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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-13-01** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission comments as follows on Troy Hoffman Water Corporation's Application to increase rates and charges for water service.

BACKGROUND

On June 5, 2013, 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 one commercial customer in the City of Coeur d'Alene, Idaho.

Troy Hoffman proposes a revenue increase of $12,714 (33.56%) for residential and commercial water customers. The current and Company's proposed rates are shown below:

	Current Rates	Proposed Rates
Residential	$11.80 per month plus $1.10 per 1,000 gallons for all consumption in excess of 5,000 gallons per month	$15.76 per month plus $1.47 per 1,000 gallons for all consumption in excess of 5,000 gallons per month
Commercial	$15.50 per month plus $1.10 per 1,000 gallons for all consumption in excess of 5,000 gallons per month	$20.70 per month plus $1.47 per 1,000 gallons for all consumption in excess of 5,000 gallons per month

The Company asks that the new rates take effect on January 1, 2014.

STAFF ANALYSIS

Staff Audit

Troy Hoffman reports to the Commission using cash accounting procedures for revenue and operating expenses, and accrual for rate base calculations. The Company has no formal budgeting process but it does have an informal plan to replace plant in service as it fails.

This is Staff's second audit of Troy Hoffman since Mr. Murren and Mr. Stadley acquired it. Documentation for most expenses was available. Labor hours and call-outs for the backhoe were only available from memory with no auditable record.

Staff's recommended adjustments are summarized on Attachment A. They are as follows:

Adjustment 1 - Plant in Service

The only new capital placed in service since the last rate case is a new roof on the pump house. Invoices verify the new roof cost of $2,700. Staff recommends a 35-five year useful life with a half year convention for depreciation expense and accumulated depreciation.

The Company requested two pro forma adjustments to plant in service. The first consists of $2,254 for new valves. The Company said it would place the first two valves in service in the spring of 2014. These valves will not be used and useful before new rates will be effective. Staff thus recommends that this adjustment be removed. This is a $2,254 decrease to plant in service, or about a $191 revenue requirement decrease.

The Company also requested a $49,327 pro forma adjustment to buy a new vehicle. The Company incorrectly asked to include only the first year of payments in plant in service. The investments revenue requirement impact due to depreciation expenses and return on investment would be about $11,200 per year. The pro forma test year expense is $563. There is no evidence supporting the Company's request to change from the current practice of reimbursing the Company for miles driven. The proposed vehicle expense is also not known and measurable, because the Company would not buy the vehicle until after the proposed time frame that the rates are to be effective. Staff thus recommends that the proposed pro forma vehicle adjustment also be removed.

Staff's two recommended pro forma adjustments result in a total reduction of $10,482 to plant in service and a revenue requirement reduction of $964 from the Company's Application. *See* Attachment A, Adjustment 1.

Adjustment 2 - Depreciation Expense and Accumulated Depreciation

For this rate case, the Company determined accumulated depreciation and annual depreciation expense based on tax useful lives and annual depreciation expense from tax returns. Staff recommends using the straight line depreciation methods accepted in the prior rate case. *See* Case No. TRH-W-10-01, Order No. 32152. Staff's adjustment reduces depreciation expense by $2,996 and accumulated depreciation by $24,939. *See* Attachments B and C.

Adjustment 3 - Contributions in Aid of Construction (CIAC)

The Company asked Staff to help it determine how to treat $12,859 shown on the 2012 Annual Report, page 8, line 28, Accumulated Amortization of Contributions in Aid of Construction. This amount was included in the books when the Company was purchased.

In Case No. TRH-W-95-01, Staff recommended and the Commission accepted the $12,859 as customer contributions from prior hookup fees. *See* Order No. 26545 and Staff Audit Report, Attachment E. It appears that the Company mistakenly moved the $12,859 to the Accumulated Amortization of Contributions in Aid of Construction line in the 1998 annual report.

Staff recommends that these contributions be placed in the proper account (272). Because no amortization schedule was previously recommended for the contributions, and the contributions were paid as hookup fees, Staff recommends that the CIAC be amortized at the 35 year meter depreciation rate, starting in 2012. The net CIAC would be $12,492 (i.e., $12,859 minus $367 for the first year of amortization). This results in a net decrease of $12,492 to rate base. The amortization of contributions will also lower depreciation expense by $367.

Adjustment 4 - Materials and Supplies Inventory

Staff noted an inventory of pipes, meters, and couplings stored at the pump house for repairs on the system. Mr. Stadley says that the supplies are needed to make repairs in an emergency. Considering the age of the systems, Staff agrees that this inventory level is reasonable. Staff thus recommends that rate base include $697 for Materials and Supplies. *See* Attachment D.

Adjustment 5 - Removing Cost of Living Adjustments

The Company's Application includes pro forma inflation adjustments for Materials & Supplies-Operations and Maintenance, Materials & Supplies-Admin & General, and Rentals-Property & Equipment. Increases in expenses since the last rate case are reflected in the test year expense. Pro forma adjustments for forecasted future expense increases are not known and measurable. Staff thus recommends disallowing these pro forma adjustments decreasing operating expenses by $712.

Adjustment 6 – Removing Office Rental Expense

In the last rate case (Case No. TRH-W-10-01, Order No. 32152) the Commission did not allow the Company to recover its office rental expense in rates. Nevertheless, the Company included office rental expense for rate recovery in this case. Staff viewed the office space in question and found that the Company only uses a small portion of the office space; the rest is being used by related parties. The burden of proof that these expenses are both prudent and necessary falls on the Company and because this is a related party transaction extra scrutiny is necessary. It is common practice for contracts with external bookkeepers to include the use of their office space in their contract rate. Staff believes the combination of the office rental expense in addition to the cost of the bookkeeping services is excessive. Staff thus recommends that the office rental expense be disallowed, resulting in a $2,400 decrease in operating expenses.

Adjustment 7 – Wage Adjustment

The Company included a 10% inflationary increase in Labor-Operations & Maintenance, Salaries-Officers & Directors, and Contract Services-Professional. Authorized test year amounts were previously established in Case No. TRH-W-10-01. These expenses were incurred by parties affiliated with the water company. Actual hours worked by the affiliated entities was not available for review; Staff thus used the Idaho Department of Labor Wage data to determine if these wage-related increases could be justified by an increase in costs of labor in the Coeur d'Alene area. *See* Attachment E.

Overall wages from 2010 to 2012 in the Coeur d'Alene area were effectively flat, but certain wages did increase. Bookkeeping wages increased by 4% and Water Operator wages increased by 30%. On the other hand, management wages decreased by 12%. Staff thus recommends accepting the proposed 10% increase to Labor-Operations & Maintenance. But the Commission should disallow half of the Contract Services-Professional increase and all of the Salaries-Officers & Directors increase. These adjustments decrease operating expenses by $873.

Adjustment No. 8 - Purchased Power Expense

The Company claims an annual purchased power cost of $5,980 during its test year. The Company proposes an adjustment of 10% to reflect annual inflation or 3.3% for the three years since the Company's last general rate case. The Company proposes a pro forma purchased power cost of $6,578.

Instead of using the Company's methodology, Staff believes it is more appropriate to normalize the test year purchased power expense based on average volume of water pumped. The cost of purchased power is affected by the volume of water pumped and the power rates during the time of use. Using the six-year annual average volume of water sold and applying the power cost per 1,000 gallons for 2012, Staff calculates the normalized cost of purchased power to be $6,558 per year. Staff recommends that the test year purchased power cost be reduced by $20 ($6,578-$6,558). *See* Attachment F.

