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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF TROY HOFFMAN WATER CORPORATION FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE IN THE STATE OF IDAHO	**CASE NO. TRH-W-10-01** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Public Workshop, Notice of Modified Procedure, Notice of Scheduling and Notice of Telephonic Customer Hearing issued on October 21, 2010, submits the following comments.

BACKGROUND

On June 7, 2010, Troy Hoffman Water Corporation (Troy Hoffman; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to increase its rates and charges for water service. Troy Hoffman provides water service to 146 residential customers and 1 commercial customer in the City of Coeur d'Alene, Kootenai County, Idaho.

Troy Hoffman proposes a revenue increase of $34,262 (142%) for residential and commercial water customers. The Company has not had a rate increase for 14 years. Reference

Case No. TRH-W-95-01, Order Nos. 26545 and 28264. The Company states it is necessary to raise the rates due to increased operating expenses along with costs incurred from needed repairs and replacement of the main pump in 2009.

Troy Hoffman proposes the following increase in rates and charges:

	Current Rates	Proposed Rates
Residential	$5.50 per month plus $.60 per 1,000 gallons for all consumption in excess of 3,000 gallons per month	$13.31 per month plus $1.45 per 1,000 gallons for all consumption in excess of 3,000 gallons per month
Commercial	$7.50 per month plus $.60 per 1,000 gallons for all consumption in excess of 3,000 gallons per month	$18.15 per month plus $1.45 per 1,000 gallons for all consumption in excess of 3,000 gallons per month

Customers are billed for water service on a bi-monthly basis. Customer meters are read bimonthly during summer and are read in April for winter water usage (October to March).

Additional charges (and changes) proposed by the Company include: (1) changing the current $10 fee for Turn On Terminated Service to a Reconnection Charge of $20 during office hours (7-4 Monday thru Friday) and $40 after office hours; (2) imposing a Late Payment Fee of $10 for bills that are past due after 20 days of billing date; and (3) charging a Returned Check Fee of $20. The Company also proposes a change in the Department of Environmental Quality (DEQ) Public Drinking Water Fee from a one-time $5.00 customer charge to a $.42 per month assessment fee per customer.

On June 23, 2010, the Commission issued a Notice of Application in Case No. TRH-W-10-01 and suspended the Company's proposed July 1, 2010, effective date. On November 9, 2010, following its investigation of the Company's Application, Staff conducted a public workshop in Coeur d'Alene to discuss the Company's request for increased rates and charges.

STAFF ANALYSIS
Revenue Requirement

The Company requested an annual revenue increase of $34,261, or a 142% increase over the 2009 annual revenues of $24,152. As part of its Application, the Company provided financial information for a 2009 test year. Staff reviewed the Company's financial information and the supporting financial records and documentation during an onsite audit at the Company's offices. Based on its investigation and audit, Staff accepts the 2009 test year and is recommending an annual increase in revenue of $16,239 or 67.24%.

The revenue increase is the result of additional rate base added to the Company's plant in service in 2009, and the increase in operating expenses needed to operate the Company and provide water service to customers. The difference between the Company's request and Staff's recommendation is largely attributed to Staff's recommendation for lower depreciation expense and a lower level of Contract Services.

Rate Base

The last rate increase approved by the Commission for Troy Hoffman was by Order No. 26545 issued August 1, 1996 in Case No. TRH-W-95-01. The Company had not capitalized any repairs to the plant in service since the last rate case until it had major repairs to the well pump and motor, electrical service, and the well house. Those repairs were made in May, June and July of 2009. The total cost of the repairs was $40,795, with $32,915 allocated to the pump and motor and $7,880 allocated to the improvement to the well house. The detail on all the Company's plant in service is shown in Staff Comments Attachment 1.

Staff reviewed all the invoices representing all the materials and labor for the pump and motor repair. The total cost for this expenditure was $32,915. Independent contractors provided work and materials for the pump and motor in the amount of $24,450. The services and materials provided by these contractors were found by Staff to be reasonably priced and should be accepted into rate base.

The balance of the total expenditure in the amount of $8,465 was provided by All Service Electric, a company owned by Ron Stadley. Mr. Stadley is one of the two current owners of the Company and its President. Staff reviewed the invoice and underlying documentation from All Service Electric to insure that the affiliated services were reasonably priced. The service provided by All Service Electric included furnishing and installing new 200 amp 3-phase service meter upgrades, NEC required disconnects, soft start controls, electronic overloads, compressor/control wiring, and permits. Based in its review, Staff determined that the cost charged to the Company was fair and reasonable. Therefore, Staff included the total cost charged by All Service Electric of $8,465 as an increase in rate base.

The improvements to the well house were performed by Northstar Builders, a construction company owned and operated by Ken Murren, a partner with Ron Stadley in the ownership of the Company. The total cost of the charges for the materials and work provided by Northstar Builders was $7,880. Because these services were also provided by an affiliated company, Staff reviewed all supporting cost documentation to insure the services were competitively priced. After reviewing the documentation, and visually inspecting the improvements to the well house, Staff concluded that the charges were fair and reasonable, and included the total cost charged by Northstar Builders of $7,880 as an increase in rate base.

Staff and the Company agree that the original cost of all plant in service is $60,927. It appears the Company used the tax useful lives and annual depreciation expense from the taxes to determine the amount of accumulated depreciation and annual depreciation expense for this rate case. Staff revised the depreciation to reflect the straight line method of depreciation rather than tax depreciation to determine the accumulated depreciation and annual depreciation expense. Straight line depreciation is the method approved by the Commission for determining these amounts. Staff Comments Attachment 1 reflects the appropriate amount of accumulated depreciation of $9,841 and depreciation expense of $2,068 used to determine rates.

Staff Comments Attachment 2 shows how the net plant in service of $51,086 is calculated using the accumulated depreciation amount of $9,841 ($60,927 - $9,841). The Company's working capital is added to the net plant in service to determine the rate base. Staff determined the working capital requirement for the Company to be 1/8 of the annual operating expenses. This is a standard working capital ratio. For purposes of determining working capital in rate base, Staff used an annual operating expenses of $31,891. One-eighth (1/8) of $31,891 is $3,986. This amount is added to the net plant in service to calculate the Company's rate base of $55,072. Staff will discuss its calculation of the annual operating expenses below.

Annual Revenue

The Company stated its annual revenue in the amount of $24,152 for the 2009 test year. Staff reviewed the Company's billing system and bank deposits to determine if all the earned revenue is included in this amount. The Company's billing system appears to account for all the revenues generated by the delivery of water to the customers. An audit of the Company's bank statements showed that all of the revenue received by the Company from its customers was deposited into the Company's bank account. The total deposits for the test year equaled

$24,152; therefore Staff did not make any adjustments to the test year revenues. The Company has very little delinquent payments, and no bad debt.

Annual Operating Expenses

The Company claimed annual operating expenses in the amount of $40,324 (Company Exhibit 2, Schedule B). Staff audited the Company's financial records for the 2009 test year to determine if this is a reasonable level of annual operating expense. The Company changed ownership from Bentwood Park LLC to Dalton Square LLC on April 1, 2009. This transfer of ownership was approved by the Commission on January 29, 2010 by Order No. 30992 in Case No. TRH-W-09-01. Since the test year included expenses incurred by the Company under previous ownership and also under the current owner, Staff's audit identified those expenses that may differ under the new ownership and then established expected annual expenses for the test year.

Based upon the Company's financial records and its operation, Staff determined that the annual operating expense should be $31,891. See Staff Comments Attachment 3. Staff is recommending adjustments to the Company's reported operating expenses. Staff's explanation of each of the operating expenses adjustments is discussed individually below.

