To: IDAHO PUBLIC UTILITIES COMM.

3MAR07

MNV-W-06-01

Dear Sir/Ma'am

We are opposing another rate increase of our monthly water bill for the following reasons. We are still experiencing alot of water outages sometimes for most of the day, without any advance notice. Water pressure is low, especially during the summer. Repairs are slow. Not much has changed since the meeting with you in 2002. I've enclosed some copies from that meeting case # MNV-W-02-1. At the time of that meeting there were approx. 56 houses on this one community well run by Mr. Nolan Gneiting and only by him. Now there are approx. 73 houses on that one well with a small back-up auxilliary. Why are you allowing him to operate this way? Mr. Gneiting will look you straight in the eye and give you as many untruths about his business practices as you are willing to listen to. He has claimed to me and many homeowners that he cant afford to open up the other well and get it running as it would cost him $30,000 yet he continues to build more houses on this over-burdered well. Mr. Nolan Gneiting has been bragging about the property he bought for development in Island Park, and subsequently admitting that this is why he doesn't have any money left and wants to raise our rates. I've enclosed copies of the land purchases and the development know as "Shotgun Village Estates" which I requested from the Fremont County Assessors office. These are his latest acquisitions, at least those that I can locate. I've highlighted the areas that were to be followed up by the →

I.P.U.C. after that meeting in 2002. I'd like to know if those areas were enforced or did Mr. Gneiting thumb his nose at the commission and go his merry way. He hadnt filed an Annual report with I.P.U.C. since 1991 and nothing was done about it. How about now? Has he complied with any of the Commissions requests as outlined in order #29061? These are all in the files from the meeting we had with I.P.U.C. and Deputy District Attorney General: Scott Woodbury, summer of 2002.

We are requesting that an audit of the company's financial records. That an <u>unnounced</u> inspection of the pumphouse and main water supply and also that an <u>unannounced</u> inspection of the water pressure be performed. A detailed accounting of where the surcharges have been used. We have been paying a $5.00 monthly surcharge since the summer of 2002 and Nolan Gneiting swears that there is nothing left in the contingency fund for repairs. Where did it go? He's been collecting this amount in addition to the monthly water bill from well over 60 house for years, now. As homeowners we all have a right to see where our money is going, especially since Mr. Gneiting insists on raising the water bill again. Please let us know the results of your investigation into these matters. Thank you

Marcia Bivins

Allen & Marcia Bivins
3[illegible] E. 200 North
Rigby, ID 83442

MORNING VIEW CO-IDAHO PUBLIC UTILITIES

PO BOX 598
RIGBY, ID 83442-0598

Invoice

RECEI...

2007 MAR -7 AM 8: 10

IDAHO PUBLIC
UTILITIES COMMISSIO...

Date	Invoice #
2/23/2007	1512

Bill To
Allen Bivins 3980 E 200 N Rigby, ID 83442

P.O. No.	Terms	Project
	Due on the 1st	

Quantity	Description	Rate	Amount
	Detail Of Operating Expense - 1 Acre	35.70	35.70
	Customer Surcharge For Contingencies	5.00	5.00
		Total	$40.70

MORNING VIEW WATER CO. INC.
3996 E. 200 North
P O Box 598
Rigby, Idaho 83442
208-745-0021 morningviewhomes@qwest.net FAX 745-0041

LEGAL NOTICE

Morning View Water Company, Inc. has filed an application with the Idaho Public Utilities Commission requesting a rate increase of thirty-five percent. A thirty-five percent increase would add the following amounts to your bill; ¼ Acre $7.70 per month, ½ Acre $10.10 per month, and 1 Acre $12.50 per month.

A rate increase is necessary to pay the increased cost of power, taxes, salaries, repairs, maintenance, general operation costs, and to recover the depleted contingency fund.

An increase in revenue is necessary for Morning View Water Co.. Inc. to continue service without interruption.

Morning View Water Company last filed a rate case in September 2002. The Commission granted a much smaller increase than was requested.

Any questions or comments may be directed to our office or to the Idaho Public Utilities.

