(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF BRIAN WATER CORPORATION FOR AUTHORITY TO INCREASE ITS RATES. | )  )  )  )  )  )  )  )  )  )  )  )  )  )  ) | CASE NO. BRN-W-98-1  SECOND NOTICE OF  APPLICATION  NOTICE OF STAFF REPORT, ANALYSIS & RECOMMENDATION (and Commission’s Proposed Adoption of Same)  NOTICE OF MODIFIED PROCEDURE  NOTICE OF COMMENT/PROTEST DEADLINE |

YOU ARE HEREBY NOTIFIED that on August 3, 1998, Brian Water Corporation (Brian Water; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting a 10% increase in tariffed rates to build up depleted cash reserves to take care of “future emergency repairs such as water line breaks and replacement of the backup pump and regular maintenance.”

Brian Water is a regulated water utility providing water service under Certificate of Public Convenience and Necessity No. 260 to 47 residential customers in Brian Park Subdivision, a development located in Ada County, Idaho, a few miles east of Boise along old State Highway 21.  The Company is registered with the Idaho Secretary of State as a not-for-profit corporation.

The Company’s water rates were last adjusted by the Commission in Order No. 22880 issued December 12, 1989.  The Company’s proposed rate increase, if authorized, would increase the Company’s base rate for the first 4,000 gallons per month from $7.91 to $8.70 and increase the excess commodity charges (over 4,000 gallons per month) from $0.83 to $0.91 per 1,000 gallons.  As reflected in the Company’s filed 1997 annual report, Brian Water received annual revenue in 1997 of $9,831.07 from annual metered sales of 8,529,000 gallons. The proposed increase would generate approximately a $980 increase in annual revenue.

Included with the Company’s Application are comparative balance sheets for the latest three years ending December 31, 1997, a schedule of operation and maintenance expenses, a summary of earnings and rate base, a statement of income at present and proposed rates, a description of pro forma adjustments and an engineering report for test year ending December 31, 1997.

An initial Notice of Application in Case No. BRN-W-98-1 was issued on August 26, 1998.

YOU ARE FURTHER NOTIFIED that on January 22, 1999, following completion of its investigation into the Company’s filing, Commission Staff filed a report with the Commission Secretary containing its analysis and recom­men­da­tion in Case No. BRN-W-98-1.  Staff’s investiga­tion included a review of the Commission’s past case files, annual reports filed with the Commission, prior audit reports, PUC complaint records, and on-site visits to review the Company’s financial records and physical plant in service.

Staff Recommendation

Although the Company has requested only a 10% increase in rates, Staff has determined that to provide for the Company’s present and future viability, a $3,105 or 31% increase in annual revenues is required.

Staff further recommends that the calculated revenue requirement be collected by increasing the Company’s base rate for the first 4,000 gallons per month from $7.91 to $10.50 and increasing the excess commodity charges (over 4,000 gallons per month) from $0.83 to $1.08 per 1,000 gallons.  Staff calculates that this rate change, on average, will result in an increase in the base rate of approximately $31 per year per customer and an increase in the commodity charge of approximately $34 per year per customer, a total increase to customers of approximately $65 per year.

Staff Analysis

Brian Water has two wells, the large well producing approximately 160 gallons per minute and the small well producing approximately 110 gallons per minute.  The large well pump was replaced in 1997, at a cost of approximately $6,900.  There is no master meter, however, each customer is metered.  Two customers located on the far east end of the service line are served using booster pumps and tanks.  No major repairs or modifications to this system are planned at this time.

The Staff-adjusted Company revenues for a 1997 test year are $10,814.  After Staff adjustments to the Company’s accounts, the test year total operating expenses were determined to be $10,850.  Company and Staff adjustments to the test year are proposed to account for increased laboratory analytical costs of an average of $579 per year.

