

✓ Gen. Ack
sent 2/17/05

✓ To AV.

✓ To Comm. : H

Edwin R. Haglund
P.O. Box 3762
Coeur d'Alene, Idaho 83816
(208) 667 8285
dborjessan@imbris.com
Schweitzer Condo: Highland Village # 401

To: Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0074
Phone: 208 334 0338
Fax: 208 334 3762
E-Mail: secretary@puc.idaho.gov

To: Dean J. Miller
McDevitt & Miller, LLP
420 W. Bannock Street
P.O. Box 2564-83701
Boise, ID 83702
Phone: 208 343 7500
Fax: 208 336 6912
E-Mail: joe@mcdevitt-miller.com

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION Case No. RES-W-04-01

IN THE MATTER OF THE APPLICATION OF RESORT WATER CO9., INC. FOR
THE ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY, FOR APPROVAL OF RATES AND CHARGES FOR WATER
SERVICE, FOR APPROVAL OF RULES AND REGULATIONS GOVERNING THE
RENDERING OF WATER SERVICE

**APPLICATION FOR THE ISSUANCE OF A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY AND TO ESTABLISH RATES AND
CHARGES FOR WATER SERVICE AND REQUEST FOR MOMDIFIED
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:

The water usage determined by Resort Water for its residential units seems to be flawed. Water leaks combined with high pressure can be a factor in this high water usage calculation. A similar water system in the area with more residential customers has significantly less usage for the same time periods. Resort Water has calculated it uses over 4,000 gal/month per equivalent residential units (ERUs) in an average month and a peak usage of over 8,000 gal/month per ERU. The other mountain water system has an average usage of less than a 1000 gal/month in an average month and less than 2000 in a peak usage period.

The operating expenses appear to be unusually high for a company sharing office space and personnel with Resorts Utilities other operations: sewer, cable TV and snow removal. Given the limited season of intense operation and the labor pool within Resort Utilities and Schweitzer the operating cost should be less. We should be given a break down of the cost. Is it one full time employee, 20% of book keeping and billing, cost of operating equipment electric, chemicals etc, overhead, management cost, floor space, etc, etc, etc? As an example, the cost for billing should be shared with the other utilities currently billed to all home owners at Schweitzer. The billing cost for water is only to owners within the area served by Resort Water. If divided by the billing statements sent, the water billing should be a small percentage of the total cost (20% or less).

Personnel cost should be shared with other Resort Utilities and Schweitzer Operations. The number of personnel should be efficient for the operation or the operation should be contracted out or sold. The rate payers at Schweitzer cannot be responsible nor expected to pay for a poorly managed and operated utility.

Utility personnel (3 people?) appear to work on all mountain utilities; the cost for personnel should be shared by all the utilities with the water utility only requiring one (1) or less. The operating expenses may be much better understood if the time spent working on each utility was better documented. It may be determined that the time spent on water is much less than anticipated and a full time employee may not be needed.

Water Connection fees for the White Pine Lodge should have been in excess of \$150,000. (Figuring 50 condo units @\$3,000. per hook up per unit.) These fees should have been used to improve and increase capacity for the water system. It is my understanding no water connection fee for any of the 50 units was transferred to the water utility. The cost of increasing capacity should not be the responsibility of the current customers. These same customers should not pay to increase capacity nor improve fire protection to major resort buildings. Simply, it is a developer cost and responsibility.

If the cost of building the White Pine Lodge infrastructure is identified as part of the 509K, it should have been paid for by the developer, not identified as a cost to improve the

system for the current customers. A check should be made to understand the exact nature of the 509K cost basis being added to the value of the system. The increase in the systems reservoir and the addition of a new well were for the most part needed to increase the capability of the system for new connections. The cost associated with expansion should be borne by new customers, not current customers.

One of the fundamental problems is that the Resort owns all the property that will be developed in the future. As improvements are added for capacity, the Resort as the primary developer will benefit at the expense of the current customers. Hookup fees are a key part of retaining a balance by having new hookups pay for expanded capacity and new water sources.

