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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF MORNING VIEW)
WATER COMPANY’S APPLICATION FOR) **CASE NO. MNV-W-19-01**
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR WATER SERVICE IN IDAHO)
) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

Staff of the Idaho Public Utilities Commission comments as follows on Morning View Water Company’s Application.

BACKGROUND

On June 5, 2019, Morning View Water Company (“Morning View” or “Company”) applied to increase its rates and charges for water service. The Company proposed a June 30, 2019 effective date. Morning View’s Application cited three reasons it needs a rate increase: 1) decreased water usage during the summer months, 2) an inadequate rate of return established in the Company’s previous rate case, and 3) unanticipated expenses—such as water testing and pipeline repairs—that were not considered in the previous rate case, Case No. MNV-W-16-01.

On June 27, 2019, the Commission issued a Notice of Application and set an intervention deadline. While noting that the Company’s Application did not comply with the Commission’s filing requirements, the Commission allowed the case to move forward. The Commission directed Staff to audit the Company and access all documents needed to determine the

Company's revenue requirement. The Commission also directed Staff to assist the Company to prepare a customer notice that complies with the Commission's minimum requirements. Last, the Commission suspended the proposed effective date for the new rates for five months and 30 days, under *Idaho Code* § 61-622(4).

On November 19, 2019, the Commission suspended the proposed effective date for new rates for an additional 60 days, until February 28, 2020. The Commission also set comment deadlines, and scheduled a customer workshop and public customer hearing for January 8, 2020 in Rigby, Idaho.

STAFF REVIEW

Overview

Staff recommends a total revenue requirement of \$96,472. This is a revenue increase of \$8,969 above test year revenue, which is a 10.25% increase. Staff also recommends a total expense allowance of \$88,911 and rate base of \$433,639 consisting of \$478,487 in plant in service, \$52,141 in accumulated depreciation, and \$7,293 in working capital.

Rate Case Drivers

In Case No. MNV-W-16-01, the Commission approved a revenue requirement of \$93,727 and a new two-part pricing structure that included volumetric rates. See Order No. 33658. In its Application, the Company said, "The last rate case was insufficient to cover our expenses and we have operated in the negative every year since." See Application at 1. The Company has not met its revenue requirement, reporting revenues of \$85,972 in 2017 and \$86,040 in 2018, according to its annual reports. During that time, customers also decreased their water usage, perhaps due to the new volumetric rates. The Company sold 29 million gallons of water in 2018, down from 49 million gallons in 2016.

Related Parties

Morning View is a family-owned and -operated water company. The owner, Mr. Nolan Gneiting, also owns Landco Building and Development Co., which develops properties on the Morning View system. Similar to other small water utilities, Morning View has related party transactions. In this case, labor and rent expenses involve related parties. The Idaho Supreme Court has established that related-party transactions are subject to a higher level of scrutiny. See

Boise Water Corp. v. IPUC, 97 Idaho 832, 555 P. 2d 163 (1976). Staff notes that affiliate transactions are subject to close scrutiny and the regulated utility has an increased burden of proving the reasonableness of its affiliate transactions. The potential for abuse arises because the Company management could inflate expenses charged to the regulated utility, essentially moving the profit from the regulated utility to an unregulated affiliate. Staff recommends that using the lower of cost incurred or market prices is reasonable for prudence determinations for related-party transactions.

System Description

The Morning View Water Company service area is located just south of Rigby, Idaho. The Company provides service to the Morning View Acres Subdivision and the Country Grove Estates Mobile Home Subdivision encompassing a total of 144 homes or home sites. The Company currently serves 116 residential customers. The public water system consists of three wells, two well houses, and a distribution system providing domestic water to residents at the design flow of 600 gallons per minute with a nominal supply pressure of 70 pounds per square inch. The Company is not expecting any significant growth over the next five years.

REVENUE REQUIREMENT

Because the Company did not submit a revenue requirement in its Application, Staff used information in the Company's 2018 annual report as the starting point for the Company's revenue requirement. The Company agreed to a historical test year ending December 31, 2018, with pro forma adjustments to revenues and costs. Staff has made adjustments and updated the Company's test year data to reflect the results of its analysis. Attachment A shows a summary of the adjustments Staff recommends in this case. Staff-adjusted results show a net annual operating loss of \$1,408 and a Net Plant in Service of \$426,346.

