

THE LAW OFFICE OF
PAINE HAMBLEN LLP

701 FRONT AVENUE, SUITE 101
P.O. BOX E
COEUR D'ALENE, IDAHO 83816-0328
(208) 664-8115
FAX: (208) 664-6338
www.painehamblen.com

Janet D. Robnett
Attorney at law
janet.robnett@painehamblen.com

RECEIVED
2007 APR 30 AM 9:48
IDAHO PUBLIC
UTILITIES COMMISSION

April 27, 2007

SENT VIA FEDERAL EXPRESS

Ms. Jean Jewell
The Commission Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83702-5983

Re: Application of Stoneridge Water Co. – Case No. SWS-W-06-01

Dear Ms. Jewell:

Enclosed for filing are the original and seven (7) copies of the Objections of Stoneridge Recreational Club Condominium Owners Association, Inc. to the proposed increases in rates and charges described in the above-referenced application. A copy of the Objections was also filed electronically with you, as of this date.

Thank you for your assistance in this matter.

Sincerely,

PAINE HAMBLEN LLP


Janet D. Robnett

JDR:smk

Enc.

cc: Donovan Walker
Wayne Benner
Joe M.Olmstead
Cindy Thomas
Bob Smith

H:\CDADOCS\24194\00002\ltr\C0145496.DOC

Janet D. Robnett
Attorney at Law
P.O. Box "E"
701 Front Avenue, Suite 101
Coeur d'Alene, Idaho 83814
Telephone: (208) 664-8115
ISBA # 3268

RECEIVED
2007 APR 30 AM 9:48
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION
OF STONERIDGE WATER COMPANY FOR
AN INCREASE IN RATES AND CHARGES

)
) CASE NO. SWS-W-06-01
)
) OBJECTIONS OF STONERIDGE
) RECREATIONAL CLUB
) CONDOMINIUM OWNERS
) ASSOCIATION, INC.
)

INTRODUCTION AND BACKGROUND

This matter is before the Idaho Public Utilities Commission (the "Commission") on the application of CDS Stoneridge Associates – Land, LC, doing business as Stoneridge Water Company (the "Company"), for a general rate case establishing new rates and charges for customers in the Company's service area near Blanchard, Idaho.

The Stoneridge Recreational Club Condominium Owners Association, Inc. is the governing body for the operation and management of Stoneridge Resort, a timeshare condominium project. Stoneridge Resort consists of four (4) residential buildings containing 102 studio units, 39 one-bedroom units, and five (5) two-bedroom units, for a total of 146 units.

Each unit contains a single bathroom, and a small efficiency kitchen. Each building has its own two inch (2") metered water line connection. In addition, the Resort has a separate recreation center and a small park, each with separate water line connections.

The buildings and features of Stoneridge Resort are clustered in a relatively small geographic area in comparison to the total service are of the Company. Stoneridge Resort is located a short distance from the Company's wells, and therefore utilizes very little of the Company's water distribution system. Maintenance of the service lines and meters to serve the residential buildings involves only the four (4) metered connections described above. Nevertheless, the Company now proposes to treat each of the 146 condominium units as a separate residential customer. The Company's proposed rates would result in an **increase** to Stoneridge Resort of **1882%**! Under these circumstances, Stoneridge Resort is compelled to object to the proposed rates, from both the revenue requirements and the rate design points of view, as described more fully below.

REVENUE REQUIREMENTS

A public utility, of course, should be allowed such rates as will produce sufficient funds to meet necessary maintenance and operating expenses, and a fair and reasonable return on the value of its property. However, a review of the Company's proposed rates should not be conducted in a vacuum. The Company is affiliated with, and a part of, the developer of the golf and recreational community surrounding Stoneridge Resort. The developer is in the business of developing land for resale as residential home sites, condominiums and the like. As such, it is presumed that the capital investment is "contributed capital", excluded from the rate base, and ultimately to be recovered from lot sales. IDAPA 31.36.01.103.