**Morning View Water Co.,Inc.
3996 E. 200 N.
P.O. Box 598
Rigby, Idaho 83442
208-745-0029**

**Idaho Public Utilities
472 W. Washington
P.O. Box 83720
Boise, Idaho 83720-0074
208-800-432-0369**

Nolan G. Gneiting

**Nolan G. Gneiting
Owner**

Mr. Nolan Gneitings property purchases and developments.

VALUATION SUMMARY SHEET

PAGE 1
DATE: 3/02/2007
83429

TIME: 14:44:07
PARCEL NUMBER: RP 00160005029A A   PROPERTY ADDRESS: 3975 DAVID CIR

EFFECTIVE DATE: 02/15/1998
EXPIRATION DATE: 00/00/0000   TAX CODE AREA: 0350000

NAME: MORNING VIEW ~~HOMES INC~~   LEGAL: SHOTGUN VILLAGE ESTATES #10
1ST AMENDED PLAT
LOT 29A BLK 5
SECS 12-13 TWP 13 RGE 42

ADDRESS: P O BOX 598
RIGBY ID 83442-0598   OLD PARCEL #:

CAT SHT	RY	QUANTITY	UN	MARKET VALUE	HO VALUE	HO EXEMPT	CB VALUE	OTHER EXEMP
15	2005	1.723	AC	15,830				
TOTALS:		1.723		15,830				

DEED REFERENCES:	CAMA AREA #: 1 RELATED PARCELS:	SUB-SYS:		COMMENTS:
DATE: 08/10/1998 452917 332547 TAX SPECIALS:		SL	HOMEOWNERS: NONE ZONING: PHOTO NUMBER: MAP NUMBER: INSP YEAR: 2005 PARCEL TYPE: LOCATION CODE: 0003 SW UNITS: SW TYPES:	COMBINATION

VALUATION SUMMARY SHEET

DATE: 3/02/2007

TIME: 14:44:04
PARCEL NUMBER: RP 00160005027A A   PROPERTY ADDRESS: 3981 DAVID CIR 83429

EFFECTIVE DATE: 02/15/1998
EXPIRATION DATE: 00/00/0000   TAX CODE AREA: 0350000

NAME: MORNING VIEW HOMES INC   LEGAL: SHOTGUN VILLAGE ESTATES #10
1ST AMENDED PLAT
LOT 27A BLK 5
SECS 12-13 TWP 13 RGE 42

ADDRESS: P O BOX 598
RIGBY ID 83442-0598   OLD PARCEL #:

CAT SHT	RY	QUANTITY	UN	MARKET VALUE	HO VALUE	HO EXEMPT	CB VALUE	OTHER EXEMP
15	2005	1.268	AC	12,180				
TOTALS:		1.268		12,180				

DEED REFERENCES:	CAMA AREA #: 1 RELATED PARCELS:	SUB-SYS:		COMMENTS:
DATE: 08/10/1998 452917 332547		SL	HOMEOWNERS: NONE ZONING: PHOTO NUMBER: MAP NUMBER: INSP YEAR: 2005 PARCEL TYPE: LOCATION CODE: 0003 SW UNITS: SW TYPES:	COMBINATION
TAX SPECIALS: 995				

VALUATION SUMMARY SHEET

DATE: 3/02/2007

TIME: 14:43:57
PARCEL NUMBER: RP 00160005004A A PROPERTY ADDRESS: 3980 JOSEPH DR 83429

EFFECTIVE DATE: 02/15/1998
EXPIRATION DATE: 00/00/0000
TAX CODE AREA: 0350000

NAME: MORNING VIEW HOMES INC

LEGAL: SHOTGUN VILLAGE ESTATES #10
1ST AMENDED PLAT
LOT 4A BLK 5
SECS 12-13 TWP 13 RGE 42

ADDRESS: P O BOX 598
RIGBY ID 83442-0598 OLD PARCEL #:

CAT	SHT	RY	QUANTITY	UN	MARKET VALUE	HO VALUE	HO EXEMPT	CB VALUE	OTHER EXEMP
15		2005	1.720	AC	15,800				
TOTALS:			1.720		15,800				

DEED REFERENCES:	CAMA AREA #: 1 RELATED PARCELS:	SUB-SYS:		COMMENTS:
DATE: 08/10/1998 452917 332547		SL	HOMEOWNERS: NONE ZONING: PHOTO NUMBER: MAP NUMBER: INSP YEAR: 2005 PARCEL TYPE: LOCATION CODE: 0003 SW UNITS: SW TYPES:	COMBINATION
TAX SPECIALS:				

