

✓ Ken Ack
sent 2/23/07

✓ To AV

To Comm. § 4

SWS-W-06-01
Comments

Review for the Feb. 21, 2007 finalization of Stoneridge Water Company charges to HVR Water users.

The purpose of this review of events is to request a reversal of the costs incurred to drill the 2nd well by Stoneridge while assuming responsibility for the HVR Water System. HVR Board Members entered this agreement based on the declarations of Stoneridge that they had 2 existing wells at the time of our negotiations.

It is our concern and request herewith, that the HVR Water users should not be assessed charges incurred by Stoneridge to repair, drill or otherwise establish a second well, based on the following documentation.

Please reference:

- #1 Memorandum from Eric Eldenberg P.E. dated Nov. 27, 2002, to HVR Owners Assn. – Item 4 under advantages for merger.
- #2 Notes presented to HVR Water users – Dec. 12, 2002 meeting (line 2) Advantages of Merging w/Stoneridge Water System.
- #3 James A. Sewell Engineering Report of May 8, 2003, for the Proposed Combining of Stoneridge Utilities and Happy Valley Ranchos Water System. Page 2, page 3, page 9:5, page 17, page 18. Appendix 1- well logs and map showing location of 2 wells.
- #4 Applications for merger, Before IPUC – Order # 29320, 8/ 26/03, pg. 2.
- #5 HVR letter to IPUC transferring all responsibility for HVR Water System to Stoneridge effective Aug 1, 2004
- #6 Letter to IPUC (Mr. Lecke) Feb 9, 2005 expressing our concerns of the 2nd well issue at that time.
- #7 A five page overview from J. Olmstead on the status and recommendations on Stoneridge well # 2. (Rec'd. 3/2/05 from DEQ)

It appears that item #7 illustrates that the additional cost for the 2nd well was \$69,203.00. Actual estimated cost (page 3) was \$68,000.00. We are requesting that the actual cost to establish the 2nd well be removed from costs being allocated to HVR Water users, along with accumulated interest for this amount.

Notice of Application to Increase Rates dated 1/12/07.

HVR percentage of increase would appear to be significantly understated. The chart shows it as 93 %, when it appears to be 169 percent. Accordingly we would further request that the overall actual costs being allocated to HVR be

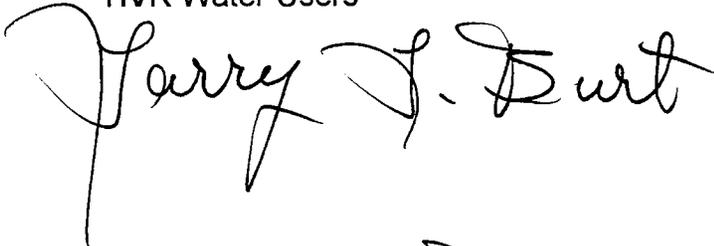
reviewed per the costs and the differences in the percentage of increase as illustrated on this chart (this also affects the bottom line percent of increase). We would like to see the adjusted figures.

The last estimated cost per user we received from Stoneridge was in the neighborhood of \$32 to \$34 per mo. per HVR user. The present Stoneridge request for rate approval (with the .67 per 1000 gal) will put the cost minimally around \$42 to \$44 per user. This is roughly a \$10 per mo. increase, per user, over the life of the loan.

With a 20 year loan (or 240 months) w/86 HVR Users, this would equate to roughly \$206,400 (plus interest) more than the last estimate of \$32 to \$34 per month. Just this overage amount is getting close to the \$213,000 that was an earlier estimate of the entire merger. It seems quite excessive.

We thank you for your consideration of our interest and concerns in this matter.

HVR Water Users

A handwritten signature in cursive script that reads "Larry J. Burt". The signature is written in black ink and is positioned above the printed name.

Larry Burt

January 12, 2007

Notice of Application to Increase Rates

This is to notify you that on November 20, 2006 StoneRidge Water Company filed an Application with the Idaho Public Utilities Commission (IPUC) asking to allow for the closing out of Phase I and Phase II loans for the Happy Valley Ranchos (HVR) annexation and surcharge associated thereto, for an increase in the monthly user fees, an increase in the hook-up fees, an increase in the disconnection/reconnection fees and for clarifications and changes to the Rules and Regulations.

In the Application StoneRidge Water Company is proposing a revenue increase of \$153,529, which represents an overall increase in rates of 161%, to be applied to all classes of customers. The proposed changes include: 1) A monthly fee to service the HVR loan will be imposed on all those current and future customers that were or will be added as a result of the HVR annexation. 2) A monthly service fee to service the well repair loan will be imposed on all current and future customers within the StoneRidge Water Company service Territory. 3) A monthly user fee increase will be imposed on all current and future customers within the StoneRidge Water Company service territory. 4) A disconnect/reconnect fee increase will be imposed on all customers choosing to have their water shut off and turned on at a later date. 5) A hook up fee increase will be imposed on all customers requesting a new service connection. 6) And clarifications and changes to some of the General Rules and Regulations.