Adjustment No. 9 - Water Testing Expense

The Company proposes annual water testing expenses of $480. Staff does not agree with this amount because the actual test year expense should have been annualized. The Idaho Department of Environmental Quality (DEQ) requires different testing cycles for various regulated water contaminants. It is thus necessary to normalize water testing costs over several years. In consultation with DEQ, Staff developed a complete list of required tests using a 9-year water testing cycle. Staff calculated the annualized water testing cost to be $571. Staff recommends increasing the test year water testing cost by $91 ($571-$480). *See* Attachment G.

Annual Revenue

Staff investigated accounts receivable and revenues. There are very few delinquent accounts and proper collection procedures appear to be in use. Staff accepts the revenue total of $37,900 and the near zero uncollectable accounts.

Calculation of Revenue Requirement

Staff recommends a total rate base of $42,547. This is an increase of $2,367 from the ratebase proposed in the Company's Application. *See* Attachment H, lines 1-7. The Working Capital calculation is shown on Attachment H, lines 12-18.

Staff recommends annual operating expenses of $36,295, and other expenses of $3,332. *See* Attachment A, lines 15 and 21. This is a decrease of $3,913 and $3,363 from the Company's Application, respectively. Based upon the adjustments discussed above and shown on Attachment A, line 22, Staff calculates that the Company has a net loss of $1,727.

The rate of return is shown on Attachment I. The 12% return on equity (ROE) is consistent with the Commission authorized ROE for many small water companies. The cost of debt is the actual rate paid by the Company.

Attachment J reflects the Staff recommended revenue requirement. Staff calculated the revenues associated with the return on rate base in the amount of $3,604 ($42,547 x 8.47%). Of this revenue, $2,503 (line 11) reflects interest on the debt that is a deduction for tax purposes. The remaining $1,101 (line 9) is subject to Federal and state taxes. The process of increasing the revenue requirement for tax effects is called "grossing-up." The net-to-gross multiplier calculation of 128.17% is the percentage that must be applied to the $1,101 to determine how much tax must be recovered in rates to allow the Company an opportunity to earn the overall 8.47% rate of return.

The grossed-up ROE is added to the $1,727 net loss and the $2,503 debt related portion of the capital calculation. This results in the Staff-recommended income deficiency of $5,641 (line 12), and a total revenue requirement of $43,541 (line 15) for an increase of 14.88%.

Proposed Capital System Improvements

Gate Valves - The Company proposes to replace six gate valves in the water system at the rate of two gate valves a year. The Company would replace the first two valves during the first quarter of 2014 for a total cost of $2,254. *See* Exhibit 1, Schedule A of Application. The Company, as discussed earlier, included the $2,254 as an adjustment to its rate base.

Although Staff supports the Company's plan to replace the six aging and inoperative gate valves at a rate of two per year, none of the valves have yet been purchased or installed. Because the valves are not used and useful, Staff recommends that no valve-related adjustment be made to rate base.

Flow Meter for Pump No. 2 – While reviewing this case, Staff found that the DEQ conducted a Sanitary Survey on the Company's water system in January 2012 and identified several deficiencies and recommendations. A Sanitary Survey is an onsite review of a public water system's water source, facilities, equipment, operation and maintenance to assure that the system provides adequate and safe drinking water. During the DEQ Sanitary Survey, DEQ found that Pump No. 2, which is the back-up pump, is not equipped with a flow meter. The DEQ determined that the Company must correct this deficiency by installing an instantaneous and totalizing meter on Pump No. 2's discharge line when the next material modification is made to the system. In response to a follow-up question raised by Staff, the Company indicated that it has no definite time frame in which to install the flow-meter because DEQ stated it need only be done when the next time material modifications are made. The Company says it will cost $3,140 to install the meter ($2,100 for meter, $300 for miscellaneous parts/supplies and $740 for labor). Staff believes installation of this meter is necessary and required by DEQ, and recommends the Company install it when capital is available.

Relocation of Flow Meter for Pump No. 1 – During the Company's last general rate case, the Commission directed the Company to make an accurate assessment of water pumped and water sold. Specifically, the Company was to investigate the placement and test the accuracy of the newly installed production flow meter. *See* Order No. 32152. In the current rate case and in response to Staff Production Request No. 3, the Company explains that after a thorough investigation and discussion with the flow meter manufacturer, it was convinced that the meter is not faulty but was improperly installed by the pump contractor. The Company acknowledges that the meter does not meet the recommended installation requirements, and it informs Staff that it will relocate the flow meter during the first quarter of 2014 according the manufacturer's placement recommendation. The Company did not provide Staff with the approximate cost of relocating the meter, but Staff believes that it will primarily involve labor cost. Staff believes relocating the meter is necessary to obtain the accurate volume of water pumped.

RATE DESIGN

The Company proposes increasing its water rates as follows:

- **Residential Customers** – increase residential rates from \$11.80 per month plus \$1.10 per 1,000 gallons for all consumption in excess of 5,000 gallons per month to \$ 15.76 per month plus \$1.47 per 1,000 gallons for all consumption in excess of 5,000 gallons per month.

- **Commercial Customers** – increase commercial rates from \$15.50 per month plus \$1.47 per 1,000 gallons for all consumption in excess of 5,000 gallons per month to \$ 20.70 per month plus \$1.47 per 1,000 gallons for all consumption in excess of 5,000 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 5,000 gallons and a commodity charge for both the residential and commercial customers.

Staff supports the Company's proposal to maintain a rate structure consisting of a minimum customer charge with volume allowance, and a commodity charge. Staff believes this rate design remains appropriate 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 2013). Second, there is not much variability in the sizes of service meters for various customers. The Company indicates that out of 146 residential customers, 143 have 3/4-inch service meters and three have 1-inch meters. Staff Production Request No. 2, Case No. TRH-W-10-01. 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.

The Company does not propose to change how it classifies customers (i.e. as residential or commercial). Staff reviewed the water usage of residential and commercial customers using six years' of water sales data. Staff found that the average total annual usage for commercial customers was about 0.473 million gallons, and the average total annual usage for residential customers was about 24.444 million gallons. This usage respectively equates to 1.9% and 98.1% of the total volume of water sold (24.917 million gallons). In addition, there is only one commercial customer out of the 147 total customers. As noted above, there are three residential customers and one commercial customer with the same size, 1-inch service meter. Staff believes that a single commercial customer with low water usage does not warrant its own customer class. It would be easier to understand and implement the tariff if a single rate design applied to all customers. Staff thus recommends eliminating the customer classes and instead implement a single rate design for all customers.

Staff analyzed the appropriate level of volume allowance for all customers. Using the total amount of water sold during the winter period (6 months usage from November to April) for six years of records (2007-2012), Staff calculates the average monthly winter usage to be 5,405 gallons per month for all the 147 customers. Staff believes that a minimum charge volume allowance of 5,000 gallons for all customers is reasonable and appropriate. Staff thus supports the Company's request to maintain a 5,000 gallon minimum charge volume allowance. Attachment K shows the average monthly water usage of all customers using six years' of billing data.

As indicated previously, Staff's adjusted test year annual revenue requirement for the Company is $43,541. Using this adjusted revenue requirement and the recommended rate design discussed above, Staff recommends a minimum customer charge of $13.75 with a volume allowance of 5,000 gallons. This represents about a 16.5% increase in base rates. Staff recommends a commodity charge of $1.12 per 1,000 gallons for water usage above 5,000 gallons, which is about a 1.8% increase in the commodity rate.

The Company proposes to apply a uniform rate of the overall increase (34%) to both the minimum customer charge and the commodity charge for all customer classes. Staff did not uniformly increase the base charge and commodity charge, as noted above. Staff believes that a 16.5% increase in the base charge and a lower 1.8% increase in the commodity charge is warranted to bring more balanced revenue collections throughout the billing period.

