

**MORNING VIEW WATER COMPANY  
CASE NO. MNV-W-16-01**

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September 2, 2016

**Response to IPUC Commissioners-**

We appreciate the opportunity to give our final statement in this case in our application for a rate increase. We are aware that you have received much public comment in this case, both in a courtroom setting and in written comment submitted to the PUC. We would first comment on Staff findings and recommendations, then address some of the comments and sentiments toward Morning View Water Company.

The company is pleased to report that we have cooperated fully with the extremely thorough audit conducted by PUC Staff. We are confident that the outcome of the audit shows our ongoing commitment to maintaining accurate records and complying with all PUC requests. We also feel that the company has been vindicated from accusations of our intent. We accept that there have been problems in the past and feel that we have made significant progress in resolving them.

As noted by staff, Morning View Water is a family owned business. A little history is in order to explain its current staffing. About 4 years ago, owner Nolan Gneiting was gravely ill and in the hospital for 37 days. At the onset, his wife Dawn Gneiting was not involved with the water company. The only other employee was a bookkeeper who worked 30 hours a week. During this time, Ryan Loftus served as water master.

It became evident that Dawn needed to become involved, and immersed herself in the water company in order to help manage it during Nolan's illness. She discovered that without consultation or approval, the bookkeeper removed all electronic accounting records from the company computer and placed them on her personal laptop. Dawn requested that she return the records to the company immediately. Upon refusal, Dawn called in her son, David Reading to also request the return of the data and offered to help with the transfer. She again refused, claiming it was her work, and her property. After 3 days of not showing up for work, the bookkeeper found herself locked out of the office permanently.

Upon consultation with attorneys, we felt that legally forcing the return of the records would be lengthy and expensive, and would not assure that the records would be intact. We made the decision to take available printed records, including bank statements and current customer aging reports, and reconstruct critical records into a new computer system. This reconstruction was done by David Reading, and his wife Amanda. Quickly, the critical, immediate bookkeeping functions were restored, and the books have been kept well and accurately as shown by the staff findings.

Since his initial hospitalization, Mr. Gneiting has had three more life threatening relapses with additional hospitalizations, with the most recent being in February, 2016. Mrs. Gneiting has continued to be involved as a backup helper.

David Reading remained with the company as our bookkeeper. He has an Associate's Degree in Accounting, and a Bachelor's degree in Computer Information Systems. He works for Morning View Water in addition to his full time job. His work is largely done at his home, but he is in constant daily

communication with Dawn and Nolan. Weekly meetings are conducted on site with all three attending. He is also on site for special projects, meter readings, and customer contact.

The computer referred to in the auditor report is owned by the water company. This was erroneously reported by Staff comments as being owned by David. This computer can be accessed via remote networking by all company employees. Company accounting is reviewed weekly by the Gneittings, who also have access to company online banking. We will review staff recommendations for recordkeeping procedures including redundancy and storage of records.

Page 4 of Staff recommendations state that the company has 3 employees. That is not the case. Dawn is not a compensated employee, and is best described as a hovering owner. It is felt that staff has overestimated her role in the company. She mainly attends to the other businesses owned by the Gneittings. She does assist Nolan in certain tasks such as picking up and logging the mail, reminds him of his schedule, and assists him when his hearing aid isn't functioning well. She receives \$65 per month as a contractor to handle the company phones on a 24 hour basis. This has enabled her to stay abreast of the issues and flow of the business. It also involves her enough to take over should Nolan fall ill again. Although involved, she depends heavily on David to do the bookkeeping, working with customers, collections, and other financial management.

As the staff findings indicate, the company's "revenues do not cover its expenses". When we started the application process for a rate increase, we were advised by PUC staff that they were likely to recommend to the Commission, a rate structure that would partially be based on usage. This of course is reasonable, based on the fact that new meters were installed, and that this would help curb excessive usage and usage aided by illegal booster pumps installed by at least one customer. We also recognized that the PUC would have a better idea of how to set up a rate structure based on usage. However, we were required to submit a request of some kind. We estimated that a 90% increase would allow us to cover expenses under a flat rate scenario. Staff thought that to be too low and recommended 100% as a "starting point".