Stoneridge Resort believes the increase in revenues requested in this case is excessive. It has not, however, undertaken to do an exhaustive audit of the Company's revenue requirements, and trusts that the Commission and its staff will be thorough, just and reasonable. In that process, consideration should be given to the fact that the system has excess capacity available to service new developments. Costs that are now proposed to be included in the rate base for charges to existing customers were also incurred for the benefit of that excess capacity. To that extent, it is somewhat analogous to "property held for future use", for which the Company is prohibited from receiving a return. See, Idaho Code § 61-502A. Such a return is *per se* "unjust, unreasonable, unfair, unlawful and illegal." *Id.*

The amount of such excess capacity, and the incremental cost associated with it, is difficult to determine from the Company's submittals. In a discussion relating to Stoneridge Ground Water Rights, there is a reference to the present system being capable of serving more than 710 Equivalent Residency Units or "ERU's". The costs in the rate proposal, however, are divided amongst 374 customers (which includes Stoneridge Resort with 146 residential customers rather than four (4)). We could not identify anything in the submittals which identified how many ERU's those 374 customers relate to. Furthermore, the Company points out that there is a potential for 1,207 customers at build out. One would assume that the water system has been designed, developed, maintained, and most recently brought into compliance, for the benefit of all of the current and future capacity. That portion of the cost attributable to future needs should be deemed contributed capital. If a new source of supply or additional distribution facilities are needed to fully serve new customers, then those costs would even more clearly be contributed capital, and would not affect the current customers.

At the end of the day, the developer is in the best position to recover the costs that it has incurred for the benefit of future growth through the price of its lots, rather than having that subsidized by the Company's current customers.

RATE DESIGN

All charges of a public utility "shall be just and reasonable." Idaho Code § 61-301. The cost of providing service is one criterion for consideration in forming a basis for rate differentiation between classes of service or classifications of customers. Grindstone Butte Mutual Canal Company v. Idaho Public Utilities Commission, 102 Idaho 175, 179, 627 P.2d 804, 808 (1981). Other relevant criteria include:

the quantity of the utility used, the nature of the use, the time of use, the pattern of use, the differences in the conditions of service, the costs of service, the reasonable efficiency and economy of operation, and the actual difference in the situation of the consumers for the furnishing of the service. *Id.*

The Company proposes to treat each of the condominium units of Stoneridge Resort as a separate ERU. For design purposes, ERU's are used to determine the adequacy of supply sources to meet the daily needs of a water system. Attached hereto as Exhibit No. 201 are excerpts from a dictionary of drinking water terms. As demonstrated by those excerpts, ERU's may be used at times for rate design purposes by comparing a large use customer's requirements with the equivalent number of smaller customers that would have similar requirements. In this case, the Company is applying the rate design approach backwards.

Attached to these comments is a three page exhibit (Exhibit No. 202) composed of copies of rate schedules for United Water Idaho, Capitol Water Co. and the City of Coeur d'Alene. For all of these systems, each meter represents a customer. Multiple living unit buildings with a single meter represent a single customer. Every customer is treated the same as any other

customer on the system. Commodity rates for water are the same for all customers. It is the base charge or meter charge that escalates with the size of the service line and meter serving the customer's property. This recognizes the potential demand a customer's service may place on the water system and is consistent with the normal application of ERU's for rate design purposes.

The Company's own worksheets show that residential customers on the Happy Valley Rancho's portion of the system have an average annual consumption of over 90,000 gallons. Residential customers on the original Stoneridge portion of the system average approximately 49,000 gallons annually. The average annual consumption per unit for the resort complex is only 25,500 gallons. The individual units obviously are not the equivalent of a single family residential customer for purposes of consumption. This, combined with the proximity to the source, and the collective meter reading and billing costs for each of the four residential condominium buildings comprising Stoneridge Resort, demand a differential rate from single family dwelling customers.

Stoneridge Resort proposes that rates be established based upon actual physical meter connection sizes and water consumption. Two exceptions to this proposal include the golf course irrigation connection and the new motor coach village under development. Both of these are served through six inch (6") meters. It is our understanding that the reason for the large size of these meters is to allow for fire flow protection beyond the meter. We recognize that the golf course irrigation system is not pressurized by the Company but rather pumps water from storage that is filled from the water system during off peak hours. We also realize that the motor coach units within the village are not separately metered or billed, and will have minimal water consumption on a per unit basis. Stoneridge Resort proposes that these services be treated on par

with each of the timeshare condominium buildings, and charged as though they were served through two inch (2") meters.

Using the Company's reported revenue requirements (which remain subject to adjustment during the audit process and taking into consideration the points discussed above), Stoneridge Resort proposes the following rate design:

Meter Size	Base Charge
3 / 4 x 5 / 8"	\$47.00
1"	\$61.57
1 1 / 2"	\$100.11
2"	\$144.76
All Commodity	\$1.40 / 1,000 Gallons

This rate design would produce total revenues of \$229,912.16 as compared to the Company's proposed revenue of \$230,453.00. Attached as Exhibit No. 203 is a summary of the effect this rate design would have on the average residential customer and each of the commercial customers connected to the water system. A detailed spreadsheet supporting these calculations has been delivered electronically.

