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UTILITIES COMMISSION

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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
RESORT WATER CO. INC. FOR ISSUANCE OF) CASE NO. RES-W-04-1
A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, FOR APPROVAL OF RATES)
AND CHARGES, AND FOR APPROVAL OF) COMMENTS OF THE
RULES AND REGULATATION GOVERNING) COMMISSION STAFF
THE RENDERING OF WATER SERVICE.)
_____)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Donovan E. Walker, Deputy Attorney General, and submits the following comments in response to Order No. 29690 issued on January 19, 2005.

On August 13, 2004, Resort Water Company (Resort; Company) filed an Application requesting issuance of a Certificate of Public Convenience and Necessity. The Company also requested approval of an increase in existing rates and charges for water service and approval of the Company's Rules and Regulations governing the rendering of water service. On September 1, 2004, the Commission issued a Notice of Application and Order No. 29575 which suspended the Company's proposed schedule of rates and charges for a period of five months from the proposed effective date of September 13, 2004. In Order No. 29690, the Commission extended the suspension period an additional 30 days, to March 15, 2005, and ordered the use of Modified

Procedure with a public workshop on February 8, 2005. The deadline for comments is February 17, 2005, and the deadline for reply comments is March 3, 2005.

STAFF ANALYSIS

Staff has reviewed the Company's filing, visited the Company's offices, reviewed its financial position, toured the service area, and conducted a public workshop. Based upon its investigation, the Staff makes the following comments regarding the Application.

BACKGROUND

Resort Water Company, Inc. is a Minnesota Corporation in good standing in the State of Idaho with a principal business address of 500 Union Street, Ste 200, Seattle, WA 98101. The Company operates a domestic water service for residences and businesses in and around the Schweitzer Mountain resort near Sandpoint. It has its operations office on site at 165 Village Lane Ste "A", Sandpoint, ID 83864, which is located on Schweitzer Mountain. The Company is a wholly owned subsidiary of Harbor Mountain Utility Company LLC. Harbor Mountain Utility Company is part of a larger family of companies known as Harbor Mountain LLC. In 1999, Harbor Properties Inc. and Mission Group as Harbor Mountain LLC, purchased the Schweitzer Mountain Resort, which included the domestic water system, from the bankruptcy trustee in a federal bankruptcy proceeding. Resort Water Company was incorporated to own and operate the purchased domestic water system as a subsidiary of the parent companies.

CERTIFICATE OF CONVENIENCE AND NECESSITY

The Applicant has offered water service to the general public since late 1999. It is operating a water system on Schweitzer Mountain that has been in existence since sometime in the late 1960's or early 1970's.

Resort filed a complete system map and a legal description of its requested and anticipated overall service area. The Company identified adjacent water companies/cooperatives. It appears to provide service in harmony with the adjacent water providers. Staff continues to investigate the status of the adjacent water providers.

Resort filed the appropriate financial and cost-of-service data. Therefore, Staff recommends issuance of a Certificate of Convenience and Necessity to Resort Water Company, Inc.

RATE BASE

The Company has stated in its prefiled testimony that \$355,000 of the total purchase price for Schweitzer Mountain Resort should be allocated to the domestic water system assets. It has included this amount as part of its rate base calculation. Staff attempted to verify financial information from the predecessor that would help determine what rate base amount, if any, the previous owner may have had in the water system at the time of the bankruptcy and subsequent transfer out of bankruptcy to the Applicant. Original accounting records are unavailable to adequately determine the original book value to calculate rate base at the time of purchase. There was, however, evidence suggesting that the predecessor company had made continual improvements to the system in the form of wells and water mains. There are no surviving source documents showing the cost incurred when these improvements were made. Additionally, there is no evidence to determine if the improvements were contributed plant. There is anecdotal evidence that connection fees were collected, but no evidence of when, from whom, or in what amounts. With this limited information, Staff is unable to determine if the amount allocated by the Company as a purchase price is more or less than the depreciated rate base less contributions of the previous owner.

It has been a consistent policy of the Commission that rate base not include the purchase price of a water system unless it could be reasonably shown that the customers have not previously paid for the water system assets. In this case, the source documents and contribution records from the predecessor company are not available. The prior company was not identified as a regulated utility where annual reports and prior Commission files would be available. The water system was part of a purchase from a bankruptcy estate which establishes that the total price paid was at arms length. The allocated portion to the water system of \$355,000 was based in part on an income ratio valuation completed by SNO Engineering of Littleton, New Hampshire. Resort Water asserts that this valuation established fair market value for the tangible assets functioning as the water system. However, as previously stated, Staff maintains that this does not adequately determine the appropriate book value of the system less contributions.

The water system is an essential element of any business or resort operation on Schweitzer Mountain. Without the water system, the value of any purchase of the Schweitzer Mountain Resort would be greatly reduced. One could argue that a greater portion of the purchase price should be allocated to the ski resort operations and condominiums also purchased at the same time. However, some portion of the resort purchase price should be allocated to the water system. The water system provides service to many customers in the area who are not affiliated with the resort. If Resort Water had not decided to invest in the water system, there would have been many customers of the system without a means to receive domestic water. Staff therefore believes it is good public policy to allow a new water company to include as part of its rate base a portion of its investment in the purchase of a failed water company.

Nevertheless, Staff is not comfortable with blindly accepting the Company's allocation amount for inclusion in rate base due to the previously stated concerns regarding appropriate book value. Staff believes that the appropriate amount to be included in rate base as an acquisition adjustment must be determined on a case by case basis. In this case, the Company actually paid something for the water system as part of the total purchase, and there are tangible assets that function as a water system. Therefore, the Commission is justified in finding that some portion of the purchase price should be included as an acquisition adjustment in rate base. Staff believes that the Company should only be entitled to recovery of the allocated purchase price if it is less than the previous owners' net rate base. Given the lack of information regarding net rate base, the age of the system and the fact that the system was purchased out of bankruptcy, Staff recommends the Commission accept an acquisition adjustment to rate base in the amount of \$177,500 to be depreciated over a useful life of 50 years. Staff has discussed its position with the Company and the Company has indicated it will accept Staff's recommendation related to the acquisition adjustment.

If the Commission allows the Company an acquisition adjustment in the amount of \$177,500 as an addition to rate base with a 50-year useful life from the time of purchase, accumulated amortization/depreciation should also be increased in the amount of \$20,413. The annual amortization/depreciation expense for this adjustment is \$3,550.

The Company has operated the water system since 1999, and has made improvements to the system since that time. The most costly additions were for two wells and a storage tank. Since 1999, the Company has expended a total of \$509,331 in capital improvements that should be

included in rate base. Attached as Attachment A is a detailed schedule of the improvements made to the water system since 1999. Attachment A also lists the dates showing when an asset was put into service and how much of the asset has been depreciated to date. As of August 31, 2004, the additions to rate base have accrued \$56,369 in accumulated depreciation. The annual depreciation expense for these assets is \$12,994.

The Company has in the past collected a hook-up fee. Since 1999, the Company has collected \$128,609 in the form of hook-up fees from customers connecting to the system. This is a deduction from rate base. Staff has determined that the hook-up fees for one of the Resort's large condominium additions (White Pine Lodge) has not been paid to the Company. An affiliate company of the Applicant owns this facility. In lieu of the hook-up fee, the affiliate company has agreed to build an additional 60,000-gallon water storage facility and contribute it to Resort Water Company. Staff has determined that the additional storage tank would contribute to the ability of the water company to meet peak flows and have enough water capacity for firefighting. Therefore, the addition of the storage tank to the Company is a prudent addition to plant. Because the water storage tank would be contributed to the Company, it would not increase rate base and would not impact rates paid. It does, however, make for a more reliable system, and therefore Staff believes this contribution in lieu of the hook-up fee is prudent and reasonable.

The Company and Staff agree that working capital in the amount of \$15,048 is reasonable and should be included in rate base. The amount is calculated based on 45 days of annual expenses as recommended by Staff in this case ($\$122,058/365 \times 45$).

Staff recommends that total rate base for the Company be computed as follow:

System Improvements since 1999	\$509,331
Working Cash	\$ 15,048
Acquisition Adjustment	<u>\$177,500</u>
Total	\$701,879
Less:	
Accumulated Depreciation	(\$ 76,781)
Contributions to Capital	<u>(\$128,609)</u>
Net Rate Base	\$496,489

RETURN ON EQUITY

The Company has requested an 11% return on its equity. Staff believes this request is reasonable for this particular water company, and therefore recommends that the Commission adopt 11% as the rate of return on the Company's equity. The Company does not recognize any debt on its books. Staff finds the capital structure acceptable with an effective 11% overall rate of return on its net rate base, or a annual return of \$54,614. It is necessary to gross-up this amount to include state and federal taxes on earnings.