The following table shows the proposed increase by customer class:

Customer Class	Revenue from the Existing Rates	<i>#/ Amt. of increase</i>	Revenue from the Proposed Rates	% increase In Revenue
Residential SR	\$30,260	27,961	\$58,221	92%
Residential HVR	\$26,968	45,581	\$72,549	-93%
Residential - Timeshare	\$3,532	66,483	\$70,015	1882% <i>ok</i>
Commercial - CDS	\$1,512	1465	\$2,977	97% <i>ok</i>
Commercial - Timeshare	\$885	932	\$1,817	105% <i>ok</i>
Golf Course Irrigation	\$19,500	11106	\$30,606	57% <i>ok</i>
Total	\$82,657	153,528	\$236,186	161%

92.4 + ok
169% ok
195% +
96.9 +
105.3 +
56.9 +
185.7 + ok

Harry J. Burt

The proposed increase is necessary so that StoneRidge Water Company will have an opportunity to earn a return on its investments in water facilities which are providing service to customers. StoneRidge Water Company has invested nearly \$450,000 since the last rate increase, in addition to borrowing \$439,000 in State Loan Revolving Funds to interconnect the HVR water system and refurbish the backbone system that have not yet been allowed for recovery in the Company's rates. An increase in revenue is necessary to support these investments and to maintain a sound financial position. Additionally on going costs of operations have increased since StoneRidge Water Company's last general rate case.

The proposed increase in rates is subject to review and a decision by the IPUC, which may accept, modify or reject in whole or in part the proposed increase. A complete copy of the proposal is available at the StoneRidge Water Company's office at Chatwold Road, Blanchard, Idaho and at the Idaho Public Utilities Commission's office at 472 W. Washington, Boise, Idaho 83702-5983. It is also available on-line at the IPUC website:

<http://www.puc.idaho.gov/internet/cases/summary.SWSW0601.html>

You can also file a comment on the Application via the IPUC web site at: <http://www.puc.idaho.gov/forms/ipuc/ipuc.html>

Or mail comments to:
Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0074

A public workshop will be held in the Blanchard Area by the IPUC staff to dispense information and receive comments. Time and date to be set by the IPUC.

Sincerely,
StoneRidge Water Company

#1

MEMORANDUM

DATE: November 27, 2002
TO: Happy Valley Ranchos Owners Association
FROM: Eric J. Eldenburg, P.E.
SUBJECT: Advantages/Disadvantages of Connection w/Stoneridge Water System

The following list represents those advantages/disadvantages that I have briefly thought of related to connection of the HVR water system to the Stoneridge water system:

ADVANTAGES:

1. Excellent water quality with no treatment, other than minimal disinfection.
2. The expensive and labor intensive HVR filtration system can be abandoned.
3. Over 300,000 gallons of water storage available for emergency/fire flow use.
4. Water supply provided by two wells, for redundancy.
5. Fire flow available to lower pressure tier.
6. Merging will allow the following:
 - a. One set of operators instead of two.
 - b. One set of water quality tests instead of two.
 - c. One set of administrators instead of two.
7. The Happy Valley Ranchos Water, Inc board can be abandoned.
8. When the DEQ loan is paid off, water rates will be less expensive than before the merger.
9. All operation and maintenance work accomplished by existing salaried Stoneridge personnel, who are available 24/7.
10. Stoneridge Utilities Company owns a backhoe, which results in less cost for maintenance requiring excavation.
11. As a result of the merger process, the HVR water system will be upgraded to include additional blowoffs, new fire hydrants, re-coating of existing steel tanks, and additional storage capacity at upper reservoir site.
12. Less work/stress/headaches for HVR residents who serve on the board.
13. Stoneridge personnel available during normal working hours for questions/comments.

DISADVANTAGES:

1. Less local control over water system issues.
2. Higher water rates until the DEQ loan is paid off.

DEQ LOAN SPECIFICS:

The DEQ loan program will retroactively fund engineering costs as long as the contract for engineering services is approved by the DEQ before costs are incurred. The engineer would also have to meet the Errors and Omission Insurance requirements (\$100,000 or 2 x engineering contract amount, whichever is greater). Prior approval by the DEQ is also required for any other project-related costs incurred before the loan is approved.

Dec. 12, 2002
M. J. w/ H.V.R.
water users

Advantages of StoneRidge Water System

- An abundance of excellent water from the aquifer. A proven system that is in place & operating w/ over 300,000 gallons water storage available. Operating on 2 wells for backup purposes.

#2

- Regulated by IPU (ID Public Utilities) - any increases for repairs or operating expenses would have to be approved by IPU prior to assessing an increase to users. Any resulting increase would be spread over all users on the system, not by selected areas, thus keeping per user costs lower. There are definite advantages in being with a regulated system, i.e., requires approval of any rate increases, closer monitoring of the water quality to users, more clout for funding if required.

-If approved by the vote of H.V. water users, we could most likely have the change-over to StoneRidge completed by summer or early fall of 2003.

-StoneRidge can get a 2% interest loan from DEQ to finance the change-over, as opposed to our getting a loan at going interest rates for needed improvements to our system. (This allows more of the payment to go to repay the loan, rather than to interest).

-The StoneRidge bid is purposely a bit high for unplanned expense, but we will only be obligated to pay actual costs to make the changeover - their bid is not a "for profit" bid.