VALUATION SUMMARY SHEET

DATE: 3/02/2007

TIME: 14:43:51

PARCEL NUMBER: RP 00160005001A A   PROPERTY ADDRESS: 3976 JOSEPH DR 83429

EFFECTIVE DATE: 02/15/1998
EXPIRATION DATE: 00/00/0000

TAX CODE AREA: 0350000

NAME: MORNING VIEW HOMES INC

LEGAL: SHOTGUN VILLAGE ESTATES #10
1ST AMENDED PLAT
LOT 1A BLK 5
SECS 12-13 TWP 13 RGE 42

ADDRESS: P O BOX 598
RIGBY ID 83442-0598   OLD PARCEL #:

CAT SHT	RY	QUANTITY	UN	MARKET VALUE	HO VALUE	HO EXEMPT	CB VALUE	OTHER EXEMP
15	2005	2.040	AC	18,230				
TOTALS:		2.040		18,230				

DEED REFERENCES:	CAMA AREA #: 1 RELATED PARCELS:	SUB-SYS:		COMMENTS:
DATE: 08/10/1998 452917 332547 TAX SPECIALS:			HOMEOWNERS: NONE ZONING: PHOTO NUMBER: MAP NUMBER: INSP YEAR: 2005 PARCEL TYPE: LOCATION CODE: 0003 SW UNITS: SW TYPES:	COMBINATION

SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
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BAR NO. 1895

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF MORNING VIEW WATER CO., INC. TO REVISE AND INCREASE RATES CHARGED FOR WATER SERVICE.	**CASE NO. MNV-W-02-1** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Scott Woodbury, Deputy Attorney General, and submits the following comments in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on May 15, 2002.

On April 26, 2002, Nolan Gneiting, president of Morning View Water Co., Inc. (Morning View; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to increase rates for water service by $30 a month, an increase of 136%. Current authorized tariff rates for Morning View are a $22 per month flat fee plus a public drinking water fee of $6.67 per year. Base rates have not been changed since June 21, 1990.

GENERAL

The Application was based upon the water company's average operating results for the last three years (1999-2001). Staff visited the Company's offices on May 16, 2002 to audit the financial records of the Company for the three years upon which the Company's request was based.

Morning View Water Company has not filed an Annual Report with the Idaho Public Utilities Commission since 1991. Staff has had numerous contacts with the owner, Mr. Nolan Gneiting, regarding his failure to file the required reports. Staff has several times in the past attempted to perform a financial audit of the Company's operations. Each audit was discontinued due to a lack of adequate records.

The Company has made considerable improvement in its ability to provide adequate documentation regarding its expenditures. During its recent audit, Staff was able to track most expenditures to determine whether or not they were just and reasonable. Staff has made numerous adjustments to the financial data submitted in the Company's Application. These adjustments are detailed in Attachments A-4 and A-5 to these comments.

Mr. Gneiting owns three separate business entities, Morning View Water Co. (utility) Morningview Homes (real estate company) and Landco Building and Development Co. (land development and home construction). Mr. Gneiting does not adequately segregate his various business activities. Cash flow among the various business entities is commingled and numerous expenditures from the Landco bank account have been inappropriately included as Morning View Water Co. expenses.

Staff believes that it has adequately separated costs not associated with operation of the water utility from the financial data included in the Company's Application. Based upon its analysis of the Company, Staff has determined that an increase in pro forma gross revenues of 49.0% or $7,244 is justified.

During the course of its investigation, Staff discovered that the Certificate of Convenience and Necessity No. 314 issued by this Commission has a typographical error identifying the service area to be within Section 30, Township 4 North, Range 38 East. The Range is incorrect and should be 39 East. In addition, Staff learned that the water system has expanded beyond the service area approved by the Commission. The Company has extended its service approximately ½ mile west of the certificated area. The legal description of the area now being served is the North ½ of the Northeast ¼ of Section 30, Township 4 North, Range 39 East (the original service area) and the North ½ of the Northwest ¼ of Section 30, Township 4 North, Range 39 East (the expansion area). The Commission received a letter from the Company on May 31, 2002, requesting a revision to its Certificate to include the expansion area.