A comparison of the existing, Company-proposed, and Staff-proposed rates are shown in the summary table below.

TYPE OF CUSTOMERS	EXISTING RATES	COMPANY PROPOSAL	STAFF PROPOSAL*
Residential			
Min. Customer Charge	$11.80	$17.76	$13.75
Volume Allowance	5,000 gallons	5,000 gallons	5,000 gallons
Commodity Charge	$1.10 per 1,000 gals	$1.47 per 1,000 gals	$1.12 per 1,000 gals
Commercial			
Min. Customer Charge	$15.50	$20.70	N/A
Volume Allowance	5,000 gallons	5,000 gallons	N/A
Commodity Charge	$1.10 per 1,000 gals	$1.47 per 1,000 gals	N/A

**Staff proposes a single rate design for all customers.*

To assure that the Staff's rate design will enable the Company to recover Staff's recommended revenue requirement, Staff developed a rate-proof sheet. *See* Attachment L. Staff calculated the total revenue for the commodity charge using a normalized six-year average (2007-2012) annual excess volume usage of 17,239,500 gallons for all customers. Staff calculated the normalized excess volume by analyzing individual water usage for each customer per billing period using six years of billing data. Customer water usage is affected by various factors including economic conditions, weather, customers' use of water efficient devices and conservation practices, etc. Using the billing data from 2007 to 2012, Staff found that average annual water usage per customer is declining. *See* Attachment M. Staff believes that analyzing average excess water usage for the last six years is a reasonable method to determine the normalized revenue needed for Staff's recommended rate design to enable the Company to recover Staff's recommended revenue requirement.

Staff calculates that its rate design will yield the total revenue of $43,563, or about $22 more than what the Company needs to recover Staff's recommended revenue requirement. Staff believes that this rate design is reasonable and appropriate. The total revenue contributed by the minimum customer charge is 56%, and the revenue contributed by the commodity charge is 44%. With the current rates, about 52% is contributed by the minimum customer charge and 48% by the commodity charge. As discussed above the change in percent contribution of the minimum customer charge from 52% to 56% is warranted to bring more balanced revenue collections throughout the billing period. In addition, Staff generally predicates revenue derived from the base rate on a 50/50 split of fixed and variable expenses. In the case of Troy Hoffman, current operation expenses consist of about 78.8% fixed costs and 20.2% variable costs. The Commission has allowed a small water utility to recover up to 72% of its revenue from the minimum customer charge. *See* Order No. 30027, Case No. FLS-W-05-01.

Typical Monthly Bill and Rate Impacts

Staff's proposed rate structure would produce on average monthly customer bill of about $32.23, an increase of $2.28 or 7.6% above current rates. Staff calculated the average monthly bill by averaging water usage in the winter and summer seasons as shown below:

Average Monthly Bill - all customers

Season	Average Usage (gallons)	Current Monthly Bill	Proposed Monthly Bill	Amount of increase in ($)	Percent Increase (%)
Winter	5,000	$11.80	$13.75	$1.95	16.5%
Summer	38,000	$48.10	$50.71	$2.61	5.4%
Average increase ($ & %)		**$29.95**	**$32.23**	**$2.28**	**7.6%**

The rate impacts for metered residential customers using various monthly water volumes are presented in Attachment N. For example, as shown in the table, a customer who uses about 25,000 gallons per month during summer would be billed a total of $36.15, an increase of about $2.35 per month or 7.0% above the current rates. Staff also prepared a bill frequency analysis for all customers at various usage levels using a six-year average for the month of August. As shown in Attachment O, 75 out of 147 customers, or 51%, used 25,000 to 49,000 gallons of water during the August billing period.

Other Water System Operational Issues

During the Company's last general rate case, Staff determined that in 2006 and 2010, the total volume of water reportedly pumped was less than the total volume of water reportedly sold. This anomaly could have occurred due to a faulty production flow meter, faulty customer service meters, different dates of reading the production meter and the service meters, or meter-reading errors. Staff asked the Company for flow meter data as part of the current case. Partial data were available for 2011, 2012 and 2013. Again, the flow meter appears to show erratic readings because 50% of the available monthly flow records for these years indicate that the volume of water pumped was less than the volume of water sold. *See* Attachment P. Staff recommends that the Company complete its plan to relocate the flow meter on Pump No. 1 to potentially correct the inaccuracy of reading, as discussed earlier. Staff also recommends that the Commission re-evaluate its directive in Order No. 32152 to temporarily delay the random testing of 10% of its customer service meters until the flow meter is relocated and measuring accurately.

RECURRING CHARGES

The Commission's billing requirements are contained in Rule 201 of the Utility Customer Relations Rules (UCRR). Rule 201 states that "[b]ills shall be issued on a regular basis." It also describes what the bills must contain. The Company bills its customers six times a year, at the end of February, April, June, August, October and December. The Company's customer usage records indicate that the Company only reads meters four times a year. It does not read meters in December or February because snow limits meter access.

The Company bills its customers for the product of the monthly charge times the number of months in the billing period, (e.g., $11.80/month x 2 months = $23.60 at current rates). In preparing the April billing statement, the Company aggregates the 5,000 gallon monthly allowance for the six months from November through April (5,000 gallons x 6 = 30,000 gallons), and the customer is billed for usage exceeding 30,000 gallons based on the April meter reading. The bi-monthly billing periods and the aggregation of usage over the winter months result in billing statements that do not comply with Rule 201. Specifically, the billing statements do not itemize each monthly charge or identify the number of months for which the usage is aggregated or the water usage allowance is included in the base monthly rate. *See* Rule 201.03 and .06.

Rather than requiring the Company to itemize monthly base charges on bills, Staff recommends that the Company prepare a bi-monthly rate schedule (based on 2 times the monthly rate and allowance) to provide the necessary consistency between the Company's rates and its established billing practices. In addition, Staff recommends that the Company revise its bills to indicate the usage allowance included in the base charge, the amount of water actually used during billing periods where actual meter readings are taken, and the net amount of usage to which the water usage charge is applied.

NON-RECURRING CHARGES

Account Initiation Fee and Reconnection Charges

Rule 121 of the Commission's Rules of Procedure (IDAPA 31.01.01) requires that application exhibits include a clean copy of the proposed tariff and a marked-up copy of the tariff to show in full any proposed changes. The Company did not include a marked up copy of its rate schedule for non-recurring charges (Rate Schedule No. 2) to show any proposed changes. It did include a clean copy of a revised schedule that doubled the Account Initiation Fee from $10 to

$20, and increased Reconnection Charges from $20 to $40 for reconnections requested business hours and from $40 to $80 for reconnections outside normal business hours.

The Company does not discuss these changes in its Application or otherwise try to justify the increased fees and charges. The amount of the revised fees and charges are also higher than the amounts the Commission allows for similar charges at other water companies. Staff thus recommends that the Commission deny the proposed increase in non-recurring fees and charges.

Late Payment Charges

The Company's tariff describes the Late Payment Fee as 1% per month of the unpaid balance at the time of the billing statement. Because the Company only bills bi-monthly, the wording of the tariff might be misinterpreted to allow monthly compounding of the late payment charges. Staff recommends that for clarification, the tariff wording on Rate Schedule No. 2 – Non-Recurring Charges be changed as shown in Attachment Q.

Summary of Rules and Explanation of Rates

The UCRR requires that the Company provide customers a copy of its Summary of Rules (Rule 701) and an Explanation of Rates (Rule 702) upon initiation of service and annually thereafter. The Company combines its summary and explanation in one document. The Company has been mailing the Summary of Rules and Explanation of Rates to existing customers annually. But because most new customers initiate service through a phone call rather than stopping by the office, the Company discusses the rates with the customer if asked, but it does not send new customers the required information. Staff recommends that the Company provide each new customer a copy of the Summary of Rules and Explanation of Rates upon initiation of service and annually thereafter.