Staff has now proposed a rate increase of 74%. With respect to Staff, we find 4 major concerns with Staff recommendations and its rationale:

1. The company strongly disagrees with the recommended reduction for Labor – Administrative and General. Staff was emailed, as requested, a schedule of weekly hours by Mr. Reading. We believe that staff needs to better follow through with requests and in verifying whether responses to requests have been submitted or not. As stated above, the majority of accounting and financial functions are performed by Mr. Reading. These regular duties and others include: Invoicing, Cash Receipts and Deposits, Collections, Water Shutoffs, Bank Reconciliations, Payroll, Tax Reporting, Accounts Payable, weekly coordination meeting with owners, Annual Reports, Customer Relations including testing water pressure at homes, billing inquiries, and complaints, Computer Training from Master Meter software and Ampsted billing software for the new metered system, visits and communication with PUC and DEQ.

The idea of this taking less than 10 hours per week is completely unrealistic and would severely cripple the company in its responsibility to its customers. The previous bookkeeper was approved for 30 hours and did not provide the company with nearly the benefits Mr. Reading is providing. In addition, the billing process will become more complex going from a fixed rate to a metered billing. Adequate time will be needed to assure proper and accurate billing to the customers. The following page shows the breakdown of his hours, the same as which was submitted to Staff, but not considered in their recommendations:

Duties	Annual Hrs.
Invoicing	156
Meter Reading	52
Cash Receipts	130
Depositing Funds	52
Collections	104
Water Shutoffs	182
Bank Reconciliations	26
General Bookkeeping	104
Payroll, Tax Reporting	78
Accounts Payable	52
Weekly Meeting	156
Customer Relations	156
PUC and DEQ correspondence	26
Annual Reporting	26
Purchasing	26
<b>Total</b>	<b>1326</b>

At the suggested median rate of \$15.27 per hour, this would put his salary at \$20,248.02. This equates to 25.5 hours per week, which is at least what Mr. Reading is currently is working. Understanding the higher rates that the customers of this water system will be paying, Mr. Reading is not interested in a pay increase at this time. He simply asks that his current annual salary not be reduced, and stay at the current rate of \$15,600.00. However this is achieved, by reducing estimated hours, or by reducing hourly rate for this purpose is acceptable to the company. We still contend that the above annual totals are an accurate representation of hours worked.

2. The company Purchased Power & Fuel for Power was reduced by over 33% of proposed rate. This is partially due to an adjustment based on what was considered high electricity use for November and December, 2015. Staff further recommends we further investigate the cause. We believe that some reprogramming of the wells helped reduce the power in January.

We encouraged the auditors to talk with our engineer which they did not do. The IPUC have assessed this from afar, but we would like your engineers to do an onsite assessment with our engineer, Ryan Loftus. Monies will need to be made available for his time. We are afraid we will not be able to reduce our power costs by the \$7000 suggested. We need your engineers to have a full understanding of the system.

3. One of the costs incurred as part of the construction loan for the new well project included the purchase of meter reading software and billing software to be able to bill customers based on usage. This software cost \$4,375.00. In production request #44, we were asked to "provide a sample bill" for certain meters. PUC Staff told Mrs. Gneiting that the purpose of this exercise was to demonstrate our ability to figure rates and bill by volume properly.

The sample invoices were not created by the billing software purchased in the construction loan, because the company did not have \$1500.00 to purchase support and completely set up the billing software for the entire company. They were done using QuickBooks, our current accounting and billing software. Staff indicates that it was done in Microsoft Excel. That is not the case, and why that assumption was made is unknown to us.

The meter reading software works hand in hand with the billing software as part of a complete monthly billing process. The data is read by the mobile system, sent to the meter reading software, to the billing software, back to the meter reading software, back to the mobile system. In each case, they are transferring historical data, previously read information, information that indicates leaks, creates work orders, identifies stopped meters, identifies backward flows through meters, and other critical data. Eliminating the billing software from this cycle, limits the information available to the company. Some of this is critical in identifying problems within the system, problems with a meter, or to report a leak.

The sample bills we created as requested by the PUC in request #44 only show usage. Billing software would show beginning and ending readings that show how the monthly usage was calculated.

