June 28, 1995

To: Packsaddle Development Corporation and property owners within the Packsaddle Estates Subdivision.

At its June 19, 1995 Decision Meeting, the Idaho Public Utilities Commission considered the petition filed by the residents of the subdivision regarding the water supply system.  A formal Order is forthcoming from the Commission and holds that Packsaddle Development Corporation is a "public utility" as that term is defined in the Idaho Code.  The Order provides for a preliminary informal meeting to be conducted by the Commission Staff on

July 7, 1995 at 9:00 A.M. at the Teton West Hotel in Driggs.  The Order also sets a formal evidentiary hearing for July 19, 1995 at 10:30 A.M.

This letter is being sent to provide the property owners and Packsaddle Development Corporation with guidelines regarding how the preliminary meeting will be conducted and the parameters of issues that may be discussed.

The Commission Staff will conduct the preliminary meeting.  All individuals in attendance will be given the opportunity to make statements and ask questions.  We will allow enough time for everyone who desires to participate.  In order to make the meeting productive, anyone wishing to make a statement or ask a question is to wait until she or he is recognized by the meeting Chairperson.  Individuals wishing to make a statement or ask a question regarding another person's statement will be asked to address the Chairperson rather than enter into direct debate with another individual.  Recesses may be provided for informal discussion among individual participants.

Issues that may be addressed are limited to the future operation of the water supply system and the rates to be charged for the service.  Neither the Commission nor its Staff has the authority to address policing of restrictive covenants, building standards, road maintenance, snow removal, utility easements etc.  Discussion will be limited to deposit and termination rules, billing and payment arrangement provisions, rate design issues (metered vs. flat rate charges), connection, disconnection, re-connection charges, revenue requirement issues (just and reasonable expenses and investments) accounting and reporting requirements of the Commission, consumer relations, the adequacy of the water system and the regulatory process.

June 28, 1995

Page 2

Idaho Code Title 61 establishes the Commission's jurisdiction, authority and responsibilities.  The Commission has regulatory authority over investor-owned utility systems.  It does not have authority to regulate municipal or cooperative utility systems that are self-governing through an elected board.  Because the Commission has jurisdiction over the water system, the Commission is not bound by any agreements that may have been made between Packsaddle Development Corp. and property owners or Teton County regarding the rates charged for water service.

The Commission must establish just and reasonable rates.  Rates established must be adequate to recover all reasonable expenses incurred to operate the system including, but not limited to, depreciation expenses, taxes, pumping power expense, repairs and reasonable labor costs.  In addition, the Commission must allow a reasonable return on the owners' investment in the assets of the water system.  The Commission has broad authority in its determination of what constitutes both a reasonable return and the investment upon which the return is allowed.

At the meeting to be conducted on July 7th, we will explain the hearing procedure and the rules of conduct for the formal hearing.  We will also explain the Commission's accounting and reporting requirements.  Last month, the Commission Staff filed its report on Packsaddle Development Corporation with the Commission.  The report contains the recommendations of the Commission Staff that will be the basis of the Staff testimony and recommendations at the formal hearing.  We will be prepared to discuss those recommendations with the participants in the informal meeting.

Sincerely,

Robert Smith

Senior Auditor

Rose Schulte

Consumer Compliance Investigator

meeting.ntc/bs

June 29, 1995

To: Packsaddle Development Corporation and property owners within the Packsaddle Estates Subdivision.

ERRATA

The letter you have received dated June 28, 1995, contained an error regarding the date of the evidentiary hearing.  The correct date is July 19, 1995 at 10:30 A.M.  The hearing will be conducted at the Teton West Hotel in Driggs.

Please forgive the error.

Sincerely,

Robert E. Smith