If the Commission accepts Staff's recommendation to establish bi-monthly rates, Staff recommends that the Company revise the Summary of Rules and Explanation of Rates to show the metered rate charges as bi-monthly charges to be consistent with the tariff.

The Company's billing statements and its Rate Schedule No. 1 – Metered Water Rates both describe the due date as 20 days from the bill date, which is consistent with the Company's actual billing practice. The Summary of Rules says that a bill may be considered past due 15 days after the bill date, which is the minimum requirement of the UCRR (Rule 202) but does not reflect the Company's actual practice. Staff recommends that the Company revise its Summary of Rules and Explanation of Rates to consistently reference that a bill is due and payable within 20 days. *See* Attachment Q.

General Rules and Regulations Section of Company's Tariff

Sections 6.1 of the General Rules and Regulations discusses the billing period for the Company. Staff recommends that the Company revise Section 6.1 as shown in Attachment Q to reflect billing frequency.

Section 6.2 of the General rules and Regulations discusses meter reading and estimated usage. The Company bills bi-monthly but only reads meters four times a year. Staff recommends that the Company revise Section 6.2 to more accurately reflect the circumstances when the Company reads meters, aggregates usage and may estimate usage. *See* Attachment Q.

Section 6.3 discusses payment due date and mentions a 15-day time period. Staff recommends that the Company revise its Section 6.3 to reflect its actual business practice of having bills due within 20 days. *See* Attachment Q.

CUSTOMER RELATIONS

Customer Notification

The Company submitted copies of its customer notice and the press release as required under Rule 125 of the Commission's Rules of Procedure. The Company mailed customers a copy of the customer notice on July 1, 2013. The press release was published in the Coeur d'Alene Press on July 4, 2013. The original Application, customer notice and press release misstated the amount and percentage of the proposed increase. On July 26, 2013, the Company filed a modified Application that lowered the amounts and percentage of the proposed increase. It did not send out a corrected customer notice. Considering that the errors overstated the proposed increase and the additional cost of mailing a second notice to customers, Staff agrees with the Company's decision.

The Commission issued a Press Release regarding the public workshop on Thursday, September 12, 2013. The workshop was held in Coeur d'Alene, on Tuesday, October 1, 2013. There were no attendees.

Customer Comments

The Commission has received three written comments from customers regarding this case as of November 12, 2013. The majority of the customers asked for a more modest increase than the 72% requested by the Company in its original Application.

Customer Complaints

There were no informal complaints to the Commission for the years 2011, 2012 and 2013 year-to-date.

RECOMMENDATIONS

1. Staff recommends that the use of a 2012 test year be approved.
2. Staff recommends that a 12% return on equity and an overall rate of return on rate base of 8.47% be approved.
3. Staff recommends that a rate base of $42,547 be approved.
4. Staff recommends that an annual revenue requirement of $43,541 or an increase of 14.88% be approved.
5. Staff recommends that the customer classes be eliminated and a single rate design for all customers be implemented.
6. Staff recommends that the volume allowance of 5,000 gallons for minimum customer charge be maintained for all customers.
7. Staff recommends that the rate design proposed by the Staff be approved.
8. Staff recommends that the Company complete the relocation of the flow meter at Pump No. 1 as planned during the first quarter of 2014.
9. Staff recommends that the Commission delay its previous directive to the Company to randomly check 10% of its customer meters until the Company assures Staff that the flow meter in Pump No. 1 is already measuring flow accurately.
10. Staff recommends that the Company prepare a bi-monthly rate schedule (Rate Schedule No. 1 at twice the monthly customer charge and allowance) to be consistent with the Company's existing bi-monthly billing schedule.
11. Staff recommends that the Commission deny the Company's proposed increases of the account initiation fee and reconnection charges.

12. Staff recommends that the Company revise its Rate Schedule No. 2, General Rules and Regulations - Section 6.1 and 6.2, billing statements and combined Summary of Rules and Explanation of Rates to be consistent with the Company bi-monthly billing schedule.

13. Staff recommends that the Company revise its billing statements to indicate the usage allowance included in the base charge, the amount of water actually used during the billing period(s), and the net amount of usage to which the water usage charge is applied.

Respectfully submitted this 14th day of November 2013.

Karl T. Klein
Deputy Attorney General

Technical Staff: Joe Terry
Gerry Galinato
Johanna Bell
Chris Hecht

i:umisc/comments/trhw13.1kkjtgdgjbcwh comments

Troy Hoffman Water Company
Summary Schedule of Adjustments
For Year Ended December 31, 2012

		Application	Adjustment #	1 Removing Proforma Plant in Service	2 Depreciation Expense and Accumulated Depreciation	3 CIAC Amortization Adj	4 Materials and Supplies Inventory	5 Removing COL Adj	6 Removing Office Rental	7 Wage Adj	8 Power Adj	9 Water Testing	
	Revenues												
1	Metered-Residential	$ 37,120											$ 37,120
2	Metered-Commercial & Industrial	$ 780											$ 780
3	Total Water Revenue	$ 37,900		$ -	$ -			$ -				$ -	$ 37,900
4	Expenses												
5	Labor-Operation & Maintenance	$ 12,141											$ 12,141
6	Salaries-Officers & Directors	$ 6,600								$ (600)			$ 6,000
7	Purchased Power & Fuel for Power	$ 6,578									$ (20)		$ 6,558
8	Chemicals	$ -											$ -
9	Materials & Supplies-Operation & Maintenance	$ 1,725						$ (157)					$ 1,568
10	Materials & Supplies-Admin & General	$ 824						$ (75)					$ 749
11	Contract Services-Professional	$ 5,990								$ (273)			$ 5,718
12	Contract Services-Water Testing	$ 480										$ 91	$ 571
13	Rentals-Property & Equipment	$ 5,280						$ (480)	$ (2,400)				$ 2,400
14	Transportation Expense	$ 563											$ 563
15	Insurance	$ 27											$ 27
16	TOTAL OPERATING EXPENSES	$ 40,208		$ -	$ -			$ (712)	$ (2,400)	$ (873)	$ (20)	$ 91	$ 36,295
17	Depreciation Expense	$ 5,141			$ (2,996)	$ (367)							$ 1,778
18	Regulatory Fees (PUC)	$ 84											$ 84
19	Property Taxes	$ 715											$ 715
20	Other Taxes (list) DEQ Fees	$ 735											$ 735
21	Taxes	$ 20											$ 20
22	Total Other Expense	$ 6,695	$ -	$ -	$ (2,996)	$ (367)	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,332
23	Net Operating Income	$ (9,003)	$ -	$ -	$ 2,996	$ 367	$ -	$ 712	$ 2,400	$ 873	$ 20	$ (91)	$ (1,727)
24	Interest Exp. On Long-Term Debt	$ 2,368											$ 2,368
25	NET INCOME	$ (11,371)		$ -	$ 2,996			$ 712				$ (91)	$ (4,095)
	Plant in Service												
26	TOTAL PLANT IN SERVICE	$ 74,109		$ (10,482)	$ -			$ -				$ -	$ 63,627
27	Accumulated Depreciation	$ 38,955			$ (24,939)								$ 14,016
28	Net Plant In Service	$ 35,154		$ (10,482)	$ 24,939			$ -				$ -	$ 49,611
29	Contributions in Aid of Construction	$ -		$ -	$ -	$ 12,859		$ -	$ -	$ -	$ -	$ -	$ 12,859
30	Accumulated Amortization in Aid of Construction	$ 12,859		$ -	$ -	$ (12,492)		$ -	$ -	$ -	$ -	$ -	$ 367
31	Net Contributions in Aid of Construction	$ (12,859)		$ -	$ -	$ 25,351		$ -	$ -	$ -	$ -	$ -	$ 12,492
32	Materials and Supplies	$ -		$ -	$ -	$ -	$ 697	$ -	$ -	$ -	$ -	$ -	$ 697