-The cost of the currently needed improvements to our system could be incorporated into the 2% loan or we can do them prior, to keep the loan amount lower, if we have the funds available. We might be able to incorporate any balance of our existing loan into the new loan @ 2% interest.

-Additional fire protection would be brought in to more H.V. home sites.

-We would have a contract with StoneRidge that would define their responsibilities in providing our water and maintaining the system.

-Ken Corning is presently on StoneRidge payroll as their back-up water system operator, thus his knowledge of our system will be available to StoneRidge to facilitate a smooth change-over and continued maintenance.

-We have found StoneRidge Representatives to be open, straight forward and professional in trying to reach an agreement in this matter. They are open to H.V. having a representative sit on their water board if we so choose. Additionally, DEQ has recommended that it would be in our best interest to go with StoneRidge, concerning water quality and the present status of our system and expected future deterioration. (Letter attached).

-HV Water is known to be of poor quality. Our changing to StoneRidge water should have a positive effect on property re-sale in H.V., i.e., better value & less time to sell.

All things considered, the Water Board strongly recommends that we go with the StoneRidge proposal to supply Happy Valley with water.

323.000
5/28/04

JAMES A. SEWELL & ASSOCIATES

Consulting Engineers & Land Surveyors

Newport

600 4th Street West
Newport, Washington 99156
(509) 447-3626
(208) 437-2641
(509) 447-2112 Fax

Spokane

Hutton Building
9 South Washington, Suite 708
Spokane, Washington 99201
(509) 747-5794
(509) 747-5798 Fax

Sandpoint

Pend Oreille Professional Center
30336 Highway 200, Suite C
Ponderay, Idaho 83852
(208)263-4160
Fax (208)263-5229

*Civil Engineering *Electrical Engineering *Land Surveying *Building Inspection

#3

May 9, 2003

State of Idaho
Division of Environmental Quality
2110 Ironwood parkway
Coeur d'Alene, Idaho 83814

Attn: John Tindall P.E.

RE: Stoneridge Utilities and Happy Valley Ranchos Water Systems
Engineering Report

Dear John,

Enclosed is the Engineering Report for the Proposed Combining of the Stoneridge Utilities and Happy Valley Ranchos Water Systems. Thank you for your assistance during the preparation of this document.

Construction of the improvements discussed in the report are scheduled for this fall.

Sincerely,

JAMES A. SEWELL AND ASSOCIATES
Consulting Engineers

By _____

Joe M. Olmstead P.E., Partner

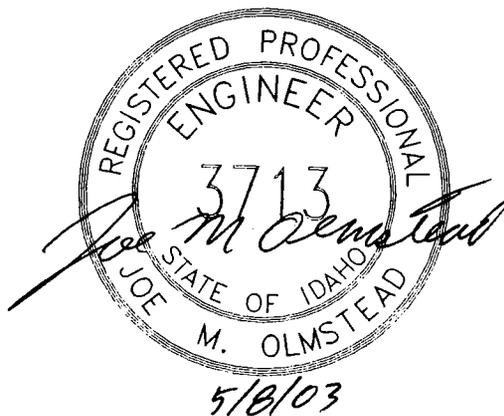
c Stoneridge Utilities, Keith Rusho, Mary Estes, Wayne Benner
Bridge Partners, Dean Allara
Happy Valley Ranchos Water System, Steve Hites
Newport Office
File

3

**CDS STONERIDGE UTILITIES LLC
&
HAPPY VALLEY RANCHOS
WATER SYSTEM CONNECTION 2003**

ENGINEERING REPORT

May 8, 2003



**JAMES A. SEWELL AND ASSOCIATES
Consulting Engineers**

extends from one end of the valley to the other and occupies most of the width of the valley. The aquifer underlying the Hoodoo Valley feeds into the Rathdrum Prairie Aquifer that runs from Sagle southerly to the Spokane Valley.

- b Wells that supply the SU water system draw their water from this underground lake of water. The wells that supply the HVR water system are located in the Blanchard Creek valley that contributes to the Hoodoo Valley.
- c The area included in both developments was extensively cultivated prior to being broken up into their current development state. There is little chance that historic artifacts would be found in the developments and no survey has been undertaken.
- d The areas within the developments are primarily used for residential purposes along with the commercial and recreational aspects of the golf course. HVR is developed with all single family residences set on lots of several acres and larger. Stoneridge includes homes on lots, condominiums and time share condominiums.
- e There are no known historic cultural resources located within either of the developments.
- f HVR is served by water, telephone, and electric utilities. Stoneridge is served by water, telephone, and electric utilities. Parts of the more intensely developed Stoneridge development are served by a sewer system. The lots around Lake Sans Souci are connected to a community drainfield located away from the lake, in the golf course fairways. The Stoneridge condominiums and single family homes along the main entrance road are served by a package wastewater treatment plant that provides for secondary treatment. See the attached drawing for the shaded areas that are served by the different wastewater systems. The HVR homes are sewered with individual on site septic systems.
- g The flood plain of Blanchard Creek crosses portions of both developments. HVR is outside the flood plain except for the well site. Blanchard Creek through Stoneridge is diked, and all the development is behind the dikes or above the flood plain.
- h There are no rivers in the area that have been designated "Wild/Scenic".

