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IDAHO PUBLIC
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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
REPLY COMMENTS
OF THE COMPANY**

Diamond Bar Estates Water Company (the Company) has the following response to Staff and other comments received in this case.

BACKGROUND

On December 28, 2015, the Company filed a general rate case Application to increase its rates and charges for water service, effective February 1, 2016. On January 13, 2016, the Commission issued a Notice of Application and Notice of Modified Procedure, and suspended the requested effective date until July 1, 2016. Order No. 33452.

In the Application, the Company proposed to increase the rates by 79.39%, which if approved, would produce approximately \$20,910 more in annual revenue than the prior year. As stated in the Application, the Company has been operating at a loss for some time, and has incurred significant expenses relating to multiple pump failures and increased operating expenses.

On May 18, the Commission Staff (Staff) issued comments on the Company's Application. The Staff recommends an increase of 46.73%. Staff Comments at 10. The Staff makes its recommendation based on a series of adjustments to the Company's request. The Company wishes to address each adjustment proposed by the Staff.

Adjustment 1 – Plant In Service

The Company appreciates all the work Staff did to help reconcile and verify the Company's plant in service. The Company and its consultant did not have a complete accounting due to the Company's outside CPA's retirement and subsequent changing of CPAs.

This hindered everyone's ability to provide detailed and timely information. The Company is in general agreement with the proposed rate base except as noted later in these comments.

Adjustment 2 – Remove Bar Circle S Water Revenue

The Company is in agreement with this adjustment and believes it to be appropriate.

Adjustment 3 – Reclassify Expenses

The Company appreciates Staff efforts to appropriately classify expenses and train the Company. This adjustment seems appropriate.

Adjustment 4 – Deferral and Amortization of Pump Replacement Costs

As noted by Staff, the Company has had a series of pump failures since 2012. The Company's original request was to defer and amortize the expenses over four years. The Company understands that this is not normal under traditional accounting practices, but it allows the Company to more quickly recover costs it has incurred, and protects customers from having to pay back these amounts many years down the road. Staff's recommendation proposes recovery over eighteen years, while the Company's recovery period is only four. The Company's proposal provides a better matching to allow customers who benefited from the upgrades to pay for them, rather than someone else later on. Another concern the Company has is that Bob Turnipseed, the Company's owner, is currently 84 years old and the majority of the money to fix the pumps came from his personal retirement accounts. He would like to be able to recover that money while he can still use it. Perhaps there is a time period that would be more reasonable to the Company than eighteen years.

One area the Company has a strong disagreement with Staff is over the insurance claim that was not filed in 2015 when the pump failed again. As noted by Staff, the Company filed an insurance claim in 2012 and another one in 2014 when the pump failed. When the pump failed in 2015, the Company was warned that an additional claim would result in the loss of insurance and that the Company may become uninsurable. The Staff seems to imply in their Comments that the Company was somehow derelict or irresponsible by not filing that claim. The Company explained to Staff multiple times that the consequences of filing the claim were unacceptable. The Company made a decision to not file a claim based on all the factors involved, and was not derelict in so doing. The Company requests the \$3,764 be allowed for recovery.

Adjustment 5 – Rate Case Amortization

There are two items the Company would like to respond to relating to this adjustment. First, the Staff has removed \$200 used to pay for the preparation of the Annual Report as already

included in Contract Services – Professional. However, for the test year, there was no payment for the annual report preparation. Therefore, the Company believes it should be allowed to put the \$200 into that account and have it be allowed as an annual expense going forward. The Staff noted that it was unable to receive answers to some of its questions. This relates back to the fact that there was no complete and correct annual report sent in for several years, and therefore the books were incomplete. This is a hindrance to the Company and to the Commission. Second, the Company has seen the benefit of more timely rate cases, and requests that the Commission allow the four-year recovery period originally requested because the Company anticipates more frequent rate cases in the future.

Adjustment 6 – Salary Expense

In the Company's Application, it was noted that the Company staff is working more hours and at rates that were established in 2007. During the audit, the Company reviewed with Staff the time it took to perform all the duties of the Bookkeeper, the Water Master and the Owner. At that time, Staff did not seem to have any concerns relating to the duties and hours that were being performed. In its comments, the Staff has proposed an increase in rate of the salary expense, but they did not address the additional time that was being taken to run the Company. The Company respectfully requests to be allowed to recover the increased costs associated with the rates and the extra hours being worked. Therefore, the Company does not agree that the proposed Staff adjustment of \$3,388 is reasonable.

Adjustment 7 – Water Testing Expense

The Company is in agreement with this proposed adjustment.

Adjustment 8 – Purchased Power Expenses

The Company is in agreement with this proposed adjustment.

Rate Design

The Company is in general agreement of the rate design proposed by Staff to approximately increase the base charges and the variable charges at the same rate.

Company Tariffs

The Company is ready and willing to accept Staff's assistance to update its current tariffs and will work with the Staff to do so after the Commission's final order relating to this case.

New Customer Connection Charge

The Company accepts the proposed New Customer Connection Charge of \$335.

Late Payment Charge

The Company respectfully requests a late payment charge of 1.5% per month to be allowed on past-due accounts. At only 1%, the Company may not even be able to recover the costs of postage for sending out a past due reminder.

Soft Start for the Pump

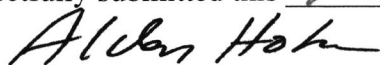
In its comments, Staff has recommended that the Company install a soft-start device that could reduce the wear on the pump. This device is relatively expensive, at a cost of approximately \$8,000, and may or may not reduce costs in the future. The Company does not have the funds to install this device, and is not sure it is needed because the system seems to be working well. If the Commission decides this item is needed, the Company respectfully requests the funds be included in this case so it can recover those costs. The Company can provide exact costs and installation dates so the amount can be known and measureable.

Summary

In summary, the Company generally agrees with much of what Staff has proposed. However, it does request the following:

1. The pump repair costs be recovered over a shorter period of time than proposed by Staff.
2. The Company be allowed to recover the \$3,764 Staff recommends deducting for not filing an insurance claim.
3. Be allowed to recover an additional \$200 per year to prepare the Annual Report properly.
4. Be allowed to recover the rate case expense over four years instead of six.
5. Be allowed to recover the entire amount requested for increased salary expenses.
6. Be allowed to charge 1.5% per month for delinquent accounts.
7. If required to be installed, the Company requests the amounts for the soft start device be included in current rates.

Respectfully submitted this 27th day of May 2016.



Alden Holm, Consultant

Contact Information

Questions regarding this application should be addressed to:

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