Attachment A
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Company
Schedule of Depreciation Expense
FYE 2012

Sub#	Description	Service Date	Historical Cost	Service Life	FYE 2011	FYE 2012	Ending Balance
303	Land & Rights		$ 9,272				
304	New Roof	2012	$ 2,700	35		$ 39	$ 77
331	Transmission and Distribution Mains	1977	$ 9,062	60	$ 151	$ 151	$ 151
331	Transmission and Distribution Mains	1985	$ 436	60	$ 7	$ 7	$ 7
334	Meters	1986	$ 1,362	35	$ 39	$ 39	$ 39
311	Pump and Motor	2009	$ 32,915	20	$ 1,646	$ 1,646	$ 1,646
311	Pump House	2009	$ 7,880	35	$ 225	$ 225	$ 225
	Total		**$ 63,627**		**$ 2,068**	**$ 2,107**	**$ 2,145**
	Reported						$ 5,141
	Adjustment						$ (2,996)

Attachment B
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Company
Schedule of Accumulated Depreciation
FYE 2012

1	**Accumulated Depreciation, Order 32152**	$	9,841
2	**Depreciation Attachment**		
3	Depreciation Expense - 2011	$	2,068
4	Depreciation Expense - 2012	$	2,107
5	Subtotal	$	14,016
6	Total Accumulated Depreciation	$	14,016
7	Reported Total Accumulated Depreciation	$	38,955
8	**Adjustment Required**	$	(24,939)

Attachment C
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Company
Materials and Supplies Inventory
FYE 2012

#	Type	Cost Each	Total cost
1	20ft of 4" PVC Pipe	$ 47	$ 47
1	20ft of 6" PVC Pipe	$ 92	$ 92
2	4" Coupling	$ 86	$ 172
2	6" Coupling	$ 117	$ 234
4	Meters	$ 38	$ 152
	Total Materials and Supplies Inventory		$ 697

Attachment D
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Company
Wage Increase
FYE 2012

Title	2010 Entry Wage	2010 Midpoint (Median)	2010 Average (Mean)	2010 Middle Range		2012 Entry Wage	2012 Midpoint (Median)	2012 Average (Mean)	2012 Middle Range		Average Increase
All Occupations	$ 8.91	$ 13.91	$ 17.37	$ 9.97	$ 20.26	$ 8.92	$ 13.82	$ 17.51	$ 9.80	$ 21.04	0.45%
Bookkeeping, Accounting and Auditing Clerks	$ 9.96	$ 14.46	$ 14.77	$ 11.57	$ 17.45	$ 10.65	$ 15.04	$ 15.28	$ 12.14	$ 17.88	4.15%
Water and Liquid Waste Treatment Plant and System operators	$ 7.27	$ 11.97	$ 14.01	$ 7.47	$ 20.37	$ 11.72	$ 18.65	$ 18.25	$ 13.63	$ 22.20	30.09%
Managers , All Others	$ 27.84	$ 38.42	$ 39.96	$ 30.57	$ 47.59	$ 22.69	$ 36.67	$ 35.92	$ 26.07	$ 44.86	-12.41%

Source: Idaho Occupational Employment & Wage Survey 2010 and 2012 by Idaho Department of Labor

Attachment E
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water, Case No. TRH-W-13-01
Normalized Power Cost

Year	Total Power Cost	Total Volume delivered (Gallons)*
2012	$5,979	22,716,000
2011	N/A	23,390,000
2010	N/A	23,047,000
2009	N/A	25,871,000
2008	N/A	25,772,000
2007	N/A	28,706,000
Average		24,917,000

**includes residential and commercial customers.*

Power Cost for Test Case **$0.2632** ***per 1,000 gals of water delivered (sold)***

Normalized Total Power Cost **$6,558** ***per year***

Attachment F
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Corporation, Case No. TRH-W-13-01
Normalized Water Testing Costs

Well #1

Source	Analyte	Frequency	No. of Test*	Cost/Test	Total Cost	Annual Cost
Well #1	Gross Alpha	1 in 6 Years	1.5	$ 75.00	$ 112.50	$ 12.50
Well #1	Radium 226	1 in 3 Years	3	$ 120.00	$ 360.00	$ 40.00
Well #1	Radium 228	1 in 3 Years	3	$ 110.00	$ 330.00	$ 36.67
Well #1	Uranium	1 in 6 Years	1.5	$ 55.00	$ 82.50	$ 9.17
Well #1	Arsenic	1 in 9 Years	1	$ 20.00	$ 20.00	$ 2.22
Well #1	Sodium	1 in 3 Years	3	$ 25.00	$ 75.00	$ 8.33
Well #1	IOC's-Phase 2 and 5	1 in 9 Years	1	$ 195.00	$ 195.00	$ 21.67
Well #1	Fluoride	1 in 9 Years	1	$ 20.00	$ 20.00	$ 2.22
Well #1	VOC's**	1 in 6 Years	1.5	$ 160.00	$ 240.00	$ 26.67
Well #1	Nitrate	Annual	9	$ 20.00	$ 180.00	$ 20.00
Well #1	Nitrite	1 in 9 Years	1	$ 15.00	$ 15.00	$ 1.67
Sub-total						$ 181.11

Distribution	Lead & Copper	5 samples/3 years	15	$ 40.00	$ 600.00	$ 66.67
Distribution	Total Coliform	1 sample Monthly	12	$ 20.00	$ 240.00	$ 240.00
Distribution	Asbestos	1 in 3 Years	3	$ 250.00	$ 750.00	$ 83.33
Grand Total - Normalized Annual Water Testing Costs						**$ 571.11**

* Total number of tests in 9-year cycle except coliform test which is yearly

** IOC = Inorganic Contaminants
VOC = Volatile Organic Contaminants

H

er Company

		Application	Staff	Difference
1	Plant In Service	$ 74,109	$ 63,627	$ (10,482)
2	Accumulated Depreciation	$ 38,955	$ 14,016	$ (24,939)
3	CIAC		$ 12,492	$ 12,492
4	Net Plant In Service	$ 35,154	$ 37,119	$ 1,965
5	M & S Inventory	$ -	$ 697	$ 697
6	Working Capital	$ 5,026	$ 4,731	$ (295)
7	Total Rate Base	$ 40,180	$ 42,547	$ 2,367
8				
9				
10				
11	Working Capital Calculation			
12	TOTAL Operating Expense		$ 36,295	
13	Property Taxes		$ 715	
14	DEQ Fees		$ 735	
15	Regulatory Commission Expense		$ 84	
16	Taxes		$ 20	
17	Sub Total Operating Expenses		$ 37,849	
18	Working Capital (1/8 Rule)		$ 4,731	

Attachment H
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Company
Cost of Capital and Rate of Return
FYE 2012

	(A) Amount Outstanding	(B) % of Total Outstanding (Column A/ Total Line 6)	(C) Cost of Capital	(D) Weighted Cost (Column B X Column C)
1 Common Equity (Proprietor Capital Paid In)	$ 9,272			-
2 Retained Earnings		[redacted]	[redacted]	[redacted]
3 Total Common Equity (Proprietor Capital) Line 1 + Line 2	$ 9,272	21.6%	12.0%	2.59%
4 Short-Term Debt	$ -			
5 Long-Term Debt	$ 33,726	78.4%	7.5%	5.88%
6 Total Capital	$ 42,998	[redacted]	[redacted]	[redacted]
7 Weighted Cost of Capital (Rate of Return Required)	[redacted]	[redacted]	[redacted]	8.47% (Line 3 + 4 + 5)