- i Both HVR and Stoneridge developments have their own drinking water systems serving all the developments.
- j There are no known public health problems within either of the developments.
- k There is no "Prime Agricultural Lands" needing protection.
- l The aquifer under the Hoodoo Valley has been recently classified as part of the Rathdrum Prairie Aquifer, which is a sole source aquifer supplying drinking water for Spokane and communities in North Idaho.
- m All the land associated with HVR has been broken into smaller lots, not all of which have been built on. Stoneridge is continuing to develop. Most of the residential lots that have been developed in Stoneridge have not been built upon. The time-share condominiums are constructed, as is the golf course.

3 **Existing Drinking Water Sources, Distribution System, and Treatment Facilities.**

- a HVR currently is supplied water from a well located near Blanchard Creek. The water is then filtered to remove the iron, disinfected with chlorine and pumped into the distribution system. From the filter plant, the water is pumped through the linear distribution system serving homes along the way, until it reaches the lower reservoir. From the lower reservoir, a booster pump pumps the water through a higher elevation pressure zone to another reservoir. At 10,000 gallons, these reservoirs are little more than holding tanks. A 6 inch diameter ASTM class 160 transmission line connects the lower pressure portion of the system from the pump at the clear well to the mid elevation tanks. A 3 inch diameter ASTM class 160 transmission line connects the higher pressure portion of the system from the booster pumps at the mid elevation tanks to the upper tank. The lateral lines are made up of 2 and 3 inch diameter pipes.



Stoneridge pumps water from two wells sunk to a depth of 140 feet into the aquifer located beneath the Hoodoo Valley. Well number 1 is rated at 800 gpm and well number 2 is rated at 600 gpm. The water is disinfected with liquid chlorine before it enters a system of looped pipes that vary from 10 inches down to 4 inches in diameter that distributes the water to users, and stores water in a 315,000 gallon ground level tank located on a

- 5 When the HVR and SU water systems are combined, the plan is to abandon the HVR well and filter system, and instead have the combined water system rely on the two SU wells. These wells are rated at 800 gpm for well No. 1 and 600 gpm for well No. 2. As development of the properties continues, additional water sources may need to be developed. These additional sources could be developed by increasing the capacity of the existing wells, construction of additional wells, or by a combination of the foregoing possibilities.
- 6 Without combining the two water systems, HVR would need to develop another source of water and continue to deal with filtering the iron out of the well water. At expected growth rates, the Stoneridge water system would not need the addition of more water sources in the next twenty years.
- 7 CDS purchased the Stoneridge property in March of 2001. In February of 2002, applications for a Zone Change, Conditional Use Permit (CUP), Planned Unit Development (PUD), and a preliminary plat application were submitted the Bonner County Planning Dept. The applications were reviewed and conditionally approved by the Bonner County Planning and Zoning Commission and the Board of County Commissioners.

The approved preliminary plat consists of 112 lots for single family dwellings and 12 lots for condominium development (a total of 45 units) for a total of 157 living units. The proposed density at total build-out for the new portion of the PUD includes 466 single family dwelling and 123 condominium units.

The PUD master plan approved by Bonner County for the Stoneridge development indicates there are three additional significant pods available for future development of single family dwellings, excluding the area covered by the approved preliminary plat. The western portion of the project west of Lake Sans Souci is designated as the largest area for single family development with an approved maximum density of 250 units. The second area is located in the south central portion of the development and has an approved maximum density of 60 dwelling units. The third area is located in the eastern portion of the project and has an approved maximum density of 44 dwelling units.

There are twelve areas approved for the development of multi-family dwelling units. These locations are scattered throughout the development. The largest approved condo development is comprised of a maximum of three buildings with a total of 32 units. The smallest multi-family development is a duplex development.

2. The following table summarizes the new water system

Item	SU Portion	HVR portion	total
Sources of drinking water	wells	Booster station	
Number of pumps	2	2	
Source capacity	800 & 600 gpm	2 x 150 gpm	
Disinfection	Gas Chlorinator		
Number of pressure tiers	1	2	3
Storage reservoirs	1	2	3
Storage capacity	315,000 gal	16,000 gal & 16,000 gal	347,000 gal
Pipe lengths			
12 "	100	0	100
10"	1,355	0	1,355
8"	7,850	3,500	11,350
6"	7,950	8,870	16,820
4"	7900	0	7,900
3"	1,400	13,760	15,100
2"	400	650	1,050

3. The cost of the improvements will be paid for with the proceeds of a loan from the Idaho DEQ Drinking Water State Revolving Loan Fund. A separate \$7,500 grant was obtained by SU from DEQ to prepare this engineering report and environmental review document. The principal amount of the loan will be the total estimated project cost of \$213,450. The interest rate will be 2% for a period of 20 years for 86 customers, requiring monthly payments of \$12.65 for debt service only. The IPUC will review the information and make the final determination of the rates.

F SELECTED PLAN DESCRIPTION AND IMPLEMENTATION ARRANGEMENTS

- 1 The following advantages will be realized by the HVR customers;
 - a Excellent drinking water quality with no treatment, other than minimal disinfection.
 - b The expensive and labor intensive HVR filtration system can be abandoned.
 - c Over 300,000 gallons of water storage available for emergency/fire flow use.