Although the Company pays taxes as part of a consolidated tax return with its parent corporation, for this case Staff calculated an effective tax rate for the Company as if it paid taxes individually. On this basis, the effective state tax rate is 7.6% and the effective federal tax rate is 15% on the first \$50,000 and 25% of the balance. This yielded an over-all effective tax rate of approximately 25.89%, and a gross-up factor of 1.35. When the gross-up factor is applied to the return, the Company should be allowed to earn \$73,729 as the pre-tax earnings requirement (\$54,614 x 1.35).

ANNUAL EXPENSES

The Company asserted it has annual expenses in the amount of \$122,058. Approximately one-half of this is for gross labor cost. Staff audited the pay rate and total cost of each Company employee. Because some employees' time is spent doing work for related sewer and cable companies, Staff audited the method of allocating each employee's time to determine how much time was spent doing exclusively water utility work, and how much time was spent doing work for the other entities. The Company allocates a portion of four (4) full time employees' wages to the water company, and one-third of the Company's seasonal employees' wages to the water company. The total labor cost is \$62,410. The other annual expenses were also audited to ensure that the Company was only paying expenses that are directly associated with the operation of the water utility. The Company did not include any amount transferred to its affiliates or parent as an annual expense. Staff finds the labor allocation to be appropriate at this time for this case and agrees that the amount of annual expenses is \$122,058.

REVENUE REQUIREMENT

The Company's total revenue requirement is the sum of the following:

Annual Expenses	\$122,058
Annual Depreciation	\$ 16,544
Grossed-up Return	<u>\$ 73,729</u>
	\$212,331

Staff is recommending that the annual revenue requirement be set at this amount and used as the basis for determining rates.

CUSTOMERS & EQUIVALENT RESIDENTIAL UNITS

Resort Water has an unmetered water system with a mix of commercial and residential customers. The nature of the mountain resort area results in large amounts of snow covering meters making individual metering difficult and impractical. The usage of residential and commercial customers vary a great deal both between classes and within each class. Few residential customers occupy single-family homes. Most residential customers occupy some form of multi-family condominium. The residential unit sizes vary greatly and the use per residential unit can also be significantly different. Often small condominium units house 6-9 individuals while large structures may house only two persons during the peak season. Given the varied nature of the customer use, the Company's proposed billing system uses an "equivalent residential unit" (ERU) as the means to determine monthly usage.

The ERU establishes a base-billing unit as the amount of water used by a single residential customer. It also is meant to create equity for unmetered customers by establishing a way to distinguish between different uses.

The Company and Staff worked together to find a methodology for assigning a weighting determination for each customer. The easiest was residential customers. Because of the varied nature discussed earlier and for ease of billing, all individual condominium and single-family residential units are treated equally, each as one (1) equivalent residential unit. The weighting of commercial and snowmaking uses are much more difficult to establish.

The Company used the following methodology to estimate water flows to commercial units incorporated in multi-use buildings and to determine the flows associated with an equivalent residential unit. (See Staff Production Response No. 1).

1. Take overall water usage from a known time period when a virtual 100% capacity of our users are present, and subtract all known water use from metered users, i.e. Mill Building and Lakeview Lodge.
2. Estimate the amount of water used from the various restaurants on the system using IDAPA 58.01.03.007.08 (Wastewater Flows from Various Establishments in Gallons per Day).
3. Subtract this quantity of water from overall water usage. After subtracting commercial usage, we should be left with residential users.
4. Divide (total water used – commercial use) by known residential users to develop a gallons per day (gpd) per ERU.
5. Apply this gpd per ERU to each of the commercial uses to determine new ERUs for each business.
6. Use historical data for Lakeview Lodge and Mill Building to determine ERUs attributable to each of the uses.
7. Change the number of customers (ERUs) in the rate calculation to determine a new calculation of rate per month per ERU.
8. Total ERUs change from 383.5 to 378.5 due to new commercial ERUs. Individual commercial ERUs changed slightly as shown. (See Attachment B for summary of results).

Staff performed a similar analysis. Staff recommends adding an additional six (6) commercial units uncounted in the Lazier Complex in the Company's revised ERU calculation. The result is a slight shifting of ERUs between the Company's initial Application and the recalculated ERUs. There is no change in the overall number of ERUs for residential and commercial customers. The Company, however, did not consider water usage for snowmaking equipment in either the Company's original Application or in its revised ERU calculations.

Staff discussed this issue with the Company and Staff believes that snowmaking can be a significant user of the Company's water. Yet in years with adequate snowfall, there may be no snowmaking at all. In discussions with the Company, Staff discovered snowmaking has a maximum use of 120 gallons per minute for 12 hours and may be performed over a maximum of eight (8) days. Using this rate and the determined average use per ERU of 236 gallons per day, snowmaking would equate to 368 ERUs or an amount almost equal to the entire residential and

commercial demand. Staff believes an assignment of this many ERUs to snowmaking would be unreasonable. The system does not have adequate capacity to provide water to all residential and commercial customers at system peak while at the same time provide maximum capacity for snowmaking.

Staff proposes the following ERU ratio for snowmaking. Snowmaking water usage would only occur during the ski season/winter months. Like the previous ERU determination, Staff believes snowmaking is a peak demand allocation. However, for snowmaking Staff proposes an ERU calculation based on contribution to the seasonal demand. If we assume the Company uses an average of four (4) days of snowmaking over the ski season (assumed Nov. 25 to March 31 or 126 days), then snowmaking days equal to approximately 3% of the total available peak season days. Staff believes snowmaking should then contribute approximately 3% of the total ERUs, or 12 ERUs. Therefore, Staff recommends 12 ERUs for snowmaking and a total of 395 ERUs on the system.

RATES

Resort Water is a flat rate water system that serves a ski resort subject to a considerable amount of snow cover. Its peak demand occurs sometime between Thanksgiving and New Years. The system peak is contrary to most other water systems with the typical peak demand occurring during the summer irrigation season. These three conditions (flat rates, snow cover, and holiday peaking) create unique rate design considerations. First, there are very few meters on the system. Second, even if there were meters, reading the meters would be nearly impossible because of the amount of snow covering the meters during the Company's short peak season. While Staff generally believes there are many advantages to metered rates, it does not believe meters and metered rates provide much advantage to Resort Water. Therefore, Staff concurs with the Company and recommends the continued use of flat rates for Resort Water.

At the current time the Company is charging \$33.00 per month per ERU. This would allow the Company an annual revenue for the total recommended 395 ERUs of \$156,420. Based upon the Staff's recommendation that the revenue requirement for the Company should be \$212,331, the Company is currently under-earning and rates should be adjusted.

RATES & RATE DESIGN

With an overall annual revenue requirement of \$212,331 and a total of 395 ERUs the annual revenue requirement per ERU is \$537.55. If every ERU provides \$537.55 annually, the Company's revenue requirement would be satisfied. The question then becomes how is the annual revenue requirement collected, by month, by year or through some seasonally differentiated rate structure.

The Company has proposed an equal monthly rate. The Company has further notified Staff that it has not had a problem with seasonal disconnects or collections. Based on the Company's experience and for ease of billing, Staff concurs and recommends a monthly flat rate of \$44.80 per month per ERU. This amount is equal to the annual revenue requirement per ERU divided by 12 months.

As part of its review, Staff looked at two alternative rate designs: annual rates and seasonal rates. Annual rates are the simplest; all customers must pay \$537.55 per ERU annually. Staff explored this alternative to discourage disconnection in the off-season and to sustain the Company's financial strength by assuring collection of the annual revenue requirement. Staff believes the impact of a single, annual rate could be mitigated by instituting a levelized payment plan common to electric and natural gas utilities. In other words, customers could choose to pay the annual rate or elect a payment plan of 12 equal monthly payments.

Staff believes the annual rate would eliminate under-collection due to seasonal disconnections. The Customer must pay the annual rate, with any remaining balance due upon disconnection. Unpaid annual bills would also be required to be paid prior to reconnection. Contrary to energy utilities, Staff does not believe interest should either be charged or paid on unpaid balances for a flat rate water utilities payment arrangement. Staff did not recommend this alternative because the Company has stated on several occasions that seasonal disconnection is not a problem.