Attachment I
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Company
Revenue Requirement
FYE 2012

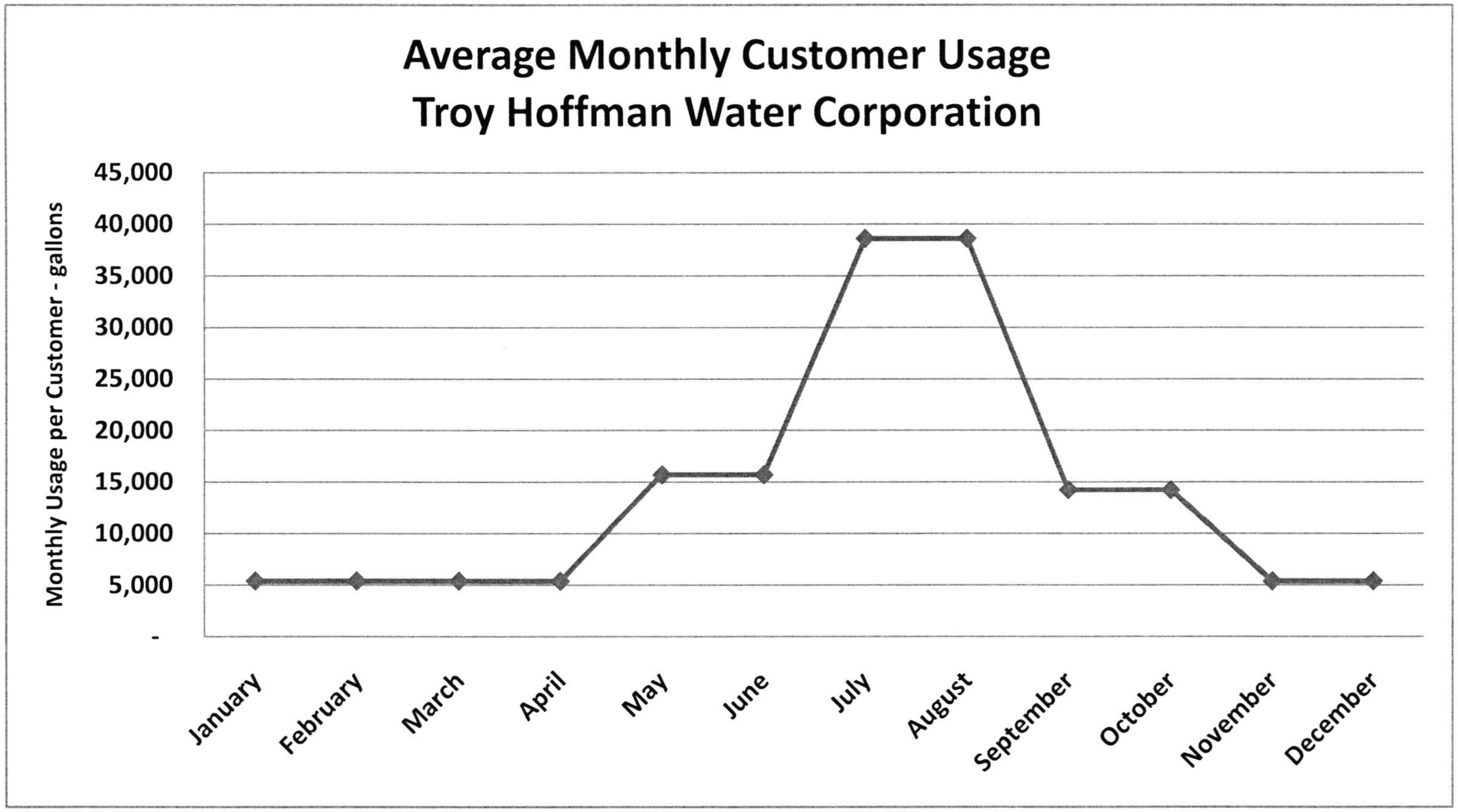
		Proposed		Staff Case
1 Rate Base		$ 40,180		$ 42,547
2 Required Rate of Return		8.47%		8.47%
3 Return on Investment		$ 3,403		$ 3,604
4 Net Operating Income Realized		$ (9,003)		$ (1,727)
5 Net Operating Income Deficiency		$ 12,406		$ 5,331
Revenue Requirement to				
6 Overcome Loss		$ 9,018		$ 1,727
Revenue Requirement Increase				
9 Subject to Income Tax	$ 1,040		$ 1,101	
10 Tax Gross Up Factor	128.09%		128.17%	
11 Not Subject to Income Tax	$ 11,382		$ 2,503	
Revenue Requirement Increase		$ 3,699		$ 3,914
12 Total Revenue Increase Required		$12,717		$ 5,641
13 Total Revenue Collected in Test year		$37,900		$ 37,900
14 Revenue Increase %		33.55%		14.88%
15 Total Gross Revenue Requirement		$50,617		$ 43,541

	Proposed	Staff Case
Gross-up Factor Calculation		
16 Net Deficiency	100.00%	100.00%
17 PUC Fees	0.1662%	0.2253%
18 Bad Debts	0.0000%	0.0000%
	99.83%	99.77%
19 State Tax @ 8%	7.99%	7.98%
20 Federal Taxable	91.85%	91.79%
21 Federal Tax @ 15%	13.78%	13.77%
22 Net After Tax	78.07%	78.02%
23 Net to Gross Multiplier	128.09%	128.17%

Attachment J
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Corporation
Case No. TRH-W-13-01

Month	Monthly Usage
January	5,405
February	5,405
March	5,405
April	5,405
May	15,715
June	15,715
July	38,598
August	38,598
September	14,224
October	14,224
November	5,405
December	5,405
Total/yr	169,503
Ave./Mo.	14,125



Attachment K
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Case No. TRH-W-13-01
Rate Proof of Staff-Recommended Rate Design

Staff Recommended Revenue Requirement	**$43,541**
Total Number of Customers:	**147**

MINIMUM CUSTOMER CHARGE

Type of Customers	Number of Customers	Volume Allowance (Gallons)	Minimum Customer Charge	Total Annual Rev. from Min. Charge
All Customers	147	**5,000**	**$ 13.75**	$ 24,255
Total	**147**			**$ 24,255**

COMMODITY CHARGE (All Customers)