Revenues

The Company's 2018 Annual Report states that test year revenue was \$85,708 from metered revenue and \$332 from other water sales revenue. The other revenue consists of \$247 from late fees, \$45 in connection fees, and \$40 in returned check fees. The other revenues are all one-time revenues that Staff has removed from revenues expected to cover the ongoing incremental revenue requirement calculation as shown on Attachment A, line 3, Column B.

The Company did not bill its owners, Mr. and Mrs. Gneiting, and the Company office for water usage. While Staff does not oppose the Company providing those benefits to the owners and its office, excluding those revenues and expenses in its annual report is improper accounting. Staff reviewed water usage for the owners and the office, then calculated those revenues as shown in Attachment B—Owners Revenue. Staff recommends that those revenues be included, and the \$1,164 amount that should have been billed to the Gneittings be expensed as an owner's benefit under Salaries-Officers & Directors and the \$631 amount that should have been billed to the office be expensed as Rental-Property & Equipment. This adjustment has no impact on net income but increases both revenues and expenses by \$1,795, as shown in Attachment A, Column C.

Expenses

The Company reported Total Expenses from Operations totaling \$98,289, before interest, for the test year as shown in Attachment A, Column A, line 37. This total consists of test year operating expenses equaling \$68,292 and other expenses equaling \$29,997.

Reclassification

The Company reported \$791 in utilities expenses as Miscellaneous Expenses. Staff reclassified this to Purchased Power & Fuel for Power, as shown in Attachment A, Column D.

Labor

All employees of the Company are family members or extended family members of the owner, Mr. Gneiting. In the previous rate case, Case No. MNV-W-16-01, the Commission approved the following labor expenses:

- Officers and Directors: \$3,060
- Admin and General (A&G): \$9,165
- Operation and Maintenance (O&M): \$9,180

With exception of officers and directors, Staff recommends increasing these amounts by the amount of increase reported in the Standard Occupational Classification (SOC) codes from the U.S. Bureau of Labor Statistics that are appropriate for these positions over the same time period.. See Attachment C—Labor. For Officers, the SOC code indicated that wages have

decreased. Staff does not believe a decrease in labor expense is appropriate and instead recommends using the Water Operator SOC code of officers, since Mr. Gneiting is also the Company's primary water operator. Staff recommends a total salary expense of \$22,600. This is a reduction of \$5,240 in salaries with a corresponding reduction of \$504 in payroll tax expense.

In Case No. MNV-W-16-01, the Company commented that the labor expenses approved were not appropriate for the Company. Staff reiterates that these are related-party transactions and therefore require additional scrutiny for inclusion in rates. Staff contacted a water management company for a quote of approximately \$18,000 a year to run a similar sized water company. These services would have included all routine tests, meter reading, billing, collections, and maintenance. The labor expense for A&G and O&M recommended excludes the salary for the officers as well as the benefits the owners receive by not being billed for their water usage. Therefore, Staff believes the amount recommended is appropriate.

Mileage

The Company's Annual Report did not include any transportation expenses. The owners routinely travel to Rigby or Idaho Falls for Company purposes, including visiting the bank or submitting water samples for testing. Staff reviewed a log kept by the owners for all Company trips taken in 2018. The Company also regularly drives the length of the system to conduct meter reads and check for any leaks or other issues. Staff determined that driving the length of the system is approximately four miles and that it would be prudent to drive the system two times per week. Using the actual and assumed data, as well as the 2018 Internal Revenue Service standard mileage rate, Staff recommends a Transportation Expense of \$897, as shown in Attachment A, line 19, Column F and Attachment D—Mileage.

Rent

The Company reported \$900 in rental expense, which is the amount the Commission authorized in Order No. 33698. The Company rents part of an office building from Landco Building Co., which is also owned by Mr. Gneiting. The office building has three offices, a bathroom, and typical office equipment and furniture. The building has a parking area and is near the well houses. The building remains serviceable for the Company's use.

