



IDAHO PUBLIC UTILITIES COMMISSION

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P.O. Box 83720, Boise, Idaho 83720-0074

Paul Kjellander, President
Marsha H. Smith, Commissioner
Dennis S. Hansen, Commissioner

November 25, 2002

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

RE: Staff Report in Case No. GNR-W-01-1

Dear Jean,

In Order No. 29123 (Case No. GNR-W-01-1), the Commission directed Ponderosa Terrace Estates Water System and Commission Staff to submit a report no later than November 25, 2002 detailing changes to the number of customer in each class and the impact these changes will have on Ponderosa's revenues.

The report notes that significant disagreement exists between Staff, the Company and customers regarding interpretation of the Commission's Orders on seasonal disconnections. Staff respectfully requests the Commission consider clarifying its previous Orders on this issue so that Staff may properly advise the Company and its customers.

Respectfully submitted,

Lisa Nordstrom
Deputy Attorney General

cc: Robaer Cobott

STATUS REPORT

**PONDEROSA TERRACE ESTATES
WATER SYSTEM
(PTE)**

November 25, 2002

Michael Fuss
Staff Engineer
Idaho Public Utilities Commission
As Ordered in Order No. 29123

Customer Inventory

In Order No. 29123, the Commission directed Ponderosa Terrace Estates Water System and Commission Staff to submit a report no later than November 25, 2002 detailing changes to the number of customers in each class and the impact these changes will have on Ponderosa's revenues. Order No. 29123 at 7. On October 30, 2002, Staff met with the owner, Mr. Robaer Cobott, and performed a site visit updating the customer inventory and revenue projection for the Ponderosa Terrace Estates Water System (Attachment A). Order No. 29086 implemented a grace period that allowed Ponderosa System customers to change customer class without cost until October 15, 2002. The inventory was performed after the conclusion of the grace period to provide the most relevant customer information going forward. The following is a summary of that information.

Customer Class	Customers		Annual Revenues		\$ Change	% Change
	May 22,2002	Oct 30,2002	May 22,2002	Oct 30,2002		
Full-Time	18	16	\$ 10,368	\$ 8,640	\$ (1,728)	-17%
Part-Time	11	9	\$ 6,336	\$ 2,880	\$ (3,456)	-55%
Active Service	33	33	\$ 9,900	\$ 8,700	\$ (1,200)	-12%
Inactive Service	25	29	\$ -	\$ -	\$ -	
Total	87	87	\$ 26,604	\$ 20,220	\$ (6,384)	-24%

Customers with Private Wells	3	6			3	100%
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Number of Customers With Outstanding Balances	Unknown	16			Unknown	Unknown
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Since the original inventory was completed in May 2002, two Full-Time and two Part-Time customers have installed their own wells and are no longer on the system. Six (6) Part-Time and four (4) Active Service customers chose to either leave the system or disconnect their service indefinitely. Staff is unaware if these customers desire to move completely off the system to the Inactive customer class or anticipate reconnecting at some time in the future. Either way, these ten customers do not currently contribute to the Company's revenue. The customer changes as of October 30, 2002, indicate an anticipated annual revenue shortfall of approximately \$6,384 (24%) of the \$26,604 revenue requirement. In addition to the anticipated revenue shortfall, the Company reports that sixteen (16) of the paying customers are more than one month behind in payments.

While meeting with Mr. Cobott, Staff discussed the fact that revenues would be less than the original projections. Mr. Cobott realized there would be revenue impacts due to the changes in customer classes. He stated that he is watching expenses but he does not want to change rates at this time. He believes that another change in rates could cause even more customers to leave the system and further affect the Company's revenues.

Operations Update

Although the on-call operator, Larry Fairfax, is still working for the Company, customer service has not significantly improved. On several occasions it has taken the Company numerous days to respond to Staff's inquiries. Staff is also aware that the owner is out-of-town for the months of November and December. Staff suggested that the Company change the message on the Company's answering machine to include an additional contact number for customers, but as of this date no changes were made.

On or about the 1st of November a significant water leak occurred on the system. The leak was found and repaired but only after the tanks had emptied and customers were out of water for a couple of days. Despite this disruption in service, Staff is encouraged that Ponderosa was able to repair the leak and the wells had sufficient capacity to refill the tanks and continue operation.

