

LAW OFFICES
BATT & FISHER
A LIMITED LIABILITY PARTNERSHIP

John R. Hammond Jr.

e-mail: jrh@battfisher.com

26,
February 8, 2007

Jean J. Jewell
Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074
Street Address:
472 W Washington 83702

Boise, Idaho 83701

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2007 FEB 26 PM 4:12
IDAHO PUBLIC
UTILITIES COMMISSION

Re: *Spirit Lake East Water Company Amended Reply Comments and Corrected Exhibits. Case No. SPL-W-06-01.*

Dear Jean,

On February 23, 2007 I had computer failure on my laptop which caused the loss of our final, ready to file version of Spirit Lake East Water Company's Reply Comments. Due to this computer failure I was also not able to access any backup files for this document. Luckily, I had a draft of the Reply Comments on my local drive which we filed on Friday, February 23, 2007. Unfortunately, this document has a few differences from our completed version. Accordingly, I am submitting Amended Reply Comments to accurately reflect the Company's position in this case.

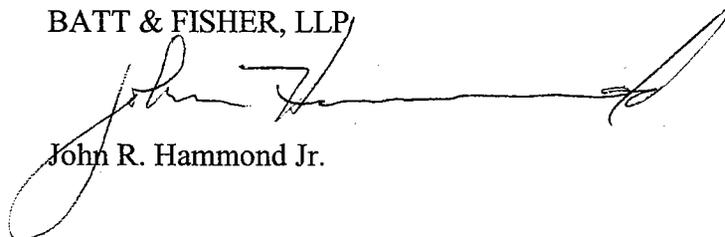
In addition, I have also submitted for filing corrected Exhibits 9, 10 & 11 to replace the previously filed Exhibits 9, 10 & 11. Lastly, I have also submitted for filing an Excel spreadsheet for Work in Progress items to replace the same document in Exhibit 16 of the Company's Reply Comments. The rest of the exhibits are unchanged.

February 26, 2007
Page - 2

If you have any questions please contact me.

Sincerely,

BATT & FISHER, LLP

A handwritten signature in black ink, appearing to read "John R. Hammond Jr.", with a long horizontal flourish extending to the right.

John R. Hammond Jr.

JRH

Enclosures

cc: Robert Boyle
Weldon Stutzman

John R. Hammond, Jr., ISB No. 5470
BATT & FISHER, LLP
U.S. Bank Plaza, 5th Floor
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RECEIVED
2007 FEB 26 PM 4: 07
IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Applicant

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE
APPLICATION OF SPIRIT LAKE EAST
WATER COMPANY, INC., FOR
AUTHORITY TO INCREASE ITS
RATES AND CHARGES FOR WATER
SERVICE IN THE STATE OF IDAHO

Case No. SPL-W-06-1

**AMENDED REPLY COMMENTS OF
SPIRIT LAKE EAST WATER
COMPANY, INC.**

COMES NOW Spirit Lake East Water Company ("Spirit Lake," "Applicant" or "Company") and hereby files these Amended Reply Comments in response to the Idaho Public Utilities Commission Staff ("Staff") Comments on the Company's Application to Increase its Rates and Charges for Water Service in the State of Idaho.

First, the Company will address the status of certain repairs/improvements to the water system that are in progress. Second, the Company will briefly discuss those matters in Staff's Comments which it does not object to. Third, Spirit Lake will discuss its request for rate treatment of particular items. The Company recently submitted additional information on these items to Staff in response to its Comments, which is also attached hereto. Based on this additional information Staff has indicated that it does not object to the rate treatment the Company now requests for these items with some

ORIGINAL

adjustments. Finally, the Company will discuss its position that additional rate recovery is justified in regard to specified items which it currently disagrees with Staff on.

Based on the foregoing, Spirit Lake respectfully requests that the Commission issue its Order approving revisions to Applicant's schedules of rates and charges for water service in the State of Idaho to become effective with service provided on or after April 15, 2006. The Company requests the Commission's approval of an increase in the rates it charges its customers: 1) from \$12.00 to \$17.64 dollars for the first 9000 gallons of water usage by a customer per month; and, 2) from \$.10 to \$.17 for every 100 gallons of water used by a customer over 9000 gallons per month. *See Exhibits 9, 10 & 11.*¹ Additionally, the Company requests that the Commission approve an increase in the amount of the hook-up fee for new service connecting to the water system from \$1,200.00 to \$2,500.00.