RESULTS OF OPERATIONS

Attachments A-1 through A-3 present a side-by-side comparison of the financial data submitted in the Company's Application with Staff's post audit adjusted results for the years 1999, 2000 and 2001. Attachment A-1 compares the Company's 1999 reported net loss of ($10,312.74) with Staff's adjusted net loss for the year of ($2,629.73). The difference is the result of numerous adjustments identified by adjustment number in the last column of the attachment. The details of the adjustments for 1999 are shown on the top of Attachment A-4. The majority of the adjustments are for expenditures that appropriately should have been charged to the Landco business operation. Landco is the developer of four of the five subdivisions served by the water company. The initial installation of a water system in a subdivision is the responsibility of the subdivision developer. The Commission's Rule 103 for Small Water Companies presumes that the developer recovers the initial cost of the water system through the sale of lots. It further presumes that the water system is contributed by the developer to the water company resulting in no initial investment by the water company in the development. Other adjustments include items that should be capitalized as investment rather than expensed, personal expenses of the owner, expenses that should be shared with other business entities and property taxes.

Property taxes have been removed because of the special treatment used for determining appraised value of utilities in Idaho. The Idaho State Tax Commission conducts appraisals of utilities. Those appraisals depend heavily upon the Idaho Public Utilities Commission's determination of valuation for ratemaking purposes. As discussed above, this Commission assumes the initial water system is contributed to the water company by the developers. Therefore, the valuation determined by the Commission is zero until major components fail and have to be replaced with new investment. The Idaho State Tax Commission would therefore consider the valuation to be zero, resulting in no property taxes.

Staff contacted the Idaho State Tax Commission who indicated that Mr. Gneiting has failed to return that Commission's Annual Report Forms despite numerous reminders. The Idaho State Tax Commission therefore assigned an arbitrary valuation of $60,000 to the system. Had Mr. Gneiting filed the annual reports to this Commission and to the State Tax Commission, the appraised valuation for the water system would have been properly established at zero. The Staff also discovered that at least one of the well lots (included in the water company valuation) has been separately appraised by Jefferson County and therefore has been counted twice resulting in double taxation on the property. Mr. Gneiting should immediately be in contact with both the State Tax Commission and Jefferson County to correct the appraised valuation. Staff has removed these taxes. The taxes were assessed due to water company managerial error and should not be passed onto customers. Correcting the assessed valuation will eliminate these taxes in the future.

Attachment A-2 compares the Company's 2000 reported net loss of ($12,439.90) with Staff's adjusted net loss for the year of ($1,020.92). The difference is the result of numerous adjustments identified by adjustment number in the last column of the attachment. The details of the adjustments for 2000 are shown on the bottom of Attachment A-4. Adjustments are similar to those discussed above for 1999.

Attachment A-3 compares the Company's 2001 reported net loss of ($6,685.50) with Staff's adjusted net loss for the year of ($134.26). The difference is the result of numerous adjustments identified by adjustment number in the last column of the attachment. The details of the adjustments for 2001 are shown on Attachment A-5. Adjustments are similar to those discussed above for 1999. In addition, the Company's requested office space rent allowance of $3,000 has also been removed on Attachment A-3 but is addressed later on Attachment A-7.

Attachment A-6 is a side-by-side comparison of the Company's Staff Adjusted Income Statements for the three-year period similar in format to the schedule attached to the Company's Application. It is apparent from looking at this schedule that the Company is moving toward profitability as customers are added to the system.

Attachment A-7 is a Pro forma schedule of operating results. This schedule builds upon the adjusted 2001 Income Statement from Attachment A-6. The intent is to annualize and normalize certain items and provide for expenses not actually incurred but reasonable.

First, Staff has normalized the revenues that the Company would collect from its existing 56 customers on an annualized basis. This adjustment adds $2,411 to the Company's reported revenues for 2001.

Second, Staff has normalized the Company's water testing expenses. The frequencies of specific water tests vary. Some tests are required monthly. Others have a frequency of quarterly, annually, semi annually, every 3 years and every 6 years. This adjustment spreads the cost of each test over its required frequency. Over time, the average annual testing expense is $750 for each water source. Mr. Gneiting has informed Staff that the Idaho Department of

Environmental Quality has declared the aquifer from which Morning View draws water a well field requiring only one set of tests regardless of the number of wells.