Staff recommends a \$50 increase to rental expense, based on expected costs incurred to rent part of the building. Staff determined a \$950 rental expense by calculating an annual

depreciation expense for the office building, using the building's assessed value according to the Jefferson County Assessor, and assigning half of that depreciation expense to the Company as rental expense.

That \$950 rental expense is less than market rates for a small office space. Staff, along with input from the Company, reviewed listings for commercial office space in and around Rigby. To properly compare the market rate and actual cost, Staff added expenses the Company included in its Annual Report, including electricity, natural gas, water, garbage removal, and lawn maintenance, that would likely be included in renting a commercial office space. See Attachment E—Rent.

Water Testing

Water testing requirements follow a nine-year rotation schedule. Staff believes it is reasonable to include an annualized amount to allow collection of the total amount over the nine-year schedule. Calculation of total testing costs and the annual adjustment is included in Attachment F—Water Testing.

The Company reported \$720 in water testing expenses. Staff recommends moving \$25 of this expense to rate base because of significant repairs the Company made (see below in Plant-in-Service). Staff calculated water testing expenses for the Company's wells to be \$1,840. Therefore, Staff recommends an increase of \$1,145 to the Company's pro forma water testing expense.

Deferred Expenses

In Case No. MNV-W-16-02, the Commission approved the Company's request to defer expenses related to a well failure in 2016. The Company reported \$2,960 in actual expenses and Staff determined total employee expenses of \$2,027 were related to the incident. The Company has not provided any additional repair expenses related to that case. Staff determined that these expenses could be recovered over a three-year period and included one third of these expenses, \$1,663, in Amortization Expense, as shown in Attachment A, line 28, Column I. The remaining \$3,324 is assigned to Other Deferred Charges, as shown in Attachment A, line 42, Column I.

The Company incurred some costs to process this rate case. Staff estimates that between the labor, postage, and other expenses related to this case, the Company would incur expenses of \$4,000. Because it has been three years between this rate case and the Company's previous rate

case, Staff recommends recovering these costs over three years. The amortization of \$1,334 is included in Rate Case Amortization Expense, as seen in Attachment A, line 29, Column I.

Miscellaneous Expense Adjustments

Staff removed \$350 in Contract Services-Professional and \$197 from Payroll taxes because they were related to the Company tax payments owed for previous years. See Attachment A, lines 15 and 32, Column J.

Staff removed the \$179 South Rigby Irrigation expense, because Company owners said the expense was actually incurred by Landco, not Morning View. See Attachment A, line 35, Column J.

The Company provided its most recent property tax bill, which showed an annual expense of \$3,348. Staff removed \$71 from Property Tax expense. See Attachment A, line 31, Column J.

The Company incurred \$332 in legal expenses related to a water rights mitigation issue. This amount was not included in the Annual Report but Staff verified it was incurred and recommends including it as a Miscellaneous Expense. See Attachment A, line 25, Column J.

RATE BASE

Plant in Service

The Company reported Plant in Service of \$630,322 and Accumulated Depreciation of \$119,750 in its Annual Report. In Case No. MNV-W-16-01, the Commission approved a Plant in Service of \$469,916 and Accumulated Depreciation of \$10,411. The Company did not update its Annual Reports to reflect Order No. 33658. Staff adjusted the Company's Plant in Service to the amounts approved in Order No. 33658 and added accumulated depreciation for 2017 and 2018 in Attachment G—Plant-in-Service Adjustment.

The Company had two major repairs to its system in 2018 that it included in its expenses. Staff believes that because these repairs improve the Company's system, they should be capitalized and included in Plant in Service. These repairs were a pipe replacement totaling \$3,309.77 and a well repair totaling \$5,261.65. As a result, Staff recommends adding \$8,571 to Supply Mains in Plant in Service, and removing \$8,539 from Contract Services-Other Expense, \$25 from Contract Services-Water Testing Expense and \$7 from Materials and Supplies-

Administrative and General Expense. These adjustments are shown in Attachment A, Column L and Attachment H—Plant Addition.