BACKGROUND

The Applicant has been providing service to its customers as a public utility for nearly 23 years. Currently the Company provides service to 287 active service connections within Kootenai County and Bonner County, Idaho. The Applicant's service area is large, with the lots in the Spirit Lake East Subdivision averaging ten (10) acres in size. The lots in the adjoining Treeport Subdivision are five (5) acres in size. The total area served by the Company is over 3,300 acres. The Company owns one (1) lot in Spirit Lake East, where the well, pump house and storage tank are located. More than 80% of the lots have active connections in the Spirit Lake East and Treeport Subdivisions with residences and/or improvements located on them.

¹ The Company wishes also to incorporate by reference into its Reply Comments Exhibits 1-20 submitted with its rate application.

During the 23 years the Company has provided its customers water service, the rates for said service, as represented by the attached schedules, have not changed since initially approved by the Commission in Order No. 18466, dated November 23, 1983. During this time period, costs have changed and many improvements have been made to the water system. Further, since Order No. 18466 was issued, Hanson Industries, Inc., the parent corporation of the Company, has subsidized its operation. In 2005, Hanson Industries wrote off (forgave) \$370,000.00 of more than \$475,000.00 the Company owed the parent corporation. These liabilities represent the level of subsidy the parent corporation has provided the water system since its inception. Hanson Industries is unwilling, and it is unreasonable to expect it, to continue to subsidize the Company. Based on this background Spirit Lake filed its rate Application with the Commission.

REPLY COMMENTS

In its Comments Staff cited three maintenance items discussed below that it believes require Company attention and thus affect its rate request.²

1. Finding and Repairing Leaks

Staff asserted that 1 to 1 ½ gallons for every gallon used by customers is lost through leakage. Accordingly, Staff recommended that the Company be directed to prepare a plan to locate and repair system leaks.

Spirit Lake has obtained a bid from American Leak Detection Services (“American”) of Spokane, Washington, which estimates the costs for initial leak

² Previous to the filing of these Reply Comments on February 8, 2007, the Company provided Staff with a copy of a letter it sent to DEQ addressing system leakage, a standby generator and the repair of the reservoir roof. See Exhibit 12.

detection service at \$3,000.00 to \$4,500.00 (“Phase I”).³ See Exhibit 13. This bid is for work employing specialized equipment to attempt to detect leaks in the Company’s system. Spirit Lake has sought approval of the use of this initial service from the Idaho Department of Environmental Quality (“DEQ”).

If this service does not detect leaks or is unable to pinpoint them exactly the process will significantly narrow the areas which must be investigated. After Phase I is completed American could be hired to provide additional services to detect leaks. This second service could involve potholing down to the water system pipe to either install additional valves or to expose pipe at 20 to 22 foot intervals in order to detect leaks (“Phase II”). American has estimated that excavation work for potholing is \$130.00 an hour. In addition to the excavation cost, the expense for American’s Phase II services to detect leaks would be \$1,500.00 a day. Until the Phase I service is performed, it is difficult to determine what further work might be necessary or to estimate the overall cost for such services.

At this time DEQ has chosen not to provide comments or approval on this item until Spirit Lake enters into an agreement with it to address system leaks among other issues. Spirit Lake is working on such an agreement with DEQ but believes that DEQ’s decision to not provide its approval or comment on the use of this service in the interim impedes the progress of the repairs and improvements.

2. Standby Generator

In the fall of 2006 and with DEQ’s approval Spirit Lake installed a 55 horsepower (75 kW) diesel standby generator to supply emergency power to run the distribution

³ American has advised that its bid could increase significantly if the size of the system turns out to be larger than represented and upon snow levels in the area which could make access a problem.

system in the event of a short term outage of power. This improvement was approved of by DEQ. The generator was designed to serve the booster pumps only due to the reliability of Kootenai Electric Cooperative electrical service which was shown by a 3 year analysis of outages which was shared with DEQ. Unfortunately, in the recent past there have been two extended power outages that led to system supply shortages due to the fact that the generator was unable to also operate the Company's well pump. As a result Staff recommended that the Company investigate the possibility of acquiring a larger back-up generator capable of operating the entire system.

Spirit Lake has received a quote of \$35,000.00 on a 250 kW, John Deere diesel-powered gen-set from Spokane Diesel. *See* Exhibit 14. SPLE has also obtained a bid from RC Worst Company to perform the electrical work to install such a generator. *Id.* The bid for this work is roughly \$57,000.00. The Company has requested comment on these bids from DEQ whose statutes and rules govern the installation of such a generator. However, at this time DEQ has chosen not to provide comments on this item until Spirit Lake enters into an agreement to address this matter along with other issues. Spirit Lake is working on such an agreement with DEQ but believes that DEQ's decision to not provide comment on this item in the interim impedes the progress of the repairs and improvements.

