

WILLIAM S. ALEXANDER
6222 N. PARQUE DRIVE
COEUR D ALENE, IDAHO 83815-9139
(208) 665-3750

RECEIVED
2015 JUN -1 AM 9: 04
IDAHO PUBLIC
UTILITIES COMMISSION

May 28, 2015

Chris Hecht and Commissioners
Idaho Public Utilities Commission
PO Box 83720
Boise, Idaho 83720-0074

Re: Testimony for Case SCH-W-15-01 Schweitzer Basin Water Company

Dear Mr. Hecht and Commissioners,

I am a former commissioner of the Schweitzer Fire Rescue District (SFRD), serving from 2008 till 2015. I resigned in February as I sold my home and moved from SFRD. I purchased my home at Schweitzer in 1991 and moved to it fulltime in 2004. I am also a founder of and first president of Schweitzer Property Owners, Inc. , serving in that role from 2006 till 2012. During the period from 2004 till 2015 I participated as a member of a number of other boards and committees at Schweitzer which served the interests of the community and its home owners.

From my first meeting as an SFRD commissioner the subject of Schweitzer Basin Water Company (SBWC) was almost always on the agenda. The concern of SFRD was the failure of SBWC's water system to meet the fire flow requirements of the International Fire Code as adopted by the State of Idaho. The SFRD fire chief told me this concern had existed since the first days of the Fire District. I was present at a number of SFRD board meetings which were attended by the owners of SBWC, Melvyn Bailey and Marsha Bell, to discuss the situation and from SFRD's viewpoint to find a solution to the fire flow concern. Nothing was ever accomplished at or as a result of those discussions. At times the owners denied responsibility, stated they would remove the fire hydrants if pressed by SFRD, and stated they were a small water company with limited resources despite having hundreds of customers and revenues well in excess of \$150,000/year at the time. The owners approach to SFRD seemed to me to be one of denial, obstruction and obfuscation. Finally, in 2014, the frustration of the SFRD board with SBWC led to the initiation of administrative action by SFRD against SBWC under Idaho Code to force corrective action on the fire flow issue either by SBWC or, if necessary by SFRD. Needless to say the response of SBWC was to take legal action in court to stop SFRD's action. It appears to me that SBWC simply does not want to fix their system if it might cost them in anyway.

The current SBWC owners bought the water company from Dr. Jack Fowler in the late 1980's. The water system purchased included land parcels at Schweitzer. In the 1990's one of these parcels was sold for a price reported as in the millions. The parcel is now The Spires Planned Unit Development and its water system was recently merged into SBWC. What benefit did the customers/rate payers of SBWC receive from this sale? The answer seems to be little of nothing.

The revenues of SBWC increased regularly for the ten years I lived fulltime at Schweitzer. In 2009 I had a conversation with the manager of the water company that serves the Big Mountain Ski Resort in Whitefish, Montana. This is a resort community not that different from Schweitzer. My interest was fire flows and customer charges for water service. My memory of the conversation is that Big Mountain met all fire flow requirements of the fire code and that their rates were about two thirds of SBWC's at the time and one-half of those charged by Schweitzer Mountain Resort's (SMR) water company. SMR had had a contentious rate increase process in 2004/05 and has not raised its rates since then. SBWC's are now only slightly below SMR's after numerous small increases over that time. SBWC's rate increases were not subject to PUC scrutiny in the past as SBWC was able to maintain the fiction that it was a small water company until just recently.

An ongoing community issue with SBWC has been the lack of any financial reporting. Financial reports though required of even small water companies were not made according to report. It was common knowledge in the Schweitzer community that the owners of SBWC were operating as "Sole Proprietors" for tax purposes and commingling the revenues and expenses of SBWC with their many other business ventures both on and off Schweitzer Mountain. These businesses included a Bed and Breakfast at Schweitzer and numerous real estate rental properties in and around Sandpoint and real estate investments in western Washington State.

It is my opinion that SBWC does not deserve consideration of a rate increase until it produces a comprehensive, auditable, historic, and current financial report showing only SBWC revenue, expenses and investments since the owners acquired the system and its land assets as well as a detailed plan to correct the deficiencies in its system with respect to fire flows. This plan should be agreed to by SFRD and the State Fire Marshall and is critical to the safety and well-being of those home owners and businesses served by SBWC.

Frankly, SBWC has been milking its customers for years to gain maximum revenue with the least amount of expense or investment and then commingling its SBWC profits with other business activities to the detriment of its customers. Monopoly water companies should not be allowed to use unrelated business expenses in any way to misrepresent their financial performance (such as depreciation, repairs and maintenance, interest, etc.) to justify their rates. I believe SBWC's customers should receive a substantial rate decrease

until such time as SBWC reveals its financial history and status and meets its fire flow responsibilities.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "W. S. Alexander", with a long horizontal flourish extending to the right.

William S. Alexander
Former SFRD Commissioner