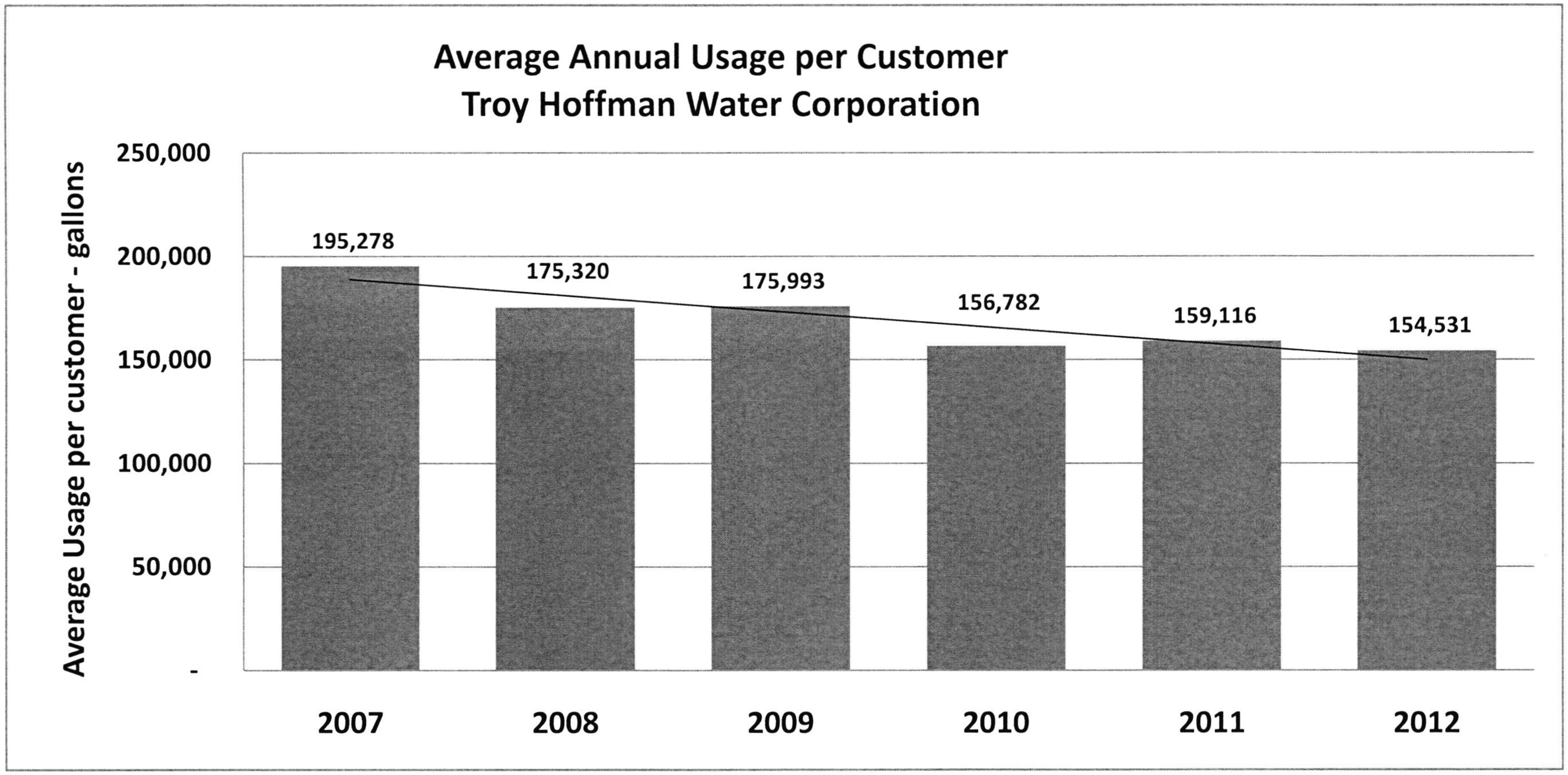
Commodity charge for all customers ($/1,000 gallons)	**$ 1.12**
Net Volume of Excess Usage (gallons)	**17,239,500**
Total Commodity Revenue	**$ 19,308**

Total Revenue (minimum customer and commodity charges)	**$ 43,563**
Revenue over (under) Revenue Requirement	**$22**

Various Charges as a % of Gross Revenue

Minimum Customer Charge	**56%**
Commodity Charge	**44%**

Troy Hoffman Water Corporation
Case No. TRH-W-13-01



Attachment M
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Case No. TRH-W-13-01
Rate Impacts for All Customers
Current Rates vs. Staff-Proposed Rates

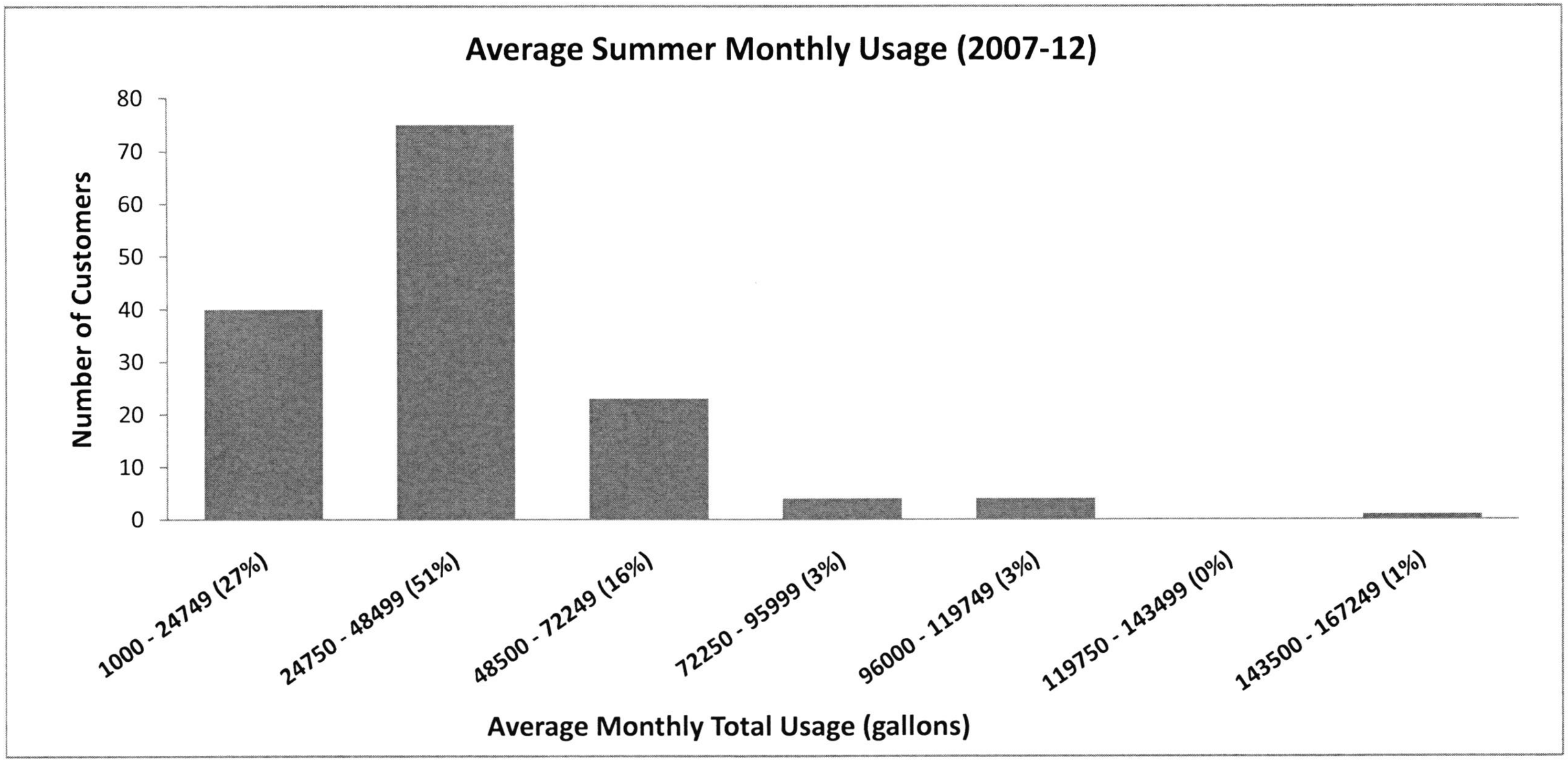
Rate Elements	Current	Proposed	% Increase
Monthly Base Rate	$ 11.80	**$ 13.75**	16.5%
Commodity Rate (per 1,000 gallons)	$ 1.10	**$ 1.12**	1.8%
Volume Allowance (gallons)	5,000	5,000	