3. Repair of Reservoir Roof

Staff noted in its comments that the Company's reservoir has a flat roof and despite the fact that it does not leak it at times has standing water on it due to rain or snow. Staff believes this standing water presents a potential water quality issue. If the roof did leak, water could seep into the reservoir causing potential contamination. As

such Staff recommended that the Company be directed to repair the roof to prevent ponding of water on the roof to assure a safe, reliable water supply.

Spirit Lake has obtained bids for repair work on the roof which have been attached for the Commission's review. *See* Exhibit 15. The first was provided by an individual who works in-house with Hanson Industries, Inc. This bid involves the building of a self-supported, sloped cover over the reservoir. The other bids are from United Roofing of Mead, Washington and Icon Roofing and provide a variety of methods for this repair. These bids have been provided to DEQ for their review and comment so that the Company could narrow the possible repair methods which an engineer will have to review and design. At this time DEQ has chosen not to provide comments on this item until Spirit Lake enters into an agreement to repair the roof and repair or improve other possible system deficiencies. Spirit Lake is working on such an agreement with DEQ but believes that DEQ's decision to not provide comment on the roofing bids at this time is impeding the progress of the repairs and improvements.

4. Staff's Comments and Recommendations which the Company does not Object to.

The Company has no objection to the following adjustments recommended by Staff: 1) Staff Adjustment "C" DEQ duplicate fees; 2) Staff Adjustment "E" Annualize revenue \$3,276.00 for outage credit issued; 3) Staff Adjustment "F" Impute revenues \$1,610.00 to annualize customers added; 4) Staff Adjustment "H" Replaced Plant; 5) Staff Adjustment "I" Restocking Charge \$452.00; 6) Staff Adjustment "J" to Working Capital; 7) Adjustment "K" to State and Federal Income Tax; and, 8) the adjustment to the costs for chemicals.

5. Generator and Work in Progress

Staff's Comments at page 11 discuss certain costs that were inadvertently left out of the Company's Application. Staff noted that the largest item was a used generator that Spirit Lake purchased and installed for use as standby power. In its audit Staff noted that in 2005 the Company recorded a market cost of \$12,360.00 for the generator. Staff asserted that although this cost was recorded in the Company's books there was a lack of cost data and as such Spirit Lake's plant in service should not be increased now or in the future to reflect the cost of the generator.

Recently, the Company provided additional information to Staff in light of its comments regarding the generator and other work in progress. As a result of the content of this information Staff is willing to agree to certain numbers for these items as will be discussed in more detail below. This additional information has been attached for the Commission's review as Exhibit 16 which seeks through which the Company seeks the recovery of an additional \$27,709.86.

The additional information includes cost estimates for: 1) obtaining a similar generator (to also include hook-up costs etc); 2) lease for a similar sized generator; 3) specific information about the type of the current generator, the date it was purchased, its age, the hours on its meter and a ownership document(s); and, 4) and costs for other work in progress items. *Id.*

Based on this additional information Staff has indicated to the Company that it would not object to Spirit Lake is seeking recovery and rate basing of \$15,244.00 in costs related to the generator and other work in progress. The Company asserts that this amount fails to recognize the cost for several other used and useful and improvements

which have been made to the system. As such \$15,244.00 should be the minimum amount which should be included in this rate case.

In the Company's contacts with the Staff, the Staff has informed Spirit Lake that it would not allow the recovery of the following costs the Company has incurred⁴:

1. \$1,533.00 in charges from Continental Contractors, Inc.;
2. \$1,660.00 in charges from Don's Custom Woodworking;
3. \$268.38 in charges on a Citi Card for Auto Electric Products; and,
4. \$1,348.09 in charges related to the repair of the reservoir tank wall and cleaning of the interior of the reservoir.

The Company incurred \$1,533.00 in costs as a result of using Continental Contractors to remove and dispose of the failed well pump motor in October of 2004. This was a necessary expense and action so that a new well pump motor could be installed. Accordingly, this amount should be included for recovery and in rate base.

The Company incurred \$1,660.00 on or around October of 2006 when this Company performed repairs and improvements on its well house which houses the generator. These improvements are still used and useful and will house any new generator the Company purchases and as such should be included for recovery in rates and included in rate base.

The Company also incurred \$268.38 in charges from Auto Electric Parts for a starter for the generator. Again this was a necessary expense and should be included for recovery and in rate base.

⁴ The Company does not object to the Staff's recommended disallowance of costs for a sign and a metal detector.