Staff also looked at a seasonal rate. The Company's primary purpose and peak season is around the ski season. Staff believes there is some support for a seasonal rate with higher rates for the five (5) months of November through March and lower rates during the remaining months. The problem with seasonal rates for Resort Water is balancing expenses and cash flow. Most of the Company's expenses are fixed and do not vary with usage. Staff calculates that less than 4% of the Company's expenses can be directly attributed to variable expenses. Staff is also concerned

that significantly shifting rates to the ski season could cause excessively high rates. Customers pay their annual revenue requirement over a year but have extremely high water costs during the ski season. For example, if rates were shifted arbitrarily with 2/3 of the year representing the ski season and 1/3 being the remainder of the year, ski season rates would be \$71.65 per month. This would be the highest monthly rate of any flat rate utility in the state.

Therefore, for ease of billing and based on the Company's request, Staff recommends a flat rate of \$44.80 per month per ERU. Staff, in Attachment C, provides a tariff sheet to reflect Staff's recommended monthly rate.

RECONNECTION CHARGES

30 Days or Less

Seasonal disconnection can be a significant issue for water companies that serve vacation properties. Customers are allowed to disconnect service and typically are not responsible for service charges while disconnected. Utilities are obligated to provide service to customers that request service within the Company's service territory. Customers in seasonal resort areas like Resort Water may try to "game" the system and request disconnection for the off-season and request reconnection prior to the beginning of the season. Seasonal disconnections and reconnections can result in under-collection of revenue requirement, and adversely affect the viability of the utility, by causing upward pressure on rates.

The Commission has addressed this issue in other water cases through two-tiered reconnection charges, with a reconnection charge for customers disconnected for 30 days or less and another reconnection charge for customers disconnected for more than 30 days.

Typically the reconnection charge for customers disconnected for 30 days or less is approximately equal to the direct cost of performing the reconnection. Cost for reconnection range from \$10.00 to \$35.00. The Company has requested a reconnection charge of \$20. Staff believes that a \$20 reconnection charge for disconnection of 30 days duration or less is reasonable.

The Company also requested an after-hours reconnection charge of \$60. Staff also believes the after-hours charge is reasonable. Resort is somewhat remote and the Company's employees do not live within the service territory. The travel time from Sandpoint to the service territory is approximately 30 minutes in good weather and can be twice as long in winter driving conditions. Therefore, any after-hour reconnection will likely require a minimum of two hours to

perform the activity. Assuming that any after-hour call is "overtime," Staff calculates the average wage to be \$25.91 per hour. Adding in \$5 per hour for equipment and small tools results in an average two-hour, after-hour call to cost the Company \$61.83 without including an overhead allocation. Therefore, Staff believes the requested \$60 is a reasonable after-hours reconnection charge.

Greater than 30 days

Reconnection charges for a disconnection of service for more than 30 days' duration should be established to perform two functions: (1) to discourage seasonal disconnection and (2) to provide a contribution to the Company's revenue requirement should a customer choose to seasonally disconnect. Here again Resort Water is unique when compared to other water companies. The typical use season or ski season is relatively short, being only 5 months. While the Company has stated that it has not had a problem with seasonal disconnections in the past, a significant change in rates and easier access to complaint resolution could lead to more seasonal disconnections.

Staff proposes a reconnection charge for disconnections of more than 30 days' duration to be equal to four (4) times the customer's monthly charge. Staff's proposal is based on the assumption that customers will likely be connected for the ski season (5 months) and it typically takes two (2) months for a customer to be disconnected for non-payment and one (1) month or less for reconnection, leaving four (4) months remaining where a customer may have little interest in paying. Therefore, Staff recommends a \$20.00 reconnection charge for disconnections of 30 days' duration or less and a charge of \$179.20 for disconnections of more than 30 days' duration. Staff believes it is also reasonable to include the \$60.00 after-hours charge for reconnections that are requested after-hours.

LINE EXTENSION AGREEMENT

Resort Water Company is located in a high growth area of Idaho. Even though growth has not occurred as fast as the Company initially anticipated, there is a considerable amount of growth potential in Resort's service area.

The proposed rates for Resort Water Company are on the high-end of the spectrum for small to mid-sized water companies. One factor providing upward pressure on rates is the level of

rate base. Staff is concerned that without an adequate line extension policy any growth on Resort's system will provide further upward pressure on rates. Staff further believes that properly designed line extension policies can appropriately allocate costs to the cost causers, minimize risk to the utility, and provide a stabilizing factor to the utility's general body of customers.

The Company had initially filed two line extension agreements with its Application. Staff has worked with the Company to incorporate its recommendations into Attachment D "Main/Service Extension Agreement." Staff believes that approval of the proposed Main/Service Extension Agreement makes the "Multiple Family Housing Water System Agreement" unnecessary. Staff believes there is sufficient flexibility in the proposed Main/Service Extension Agreement to address single-family development and multifamily/commercial development. Therefore, Staff recommends approval of the proposed Main/Service Extension Agreement as attached and that the Commission deny the proposed Multiple Family Agreement.

HOOKUP FEES

The Company did not request a hook-up fee in its Application. Most water utilities have a hook-up fee to cover the actual cost of the customer's service installation such as the service line and meter. Since Resort Water is a non-metered system, and according to the Company all lots have a service line with a shut-off stubbed onto each property, there is no direct cost to the Company for the installation - with the exception of inspection time. Staff does not object to the Company having no hook-up fee. However, there are other issues the Commission should consider.

Staff believes there may be some inequity that would result without a hook-up fee. All customers paid a hook-up fee prior to the Commission taking jurisdiction. The current hook-up fees charged by the Company are based on the type of installation with the minimum hook-up fee in excess of \$2,000 for a single bedroom and in excess of \$3,000 for three bedrooms or more. (See Attachment E). The hook-up fees were considered contributions to the Company and deducted from rate base in Staff's analysis of the Company. The deduction resulted in a decrease in rate base of \$128,609 and all customers going forward will pay lower rates as a result.

Staff believes the proposed Main/Service Extension Agreement should minimize the impact of growth on Resort Water's rate base with respect to distribution and service lines. Even with the proposed Main/Service Extension Agreement in place, growth will contribute to upward

pressure on rates. Growth will increase demand on the system and at some point additional water sources will be required. Without a hook-up fee to fund supply development, all customers will eventually pay the cost of additional supply through rates.

RESORT WATER CUSTOMER RULES

Staff has reviewed the customer rules submitted by Resort Water and find that they are based on rules approved for United Water Idaho with modifications to reflect Resort's particular situation. Staff has worked with the Company to assure consistency among previously approved water company rules and the Commission's Customer Relations Rules. Staff recommends approval of the rules as agreed to by the Staff and the Company and included as Attachment F.

Staff has further reviewed the various forms to be used by the Company and believes the billing statement, initial delinquent notice, summary of rates, and summary of rules to be reasonable.

CUSTOMER COMMENTS

As of February 10, 2005, the Commission had received 18 written comments from Resort Water customers. Twenty customers attended the public workshop held on February 8, 2005. Staff answered questions for more than two hours.

Several Resort Water customers mentioned they do not understand the reason for such a substantial increase in water rates. Others indicated that some increase in rates is understandable; however, they questioned what system improvements have been made to justify the requested rate increases. They fear customers are being asked to pay for future expansion of property owned by Harbor Mountain or to make up for poor management decisions in the past.

One customer preferred metered rates rather than a flat monthly rate. Another customer requested that the billing be on a yearly instead of monthly basis because the condominium associations bill on a yearly basis.

The proposed increase in water rates comes on the heels of recent increases in the sewer, snowplowing and cable rates. Most of the properties are occupied only during the winter ski season, so the amount of water used per unit, per year is low.

STAFF RECOMMENDATIONS

Staff recommends the following:

- 1) Resort Water be granted a Certificate of Convenience and Necessity.
- 2) Resort Water's net rate base be set at \$496,489.
- 3) Resort Water's rates include a return on equity of 11%.
- 4) Resort Water's annual expenses be set at \$122,058.
- 5) Resort Water's annual revenue requirement be set at \$212,331.
- 6) Water usage be measured on a ERU basis, and that the current number of ERUs for the system be set at 395.
- 7) The monthly rate for each ERU be set by tariff in the amount of \$44.80.
- 8) The reconnection charge be bifurcated into two charges. One charge in the amount of \$20.00 for being disconnected for 30 days' duration or less, and another charge of \$179.20 (four times the monthly charge) for being disconnected for more than 30 days. In addition, a charge of \$60.00 be tariffed as an after-hours reconnection charge.
- 9) The Commission approve the proposed Line/Service Extension Agreement, and the charges set forth in that Agreement.
- 10) The Commission approve the Company's Customer Rules as amended.