If Harbor receives the increase in fees, the additional income should be used to improve the current water system and the expansion of new systems. (Where are the water hook-up fees which have already been collected? are they improving the system?)

Depreciation is used by Resort Utilities for their basis of value for a return on investment. The value they use is not based on a price they paid for the utility but by an appraisal of its value (it was part of a Bankruptcy for the whole resort). An appraisal is only an estimate of value, "not a fact" and can be challenged. The systems value should be appraised at a much lower value due the fact that the real value is only what you can sell something for. With the level of return that Resort Utility states for the water system, the value of this asset is much less, if anything at all.

✓ Sen. Ack
sent 2/17/05

✓ To A.V.

✓ To Comm.
iH

Mel Bailey and Marsha Bell
110 Crystal Court
Sandpoint, Idaho 83864
(208) 263-7117
mbatlake@televar.com
Home owner Crystal Springs, Schweitzer

- To: Idaho Public Utilities Commission
P.O Box 83720
Boise, Idaho 83720-0074
Phone: 208 334 0338
Fax: 208 334 3762
E-Mail: secretary@puc.idaho.gov
- To: Dean J. Miller
McDevitt & Miller, LLP
420 W. Bannock Street
P.O. Box 2564-83701
Boise, ID 83702
Phone: 208 343 7500
Fax: 208 336 6912
E-Mail: joe@mcdevitt-miller.com
- To: Time 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

Case No. RES-W-04-01

IN THE MATTER OF THE APPLICATION OF RESORT WATER
CO9., INC. FOR THE ISSUANCE OF A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY, FOR APPROVAL OF RATES
AND CHARGES FOR WATER SERVICE, FOR APPROVAL OF
RULES AND REGULATIONS GOVERNING THE RENDERING OF
WATER SERVICE

**APPLICATION FOR THE ISSUANCE OF A CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY AND TO ESTABLISH
RATES AND CHARGES FOR WATER SERVICE AND REQUEST
FOR MOMDIFIED 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:

Case No. RES-W-04-01
Idaho Public Utilities Commission
www.puc.state.id.us

Please review the following concerns about the basis for the rate increase for Resort Water. We feel that when a rate increase is warranted, the increase should be granted in the best interest of both the customer and the water company. We do not want a water company to be working at a loss, for it only increases the chance of problems which could affect the health and safety of their customers. When a company wants an increase that is not justified it is your job to protect their customers. We thank you for your efforts in this case.

The water usage determined by Resort Water for its residential units seems to be flawed. Leaks combined with high pressure can be a factor in this high water usage calculation. A similar system in the area with more residential customers has significantly less usage for the same periods. Resort Water has calculated that it uses over 4,000 gal/month (48,000 gal/yr) per equivalent residential units (ERUs) in an average month. The peak usage is over 8,000 gal/month. The similar system has an average usage of less than a 1000 gal/month in an average month and less than 2000 gal/month in a peak usage period (average of 10,000 gal/yr). As an example, yearly water usage, as determined by meters on a 20 unit building in Resort Water's District for the past 23 years, has averaged a little over 10,400 gallons/year. Even if the 10,400 gallons/year is increased by 50%, to 15,600 gallons/year, the usage rate is less than what Resort Water predicts. Snow making and other activities

operated by the parent company may not be factored correctly and could affect this vital calculation.

Snow making, even though limited, is a major water user. The current snow making at Schweitzer uses all the water that the wells can produce when it is running (150 to 200 gpm). Most resorts have a raw water source for snow making. Using domestic water is not a consideration, due to the amount of water and the demand on system components (high pressure and high flow rates).

The 12 ERUs for snow making seems to be low.
Consider:

Snow making uses between 150 and 200
Gallons/minute (72,000 to 144,000 gal per 8 to 12 hour
day)

Snow making is done for 7 to 14 days per year
(504,000 to 2,016,000 gallons/year)

If water usage per ERU is 10,400 to 15,600
gal/year, the minimum ERU for snow making is 32
ERUs, and the maximum is 194 ERU.

