

Proposed Area for De-annexation

The Resort Water Company currently holds Certificate No. 445 previously issued by the Commission pursuant to the findings and conclusions of Order No. 29732 in Case No. RES-W-04-01. The legal description of the Company's current service area is described as follows:

Township 58 North, Range 2 West, Section 20, Boise Meridian, Bonner County, Idaho. More specifically described as the South $\frac{1}{2}$ of the Northwest $\frac{1}{4}$, the West $\frac{1}{2}$ of the Northwest $\frac{1}{4}$, and the North $\frac{1}{2}$ of the Southwest $\frac{1}{4}$.

The area of the proposed de-annexation is located in a portion of the Company's service area in North $\frac{1}{2}$ of the Southwest $\frac{1}{4}$ of Section 20, Township 58 North, Range 2 West, B.M., Bonner County. As noted earlier, the specific parcel of land proposed to be de-annexed is legally described as Lots 6, 7, 8, 9 and 10, Block E of Crystal Springs Subdivision and the adjoining 2.3 acres unplatted area between Crystal Springs Subdivision Block E and The Spires, PUD (Planned Unit Development). Exhibits B and C of the Application are also attached hereto for reference (Attachments A and B of the Staff Comments).

It is Staff's understanding that Lot Nos. 6 and 7 have been sold to private parties and that a residential building is currently being built on one of these lots. The rest of the lots and the unplatted area are owned by The Spires, LLC.

Resort Water Company Water System

Resort Water Company is a water utility currently regulated by the Commission. The Company currently serves a total of 406 residential and commercial customers. (Company's 2010 Annual Report). The Company's sources of water supplies are from three wells. There are three storage reservoirs and no booster pumps within the system.

Spires Water Company Water System

The Spires Water Company is a water utility not currently regulated by the Commission. A search conducted by the Staff showed this Company is registered in good standing with the Idaho Secretary of State as The Spires Water Company, LLC and has been operating since May 10, 2001. R. Barclay Hutchinson is the registered manager of Spires Water. Additional research conducted by Staff indicates that water for The Spires at Schweitzer, an 80-acre planned mountain

community located on the South Ridge of the main bowl at Schweitzer Mountain Ski Resort, will be provided by the Spires Water Company.¹ Staff was also informed by IDEQ-Northern Region that Spires Water Company is not regulated by IDEQ since the total number of year-round customers (connections) currently served is less than 15 or the total number of household served is less than 25, which does not yet meet the requirements of IDEQ as a community public drinking water system. According to IDEQ, all new public drinking water systems must meet the facility and design standards as promulgated by IDEQ, and Spires Water has the infrastructure in place to become a IDEQ regulated public water system in the future. The bulk of the water distribution system has not been completed yet, but Spires Water is working with IDEQ in approving construction plans to complete the system.

To date, the Spires Water system is partly operational with two wells, a small reservoir, some mains and an intertie with the Schweitzer Basic Water Company. Spires Water is currently serving two customers and expects to hook up additional customers in the near future.

STAFF ANALYSIS

There are several issues that Staff believes the Commission needs to consider before deciding whether to approve the proposed de-annexation of some parts of Resort Water Company's service area: 1) no Commission rules and or policies are violated with the proposed de-annexation; 2) assurance that current Company customers are not adversely affected by the de-annexation; 3) the potential Company customers included in the de-annexation will be better served by another public water system; 4) major parties involved in the de-annexation are in general agreement with the proposal (i.e., Resort Water Company, Spire Water Company and the potential Resort Water customers within the proposed de-annexed area); and 5) the proposal will not interfere with any other public water utilities in the area.

The Commission has the authority to issue a new Certificate of Public Convenience and Necessity (CPCN) to any existing water utility it regulates and approve expansion of a water utility's current CPCN. Idaho Code 61-526; IDAPA 31.01.01.111-112. The Commission does not have any rule that precludes the transfer of service from one water utility to another. Staff believes that the Commission should generally look at the entity better able to service these lots

¹ <http://www.thespiresatschweitzer.com/>

technically and economically while looking at the potential impact to current Resort Water customers.

Resort Water currently serves a total of 406 customers; 280 residential and 126 commercial. Because no expansion of the current Resort Water pumping and distribution water system is involved, Staff believes the existing customers would not be harmed by the proposed de-annexation.