The Company also incurred \$1,348.09 in costs related to the repair of the reservoir tank wall and cleaning of the interior of the tank. As noted by the Welch Comer Engineering Report I the Company's reservoir had a storage capacity of 192,000 gallons, with the current useable capacity at the time of 112,000.00 gallons. Report I at p. 23. The diminished useable capacity occurred because the reservoir had crack at a level of approximately 5.5 feet below overflow and if filled beyond this level would leak. *Id.* Based on Report I's findings DEQ required the Company to repair this crack and to inspect the interior of the tank using a diving service. The Company repaired the crack in the tank which repair was approved of by DEQ. *See* Exhibit 17 at p. 2. As a result of this repair the Company is now able to use the full storage capacity of its reservoir of 192,000 gallons. Based on these facts it is clear that the system and its customers have received a used and useful benefit from this repair. In addition, as required by DEQ the Company hired a firm to inspect and clean the interior of the reservoir. The tank was cleaned and the inspection noted no leaks in the roof of tank. Again this service provided a clear benefit to the system and its customers and is the assurance that the reservoir was capable of providing safe and reliable service to the customers of Spirit Lake. Based on the foregoing, Spirit respectfully requests that \$1,348.09 be added for recovery and into the Company's rate base.

The Company also requests the recovery of the full amount of the generator which is currently in use. The value of this item is demonstrated by Exhibit 16.

Based on these adjustments the Company requests that it be allowed to recover and rate base these additional costs.

6. Engineering Expenses

In Adjustment B to engineering expenses in the Staff's Comments it recommended the disallowance of \$2,946.00 of these costs because they related to the potential sale or transfer of the system or to duplicate repairs of the reservoir.

Recently, the Company has provided additional information to Staff in light of its comments regarding the engineering expenses it has incurred. As a result of the content of this information Staff is willing to agree to certain numbers for these items. As the evidence supporting the Company's position is voluminous it requests that the Commission authorize the admission of certain correspondence contained in the Company's response to Staff's First Production Requests No. 1 and its entire response to Production Request No. 3 into the record of this case for the sake of efficiency and cost reduction.⁵ If this is not acceptable the Company will produce additional copies of these responses for introduction into the record.

In submitting additional information to Staff the Company contended that it should recover the vast majority of the total engineering expenses which Staff initially recommended be disallowed. The Company asserts that these costs are recoverable as the record demonstrates that these engineering reports and service the Company received were used by DEQ as the basis for all actions, repairs and improvements which it has required of Spirit Lake as is shown below.

On October 28, 2007 Welch Comer provided an engineering report ("Report I") to the Company and its customers. The Company paid \$2,500.00 for its portion of the

⁵ The Company requests that following DEQ, Spirit Lake and Batt & Fisher, LLP correspondence be admitted into the record which are dated as: October 19, 25 & 28, 2004; December 1 & 9, 2004; January 24, 2005; February 18, 2005; April 5 & 22, 2005; June 13, 2005; and November 5, 2005.

preparation of Report I. Report I was completed just after the pump failure and system outage occurring between October 4 and 10, 2004. DEQ received Report I on November 22, 2004, as indicated by correspondence from DEQ Engineer Gary Gaffney. The Staff requested a copy of Report I which it received in December as indicated by correspondence from Batt & Fisher, LLP to Michael Fuss on December 9, 2004.

Although Report I was initially prepared for the possible transfer of the system to another party its recommendations were used by DEQ as the basis for the actions, repairs and improvements it required of Spirit Lake and which are germane to this rate case. This is demonstrated clearly by a review of the correspondence referenced in footnote 4 above. The Report I recommendations DEQ followed and demand action on are as follows: 1) the installation of a second well (Company negotiations with DEQ result in removal of this item but leads to other required repairs and improvements); 2) repair of cold joint in reservoir tank; 3) installation of a standby generator; 4) electrical system upgrades; 5) installation of exhaust fan and thermostat in the well-house possible reconfiguration of chlorination equipment to help prevent an existing corrosion problem; 6) installation of an auto-dialer system; 7) the placement of operation and maintenance manuals in the well-house; and, 8) repair of water meter on discharge of well to track system production and consumption.

The Company was provided further engineering services by Welch Comer which also related to matters contained within Report I and the improvement and repair of the system. For example, Welch Comer's January 6, 2005 assessment ("Report II") specifically refers the reader to review Report I for a detailed description of the water system and to provide for the context of the repairs recommended by Report II which

include: 1) the installation of an autodialer; 2) the inclusion of a spare pump in the Company's inventory; and 3) the installation of standby generation.

Finally, in March of 2005 Welch Comer provided Spirit Lake with a document entitled "Maintenance and Repairs Report, dated March 2005" ("Report III") which also discusses proposed repairs which all originated from Report I including the repair of the reservoir wall and roof and the installation of a vent in the well-house for chlorine off-gases.