The Company in its Application requested (and actually paid to an affiliated company, Landco) office rent expense in the amount of $3,000 annually. During discussions with Mr. Gneiting, Staff determined that the office space requirement for the water company was 100 square feet. A phone call placed to a local commercial landlord by Mr. Gneiting produced a quote of $0.79 per square foot per month for office space. Staff independently searched the Internet and found a realty company in Idaho Falls with commercial rental space available. Those properties had monthly costs of $0.37 to $1.25 per square foot per month. Staff believes that the $0.79 per square foot quote is reasonable. The building within which the Company conducts its business is not owned by the water company but rather by its affiliate Landco. Were this space not available, the water company would have to seek space elsewhere from a non-affiliated company. This allowance replaces the Company's requested $3,000 per year allowance with an allowance of $948.

The last two pro forma adjustments are to provide compensation to Mr. Gneiting for the time he spends managing and maintaining the water system. If he were to hire a third party for these activities, the water company would incur labor costs. Mr. Gneiting has not drawn a salary from the Company. It is reasonable for him to expect to be compensated for his effort. Mr. Gneiting requested an allowance of $10,000 per year in the application. The Company employs a part-time employee to help with the office tasks and who often checks the pressure tanks as well. At this time with only 56 customers connected to the system and a total of 149 lots on the system (approximately 40% fill), Staff does not believe a $10,000 annual salary is justified for the part-time operation of the water system. Staff has substituted a managerial allowance of $4,160 (4 hours/week at $20/ hour) and a maintenance allowance of $2,496 (4 hours/week at $12/ hour). Staff's adjustments represent an allowance of approximately 20% of a 40-hour week for Mr. Gneiting's time. Staff believes that Mr. Gneiting as the developer (Landco) of the subdivisions must be prepared to absorb some of the operating costs until such time as the subdivisions reach a reasonable fill level of 70% to 80%. As customers connect to the system, more of Mr. Gneiting's time will be required but there will also be additional revenues to support reasonable increases in his compensation. Staff's pro forma results produce a net loss for the test year 2001 of ($5,414.32).

RATE BASE, DEPRECIATION AND REVENUE REQUIREMENT

Attachment A-8 is a calculation of the Company's rate base, depreciation expense and the total revenue requirement Staff believes is justified in this case. The top part of this schedule develops a rate base and depreciation expense for the Company that Staff believes is reasonable. The rate base is the investment the Company has in physical assets that were not contributed by developers. The items identified here are investments the Company recorded as operating expenses that Staff removed in its previous expense adjustments. The Company is allowed to record and recover depreciation expense on these assets and earn a reasonable return on the net undepreciated investment (rate base). The rate base determined by Staff is $6,373.66. Depreciation expense on these assets is $596.79 annually.

The lower portion of Attachment A-8 is the calculation of total revenue requirement for Morning View Water Company. A 12% return on the rate base determined above produces a return requirement of $764.84. This return must be grossed up to provide for an income tax allowance. Staff used the minimum Idaho State tax rate of 8% and the minimum federal tax rate of 15% (after state tax deduction) to develop a pretax requirement of $978.99. The pro forma 2001 operating expenses of $20,452.24 from Attachment A-7 and the depreciation expense of $596.79 are added to the return to produce a total revenue requirement of $22,028.02. This revenue requirement is $7,244.02 greater or 49% more than the annualized revenue the Company would collect from its current 56 customers at existing rates.

RATES AND SYSTEM DESIGN

As calculated by Staff, the annual revenue requirement determined by Staff is $22,028. If this revenue is recovered from all customers with a uniform customer charge, such as the $22.00 per customer per month rate currently in place, the rate would go to $32.78 per month. This is an increase of $10.78 per month or 49%.

