

Jean Jewell

From: Jean Jewell
Sent: Thursday, June 09, 2016 3:15 PM
To: Jean Jewell
Subject: FW: Your Comments and Questions Regarding Case No. DIA-W-15-01
Attachments: DBEWD Hearing presentation.docx

From: Nate Simmons [mailto:pcccoutlaw@gmail.com]
Sent: Wednesday, June 08, 2016 10:29 AM
To: Jean Jewell <Jean.Jewell@puc.idaho.gov>
Cc: Front <front@puc.idaho.gov>
Subject: Re: Your Comments and Questions Regarding Case No. DIA-W-15-01

Jean,

I attended the public hearing on the Diamond Bar Estates Water District last night and presented my thoughts. The commissioners stated that they were going to allow public input until June 10th, so I am sending you a copy of what I presented last evening regarding the requested rate increase. It is for the record, as it was last night, and can be posted onto the web if that is the appropriate thing to do. Thank you.

To: Commissioners, Idaho Public Utility Commission

My name is Nate Simmons, and I have already submitted comments to the original rate increase request as well as the PUC staff response. Just so you understand that I am not just a homeowner that doesn't want to pay an exorbitant increase no matter the justification, I want you know where I am coming from on this matter. I had a 35 year career in Facilities at the Boeing Company. I did many jobs over the years, including project management, construction management, managing budgets, identifying and solving problems, and value engineering. I believe this gives me a good foundation to evaluate the appropriateness of the proposed huge rate increase proposed by Diamond Bar Estates Water District.

Since the Diamond Bar Estates Water District filed their request for a rate increase last year, there have been several steps along the way. There was a public workshop, a chance for the homeowners to input their thoughts, the posting of the Public Utilities Commission staff report with recommendations, and finally the response from DBEWD. We homeowners now have the opportunity to present thoughts and questions publicly, after which the actual commission will make a decision as to how much the water rates will be allowed to rise. Unfortunately, there are still several important issues to consider before an informed and just decision can be made by the commissioners.

Major areas to discuss include the operation of the company and whether it has been operated in a prudent and efficient manner, whether they have provided good service to customers, whether all costs and revenues have been properly accounted for, and whether the PUC staff has done a thorough job of investigating the validity of the rate request. This specifically includes several key items already presented by homeowners but ignored in the staff report.

Company Operations-Smart and Prudent?

- Why was a 50 HP pump installed originally, against the contractor's recommendation, thus incurring higher operating costs every time the pump failed?
- Why was there no action taken when it was stated in 2002 that there was a problem with the electrical system?
- When pump life is expected to be 15-20 years, why was there never a thorough investigation of the problem until after six pump failures in 13 years? After only two or three failures there should have been a thorough root cause analysis done to avoid future problems. Failure to do so is a failure of proper management and causes the customers to pay more than they should.
- When Kootenai Electric Cooperative requires all motors larger than 20 HP to have a soft start installed, why has this never been done?
- Why has there been no action to replace the soft start for the pump since the AEI engineering report that stated it was a requirement? I have talked to AEI engineering as well as an electrical contractor and both state that it is imperative to do that to maximize pump life. To relate it to a personal level, operating without the soft start is like always revving up your car engine to 3000 RPM before shifting into drive and not expecting any damage.

- Per the documents filed by the DBEWD and the PUC, it is clear that the company is not run efficiently and effectively. There are clearly issues with the bookkeeping and annual reports, as well as the consultant that was non-responsive. All these things caused more work for the PUC staff as well as those of us trying to understand the rate request, and it is not justified to reward the company and punish the customers for this.
- The company claims that the staff is working more hours, yet does not present justification why. Since they are basically serving the same number of customers, there should not be a reason for allowing increased hours worked. Time spent solving problems of their own making should not be compensated. Any increase in labor costs should be limited to cost of living factors.