At the workshop in Rigby on July 12, 2016, several customers expressed the desire for Morning View Water Company to distribute monthly water usage to customers over a one year period. We agreed to provide that information, and sent it with the July 25, 2016 billing. Nobody came to the company to express any concern with the reports. However, at the August 23, 2016 hearing, several customers questioned their reports and some suggested tampering. This was very disheartening since we were not required to provide that information at all, yet were lashed out at for doing so. There would have been no motive to falsify data since customers are not billed by usage. Distrustful customers surely would see the value of using the software intended by the PUC in the first place to create billings, as opposed to doing it manually. To properly set it up and get it running, annual support must be purchased. Therefore, we strongly recommend not removing the \$1,500 as shown in Attachment H, line 6.

4. Regarding Materials and Supplies – Operations and Maintenance. On, the 572.95, every request for information on this was provided, specifically to Terri Carlock. This related-party transaction did bear the increased burden of proof. The company provided evidence that the transactions were appropriate. We recommend that the Commission review this finding with Staff to verify our compliance.

Regarding the August 22, 2016 amendment to the rate case. This requests reimbursement for time spent preparing the rate case. As stated, approval is often granted to water systems to hire out the work to prepare rate increases. This being the case, and having prepared it ourselves, we seek compensation for the following hours of preparation:

	Dawn	Nolan	David
Reading And Reviewing Application	2	2	2
Staff Discussions Regarding How To Proceed	2	2	2
Prepare Document Draft Referring To Annual Report			22
Staff Review of Draft In Weekly Meeting	1	1	1
Finalize Rate Case Application			3
Convert To Requested Formats, To Disk			1
Hand Delivery of Document To Terri Carlock May 2, 2016	0.5		
Response to 1st Request	9	1	15
Response to 2nd Request	3	0.5	14
Response to 3rd Request	4		18
Response to 4th Request	2	1	16
Telephone & Email Throughout Process	3		2
Audit at Morning View Office	20	20	8
Public Hearing July 12, 2016	2	2	2
Commisioners Hearing August 23, 2016	1.5	1.5	1.5
Response to Staff Report to Commission	11	1	13
Inquiries About Case From Customers	3	4	5
TOTAL	64	36	125.5

Final Summary:

Staff Auditors presented ways in which we can improve. We will tighten up our oversight and develop necessary policy and procedure. It is critical that our objections to Staff recommendations are properly reviewed to ensure that Morning View Water Company does not continue to operate in the negative.

We have worked very hard to respond to customer concerns and will continue to rebuild trust and confidence. We are available to customers during all waking hours, and 24 hours for emergencies.

The following pages are a response to our customers based on the findings of our audit.

**Response to Morning View Water customers:**

As mentioned above, we seek this rate increase to be able to pay the increased costs associated with the water system. The increase requested or 100% was just a starting point suggested by the PUC to get the application in motion. It was based on current usage and not based on a metered system. We requested that the PUC aid us in recommending rates based on usage, something many of you have also asked for.

The auditors have verified that the statements made by some customers regarding meter installation date are simply not true. All meters were installed prior to April, 2015. We discussed this at the Community Association meeting, also in April 2015. A representative from Master Meter Systems came to Rigby from Lexington, Kentucky in April 2015 and conducted a 2 day training with the Gneittings and Mr. Reading. On May 13, 2015 we sent out letters to 13 customers who the meter reading system indicated had leaks somewhere on their property after the meters. We encouraged those customers to determine what was leaking on their end of the meter to avoid unnecessary water charges once metered billing began. It is amazing to us that rumors regarding installation date spread so quickly and we were accused of not having over a year of meter reading data. This has been verified by Master Meter Systems and 3H Construction.

We are not tampering with the meters. All meters were installed with a zero starting point.

We would encourage any customer who is having pressure problems to please let us know. Often times issues on the customer side of the meter are to blame for this. Recently, a customer demonstrated to us the inability to get sufficient water to run her faucets. This proved to be hard calcified water in her pipes that needed to be reamed out. We can't help identify potential issues with your pressure unless you report them to us.

We agree with you that the costs of the new well and system updates are staggering. Morning View Water Company was mandated to install these upgrades by the IPUC and DEQ. The project engineer, Ryan Loftus of Aspen Engineering developed plans subject to these agencies and other regulating bodies. We live in an age where governments are mandated by law to monitor and assure the quality and safety of water. Regulations have increased and the red tape delayed the project for years.