Based on this additional information and argument, Spirit Lake is seeking recovery of the \$2,946.00 in engineering expenses which Staff initially recommended be disallowed. As stated previously, in light of the additional information submitted to Staff it has indicated to the Company that it is willing to agree to this number for this item as long as this amount is amortized over a three (3) year period. The Company has no objection to a three (3) year amortization period for this item.

7. Legal Expenses

In Adjustment B in Staff's Comments it recommended disallowance of \$5,413.00 in legal expenses the Company has sought recovery of in this rate case. The Company asserts that \$800.00 of the Staff recommended disallowance be included for recovery based upon the fact that this amount of legal services recommended for disallowance were actually related to establishing timelines with DEQ for repairs and improvements and work related to the repairs and improvements themselves.⁶ Based on the Company's discussions with Staff in light of its Comments Staff has indicated a willingness to agree that recovery of this \$800.00 in legal expenses is reasonable. The Company also agrees with Staff's three (3) year amortization of these expenses.

⁶ The Company under separate cover is submitting confidential information regarding these expenses.

8. Water Testing Expenses

In Adjustment D in Staff's Comments it recommended the reduction of test year operating expenses for water testing by \$577.00. Staff made this recommendation based on the fact that during 2005 until 2007 DEQ waived certain tests that Spirit Lake included costs for in its Application.

Recently, the Company provided additional information to Staff in light of its comments regarding its water testing expenses. As a result of the content of this information Staff is willing to agree to a certain number for this item as discussed below.

The additional information submitted to Staff and now attached to these Reply Comments demonstrates that the Company's DEQ waiver expires in 2007. *See* Exhibit 18. Spirit Lake believes these waivers will not be renewed due the numerous repairs and improvements DEQ has required of the Company. This information also shows that the Company had incurred costs for these same tests prior to waivers being granted by DEQ. *Id.*

Based on the foregoing information and Staff's non-objection based on the same the Company is requesting that \$577.00 be included for recovery in its rate case for water testing expenses.

9. New Connections

On June 7, 2004, the Commission issued Order No. 29513 in Case No. SPL-W-04-1, approving an increase in the Company's connection fees from \$650.00 to \$1,200.00, effective June 9, 2004. The Company initially requested an increase in the fee

to \$2,500.00. The Company and the Staff ultimately agreed on the \$1,200.00 fee based upon Staff assisting the Company with finding a licensed, qualified contractor to perform the work. Shortly after the Order was issued, this contractor performed one connection at the \$1,200.00 rate and then withdrew from the agreement, leaving the Company back in its pre-Order dilemma of finding a qualified contractor. The Company did locate a new qualified contractor, which again charged \$2,500.00 for performing each main tap and service line to the property line. This cost is mainly due to the very large size of lots in the subdivisions and the distances to bring service lines to the lots. This cost does not include any administrative costs or direct labor by the Company. The Company is therefore requesting that the new service connection fee be increased by an amount equal to the actual cost paid to the outside contractor.

Staff in its comments recommended that the hook-up fee be set at \$1,600.00. In light of Staff's Comments the Company has provided to Staff and now attaches to these Reply Comments invoices and bids which justify the Applicant's request to increase its hook-up charge to \$2,500.00. *See* Exhibit 19. The Company will recover only its direct costs if the hook-up charge is raised to this level. Based on the submission of this additional information Staff has indicated to the Company that it is willing to agree that Spirit Lake's hook-up fee for new connections should be set at \$2,500.00.

10. Increased Cost for Power

The Company has submitted additional information to Staff in light of its comments which has been attached to the Company's Reply Comments as Exhibit 20 which demonstrates that its costs for receiving service from Kootenai have increased by 16% due to a rate increase Kootenai imposed in September of 2006, subsequent to the

date this case was filed. Due to the submission of this additional information Staff has indicated to the Company that it is willing to agree that the increased costs for power be included for recovery in this case.

11. Staff Recommendations and Comments which the Company Objects to

a. Staff Adjustment "A" Power and Chemical Costs

The Company does not disagree with the Staff's position in general that a portion of electric power costs be reduced due to leakage. However, the Company does not believe that electric power cost should be reduced by \$9,114.00.