Respectfully submitted this 17th day of February 2005.

for 
Donovan E. Walker
Deputy Attorney General

Technical Staff: Michael Fuss
Joe Leckie
Carol Cooper

i:umisc/comments/resw04.1dwmfj1

Resort Water Company
Staff Adjustment of ERU Calculation
RES-W-04-1

Customer	Initial Estimate of Peak Week Flows	Adjust Commercial To Average Annual Flows	ERU's Original Co	ERU's Revised Co	ERU's Revised Staff
Commercial Units					
Chimney Rock	40,491	40,491	20.00	24.61	25.00
Mojo Coyote	2,276	2,276	2.00	1.38	1.00
Cantina	1,540	1,540	1.00	1.00	1.00
Alpenglow	2,276	2,276	1.00	1.38	1.00
Thor's Pizza/ Lazier Comm	11,486	11,515	7.00	1.38	7.00
Selkirk Laundry	9,240	9,240	6.00	6.00	6.00
Lakeview	79,303	82,660	60.00	49.20	50.00
Mill Building	13,496	32,347	18.00	19.57	20.00
Total Commercial Usage	160,107	182,344	115.00	104.53	111.00
Total Usage	600,688				
Total Usage - Total Commercial Usage	440,581				
Total Customers - Initial Est. Less Original Commercial Est			383.5 -115		
Residential Customers - Revised ERU Calculation			Calc 268.5	Act 272.0	Act 272.0
Equivalent Residential Use Calculation			Actual	Rounded	Actual
Ave Use Per Res. Peak Wk			1,641	1,645	1,641
Ave. Use Per Res. Peak Day			234	235	234
Total Equivalent Residential Uses			384	377	383
Snow Making Equivalents			0	0	12
Total			384	377	395

Tariff No.	Page
I.P.U.C. No.	
Canceling	
Name of Utility	(Approval Stamp)
RESORT WATER CO., INC.	

SCHEDULE NO. 1

FLAT MONTHLY RATE:

Each Equivalent Residential Unit (ERU): \$44.80 per month

The Company shall follow the "Rules and Regulations of the Idaho Public Utilities Commission Governing Customer Relations of Natural Gas, Electric, and Water Public Utilities Under the Jurisdiction of the Commission."

Issued	2005	Effective	2005
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Issued by **RESORT WATER CO., INC.**

By _____ Title President

Robert J. Boyle

Attachment C
Case No. RES-W-04-1
Staff Comments
02/17/05

Main/Service Extension Agreement

Agreement between Resort Water Company, Inc. hereinafter called "Company", and _____, hereinafter called the "Applicant".

WHEREAS, Applicant has necessity to expand Company's water system as follows in accordance with the map or plan attached hereto as Attachment No.1; and

AND WHEREAS, Company is willing to accept such expansion upon the terms and conditions hereinafter set forth.

Now, Therefore, in consideration of the premises and of the mutual covenants and agreements herein contained, THE PARTIES HERETO AGREE AS FOLLOWS:

1. The applicant(s) hereby applies to the Company for the said extension to its system. The applicant(s) agrees to construct the extension upon the terms and conditions hereinafter set forth in accordance with Company's Rules and Regulations. Applicant's total direct cost for extension is estimated to be (_____). ~~Said extension is~~ Said extension is described as follows and shown on the attached sketch which is hereto made a part of this Agreement: _____
2. Applicant shall contribute to the Company upon the execution hereof the sum of _____ dollars (\$) _____) which amount the Company estimates to be the real cost of overhead, plan review, inspections and as-built drawing preparation.
3. The Applicant hereby agrees that it will hire only those contractors that have been approved by the Company. The Applicant further agrees that it will require its contractor to comply, via its contract with contractor, with all terms and conditions set forth herein, the terms and conditions of the Utility Application Packet, generally accepted construction standards and any other state or federal rules or regulations.
4. _____
4. The Applicant shall have its contractor warrant that the work performed in installing the main and appurtances is free of any defect of equipment, material or workmanship. Such shall continue for a period of two (2) years from completion and approval of the extension or within such longer period of time as may be prescribed by law. Pursuant to the warranty, the Applicant's contractor, under Company supervision, shall remedy at his own expense any such failure to conform or any such defect upon receipt of written notice from the Company within a reasonable time after the discovery of any failure, defect or damage. In addition, during the aforesaid warranty period, the contractor shall remedy at his own expense, under Company supervision, any damage to real or personal property, when that damage is the result of any such defect of equipment, material or workmanship installed by the contractor. The warranty with respect to work repaired or replaced hereunder will run for a period of one year from the date of such repair or replacement or shall run for the remainder of the original two year period, whichever is greater. During the warranty periods as defined herein, the contractor shall reimburse the Company for the costs of any emergency repairs

undertaken by the company to maintain the system in good working order. Without limiting any other provision herein contained, these warranty provisions shall be incorporated in Applicant's contract with contractor. If contractor fails to reimburse the Company as set forth in this Paragraph, within forty-five (45) days of the Company's request for such reimbursement, then the Applicant hereby agrees that it will do so.

5. The following described portion (Attachment No. 2) of said expansion is for on-site improvements within the Applicant's development and for the sole benefit of the Applicant. The improvements shall be contributed at no cost to Resort Water Company upon completion in compliance with all Company rules and regulations. The total estimated construction cost is () a detailed cost estimate is included with Attachment No. 2.

6. The following described portion (Attachment No. 3) of said extension is considered off-site improvements. The improvements are necessary for but are outside the Applicant's development and provide direct benefit to parties other than those associated with the Applicant's development. The total estimated construction cost is () a detailed cost estimate is included with Attachment No. 3. Said portion of extension shall be contributed at no cost to Resort Water Company upon completion in compliance with all Company rules and regulations and shall be subject to refund from service and or mainline connections that occur on or about this described portion of said extension in accordance with the following:

- Each additional bona fide customer whose service lateral is directly connected to the extension as described in Attachment No. 3 during the ten (10) year term of this contract shall deposit, with the Company an amount equal to: one-half of the actual per foot cost of the off-site extension times the front footage of the property to be served by the service lateral. The per foot cost shall be determined by dividing the actual cost of the off-site extension by the total serviceable footage along the extension. This deposit shall be made prior to the installation of the service lateral necessary to provide the service requested. The Company shall refund the monies so deposited to the original Applicant(s) without interest within 30 days of receipt. Refunds will not be collected nor provided after ten (10) years from the date of this agreement.

7. The following described portion (Attachment No. 4) of said expansion is necessary for the Applicants development but because of its location, increased size, specialized construction, and or other considerations is constructed at the request of the Company to provide Company betterment. The total estimated Company betterment construction cost is () a detailed cost estimate is included with Attachment No. 4. Said portion of the total extension cost shall be subject to reimbursement from the Company in accordance with the following:

- Upon final completion in compliance with all Company rules and regulations the Company agrees to reimburse Applicant for the incremental direct construction cost difference between that improvement based on Company

defined minimum standards and or those improvements solely for the Applicants development and that improvement provided for Company betterment as described in Attachment No. 4.

~~5. Each additional bona fide customer whose service lateral is directly connected to the extension during the ten (10) year term of this contract shall deposit, with the Company an amount equal to: one half of the actual per foot cost of the extension times the front footage of the property to be served by the service lateral. The per foot cost shall be determined by dividing the actual cost of the extension by the total serviceable footage along the extension. This deposit shall be made prior to the installation of the service lateral necessary to provide the service requested. The monies so deposited shall be refunded to the original Applicant(s) without interest within 30 days of receipt by the Company.~~

~~6.8. A bona fide customer shall mean any person, firm, corporation, company, association, governmental unit or owner of property as guarantor furnished water service of a permanent nature; and the term "Extension" shall mean the mains and appurtenances shown on attached plan.~~

~~7.9. It is further mutually understood and agreed that the mains and appurtenances within the limits of the streets, avenues, roads, rights of ways, or easement areas, whether or not attached to or serving customers but constructed as part of the extension, shall be and remain the property of the Company, its successors and assigns.~~

The Company shall have the right to extend any main installed pursuant to the terms of this Agreement in or to other land, streets, or avenues, but the Applicant(s) shall not by reason thereof be entitled to any refunds other than those above provided for. Project becomes Company property only after acceptance by Company.