<u>Labor – Operations & Maintenance</u>: The Company has retained Ron Stadley (All Service Electric) as the water master and system operator since 1995. Mr. Stadley has been paid the sum of $825 per month for his service for the past three years. Because this amount was previously paid by the Company under third party ownership, Staff recommends that this amount continue to be paid to Mr. Stadley even though he is the current owner. He will continue to provide the same service in the capacity of water master and system operator. Staff has checked with other third party water operators in the Coeur d'Alene, Idaho area, and this amount does not exceed what an independent water operator would charge for a water system of this size. Therefore, Staff recommends that this amount continue at the rate of $825 per month, or $9,900 annually.

<u>Salaries – Officers & Directors</u>: The Company requested the annual amount of $8,000 to manage the Company. Staff reviewed the amounts paid to the owner for management services in previous years and found they had received $6,000 in 2009. Staff

recommends that this amount remain the same. This allocates the sum of $500 per month, which Staff believes is a reasonable amount of compensation for this function.

Purchased Power: The Company purchases its power from Avista Utilities. This expense is variable and dependent upon the amount of water customers' demand from the system. The 2009 test year did not appear to be an unusual year for water demand. While the Company requested the amount of $6,400, the total expended in 2009 for power was $6,155, and the rates have increased since 2009. Staff evaluated power cost increases that have been approved since the test year and determined that the amount requested by the Company represents a reasonable estimation of current power costs. Therefore, Staff has included the amount of $6,400 as the power expense in determining annual operating expenses.

Materials & Supplies – Operations: The Company requested $3,600 for annual materials and supplies. However, Staff was only able to find expenditures in the amount of $600 in this category of expense that would be ongoing and annually reoccurring. There was a purchase from Consolidated Supply in the amount of $522 and a purchase from TAK Technology, Inc. for $79. Both of these expenses were for materials used in the repair of the water system. Staff could not find any other expenditures for materials or supplies that should have been in this account. Therefore, Staff reduced the request amount by $3,000.

Materials & Supplies – General and Administrative: These expenses include the cost to operate the Company's office and send out the bills. The Company requested $689 for these annual expenses. This amount agrees with the amount the Company expended in the test year, and Staff agrees that this amount should be included in the revenue requirement.

Contract Services – Office & Accounting: The employees of All Service Electric, Mr. Stadley's company, provides all the office, bookkeeping services, billing, and record keeping for the Company. Since the change of ownership, the Company has been paying the monthly sum of $300 for these services. Staff believes this amount is consistent with what would have been charged to the Company by an independent service provider. Staff reviewed the Company's history of payment for these services and found that it had paid $300 per month to an independent service provider in 2004 and 2005. The Company did not include any amount for this expense; however, the Company has been making this payment since July 2009. Therefore, Staff increased annual operating expenses by $3,600.

The Company additionally has meter reading expense that also was not included. Staff has included $400 for the annual cost for meter reading expense. Because the Company only reads meters four times a year, this represents a cost of $100 per meter reading.

Contract Services – Professional: The Company requested $7,650 as the annual amount for Professional Services. This would include legal, accounting, engineering, or business planning services. Although the Company had expenses that total $7,650 in the test year, the Company reported that the $6,250 was for services that related to the purchase of the Company and the filing for the change of ownership with the IPUC. Those expenses are not of a reoccurring nature and Staff has therefore removed $6,250. Staff did accept $1,400 as a reoccurring cost for accounting services to prepare the Company's taxes and the IPUC Annual Report.

Contract Services – Water Testing: The Company is required to test the purity of the water according to a 9-year testing cycle required by DEQ. Because some tests are not required every year, but are required in the 9-year cycle, the cost for testing must be normalized to reflect on an annual basis what the total cost of the testing would be over 9 years. The annual water testing cost is calculated to be $475.

Rentals – Property & Equipment: The Company requested $2,400 for rental expenses for equipment. Staff reviewed the specific expenditures during the test year and it appears that this is a reasonable reoccurring expenditure and no Staff adjustment is proposed.

Transportation Expense: The Company requested $500 for transportation expense. Staff was unable to find any ongoing reoccurring expense that would justify this amount being included in rates and therefore excluded the entire amount.

Insurance: The Company claimed insurance expense of $35. Staff reviewed the premium page of the insurance policy and could only find insurance premiums for the Company in the amount of $27. Therefore, Staff removed $8 from the Company's request.

Miscellaneous Expenses: The Company requested $400 to pay for miscellaneous expenses. Staff could not find any expenditures by the Company that would justify this request. Therefore Staff removed $400 from the Company's request.

Staff's recommended annual operating expenses is $31,891. This is $8,433 less than the total requested by the Company.

Income Statement

Staff has prepared Staff Comments Attachment 4 as the annual income statement for the Company that includes the Company's request and Staff's recommended adjustments. This statement includes additional Company expenses that are not included in the operating expenses totn7al. These additional expenses are depreciation expense, Idaho Public Utilities fee, property taxes, DEQ fee, and state and federal income taxes. Staff found no reason to adjust any of the expenses reported by the Company except for depreciation expense. Staff discussed this difference in the Rate Base section of these comments. Based upon the financial information discussed above, Staff determined that the Company has an annual net loss of $10,792.

Rate of Return on Rate Base

The Company is entitled to earn a reasonable return on its rate base. If a utility has no debt, then the rate of return is determined on the basis that all the utility's capital is attributable to its equity. The Commission in several recent small water cases has allowed a 12% rate of return on the utility's equity. Bar Circle S Water Company in Case No. BCS-W-09-02, Order No. 30970; Stoneridge Water Company in Case No. SWS-W-06-01, Order No. 30342; Falls Water Company in Case No. FLS-W-05-01, Order No. 30027; Capitol Water Company in Case No. CAP-W-06-01, Order No. 30198; Spirit Lake East in Case No. SPL-W-06-01, Order No. 30279.

However, if the utility has debt, then the interest rate on the debt factors into the overall allowed rate of return. The Company had to borrow money to complete the necessary improvements to the pump, motor and well house. It incurred a loan from Ken Murren and the loan has a current balance of $37,345. This loan accrues interest at the rate of 7.50% and results in the annual interest expense of $2,800.

Because the Company has debt, the overall allowed rate of return on the rate base must be weighted to reflect the authorized return on equity and the interest rate paid on debt. Staff Comments Attachment 5 shows the recommended overall rate of return of 8.8%. This recommended return is the sum of the equity return (3.4%) and the Company's debt (5.4%).

Staff calculated the revenues associated with the return on its rate base in the amount of $4,846 ($55,072 x 8.8%). Of this revenue, $2,800 reflects interest on the debt that is a deduction for tax purposes. The remaining $2,046 is subject to taxes on both a federal and state level. The process of increasing the revenue requirement for tax effects is called "grossing-up." Staff has prepared the tax grossing-up factor on page 2 of Staff Comments Attachment 6. The net to gross multiplier calculation of 28.09% is the percentage that must be applied to the $2,046 to determine taxes of $575 that must be collected in rates to allow the Company an opportunity to earn the overall 8.8% rate of return.

Calculation of Revenue Requirement

Staff has calculated the additional revenue the Company should be entitled to collect in rates in Staff Comments Attachment 6. The total revenue requirement is the combination of the net loss of $10,792, the return on rate base of $4,956, the additional fee owed to the IPUC for the additional revenue collected in the amount of $26, and the tax gross up amount of $575 for a total of $16,239. When this amount is added to the current revenues of $24,152 the total revenue requirement that should be collected in customer rates is $40,391. This represents a 67.24% increase to the current rates.

ENGINEERING AND RATE DESIGN

System Condition

As part of the evaluation process, Staff conducted a field tour of the water system on September 1, 2010, accompanied by Ron Stadley, owner of Troy Hoffman Water Corporation. The tour involved inspecting the various components of the water supply and distribution system focusing on project components that were recently completed including the newly refurbished main pump and the production flow meter at the well.