The operating expenses appear to be unusually high for a company that should be sharing both office space and personnel with Resorts Utilities other operations (sewer, cable TV and snow removal). Given the limited season of intense operation and the labor pool within Resort Utilities and Schweitzer, the cost for this should be less. Please give us an explanation of the break down of the cost: is it one full time employee, 20% of book keeping and billing, cost of operating equipment electric, chemicals etc, overhead, management cost, floor space, etc.

As an example, the cost for billing should be shared with these utilities. Sewer, TV and snow removal are billed to all home owners at Schweitzer while water is only billed to the owners within the area served by Resort Water (approximately 1/3 of the total). The billing cost for water, if divided by the bills sent, should only be a small percentage of the total cost of billing (20% or less).

Personnel cost should be shared with other Resort Utilities and Schweitzer Operations. The number of personnel should be efficient for the operation or the operation should be contracted out or sold. The rate payers at Schweitzer cannot be responsible nor expected to pay for a poorly managed and operated utility.

Utility personnel (3 people?) appear to work on all utilities. The cost for personnel should be shared by all utilities, with the water utility only requiring one (1) or less. It may be determined that the time spent on water is much less than thought and that a full time employee may not be needed.

Water Connection fees including White Pine Lodge should have been in excess of \$200,000. These fees should have been used to improve the water system i.e. increase capacity to meet the needs of the new connections. The cost of increasing capacity should not be the responsibility of the current customers. The current customers should not pay to increase capacity nor improve fire protection to major resort buildings; this should be the building owner's responsibility.

When the White Pine Lodge was being built, I had several conversations with the Construction Manager, Jay Lukins. He stated that he was concerned that the utility infrastructure was significantly overrunning the budget, but that the utilities would be able to support future development in the Village area. If the cost of this infrastructure improvement is identified as part of the \$509K, it should have been paid for by the builder not identified as a cost to improve the current customers system. A check should be made to understand who benefits from the \$509K that is being added to the systems value. The increase in the systems reservoir and the addition of a new well were, for the most part, needed to increase the capability of the system for new connections. The cost associated with this expansion should be borne by new customers through hookup fees, not current customers through monthly billing.

One of the fundamental problems that need to be faced is that the Resort owns all the property that will be developed in the future. If the current customers are paying for the new improvements (added capacity, new well), the Resort will benefit at the expense of the current customers. Hookup fees are a key part of retaining a balance, by having new hookups pay for expanded capacity and new water sources.

Depreciation is used by Resort Utilities for their basis of value for a return on investment. The value they use is not based on a price that they paid for the utility but by an appraisal of its value (it was part of a Bankruptcy for the whole resort). An appraisal is only an estimate of value, "not a fact", and can be challenged. The systems value should be appraised at a much lower value due the fact that the real value is only what you

can sell something for. With the level of return that Resort Utility states for the water system, the value of this asset is much less than stated.

Thank you for the opportunity to provide comments.

Mel Bailey and Marsha Bell

110 Crystal Court

Sandpoint ID 83864

208-263-7117

Residents at Schweitzer within Resort Water District

✓ Ben Ack sent 2/18/05

✓ To AV

✓ To Commence
iH

Jean Jewell

From: Ed Howell
Sent: Thursday, February 17, 2005 4:54 PM
To: Jean Jewell; Ed Howell; Gene Fadness; Tonya Clark
Subject: Comment acknowledgement

WWW Form Submission:

Thursday, February 17, 2005
4:54:08 PM

Case: RES-W-04-1
Name: WILLIAM S. ALEXANDER
Street Address: PO BOX 2501
City: SANDPOINT
State: IDAHO
ZIP: 83864
Home Telephone: 208-265-0270
E-Mail: wsalema@aol.com
Company: RESORT WATER CO., INC.
mailing_list_yes_no: yes

