

Morning View Water Co., Inc.

An Idaho PUC Regulated Company

3996 E. 200 North

P.O. Box 598

Rigby, Idaho 83442

RECEIVED

2007 JUL 30 AM 8:15

IDAHO PUBLIC
UTILITIES COMMISSION

Office: 208-745-0029

Fax: 208-745-0041

July 27, 2007

Idaho Public Utilities Commission
Attention Commission Secretary
P.O. Box 83720-0074
Boise, Idaho 83720

Subject: Supplemental Reply Comments Case No. MNV-W-06-1

Enclosed with this cover letter are supplemental reply comments of Morning View Water Company (Applicant or Company) to the Commission Staff (Staff) Comments filed in this case. Applicant earlier filed a letter dated June 18, 2007 containing questions and concerns regarding Staff's comments and requesting clarification of items contained in those comments. The Commission treated that letter as Reply Comments of Applicant.

Applicant could not get answers from Staff regarding the concerns and questions posed in its letter and found it necessary to engage an outside consultant to aid the Company in drafting a response to Staff's comments. The Company and its consultant were unable to clarify items contained in the Staff's comments until July 24th when the Staff was available to meet with the Company's consultant to discuss the Staff's comments.

Please accept the attached reply comments of the Applicant and consider them in your deliberations in this case.

Thank You,



Nolan Gneiting
President

Morning View Water Company.

an e-mail was sent to the DEQ informing them of the completion of the required improvements. A Copy of that e-mail is enclosed as Attachment "B".

The Company has incurred additional costs of \$5,013.97 to comply with the DEQ requirements. Enclosed Attachment "C" is a schedule of the costs incurred. These expenditures were required for DEQ compliance, do not produce any additional revenues for the company, have been completed with 8 months of the end of the test year in this case and were not a known event at the time the Company's Application was filed. The Company requests, given the emergency nature of these unanticipated costs, that the Commission consider the effect on the Company in its deliberations in this case.

4. Staff Adjustment No. 4 (Page 4). Applicant agrees with Staff's recommendation.

5. Staff Adjustment No. 5 (Page 4) Applicant agrees with Staff's recommendation.

6. Staff Adjustment No. 6 (Page 4) Staff deducted \$645.00 from the operating expense for what Staff characterized as expenses that should have been charged to an affiliate company. This amount is composed of two checks, one written to the Idaho Rural Water Association in the amount of \$230.00 for dues and one written to the Idaho Department of Environmental Quality in the amount of \$415.00 for annual DEQ fees. These two expenditures are appropriately charged to the water company and should not be eliminated as proposed by Staff. The DEQ fee is a mandatory state imposed fee. The Idaho Rural Water Association provides support and representation to small water systems in the State of Idaho. This association has offered to provide water meters to the Company free of charge and the Company is currently considering accepting the offer if it can find a way of funding the installation of the meters. Discussions with the Idaho Department of Water Resources have been initiated to pursue a possible low interest loan to complete the meter installation program.

7. Staff Adjustment No. 7 (Page 4) Staff eliminated a \$500.00 payment for vehicle insurance paid by the water company for a vehicle owned by an affiliated company. This is the only vehicle expense incurred by the water company. Staff's adjustment assumes the water company has neither need for a vehicle nor any vehicle expenses. Staff is correct that the water company does not own any vehicles. However it is inappropriate to assume there is no need. Numerous trips to deliver water samples to laboratories in Idaho Falls, pick up materials and supplies, make bank deposits, inspect the service area water lines, check wells and deliver notices to customers are required. The Company's insurance payment for an affiliate company's vehicle of only \$500.00 is a small price to pay. At the Federal mileage allowance of \$0.47 / mile this translates to 1,064 miles per year. The Commission should reject this Staff adjustment and acknowledge that the Company cannot possibly function without incurring some transportation expenses.

8. The Staff addressed the Company's office space rent expense and recognized that the Company did not actually pay any rent during the 2006 test year. The Company's affiliate company has been subsidizing the water company in this regard. To the Staff's credit it did proform a rent allowance back into its recommendations for the total revenue requirement. Staff allowed the rent expense included in the Company's 2002 rate case of

\$950.00 and stated "The rent circumstances and expense of \$950 included in the 2002 rate case has not changed..." Circumstances certainly have changed. Real Estate values and therefore rental values have escalated over a period of 5 years. Escalating the 2002 value of \$950.00 for a period of 5 years at a very conservative compound rate of three percent (3%) per year would produce a rental value of \$1,123.00. Escalating for an addition year (when new rates will be in effect) would produce a rental value of \$1,156.00.

