June 8, 1995

Mr. G. Ross Darnell

339 East 49th South

Idaho Falls, Idaho 83404

Dear Mr. Darnell:

I am writing in response to your letter of May 29, 1995.  Your letter has been placed in the official file of Case No. GNR-W-95-1 and has been circulated to our three Commissioners for their review.

Regarding the issues you raised, the report filed with the Commission was, as you pointed out in your letter, a summation of my findings.  I am aware there were water supply problems prior to the drilling of the new well.  The pumping/storage system as it exists today is adequate as I reported.  The Commission, should it ultimately take jurisdiction over this system, must concern itself with the adequacy of the system from this point forward, not with what happened in the past.

Regarding the actual physical location of the lines, as I addressed in the report at page 3, the engineering drawings are the best information available to me at this time.  If indeed the lines are located outside the legal easements, the Company should be required to relocate them.  I am aware of the line from the well house to Ms. Colquette's home that crosses property outside the subdivision.  In fact, there are two separate lines traversing this property.  One is the direct line to Ms. Colquette's home, the other is part of the main distribution system that serves the lower and extreme southern parts of the subdivision.  I have asked the Bainbridges to provide proof of the easement across this property but have not yet received it.  The Company should be required to either obtain an easement, if none exists, or relocate these lines.

Your discussion regarding electric service was news to me.  The current case before the Commission is limited to the water system and the petition of the residents.  I have asked our consumer services division to check with Utah Power & Light Co regarding your concerns.  We will contact you regarding the electric company's response.  The electric system is not included as part of the engineering drawings provided for the water system.

Mr. G. Ross Darnell

June 8, 1995

Page 2

I am aware of the inadequate accounting records for the water system operation.  The rate design recommendation included in the report is based upon partial known data as well as some budget-type estimates based upon our experiences with other small water systems.  Should the Commission take jurisdiction over the system, precise accounting records and reports will be required of the Company.  Should the Company simply fail to bill customers or lose track of payment checks, the Commission will input the value of the lost revenues when a rate review is performed and such losses will not be passed through to customers.

This Commission's legal authority is limited to the regulation of privately owned utility service.  Many of the concerns expressed in your letter are, quite frankly, beyond our jurisdiction.  You may need to contact an attorney for advice regarding the legal status of road maintenance, easements, enforcement of restrictive covenants and the formation of an association to operate the water system.  I understand that an alternative to a home owners association may be the formation of a water district.  Again, you should seek legal counsel in this regard.  Title 42 of the Idaho Code addresses the formation and legal standing of a water district which may be formed by a simple majority of property owners.  A water district does have taxing authority within its district.  You may want to talk with Mr. Robert Young who has already discussed some of the facts in this case with his attorney.

I hope this letter is responsive.  I do not want it to appear that the PUC is dodging your concerns.  Our authority is, as I have pointed out, limited.  The Commission will, should it take jurisdiction, regulate the rates, service quality and consumer regulations of the Company. As I pointed out in the staff report, I am convinced the customers would enjoy lower water rates through a non-profit resident organization of some form.

Should you wish to discuss this situation by phone, I can be reached at (208) 334-0336.  Please feel free to share this information with your neighbors.

Sincerely,

Robert E. Smith

cc:  Packsaddle Development Corp

     Working File

bsmith/packsaddle/darnell.ltr