The Troy Hoffman Water system is currently supplied by a single well drilled in the early 1960's to a depth of approximately 250 feet. The well was cased with 30-inch steel up to 203 feet and additional 45 feet of 32-inch perforated steed at the bottom. No pump test data is available. There are two pumps installed in the well. Pump No. 1 was originally a 30-hp vertical turbine pump with a rated pumping capacity of 300 gpm. However, when this vertical turbine pump burned out in the summer of 2009, the Company replaced it with a submersible pump with similar performance characteristics and the same horsepower motor rating. Pump No. 2 is a 20-hp submersible pump with a rated pumping capacity of 190 gpm. Pump No. 1 serves as the primary pump. The total capacity of the pumping system is 490 gpm. A totalizing and instantaneous flow meter was also installed at the common discharge line of the two pumps in the well in 2009 when the Company replaced Pump No. 1 in 2009. During the visit, the operating pressure at the discharge line before the flow meter was between 52 to 75 psi. There are no variable speed drives installed in the system to control lower flow demands. However, the Company installed a soft starter for the newly replaced Pump No. 1 in 2009 to reduce pressure surges or "water hammer effect" on the system. The water facility is also equipped with two hydro-pneumatic tanks, with 4,000 and 3,000-gallon capacity, to supply water during low demand and reduce frequent pump cycling.

There are some fire hydrants installed in the system but they are no longer used by the Fire District. The Company is using them for flushing the lines. There are also flush hydrants installed at the end of the distribution lines to flush the lines.

The distribution system is supplied from the well facility through an 8-inch transmission main. It then loops and branches into a 6-inch or 4-inch pipes. Most of the transmission and distribution lines are asbestos cement pipes. There are a total of 147 customers served by the water system; 146 residential and one commercial. Almost all residential customers are served with ¾-inch meters with the exception of three customers served with 1-inch meters. The lone commercial customer has a 1-inch service meter. The capacity of the water system appears adequate to serve the existing customers of Troy Hoffman.

During the public workshop conducted by Staff, no comments were received from Troy Hoffman customers concerning issues of adequacy and reliability of water service. Nor were such issues identified by customers who provided written comments.

Rate Design

The Company is proposing to increase its water rates as follows:

- **<u>Residential Customers</u>** – increase residential rates from $5.50 per month plus $0.60 per 1,000 gallons for all consumption in excess of 3,000 gallons per month to $ 13.31 per month plus $1.45 per 1,000 gallons for all consumption in excess of 3,000 gallons per month.
- **<u>Commercial Customers</u>** – increase commercial rates from $7.50 per month plus $0.60 per 1,000 gallons for all consumption in excess of 3,000 gallons per month to $ 18.15 per month plus $1.45 per 1,000 gallons for all consumption in excess of 3,000 gallons per month.

As noted above, the Company proposes to maintain the same rate structure by imposing a minimum customer charge with a volume allowance of 3,000 gallons and a commodity charge for both the residential and commercial customers.

Staff does not oppose the Company proposal to maintain a rate structure consisting of a minimum customer charge with volume allowance, and a commodity charge. Staff believes that this rate design is still appropriate for the Company for the following reasons. First, the total number and type of customers have not changed significantly since the rate was set by the Commission in 1996 (144 customers in 1996 and 147 in 2009). Second, there is not much variability of the sizes of service meters for various customers. The Company indicated that out of 146 residential customers, 143 have 3/4-inch service meters (98%) and 3 customers have 1-inch meter. Staff Production Request No. 2. Third, this rate design is simple, easy to implement and understand. Finally, the current rate structure is a common rate design for small metered water utilities regulated by the Commission.

In response to Staff Production Request No. 9, the Company indicated that its rationale in maintaining the 3,000-gallon minimum charge volume allowance was that this figure was used in the past and that the Company simply has not thought to do it differently. However, the Company concedes it is open to suggestions. Response to Request No. 9. The Company further states "We are using the same rate structure for this application but would like input from the IPUC on modifying the rate structure if there is one that would be a better fit for our water system. Company Work Papers, page 2. Staff believes that the minimum charge volume allowance of 3,000 gallons is low compared to other small water systems regulated by the Commission.

Staff conducted an analysis to determine the appropriate level of volume allowance for the various types of customers. The Company provided Staff with four years of water use data from 2007 to 2010 (partial data). Monthly readings, however, were not available although the total volume of water sold was recorded every 6 months during the winter season and every two months during other times of the year. Using the total amount of water sold during the winter period (6 months usage from November to April) in 2006-07, 2007-08, 2008-09 and 2009-10, the average monthly winter usage was calculated by dividing the total volume of water sold by the number of months between the readings and the number of customers. The average winter usage for four years per residential customer was 5,455 gallons per month (146 residential customers). See Staff Comments Attachment 7 for detailed calculations. This methodology for establishing the appropriate minimum customer charge volume allowance is consistent with the method used by Staff in recent general rate cases for small water utilities such as Case No. BCS-W-09-02 and Case No. FLS-W-09-01. Also, in Commission Order 30455 (Case No. DIA-W-07-01) the Commission addressed the monthly volume allowance issue and states:

> ...Some customers recommended increasing the monthly allowance of water to as much as 10,000 gallons per month, others recommended reducing it to as little as 0. Staff reasoning in lowering the base monthly amount of water allowance is appealing; however, we believe the reduction from 7,500 to 4,000 per month goes too far. Instead, we find that the monthly allowance should be 5,500 gallons **which coincides with the average winter usage which can be considered "minimum**." (Emphasis added.)

The average winter usage for one commercial customer for the same period is 5,292 gallons per month. Staff believes that the average winter usage for residential and commercial customers is not significant enough to warrant different volume allowance for each customer class. Therefore, Staff recommends a minimum customer charge volume allowance of 5,000 gallons per month for all types of customers. Meters are not read for 6 months during the winter season when they are not accessible but the Company bills the customers with the minimum customer charge during the regular billing period. When meters are read in April, any gallon overage is computed and assessed at that time.

During the field investigation conducted by Staff on September 1, 2010, it was found that there are 12 duplex residential units served by the Company. These duplexes are considered by the Company to be single family residential customers. Staff agrees that these duplex customers should be billed as individual residential customers because they are also served by ¾-inch service lines and meters. In addition, the annual average monthly usage of the duplex customers

(17,775 gallons) is comparable to the annual average monthly usage during the year of the single family residential customers (15,015 gallons). Staff Comments Attachment 8 presents the 3-year monthly average volume of water sold and the monthly annual average for residential customers.

Staff supports the Company's proposal to have a rate design with a different minimum customer charge for commercial and residential customers for the following reasons: a) the commercial customer has a larger service line and meter (1-inch) compared to the residential customers (3/4-inch); b) the Company maintains a 500 foot 4-inch distribution line solely serving the commercial customer which would generally require more annual operating and maintenance costs; and c) the average annual monthly usage of the commercial customer is 45,509 gallons per month or about three times the average annual monthly usage of the residential customer (15,015 gallons per month).

As indicated previously, Staff's adjusted test year annual revenue requirement for the Company is $40,391. Using this adjusted revenue requirement and the recommended rate design discussed above, Staff recommends a minimum customer charge of $11.52 with a volume allowance of 5,000 gallons and a commodity charge of $1.05 per 1,000 gallons for water usage above 5,000 gallons for residential customers. Likewise, Staff recommends a minimum customer charge of $15.50 with a volume allowance of 5,000 gallons and a commodity charge of $1.05 per 1,000 gallons for water usage above 5,000 for commercial customers. A comparison of rates, rate design and rate spread for existing Company and Staff's proposals are shown in the summary table below.

