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IDAHO PUBLIC
UTILITIES COMMISSION

Jan. 25, 2016

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

In Re: Case No. DIA-W-15-01
Objection to Proposed Rate Increase

Gentlemen:

I believe the proposed rate increase is based on a number of points which must be investigated thoroughly and the results made public.

In Exhibit 1 there is shown "plant in Service" at \$48,388 and accumulated depreciation of 16,669. The Applicant has admitted in prior conversations that the plant's costs were completely recaptured by the sale of all the lots. His lot prices were 1/3 land,, 1/3 infrastructure (including water system), and 1/3 profit. When the lots were sold out the water system became the property of the HO Association at no cost. (Applicant painted a dire picture the HO wold incur, I.E. hiring a water manager, that the HO deeded the water system back to Applicant.)

In spite of the costs being fully recovered, the PUC in its infinite wisdom allowed for the subsequent of a second recapture. If the PUC where to truly act in the interest of the rate payers, this depreciation should be stopped immediately, I have no expectation the PUC will act in such a manner, see comments at the end of this letter.

If the above were followed the Rate Base would be \$9679. (See revised Exhibit 1 attached.)

Exhibit 2

Applicant requests an increase it the amount paid for utilities, assume this can be substantiated by actual invoice.

The same holds true for the water testing expense. The testing must be limited to lab costs only, not the cost of an employee obtaining the sample, that wages are covered under Admin.

Further the water testing adjustment include meter reading. As this is performed by an employee it would appear that the rate payer is being charged twice for the same expense. If a helper is used it is a once per moth fee and should only require minimum wage help. The same applies to pump service, labor, operation and maintenance.. As to Applicant's request for on-call duties. The fact that Applicant has not take a salary is not relevant as he has, to my knowledge, no specific training is water related mechanical issues.

What was done to repair the system, do invoices support the stated charge, are they once again charging for time included elsewhere.

The increase due to "bookkeeping" will be hard to justify on any reasonable basis. This is semi-skilled labor at best and any reasonable accounting software simplifies the time required. Also the Company seems to be tech phobic. For example they hand write the monthly invoices, see sample attached. A few minutes with a writer program and it's printer instructions could set up invoice production for all the monthly invoice base on the flat rate. After once done all that would need to be done on a monthly basis would be to change the rate, an exception might be called for if a ratepayer is in arrears.. *How often is that the case?*

Secondly if the meter reader used a tablet or similar device the data could be downloaded into a spreadsheet program where the bill could be created and sent to the printer at the same time as feeding the accounting software the accounts receivable account.

As seen from the preceding paragraphs, Applicant would seem to have an aversion to implementing technology to improve office efficiency. For that reason there should be no increase in compensation. If he were to use a portion of the "working capital" to invest in new equipment and an individual to set up he would find that hours would be reduced. Since these hours generate income for "related parties" it is highly unlikely that anything will happen. Doesn't the PUC look at efficiency when evaluating expenses? If not, why not?

There is a flaw involved in the billing. The 6 month flat rate covers 5,500 gallons per month, 33,000 gallons for the 6 month period. If a rate payer uses for example 4,500/month or 27,000 for the period. He paid for something he did not receive. In May he uses 6,500 gallons to start a garden, get the lawn going etc. he is hit with an overage charge. It would be better for a rate payer to check his meter in April determine how much less he used than what he is being charged and then flood the property up to the 33,000 gallon usage.

Another flaw in the billing is that they do not bill the same time each month. Thus, if they bill 3 days before month's end a customer may be below the 5500 gallon limit. The following month they may bill at month's end, in which case the month has 33 or 34 days. If the reading indicates over 5500 gallons the customer is hit with the higher overage rate. This should be addressed in the staff's review of individual billing records, if they take the time to do such things

As to the salaries themselves how does the rate being paid fit the local market for semi-skilled employees? How is the payroll determined? Applicant runs multiple businesses out of one office, do the employees keep time sheets but business? If not, why not?

A revised Exhibit 2 is attached.

Unstated Issue

How is the Company organized? The Secretary of State's website show the business running under an assumed name, no mention of an LLC. If the business is an LLC does it have one principal or two or more. If only one then the profit or loss from schedule C goes to Line 12 of the 1040 and is taxed as ordinary income. If there are 2 or more then the tax has to follow partnership rules which provide for

tax loss carry forward, etc.