- d Water supply provided by two wells, for redundancy.
- e Merging will allow the following:
 - (1) One set of operators instead of two.
 - (2) One set of water quality tests instead of two.
 - (3) One set of administrators instead of two.
- f The Happy Valley Ranchos Water, Inc. board can be dissolved.
- g All operation and maintenance work on the HVR and SU drinking water systems will be performed by existing salaried SU Company personnel, who are available 24/7. This eliminates the need for the HVR Board to function as an employer.
- h As a result of the merger process, the HVR water system will be upgraded to include additional blowoffs, a new fire hydrant, re-coating of existing steel tanks, and additional storage capacity at the upper reservoir site. This work is made possible as a result of the IDEQ loan.
- i Less work/stress/headaches for the HVR residents who served on the Board.
- j SU Utility Company personnel are available during normal working hours for questions/comments.

- 2 Disadvantages to the HVR customers:
 - a Less local control over water system issues.
 - b Complaints about poor service that are not adequately handled by SU will need to be brought to the attention of the IPUC.
 - c Higher water rates until the DEQ loan are paid off.

3 As a regulated utility, SU submits proposed rates and backup data to the IPUC for review and approval. The IPUC is the final arbitrator of rates that the customers can go to for rate relief or other changes in service policy. Based on the expected filings of SU, the following table summarizes the existing and proposed rates to the customers of the two systems:

	Happy Valley Ranchos- Existing	Stoneridge- Existing & New	Happy Valley Ranchos-New
Base rates	\$24.00 base or \$20.00 vacation \$5.00 loan payment surcharge	\$14.00 base	\$14.00 base \$12.65 loan surcharge
Overage rate	0 - 20,000 gal \$ none 20-30,000 gal \$2.50/1000 gal 30-40,000 gal \$5.25/1000 gal over 40,000 gal \$8.50/1000 gal	0.30 \$/1000 gal	0.30 \$/1000 gal

WELL #1 IS 24" DIA. STONEMORE
WELL #2 IS 24" DIA. STONEMORE
AND VALVED DETAIL.



TILITIES

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
CDS STONERIDGE UTILITIES, LLC FOR)
APPROVAL OF AN AMENDMENT TO ITS)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO INTERCONNECT WITH)
AND ACQUIRE THE SERVICE TERRITORY)
OF HAPPY VALLEY RANCHOS, INC. AND)
TO IMPLEMENT A SURCHARGE.)**

CASE NO. SWS-W-03-1

ORDER NO. 29320

*see pg. 2
re: 2 wells
#4*

On March 17, 2003, CDS Stoneridge Utilities, LLC (Stoneridge; Company; SU) filed an Application seeking Commission authorization to interconnect its water system to the adjoining Happy Valley Ranchos, Inc. (HVR) water system, to borrow funds from the Idaho Department of Environmental Quality (DEQ) to complete the construction of the project, to amend its Certificate of Public Convenience and Necessity (CPCN) to include the HVR customers within the Stoneridge service territory, and to implement a surcharge on the rates for connecting HVR customers to service the debt and finance charges that will be incurred to complete the interconnection project.¹

The Commission suspended Stoneridge's Application and ordered the Company to continue to charge only its current customers the Commission-approved rates and charges until a Commission Order was issued accepting, rejecting or modifying the Company's Application and HVR customers are provided water service by Stoneridge. Order No. 29254 at 1. The Commission also issued Notice of Application, Notice of Public Workshop, Notice of Modified Procedure, and Notice of Written Comment Deadlines. *Id.* The Commission Staff submitted its written comments on July 7, 2003. Fifteen HVR customers filed written comments.

After reviewing the record the Commission grants Stoneridge's Application for the reasons discussed in our findings.

THE APPLICATION

As stated previously Stoneridge requested Commission authorization to interconnect its water system with the neighboring water system, HVR. Sometime in 2002, HVR initiated

¹ HVR is currently a homeowner's association water system.

discussions with Stoneridge regarding the possible interconnection of the two systems. On January 11, 2003, HVR sent correspondence to Stoneridge contending that 82% of its water users in attendance at a homeowner's association meeting voted in favor of the interconnection project.² Exhibit B to the Application. HVR desired to interconnect with the Stoneridge system to obtain better quality water. The parties contend that the HVR system supply is of limited quantity and has experienced water quality problems in the form of high iron concentration that requires fairly expensive filtration. In comparison, Stoneridge has two wells with large quantities of good quality water (600 and 800 gallons per minute), an existing chlorination system and a substantial amount of storage. After comprehensive negotiations between the two companies Stoneridge agreed to connect its system to the HVR system, subject to Commission approval and receipt of DEQ financing from the State Drinking Water Revolving Fund. Exhibit A. On May 2, 2003, Stoneridge and HVR finalized this agreement in the "Water System Transfer and Acceptance Agreement" that was filed with the Commission on May 14, 2003.