TYPE OF CUSTOMERS	EXISTING RATES	COMPANY PROPOSAL	STAFF PROPOSAL
Residential			
Min. Customer Charge	$5.50	$13.31	$11.52
Volume Allowance	3,000 gallons	3,000 gallons	5,000 gallons
Commodity Charge	$0.60 per 1,000 gals	$1.45 per 1,000 gals	$1.05 per 1,000 gals
Commercial			
Min. Customer Charge	$7.50	$18.15	$15.50
Volume Allowance	3,000 gallons	3,000 gallons	5,000 gallons
Commodity Charge	$0.60 per 1,000 gals	$1.45 per 1,000 gals	$1.05 per 1,000 gals

To assure that the Staff's rate design meets the recommended revenue requirement, Staff developed a rate proof sheet as presented in Staff Comments Attachment 9. The total revenue for the commodity charge was calculated using a normalized 3-year average (2007, 2008 and 2009) annual excess volume usage of 19,080,000 gallons (18,596,000 gallons for residential +

484,000 gallons for commercial). The normalized excess volume was calculated by analyzing individual water usage for each customer per billing period. The total calculated revenue is $40,403, or about $12 over Staff's recommended revenue requirement. Staff believes that this rate design is reasonable and appropriate for Troy Hoffman. The total revenue contributed by minimum customer charge is 50% and the revenue contributed by the commodity charge is 50%. With the current rates, approximately 46% is contributed by the minimum customer charge and 54% by the commodity charge. Staff believes that the change in percent contribution of the minimum customer charge from 46% to 50% is warranted to bring more balanced revenue collections throughout the billing period. In addition, Staff generally establishes revenue derived from the base rate and commodity rate based on the percentage of fixed and variable expenses targeting a 50/50 split. In the case of Troy Hoffman, the amount of current operation expenses are approximately 65.7% fixed and 34.3% variable costs. The Commission has allowed a small water utility to recover as high as 72% of its revenue from the minimum customer charge. Order No. 30027, Case No. FLS-W-05-01.

Based on Staff's proposed rate structure, the average monthly bill for a residential customer with an annual average monthly water usage of 15,015 gallons is $22.04, an increase of $9.33 or 73% from current rates. The last rate case for Troy Hoffman Water setting the monthly rate of $5.50 per month plus $0.60 per 1,000 gallons for residential customer consumption was approved by the Commission in 1996 (Commission Order No. 26545). The total increase of 73% in this case is equivalent to an annual increase of 5.28% since the last increase. The rate impacts for residential customers with different monthly water usage are presented in Staff Comments Attachment 10.

For comparison, Staff reviewed and calculated the residential monthly billing costs using the current tariffs for regulated small water companies operating in northern Idaho. Using an average consumption of 15,015 gallons, Staff found that the $22.04 average monthly bill for residential customers of Troy Hoffman under the Staff's proposed rate design compares favorably with monthly average billings of various other small water companies, ranging from $17.63 to $54.05 per month. See Staff Comments Attachment 11.

Other Water System Operational Issues

Water Production, Consumption and Losses

The Company indicated that a production flow meter capable of reading volumetric and instantaneous flows was installed in the summer of 2009. Staff requested that the Company provide records of monthly water production data from the time the flow meter was installed to June 30, 2010. In response to Staff Production Request No. 6, the Company provided the water production data and volume of water sold to all customers. Using this limited water production data, Staff attempted to calculate the unaccounted water. However, the analysis showed that the total volume of water pumped was less than the total volume of water sold. See Staff Comments Attachment 10. The reasons for this inaccuracy could be a faulty production flow meter, faulty customer service meters, different dates of reading the production meter and the service meters, or error in meter readings. Staff recommends that the Company identify and correct the problems in order to make an accurate assessment of water pumped and water sold.

Water Quality

As part of its review of the water system, Staff also looked at the water quality issues to assure that the Company can adequately and reliably provide safe drinking water to customers. A Sanitary Survey was conducted by IDEQ on December 10, 2004 on the Company's water system. A Sanitary Survey is an onsite review of the water source, facilities, equipment, operation and maintenance to assure a public water system provides an adequate source of water supply, and is distributing safe drinking water. Based on the results of the IDEQ's 2004 Sanitary Survey the Troy Hoffman Water system was generally in compliance with the Idaho Rules for Public Drinking Water Systems (IRPDWS). One deficiency that needed to be corrected was the installation of a water production flow meter at the well. While a flow meter was installed in June 2009, the accuracy of this meter is in question.

Water Rights

Staff previously reviewed the Company's water rights in 2009 when Troy Hoffman Water was sold by Benton Park, LLC to Dalton Square, LLC, the current Company owner (Case No. TRH-W-09-01). According to the Idaho Department of Water Resources (IDWR), Northern Region, Troy Hoffman has two valid water rights licenses. The Company did not change its name during the sale but Staff recommended that the Company notify IDWR about the change of business address. Staff also recommended that the Company file the notice of water rights claims as part of the adjudication process starts to assure protection of the Company's water rights. Staff notes that adjudication claims for the Company's water rights have been appropriately filed.

CUSTOMER NOTICES AND PRESS RELEASES

The Company's Application included a copy of the customer notice and the press release as required under Rule 125 of the Utility Customer Relations Rules (UCRR). The Company mailed its customers a copy of the customer notice on June 30, 2010. The press release was published in the Coeur d'Alene Press on June 11, 2010.

The Commission sent a Notice of Public Workshop on Thursday October 21, 2010, to all the parties of record and interested parties in the case. The Commission issued a Press Release regarding the public workshop on Thursday, October 28, 2010. The workshop was held in Coeur d'Alene on Tuesday, November 9, 2010. There were six (6) attendees.

CUSTOMER RELATIONS

As of November 9, 2010, the Commission has received thirteen (13) written comments from customers regarding this case as of November 22, 2010. Since June 1, 2007, the Commission has received two (2) informal complaints/inquiries. An inquiry was received regarding the Commission's regulatory authority. An informal complaint was received in regards to system pressure at a customer's address, which the Company immediately checked and found to be within DEQ limits

NON-RECURRING CHARGES

The Company is asking for an increase in the reconnection charge from $10.00 to $20.00, and three new charges: (1) a $40.00 after-hours reconnection charge, (2) a $10.00 late payment charge and (3) a $20.00 returned check charge, as more particularly described below.

Reconnection Charges

The Company proposes to increase its charge for reconnections from $10.00 to $20.00. The Company is asking that the charge be applied to reconnections performed following an involuntary disconnection of service for non-payment when requested during normal business hours. The Company's request is reasonable and consistent with charges authorized by the Commission for other regulated utilities. Although the Company's normal business hours are 7:00 am to 4:00 pm, it has agreed that customers requesting reconnection between 8:00 am and 5:00 pm, Monday through Friday, except legal holidays as defined by the State of Idaho, will be charged $20. Staff recommends approval of this charge.

The Company also proposes a new $40.00 reconnection charge for reconnections following an involuntary disconnection of service for non-payment to be applied when the reconnection is requested outside of normal business hours. The $40.00 charge is within the range of charges previously approved by the Commission for other regulated utilities under similar circumstances, when the Company must dispatch personnel outside of business hours. Staff recommends approval of a $40.00 charge for reconnection due to involuntary disconnection for nonpayment when requested at times other than those hours discussed above.

Late Payment Charge

The Company has requested a late payment charge of $10.00 applicable to the balance remaining after the due date, which the Company currently sets at twenty days after the billing date. The Company has provided no justification for the amount of the charge. The Staff audit of the Company's financial records indicates that late payments are not a significant problem, and the Company makes no allowance for Bad Debt Expense in its application. While Staff recognizes that a late payment charge is appropriate to reduce the costs incurred in the collection of past due debt and improves cash flow, Staff objects to a flat charge of $10.00 for late payments, when it is applied regardless of the past due amount or how long the payment has been past due.