Cost and Revenue Issues

- Why did operations costs increase by \$18-20,000 in 2010? I have not seen a valid explanation from DBEWD or staff for this, and with the service record showing a pump failure at well #2 that year, it appears that labor and expense was incorrectly allocated from the private homeowner to DBEWD. This cannot be allowed and must be removed from the base.
- From 2008 until 2014, annual revenues were within approximately \$2500 each year. However, we know that the company received insurance payments of \$5630, \$9500, and \$4170 during these years. It is inconceivable that payments like these would not cause greater fluctuations in annual revenues, thus we must conclude that the insurance payments were improperly excluded from the revenues in the annual reports. This cannot be allowed.
- Why should this company be granted a guaranteed 12% return when their own poor decision making allows them to increase the plant in service and thus get a higher return?

Company Service

- I lived for 17 years in Maple Valley, WA, and had a private water company supply our house. I do not recall a single outage in that entire time, yet have endured at least four major outages in just four years here. These outages have ranged from 2-19 days, during which time our lawns and plants were at risk. This is clearly inferior and unacceptable service.
- The outages incurred by the company allowed air to enter the system, which caused two hot water recirculation pumps to burn out. I requested to have the company call me whenever they were aware of an outage so I could protect the pumps, but they argued against it, and did not care that they caused my pumps to fail. I was actually hung up on one time when asking why I did not get a call to alert me. Customer service appears to be a foreign concept to them. I would like to have the commission direct the company to establish a group email and/or texting alert system to notify customers of outages and service restorations.

Public Utilities Commission

- I am very disappointed in what the PUC staff posted in response to DBEWD and the homeowners' input. I feel that there were many significant issues raised by us that were ignored or glossed over in the report. As a result, several of them must be brought up again at the public hearing. While not every single question or comment need be addressed, there were several major issues raised that deserve explanation. Of particular concern are the huge expense jump in 2010 and the treatment of the insurance compensation for the pump failures.
- The PUC staff states that they are going against "normal accounting treatment" by allowing recovery of costs for early retirement of an asset. They state that unique circumstances exist that justifies doing this. However, the unique circumstance is that improper management of the system caused the pumps to fail prematurely, thus allowing recovery of those costs is basically rewarding management incompetence to the detriment of the customers. This CANNOT be allowed.

Miscellaneous

- I was told in a conversation with Mr. Turnipseed that the pump failures were the fault of Kootenai Electric and he was trying to get them to compensate him for the problems with their electrical service. However, at the same time he refused to take any responsibility for allowing air to get into the lines and cause two recirculation pumps to fail at my house. Allowing the air into the lines caused me to spend over \$900 to replace them.
- When reading through the documents in this case, it is clear that DBEWD expects to be paid for time and money spent to prepare their case. Well, I have spent 50-60 hours working on this case, so who is going to compensate me? Sometimes company owners and execs need to be like exempt employees-they do not get overtime pay and must invest their own time for the good of the company and to build up the company value. I did that in my career, and they can as well.
- I believe that if DBEWD is guaranteed a 12% return and the customers are forced to pay for their poor management, then the homeowners should be guaranteed to get our water supplied without interruptions in service. In the long term I believe the only way to do this is to grant legal rights to access water from the back up #2 well when necessary. This will protect the investments in our homes as well as allow us to avoid having to move into motels the next time the pump fails and there is a new owner of that property.
- In the DBEWD response to the PUC staff report, the company tries to justify ignoring the key AEI engineering recommendation to install a soft start system to protect the pump. Their justification is that "they" aren't sure it is needed, they don't have the money, and they think everything is working fine. Well, everything was always working fine in the past, right up until the point when the pumps failed. Cutting corners and using short sighted logic like this is a perfect example of the management and operational problems within this company.

- In the public workshop and in other PUC documents, “prudent” is a word that is often used. Given everything that has been presented to the PUC by DBEWD customers, it is abundantly clear that the water system has not been prudently managed. It is imperative that the commissioners recognize this and refuse to reward DBEWD for their shortcomings as a company. The commissioners must ignore the recommendation of the PUC staff and take action to adjust the rate downward from the staff recommendation to take into account the problems and issues that we have brought forward.

Thank you for allowing me to present my thoughts to you today, and for your careful consideration and implementation of them as justified. I also urge you to carefully consider the concerns submitted previously by other homeowners and me to the PUC website.

Nate Simmons