The rate base for Brian Water is composed of major improvements and repairs made to the system.  The original cost of the developer installed system including the wells, pressure vessel, electric controls, well house and distribution system are considered contributed property under Commission Rule 103.  Reference IDAPA 31.36.01.103.  The rate base was increased to account for the installation of a new primary well pump in 1997, at a cost of $6,900.  The total adjusted rate base of $13,855 includes adjustments for the new pump, meters and instrumentation.

Staff has utilized a rate of return on rate base of 12%, assuming the equity return authorized by the Commission for several years on small water systems.  Staff believes that a 12% equity return continues to be reasonable.  The capital structure of Brian Water is entirely owner-equity; the Company has no debt.  This equity return when applied to the rate base produces a net income of $1,663.  Expenses of operating the system ($10,850), when added to the pre-tax income  requirement ($2,086), produce a total revenue requirement of $12,936.

The Company’s actual 1997 test year revenues were $9,831.  The revenue requirement calculated by Staff, $12,936, is $3,105 greater than the actual revenues collected during the test period and indicates that the gross revenue must be increased.  The Staff’s recommended increase of $3,105 is primarily attributable to the increases in rate base, the return on that rate base, and reasonable expenses.  It is in the customer’s best interest, Staff contends, to establish a revenue requirement that will allow the Company to meet the maintenance and operation obligations as they come due, as well as make the necessary repairs and replacements to the system in a timely and efficient manner.

The rate design analysis of Staff was based on a revenue requirement for the Company of $12,936; 47 hook-ups in the water system; a 4,000 gallon per month consumption allowance; and retention of the current metered customer rate structure (base rate and excess commodity charges).  The test year consumption of 6,469,590 per year was used in the rate design.  It was noted that this approximates the three year (1995-1997) average consumption of 6,275,700 gallons per year.  The rate design recommended by Staff is a base service charge at $10.50 per month and the commodity charge set at $1.08 per 1,000 (above 4,000 gallons).

YOU ARE FURTHER NOTIFIED that the Commission has reviewed and considered the Company’s Application and Commission Staff’s report, analysis and recommendation in Case No. BRN-W-98-1.  The Commission has preliminarily found Staff’s proposed revenue requirement and rate design to be fair, just and reasonable and proposes to adopt same.  The Commission has also preliminarily found that the public interest regarding implementation of Staff’s proposed revenue requirement and rate design may not require a hearing to consider the issues presented and that the Application may be processed under Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.0l.201-204.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure  and stating why Modified Procedure should not be used.  Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that the deadline for filing written comments or protests with respect to the Application, the Commission’s proposed adoption of Staff’s recommended revenue requirement and rate design, and the Commission’s use of Modified Procedure in Case No. BRN-W-98-1 is Friday, March 5, 1999.  Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission will consider the matter on its merits and enter its Order without a formal hearing.  If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it.  Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that the Application in Case No. BRN-W-98-1 and Staff’s related report, findings and recommendation are available for public inspection during regular business hours at the offices of the Idaho Public Utilities Commission, 472 West Washington, Boise, Idaho.

YOU ARE FURTHER NOTIFIED that the Commission has authority to determine a change in the Company’s total revenue requirement in an amount other than that proposed by the Company and/or a spread or allocation or relative increase in the tariffed rates or charges other than that proposed by the Company.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over Brian Water Corporation and the issues presented in its Application pursuant to Title 61 of the Idaho Code.

Written comments concerning this Application shall be mailed to the Commission and the Company at the addresses reflected below:

COMMISSION SECRETARYBRIAN WATER CORPORATION

IDAHO PUBLIC UTILITIES COMMISSION21 LODGE POLE LANE

PO BOX 83720PO BOX 205

BOISE, IDAHO  83720-0074IDAHO CITY, IDAHO 83631

(208) 392-4730

Street Address for Express Mail:

472 W WASHINGTON ST

BOISE, IDAHO  83702-5983

All comments should contain the case caption and case number shown on the first page of this document.

DATED at Boise, Idaho this                  day of February 1999.

                                                                                                                                      DENNIS S. HANSEN, PRESIDENT

                                                                                           RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/N:BRN-W-98-1.sw2

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

February 5, 1999