DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

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WORKING FILE

FROM:BOB SMITH

DATE:APRIL 10, 1997

RE:CASE NO. GNR-W-96-1 INVESTIGATION TO DETERMINE WHETHER VALLEY VIEW SUBDIVISION, INC. IS A WATER UTILITY SUBJECT TO COMMISSION REGULATION.

On March 14, 1994, an investigation by the Staff was initiated in response to a consumer petition.  That investigation had several false starts.  The Staff was, upon several occasions, informed that a sale of the system to the customers was imminent.  Finally, in 1996, the Staff requested that the Commission grant formal status to the investigation.  This case was opened in response to that request on June 10, 1996 by Commission Order No. 26487.

Staff proceeded with its investigation and on February 10, 1997 mailed copies of its draft report to Mr. John Jasper, the owner of Valley View Subdivision, Inc. (Company), Mr. Jasper’s attorney, several customers, and the attorney representing the customers who have formed a water district.  Staff solicited comment on the report from these individuals, giving them an opportunity to review the Staff analysis and to suggest corrections before the report was formally filed with the Commission.  An unmodified copy of the Staff report and the cover letter is attached.

Staff only received comment from two persons.  Mr. Joe Holman, one of the customers, wrote that he preferred one of the rate design alternatives included in the report other than the rate design proposed by Staff.  The other was received from Mr. Danny J. Radakovich Esq. representing the Company.  A copy of Mr. Radakovich’s comments is also attached.

Mr. Radakovich’s comments take exception to several areas of the Staff report.  The following is a list of points he enumerates in his comments:

1.The Staff report makes a distinction between residential and commercial customers that is inappropriate as services to all customers are similar.

2.Objects to Staff’s conclusion that related operations are indistinguishable.

3.Feels that the fact that the subdivision/water/sewer operation has no employees is irrelevant.

4.Company is in the process of trying to demonstrate that the DEQ building moratorium is incorrect.

5.Makes extreme objection to computation of rate base that does not include cost of wells, water lines or real estate.  To assume the cost of these assets were recovered through sale of lots is inappropriate.

6.Objects to treatment of bad debts using actual average experience of other utilities.

7.Objects to Staff recommended moratorium on new connections until improvements aremade without providing rates sufficient to provide funding for the improvements.

8.Objects to Staff-proposed rate design.  Company’s current rates are nearly identical to nearby community of Kamiah.  Why should Company charge less for exactly the same service?

9.Objects to Staff’s recommendations to reduce delinquent bill charges.

         10.Objects to Staff’s recommended reconnection charges.

         11.Does not necessarily agree with Staff’s conclusion that Valley View Subdivision is a Public Utility.  Company does not have an indefinite or unlimited capacity for customers.

12.If Staff report is not modified to reflect these Company views, Company wants further opportunity for direct input to the Commission either by correspondence or formal hearing.

Staff has reviewed these comments in detail.  Staff does not propose to change or modify its report.  Nothing in the comments pointed out any error in the report.  The comments reflect primarily a difference of opinion and policy.

Staff believes a formal hearing in this case is probably inevitable.  Given the comments that were provided in response to the Staff’s informal request for comments, we do not believe that any meaningful information will come forth under modified procedure.

DECISION

Does the Commission wish to schedule a formal hearing in this case?

Does the Commission wish to try a modified procedure approach first?

Does the Commission have another suggestion?

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Bob Smith

Senior Auditor

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