The Company has obtained the services of James A. Sewell and Associates consulting engineers to assist with project engineering and agency review. The Company's engineering consultant filed a report with the Commission entitled "CDS Stoneridge Utilities L.L.C. & Happy Valley Ranchos Water System Connection 2003 Engineering Report" on May 15, 2003. The engineering report provides detailed engineering calculations for the design of the interconnection project and some minor HVR system upgrades. It also includes a detailed cost estimate for the project as well as a recommended recovery method for the construction costs. The report estimates the total project cost to be \$213,500. Stoneridge has requested an equivalent loan amount from the State Drinking Water Revolving Fund that is administered by DEQ. The Company proposes to recover the debt and financing costs of this project by implementing a surcharge of \$12.65 per month on the bills of each customer benefiting from the interconnection. Presently that includes only the existing HVR water customers. However, the Company also proposes to apply the surcharge to any new customers connecting to the system downstream of the booster pump station serving the HVR system. The addition of new customers in this location could lead to the retirement of the costs of this project more quickly.

² On August 1, 2003, HVR filed information showing that of the 60 current HVR customers attending the meeting on December 12, 2002, 43 voted for the interconnection project and 9 voted against it.

Dec. 7, 2004

#5

Idaho Public Utilities Commission,
P. O. Box 83720,
Boise, Idaho 83720-0074

Re: Happy Valley Ranchos Water, Inc.

Gentlemen,

Please be informed that effective Aug. 1, 2004, Happy Valley Ranchos Water, Inc. Board of Directors transferred full responsibility for the operation, Maintenance, customer billing, water tests, and bill paying to CDS Stoneridge Utilities, LLC.

Easements and assets on hand that are useful in operating the system have been transferred to CDA Stoneridge Utilities, LLD per our agreement dated May 2, 2003.

Effective August 1, 2004, the water system of Happy Valley Ranchos Water, Inc. is no longer in operation.

Thank you for your assistance in our merger with CDA Stoneridge Utilities, LLD.

Sincerely

Happy Valley Ranchos Water, Inc.

Helen Campilli
Secretary.

C: CDA Stoneridge Utilities, LLD.
Panhandle Health

Mr. Joe Lecke
Idaho Public Utilities Commission
P. O. Box 83720
Boise, Idaho 83720-0074

2/9/05

#6

Dear Mr. Lecke:

It has recently come to our attention that in the merger of Happy Valley Ranchos Water, Blanchard, Idaho, into Stoneridge Utilities, that it is necessary for Stoneridge to drill another well. Our concern in this matter is, to the best of our understanding, that the HVR users will be assessed, roughly an additional \$2.00 per month for the 20 year life of the loan to Stoneridge, to pay for the well.

In all negotiations and correspondence going into this merger, and in our justification to HVR water users, it was established that one of the major benefits that made this merger attractive to HVR was the fact that Stoneridge presented having 2 wells. These would provide adequate capacity to supply the HVR users and backup to insure uninterrupted service. This was a primary factor in our decision making process to merge with Stoneridge. HVR had only one well and we were facing the need of another well to have backup capacity.

Our understanding is, that Stoneridge attempted to re-establish the use of a second existing well and was unable to do so, thus requiring them to drill another well.

After numerous upward adjustments on the proposed expenses of the merger, all to be charged to HVR users, we feel that this is excessive and not a fair cost to be assessed. We had gone from an original estimate of \$27.00 per mo. charge to \$32.00 per mo. (incl's \$14.00 per mo. base) Now, with this additional \$2.00 per mo. we would be at \$34.00 per mo. With 87 HVR users, this would be an additional \$41,760.00 for the 240 mo. pay out. We do understand that existing Stoneridge customers would be assessed for this 2nd well since Stoneridge was already their supplier.

Our request is that you review the attached documents that clearly indicate that we were negotiating in good faith on the established fact that Stoneridge had 2 wells at the time of our agreement.

Also, that the performance of those wells would be Stoneridge's responsibility through this time of merging our systems and into the future, at least for a reasonable period of time.

There was considerable discussion among HVR users because we were not asking for any concessions for the value of the existing HVR water system. We had not asked based on the fact that we were faced with the expense of putting in another well and the quality of our water was not as good as the water that Stoneridge would be able to provide. Again, as stated, our understanding throughout this entire matter was that Stoneridge had 2 existing wells. Thus, we are requesting that this additional assessment to HVR users to establish a second operating well, be denied.

We thank you for your consideration of our concerns in this matter. Please advise at your earliest convenience.

Happy Valley Ranchos Water, Inc.


Steve Hites,
President

Enclosures

Cc: John Tindall, DEQ
HVR Board Members

Date ?

Author
I. Stinson
Sewell Eng

Stoneridge/HVR Well #2

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CDS Stoneridge Utilities is proposing that the loan from DEQ for interconnecting the drinking water systems of Happy Valley Ranchos (HVR) and Stoneridge be increased to cover additional costs for improving the reliability of the combined system. The previous loan amount (approved 6/23/04) was \$359,297 and the estimated revised cost for completing the same scope of work previously approved is now \$428,500. The majority of the cost increase is for constructing a new well to replace Well #2. In the June 2004 budget, the plan was to rehabilitate the existing well so that it could continue providing 600 gpm. After investigating this alternative thoroughly, it was found that the well could not be rehabilitated to provide an adequate supply. The new plan is to drill a new well that will provide enough flow to match what previously was provided by Well #2 (600 gpm).