The Company reads meters only four (4) times a year and sends billing statements on a bimonthly basis. During the billing periods when meters have not been read the customer is billed the minimum monthly billing charge. Because the Company does not send monthly billing statements, consideration must be given to the timing of the application of a late payment charge. Applying a late charge of one percent (1%) per month, as allowed in other cases, calculated and billed at the time the next bimonthly billing statement is created, would show a two percent (2%) late payment charge. In order to avoid the accumulation of late payment charges over the two month period between billing statements, the Company could send a reminder notice to past due accounts between billing statements, which would increase the cost of collections. Staff instead recommends a one percent (1%) late payment charge to be applied to the unpaid balance at the time of the bimonthly billing statement.

Returned Check Charges

In its Application, the Company proposes to implement a charge of $20.00 that applies when a customer's check or bank draft is returned by the bank for an appropriate reason, including non-sufficient funds. Staff recognizes that a returned check charge is appropriate to discourage customers from paying with bad checks and allows partial recovery of the costs incurred in the collections process. The proposed $20.00 charge is consistent with what other companies charge and meets statutory requirements. Staff recommends approval of the $20.00 returned check charge.

COMPANY DOCUMENTATION

Company Tariff

The three sections of a small water utility Tariff – the Commission approved rate schedules, the General Rules and Regulations for Small Water Utilities and the Uniform Main Extension Rules – describe the relationship between the customers and the Company and establish the basic rules for providing service.

The Company's application included a proposed Tariff based on the Model Tariff for small water utilities implemented by the Commission in 2008. The Company Tariff included a copy of Uniform Main Extension Rules based on Commission Order 7830 (Case No. U-1500-22) as an appendix to the Tariff. As part of the General Rules and Regulations section of the Tariff, under Section 14 - Special Provisions and Amendments, the Company included its Cross Connection Control – Backflow Prevention Control Program. This program is a requirement of the Idaho Department of Environmental Quality and is included as a supplement to the General Rules and Regulations. Although this program is mandated by another state agency and addresses issues outside of the Commission's jurisdiction, Staff believes that the inclusion of the program details is appropriate to create a comprehensive document for the Company. Staff recommends inclusion of the Cross Connection Control program in the Company's Tariff.

Rate Schedules

Under Rate Schedule 2 – Other Recurring and Non-Recurring Charges, the Company lists a single recurring charge, the Department Of Environmental Quality Fee, and several non-recurring charges. The Company requested a DEQ fee of $.042 per month per customer to be collected to cover the annual assessment. The DEQ fee is an annual fee subject to change by DEQ, and not subject to IPUC approval. For this reason Staff has included an allowance for the total assessment in the revenue requirements for the Company. Staff recommends that the Company remove the DEQ fee from the list of recurring charges, and rename Rate Schedule 2 as Non-Recurring Charges.

Rate Schedule 2 also includes a charge labeled as a Turn On of existing service – New Owner. This charge is variously identified by other utilities as an Account Initiation charge or a Service Establishment Charge. The charge allows the Company to recover a portion of the costs incurred in establishing an account, including generating new account billing records, and turning the service on if it is currently shut off. The charge is applicable to new customers at a service address where service connections already exist. The Company has stated in response to Production Requests that it does not typically turn water service off at an address when a customer closes their account so the cost is minimal. However, Staff recognizes that there are costs associated with setting up a new account and recommends that the Company re-label this charge to more appropriately reflect the actions involved.

Staff is willing to assist the Company in completing these and other formatting changes to ensure that the Company Tariff meets the requirements of the Commission.

Billing

The Commission's requirements for billing documentation are contained in Rule 201 of the Utilities Customer Relations Rules (UCRR), which states that bills shall be issued on a regular basis, and describes the content requirements for the bills. The Company's Rate Schedules are set at a monthly rate and the Company sends bi-monthly billing statements.

Billing statements provided by the Company indicate that it bills customers the end of February, April, June, August, October and December. The Company has stated in response to Production Requests that the customer's meters are read at the end of the month just prior to the billing statement. Production and usage records provided by the Company indicate the Company does not read the meters in December or February. This practice of not reading meters is because of the limited accessibility to meters due to accumulated snow. On statements for billing periods when there are no readings the Company bills the customer the minimum charge for the billing period. After the April readings, the Company aggregates the 3,000 gallon monthly allowance for the six (6) months, (3,000 gallons x 6 = 18,000 gallons), and the customer is billed for usage exceeding 18,000 gallons. Average customer usage is lowest in the winter months because it is typically for culinary purposes only, therefore the effects of aggregated billing on the customer's bill are minimal. Staff is aware of and agreeable to the practice.

Company billing statements do not identify the due date for the bill, but instead states that the bill is due in 20 days. The lack of a due date does not comply with the contents requirements as described in Rules 201, UCRR, and Staff recommends that the statements be revised to specify the due date as required under Rule 201 of the UCRR.

Termination Notification

The Company submitted copies of its Initial Notice of Intent to Terminate Service and its Final Water Shut-Off Notices. While the termination notices meet the requirements of Rule 305 of the UCRR, Staff recommends that the Company also include the Company office hours on the notices to assist customers in contacting the Company in the event of a disconnection for non-payment.

Annual Rules Summary

The Company states that it has not previously sent out an annual rules summary as required under Rule 701 of the UCRR. However in its response to Production Requests, the Company has indicated that it will send out summaries this year. The copy of the summary submitted along with its responses is based on the Commission sample. Staff recommends that the Company generate an annual rules summary and mail it on an annual basis.

Complaint Records

The Company has forwarded copies of three incident reports dating back to May 2009. The incident reports clearly identify customers account and describe both problem and resolution of problem. Included in the incident reports is a report that was completed as a Company record of an informal complaint. Commission records indicate that two customers have contacted the Commission over the past three years. Staff commends the Company for its complaint record system. The system as evidenced by the incidence reports meets the requirements of Rule 401 of the UCRR.

RECOMMENDATIONS

1. Staff recommends that the use of a 2009 test year be approved.
2. Staff recommends that a 12% return on equity and an overall rate of return on rate base of 8.8% be approved.
3. Staff recommends that a rate base of $55,072 be approved.
4. Staff recommends that an annual revenue requirement of $40,391 or an increase of 67.24% be approved.
5. Staff recommends that the volume allowance for minimum customer charge be changed from 3,000 gallons to 5,000 gallons for both the residential and commercial customers.
6. Staff recommends that the rate design proposed by the Staff with minimum customer charge with specific volume allowance as discussed in Recommendation No. 5 and single rate commodity charge for residential and commercial customers be approved.
7. Staff recommends that the Company make an accurate assessment of water pumped and water sold. To accomplish this task, Staff recommends that the Company be directed to: a) investigate the placement and test accuracy of the newly installed production flow meter, and b) randomly test the accuracy of at least 10% of the customer service meters. Staff further recommends that the Company complete these tasks within one year of the final order in this case.
8. Staff recommends that the Company review and update all notices, bills and other documents to be consistent with Commission's Rules and Regulations, including the Company Tariff with all Schedules, General Rules and Regulations and Main Line Extension Rules, monthly billing statements, initial notice of termination, final notice of termination, and annual rules summary.
9. Staff recommends that the Company send out an annual rules summary.
10. Staff recommends that the Company revise its normal business hours.
11. Staff recommends a Reconnection Charge of $20.00 to be applied for reconnection requested from 8:00 am and 5:00 pm, Monday through Friday, excluding legal holidays.
12. Staff recommends a Reconnection Charge of $40.00 to be applied for reconnection requested at any other time.

