at 7.6%	-7.60%
Federal Taxable	92.40%
Federal Taxes at 15.0%	-13.86%
Total	78.54%
Multiplier; Net to Gross	127.32%