Staff's applied its adjustment for this cost to the total power bills for the year. The Company does not agree with this approach as it is generally accepted that volume of water pumped is more a function of energy consumption (Kwh) than it is of power demand (KW). Consistent with this the Company has recalculated Staff's adjustment to apply the adjustment to energy charges only. In addition, with the addition of increased power costs as discussed above in Section 10 would add back \$1,095 to the electric power costs proposed by Staff for recovery.

b. Rate Case Expenses

The Company submits that it should be allowed to amortize \$22,279.56 in rate case expenses over a three (3) year period. These expenses consist of \$8,746.12 in legal expenses incurred through January 31, 2007, an additional \$5,325.00 in estimated legal expenses (35.5 hours * attorney's rate of \$150.00 an hour)⁷; \$6,110.00 in consultant fees;

⁷ Counsel for the Company estimates these legal expenses as follows: 1) 9 hours for drafting status of improvements letters sent to DEQ and the Staff, preparation for meeting with Staff to discuss the Company's Application, attendance at meeting with Staff regarding the same, review of recent Commission Orders in this case, review of consultants spreadsheets and draft memorandum on Company's position on Staff's Comments 2) 15 hours for the preparation of Reply Comments; 3) 8 hours for preparation for public hearing and workshop, travel to Spirit Lake and attendance and participation in public hearing and workshop; 4) .5 hours for attendance at Commission Decision Meetings on rate application; and 5) 3 hours

an additional \$1,360.00 in estimated consultant fees related to the preparation of reply comments (16 hours * consultant rate of \$85.00 an hour); and \$200.00 for attorney's travel expenses to Spirit Lake to allow Company's attorney's attendance at public hearing and workshop on February 28, 2007 in Spirit Lake.

Based on the foregoing, the Company requests that it be allowed to amortize these rate case expenses over a total of three (3) years consistent with Staff's recommendation.

12. Future Repairs and Improvements

Although not included in the Company's rate application Spirit Lake is providing notice by these Reply Comments that it will seek further rate relief, the imposition of a surcharge or other appropriate cost recovery mechanism in the future in order to recoup the costs the Company will incur for the leak detection services, repair of system leaks, installation of a new standby generator and repair of the Company's reservoir roof.

CONCLUSION

Based on the foregoing, Spirit Lake respectfully requests that the Commission find that the Applicant's existing rates are unjust, unreasonable and insufficient to provide the Applicant with a fair rate of return, and that the revised rates and charges proposed in Exhibits No. 9-11 of these Reply Comments are just and reasonable, and that Applicant be permitted to charge said rates to its customers not later than April 15, 2006.

The Company also respectfully requests that the Commission allow the Company to recover its rate case expenses resulting from the preparation, filing and prosecution of its Application through an amortization schedule over a 3 year period.

Finally, the Company respectfully requests that the Commission grant such

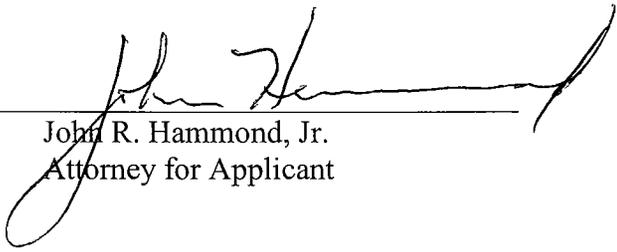
for review of Commission Final Order on rate application and correspondence to Company containing analysis of said Final Order.

other and further relief as it may determine proper in the circumstances.

DATED THIS 26th day of February, 2006.

SPIRIT LAKE EAST WATER COMPANY

By: _____

A handwritten signature in black ink, appearing to read "John R. Hammond, Jr.", written over a horizontal line. The signature is fluid and cursive, with a large loop at the end.

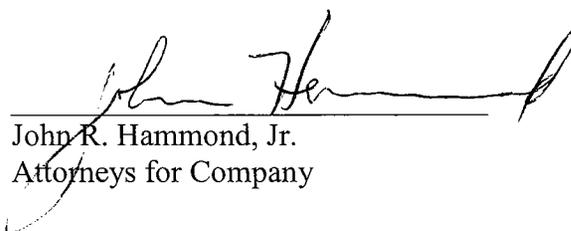
John R. Hammond, Jr.
Attorney for Applicant

CERTIFICATE OF SERVICE

I HEREBY CERTIFY That I have, this 26th day of February, 2007, caused to mailed a true and correct copy of the foregoing document to the following by U. S. Mail, Postage Prepaid thereon, in the following indicated manner:

Weldon B. Stutzman
Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

U. S. Mail
 Hand Delivery
 Facsimile



John R. Hammond, Jr.
Attorneys for Company

EXHIBITS 1-20

The Company wishes to incorporate by reference into its Amended Reply Comments Exhibits 1-20 submitted with its rate application and Reply Comments dated February 23, 2007.

Spirit Lake East Water Co.