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	$ 11.80	5,000	$ 1.10	$ 11.80	$ 13.75	5,000	$ 1.12	$ 13.75	$ 1.95	16.5%
2,000	$ 11.80	5,000	$ 1.10	$ 11.80	$ 13.75	5,000	$ 1.12	$ 13.75	$ 1.95	16.5%
4,000	$ 11.80	5,000	$ 1.10	$ 11.80	$ 13.75	5,000	$ 1.12	$ 13.75	$ 1.95	16.5%
5,000	$ 11.80	5,000	$ 1.10	$ 11.80	$ 13.75	5,000	$ 1.12	$ 13.75	$ 1.95	16.5% <-- a/
8,000	$ 11.80	5,000	$ 1.10	$ 15.10	$ 13.75	5,000	$ 1.12	$ 17.11	$ 2.01	13.3%
10,000	$ 11.80	5,000	$ 1.10	$ 17.30	$ 13.75	5,000	$ 1.12	$ 19.35	$ 2.05	11.8%
12,000	$ 11.80	5,000	$ 1.10	$ 19.50	$ 13.75	5,000	$ 1.12	$ 21.59	$ 2.09	10.7%
14,000	$ 11.80	5,000	$ 1.10	$ 21.70	$ 13.75	5,000	$ 1.12	$ 23.83	$ 2.13	9.8%
15,000	$ 11.80	5,000	$ 1.10	$ 22.80	$ 13.75	5,000	$ 1.12	$ 24.95	$ 2.15	9.4%
16,000	$ 11.80	5,000	$ 1.10	$ 23.90	$ 13.75	5,000	$ 1.12	$ 26.07	$ 2.17	9.1%
18,000	$ 11.80	5,000	$ 1.10	$ 26.10	$ 13.75	5,000	$ 1.12	$ 28.31	$ 2.21	8.5%
20,000	$ 11.80	5,000	$ 1.10	$ 28.30	$ 13.75	5,000	$ 1.12	$ 30.55	$ 2.25	8.0%
25,000	$ 11.80	5,000	$ 1.10	$ 33.80	$ 13.75	5,000	$ 1.12	$ 36.15	$ 2.35	7.0%
30,000	$ 11.80	5,000	$ 1.10	$ 39.30	$ 13.75	5,000	$ 1.12	$ 41.75	$ 2.45	6.2%
38,000	$ 11.80	5,000	$ 1.10	$ 48.10	$ 13.75	5,000	$ 1.12	$ 50.71	$ 2.61	5.4% <-- b/
50,000	$ 11.80	5,000	$ 1.10	$ 61.30	$ 13.75	5,000	$ 1.12	$ 64.15	$ 2.85	4.6%
75,000	$ 11.80	5,000	$ 1.10	$ 88.80	$ 13.75	5,000	$ 1.12	$ 92.15	$ 3.35	3.8%
100,000	$ 11.80	5,000	$ 1.10	$ 116.30	$ 13.75	5,000	$ 1.12	$ 120.15	$ 3.85	3.3%

a/ Average usage during winter period.
b/ Average usage during summer period.

Troy Hoffman Water Case No. TRH-W-13-01

Proportion of Customers per Average Summer Monthly Total Usage (147 Customers)



Attachment O
Case No. TRH-W-13-01
Staff Comments
11/14/13

Troy Hoffman Water Corporation
TRH W-13-01

Volume of Water Produced, Sold, and Un-Accounted

Billing Period	Volume Pumped per Billing Period (gallons)	Volume Sold by Billing Period (gallons)	Difference (gallons)	Percent Difference
Aug-09[1]	7,655,100	11,609,000	(3,953,900)	-52%
Oct-09	1,561,000	4,351,000	(2,790,000)	-179%
Apr-10[2]	4,359,400	4,702,000	(342,600)	-8%
Jun-10	2,938,700	4,174,000	(1,235,300)	-42%
Aug-10	10,887,300	10,071,000	816,300	7%
Oct-10	3,528,900	4,100,000	(571,100)	-16%
Apr-11	4,860,300	4,757,000	103,300	2%
Jun-11	3,730,900	4,539,000	(808,100)	-22%
Aug-11	9,826,200	9,471,000	355,200	4%
Oct-11	4,984,800	4,623,000	361,800	7%
Apr-12	4,925,900	4,636,000	289,900	6%
Jun-12	3,635,600	3,933,000	(297,400)	-8%
Aug-12	8,965,100	9,815,000	(849,900)	-9%
Oct 2012 - Apr 2013[3]	10,074,900	9,482,000	592,900	10%
Jun-13	4,943,500	5,091,000	(147,500)	-3%

[1] A flow meter was installed in early June 2009. First complete billing period with pumped volume data was August 2009 (i.e., July 1 – August 31, 2009).
[2] Total volume of pumped water for the April billing periods include November 1 – April 30 readings.
[3] Volume pumped data reading for the end of October 2012 missing. Volume pumped and volume sold data includes from September 1, 2012 to April 30, 2013.

TROY HOFFMAN WATER CORPORATION, INC.
COMPANY TARIFF

Proposed Revision to RATE SCHEDULE NO. 2 NON-RECURRING CHARGES

Legislative Version

Late Payment Fee: One percent (1%) ~~per month~~ of the ~~unpaid~~ past due balance owing at the time of the next billing. ~~statement.~~

Clean Version

Late Payment Fee: One percent (1%) of the past due balance owing at the time of the next billing.

Proposed Revision to GENERAL RULES AND REGULATIONS - SECTION 6. BILLING AND PAYMENT

Legislative Version

6.1 All Customers shall be billed ~~on a regular basis~~ bi-monthly as identified on the applicable rate schedule.

6.2 ~~If the system is metered, the Company shall try to read the meters prior to each billing unless specified differently on the applicable rate schedule.~~ The Company reads meters four times a year, in April, June, August and October. The accumulated usage for the six month period from November through April is shown on the April billing statement. Usage exceeding the water allowance is also shown on the bill.

If the Company~~-s meter reader~~ is unable ~~to gain access to the premises~~ to read ~~the~~ a meter from April through October because access to the meter is restricted, or in the event ~~the~~ a meter fails to register, the Company ~~will~~ may estimate the ~~C~~customer's water consumption for the current billing period based on known consumption for a prior similar period or average of several periods. Subsequent readings will automatically adjust for differences between estimated and actual consumption. Bills based on estimated consumption shall be clearly marked as "estimated".

6.3 All bills shall clearly indicate the balance due, and ~~may be~~ are due and payable ~~no less than 15~~ twenty (20) days after the date rendered. All bills not paid by the due date may be considered delinquent and service may be disconnected subject to the provisions of the UCRR.

Clean Version

6.1 All Customers shall be billed bi-monthly as identified on the applicable rate schedule.

6.2 The Company reads meters four times a year, in April, June, August and October. The accumulated usage for the six month period from November through April is shown on the April billing statement. Usage exceeding the water allowance is also shown on the bill.

If the Company is unable to read a meter from April through October because access to the meter is restricted, or in the event a meter fails to register, the Company may estimate the customer's water consumption for the current billing period based on known consumption for a prior similar period or average of several periods. Subsequent readings will automatically adjust for differences between estimated and actual consumption. Bills based on estimated consumption shall be clearly marked as "estimated".

6.3 All bills shall clearly indicate the balance due, and are due and payable twenty (20) days after the date rendered. All bills not paid by the due date may be considered delinquent and service may be disconnected subject to the provisions of the UCRR.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14TH DAY OF NOVEMBER 2013, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. TRH-W-13-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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

Jo Nelson
SECRETARY