Staff has just recently learned that another leak occurred during the week of November 18. The Company is working on diagnosing and repairing the leak. However, Staff cannot confirm that repairs were made and is continuing to monitor the situation.

Potential for New Customers

The aforementioned changes in the customer classes have resulted in fewer customers on the system. Although some existing customers have disconnected, the potential remains for additional customer connections. These connections could result in up to \$30,000 in hook-up fees that would be available to upgrade the system. Such investment could provide the additional supply and other system improvements that Ponderosa will need to serve its customers.

Staff also observed a new cabin under construction and was informed that a new renter just moved into one of the other permanent cabins in the subdivision. While we do not know

their method of water service, it appears that some customers are now willing to invest into developing their lots.

Other Issues

Staff has received a number of inquiries indicating that there is some confusion regarding the implementation of the Commission's Orders and the Company's treatment of seasonal disconnections.¹ The Company, customers and Staff disagree on the following issues:

- A) Are customers who disconnect during the winter required to continue to make the full monthly payments while seasonally disconnected?
- B) Is there a maximum length of time allowed for seasonal disconnects?
- C) Can a customer involuntarily become a member of the Inactive Customer class through nonpayment or a lengthy disconnection? If so, are these customers required to pay the \$2,500 hook-up fee prior to reconnection?
- D) What kind of documentation is required to move a customer to the Inactive Customer Class from any other customer class?
- E) Is a \$2,500 hook-up fee or only the \$35 reconnection fee required before restoring service after a seasonal disconnect?
- F) Can a lot be charged the \$2,500 hook-up fee more than once?

The Company apparently believes that all Full-Time, Part-Time or Active Service customers that are connected to the system must pay the monthly rate year-round whether they use water or not. The Company further believes that if the customer is not paying the monthly charge, the customer can be disconnected if the Company follows the appropriate disconnection procedures. Once disconnected, either by choice or for failure to pay monthly bills, the customer becomes a member of the Inactive Customer class. The Company believes that the customer would then have to pay the \$2,500 hook-up fee plus the \$35.00 reconnection charge to restore service.

Staff agrees that all Full-Time, Part-Time or Active Service customers that are connected to the system are required to make monthly payments. Staff also agrees that the Company can

¹ See letters from Lyle Peterson (Attachment B), Len & Patty Plotzki (Attachment C) and Nora Dahlgren (Attachment D).

disconnect customers for non-payment. However, Staff believes that a customer will retain their customer class status while disconnected and must pay only the \$35 reconnection fee to reactivate the service. The \$2,500 hook-up fee is a one-time fee per lot that is targeted for well improvements. Additionally, this hook-up fee can only be charge to customers in the Inactive Service class as of October 16, 2002.

Because Staff and the Company do not agree on the treatment of seasonally disconnected customers, Staff respectfully requests clarification of Order No. 29086.

Concluding Remarks

The grace period is over and customers are now in the service class in which they will likely remain for the foreseeable future. The Company's revenue will likely be much less than projected in the certification case. The Company is aware of the likely revenue shortfall and is closely watching expenses. The Company has the potential for twelve (12) new connections that may include \$2,500 in hook-up fees for each new connection. Should these fees be generated, they could provide a significant amount of revenue for system improvements. A new customer is renting one of the part-time cabins and a new cabin is under construction, which indicates that at least one customer is willing to improve his lot. Staff believes the system may become more financially viable with additional time and improved customer service.

Staff Recommendations

Staff recommends maintaining rate stability and not changing rates at this time.

Staff requests that the Commission clarify Order No. 29086 regarding the seasonal disconnection issues identified above.

Ponderosa Terrace Estates Water Customer Inventory and Rates

As of October 30, 2002

Block	Lot	Customer Classes			Monthly Flat Rate	
		Full-Time	Part-Time	Inactive		
1	1				\$0	
1	2			X	\$25	
1	3			X	\$25	
1	4			X	\$48	
1	5			X	\$48	
1	6			X	\$25	
1	7			X	\$48	
1	8			X	\$48	
2	1			X	\$25	
2	2			X	\$25	
2	3			X	\$0	
2	4			X	\$0	
2	5			X	\$25	
2	6			X	\$25	
2	7			X	\$48	
2	8			X	\$0	
2	9			X	\$0	
2	10			X	\$25	
2	11			X	\$0	
3	1			X	\$0	
3	2			X	\$0	
3	3			X	\$0	
3	4			X	\$25	
3	5			X	\$0	
3	6			X	\$0	
3	7			X	\$48	
3	8			X	\$0	
3	9			X	\$25	
3	10			X	\$25	
3	11			X	\$48	
3	12			X	\$25	
3	13			X	\$25	
3	14			X	\$25	
3	15			X	\$25	
3	16			X	\$0	
3	17			X	\$0	
3	18			X	\$48	
3	19			X	\$48	
3	20			X	\$0	
3	21			X	\$0	
3	22			X	\$0	
3	23			X	\$0	
3	24			X	\$48	
Subtotal		8	3	15	16	\$10,260

