

DIAMOND BAR ESTATES WATER CO
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IDAHO PUBLIC
UTILITIES COMMISSION

December 18, 2015

Idaho Public Utilities Commission
ATTN Commission Secretary
P. O. Box 83720 Boise, Idaho 83720-0074
Subject: Case No. 'DIA-W-15-1

Dear Commission Secretary:

Enclosed with this cover letter are an original and seven (7) copies of an Application with supporting exhibits requesting an increase in rates and charges for Diamond Bar Estates Water Company.

An extra copy is also enclosed. Please date stamp this copy and return it to this Applicant for our records.

Thank you,


Robert Turnipseed

President

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
DIAMOND BAR ESTATES WATER COMPANY)
FOR AN ORDER AUTHORIZING INCREASES IN)
THE COMPANY'S RATES AND CHARGES FOR)
WATER SERVICE IN THE STATE OF IDAHO)**

**CASE NO. DIA-W-15-1
APPLICATION**

DIAMOND BAR ESTATE WATER COMPANY (the Applicant or Company) hereby applies for an Order of the Idaho Public Utilities Commission (the Commission) authorizing the Applicant to:

- 1) Increase the water rates it charges its customers by approximately 79.39%. After normalizing the Company's revenues for the customers connected to the water system for the year ending in 2014, this increase will produce approximately \$20,910 more in revenue than the prior year. The Company has not had a rate increase since Commission Order No. 30455 (Case No. DIA-W-07-1) was issued on October 22, 2007.
- 2) Increase from \$310.00 to \$475.00 its fees for the first time installation of a meter to serve new customers.

GENERAL RATE INCREASE REQUEST

Exhibit Numbers 1 through 3 present the support for the Company's request to increase its water rates. In preparing this Application, the Company's consultant has reviewed the 2014 base year and adjusted the financial statements to reflect normal utility accounting practices.

Rate Base, Exhibit No. 1

Column (A) of Exhibit No. 1 presents the Company's 2014 test year rate base as stated in the annual report to the Commission. At this time, the Company does not propose any changes to the test year amounts, based on amounts requested later in this filing. The total rate base of \$48,388 is reduced by accumulated depreciation of \$12,669 for a total Plant In Service of \$35,719. The rate case expense has been completely amortized since the last case.

On line 7, a working capital allowance equal to 1/8th of the Company's Operation, and Maintenance expenses is added to produce a Rate Base of \$40,398 as shown on line 8. This is the proposed rate base for Diamond Bar Estates Water Company.

Results of Operations, Exhibit No. 2

As can be seen in Column (A,) the Company continues to operate at a loss. The Company has faced significant hardship with operations and with maintaining the water system at the required levels. In addition to the expenses shown and incurred during 2014, the Company respectfully requests the ability to include additional known and measureable expenses. These known and measureable items are listed in Columns B – F.

Through Column B, the Company requests an additional \$2,000 per year to pay for bookkeeping and customer-service related services. There has been no increase since the last rate case in 2007. The services are provided by a related party, but they are reasonable given the amount of time and expertise required to provide good customer service to the customers.

In Column C, the Company requests an additional amount to pay for water testing, meter reading, pump service and on-call duties performed by the Company's owner, Robert Turnipseed. Since the start of the Company, Mr. Turnipseed has not taken any funds from the Company despite his substantial contributions of time and expertise. He should be allowed to take a small salary or consulting fee.

Through Column D, the Company requests to recover rate case expenses relating to this current filing. The expenses are estimated to be approximately \$4,418 and include the cost of a rate case consultant, travel and time for the Company and other costs that may occur. These costs can be firmed up as they occur during the case. The Company requests to recover these costs over a reasonable four years.

In Column E, the Company requests an additional amount for the cost of electricity to run the pumps that charge the water system. There has been a recent increase in electricity rates, and this should be sufficient to cover that increase.

In Column F, the Company requests recover of its biggest expense to date. During 2015, there have been multiple failures of the pumps that run the water system. These failures have required substantial expenses that the Company must recover. So far during 2015, the Company has paid over \$23,000 to keep the system running. These costs have all been covered by the Owners and must be recovered. The Company realizes that these costs are substantial, equaling almost an entire year's worth of revenue, and therefore suggests they be recovered over four years. This is the most reasonable way to recover these costs, and the Company is in need of these funds to continue to operate.

The adjusted test year 2014 Net Operating Loss of \$14,660 shown on line 22, Column (G) is used in this Application to determine the Company's revenue requirement. The practical result of the Company's Cost of Capital is that all capital has been provided by the owners and therefore

should be treated as equity. The Notes payable shown on the Company's Annual Report are simply a mechanism for the owners to track additional equity personally invested and transferred from other business interests of the owners. The overall weighted cost of capital and rate of return used in this case is 12%.