Reply Comments

Rate Base and Results of Operations

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Per PUC Staff	Elec Rate Increase Sept. 06	Water Testing Exp	Eng Exp (Welch Corner)	Legal Exp	Gen and Other Non-Rev Plant Overlooked	Adjust Rate Case Amortization	Adjusted Total
1 Total Plant in Service	\$939,809					\$ 27,710		\$ 967,519
2 Accumulated Depreciation	(721,164)							(721,164)
3 Net Plant in Service (Line 1 less Line 2)	\$218,645							\$ 246,355
4 Materials & Supplies Inventories (Spa)	3,055							3,055
5 Contributions in Aid of Construction	(70,050)							(70,050)
6 Working Capital	4,388	140	72	98	33	-	681	5,413
7 Total Rate Base	\$156,038							\$ 184,773
8 Operating Revenues	\$ 52,789							\$ 52,789
9 Operating Expenses								
10 Labor- Operation & Maintenance	4,236							4,236
11 Labor- Administrative & General	4,200							4,200
12 Purchased Power & Fuel for Power	7,614	1,120						8,734
13 Chemicals	224							224
14 Materials & Supplies - Oper & Maint	5,940							5,940
15 Materials & Supplies- Admin & Gen	988							988
16 Contract Services- Professional	3,566		577		786	267		4,618
17 Contract Services - Water Testing	309							886
18 Transportation Expense	2,589							2,589
19 Insurance	3,121							3,121
20 Rate Case Amortization	1,977						5,449	7,427
21 Miscellaneous Expenses	339							339
22 Total Operating Expenses	\$ 35,103	\$ 1,120	\$ 577	\$ 786	\$ 267	\$ -	\$ 5,449	\$ 43,301
23 Depreciation Expense	5,815					1,803		7,618
24 Regulatory Fees (IPUC)	162							162
25 DEQ Fees	1,092							1,092
26 Property Taxes	291							291
27 Federal Income Tax	1,545	(181)	(93)	(127)	(43)	(292)	(883)	(76)
28 State Income Tax	730	(90)	(46)	(63)	(21)	(144)	(436)	(70)
29 Total Expenses	\$ 44,738	\$ 849	\$ 437	\$ 595	\$ 202	\$ 1,367	\$ 4,131	\$ 52,319
30 Net Income	\$ 8,052	\$ (849)	\$ (437)	\$ (595)	\$ (202)	\$ (1,367)	\$ (4,131)	\$ 471

Spirit Lake East Water Co.
Reply Comments
Calculation of Revenue Requirement

1 Rate Base	\$ 184,772.71
2 Return on Rate Base	12%
3 Income Requirement	<u>\$ 22,172.73</u>
4 Income Realized (Proforma)	<u>\$ 470.70</u>
5 Income Deficiency	\$ 21,702.02
6 Gross-up	<u>128.8417%</u>
7 Revenue Deficiency	\$ 27,961.26
8 Revenue Realized	<u>\$ 52,789.48</u>
10 Gross Revenue Requirement	\$ 80,750.74
9 Increase Percentage Required	<u>52.97%</u>

Spirit Lake East Water Co.
Reply Comments
Calculation of Rate Design

Test Year
Revenue @
Current Rates
Adjusted Percent
Per Staff of Total
Workpapers

Per Staff Comments

1 Adjusted Test year Revenue at Current Rates from Minimum Charges	\$ 38,736.00	73%
2 Adjusted Test Year Revenue at current rates from Excess Charges	\$ 14,016.64	27%
3 Per Staff Worksheets re rate design	\$ 52,752.64	100%
4 Check to Staff Comments Attachment "C" Pg 3	\$ 52,789.00	
5 Error	0.0689%	Not Significant

Distribution of Rates At Staff Proposed Ratios

6 Revenue Requirement Per Ex No. 10	<u>\$ 80,750.74</u>	
7 Staff Proposed Minimum Charge Ratio @ 70.51%	← 56,937.34	70.51%
8 Staff Proposed Excess Commodity Charge Ratio @ 29.49%	← \$ 23,813.39	29.49%
9	Proof 80,750.74	100.00%
10 Percent Increase in Minimum Charge (line 7/line1-1)	46.99%	
11 Percent Increase in Excess Commodity Charge (line 8/line 2-1)	69.89%	
12 Current Minimum Charge	\$ 12.00	
13 Current Excess Commodity Charge	\$ 0.10	
14 Resulting Minimum Charge (line 12 *(line 10 +1))	\$ 17.64	
15 Resulting Commodity Charge (line 13 *(line 11+1))	\$ 0.17	
Verify Proposed Rates		
16 customer months billed (Line 1 / \$12 per Mo.	3,228	
17 Revenue @ New Rate (line 14 *line 16)	→ \$ 56,937.34	
18 Excess Commodity Billed (Line 2/.10)	140,166.4	
19 Commodity Charges @ New Rate (line 18 * line 15)	→ \$ 23,813.39	