The potential customers of Resort Water located at Block E of Crystal Springs Subdivision that include Mr. Barclay Hutchison (developer of the five plotted lots 6,7,8,9,10 Block E and the unplatted 2.3 acres) have explored various alternatives in obtaining water service. Initial discussions by Staff with Resort Water indicate that it would be very costly to extend its water distribution system and provide the necessary pressure (Option 1) to serve these potential customers. Since Resort Water Company has no existing water infrastructure to serve these potential customers, the developer requesting water service would have to shoulder the cost of extending the service under the Company's Mainline Line Extension Rules. The developer would also need to construct booster pumping facilities to provide the required operating pressure to service these lots. With Option 1, an existing 6-inch mainline of Resort Water along Crystal Court (private road) would be tapped approximately 40 feet from the NE corner of Lot 6 and a 6-inch pipeline about 500 feet running east to west would be installed to serve the said lots. The static pressure at the proposed location of the booster pump (inlet static pressure) is approximately 39 psi. (Water Service Alternatives Overview Map, T-O Engineers, May 2011). The difference in elevation between the proposed booster pump station and the highest point to be served is approximately 145 feet. The cost estimates for Option 1 provided to Staff by T-O Engineers, the Company's engineering consultant, are:

- Mobilization \$ 9,300
- Booster Pump Station \$159,150
- Water Main Extension \$ 17,750
- Engineering \$ 37,240
- Total Cost \$223,440*

**This total cost does not include the cost of extending power line to booster site and transformer.*

For Option 2, the potential customers would be served by Spires Water Company. As noted earlier, Spires Water currently has a water system in place serving two customers. According to IDEQ, Spires Water Company's original water system with 18 connections was

approved in the early 2000s. An addition to the original water system (1st Addition) has been proposed with a total built out capacity of 165 connections. The 1st Addition is comprised of 12 Phases. Phases I, II and III have been approved by DEQ within the last two years. The water system covering Club/Crystal Springs area, which includes the lots being proposed for de-annexation by Resort Water, was approved by DEQ in January 11, 2011. Attachment C of Staff Comments.

Spires Water plans to extend approximately 350 feet of its water main to serve these lots. No booster pump would be necessary since the grade of the mainline extension is either flat or downhill. The estimated costs for this alternative as provided by T-O Engineers are:

- Mobilization \$ 1,100
- Water Main Extension \$ 20,725
- Engineering \$ 4,365
- Total \$ 26,190

As presented above, the cost of Option 2 is less than Option 1. Staff believes that the potential customers of Resort Water would be better served technically and economically if domestic water is supplied by Spires Water Company.

A letter was provided to the Commission by Clay Hutchison, Manager of the Spires Water Company, on November 9, 2010 confirming that the Spires Water system can provide water service to this parcel with a simple water main extension from its adjacent property. Mr. Hutchison, who is also the owner of Lots 8, 9, 10 Block E of Crystal Springs and the 2.3 acre unplatted parcel (Bonner County Parcel #RP 58N02W205200 A) requested release of these lots from the Resort Water service area so that water service can be provided from the adjacent Spires Water Company. (Application, Exhibit D-b). Similar request letters were also provided by Harold Elofson and Rob Mercer, owners of Lots 6 and 7, respectively, of Block E, Crystal Springs. (Application, Exhibits D-c and D-d). In addition, as part of the Application, Tom Turlock, Manager of the Resort Water Company, indicated to Mr. Hutchison that the Company is comfortable with Mr. Hutchison's request to serve Lots 6-10, Block E, Crystal Springs from the Spires Water system. (Application, Exhibit D-a). These letters indicate that the major parties involved are in agreement with the proposed de-annexation.

CUSTOMER RELATION ISSUES

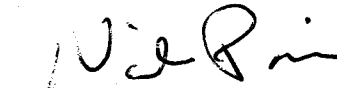
No customers will be impacted by a change in rates or a change in policies and practices of the companies involved because currently no customers live in the territory being transferred to Spires Water.

The deadline to file comments was July 14, 2011. As of July 14, 2011, no comments had been filed by customers and/or the general public.

STAFF RECOMMENDATION

Staff supports Resort Water's proposal to de-annex some portions of its service areas for the reasons discussed above. Staff recommends that the Commission approve the proposed de-annexation by the Resort Water Company.

Respectfully submitted this 14th day of July 2011.



Neil Price
Deputy Attorney General

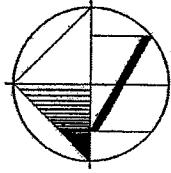
Technical Staff: Gerry Galinato
Curtis Thaden