Working Capital

Staff recommends using the 1/8th rule for determining working capital. This uses 1/8th of the annual operating expenses as the amount of working capital to be included in rate base. This is a common practice for small water utilities without the capability of performing a more complex analysis. With this calculation, Staff recommends a working capital of \$7,293. See Attachment I—Rate Base Calculation.

Rate of Return and Capital Structure

The Company's annual report states the only long-term debt is an Idaho Drinking Water Revolving Loan, offered by the Idaho Department of Environmental Quality (DEQ), that has a \$510,614 balance with a 1.25% interest rate. There are provisions for forgiveness of part of this loan, but until the forgiveness is actually implemented, Staff recommends including the entire amount of this loan as long-term debt. The remainder of the capital structure is owner-supplied capital. Due to repeated net losses, the Company only has \$1,222 in owner's equity. Therefore, Staff recommends a Capital structure of 99.76% debt and 0.24% common equity.

Staff recommends an 11% return on common equity (ROE) in this case. This is identical to the ROE approved in the last case. Staff does not believe that conditions have changed enough to warrant a change in the ROE. This results in a rate of return of 1.27%, as shown on Attachment J—Rate of Return.

The Company's Rate of Return Calculation, based on its Annual Report, includes a negative total common equity. This is due to repeated net losses as well as the Company treating payments by its owners as notes payable. *Idaho Code* § 61, Chapter 9, requires loans to be approved by the Commission. These loans will not likely be paid back within the 12 months required to be considered short-term loans, and the payback time frame is too flexible to be

considered loans in most circumstances. Therefore, Staff recommends treating these loans from owners as investments that constitute part of their equity in the Company.

Calculation of Revenue Requirement

Staff recommends a total rate base of \$433,639 as stated in Attachment I—Rate Base Calculation. This is \$85,469 less than the Company’s Annual Report. Staff’s recommended rate base includes Net Plant in Service of \$426,346, and a working capital amount of \$7,293.

Attachment K—Revenue Requirement shows Staff recommended revenue requirement increase. Staff calculated the revenues associated with the return on rate base (line 3) to be \$5,521 ($\$433,639 \times 1.27\%$). This amount is subject to federal income taxes, state income taxes, and the Idaho Public Utilities Commission (IPUC) fees. Staff calculated net loss of \$1,408 must be recovered and is also subject to IPUC fees. The process of increasing the revenue requirement for taxes and IPUC fees is referred to as the “gross-up.” The gross-up factor is 136.942% when the amount is subject to income taxes and 100.6925% when not subject to income taxes. The process of calculating the gross-up is detailed on Attachment K—Revenue Requirement, lines 19 to 26. These grossed up amounts result in a total deficiency of \$8,969 (line 13). Staff’s recommended revenue requirement percentage increase is 10.25% over current billed rates.

RATE DESIGN

Staff recommends that the Commission approve the following rates for the Company.

Table 1 – Staff Proposed Rates

Lot Size	Proposed Minimum Charge	Size of 1st Tier (in 1,000 gallons)	1st Tier Charge (\$/1,000 gallons)	2nd Tier Charge (\$/1,000 gallons)
1/4 Acre	\$55.00	10	\$0.17	\$0.53
1/2 Acre	\$65.00	40	\$0.17	\$0.53
1 Acre	\$70.50	45	\$0.17	\$0.53

A separate rate structure is developed for three customer groups, which are differentiated by lot size (1/4, 1/2 and 1 Acre). The two-part pricing structure (minimum charges and two-

tiered volumetric rates) approved in the last general rate case, Case No. MNV-W-16-01, is maintained; however, each price component is increased from its current level by approximately 10.2% to allow the Company an opportunity to recover Staff’s proposed revenue requirement target of \$96,472. Staff’s proposal results in approximately uniform percentage bill impacts across all usage levels and lot sizes, as shown in Table 2 below.

Table 2 shows rate changes (dollar and percentage) for various usage levels for the three lot sizes.