Block	Lot	Customer Classes			Monthly Flat Rate	
		Full-Time	Part-Time	Inactive		
4	1				\$25	
4	2			X	\$25	
4	3			X	\$0	
4	4			X	\$25	
4	5			X	\$25	
4	6			X	\$48	
4	7			X	\$48	
4	8			X	\$0	
4	9			X	\$0	
4	10			X	\$25	
4	11			X	\$25	
4	12			X	\$25	
4	13			X	\$0	
4	14			X	\$0	
5	1			X	\$25	
5	2			X	\$0	
5	3			X	\$0	
5	4			X	\$0	
5	5			X	\$0	
5	6			X	\$48	
5	7			X	\$48	
5	8			X	\$48	
5	9			X	\$0	
5	10			X	\$0	
5	11			X	\$0	
5	12			X	\$0	
5	13			X	\$48	
6	1			X	\$25	
6	2			X	\$0	
6	3			X	\$0	
6	4			X	\$0	
6	5			X	\$0	
6	6			X	\$0	
6	7			X	\$0	
6	8			X	\$25	
6	9			X	\$25	
6	10			X	\$25	
6	11			X	\$25	
6	12			X	\$0	
6	13			X	\$48	
6	14			X	\$25	
6	15			X	\$0	
6	16			X	\$0	
6	17			X	\$0	
6	18			X	\$0	
6	19			X	\$0	
6	20			X	\$48	
6	21			X	\$48	
6	22			X	\$0	
6	23			X	\$0	
6	24			X	\$48	
Subtotal		8	6	14	17	\$9,960

Changes From w to x

Totals		Customer Classes			Monthly Flat Rate
Block	Lot	Full Time	Part Time	Inactive	Active
Blocks 1-3		8	3	15	16
Blocks 4-6+	Parcels	8	6	14	17
Totals		16	9	29	33
					Monthly Flat Rate
					\$ 10,260.00
					\$ 9,960.00
					\$ 20,220.00

November 7, 2002
Everett, WA.

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IDAHO PUBLIC
UTILITIES COMMISSION

Idaho Public Utilities Commission
P.O. Box 8370
Boise, ID. 83720-0074

Case No. GNR-W-01-1

Commissioner,

I feel compelled to make a last communication to you regarding the above case. As I have said before I would like for the P.T.E. water system, Inc. to survive and be a positive influence in the Ponderosa Estates subdivision. Unfortunately this doesn't seem to be the current situation and maybe it is not possible.

I purchased two lots in this subdivision to use as a seasonal retreat 10 years ago. Since that time I have built a small cabin on one of the lots. I am a retired engineer, have degrees in Civil Engr. from OSU & SMU. When I was working I held current Professional Engr. Licenses in the States of Oregon, Washington and Texas. I worked for over 40 years in the design, construction, etc. of roads, structures, water systems, etc. in the field of Civil Engineering. Now during this 10-year period that I have owned the lots, I saw no preventive maintenance, upgrading, etc. of this water system until the bacterial infestation of the water caused the DEQ to require some remedial processes be done. A comment in the Tucker Engr. report may be applicable here. This probably led to the infusion of a chlorinator in the water system and corrupted the cost of furnishing water to customers. The 2nd well, as I understand it, was required because a 2nd source of water must be available for use by the Water Co, current DEQ regulation and again increased the cost of water to customers.