#7

Background

The preliminary investigation of methods to rehabilitate Well #2 has been completed and various options studied. Originally, Well # 2 was capable of pumping 600 gpm at a TDH of 420 feet.

The line shaft pump in Well #2 has not worked correctly for many years. The motor would heat up quickly and could only be operated in the manual mode with a full time operator present. Phase 2 of this Stoneridge/HVR Project was to replace the pump, motor and starter panel. When the contractor tried to pull the pump with the derrick mounted on a pick frame, the pump became lodged and could not be removed. A large crane was brought in and the pump was successfully removed. A TV camera was brought in to determine why the pump became lodged in the well. The camera showed the water table at 91 feet down. At 108 feet down the remains of the original plastic screen were found wedged in the well, within the 10 inch casing.

The original well had been drilled to 144 feet with a plastic screen set between 144 and 124 feet, and the 10 inch casing had been pulled back to approximately 124 feet. Some time before the pump was set last time, the screen had been hooked and pulled up in the well. When the pump was last set in the well, the screen became lodged at the 108 foot level. The well has probably collapsed below the bottom of the casing at 124 feet.

The normal way to repair the well would be to advance a new 8-inch casing inside the existing 10-inch casing. In this manner, the well would be dug back to its original 144 feet depth. The well would be dug utilizing a new 8-inch casing inside the existing 10-inch casing. The casing would be advanced to the bottom of the well at 144 feet. Then a 20 foot long telescoping stainless well screen would be set at the bottom of the well and the 8 inch casing withdrawn to an elevation of about 124 feet. A submersible pump and motor would be set inside the well casing, with the pump intake just inside the bottom of the casing. The 8-inch diameter of the well casing limits the size of pump and motor that can be installed in the well. In the case of the 8-inch casing, the motor would need to be less than 7 inches in diameter. The maximum pump and motor that would meet these criteria would be a 60 horsepower motor coupled to a pump that would discharge 415 gpm at 420 feet of head.

This first option was rejected because it reduced the dependable system capacity below what is necessary to assure the customers of Stoneridge Utilities an uninterrupted supply of water. The May 8, 2003 engineering report contains calculations pertaining to the required capacity of the sources of supply to the water system. Appendix 7 of the report calculated that the Average Daily Demand (ADD) for the design of 710 Equivalent Residential Users (ERU) was 527 gpm. At that time the sum of all the pumping capacity of all sources less the capacity of the single largest source was 600 gpm. (The two sources were 600 and 800 gpm).

This calculation shows that the system could easily continue to provide the normal (average) amounts of water necessary to the residential customers with the largest well out of service. If the rated supply of water to the system to serve the normal demands is less than 527 gpm, then additional sources are going to need to be developed. This criteria is used because the ADD is the normal demand on the system which can be expected at all times. The loss of the use of a pumping source is to be expected at anytime, though hopefully it will not occur. The failure could be to any of the pumps, so to be conservative, it is assume to occur to the single largest pumping source. Such a failure is normal and should be planned for to limit the disruption of service to the water system customers.

A second option would be to install the screen similar to the first option above, then the 8-inch casing would be completely removed, and a packer (a device to seal between the 7.5-inch screen and 10-inch casing) would be advanced on the end of the drill rod and then screwed onto the new screen at a depth of 124 feet. Attaching the large packer to the screen is not guaranteed to work and could end up destroying the screen and not seal the well. If the method of developing the well were successful, then a larger pump and motor could be installed in the sell. With the larger well casing, the maximum size pump and motor would be capable of discharging 600 gpm at a TDH of 420 feet. This pumping rate is nearly equal to the hydraulic capacity of the new screen, thus maximizing the yield of the well.

The third alternative is to drill a new well in the same well field. The new well would be sized to produce as much as the other source well (800 gpm). This well would have a 16-inch casing, with a 125 horsepower submersible motor driving a pump capable of discharging 825 gpm at a TDH of 420 feet. The existing 10-inch well would be turned over to the golf course and at some future date Stoneridge could repair the well. The estimated 400 gpm from this rehabilitated well would meet about 80% of the average irrigation demand. If the golf course did not want the well, it could be abandoned at a cost of about \$5,000.

A fourth option is to use the existing Well No. 1, utilize the rehabilitated Well No. 2 (the 8-inch well option) and drill a third 8-inch well. The total pumping capacity of the three wells in Option 4 would be 1,630 gpm (Well No. 1 = 800 gpm, Well No.2 = 415 gpm, and Well No. 3 = 415 gpm) and the water supply available to supply the system with the single largest well out of commission would be 830 gpm, more than the 527 gpm required to provide for the normal usage of all the residential customers.

A fifth option is drilling a new 10" well to provide about 600 gpm. This would provide an adequate second source for most situations based on the recommendations in the May 2003 engineering report. There is a cost savings of \$ 27,000 over the cost of constructing a new 16-inch well and the supply should be adequate for the 20-year design.