Comment_description: I AM AN OWNER IN THE HIGHLAND VILLAGE CONDOMINIUM(UNIT 302) AT SCHWEITZER MOUNTAIN RESORT AND RECEIVE WATER SERVICES FROM THE UTILITY IN QUESTION. I AM ALSO THE CURRENT PRESIDENT OF THE HIGHLAND CONDO ASSOCIATION. I AM APPALLED AT THE HUGE INCREASE IN WATER RATES BEING REQUESTED BY RESORT WATER. THE RUMOR MILL AMONG THE MANY PARTTIME RESIDENTS AT SCHWEITZER IS THAT THE OWNERS OF THE UTILITY AND SKI MOUNTAIN ARE ATTEMPTING TO COST SHIFT TO THE RESIDENTS A PORTION OF THEIR REAL ESTATE DEVELOPMENT COSTS FOR PAST CONSTRUCTION(WHITE PINES) AND FUTURE DEVELOPMENT OF CONDOS AND INDIVIDUAL HOME SITES. THE EXHORBITANT INCREASE IS PROBABLY THE BEST EVIDENCE OF THIS WHEN THE CURRENT RATES ARE COMPARED TO THE OTHER WATER COMPANY ON THE MOUNTAIN AND TO OTHER NEARBY RESORTS OF A SIMILAR SIZE, I.E. BIG MOUNTAIN RESORT IN MONTANA. FOR A ONE INCH MAIN BIG MOUNTAIN CHARGES \$20.00 PLUS 4.88 PER 1000 GALLONS OF USE. SINCE MOST CONDOS AT SCHWEITZER HAVE VERY LOW USEAGE, THIS WOULD INDICATE THE CURRENT RATE OF \$33.00 IS PROBABLY SIMMILAR TO BIG MOUNTAIN AND THEIR IS THUS NO JUSTIFICATION FOR AN INCREASE. THE RUMOR MILL(MANY INDIVIDUAL OWNERS) SAYS RESORT WATER, MOUNTAIN UTILITY CO., AND SCHWEITZER/HARBOR ARE USING A VAREITY OF ACCOUNTING MECHANISMS TO SCREEN THEIR ATTEMPT TO GAUGE THE CURRENT RESIDENTS. NOT ONLY ARE THEY SEEKING HUGE WATER RATE INCREASES BUT ARE ALSO ATTEMPTING TO INCREASE SEWER RATES AND SNOW PLOW FEES. ALSO IN THE RUMOR MILL ARE COMMENTS THAT FORMER EMPLOYEES OF THESE COMPANIES HAVE STATED THAT THEY PARTICIPATED IN MEETINGS WHERE THIS PLAN TO COST SHIFT WAS SPECIFICALLY DISCUSSED AND APPROVED BY MANAGEMENT.

AS A NEW FULLTIME RESIDENT AT SCHWEITZER(AS OF 10/1/04) I HAVE BEEN SHOCKED AT THIS APPARENT EFFORT TO USE THE PARTTIME RESIDENT BASE AS A CASH COW FOR THE RESORT OWNERS. IT IS A PUBLIC RELATIONS DISASTER FOR THE OWNERS WITH THEIR MOST IMPORTANT CUSTOMER AND VERY SHORT SIGHTED.

I STRONGLY URGE THE IPUC TO REJECT THIS RATE INCREASE APPLICATION AND REQUIRE RESORT WATER CO TO PRODUCE INDEPENDANTLY AUDITED FINANCIAL DATA TO JUSTIFY ANY FUTURE RATE INCREASE AND THAT SUCH AUDIT INCLUDE THE MOUNTAIN UTLITY CO, ITS OTHER SUBSIDIARES AND ITS OWNERS TO ENSURE THE ACCURACY OF THE ACCOUNTING AMONG THE NUMEROUS CORPORATE AND PARTNERSHIP ENTITIES. CURRENT RESIDENTS AND THEIR ACCOUNTING REPRESENTATIVES SHOULD HAVE FULL ACCESS TO THIS DATA AND SUPPORTING DOCUMENTATION. THANK YOU FOR YOUR ATTENTION.
WILLIAM S. ALEXANDER

Transaction ID: 2171654.8
Referred by: <http://www.puc.state.id.us/scripts/polyform.dll/ipuc>
User Address: 152.163.100.203
User Hostname: 152.163.100.203