~~8.10. _____ The Applicant(s) will, grant to the Company an exclusive and irrevocable easement, at no cost to the Company, for the maintenance, operation, repair and replacement of said main extension and appurtenances, together with the right of ingress and egress thereto, in a form satisfactory to the Company, duly executed and acknowledge in proper form for the record.~~

~~9.11. _____ It is agreed by the Applicant(s) that he/she will not build at any time hereafter on, in, or over the said easement any structure, the construction or presence of which will endanger, render ineffective, or make difficult the access to the water lines or appurtenances of the Company. Additionally, Applicant(s) agrees not to lay other pipes or conduits within two (2) feet measured horizontally, from the said water pipes except pipes crossing same at right angles in which latter case a minimum vertical distance of six (6") inches shall be maintained between the pipes unless otherwise required by the Idaho Department of Environmental Quality. Sewer lines placed in the easement shall conform to the separation requirements between water and sewer lines as specified by the Idaho Department of Environmental Quality. No excavation or blasting shall be carried on which in any way endangers the said water pipes. Provided, however, that should the Applicant(s) wish to do so, he may, at his own expense, provide a new location acceptable to the Company for the water pipes and the Company will allow the move of said water pipes and~~

appurtenances to the new location. The whole cost of such moving and altering and any expenses incident thereto, shall be borne by the Applicant(s).

~~10.12.~~ _____ It is further understood and agreed that in case of any damage by Applicant(s) or caused by neglect of Applicant(s) to the water pipes or their appurtenances, or other injuries to the property of the Company in connection therewith, which are caused by the acts or neglect of the Applicant(s) the amount of such damage shall be paid to the Company by the Applicant(s).

~~11.13.~~ _____ The term of this Agreement shall be ten (10) years from the date of execution.

14. Service to all or any portion of previously described extension may be withheld until all improvements are complete in-place to the satisfaction of Resort Water Corporation.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed this _____ day of _____, _____.

Resort Water Company, Inc.

Title _____

Applicant(s)

(Comment: I believe all of this can be address with the previous agreement.)

Multiple Family Housing
Water System Agreement

AGREEMENT between Resort Water Company, Inc. hereinafter called "Company", its successors and assigns, and _____ hereinafter called "Owner",
its successors and assigns.

WHEREAS, Owner has necessity to expand Company's water system as follows in accordance with the map or plan attached hereto as Attachment No.1; and

WHEREAS, Company is willing to accept such expansion upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Owner hereby applies to the Company to accept said expansion of its system, and Company agrees to accept said expansion upon the terms and conditions hereinafter set forth and in accordance with its Rules and Regulations.
2. Applicant shall contribute to the Company upon the execution hereof the sum of _____ dollars (\$) _____) which amount the Company estimates to be the real cost of overhead, plan review, inspections and as-built drawing preparation.
3. The Applicant hereby agrees that it will hire only those contractors that have been approved by the Company. The Applicant further agrees that it will require its contractor to comply, via its contract with contractor, with all terms and conditions set forth herein.
4. The Applicant shall have its contractor warrant that the work performed in installing the main and appurtenances is free of any defect of equipment, material or workmanship. Such shall continue for a period of two (2) years from completion and approval of the extension or within such longer period of time as may be prescribed by law. Pursuant to the warranty, the Applicant's contractor, under Company supervision, shall remedy at his own expense any such failure to conform or any such defect upon receipt of written notice from the Company within a reasonable time after the discovery of any failure, defect or damage. In addition, during the aforesaid warranty period, the contractor shall remedy at his own expense, under Company supervision, any damage to real or personal property, when that damage is the result of any such defect of equipment, material or workmanship installed by the contractor. The warranty with respect to work repaired or replaced hereunder will run for a period of one year fro the date of such repair or replacement or shall run for the remainder of the original two year period, whichever is greater. During the warranty periods as defined herein, the contractor shall reimburse the Company for the costs of any emergency repairs undertaken by the company to maintain the system in good working order. Without limiting any other provision herein contained, these warranty provisions shall be incorporated in Applicant's contract with contractor. If contractor fails to reimburse the Company as set forth in this Paragraph, within forty five (45) days of the Company's request for such reimbursement, then the Applicant hereby agrees that it will do so.

~~5. A bona fide customer shall mean any person, firm, corporation, company, association, governmental unit or owner of property as guarantor furnished water service of a permanent nature; and the term "Extension" shall mean the mains and appurtenances shown on attached plan.~~

~~6. It is further mutually understood and agreed that the mains and appurtenances within the limits of the streets, avenues, roads, rights of ways, or easement areas, whether or not attached to or serving customers but constructed as part of the extension, shall be and remain the property of the Company, its successors and assigns.~~

~~The Company shall have the right to extend any main installed pursuant to the terms of this Agreement in or to other land, streets, or avenues, but the Applicant(s) shall not by reason thereof be entitled to any refunds other than those above provided for. Project becomes Company property only after acceptance by Company.~~

~~7. The Applicant(s) will, grant to the Company an exclusive and irrevocable easement, at no cost to the Company, for the maintenance, operation, repair and replacement of said main extension and appurtenances, together with the right of ingress and egress thereto, in a form satisfactory to the Company, duly executed and acknowledge in proper form for the record.~~

~~8. It is agreed by the Applicant(s) that he/she will not build at any time hereafter on, in, or over the said easement any structure, the construction or presence of which will endanger, render ineffective, or make difficult the access to the water lines or appurtenances of the Company. Additionally, Applicant(s) agrees not to lay other pipes or conduits within two (2) feet measured horizontally, from the said water pipes except pipes crossing same at right angles in which latter case a minimum vertical distance of six (6") inches shall be maintained between the pipes. Sewer lines placed in the easement shall conform to the separation requirements between water and sewer lines as specified by the Idaho Department of Environmental Quality. No excavation or blasting shall be carried on which in any way endangers the said water pipes. Provided, however, that should the Applicant(s) wish to do so, he may, at his own expense, provide a new location acceptable to the Company for the water pipes and the Company will allow the move of said water pipes and appurtenances to the new location. The whole cost of such moving and altering and any expenses incident thereto, shall be borne by the Applicant(s).~~

~~9. It is further understood and agreed that in case of any damage by Applicant(s) or caused by neglect of Applicant(s) to the water pipes or their appurtenances, or other injuries to the property of the Company in connection therewith, which are caused by the acts or neglect of the Applicant(s) the amount of such damage shall be paid to the Company by the Applicant(s).~~

~~10. The term of this Agreement shall be ten (10) years from the date of execution.~~

~~IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed this _____ day of _____,~~

Resort Water Company, Inc.

Title

Applicant(s)

○ SECTION 2
DESCRIPTION OF FEES

GENERAL

All fees are due in full with the applications/agreement and prior to MUC company sign-off of the Building Location Permit. All fees will be paid to MUC.

HOOK-UP FEES (check to be made payable to MUC)

Hook-up fees allow connection to the existing system and pay for infrastructure installation.

	<u>WATER*</u>	<u>SEWER*</u>	<u>CABLE TV*</u>
One bedroom	\$2260	\$4930	\$60
Two bedroom	\$2660	\$6430	
Three bedroom	\$3460	\$9430	
Each Additional Bedroom	\$1860	\$3430	
Each Additional Loft	\$1460	\$1930	

*In the event that a service tap is not available, all costs associated with installing a tap is solely the responsibility of the customer. Likewise, if owner chooses not to use existing water or sewer tap, all costs associated with installing a tap is solely the responsibility of the customer. The Mountain Utility Company can provide cable routing and installation. This service is billed at an hourly rate plus materials.

**Cable-TV hook-ups requiring main line extension will be charged additional labor and materials cost.

INSPECTION FEE Deposit of \$1200 (check to be made payable to Mountain Utility Company)

Upon successful completion of application requirements, the developer will be refunded \$500. The \$700 inspection fee is based upon providing an initial on-site evaluation inspection, reviewing the utility site plan, a preconstruction meeting, two interim inspections if desired, providing an inspection of the water and sewer upon completion, preparing as-built drawings, reviewing submitted storm-water management plan, and providing a fifth and final inspection of the completed stormwater management system. These services will be provided by the Mountain Utility Company or designated representative.