Although the system is not metered there is another rate design alternative that Staff believes is more equitable. The five subdivisions served by Morning View Water are predominantly composed of lots in three different sizes. The lots are quarter-acre, half-acre or one-acre in size. The meter at the well indicates that the average customer uses approximately 12,000 gallons per month in the lowest winter month and more than 10 times that amount in the highest summer month, approximately 124,000 gallons. The extremely large amount of water per customer pumped in the summer months indicates very substantial amounts of outside water use, presumably lawn and garden watering. Since larger lots have more potential for this kind of use, a different monthly rate can be determined for each lot size. One such rate design that recovers the Company's revenue requirement would charge customers on quarter-acre lots the existing rate of $22.00 per month, half-acre lot customers would pay $29.75 per month and customers on one-acre lots would pay $37.50 per month. There are two quarter-acre lot customers, 30 half-acre lot customers and 24 one-acre lot customers. This rate design assumes no increase for customers on quarter-acre lots, a 35% increase for customers on half-acre lots and a 70% increase for customers on one-acre lots.

Complete equity in water bills is only achieved when every customer is metered and every customer pays only for the water that he or she uses. Nearly all lots in the five subdivisions were developed with meter boxes such that all that is required to meter the system is the meter and some associated plumbing. Mr. Gneiting estimates these costs to be approximately $300.00 per service. The cost of metering, reading meters and calculating bills amounts to a few dollars per month per customer. Along with equity as previously discussed, metering brings some other advantages. It decreases water consumption, which increases system water pressure and delays the need for additional pumping capacity and/or water storage facilities.

Staff does not recommend metering at this time but instead proposes rates by lot size. However, as additional water supply is needed or water pressure falls to unacceptable levels even with such practices as alternate day lawn watering, all customers should be metered to capture the benefits previously discussed. Morning View should plan on this transition in the next two or three years.

The Idaho Department of Environmental Quality reviews water system plans to determine if water volumes and pressures are adequate. DEQ has approved Morning View's system. However, DEQ requires all systems with more than 25 customers to have two or more wells ready to serve customers. Morning View Water has three wells. One of the wells is not equipped with a pump and motor and not connected to the system. The other two wells are identified as the large well and the small well. The large well is capable of producing 400 GPM and the small well produces 150 GPM. The large well is providing the needs of the customers at the current time. An additional valve is needed to properly connect the small well to the system. To avoid prolonged outages when the large well equipment is in need of repair, the small well needs to be made operational. Last winter some repairs needed to be made on the large well equipment and customers were without water for two or three days.

Morning View Water's Tariff consists of two Schedule No. 1's. One contains the current flat rate charge of $22.00 per month for water consumption and the other a once a year charge from each customer for the Department of Environmental Quality's Annual Assessment. The DEQ fee has been incorporated in the over-all revenue requirement recommended by Staff in this case and need not be recovered through a separate tariff schedule.

CONSUMER COMMENTS

To date, three petitions from customers of Morning View Water have been received. One petition was signed by 39 households; each of the other two petitions were signed by 19 individuals. The total number of signatures on the three petitions is 77. The Company initially stated that it has 53 customers, although a more recent customer list shows 56 customers. Some customers readily acknowledged signing multiple petitions. In addition, eleven written comments were filed. Many customers request that the Idaho Public Utilities Commission [IPUC] hold a hearing in this case. Staff recommends that a workshop and hearing be held in Rigby or another location near Morning View's service territory.

In the petitions and comments, customers expressed concern with the magnitude of the requested increase. They also are concerned at the lack of water pressure, the number of times water is totally off, the slowness of repair when there is a problem, the safety of the water supply, and the validity of the system costs as reported by the system owner. The Commission's authority is to set rates which are just and equitable to both the people and to the corporation. [*Idaho Code* §§ 61-301 through 61-329]. Some of the issues raised by customers concern the development itself instead of the water system and are not under the purview of this Commission. Subdivision covenants are beyond the scope of the Commission's authority. The request by customers to change the covenants so that residents can elect their own board and run the water system, or allow them to drill their own well cannot be addressed by the IPUC. Customers did not indicate that they had approached Mr. Gneiting with an offer to purchase his water system so they can form a homeowners association and eliminate the need for regulation by the IPUC. Water quality and the associated water safety issues fall under the primary jurisdiction of Idaho Department of Environmental Quality [DEQ], which is responsible for monitoring water quality and enforcing environmental laws and regulations.