CONCLUSION

The rate schedule proposed by the Company, and the differentiation of rates among its customers, are not just and reasonable. The revenue requirements are excessive, include costs not properly allocable to the water system, and unfairly burden the current and existing customers for the benefit of future development. The rate design fails to adequately differentiate amongst customers based upon the cost of providing service to them -- taking into consideration

such things as the quantity of water used, the nature of the use, the time of use, the pattern of use, the differences in the conditions of service, and the actual difference in the situation of the consumers for the furnishing of the service.

Stoneridge Recreational Club Condominium Owners Association, Inc., therefore requests the Commission to reduce the revenue allowed to be recovered from the current customers of the Company, consistent with staff's more complete audit of the Company's submittals, and to adopt a rate design based upon the comparative meter sizes of the Company's customers.

DATED this 27th day of April, 2007.

PAINE HAMBLEN, LLP

By Janet D. Robnett
JANET D. ROBNETT
Attorneys for Stoneridge Water Company.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 27th day of April, 2007, I caused to be served a true and correct copy of the foregoing by the method indicated below, and addressed to the following:

Ms. Jean Jewell
The Commission Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83702-5983
jean.jewell@puc.idaho.gov

Via Federal Express
 Via E-mail
 Via U.S. Mail

Wayne Benner
P.O. Box 280
Blanchard, ID 83804
wbenner@stoneridgeidaho.com

Via Federal Express
 Via E-mail
 Via U.S. Mail

Joe M. Olmstead
James A. Sewel & Assoc.
600 4th St. West
Newport, WA 99156

Via Federal Express
 Via E-mail
 Via U.S. Mail

By Janet D. Robnett
Janet D. Robnett

H:\CDADOC\24194\00002\plead\C0145246.DOC

SELECTED DEFINITIONS OF DRINKING WATER TERMS

Equivalent customer. The designation for the number of fictitious customers whose water use through a 5/8-inch meter (single-family unit) is the same as the water use of a large-use customer. This calculation is based on a composite of all elements of cost differences between the single-family unit customer and the large-use customer. It is normally expressed as the ratio of the single-family unit customer to the large-use customer. For example, if the large-use customer is equivalent to 10 single-family use customers, the ratio is 10:1.

Equivalent meter. A means of expressing different sized water meters in terms of an equivalent number of "standard" size meters. The 5/8-inch or 3/4-inch meter size is often used as the standard in terms of which all other meters are expressed. For example, a 1-inch meter is equivalent in capacity to two and one-half 5/8-inch meters. Equivalent meters are often used in ratemaking to assess customer monthly service charges based on meter size and to distribute capacity costs based on meter size in developing connection charges.

Equivalent Residential Unit. A means of expressing different levels of residential customer demand for water in terms of an equivalent number of least-size residential demand accounts. If the base residential demand is 300 gallons (1,135 litres) per day per account, then other customer groups' accounts would be expressed in terms of the equivalent number of these least-size accounts. In this manner, the customer may be said to be paying for a proportionate share of the share of the capacity that customer is using. This concept is sometimes used to determine capacity costs for new accounts and to develop monthly service charges based on meter size. See also equivalent customer; equivalent meter.

Sheet No. 3
Replacing all Previous Sheets

IDAHO PUBLIC UTILITIES COMMISSION
Approved July 28, 2006 Effective August 1, 2006
Per O.N. 30104
Jean D. Jewell Secretary

UNITED WATER IDAHO INC.

SCHEDULE NO. 1
GENERAL METERED SERVICE

Availability:

To all metered customers not served under a separate schedule.

Customer Charges:

<u>Meter Size</u>	<u>Bi-Monthly Per Meter Charge</u>
5/8"	\$ 16.21
3/4"	16.21
1"	21.31
1-1/4" and 1-1/2"	34.53
2" or multiple meters of equivalent capacity	49.85
3" or multiple meters of equivalent capacity	91.58
4" or multiple meters of equivalent capacity	145.76
6" or multiple meters of equivalent capacity	280.52
8" or multiple meters of equivalent capacity	423.17
10" or multiple meters of equivalent capacity	591.57

Volume Charge:

	<u>Winter Rates</u>	<u>Summer Rates</u>
For all water used less than 3CCF (100 cubic Feet) (CCF)(1 CCF=748 gallons):	\$1.2112	\$1.2112
For all water used greater than 3CCF	\$1.2112	\$1.5141

Conditions of Contract:

The customer shall pay the total of the customer charge plus the volume charge. The volume charge is based on all metered water for the billing period. Consumption is expressed in hundred cubic foot units or thousand gallon units as determined by the meter installed by the Company. The customer charge will be prorated whenever the customer has not been a customer for the entire billing period.