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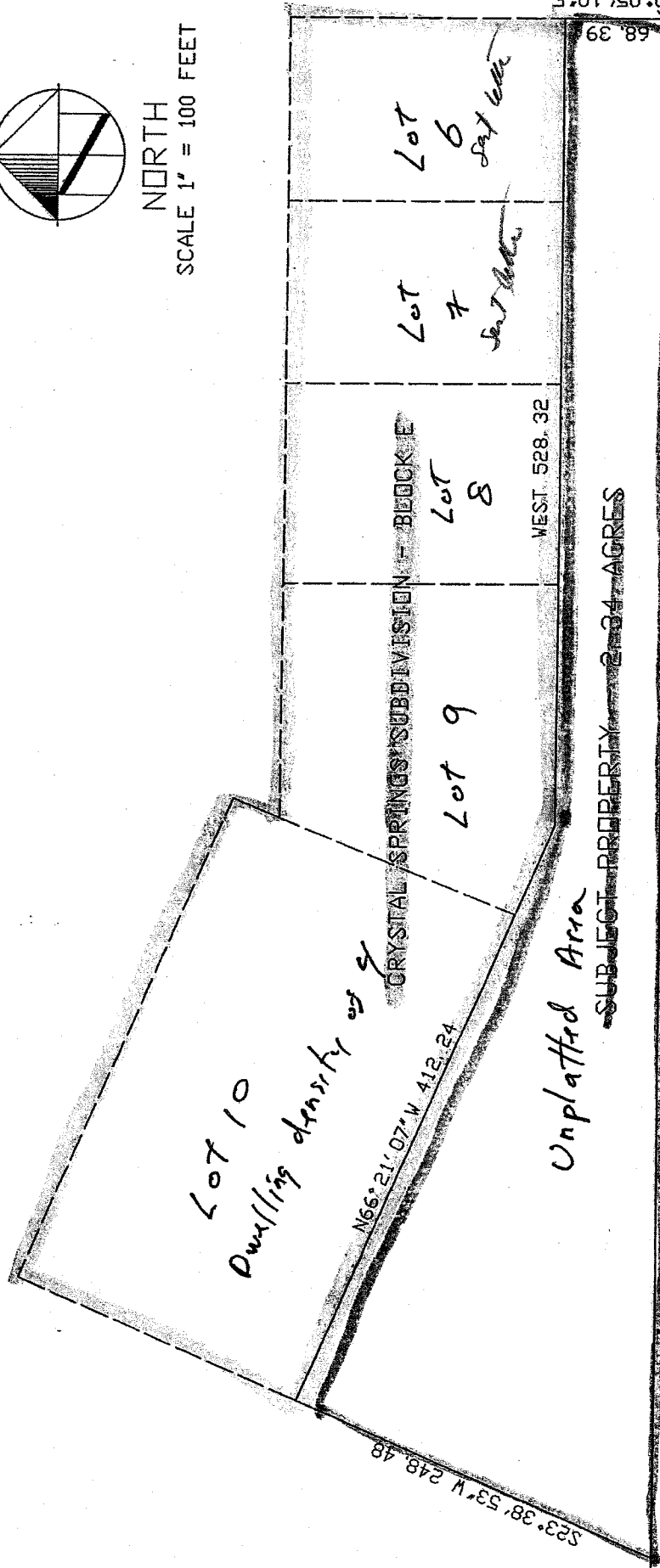
Exhibit B

EXHIBIT B

LOCATED IN A PORTION OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF SECTION 20, TOWNSHIP 58 NORTH, RANGE 2 WEST, B. M., BONNER COUNTY, IDAHO



NORTH
SCALE 1" = 100 FEET



NO. 05.10'E

SUBJECT PROPERTY - 2.34 ACRES

S89°39'03"E 1005.53

THE SPIRES LLC - S1/2-SW1/4

Attachment A
Case No. RES-W-11-01
Staff Comments
07/14/11



LANCE G. MILLER, P.L.S.

PO BOX 1507
SANDPOINT, ID. 83864
(208) 263-1533

Exhibit "C" ?

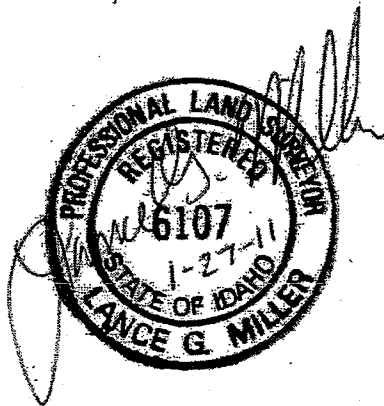
LEGAL DESCRIPTION
Parcel of Land to be De-Annexed from
Resort Water Company Service Area

Crystal Springs Subdivision Lots 6-10, Block E
& the
2.34 acre Unplatted Area between Crystal Springs
Subdivision Block E and The Spires, PUD

Lots 6, 7, 8, 9, 10, Block E, of Crystal Springs Subdivision, according to the Plat thereof, recorded in Book 4 of Plats, Page 193, records of Bonner County, Idaho;

together with a tract of land located in a portion of the N1/2-SW1/4 of Section 20, Township 58 North, Range 2 West, Boise Meridian, Bonner County, Idaho, more particularly described as follows;