13. Staff recommends a late payment charge of one percent (1%) per month of the unpaid balance at the time of the billing statement.

14. Staff recommends that the Company send out reminder notices on past due balances between billing cycles.

Respectfully submitted this 23rd day of November 2010.

Scott Woodbury
Deputy Attorney General

Technical Staff: Joe Leckie
Gerry Galinato
Chris Hecht

i:umisc:comments/trhw10.1swjlgdgcwh comments

Troy Hoffman Water Corp.

TRH-W-10-01

Plant in Service , Accumulated Dep., Annual Depreciation Expense

	(a) Property Description	(b) Date Placed in Service	(c) Cost	(d) Life	(e) Annual Depreciation	(f) Years in Service	(g) Accumlated Depreciation	(h) Undepreciated Balance
1	Land and Land Rights		$ 9,272	-	-		$ -	$ 9,272
2	Transmission and Distribution Mains	1977	$ 9,062	60	$ 151	33	$ 4,984	$ 4,078
							$ -	$ -
3	Transmission and Distribution Mains	1985	$ 436	60	$ 7	25	$ 182	$ 254
							$ -	$ -
4	Meters	1986	$ 1,362	35	$ 39	24	$ 934	$ 428
							$ -	$ -
5	Pump and Motor	2009	$ 32,915	20	$ 1,646	2	$ 3,292	$ 29,624
							$ -	$ -
6	Pump House	2009	$ 7,880	35	$ 225	2	$ 450	$ 7,430
7			$ 60,927		$ 2,068		$ 9,841	$ 51,086

Attachment 1
Case No. TRH-W-10-01
Staff Comments
11/23/10

Troy Hoffman Water Corporation

TRH-W-10-01

Calculation of Rate Base

		(a) Per Company Books	(b) Per Staff	
1	Plant in Service	$60,927	$	60,927
2	Abandonment Costs			
3	Accumulated Depreciation	16,688	$	9,841
4	Net Plant in Service	$44,239	$	51,086
5	Working Capital	5,041	$	3,986
6	Total Rate Base	49,280	$	55,072

Troy Hoffman Water Corp.

TRH-W-10-01 Rate Case

Schedule of Expenses with Normalized Adjustments

	(a)	(b)	(c)	(d)	(e)		(f)	(g)
	Expense		Company's Costs	Adj. #		Staff Adjustments Amount	Recommended Annual Expenses	Staff explanation of Expense
1	Labor - Operation & Maintenance	$	10,000	1	$	(100)	$ 9,900	12 x $825 this is amount previous
2	Labor - Customer Accounts	$	-					
3	Labor - Administrative & General	$	-					
4	Salaries - Officers & Directors	$	8,000	2	$	(2,000)	$ 6,000	Two owners are the officers: $500/month both
5	Employee Pensions & Benefits	$	-					
6	Purchased Water	$	-					
7	Purchased Power	$	6,400				$ 6,400	represents a 5% increase
8	Chemicals	$	-					No chemicals used
9	Materials & Supplies - Operations	$	3,600	3	$	(3,000)	$ 600	Test year expenses are only $600
10	Materials & Supplies - G&A	$	689				$ 689	Postage, copies, billing
11	Contract Services - Office & Accounting	$	-	4	$	4,000	$ 4,000	$300 / month for Anne + cost of meter reading $400
12	Contract Services - Professionals	$	7,650	5	$	(6,250)	$ 1,400	Tax prep for Accountant
13	Contract Services - Water Testing	$	650	6	$	(175)	$ 475	Based on average per 9 year schedule
14	Rentals - Property & Equipment	$	2,400				$ 2,400	Equipment rental
15	Transportation Expense	$	500	7	$	(500)		No history of expense
16	Insurance	$	35	8	$	(8)	$ 27	As per premium sheet
17	Advertising	$	-					
18	Rate Case Expense Amortized	$	-					
19	Bad Debt Expense	$	-					
20	Miscellaneous Expenses	$	400	9	$	(400)		No history of expense
21	Totals	$	40,324		$	(8,433)	$ 31,891	
22	Working Capital Requirement						$ 3,986	
23	(1/8 of annual operating expenses)							

Attachment 3
Case No. TRH-W-10-01
Staff Comments
11/23/10

Troy Hoffman Water Corporation

TRH-W-10-01

OPERATING RESULTS (INCOME STATEMENT)

		(a) Company Request	(b) Staff Changes	(c) Staff's Recommendations
1	Revenue	$ 24,152	$ -	$ 24,152
2	Operating Expenses	$ 40,324	$ (8,433)	$ 31,891
3	Depreciation Expense	$ 9,991	$ (7,923)	$ 2,068
4	Regulatory Fees (PUC)	$ 50		$ 50
5	Property Taxes	$ 180		$ 180
6	Payroll Taxes			
7	Other Taxes (list) DEQ Fees	$ 735		$ 735
8	Federal Income Taxes			
9	State Income Taxes	$ 20		$ 20
10	Total Expenses	$ 51,300	$ (16,356)	$ 34,944
11	Gains (Losses) from Disposition of Utility	$ -		$ -
12	Net Utility Operating Income	$ (27,148)		$ (10,792)
13	Net Non-Utility Income	$ -		$ -
14	Net Income	$ (27,148)		$ (10,792)

Troy Hoffman Water Corporation

TRH-W-10-01

Cost of Capital and Rate of Return

	(a)	(b) Amount	(c) % of Total Outstanding	(d) Cost of Capital	(e) Weighted Cost
1	Common Equity	$ 9,272			
2	Retained Earnings	$ 5,344			
3	Total Common Equity	$ 14,616	28%	12.0%	3.4%
4	Long-term Debt	$ 37,345	72%	7.5%	5.4%
5	Total Capital	$ 51,961	100.0%		
6	Weighted Cost of Capital (Rate of Return)				8.8%

Troy Hoffman Water Corporation

TRH-W-10-01

Calculation of Revenue Requirement

			Company		Staff's	
			(a)	(b)	(c)	(d)
1	Rate Base			$49,280		$ 55,072
2	Rate of Return			8.80%		8.80%
3	Revenue Requirement from Rate Base			$4,337		$ 4,846
	Portion of Return for Debt	($37,345 x 7.5%)			$ 2,800	
	Portion of Return for Equity (Balance)				$ 2,046	
4	Net Operating Income Realized			$ (28,659)		$ (10,792)
	Revenue Requirement Increase to					
6	Addition Gross Revenues			$28,659		$ 15,638
7	Incremental PUC Fees @	0.1662%		$48		$ 26
8	Gross Revenue Requirement to Overcome Loss			$28,707		$ 15,664
9	Subject to Income Tax (Equity Return Only)		$4,337		$ 2,046	
10	Tax Gross-up Factor		128.09%		28.09%	
	Required Revenue Tax Increase			$5,555		$ 575
12	Revenue Increase Required			$34,261		$ 16,239
13	Amortize Rate Case Expenses			$0		0
14	Total Revenue Increase Required			$34,261		$ 16,239
15	Total Revenue Collected in Test Year			$ 24,152		$ 24,152
16	Total Annual Revenue Requirement			$ 58,413		$ 40,391
17	Revenue Increase %			141.86%		67.24%

Tax Gross-up Factor Calculation

Gross-up Factor Calculation

Net Deficiency	100%
PUC Fees	0.1662%
Bad Debts	0.0000%
Taxable Amount	99.8338%
State Tax @ 8%	7.9867%
Federal Taxable	91.8471%
Federal Tax @ 15%	13.7771%
Net After Tax	78.0700%
Net to Gross Multiplier	128.09%