I will again express my opinion that the only way this Water System can exist is if you arbitrarily assign a base water rate fee to all lots in the subdivision, whether using water or not (active, inactive, full time, part time) and then an additional fee for full & part time users (your definitions). I realize this is not part of your current inventory of customer bases, but believe you can arbitrarily do it as you have in other orders. Other areas have set conditions similar to this just as they set the basic use of this type of water as potable and not for irrigation (1/8" water per 1/2 acre per day) as the Tucker Engr. report estimates. You have arbitrarily assigned a \$26,600 amount for the Water Co., which I think is high. Since some full time users have already dropped out of the system, the cost reduces and this could be \$24,000 or less. Say 80 lots & parcels remain, you could arbitrarily just order \$25/mo. per lot period, or you could order 60 lots (active & inactive) @ \$20/mo. and 20 lots (full time & part time) @ \$40/mo.. This is a reasonable solution and might help the utility and customer to a stable situation. Any new hook up would pay your ordered \$2500 or even set it higher as long as this Water Co. understands that this money is for improving an already depreciated water line system and for additional water sources if required. My suggestion may be okay or it may already be too late. It would also help if the Water System was more involved in being a good information source and less confrontational to the customers regarding what is happening in construction, maintenance, etc. within the system and letting the customer know what he can do to be helpful.

There are still 80 or so properties that would probably like to have a reasonable relationship with the Water Co. These properties currently have a minimum tax assessed value of \$10,000 which means over 1 million dollars in value is at stake in this system surviving. The current cost estimates for Well Systems to these lots run from \$3000 to \$15000 depending on well depth. The lot value basically remains the same well or water system, but the economic impact on the Water System & property owner can be high. Perhaps you can be of assistance to the property owners and also keep the Water System from the "Death Spiral" you mentioned.

I mentioned earlier when I had bought these lots. I bought them with view of improving them and making the area better, I and two of my neighbors contracted with Pacific Power & Light in 1993 to bring underground power lines from Ponderosa Rd up to our properties. This basically opened up the whole subdivision for electric power, which it did not have before that. We also guaranteed GTE for a number of customers and GTE placed telephone cables throughout the whole subdivision. We did this at our expense and increased the value of every property in the subdivision.

I hope you can change your current position to help the Water Co. and customers to exist together and not force those still willing to reside in the area to go to a private well system. I will not bother you again and truly hope you will communicate with the Water Co. & customers and reach the proper conclusion benefiting all involved in this case.

Thank you,



Lyle & Marge Peterson
932 E Marine View Dr.
Everett, WA. 98201

October 13, 2002

Dear Robear

As of November 1, 2002, we will no longer belong to the PTE Water System. We are withdrawing from the water system because we simply cannot afford \$48.⁰⁰ per month for water services that we only use about 3 months - only on the weekends - per year.

Our plans are not to drill for water, but try alternative methods.

As you know, this has been a long journey for all of us, but we cannot even justify \$48.⁰⁰ a month for water we use only on weekends during the summer months.

Enclosed is a check for \$96.⁰⁰ for the months of September and October.

Sincerely,

Len & Patty Platzi
Block 5, Lot 3.

Attachment C
Case No. GNR-W-01-1
Staff Report
11/22/02

Michael

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2002 NOV 21 AM 8:34

IDAHO PUBLIC
UTILITIES COMMISSION

11/17/02 Pre water again

Bob Smith & PUC Commissioner,

Well, we all went along w/ your final decision
of 48.00 amo. to Mr Re Cobett.

As of the 12 of the month of now, after
Larry fairfax's home burnt to ground,
which may I odd is under investigated.
Water not treated, foaming low pressure,
Mark and his family (no water for 2 days)
So, now what, I requested of Re,
the reasons why. No answer.
If, no resolution from you I will have to
sue all. I have had enough!
You as state agency should have shut him
down. and hire outside help.
You put all of us in a very vulner situation.
All so, the PUC wouldnt have to deal w/ it.

Mr Smith, I do want to thank you (you worked
very hard). The majority of us decided not
to put wells in for the we need to not put
more money here.

I am now sorry about this, then you are.
My questions to Re, who's caring for water?
Who do we call? and why no pressure
& foaming? No answer.

Nora Dabloger (PO Box 193
Soyle Id 83840

208 265 811

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 25TH DAY OF NOVEMBER 2002, SERVED THE FOREGOING **STAFF REPORT**, IN CASE NO. GNR-W-01-1, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

ROBAER COBOTT
PONDEROSA TERRACE ESTATES
WATER SYSTEM
2626 WRENCO LOOP RD
SANDPOINT ID 83864



SECRETARY