SPRIT LAKE EAST WATER COMPANY
2006 ADDITIONS TO P & E
Not Included in Rate Case Application

1/31/2007

Generator, Housing and Setup

10/31/2005	Generator	J-1126	10/31F	12,360.00	
10/20/2005	(20372) Torque-A-Matic	P-19978	23656	702.38	
10/13/2005	(03003) Carr Sales Co.	P-19924	796786	347.82	
10/17/2005	(03003) Carr Sales Co.	P-19976	797065	2.03	
10/17/2005	(03003) Carr Sales Co.	P-19977	797066	7.96	
10/17/2005	(03003) Carr Sales Co.	P-19986	797795	17.24	
10/24/2005	(03003) Carr Sales Co.	P-19987	797910	10.82	
10/25/2005	(03003) Carr Sales Co.	P-19988	79791	26.13	
10/25/2005	(03003) Carr Sales Co.	P-20028	798110	14.02	
10/10/2005	(03003) Carr Sales Co.	K-19807	28992	(2.82)	
10/27/2005	(09039) Inland Pacific Hose & Fittings	P-20076	339973	111.60	
10/6/2005	(14002) Napa Auto Parts	P-19926	493160	9.56	
	2005 Labor Charges	HI Allocation		1,204.00	Expense
					740.537
					14,810.74
					20 year depr
					7,668.98
					20 year depr
					383.449
10/18/2005	(03075) Central Pre-Mix Concrete Co	P-20026	643071	555.95	
10/12/2005	(23069) Western Wood Building Supplies	P-20015	24714	87.89	
10/19/2005	(23069) Western Wood Building Supplies	P-20016	24442	614.16	
10/18/2005	(01139) A to Z Rentals	P-19996	28817	49.63	
11/18/2004	(03030) Continental Contractors, Inc.	P-17515	7421	1,533.00	
10/12/2005	(03032) Country Homes Supply	P-20017	001-1067	609.64	
10/24/2005	(03032) Country Homes Supply	P-19962	1-108736	300.64	
10/25/2005	(03032) Country Homes Supply	P-19983	1-108997	22.50	
10/30/2005	(04030) Don's Custom Woodworking	P-20018	1246	1,660.00	
10/24/2005	(11011) Kruger	P-19871	Genesco/	46.99	
	2005 Labor Charges	HI Allocation		2,188.58	
					7,668.98
					20 year depr
					268.39
7/25/2006	Citi Card - Auto Electric Products		72506		

Exhibit 16
 SpreadSheet Amendment

8/1/2006 Citi Card - Auto Electric Products

10293

261.01

529.40 20 year depr

26.47

Distribution Pumps & Motors (Replacements)

Labor Charges - Kruger
Labor Charges - Bunting
6/1/2006 Dickerson Pump

10 year life

259.97

5665

1,466.10

172.607

1,726.07 10 year depr

Tank Repair & Cleaning

9/21/2005 (11011) Kruger
9/22/2005 Macon Supply
2005 Labor Charges

Rcpts 9-

139.38

JE

124.23

HI Allocation

1,084.48

134.809

1,348.09 10 year depr

Labor Charges - Kruger
Labor Charges - Bunting

}

145.25

11/26/2005 (03032) Country Homes Supply

1-114327

457.43

11/26/2005 (03032) Country Homes Supply

1-114326

(470.44)

11/17/2005 (12026) LOWE'S

111705

305.19

10/9/2006 A to Z Rentals

71873

64.68

10/1/2006 Don's Custom Woodworking

1277

1,296.55

179.866

1,798.66 10 year depr

Misc Items on DEQ List

Labor Charges - Kruger
Labor Charges - Bunting

}

-172.08

-17.208

-172.08 10 year depr

Sign - SLE Water Co.

7/17/2006 (03032) Country Homes Supply
7/17/2006 (03032) Country Homes Supply
7/26/2006 (03032) Country Homes Supply
7/27/2006 (03032) Country Homes Supply
8/1/2006 (03032) Country Homes Supply
8/3/2006 (03032) Country Homes Supply

1-151018

18.97

1-151022

45.09

1-152774

243.94

1-153031

67.86

1-153878

19.97

1-154366

6.01

10/9/2006 (12026) LOWE'S	91706	45.47	
7/31/2006 Don's Custom Woodworking	1273	1,380.00	
		<u>1,827.31</u>	10 year depr
			182.731

Metal Detector

4/24/2006 (11011) Kruger - Sportsman Warehouse	456.11	<u>0.00</u>	10 year depr	0
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TOTAL

\$ 27,709.86 \$ 1,803.26