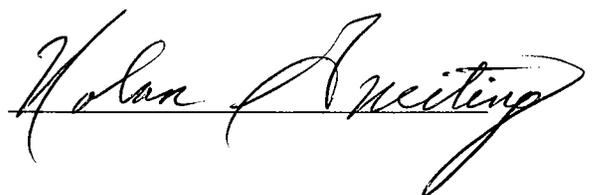
9. The Company determined that it needed the assistance of an outside consultant to properly respond to the Staff's comments. The Company did not seek outside assistance initially in this case due to cash flow constraints but now believes it needs such assistance. The Applicant requests that the Commission recognize the value of this assistance and allow the Company to amortize its costs for this case over a two year period. Total Costs are expected to be \$1,000.00 and when amortized over two years would increase the Company's revenue requirement by \$500.00.

10. Staff accepted the revenues booked by the Company in the test year of \$36,256.68 in its analysis. While reviewing the Staff's comments it came to the Company's attention that the booked revenues are not indicative of the revenues generated by the Company tariff's during the test year. The booked revenues are based upon the receipt of payments rather than accrued on a billed basis. Numerous factors contribute to a difference between the revenues due from customers from test year bills and payments received and deposited. These include payments from prior years from customers who were in arrears at the beginning of the test year, customers who prepay several months in advance, partial payments and past due accounts carried forward into the following year.

Enclosed Attachment "D" is a schedule that shows the revenue that would have been booked on an accrual basis coincident with the mailing of bills for service during the test year. That attachment indicates that normalized revenues for the test year should have been \$33,258.93 or \$2,997.76 less than reflected in the Staff analysis.

11. Enclosed Attachment "E" summarizes the Applicants adjustment to the Commission Staff's recommendations. With these changes the Staff's incremental revenue requirement recommendation would increase by \$6,116.22 from \$3,001.02 to 9,017.24. Staff proposed an increase in the Company's rates of 8.3%. As demonstrated by these comments, the Commission should approve an increase of 27.41% in the Applicants tariff rates.

Respectfully submitted this day of July, 2007.



Nolan Gneiting
President
Morning View Water Co.



RECEIVED JUL 9 2007

July 6, 2007

CERTIFIED MAIL

Morning View Acres
Attn: Nolan Gneiting
P.O. Box 598
Rigby, ID. 83442

RE: 10 DAY NOTICE FOR MORNING VIEW ACRES PWS# 7260063 TO COMPLY WITH THE PRESSURE AND SECONDARY SOURCE REQUIREMENTS OF THE IDAHO RULES FOR PUBLIC DRINKING WATER SYSTEMS

Dear Mr. Gneiting:

This letter is a follow up to Rochelle Mason's (DEQ) site visit on July 5, 2007 following a pressure compliant from one of your customers of the Morning View Acres public water system. Due to a history of non-compliance with the Idaho Rules for Public Drinking Water System DEQ is considering disapproving the public water system Morning View Acres. The enforcement action will consist of a Notice of Violation (NOV) and Consent Order between Morning View and the IDEQ.

The following are significant Health Hazard conditions identified during DEQ's July 5, 2007 site visit that violate IDAPA rules for drinking water systems that shall be corrected in order to avoid enforcement actions taken against the Morning View water system:

1. **Distribution pressure** was measured at five (5) connections within the Morning View water system that showed the average system pressure at 30 psi. at 1:45 p.m.

IDAPA 58.01.08.552.b.ii. states: Any public water system shall maintain a minimum pressure of forty (40) psi. throughout the distribution system, during peak hourly demand conditions.

2. Pictures were taken during the July 5th site visit that shows that the **second source** is not hooked to the distribution. Our records indicate during a February 23, 2007 phone conversation with Rochelle Mason you verified that a new variable speed pump was being installed in Well # 2. Another phone conversation, on July 5, 2007 with Rochelle upon receiving another pressure compliant, you informed DEQ that the new pump had not yet been installed due to costs restraints.

IDAPA 58.01.08.513. states: Community water systems served by ground water shall have a minimum of two (2) source is they are intended to serve more than twenty-five (25) home.