The Company understands that it is required to follow the Commission's Utility Customer Relations Rules [UCRR] and Utility Customer Information Rules [UCIR] as well as its own approved tariffs for rates and charges as authorized by the Commission. Minor changes are needed to bring Morning View's bills and disconnect notices into compliance with those rules. The Company is working with Staff to make the necessary corrections.

The Company's "Utility Agreement" provided to customers says a $25 reconnect fee will be charged in the event service is disconnected. A $25 reconnect fee falls within the reasonable range of charges the IPUC has allowed other utilities for the reconnection of service. The Company also charges a "finance charge" of $.75 or 1.25%, whichever is larger, when a payment is late. Apparently, this "finance charge" is a late payment fee assessed on past due bills. To date, the Company has not requested, nor has the Commission granted, approval of either a reconnection or a "finance charge." Historically, the Commission has not allowed a late payment fee when a utility has the ability to discontinue service for nonpayment, or when the utility's charge for basic service is billed a month in advance. Morning View can and does disconnect service; therefore, Staff does not support a late fee or finance charge. Staff does support implementation of a $25 reconnection charge.

The utility has required customers to sign a "Utility Agreement" in order to receive service. The utility certainly can require a written application to identify customers. However, the "Utility Agreement" appears to be a written contract that goes beyond the scope of an application for service and it contains inaccurate information. Item 4 of the Agreement contains rates which have not been approved by the Commission: $22 for each month plus a rate of $.45 per thousand over 20,000 gallons up to 100,000 gallons and $.35 cents per 1,000 gallons of water used in excess of 100,000 gallons. The Agreement goes on to say that "rates shall be subject to adjustment and shall be approved by the Public Utilities Commission of the State of Idaho." The IPUC has not approved a usage-based rate. Indeed, such a rate design would be inappropriate because customers do not have metered service.

Item 7 of the Agreement discusses deposits. Statements made regarding deposits are in keeping with Commission Customer Relations Rules. The last sentence in Item 7 stated that "the above captioned occupant is to remain responsible to the water company until a new occupant personally signs for the account with Morning View Water Co., Inc." A utility can require a reasonable prior notice for a request to disconnect service for a customer moving to give the utility time to schedule the water shut off. An attempt to hold one party responsible for water service until another party signs up for service at that location is unreasonable and should not be allowed. Furthermore, the utility is allowed to pursue collection of amounts owed by a previous customer, but it can only attempt to collect from that customer, not a new party moving into the same address. The amounts owed remain with the customer of record, not the location of service. Mr. Gneiting has agreed to discontinue use of the "Utility Agreement" which will make changes to the "Utility Agreement" unnecessary.

STAFF RECOMMENDATION

Staff recommends that a workshop and hearing (for public testimony) be scheduled in Rigby or another location near Morning View's service territory.

Staff recommends that an annual revenue requirement of $22,028 be approved for Morning View Water.

Staff recommends that monthly rates for Morning View Water be established by lot size as follows:

LOT SIZE	MONTHLY RATE
0 Acre – 0.4 Acre	$22.00
0.4 Acre – 0.8 Acre	29.75
0.8 Acre and Larger	37.50

Staff recommends that the "Schedule 1 - Public Drinking Water Fee" tariff be cancelled.

Staff recommends that a $25.00 reconnection charge be approved and shown on Schedule 2 – Miscellaneous Charges.

Staff recommends that the 150 GPM well be connected into the system and be operational within 30 days of this order and that Mr. Gneiting notify the Commission by letter when that has occurred.

Staff recommends that Morning View be required to bring its bills and notices into compliance with the Commission's Customer Relations Rules and Customer Information Rules.

Staff recommends that the Company cease its practice of assessing a "finance charge" or late payment fee on past due bills.

Staff recommends that the Company discontinue use of its presently drafted "Utility Agreement."

Staff recommends that the Commission correct the Company's existing Certificate No. 314 to properly identify the Company's existing service area to be within Section 30, Township 4 North, Range 39 East.

Staff recommends that the Commission notice its intent to amend the Company's Certificate No. 314 to include the North ½ of the Northwest ¼ of Section 30, Township 4 North, Range 39 East.

Respectfully submitted this day of June 2002.

Scott Woodbury
Deputy Attorney General

Technical Staff: Bob Smith
Marge Maxwell
Keith Hessing

SW:i:umisc/comments/umvw02.1swnmreskh