DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

SCOTT WOODBURY

STEPHANIE MILLER

DAVID SCHUNKE

TERRI CARLOCK

DON OLIASON

ROSE SCHULTE

DAVID SCOTT

WORKING FILE

FROM:BOB SMITH

DATE:JUNE 26, 1997

RE:GNR-W-96-3; COYOTE COEUR D’ALENE CORPORATION DBA HAPPY VALLEY WATER.

Attached to this memorandum is a Staff report dated April 18, 1997.  The report was mailed to the owner of the system for review and comment prior to filing with the Commission. A copy of the cover letter sent to Mr. L.W. (Zeke) Davis (owner of the system at the time) transmitting the report and soliciting comments is also attached together with his brief response. Note that in his response, Mr. Davis indicates an intent to form a cooperative users association. Instead, as discussed below, the system was sold to a private party.

As noted in the Staff report, our investigation of this water system actually was initiated in March of 1994 when Mr. Earl Reamy owned the system.  An initial Staff report was prepared by Jack Taylor and filed with the Commission on November 22, 1994.  A copy of that report is attached to the current report as Exhibit No. 101.  Between November of 1994 and September of 1996, Staff was continually assured by Mr. Reamy that the formation of a homeowners association to own and operate the system was imminent.  Finally, on

September 27, 1996, the Staff recommended that a formal case be opened.  The Commission issued Order No. 26643 on October 15, 1996 initiating a formal case, finding that the water system was operating as a public utility and directing Mr. Reamy to file an application for a Certificate of Public Convenience and Necessity.

Subsequent to the issuance of Order No. 26643, Staff learned that Mr. Reamy had sold the system to Mr. Davis in September of 1996.  Staff conducted its investigation of the system through Mr. Davis and prepared the attached report.  We later learned that Mr. Davis has sold the system to Mr. John Smick, a resident of Washington.  I have talked with Mr. Smick,

Mr. Davis and Mr. Davis’s attorney on several occasions by telephone and learned that indeed the sale to Smick took place but negotiations are in progress for Mr. Davis to buy the system back from Mr. Smick.  As of June 25, 1997, Mr. Smick is the owner of the system.

Based upon its investigation and audit, Staff makes the following recommendations:

1.Issue a certificate to Mr. John Smick DBA Happy Valley Water for the existing service territory (1/2 square mile).  Mr. Davis requested 6 square miles (unimproved agricultural) excluding the airport.

2.Establish rates at $27 per month plus $.70/thousand gallons of consumption in excess of 20,000 gallons per month.  The Company is currently charging $32.50 per month plus $.50/thousand gallons of consumption in excess of 20,000 gallons per month.

3.Direct Mr. Smick to officially inform the Commission, by written petition or application, of any proposed change in ownership of the system.

4.Direct the Company to adopt and comply with:  the Commission’s Consumer Relations Rules; the Commission’s Utility Customer Information Rules, and an accounting system consistent with the information required by the Commission’s Annual Report for Small Water Companies.

5.Authorize the Company to impose a 1% per month late fee for accounts more than 30 days past due.  The Company proposed a $20 fixed late payment charge for payments postmarked after the 15th of the month plus a 1 1/2% interest charge on the unpaid balance on past due accounts.

6.Authorize a reconnection fee of $20 for previously disconnected customers (voluntary or involuntary).  The Company proposed a $500 reconnection fee.

7.Authorize the Company to require a deposit from an involuntarily disconnected customer equal to 1/6th of the customer’s estimated annual bill at current rates.  Instruct the Company to pay interest on any deposits collected at the rate provided in the Commission’s Utility Consumer Relations Rule No. 106.02 (currently 6% per annum).  The Company proposed a flat $300 deposit accompanied by the statement “It May be my option to sell water after disconnect.”  This statement is inappropriate, insinuating that the Company could elect not to provide water service to the customer.

8.Authorize the Company to collect a $500 connection fee for a first time connection to the water system.  The Company proposed a $1,000 connection fee.

9.Direct the Company to file tariff sheets consistent with the Order of the Commission.

   10.Direct the Company to inform its customers of the Commission-approved rates and policies.

Staff stands ready to proceed to hearing if that is the Commission’s desire.  Staff does not believe a formal hearing will provide any substantial additional information, but will provide an opportunity for the consumers to express their opinions and may cause the owners to take the Commission’s regulatory jurisdiction over the system seriously.

COMMISSION DECISION

How does the Commission wish to proceed?

1.  Issue a Notice of Modified Procedure accompanied by a proposed order based upon the Staff report?

2.  Issue a Notice of Hearing and establish a prefile schedule for testimony?

3.  Something else?

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Bob Smith

Attachments

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