DEQ requests you comply with IDAPA 58.01.08.552.b.ii and IDAPA 58.01.08.513. **within ten (10) days of receipt of this letter** in accordance with the Idaho Rules for Public Drinking Water Systems. Failure to comply with the Idaho Rules for Public Drinking Water rules will result in enforcement actions with civil penalties. This may also include new service connection moratorium.

SCANNED

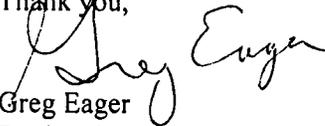
JUL 06 2007

ATTACHMENT "A" page 1

If you do not agree with Morning View Acres water system non-compliance issues, please respond in writing to this office within **five (5) days**.

Please call me if you have any questions regarding this monitoring.

Thank you,


Greg Eager
Regional Engineering Manager

c: Rochelle Mason, Drinking Water Analyst
 Willie Teuscher, P.E. Water Quality Engineer
 Ray Keating, RHS, Eastern Idaho Public Health Department

ATTACHMENT "A"
Page 2

Morning View Homes

From: "Morning View Homes" <morningviewhomes@qwest.net>
To: "Rochelle Mason" <Rochelle.Mason@deq.idaho.gov>
Sent: Monday, July 23, 2007 8:51 AM
Subject: DEQ Mandate

ATTENTION: Rochelle Mason

REGARDING: Morning View Water Co., Inc.

July 23, 2007

Please be advised that as of July 20, 2007 at 3:30 p.m., well #2 was fully functional.

The following was done to accomplish this:

1. The old pump and motor has been removed from the well casing.
2. The pump and the motor have been replaced.
3. The system has been converted to a three phase electrical system.
4. The leaks have been repaired and the well has been chlorinated.

We believe we are in compliance with the DEQ mandate, dated July 6, 2007, and inside the time frame allotted.

Thank You


Nolan Gneiting
Operations Manager

copy on file

cc - Bob Smith
cc - Melinda Harper
cc - Idaho Public Utilities Commission

Attachment "B"

7/23/2007

Morningview Water
 Post Test Year Construction Projects
 Non-Revenue Producing

Well No. 2 Project
 Completed July 2007

Itemized for Name	Well & Pump	Amount
1 Brian Ader	Labor	\$ 300.00
2 Brian Ader	Labor	\$ 164.00
3 Jacob Reading	Labor	\$ 15.00
4 Sam Reading	Labor	\$ 105.00
5 Jacob Reading	Labor	\$ 15.00
6		\$ 599.00
7 Robertsons	parts	\$ 10.88
8 Standard Plumbing	parts	\$ 63.60
9 HD Supply	parts	\$ 62.20
10 2M Company	parts	\$ 87.48
11		\$ 224.16
12 Forman Pump	Set Pump	\$ 421.50
13 Allstar Excavating	Excavation	\$ 482.00
14 NuLite Electric	Elec Controls	\$ 2,487.31
15		\$ 3,390.81
16 Total		\$ 4,213.97

Well Number One
 To be Completed July 2007
 Estimated Cost

17 Larson Pump	Pull & Replace	\$ 800.00
18 Total 2007 Capital Improvements		\$ 5,013.97
19 Depreciation Expense 10 Yr Life		\$ 501.40

MORNINGVIEW WATER COMPANY
Revenue Comparison (Billed VS Collected)