The table below summarizes the various options and estimates the cost of each option:

Item	Units	Well # 2				Well # 1
		Rehab. Existing well	Rehab. Existing Well	New Well	New Well	
Casing Diameter	inches	8	10	10	16	12
Screen Length	feet	20	20	20	20	
Screen Diameter	inches	7.5	7.5	9.5	16	
Screen opening	inches	0.04	0.04	0.04	0.04	
Screen Capacity @0.1 fps	gpm/ft	26.97	26.97	34.16		
Screen capacity	gpm/20 ft	539	539	683	854	
Pump TDH	ft	420	420	420	420	420
Pump rating	gpm	415	600	600	825	800
Pump diameter	inches	6.5	7.5	7.5	9.8	
Pump Power	hp	60	75	75	125	125
Cost of well drilling		\$ 13,000	\$ 18,000	\$28,000	\$ 50,000	
Cost of pump		\$ 25,571	\$ 30,000	\$30,000	\$ 35,015	
Cost of structure, wiring		\$ 2,000	\$ 2,000	\$10,000	\$ 10,000	
Contingency						
Total Cost		\$ 40,571	\$ 50,000	\$68,000	\$ 95,015	

The first option reduces the capacity of the smallest well supplying the Stoneridge system, effectively reducing the system source from 600 gpm to 400 gpm. The second option preserves the current system capacity, but carries significant risks that it cannot be successfully completed and would incur considerable expense as well as still requiring that a new well be drilled. The third option would increase the system source supply from 600 gpm to 800 gpm. The fourth option would provide more capacity than required to serve the 20-year design population and the cost will be comparable to the cost for the new 16-inch well (Option 4).

It is recommended that Stoneridge proceed with the fifth option, the construction of a new 10" well and installation of an 600 gpm pump if the funds can be found to finance this cost. The next best option is to proceed with the first option. This would require the least money now, but would require that a third well be developed in the near future, or the capacity of the water system would be reduced by 33% and potentially causing the water system to restrict full delivery to all the current customers when the largest pump was out of service.

Revised Project Costs

The original HVR project as described in the May 8, 2003 report had an estimated budget cost of \$213,450. Construction is nearly completed on that project (Phase I) and the final budget is \$275,000. The Phase I improvements are to serve the HVR customers only. These increases are due to extra costs associated with Right of Way acquisition, exact location of the pipes, and increased lengths of some of the parts of the system.

During construction of Phase I, DEQ instructed Stoneridge Utilities to increase the reliability of the controls serving both the HVR portion of the system and the SU source pumps. The estimated cost of these changes is \$153,500. The Phase II work will increase the combined budgets of HVR and SU by 13%.

The Phase II work, as currently budgeted, includes repair of Well #2 and installation of automatic controls for cycling the pumps and sending alarms to the operator. The construction of the automatic controls has been completed and the exact cost is shown in the table below. The cost of completing the construction of the new well and pumping facility is itemized in the table below, as is the engineering and contingency allowance.

A comparison to the June 2004 budget is also provided.

	June 2004 Costs	October 2004 Costs
Phase I	\$268,097	\$275,000
Phase II		
Automatic Controls	\$38,000	\$46,455
Well No. 2 pump removal		\$4,840
New well construction		\$28,000
New 600 gpm pump		\$30,000
Pump house		\$10,000
Replacement of existing pump	\$26,000	
Contingency	\$9,600	\$9,600
Engineering original	\$17,600	\$17,600
Engineering additional		\$7,000
Total cost of Phase II	\$91,200	\$153,500
Total Cost for Ph. I & Ph. II	\$359,296	\$428,500
Life of Loan	20 years	20 years
Interest rate	2 %	2 %
Phase I Annual Payment	\$16,400	\$16,820
Phase II Annual Payment	\$5,580	\$9,390
Total Annual Payment	\$21,980	\$26,210

The IPUC in Order No. 29507 dated May 28, 2004, has recommended that the costs of the Phase II improvements should be born by all the users in the combined system. The cost of these improvements would be financed with an increase in the state loan that is financing the construction of the Stoneridge/Happy Valley Ranchos Water System Interconnection. This loan is by the State Revolving Fund (SRF) administered through the Idaho Department of Environmental Quality (IDEQ). The terms of the loan are 2% for 20 years. The annual repayment for this portion of the loan would be about \$9,500 per year.

The updated user costs for a typical customer using 6,000 gallons of water per month are estimated below. The rates are set by the IPUC and so it is not possible to say with assurance how the IPUC will allocate the costs to the various users classes. For this estimate, it is assumed that the Phase I costs are born by the HVR customers only through a surcharge on the base rate and Phase II costs are to be born by all the customers on the combined system. Assuming that the IPUC spreads the costs out uniformly among all the customers, the increase will be the same percentage for all customers; i.e. a Stoneridge homeowner would see a \$15.80 monthly charge increased to \$17.81 and a commercial account would see a \$5,000 monthly charge increased to \$5,636.

The original rates are from the May 8, 2003 report. The revised rates reflect the October 2004 budget amounts.

	Stoneridge Utility Customers		Happy Valley Ranchos Customers	
	original rate	revised rate	original rate	revised rate
Base Charge	14.00	14.00	14.00	14.00
Phase I costs	0.00	0.00	12.65	16.33
Phase II Costs	0.00	1.78	0.00	1.78
Overage @ \$0.30/1000	1.80	1.80	1.80	1.80
Phase I Costs	0.00	0.00	0.00	0.00
Phase II Costs	0.00	0.23	0.00	0.23
Total	\$15.80	\$17.81	\$28.45	\$34.14