Factors that will reduce the deposit returned to you

- Additional inspections required resulting from unacceptable construction or backfill prior to inspection will be charged an additional fee of \$150 per inspection. No project will be approved unless all portions of the system have been constructed according to approved plans and specifications and are inspected and approved.
- All inspections must be booked ahead of time, 5 days in advance¹ of the site evaluation, and 24 hours in advance of all other inspections. If adequate notice is not given, an additional fee of \$50 will be deducted from the deposit.

ON SITE SEWER SYSTEM PERMIT \$165 (check to be made payable to MUC)

The Panhandle Health Department has given the MUC the authority to perform septic tank inspections. The sewer system permit pays for MUC administrative and inspection costs associated with the septic tank installation.

1 All efforts will be made to reduce the 5 day notification period for this inspection.

Resort Water Company, Inc.
Rate Schedule
And
Rules and Regulations
Governing the Rendering of Water Service
And Water Main Extensions

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Rate Schedule
Flat Rate Service

Availability:

To all residential, multi-family and commercial customers excluding bulk water for snow making or bulk water sold to contractors. Each housing unit is considered to be one (1) Equivalent Residential Unit (ERU). Commercial ERU's will be estimated using Forecasting Water Demand, by Rillings & Jones a contribution to peak week calculation as can reasonably be determined from actual usage or as estimated using IDAPA 58.01.03.007.08 (Wastewater Flows from Various Establishments in Gallons per Day), or some other method approved by the Resort Water Company, the Idaho Public Utilities Commission and generally accepted engineering practices.

Customer Charges:

Based on the cost of providing water service, and providing a Return on Investment of 11% the yearly bill per ERU is ~~\$800.88~~ \$537.55~~44~~. Billed monthly, equals ~~\$66.74~~ \$44.8079.

Monthly Charge:

\$66.74 \$44.8079

Conditions of Contract:

The monthly charge will be prorated whenever the customer has not been a customer for the entire billing period.

Schedule No. 1A
DEQ Fee

APPLICABILITY: All Customers

~~State Drinking Water Program \$.50 bi-monthly per customer~~

~~———The Division of Environmental Quality (DEQ), Idaho Department of Health & Welfare, assesses a fee to fund its drinking water program. Since this fee is recovered in tariffed water rates, the cost will not be passed along to customers as a fixed charge appearing as a separate item on each bill.~~

Schedule No. 2

Miscellaneous Fees and Charges

1. Return check Charge

Application:

This charge is applicable to all customers where the customer's check or bank draft is returned by the Bank for insufficient funds, closed account, or some other appropriate reason.

Rate:

	<u>Each Occurrence</u>
Returned Check Charge	\$15.00

2. Reconnection Charge when disconnected for less than 30 days

Application:

This charge is applicable to all customers where water has been physically turned off for less than 30 days at the request of the rate payer or for nonpayment of a delinquent bill.

Rates:

	<u>Each Occurrence</u>
Reconnection charge (during normal business hours)	\$40.00 \$20.00
Reconnection Charge (other than normal business hours)	\$60.00

3. Reconnection Charge when disconnected for more than 30 days

Application:

This charge is applicable to all customers where water has been physically turned off for more than 30 days at the request of the rate payer or for nonpayment of a delinquent bill.

Rates:

Each Occurrence

(during normal business hours)
Reconnection charge shall be equal to the tariffed charge for four months of service plus a \$60 after hours charge. \$270.00
(other than normal business hours)

4. Field Collection Trip Charge:

Application:

This charge is applicable to all customers who pay outstanding bills for service at the time that Company personnel arrive at the customers' premises to terminate service.

Rates:

Each Occurrence

Field Collection Trip Charge

\$15.00

Schedule No. 3

Bulk Water Sold to Contractors

1. Backflow Prevention Device Rental:

Application:

Any contractor needing to fill a water tanker of any kind shall do so at a location designated by the Resort Water Company and each truck shall be equipped by an approved and inspected backflow prevention device as approved by the Mountain Utility Company. This charge is applicable to contractors that do not have an approved and inspected backflow prevention device.

<u>Rates:</u>	<u>Each Day</u>
Backflow Prevention Device Rental:	\$25.00

2. Bulk Water Charge:

Application:

Any contractor that needs to fill a water tanker of any kind or size.

<u>Rates:</u>	<u>Each Day</u>
Bulk Water Charge:	\$10.00

Bulk Water Sold for Snowmaking

Snowmaking Bulk Water Rate

Application – Snowmaking water usage shall be charged at a rate equivalent to residential usage. In accordance with Order No. () snowmaking shall be considered 12 ERU's, and the ERU's will be based on total estimated usage divided by 365 days divided by 235 gallons per day per ERU. The yearly charge for water shall be the number of ERU's multiplied by the current Yearly Rate per ERU as defined in Schedule 1 of these Rules and Regulations.

Interruption of Service

The Mountain Utility Company shall retain, at its sole discretion, the right to interrupt the water service for snowmaking for any reason and to determine the schedule and times that snowmaking will be allowed.

In general, snow making will only be allowed when it will not affect the ability of the Mountain Utility Company to serve potable water customers, and will generally not be allowed during peak hours of water use.

Schedule No. 5

Temporary Service for Construction Purposes

Application:

Contractors, builders, or others who wish temporary service from an approved service connection shall apply to the Company for temporary service. This application may be made in writing, in person or over the telephone.

Rate:

The requesting party agrees to pay for water at ½ the approved flat rate. (Comment: There should be a rate included in the tariff sheets for this charge.)

Rules and Regulations Governing the Rendering of Service

Application for Service

1. Water service will be provided at all existing service locations after the prospective customer (or a properly authorized agent) makes application for service and the Company approves the application. The service request may be taken by telephone, in writing, or by personal visit to the company office. Each service request will be prepared on a separate order form specifically designed for this purpose.
2. On all new service applications requiring the installation of a service line and/or meter box, or connections necessary after a customer has altered their plumbing, service will be provided after a Utilities Application Packet has been completed, a Bonner County Building Location Permit has been approved, connections to the Company's water system have been approved by the Company, and the plumbing has been inspected and approved by the appropriate plumbing authority.
3. The application for new service or the connection request on existing services will state clearly the class, scope and type of use for each service. The application shall clearly state the number of bedrooms and bathrooms for each residential service. Any increase in number of bedrooms or bathrooms will require a new application.
4. Office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday. Any request for service after regular office hours, weekends or holidays will result in a \$60.00 service charge.
5. The application for service and/or connection request and these rules and regulations constitute a contract between the customer and the Company. Each customer agrees to be bound by this contract after the service application is made, approved and/or service rendered. Copies of the Company's presently approved rules and regulations are on file at the Company's office and are available for public inspection.

Service Connection

6. Each customer shall be supplied through a separate service line.
7. The Company shall inspect all connections to its existing mains. The Applicant shall furnish and install water service lines from the main to and including the meter box or vault, meters and service setting. All service lines including meter and meter box shall be property of the Company and shall be accessible to and under its control. In instances where the existing mains do not front the property to be served, the Applicant shall enter into the appropriate main extension agreement as provided under Company's Rules and Regulations Governing Main Extensions.
8. All service lines from the main to the customer's building or place of consumption shall be approved by the Company as to size, kind of pipe, and installation and shall be installed and kept in good repair by the customer at the customer's expense. All such service lines shall be placed at least four (5) feet below the surface of the ground.
9. No service lines shall be laid in the same trench with the sewer pipe.