Beginning at the Southeast corner of said N1/2-SW1/4 of Section 20; thence N0°05'10"E along the East line of said N1/2-SW1/4 a distance of 68.39 feet, more or less, to the Southeast corner of Lot 6 of Crystal Springs Subdivision Block E, as recorded in Book 4 of Plats, Page 193, records of Bonner County, Idaho; thence West along the South boundary of said Plat a distance of 528.32 feet; thence N66°21'07"W along said South boundary a distance of 412.24 feet to the Southwest corner of Lot 10 of said Plat; thence S23°38'53"W a distance of 248.48 feet, more or less, to a point on the South line of said N1/2-SW1/4; thence S89°39'03"E along said South line a distance of 1005.53 feet to the Point of Beginning.



Attachment B
Case No. RES-W-11-01
Staff Comments
07/14/11



STATE OF IDAHO
DEPARTMENT OF
ENVIRONMENTAL QUALITY

2110 Ironwood Parkway, Coeur d'Alene, ID 83814 (208) 769-1422

C. L. "Butch" Otter, Governor
Toni Hardesty, Director

January 11, 2011

Mr. Clay Hutchison
The Spires LLC
217 Cedar St #284
Sandpoint, ID 83864
Clay.hutchison@gmail.com

Subject: Construction Plans and Specifications – Conditionally Approved; Club/Crystal Springs Area, The Spires Water System - CORRECTED

Dear Mr. Hutchison:

Plans and specifications, prepared by Scott McNee, P.E. of TO Engineers, on December 7, 2010 for the Club/Crystal Springs Area improvements have been reviewed. The project involves extension of existing Spires drinking water mains and Mountain Utilities Company wastewater mains to serve 16 service connections in the Spires 1st Addition Lot 1, Block 4 and Crystal Springs Subdivision Block E Lots 6-10.

The plans and specifications have been reviewed and are hereby **conditionally approved** for construction purposes in accordance with the Idaho Rules for Public Drinking Water Systems (DW Rules), Wastewater Rules (WW Rules), and Idaho Code §39-118. To be in compliance with the Rules, the following conditions must be satisfied prior to the completion of the project, and a short summary of these conditions and their implementation should be submitted by the engineer when record drawings are submitted for the project:

1. Due to the various incarnations of this and other development projects for the Spires service area, it has been difficult to determine which 'will serve' letters are applicable to individual projects. As discussed with your engineer, a declining balance sheet will be necessary that describes the lots & connections being served for both drinking water and wastewater for the Spires. The balance sheet should also include copies of 'will serve' letters from Mountain Utilities and a listing of how many service connections they are willing to serve for these projects. The declining balance sheet will need to be submitted with record drawings for the project.
2. Please note the use of pre-cast thrust blocking is not acceptable for this project. Record drawings should be submitted with a comment prepared by the inspecting engineer verifying the style of thrust blocks constructed.

If any material deviations to this accepted design are necessary, the design engineer must secure DEQ approval of the changes prior to implementation of the changes.

Clay Hutchison / The Spires – Club/Crystal Springs

January 11, 2011

Page 2

Within thirty (30) days of completion of construction, record drawings or a letter of material compliance must be submitted to DEQ. Submittal of record drawings is the responsibility of the water and/or sewer purveyor. The record drawings must depict actual construction of facilities performed. Inspection of construction activities approved herein must be done by an Idaho licensed Professional Engineer (P.E.) or by someone under the direct supervision of a P.E.

If construction is not completed within one year of the date of this letter, the DEQ construction approval expires. An extension may be granted if the design engineer submits a written request that DEQ re-approve the plans and specifications.

Regards,



Michael Camin, P.E.

Environmental Engineer

michael.camin@deq.idaho.gov

c: Scott McNee, TO Engineers smcnee@to-engineers.com
Mel Bailey, SBWC/Spires Operator mbatlake@televar.com
Erik Ketner/Annette Duerock, PHD eketner@phd1.idaho.gov;
aduerock@phd1.idaho.gov; cthompson@phd1.idaho.gov
Troy Wassink, DEQ troy.wassink@deq.idaho.gov
Clare Marley, Bonner County cmarley@co.bonner.id.us
Stephen Tanner, DEQ stephen.tanner@deq.idaho.gov
File: Spires (#11613_plans S-36)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14TH DAY OF JULY 2011, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. RES-W-11-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

TOM TRULOCK PRESIDENT
MOUNTAIN UTILITY CO
RESORT WATER CO
165 VILLAGE LANE STE A
SANDPOINT ID 83864



SECRETARY

CERTIFICATE OF SERVICE