COMMENTS TO THE PUBLIC UTILITIES COMMISSION HEARING IN THE MATTER OF DIAMOND BAR ESTATES WATER CO.

DIA-W-07-01

26 SEPT., 2007

The following comments are in response to the Staff comments on this case as submitted to the Commission on 10 Aug., 2007.

1. In their calculation of the Revenue Requirement, page 8, the Staff is proposing a gross up for taxes on the result of an allowance of 12% on the rate base. In as much as the Commission treats all applicants as if the are "C Corporations", and since the applicant shows a loss for one or more prior years no such tax provision should be included. The applicant will be able to use tax loss carryforwards to offset any such income.

2. In the proposed rate design the Staff makes 2 proposals which are not in the best interests of the consumer. These are:

    a. If the Staff is truly worried about conservation then they should abandon the stated preference for a single rate design. They should instead adopt a dual rate, the first providing for usual and customary household usage, including some landscape watering so that homes may meet the CC&R requirement of at least a front lawn. Beyond that the second rate covers those households who wish to keep animals or have a more extensive landscape.

    b. The second problem is the inclusion in the base monthly rate of 4,000 gallons. This is after they note that winter usage averages over 5,579 gallons/month and that the median was 4,678 gallons/month. They are proposing a base which would not meet normal household use. As to the median they would have included some of the residences which are vacant for some or all of the /winter as the people go South, thus using minimal water. It must also be noted that in the Staff attachment G, an allotment of 4000 gallons/month is far less that all but 2 of the other water companies shown, and Stoneridge may be somewhat different being a golf course community.

3. The Staff seems to have a visceral reaction to charging people for what they use, regardless of when they use it. The most appropriate design, one which allows people to conserve if they wish, and yet meet their needs is to provide a "water year allowance" which should be based on the current program. Thus the first 90,000 gallons would be billed at one rate. Above that becomes the clients choice. The Stoneridge design, of a flat fee to access the system and then a usage fee is the model the Staff should be following.

4. As to the Applicant's cash flow, most seasonal business realize that they have to set aside funds from the busy season to cover the lean. What are the applicants cash needs during the Winter months? I f you assume 1/12th of the salary costs and 60% of 1/12th of the utility cost (less pumping in the Winter) you get a monthly cost of $1100. Offset this with the flat monthly fee, whatever it turns out to be and you get the amount the Company needs to set aside.

It seems to this customer that the appropriate rate design is as follows:

Meter fee	$27	x12 = 324	x 43 = 13,932
Rate / 1000 gallon	.45	x90 = 36.00	x 43 = 1,742
Rate /1000 gallons	.75	x 16,127.870*	12,096
			27,770

Thus income is equal to revenue requirement as determined by the Staff, less the tax gross up, because there will no taxes payable.

* from attachment F as follows:
43 * 4000 * 12 = 2,064,000 + 17,933.870 = 19,997,870
19,997,870 - (43 * 90000) = 16,127,870

Two additional comments;

This rate design still does not reflect the reality that the Applicant is an LLC and thus has an entirely different tax structure than either the Commission or Staff is willing to consider; and

I am not certain what this entire exercise is/was for. According to the Commission website the public comment period extended through 10 August. Yet we see that the Staff report was filed on the 10th so they clearly had written the memo and decided on the recommendations before that date.

Michael R. Meehan
14201 N Ramsey Rd

√Gen Ack sent 9/28/07 √To Comms & H

Jean Jewell

From: mikemeehan@operamail.com
Sent: Thursday, September 27, 2007 10:13 AM
To: Tonya Clark; Jean Jewell; Gene Fadness; Ed Howell
Subject: PUC Comment/Inquiry Form

A Comment from Mike Meehan follows:

Case Number: DIA=W-07-01
Name: Mike Meehan
Address: 14201 N Ramsey Rd
City: Rathdrum
State: ID
Zip: 83858
Home Telephone: 208-762-1229
Contact E-Mail: mikemeehan@operamail.com
Name of Utility Company: Diamond Bar Water
Add to Mailing List:

Please describe your question or comment briefly:
A comment made at the public hearing last evening, 26 Sept. got me to thinking about the cost basis of the water co. the water company was developed to sell lots and it belonged to the Homeowners Assoc..When the time came for the developer to give up control of the Assoc. the water co reverted to the the Board of the Assoc. at no cost,the developers costs having been recouped via sales of lots.

For various reasons the Assoc opted not to take control (good thing as the Assoc is completely disfunctional) and the developer took control with no funds changing hands.

Therefore it would seem that his cost basis must be limited to those improvements, repairs etc, which he has made after that date. The Staff should investigate how this impacts his cost basis.

Thank you.

The form submited on http://www.puc.idaho.gov/forms/ipuc1/ipuc.html
IP address is 69.76.3.142