Troy Hoffman Water Corporation
Case No. TRH-W-10-01
Monthly Winter Water Usage for Residential and Commercial Customers

Average Monthly Winter Usage per Residential Customer

Winter Period	Total Water Sold in Winter (gallons)	Total Number of Customers	Total No. of Months of Winter Rdg.	Ave. Usage per Customer (gallons/mo.)
2006-07	4,640,000	145	6	5,333
2007-08	5,076,000	146	6	5,795
2008-09	4,698,000	146	6	5,363
2009-10	4,669,000	146	6	5,330
Average				5,455

Average Residential Monthly Winter Usage per Commercial Customer

Winter Period	Total Water Sold in Winter (gallons)	Total Number of Customers	Total No. of Months of Winter Rdg.	Ave. Usage per Customer (gallons/mo.)
2006-07	7,000	1	6	1,167
2007-08	38,000	1	6	6,333
2008-09	49,000	1	6	8,167
2009-10	33,000	1	6	5,500
Average				5,292

Staff recommends a minimum charge volume allowance of 5,000 gallons per month for all customer classes

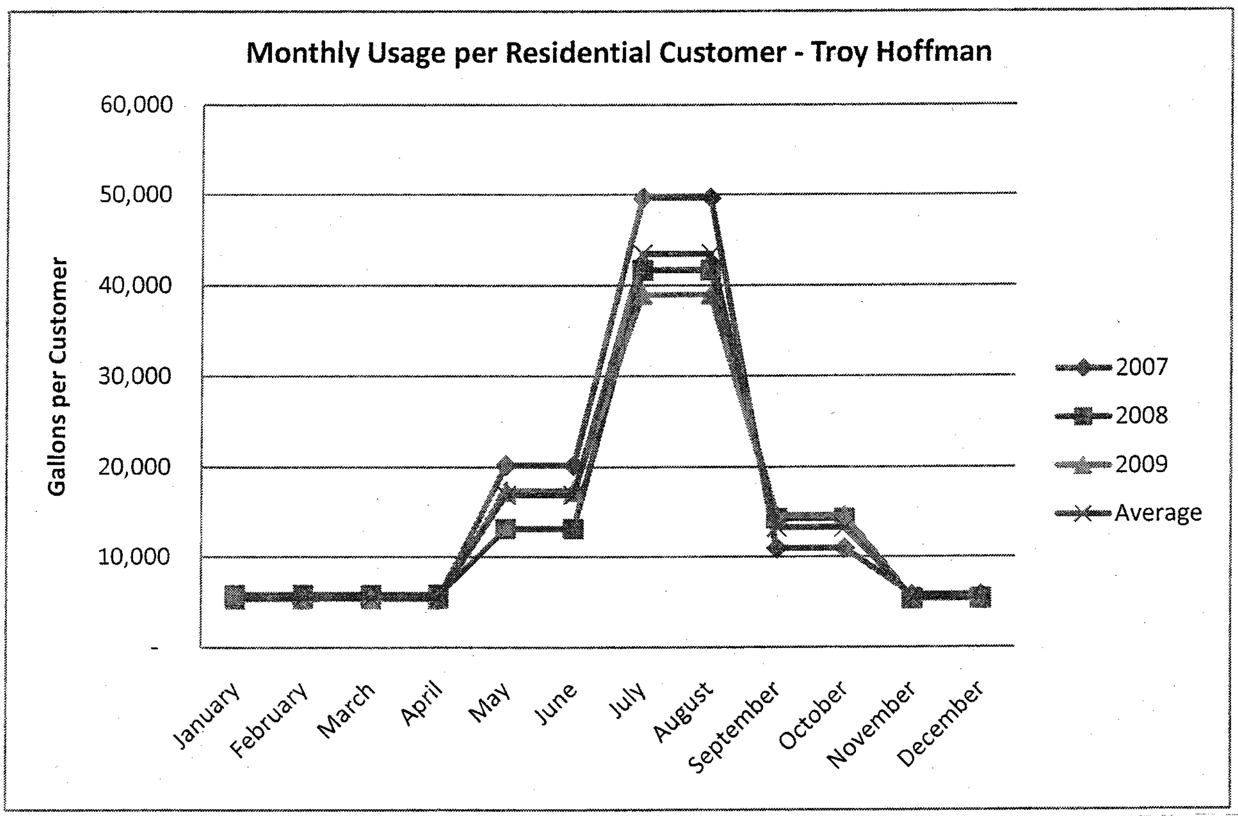
Troy Hoffman Water Corporation
Case No. TRH-W-10-01

Number of Residential Customers:	2007 =	145
	2008 =	146
	2009 =	146

Monthly Water Usage (Gallons) - Residential Customers

Month	2007	2008	2009	Average
January	5,333	5,795	5,363	**5,497**
February	5,333	5,795	5,363	**5,497**
March	5,333	5,795	5,363	**5,497**
April	5,333	5,795	5,363	**5,497**
May	20,221	13,140	17,336	**16,899**
June	20,221	13,140	17,336	**16,899**
July	49,641	41,651	38,962	**43,418**
August	49,641	41,651	38,962	**43,418**
September	10,959	14,277	14,610	**13,282**
October	10,959	14,277	14,610	**13,282**
November	5,795	5,363	5,330	**5,496**
December	5,795	5,363	5,330	**5,496**
Total	194,564	172,041	173,927	**180,177**
Average	16,214	14,337	14,494	**15,015**

Note: a) Reading in April is prorated monthly for 6 months.
b) Bimonthly reading is prorated monthly for 2 months.



Attachment 8
Case No. TRH-W-10-01
Staff Comments
11/23/10

Troy Hoffman Water Case No. TRH-W-10-01
Rate Proof of Staff Proposed Rate Design

Staff Recommended Revenue Requirement		$40,391
Total Number of Customers:	Residential	146
	Commercial	1

MINIMUM CUSTOMER CHARGES

Type of Customers	Number of Customers	Volume Allowance (Gallons)	Minimum Customer Charge	Total Annual Rev. from Min. Charge
Residential	146	5,000	$ 11.52	$ 20,183
Commercial	1	5,000	$ 15.50	$ 186
Total	147			$ 20,369

COMMODITY CHARGES (Residential and Commercial Customers)

Commodity charges for all customers ($/1,000 gallons)	$ 1.05
Net Volume of Excess Usage (gallons)	19,080,000
Total Commodity Revenue	$ 20,034

Total Revenue (minimum customer and commodity charges)	$	40,403
Revenue over (under) Revenue Requirement		$12