Revenue Requirement Exhibit No. 3

This exhibit utilizes the data shown on the first two exhibits to develop the Company revenue requirement, revenue deficiency and increase in rates necessary to produce the revenue requirement. Applying the rate of return of 12% shown to the rate base (from Exhibit No.1) shown on line 1 produces a net operating income requirement of \$4,848 as shown on line 3. This net operating income must be grossed-up to provide for the effect of taxes and fees that are sensitive to increases in revenue. The calculation of the gross-up factor is shown on Column A, lines 12 through 20 of this exhibit. The additional revenue necessary to produce the net operating income requirement is \$6,213 as shown on line 5 of this exhibit. Additionally, revenue must be increased to overcome the net operating loss of \$14,660 shown on line 6. Additional revenues received to overcome this loss do not result in taxable income therefore a separate gross-up factor (excluding taxes) is calculated on lines 13 through 21, Column (B). The additional revenue necessary to overcome the net operating loss is \$14,697 as shown on line 8 of this exhibit. The total additional revenue the Company must realize to produce the net operating income and overcome the net operating loss is \$20,910 as shown on line 9. Line 10 shows the actual revenues collected from water sales in the test year and Line 12 calculates the percentage increase in water revenues necessary.

Updated Tariffs, Exhibit No. 4

Exhibit No. 4, (a 3 page exhibit) is a marked-up copy of the Company's existing tariff rates showing the existing rates and proposed rates in legislative format. The Company proposes to allocate the increase equally to the base charge and to the variable charge. If the Commission determines that some other allocation be used, the Company requests that the base charge be increased substantially to allow for a reasonable cash flow during the winter months. At this time, it is difficult for the Company to maintain operations during those months. The Company also wishes to increase the first-time hookup charge to compensate for an increase in meter and labor costs since the last rate case.

Customer Notification, Exhibit No. 5

Exhibit No. 5, shows both the Company's notice to its customers and a notice to be published in the Coeur d' Alene Press and Spokesman Review newspapers. The customer notice will be included with customer bills in January. The newspaper notice will be published coincident with mailing the notice directly to our customers.

Effective Date & Modified Procedure

The Company proposes an effective date for the new rates to be the first day of the month beginning 30 days after the date of filing this case. That effective date would be February 1 2016.

The Company requests that the Commission proceed with this case under Modified Procedure without hearing. In the event the Commission determines a hearing is necessary, the Company stands ready to prepare and file testimony in support of the attached exhibits.

Contact Information

Questions regarding this application should be addressed to:

Robert Turnipseed

Alden Holm

Diamond Bar Estates Water Company

9446 W. Fairview Ave.

P.O. Box 1870

Boise, ID 83704

Hayden, ID 83835

P: (208) 665-9200

P: (208) 322-0720

avondalecon@verizon.net

alden@treasurevalleycpa.com

Please provide copies of all correspondence, notices and orders to the above individuals.

Respectfully Submitted,

Robert Turnipseed

President, Diamond Bar Estates Water Company

Exhibit 1, Rate Base Calculation

	2014
1 Plant In Service	48,388
2 Less Accumulated Depreciation	<u>12,669</u>
3 Net Plant in Service	35,719
4 Rate Case Expense	5,000
5 Accumulated Amortization	<u>(5,000)</u>
6 Unamortized Balance	-
7 Working Capital (1/8th of O&M Expense)	<u>4,679</u>
8 Total Rate Base	<u><u>40,398</u></u>

Exhibit 3
Diamond Bar Estates
Revenue Requirement
Test Year 2014

1 Rate Base	40,398
2 Rate of Return	12.00%
3 Net Operating Income Requirement	<u>4,848</u>
4 Gross Up Factor	<u>128.1622%</u>
5 Revenue Increase Needed To Produce Income Req.	6,213
6 Income Needed to Overcome Loss Realized	14,660
7 Gross Up Factor Not Subject To Income Taxes)	<u>100.2487%</u>
8 Revenue Increase Needed To Overcome Loss Realized	<u>14,697</u>
9 Total Additional Revenue Requirement	20,910
10 Test Year Revenue Collected	<u>26,338</u>
11 Total Revenue Requirement	<u>47,248</u>
12 Percent Increase Required	<u><u>79.39%</u></u>

Gross Up Factor Calculation	A	B
	Including Taxes	Excluding Taxes
13 Net Income	100%	100%
14 PUC Fees	0.2481%	0.2481%
15 Bad Debts	0.0000%	0.0000%
16 Net Taxable	<u>99.751900%</u>	<u>99.751900%</u>
17 State Tax at 8%	7.9601%	0.0000%
18 Federal Taxable	91.7918%	99.7519%
19 Federal Tax at 15%	<u>13.7657%</u>	<u>0.0000%</u>
20 Net After Tax	78.0261%	99.7519%
21 Net To Gross Multiplier	128.1622%	100.2487%

Tariff No. 1 Page 1
1st revised

Canceling Original page 1

Name of Utility

Diamond Bar Estates Water Co.