Summer Period:

The summer rate will apply to water consumed between May 1 and September 30. Meter readings straddling these dates will be prorated.

UNITED
Issued Per IPUC Order No. 30104
Effective – August 1, 2006

Issued by UNITED WATER IDAHO INC.
Gregory P. Wyatt, Vice President
8248 West Victory Road, Boise, Idaho

Water Rates and Charges for the
City of Coeur d'Alene Water System

Metered Rates

Rates (monthly):

<u>Meter Size</u>	<u>Service Charge</u>
3/4" or less	\$6.10 per month
1"	\$6.70 per month
1-1/2"	\$9.50 per month
2"	\$12.65 per month
3"	\$19.55 per month
4"	\$28.13 per month
6"	\$47.98 per month
8"	\$70.68 per month
10"	\$112.33 per month

Water Charge per 1,000 Gallons:

<u>Residential</u>	<u>Multi-Family</u>	<u>Mobile Home Park</u>	<u>Government</u>	<u>Commercial</u>
\$0.62	\$0.47	\$0.64	\$0.67	\$0.51

Definitions:

Residential (Single Family, Duplex)

Single-family dwelling or single permanent mobile home on an individually platted lot, and duplexes.

Multi-Family

Three or more residential dwelling units under one roof.

Mobile Home Park

Includes all mobile home parks with master meters for more than one unit.

Commercial (Includes Hospitals, Industrial Users, RV and Trailer Parks)

Including all commercial and industrial users. Also included are RV and Trailer Park users.

Government (City, County, State, Federal, and Schools)

Includes all government and public agencies.

NOTES:

(1) Users which are considered in more than one of the classifications above will be charged the highest commodity charge of their use classification for all water use.

Stoneridge Water Company
Summary of Rate Design

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Number of Customers	Annual Revenue From Base Rate	Annual Total Consumption (000's of Gal)	Annual Revenue From Commodity Charges	Annual Total Revenue	Average Annual Bill/customer	Average Monthly Bill/customer
1	Happy Valley Rancho's Residential Customers	\$ 56,964.00	9,092	\$ 12,728.51	\$ 69,692.51	\$ 690.02	\$ 57.50
2	Stoneridge Residential Customers	\$ 56,400.00	7,179	\$ 10,050.64	\$ 66,450.64	\$ 664.51	\$ 55.38
3	Fairway Meadows Condos	\$ 3,603.96	26	\$ 36.50	\$ 3,640.46	\$ 1,213.49	\$ 101.12
4	Commercial (Timeshare Resort Condos)	\$ 6,948.48	3,772	\$ 5,280.38	\$ 12,228.86	\$ 3,057.22	\$ 254.77
5	Commercial (Timeshare Resort Rec Center)	\$ 1,737.12	865	\$ 1,211.00	\$ 2,948.12	\$ 2,948.12	\$ 245.68
6	Commercial (Timeshare Resort Park)	\$ 1,737.12	485	\$ 679.00	\$ 2,416.12	\$ 2,416.12	\$ 201.34
7	Commercial (POA Rec center)	\$ 1,201.32	63	\$ 87.68	\$ 1,289.00	\$ 1,289.00	\$ 107.42
8	Commercial (CDS Pro Shop, Grill & Restaurant)	\$ 738.84	500	\$ 700.00	\$ 1,438.84	\$ 1,438.84	\$ 119.90
9	Commercial (CDS Maintenance)	\$ 564.00	100	\$ 140.00	\$ 704.00	\$ 704.00	\$ 58.67
10	Commercial (CDS Rec Center)	\$ 1,737.12	100	\$ 140.00	\$ 1,877.12	\$ 1,877.12	\$ 156.43
11	Commercial (Sales Office)	\$ 564.00	244	\$ 341.53	\$ 905.53	\$ 905.53	\$ 75.46
12	Commercial (CDS Events Center)	\$ 564.00	97	\$ 135.46	\$ 699.46	\$ 699.46	\$ 58.29
13	Commercial (Motor Coach Village)	\$ 1,737.12	115	\$ 160.58	\$ 1,897.70	\$ 1,897.70	\$ 158.14
14	Commercial (Golf Course Irrigation)	\$ 723.80	45,000	\$ 63,000.00	\$ 63,723.80	\$ 63,723.80	\$ 5,310.32
	Total		67,637		\$ 229,912.16		