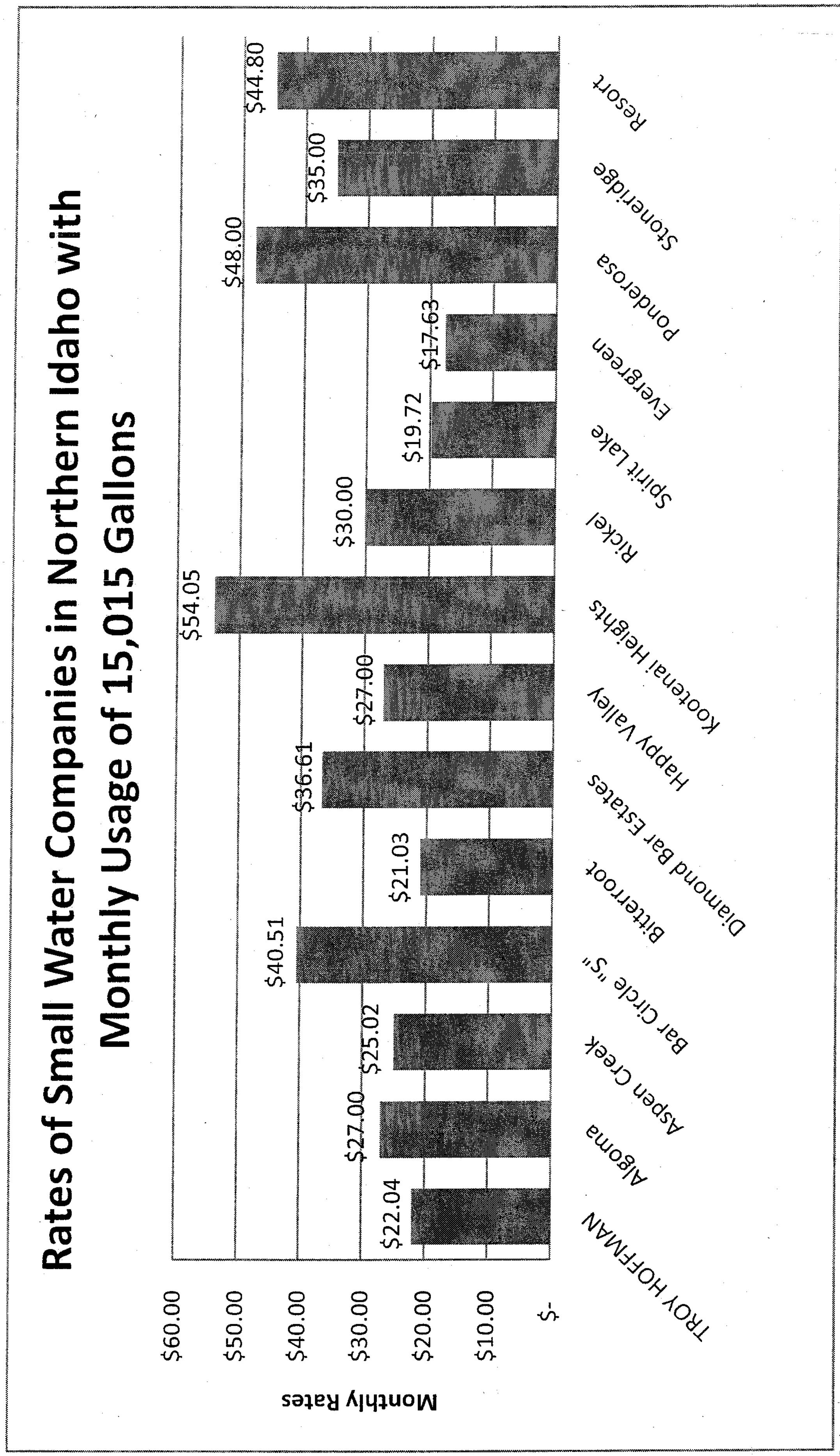
Various Charges as a % of Gross Revenue

Minimum Customer Charge	50%
Commodity Charge	50%

Troy Hoffman Water Case No. TRH-W-10-01
Rate Impact - Residential Customers

Monthly Usage Gallons	Current Base Rate	Volume Allowance Gallons	Variable Rate $/1000 gal	Current Monthly Billing	Staff Proposed Base Rate	Volume Allowance Gallons	Variable Rate $/1000 gal	Monthly Billing at Prop. Rate	Difference per Month $	Percent Difference per month
0	$ 5.50	3,000	$ 0.60	$ 5.50	$ 11.52	5,000	$ 1.05	$ 11.52	$ 6.02	109%
2,000	$ 5.50	3,000	$ 0.60	$ 5.50	$ 11.52	5,000	$ 1.05	$ 11.52	$ 6.02	109%
4,000	$ 5.50	3,000	$ 0.60	$ 6.10	$ 11.52	5,000	$ 1.05	$ 11.52	$ 5.42	89%
6,000	$ 5.50	3,000	$ 0.60	$ 7.30	$ 11.52	5,000	$ 1.05	$ 12.57	$ 5.27	72%
8,000	$ 5.50	3,000	$ 0.60	$ 8.50	$ 11.52	5,000	$ 1.05	$ 14.67	$ 6.17	73%
10,000	$ 5.50	3,000	$ 0.60	$ 9.70	$ 11.52	5,000	$ 1.05	$ 16.77	$ 7.07	73%
12,000	$ 5.50	3,000	$ 0.60	$ 10.90	$ 11.52	5,000	$ 1.05	$ 18.87	$ 7.97	73%
14,000	$ 5.50	3,000	$ 0.60	$ 12.10	$ 11.52	5,000	$ 1.05	$ 20.97	$ 8.87	73%
15,015	$ 5.50	3,000	$ 0.60	$ 12.71	$ 11.52	5,000	$ 1.05	$ 22.04	$ 9.33	73% <-- a/
16,000	$ 5.50	3,000	$ 0.60	$ 13.30	$ 11.52	5,000	$ 1.05	$ 23.07	$ 9.77	73%
18,000	$ 5.50	3,000	$ 0.60	$ 14.50	$ 11.52	5,000	$ 1.05	$ 25.17	$ 10.67	74%
20,000	$ 5.50	3,000	$ 0.60	$ 15.70	$ 11.52	5,000	$ 1.05	$ 27.27	$ 11.57	74%
25,000	$ 5.50	3,000	$ 0.60	$ 18.70	$ 11.52	5,000	$ 1.05	$ 32.52	$ 13.82	74%
30,000	$ 5.50	3,000	$ 0.60	$ 21.70	$ 11.52	5,000	$ 1.05	$ 37.77	$ 16.07	74%
35,000	$ 5.50	3,000	$ 0.60	$ 24.70	$ 11.52	5,000	$ 1.05	$ 43.02	$ 18.32	74%
40,000	$ 5.50	3,000	$ 0.60	$ 27.70	$ 11.52	5,000	$ 1.05	$ 48.27	$ 20.57	74%
45,000	$ 5.50	3,000	$ 0.60	$ 30.70	$ 11.52	5,000	$ 1.05	$ 53.52	$ 22.82	74%
50,000	$ 5.50	3,000	$ 0.60	$ 33.70	$ 11.52	5,000	$ 1.05	$ 58.77	$ 25.07	74%

a/ Percent increase for an annual average monthly water usage of 15,015 gallons.



Attachment 11
Case No. TRH-W-10-01
Staff Comments
11/23/10

Troy Hoffman Water Corporation
Case No. TRH-W-10-01

VOLUME OF WATER PRODUCED, SOLD AND UNACCOUNTED

2006

Month	Volume Pumped Gallons	Vol. Pumped by Billing Period-gals	Vol. Sold by Billing Period-gals	Total Volume Lost Gallons	Percent Volume Lost
Jan					
Feb					
Mar					
Apr					
May					
Jun 1/	3,738,400	3,738,400	5,164,000		
Jul	6,237,200				
Aug	1,417,900	7,655,100	11,609,000	(3,953,900)	-52%
Sep	629,700				
Oct	931,300	1,561,000	4,351,000	(2,790,000)	-179%
Nov	575,000				
Dec	780,400				
2010					
Jan	537,900				
Feb	773,100				
Mar	137,600				
Apr 2/	1,555,400	4,359,400	4,702,000	(342,600)	-8%
May	1,653,700				
Jun	1,285,000	2,938,700	4,174,000	(1,235,300)	-42%
Jul					
Aug					
Sep					
Oct					
Nov					
Dec					

1/ Flow meter was installed in early June 2009. Total volume of water pumped during the billing period is incomplete.

2/ Total volume of water pumped during the billing period includes the November 2009 to April 2010 readings.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 23RD DAY OF NOVEMBER 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. TRH-W-10-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

RON STADLEY
TROY HOFFMAN WATER CORP
710 W DALTON AVE STE J
COEUR D'ALENE ID 83815
E-MAIL: ron@allservron.com

SECRETARY