Does the PUC ever check this?

If an individual is the tax loss benefit considered when examining the rate proposal?

Exhibit 3.

Rate of Return at 12% for a company such as Applicant seems out of line with reality. 12% might be acceptable for a utility traded on a stock exchange where it is necessary to generate a return sufficient to pay dividend. For a privately held company this should not be considered anywhere near acceptable. A rate of return more like a risk free investment as 10 year Treasury notes, I.E. 2% seems more appropriate as the community cannot go without water. I assume the PUC for ease of its duties has decided to apply 12% to all utilities **regardless** of facts on the ground.

The rest of the rating action shown in this exhibit rests on the shaky ground of numbers previously shown. Why should any of the business be shown to be taxed at 15 & 8% unless justified by each operations schedule C. The utility companies Applicant controls are being charged in with the other businesses, personal income and retirement benefits. The PUC should address these issues by requiring the Schedule C for the business in question be provided as part of any filing.

A revised exhibit 3 is attached. This shows the maximum rate increase should be no more than 29%, even less if Applicant refuses to include the technology upgrades.

Conclusion: Applicant should not receive more than a 10% increase in each of the base rate and the average rate, I.E. \$32/month & \$.88/1000/gallons

The PUC

(Will staffs work papers be made public?)

The rate payers for the most part think that the "Public" in the Commissions title applies to them. It does not, it refers to the "Public Utility" Rate payer is left out of the process.

I understand that I have wasted my time putting these thoughts to paper, as disjointed as they may seem. Assuming the Applicant is using the same consultant as previously that individual is a former member of the PUC staff. Undoubtedly he has had conversations with the staff, off the record of course to get an idea as to what they might be willing to approve. The application is then constructed to generate a higher number. The staff will come to CDA and make a great show of auditing the books, checking salary rates etc. The Commissioners may, if they want a trip to CDA, stay at the resort, enjoy a nice meal somewhere, hold a hearing. They will then return to Boise and accept the staff recommendation.

Sincerely



Michael R Meehan

cc: Diamond Bar Estates Home Owners Association

Diamond Bar Estates Water Co PO Box 1870, Hayden ID 83835
Emergency# 661-1560, 772-5060 Office 665-9200

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Billing Date 12/31/15 Water Billing for period 12/15

Domestic-current reading _____ prev reading _____

Irrigation-current reading _____ prev reading _____

Total usage _____ Excess Gallons _____

Past Due Amt \$ 0 Previous balance \$ 29.00

Payment Rec'd \$ 29.00

Current month \$ 29.00

Total now due \$ 29.00 Due date 1/15/16

0 - 5500 gals \$29.00 5501 and over \$.80/per thousand gals
Ex: 50,000 gals minus 5500 gals = 44,500 divided by 1000 x .80 = \$35.60 plus \$29.00
Total due \$64.60 (Minimum charge of \$29.00 covers both meters and includes the first 5500 gallons of usage)

Exhibit 1
Rate Base Calculation

ratecase expense	5000
working Capital	4679
	9679

Sheet1

Exhibit 3

rate base	9679.00		
roi	0.02		
net op	193.58		
gross up	1.1699		
rev	226.47		
loss	2437.00	net loss 5 yr	2437
add rev	2663.47	amortization	
test rev	26338.00		
rev req	29001.47		
rate inc.	1.10		

gross up
inc. tax

	100
	-0.02481
	99.97519
sttax	0.05
	4.9987595
	94.9764305
	0.1
	9.49764305
	85.47878745
	1.169880891

Sheet2

Exhibit 2

		adjustments	
revenue metered	25696		25696
revenue other	642		642
total revenue	26338		26338
labor o&m	1084		1084
labor a&g	5325		5325
power	9511	479	9990
materials o&m	328		328
Materials a&go&m	6		6
contract servs	456		456
water testing	7731		7731
bank chgs	526		526
ins.	2238		2238
		pump repairs	5750
total operating expe	27205		33434
depreciation	1881	1881	1881
rate case		1105	1105
reg. Fees	277		277
prop tax	302		302
total expenses	29665		36999
net income	-3327		10661
less tax benefit	-432.51		107
net loss ****	-2894.49		10554
net income	-2894		-10554

gain/loss

**** assumed at 10% federal 3% state