December 18, 1995

Danny J.  Radakovich

1624 G Street

Lewiston, ID 83501

Re:Valley View Subdivision Water Company

Dear Mr. Radakovich:

Thank you for taking the time to talk to me about Valley View Subdivision on Friday, December 15.  You asked me to indicate the applicable rules and statutes for public utilities’ regulation at such time this case goes before the Commission.  Thus, I am sending you a copy of the Small Water Companies Rules, IDAPA 31.36.01.   You may find it interesting to review Rule 103, “Presumption of Contributed Capital.”  This rule generally states that capital investment in plant will be excluded from rate base.   This might be useful for you to review in the circumstance that the sale of the Company is not successful and the PUC begins regulating.

As I mentioned to you on the phone, the PUC staff is allowing time for the Company and homeowners to negotiate a sale of the water company.  I expect to talk to Daren Fales next week concerning the status of the election and the purchase of the water system.  If this sale is unsuccessful, the PUC will open a case for this water company to determine if it is a public utility and what rates should apply.

If you obtain any more information on the status of this case that would be helpful to the PUC please let me know.  We would like to see the sale of this Company succeed.  If we could do something at the PUC to facilitate a successful resolution, please let me know.  Finally,  if you have any further questions please do not hesitate to call me at (208) 334-0314.

Sincerely,

Susan E.  Hamlin

Deputy Attorney General

Enclosure

cc: Daren Fales

bls/L-Radakov.sh