10. When a meter is located within the customer's building, a positive shutoff valve easily accessible to the occupants shall be placed in the service line within the building supplied with water. Such valve shall be located so that it will be possible to drain the meter and all pipes in the building. When the meter is located outside the customer's building, a positive shut off valve shall be located between the customer's building and the meter. ~~When the Company is requested by customer to shut off the water at the meter for repairs to customer's plumbing, a charge will be made of \$15.00 for this service during regular office hours and \$60.00 after regular office hours.~~
11. All components and materials coming in contact with drinking water must meet ANSI/NSF 61 requirements.
12. A service connection valve has been installed near property line by Company. Notify Company prior to the start of construction or digging. A State of Idaho plumbing permit is required prior to the start of work.
13. For single family dwellings, one (1) inch (AWWA and NSF Approved) Poly pipe, minimum 200 PSI, shall be installed as service line to home. This pipe shall be one piece, not spliced. Other sizes are required for multi-family dwellings.
14. Minimum depth for line is 5 feet. Sand bedding is required for entire length of pipe.
15. Connections for each end of line: "Brass 1 inch, Pexmip Cplg Adp Pep Compression". Available at Consolidated Supply.
16. Poly pipe to run under foundation or through a sleeved opening in the foundation wall. One (1) inch threaded ball valve to be used as shut off, between supply line and homes internal plumbing.
17. Call Company to witness pressure check of line. Ensure that service valve at property line is shut. The line is to be pressured to 125 PSI or 125% of actual water pressure, which ever is greater, for 15 minutes. Line is to remain without leaks or pressure loss for the 15 minute interval.
18. Water line shall not be covered until all testing and inspection is completed and approved.
19. A pressure reducer is required for all service taps. Pressure reducers are to prevent pressures above 60 PSI. Within our water system, water pressures can easily exceed 60 PSI. Owner is to perform an actual pressure check of the home system. Actual water pressure should never exceed 60 PSI. A properly installed and maintained pressure reducer will protect your investment and ensure that your water pressure does not exceed 60 PSI.
20. The customer shall promptly repair all leaks inside the premises, in sprinkling systems and in the customer's service line. Failure to repair leakage promptly may result in termination of service as allowed under the IPUC's Rules and Regulations Governing Customer Relations.
21. The Company shall, at its own expense, replace or enlarge service connections whenever it is necessary to change the location of any service connection due to relocation or abandonment of the Company's mains. The Company will also furnish all work and materials that are necessary to connect to that service.
22. The use of water service by a customer shall be in accordance with the class, scope, type of use, number of bedrooms and purpose stated in the application. A customer shall not use or allow use of water service through the service facilities for others or for purposes other than those covered by the application.

To make service available for other purposes of character of use, a new application and contract is required.

23. In accordance with its Cross Connection Control Program, as approved by the State Health Department, the Company shall require an appropriate backflow prevention device be installed on any customer's service connection whenever an actual or potential health hazard is deemed to exist. Any such required device shall appear on the State Health Department's list of approved backflow prevention devices and/or be approved by the Company prior to installation.
24. In the event a backflow prevention device is required, it shall be installed, maintained and tested at the customer's expense. Failure to properly install, maintain or test the required device will result in termination of service to the customer in accordance with Sections 3.2 and 3.3 of with the IPUC's Customer Relations Rules and Regulations.
25. When the premises served by the Company is also served in any manner from another supply of water public or private, the customer must install the appropriate backflow prevention device or maintain a physical separation between the two systems at all times. The type of device or separation and the installation of the device or separation shall be determined by the Company in accordance with its Cross Connection Control Program as approved by the State Health Department.

Meters

26. Though water is billed at a flat rate, it is strongly advised that all new water services for single family residences or duplex units, be rendered only through meters to allow for the location of leaks.
27. All new water services for multi-family units consisting of three or more units and commercial structures except water for fire fighting purposes will be rendered only through meters.
28. Each customer shall have a separate meter.
29. All meters will be furnished by the customer and shall be donated to the property of the Company. The Company reserves the right to establish the size and location of meter required by each customer.
30. Meters will be maintained by the Company for ordinary wear and tear. The costs of repair or replacement resulting from damages to the meter, meter box or setting, caused or allowed by the customer, will be charged to the customer. The customer will not permit anyone other than the Company to remove, inspect or tamper with the Company's meter or other Company property located on the customer's premises.
31. The customer shall notify the Company of any damage to the meter or of any malfunction in the registration, as soon as the customer is aware of the problem.
32. All meters shall be set at convenient locations, accessible to the Company, and subject to its control.
33. The final location of the meter must be approved by the Company.
34. All meters shall conform to ANSI/NSF 61 requirements.

Bills

35. Each customer is subject to a customer charge, the amount of which is set forth in the Schedule of Rates.
36. Bills for water service will be rendered and are due and payable as specified in ~~Rule 2.2~~ of the IPUC's Customer Relations Rules and Regulations.
37. The presentation or non-presentation of a bill shall not be held to be a waiver of any of the rules and regulations.

Discontinuance of Service

38. When a customer wishes to terminate their water service, the Company must be notified. This request for disconnection may be made in writing, by telephone or a personal visit to the Company office. The customer will be responsible for payment of all service rendered prior to the termination of water service.
39. The Company may deny or terminate water service under the provisions of ~~Rules 3.2 and 3.3~~ of the Rules and Regulations Governing Customer Relations of Gas, Electric and Water Public Utilities.

The customer has the right to file an informal or formal complaint with the IPUC concerning the denial or termination of service. If the customer files a complaint, the service will not be terminated providing the customer pays all undisputed charges.

Service that has been disconnected for nonpayment will not be restored until the amount due plus the applicable reconnect fee has been paid. Reconnection of service by anyone other than the Company is strictly prohibited and may result in an additional service charge(s).

40. In case of a break, an emergency or other similar situations, the Company shall have the right to temporarily discontinue the water supply in order to make necessary repairs, connections, etc. The company shall use all reasonable and practical measures to notify the customer in advanced of discontinuance of service. The Company shall not be liable for any damage or inconvenience suffered by the customer, or for any claim for interruption in service, lessening of supply, inadequate pressure, poor quality of water, or any other cause. The Company may restrict or regulate the quantity of water used by customers in case of scarcity or whenever the public welfare may require it.
- ~~41. The Company may at any time restrict the use of water for air conditioning and refrigeration by requiring the installation of cooling towers and recirculation pumps. (Comment: Are there any water to air heat pumps in place at this time?)~~
- 42.41. The right to discontinue service for any of the above reasons may be exercised whenever and as often as such reasons may occur, and neither delay nor omission on the part of the Company to enforce this rule at any one or more times shall be deemed a waiver of its right to enforce the same at any time, so long as the reason continues.

Customer's Deposits

43.42. The Company reserves the right to require a deposit according to ~~Rule 4,~~ Deposit and Guarantee Practices for Residential and Small Commercial Customers, of the IPUC Customer Relations Rules and Regulations. Reasonable deposits may be collected for customers not covered under the IPUC's Customer Relations Rules and Regulations.

44.43. The Company will refund said deposit when the customer (1) discontinues service (and all outstanding bills are paid), or (2) establishes and maintains good credit as defined by the IPUC's Customer Relations Rules and Regulations.

Temporary Service for Construction Purposes

45.44. Contractors, builders, or others who wish temporary service from an approved service connection shall apply to the Company for temporary service. This application may be made in writing, in person or over the telephone. The requesting party agrees to pay for water at ½ the approved flat rate.

46.45. The application for service and/or connection request and these rules and regulations constitute a contract between the requesting party and the Company. Each customer agrees to be bound by this contract after the service application is made, approved and/or service rendered. Copies of the Company's presently approved rules and regulations are on file at the Company's office and are available for public inspection.

Fire Protection

47.46. Water from fire hydrants or other fire fighting facilities shall be used only for fire fighting purposes, except for water sold to contractors and pursuant to existing Tariff Schedule No. 3.

48.47. All private fire service connections from the main to the property line, including all valves, shall be furnished by the customer, and approved by the Company.

49.48. The Company reserves the right to require a meter and appropriate backflow prevention device to be furnished and installed by the customer on any fire service connection. The meter and required backflow prevention device shall be inspected and approved by the Company prior to the granting of service.

Miscellaneous

50.49. The authorized employees and agents of the Company shall have the right of access, between the hours of 9:00 a.m. and 4:30 p.m., Monday through Friday, and with approval of the customer, to the premises supplied with water for the purpose of reading meters, examining pipes and fixtures, observing manner of using water, and for any other purpose which is proper and necessary in the conduct of the Company's business. Such employees and agents shall carry proper credentials evidencing their employment by the Company.

51.50. Except in case of an emergency, no one other than Company personnel shall open or close any of the Company's curb stops or valves in any public or private line.

52.51. The Company reserves the right to alter or amend these Rules and Regulations in the manner provided by law.

52. If the customer's property is vacant and the Company is not notified to terminate service, the customer will be responsible for any damage to the property arising from freezing, water damage, injury to the water service or any other failure.

