

Jean Jewell

From: secretary
Sent: Friday, February 04, 2005 2:05 PM
To: Barb Barrows; Ed Howell; Janet Bahora; Jean Jewell
Subject: FW: IPUC.doc/CASE #RES-W-04-01

From: J & S Morris[SMTP:JIMSUEPETE@COMCAST.NET]
Sent: Friday, February 04, 2005 2:04:37 PM
To: secretary; joe@mcdevitt-miller.com; Tim Elsea
Subject: IPUC.doc/CASE #RES-W-04-01
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February 3, 2005

To: Idaho Public Utilities Commission
P. O. Box 83720
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Fax 208-334-3762
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To: Dean J. Miller
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To: Tim Elsea, P.E. Director
Resort Water Co., Inc.
Discovery Center – Selkirk Lodge-Schweitzer Village
Sandpoint, ID 83864
e-mail: telsea@schweitzer.com

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF RESORT WATER CO., INC. FOR THE
ISSUANCE OF A CERTIFICATE OF PUBLIC

CASE NO. RES-W-04-01
APPLICATION FOR THE
ISSUANCE OF A

CONVENIENCE AND NECESSITY, FOR
WATER SERVICE, FOR APPROVAL OF RULES
AND REGULATIONS GOVERNING THE
RENDERING OF WATER SERVICE

CERTIFICATE OF PUBLIC
CONVENIENCE AND
NECESSITY AND TO
ESTABLISH RATES AND
CHARGES FOR WATER
SERVICE AND REQUEST
FOR MODIFIED PROCEDURE.

I wish to thank the I.P.U.C. Commissioners and staff for the opportunity to comment on the above referenced case. My comments are as follows:

Ref. Original application.

1. My data indicates the RWC serves 307 individual housing units that could be available for rent. Not included in this total are commercial properties in the day lodge, the Lazier building, the White Pine Lodge, the Selkirk Lodge and the Mill building. I therefore do not understand the total of 378 ERU's stated in Section III.
2. Under Section V the required revenue per month could be distorted if an improper number of ERU's are used.
3. Under section VI the RWC requested an effective date of September 13 ,2004, which was well prior to notification to customers. The 11% requested return should be based on the original allocation of the total purchase price by Harbor, plus any reasonable capital additions since the original purchase. Return should be based on cost and not on the ability to generate income.
4. Under Section IX no satisfactory notice was given to the customer base until mid-January when a November newsletter was finally mailed after much complaining. I have no knowledge of any "news media releases." I could not find a copy of the customer distribution as a part of the undated notification shown in Exhibit E.
5. Under Section XI was found Exhibit F and as a cover was the rate schedule. The proposed new rate of \$61.96/month is an increase of about 88% over the prior rate of \$33.00/month and raises too many questions to discuss in general terms. I would think that initial hook-up charges should be included in the rate schedule and does the current charge include sewage? Have all properties paid the hook-up charge in recent years and how much per unit? How are costs of water supply impacted by sewage effluent treatment? Do all sewage systems have holding tanks to collect solids? Who monitors these tanks to make sure they do not fill to over capacity?

Direct Testimony of Tim Elsea

6. Page 1, Lines17-20 – see prior comments on (ERU)

7. Page 2, Lines 13-14 - I question the amount of original investment. See prior comment.
8. Page 2, Line 18 – In November, 2004, the Director of RWC told me that the new water rate was given to him by the IPUC after they reviewed the books of the RWC. This statement causes confusion in my mind.
9. Page 2, Line 22 – 23. I question investment and therefore the amount of needed reasonable return.
10. Page 3, Lines 10-15. There is some question as to the financial strength of Harbor Properties and the Schweitzer investment in particular. There are too many rumors around that they are in trouble and a sale of the property is in the works. This should be checked out thoroughly. Harbor has pulled a lot of money out of Schweitzer, e.g., sale of Selkirk Lodge condo units. This money may have gone back into the mountain but who knows.
11. Page 4, lines 9-14. I have a hard time understanding why we need to increase water storage from 105,000 gallons to 605,000 gallons. What do the insurance carriers say about our situation? What happens if we do not meet the requirements of the 2000 international fire code?
12. Page 4, Line 19 to Page 5, Line 3. I doubt the added water storage is mandatory and I question the significant cost in one fell swoop. What might the added monthly cost per unit be over and above \$61.96?
13. Page 5, Lines 4-6 - The Notice of Rate Case was not sent to “each of our customers” at the time the application was filed. Notice was finally made in January 2005.

Additional information on water storage requirements

While preparing these comments I gave Spencer Newton, the Fire Chief of the Schweitzer Fire District, a call to discuss his letter dated 9/4/03 to Sewell Engineering. We also discussed the Sewell Engineering letters to Mr. Newton and to Mr. Elsea, both dated September 15, 2003. These can all be found in Exhibit No. 4. Mr. Newton indicated that he was asked on a “what if” basis the water storage required to meet the 2000 International Fire Code. He provided the fire flows for each of the three properties listed. The only building that falls under the 2000 International Fire Code is the White Pine Lodge.

The Copper Ridge condominiums and Highland Village do not come under the code as they were constructed well before the Schweitzer Fire District was established, and are therefore grand fathered in under the then existing conditions. This means that a much smaller water supply would be required and Mr. Newton calculates 60,000 gallons considering existing supply, pumping capacity, and peak water usage for normal resort needs. This added capacity should take care of the White Pine Lodge and the capital cost should be carried by White Pine.

Direct Testimony of Jane Doe

14. Page 3 – Lines 14-18 – I am not familiar with this method but am rather used to splitting up the total purchase price and allocating these pieces to the various assets. The sum of the pieces add up to the total purchase price. The end result impacts depreciation and P&L, and therefore monthly rates charged for water.

Exhibit 2, Page 1 – I do not understand some of the projects as shown and how they relate to the current water distribution requirements. For example 002 totaling \$222,970.97 – what was the nature of this expenditure and how does it impact the system?

Example 003 – Total \$216,263.66 – what was done here and what does water source development do for the current system?

Example 0011 – Total \$5,793.57 – what was water source development?

Example 0012 - \$10,014.32 – what was done to the water system reservoir?

My final comment is that there seems to be some significant capital investments that may not do anything for the current water supply needs. They may only relate to some development plan that relates to Harbor's future development plans and should not burden current property owners. If the new capital approaches, say \$400,000, the annual return might be expected to be reduced by \$40,000/year to the benefit of the current rate payers.

My experience indicates that the cost of planning efforts and engineering studies that relate to and impact future development should not be capitalized until the primary capital construction has started. The depreciation can then start on a gradual basis and is in line with incremental capitalization on a per unit completed basis. Current rate payers should not be charged with any of these costs currently or in the future. The relocation of the sewage lagoon is not necessary for the current development and should not be charged at any time to the current rate payers. I am told that the only reason to relocate the lagoon is to support the Harbor development of a new site on the mountain.

I will be happy to try to answer any questions that arise, and thank you again for the opportunity to comment.

Very truly yours,

James R. Morris