IDAHO PUBLIC UTILITIES COMMISSION
APPROVED EFFECTIVE

NOV 26 '07

DEC 1 - '07

Jan W. Jewell SECRETARY

Per Order No 30455

(Approval Stamp)

METERED WATER RATES

Minimum Charge

52.02

\$29.00 per month (which covers both the domestic and irrigation meters and includes the first 5500 gallons of usage)

Commodity Charge

1.44

\$.80 per 1000 gallons in excess of 5500 gallons

NOTE:

Bills for water service will be rendered monthly and are payable within fifteen (15) days of the billing date

Issued November 1, 2007 Effective December 1, 2007

Issued by Diamond Bar Estates Water Co

By *Robert M. Luongo* Title Owner

Tariff No. 1

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IDAHO PUBLIC UTILITIES COMMISSION

APPROVED

EFFECTIVE

Canceling 1st revised page 1

NOV 26 '07

DEC 1 - '07

Name of Utility

Per Order No 30455
Jan W. Jewell SECRETARY

Diamond Bar Estates Water Co

(Approval Stamp)

NON-RECURRING CHARGES

\$15 reconnection fee will be charged during business hours

\$30 reconnection fee will be charged after normal business
Hours and weekends

(Does not apply to seasonal installation of irrigation meters)

\$20 NSF check return charge

Issued November 1, 2007 Effective December 1, 2007

Issued by Diamond Bar Estates Water Co

By *Robert M. Jennings* Title Owner

Tariff No. 1

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IDAHO PUBLIC UTILITIES COMMISSION

APPROVED

EFFECTIVE

NOV 26 '07

DEC 1 - '07

Canceling none

Name of Utility

Approved by *Robert M. Tompkins* No. 20455 SECRETARY

Diamond Bar Estates Water Co

(Approval Stamp)

NEW CUSTOMER CONNECTION CHARGES

For a first time connection to the Diamond Bar Estates Water Company system when an existing Service line and meter base are already in place on the property the cost is ~~\$310.00~~

475.00

If there is no service line tap to the Company's water mains or meter box in place on the property the cost is \$2500.00

When the installation of a new service line requires the Company to bore a line under a road, all additional costs will be charged to the customer on a time and materials basis. The new customer may, at their option, hire a Diamond Bar Water Company approved independent contractor to perform the road bore and connection. The Company will require such contractor to show proof of bonding, licensing and insurance and have at least five (5) years of experience at hot tapping water lines. Diamond Bar Estates Water Company's Water Master will inspect and approve all the work being performed to insure compliance with the Company's installation requirements.

Issued November 1, 2007

Effective December 1, 2007

Issued by Diamond Bar Estates Water Co

By *Robert M. Tompkins* Title Owner

Diamond Bar Estates Water Company

Notice of Application for an Increase in Rates and Charges.

Diamond Bar Estates Water Company filed an Application with the Idaho Public Utilities Commission on December 18, 2015 for authorization to increase its rates on February 1, 2016 to customers by approximately 79.39%. The Company is to increase the base monthly charge including the first 5,500 gallons of water from \$29.00 per month to \$52.02 per month and to increase its charges for water delivered in excess of 5,500 gallons per month from \$0.80 to \$1.44 per thousand gallons. This increase is necessary so the Company can recover its operating costs. The Company has operated at a loss for a number of years. The rate design proposed is intended to increase both the monthly base charge as well as the variable water consumption charge. The Company is also requesting an increase in the charges associated with new customers. A copy of the Application is on file and available for review at the Company's business office located at 2953 N. Government Way in Coeur d'Alene. A copy is also posted on the Idaho Public Utilities Commission's Web Site at puc.idaho.gov. Comments or questions regarding this application should be directed to the Company and the Idaho Public Utilities Commission at the numbers and addresses below.

Comments and inquiries may also be addressed to the Idaho Public Utilities Commission on its Web Site (puc.idaho.gov) by going to the "file room" link on the home page and scrolling to the bottom of the list to "file a comment or complaint" Case No. DIA-W-15-O1 should be identified in all correspondence with the Idaho Public Utilities Commission.

Diamond Bar Estates Water Company

P.O. Box 1870

Hayden, Idaho 83835

Phone (208) 665-9200

Idaho Public Utilities Commission

P.O. Box 83720

Boise, ID 83720-0074

Phone (208) 334-0300 or (800) 432-0369