Definitions

53. "Company" as used herein shall mean Resort Water Company, Inc. acting through its properly authorized officers, agents or employees, each acting within the scope of the particular duties entrusted to them.
54. "Customer" shall be the party contracting for supply of water through a single meter and service through each meter shall be considered, for billing purposes, as service to a separate customer.
55. Individual (s) shall mean a person or group of persons requesting a water main extension to make water service available to an existing or proposed single family residence (s) occupied by or to be occupied by the requesting party (ies).
56. Developer shall mean a person, firm or corporation who (1) sells two or more lots, parcels or tracts of land to others for the purpose of constructing thereon any type of building or (2) constructs any type of building, on land which is for sale, lease or rent by or to another party (ies).
57. Subdivision shall mean the legal dividing of a tract of land into two or more tracts, lots or parcels.
58. Multiple family housing development shall mean any building or buildings consisting of two or more living units.
59. Residential customer shall be designed as a building under one roof which is owned, leased or rented by one party and occupied as a residence, or each unit of a Condominium building where the Condominium units have the ability to be separately owned.
60. Commercial, Industrial and Municipal customers shall be designated by the following:
 - Commercial Customer shall be defined as:
 - a. A building containing two or more apartments or family units where the building is owned by one entity and the units are or have the ability to be rented or leased to tenants.
 - b. A building or unit in a building occupied by a retail or service business whose primary business is not manufacturing.
 - c. A building or unit in a building that contains a restaurant, coffee shop, deli, or sells other packaged or non-packaged food products.
 - d. A business office, office complex, or office unit in a building.
 - e. Any building containing any combination of 'a', 'b', and 'c' above.
 - f. A hotel, motel, tourist court, trailer court or mobile home park.
 - Industrial Customer shall be defined as:
 - a. Any building or combination of buildings in the same compound whose primary use is for the manufacture, fabrication, and/or assembly of any product other than a food item.
 - Municipal Customer shall be defined as:
 - a. A publicly owned building such as a school, city hall, court house, fire house, hospital, or other public institution.

The purpose of the foregoing rules and regulations and definitions is to preserve, to the maximum extent possible, the obligation and ability of the Company to furnish service. The rules and regulations and definitions contained herein shall be construed and applied in accordance with the spirit and intent of Title 61 of the Idaho Code.

General

61. Any individual or developer may request water service to be made available to any lot(s) or subdivision under these rules and regulations.
62. The minimum size of water main to be installed under these rules and regulations shall be 6-inch inside diameter.
63. The normal routing for water main extensions shall be in dedicated streets. The Company may, but will not be required to, allow extensions under this rule in easements or right-of-ways where final grades have not been established or where street grades have not been brought to those established by public authority. If extensions are made when grades have not been established and there is a reasonable probability that existing grade will be changed, the Company shall require the Applicant(s) to deposit the estimated cost for altering the facilities installed. This deposit shall be made at the time of execution of the agreement. Such alterations may be, but are not limited to, relocating, raising or lowering of facilities. Adjustment of any difference between the amount so deposited and the actual cost of relocating, raising or lowering facilities shall be made within the (10) days after the Company has ascertained such actual cost. The net deposit representing actual cost is not subject to refund. The deposit related to the proposed relocation, raising or lowering shall be refunded when such displacements are determined by proper authority not to be required.
64. Applicant shall provide a design prepared and stamped by a professional engineer licensed in the State of Idaho and in conformance with Company's requirements. Company shall be the sole judge as to the adequacy of any water main extension and appurtenances.

Water Main Extensions

65. In instances where the individual (s) shall need to extend the water distribution main to serve new individual residences, the individual(s) shall enter into an agreement with the Company of the type attached hereto and marked Exhibit A. The cost of the water main extension shall, as a minimum, be based on the use of a six-inch inside diameter main.
66. Construction plans and specifications must be prepared by a professional engineer licensed in the State of Idaho and submitted to the Company or designated representative for review and approval. All plans shall be construction quality, be prepared by a Professional Engineer, be to scale (1" = 100' maximum), have a north arrow, a title block, a legend, appropriate details showing existing utilities, existing and proposed buildings, fire hydrants and flow capacity of fire hydrants, connections, valves, backflow preventors, septic tanks, thrust blocks and any other necessary details, shall call out the make and style of conduit, connections, valves, backflow preventors, shall clearly specify minimum depth of utilities from existing elevation, and minimum cover, shall specify backfill material with maximum size aggregate, compaction requirements and

compaction efforts. As a minimum, all construction requirements shall conform with the latest edition of the ISPWC. **All water main construction or extension, plans and specifications must be submitted to the DEQ for review and approval.** Construction drawings, along with electronic drawing files (must be readable by ACAD 2002), must be submitted to Company or designated representative for review and approval.

67. In instances where more than one individual has requested a water main extension, any contribution shall normally be divided in proportion to distance of the residence from the existing water main. In unusual circumstances, other methods of dividing the deposit may be used, provided they are acceptable to all individuals and the Company.
68. A water main extension must extend to the extreme property lines of the building lot to be served.
69. The applicant shall contract for the installation of the water main to the Company's specifications. In addition, the applicant shall deposit with the Company the applicable overhead and direct labor costs incurred by the Company for such items as inspection, plan review, and as-built drawing preparation. The Company shall specify the material to be supplied by the Applicant with respect to size and type. In general, the material shall conform to the Company's standard material specifications and applicable AWWA/ANSI/NSF specifications. The Company may deny the right of Applicant to provide a contractor who has a documented history of poor performance.
70. Each separate water main extension to and/or within a development shall be subject to a separate agreement.
71. The Company with approval from the Idaho Department of Environmental Quality shall be the sole judge as to the design of and the time of construction and/or installation of any main extension.



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RESORT WATER CO., INC.

500 UNION STREET, STE. 200
 SEATTLE, WA 98101

Type of Business: CORPORATION, GENERAL BUSINESS

Status: GOODSTANDING, ANREPT SENT 01 Sep 2004

State of Origin: MINNESOTA

Date of 23 Nov 1998

Origination/Authorization:

Initial Registered Agent: CT CORPORATION SYSTEM
 300 N 6TH ST
 BOISE, ID 83701-4302

**Organizational ID / Filing
 Number:** C126400

**Number of Authorized Stock
 Shares:**

Date of Last Annual Report: 29 Sep 2004

Amendments:

Amendment filed 23 Nov 1998 CERTIFICATE OF
 AUTHORITY

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Comments, questions or suggestions can be emailed to: sosinfo@idsos.state.id.us

Workpaper 1
 Case No. RES-W-04-1
 Staff Comments
 02/17/05

RESORT WATER COMPANY			
Calculation of Revenue Requirement			
RES-W-04-1			
Ref. Sheet	Description of Revenue Factor	Amount	
1	Yearly Operating and Maintenance Expenses	\$	122,058
2	Annual Depreciation Expense	\$	16,544
3	Return on Equity @11% Grossed up	\$	73,729
	Revenue Requirement	\$	212,331
4	Less Revenues with know and measurable adjustment (395 ERUs X \$33.00/month X12)	\$	156,420
	Revenue Deficiency	\$	55,911
	Rate on New revenue Requirement	\$	537.55
		\$	44.80

RESORT WATER COMPANY

Description	Amount
Improvements of water system from 12/8/98	\$ 509,331
Working Cash	\$ 15,048
Acquisition Adjusted Price	\$ 177,500
Total Rate Base	\$ 701,879
Less:	
Accumulated Dep	\$ (76,781)
Contributions to Capital	\$ (128,609)
Net Rate Base	\$ 496,489
Return on Net Rate Base @ 11%	\$ 54,614
Return including allowance for taxes	\$ 73,729

Resort Water Company

Income Statement and Tax Calculation

Revenue Requirement			\$	212,331
Less O&M Expenses			\$	(122,058)
Less Depreciation			\$	(16,544)
Taxable Income			\$	73,729
State taxes 7.6%			\$	5,603
Federal Taxable Income			\$	68,126
	15% of \$	50,000	\$	7,500
	25% of \$	18,126	\$	4,531
Total Taxes Paid			\$	17,635
Effective Rate of Taxes				0.258857229
Gross-up Factor				1.349267697

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17TH DAY OF FEBRUARY 2005, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. RES-W-04-1, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

DEAN J MILLER
McDEVITT & MILLER LLP
PO BOX 2564
BOISE ID 83701

TIM ELSEA PE DIRECTOR
RESORT WATER CO INC
165 VILLAGE LANE, SUITE A
SANDPOINT ID 83864



SECRETARY