As you read the audit dated August 19, 2016, you will begin to understand the complexity of providing clean water. When the subdivision was established, the government would not approve individual wells, and mandated that a community well system be built. None of us expected that there would be such challenges. It was the IPUC and DEQ that approved the additions of Country Grove Estates.

As mentioned previously, in 2013 our secretary absconded with our records. Much work and effort has been done to reconstruct data and our accounting system is accurate and working well. We provided everything requested by the IPUC as part of an extremely thorough audit. They have found no wrongdoing or intent to defraud customers or pilfer money from the company. As recognized by the IPUC, the contingency fund was partially used to pay ongoing legitimate expenses to be able to keep your water running. They have also penalized the company for doing so and required the company to account for the remaining amount as contributed capital and use those funds to reduce plant in service. (Page 6, Staff Comments).

Some customers have criticized the company for remaining silent in public meetings such as public hearings and the homeowners association meetings. In the homeowners meeting in 2014, we tried to answer customer questions and concerns, but were met with much hostility, rudeness, and false accusations. We

have no interest in engaging customers or discussing issues when a meeting has become more like an attempt at a lynching. However, we would very much like to find a way to dialog on a level playing field where there is simple civility and common courtesy. We have been accused of several things by name, and would like to address specific complaints placed on the record of this case by various individuals also by name.

In an August 13 letter to the commission, we were accused by Carol Hasselstrom of not paying our bills. We do pay them, but sometimes the electric bill is so high that we have to wait for funds to come in. We have also needed to dip into Mrs. Gneiting's own retirement to remain afloat. The contingency fund was used for daily expenses as the auditors attest. We have lost sizable amounts of money that we will never recoup. Ms. Hasselstrom through the years has thrived on half-truths, inaccurate information, and creates unnecessary drama to create customer ire. She is now attacking the IPUC and the auditing staff in her typical style. Some of you have expressed embarrassment and apologized for her behavior. Perhaps it is time for the Community Association to choose a more rational and honest president to help reduce this strife that she needs to maintain.

Contrary to the Kuck's testimony on August 23, 2016, Morning View Water Company does not own water right inches in the canal running South and West of the subdivision. Mr. Gneiting owns these as an individual and has in the past rented water inches to members of the community. Bruce Grover, water master of the South Rigby / Burgess Canal Co., must not have understood the customer's question because he himself has approved Nolan renting water shares for many years. Again, had the Kuck's come to us directly for clarification, these misunderstandings could have been avoided. Since that was not the case, people again assume we are being dishonest.

We again ask you to come to us rather than the gossip mill if you have a water problem. Chad Egbert called last year and we resolved some well computer glitches that affected his water pressure. Why he waited to testify on August 23 citing current pressure issues is beyond belief. We would have gladly worked with him.

We are sorry that some real estate agents and previous home owners are misrepresenting the water system and rates to new buyers. We do not condone this, and have no part in this deception. We are not responsible for their actions.

Since we filed the rate case, when new owners have come to sign up for water service, we have faithfully told them that a PUC case is pending and that water rates will be higher. We have also told this to real estate agents, title companies, and double wide home sales people. We have no control over what they do with this information.

We have been accused of not being able to hire legal counsel. Again, not true. Our lawyers have all been paid and are most willing to represent us. We prefer to avoid further legal entanglements. However, Rob Harris, Esq. is representing us in an ongoing water mitigation class action suit over water rights.

If you have issues regarding the quality of your service, please let us know. At the July 12, 2016 meeting, we learned that Mr. Koepke and Mr. Shirley also felt there were pressure issues. We were able to test the pressure at both homes and determined it was not only acceptable, but excellent at 56-60 psi. Our well pumps at the head of the have consistently shown 70 pounds of pressure since last fall. Page 40 of Staff Comments reiterates that the minimum pressure requirement of the DEQ is 40 psi.

If you have other questions, or are wondering about an accusation or rumor you have heard, please give us a chance to discuss this with you. There are few people in our system of ill will. They have exercised a lot of influence over many of you. We ask that the gossip stop and we ask that you work with us, communicate directly with us, and give us and the improved water system a chance. We look forward to working with you in a fair and equitable manner.

Our phone number is 208-745-0029 and we are available by phone during waking hours. We are your neighbors and we drink the water and water our lawns with the same well. Please help us to put past problems behind us and begin a new chapter.

Respectfully Submitted,

Nolan and Dawn Gneiting  
Morning View Water Company