Rate/ Lot	No. Customers Billed	Amount Billed	Total Billed	Total Collected Cash Basis	Difference Collected Over (Under)
January					
\$ 22.00	17	\$ 374.00			
\$ 22.85	48	\$ 1,096.80			
\$ 35.70	24	\$ 856.80	\$ 2,327.60	\$ 3,451.47	\$ 1,123.87
February					
\$ 22.00	17	\$ 374.00			
\$ 28.85	48	\$ 1,384.80			
\$ 35.70	25	\$ 892.50	\$ 2,651.30	\$ 3,090.23	\$ 438.93
March					
\$ 22.00	17	\$ 374.00			
\$ 28.85	48	\$ 1,384.80			
\$ 35.70	26	\$ 928.20	\$ 2,687.00	\$ 2,409.83	\$ (277.17)
April					
\$ 22.00	17	\$ 374.00			
\$ 28.85	48.5	\$ 1,399.23			
\$ 35.70	24	\$ 856.80	\$ 2,630.03	\$ 2,433.25	\$ (196.78)
May					
\$ 22.00	17	\$ 374.00			
\$ 28.85	50	\$ 1,442.50			
\$ 35.70	29	\$ 1,035.30	\$ 2,851.80	\$ 2,988.05	\$ 136.25
June					
\$ 22.00	16	\$ 352.00			
\$ 28.85	51	\$ 1,471.35			
\$ 35.70	27	\$ 963.90	\$ 2,787.25	\$ 2,877.45	\$ 90.20
July					
\$ 22.00	19	\$ 418.00			
\$ 28.85	51	\$ 1,471.35			
\$ 35.70	28	\$ 999.60	\$ 2,888.95	\$ 3,186.28	\$ 297.33
August					
\$ 22.00	18	\$ 396.00			
\$ 28.85	50	\$ 1,428.08			
\$ 35.70	30	\$ 1,071.00	\$ 2,895.08	\$ 3,808.77	\$ 913.70
September					
\$ 22.00	19	\$ 418.00			
\$ 28.85	48	\$ 1,384.80			
\$ 35.70	30	\$ 1,071.00	\$ 2,873.80	\$ 2,014.37	\$ (859.43)
October					
\$ 22.00	20	\$ 440.00			
\$ 28.85	49	\$ 1,413.65			
\$ 35.70	30	\$ 1,071.00	\$ 2,924.65	\$ 3,924.93	\$ 1,000.28
November					
\$ 22.00	20	\$ 440.00			
\$ 28.85	49	\$ 1,413.65			
\$ 35.70	29	\$ 1,035.30	\$ 2,888.95	\$ 3,175.00	\$ 286.05
December					
\$ 22.00	20	\$ 440.00			
\$ 28.85	47	\$ 1,341.53			
\$ 35.70	30	\$ 1,071.00	\$ 2,852.53	\$ 2,897.05	\$ 44.53
Total Billed	2006	\$ 33,258.93	\$ 33,258.93	\$ 36,256.68	\$ 2,997.76

MORNINGVIEW WATER COMPANY
Staff Adjusted Revenue Requirement

	Revenue Requirement	Cumulative Amount	Rate Increase Percent
1 Revenue Requirement Per PUC Staff	3,301.02	\$ 3,001.02	8.3%
2 Add Back Staff Adjustment No. 6			
3 Idaho Rural Water Association Dues	230		
4 DEQ Fees	415		
5 Total No. 6		645 \$ 3,646.02	10.1%
6 Add Back Staff Adjustment No. 7			
7 Vehicle Expense		500 \$ 4,146.02	11.4%
8 Adjust Staff Adjustment No. 8			
9 Proposed Rent Allowance	1156		
10 Staff Proposed Allowance	950		
11 Adjustment to Revenue		206 \$ 4,352.02	12.0%
12 Rate Case Expense Amortization			
13 Total Cost	1000		
14 Amortization Period	2 Yrs		
15 Adjustment to Revenue		500 \$ 4,852.02	13.4%
16 Adjust For Emergency Project per DEQ			
17 Well #2 Costs Incurred	Amount		
18 Brian Ader Labor	300.00		
19 Brian Ader Labor	164.00		
20 Jacob Reading Labor	15.00		
21 Sam Reading Labor	105.00		
22 Jacob Reading Labor	15.00		
23 Robertsons parts	10.88		
24 Standard Plumbing parts	63.60		
25 HD Supply parts	62.20		
26 2M Company parts	87.48		
27 Forman Pump Set Pump	421.50		
28 Allstar Excavating Excavation	482.00		
29 NuLite Electric Elec Power	2,487.31		
30 Total	\$ 4,213.97		
31 Well #1 Cost Incurred			
32 Larson Pump Pull & Replace	800.00		
33 Total	\$ 5,013.97		
34 Return	12%		
35 Income Requirement	601.6764		
36 Gross-up Factor	1.273237		
37 Revenue Requirement		766.08 \$ 5,618.10	15.5%
38 Depreciation Exp 10 Yr life		501.40 \$ 6,119.49	16.9%
39 Normalize Test Yr Revenue			
40 Revenue Per Staff	36,256.68		
41 Normalized Revenue	33,258.93		
42 Additional Revenue Required		2,997.75 \$ 9,117.24	25.1%
43 Percent increase required based upon Normalized Revenue			27.41%