Table 2 – Monthly Bill Impacts

Lot Size	Gallons per Month	Percentile	Notes	Current Bill	Staff Proposed Bill	Increase in \$	Increase in %
1/4 Acre	5,000	48 th		\$50.00	\$55.00	\$5.00	10.0%
1/4 Acre	8,490	70 th	Average	\$51.27	\$56.44	\$5.17	10.1%
1/4 Acre	50,000	98 th		\$71.10	\$77.90	\$6.80	9.6%
1/2 Acre	5,000	45 th		\$59.00	\$65.00	\$6.00	10.2%
1/2 Acre	18,800	72 nd	Average	\$61.82	\$68.20	\$6.38	10.3%
1/2 Acre	50,000	87 th		\$69.90	\$77.10	\$7.20	10.3%
1 Acre	5,000	26 th		\$64.00	\$70.50	\$6.50	10.2%
1 Acre	33,410	70 th	Average	\$69.01	\$76.18	\$7.17	10.4%
1 Acre	50,000	76 th		\$73.20	\$80.80	\$7.60	10.4%

The table has three sections based on lot size. Three usage-based monthly bill comparisons (current vs. Staff-proposed) are presented for each of the three sections: 5,000 gallons, average monthly usage for the lot size, and 50,000 gallons. As expected, customers with larger lots use more water on average.

Prior to the implementation of current rates, the Company’s rates did not include volumetric charges. There were only fixed minimum charges. Consequently, customers paid the same bill regardless of water use. Some customers’ water usage substantially exceeded average usage levels. In the last rate case, Staff expressed concern that the relatively high consumption

of some customers was contributing to water pressure problems on the system. Staff recommended implementing volumetric charges to encourage customers to reduce usage to levels that would help mitigate water pressure problems and to recognize the direct relationship between the cost to provide service and the level of water use. Staff's proposal in this case maintains the objective that rates should reflect volumetrically driven costs. Implementation of volumetric charges three years ago may be encouraging reductions in usage. Since the last rate case, average water usage has fallen by 58%, 51%, and 49% for 1/4 Acre Lot customers, 1/2 Acre Lot customers and 1 Acre Lot customers, respectively.

Reduced sales impeded the ability of the Company to reach revenue requirement targets from the last general rate case, Case No. MNV-W-16-01. In comments filed in the last case, Staff anticipated the effect of reduced sales and offered to work with the Company to determine if a rate adjustment was necessary.¹

Revenue was also slightly reduced due to a billing error Staff discovered while auditing this case. The Company appears to be billing second-tier water usage at 48 cents per 1,000 gallons instead of the authorized 49 cents per 1,000 gallons. This error resulted in an under-collection of approximately \$130 per year. Staff believes that the error may have been discovered if the Company had filed compliance tariffs reflecting rates approved in Order No. 33658.

Staff recommends maintaining the current two-part pricing structure and does not expect that price-induced reductions in usage will impede the Company's ability to reach its revenue requirement target. Staff anticipates sufficient revenue stability to allow the Company to meet its financial obligations, assuming prudent operations and management. Under Staff's rate proposal, a 10% usage reduction would result in less than a 1.5% reduction in revenue.

Cash Flow and DEQ Loan Repayment

The Company expressed concerns in the previous case (Case No. MNV-W-16-01) and continues to express concerns that rates are inadequate to repay the Company's DEQ loan. The Company has not always paid its loans on time. When a debt is used to build plant, depreciation expense is used to pay the principle of the loan, while the return on investment is used to pay the interest. Staff is recommending an annual depreciation expense of \$20,992 and a return of

¹ See Staff Comments at 20, MNV-W-16-01.

\$5,521 totaling \$26,513. This exceeds the Company’s annual loan payments of \$18,556. In addition, Staff is recommending other non-expense related items that will help buffer the Company to meet its loan obligations. These are the rate case amortization of \$1,334, and the deferral amortization of \$1,663. In total, Staff is recommending \$29,510 in revenue requirement for the Company to use to help it meet its loan obligation. Staff believes these rates should be adequate for the Company to meet its obligation to pay its debt.

In addition, Staff has made an analysis of the annual revenue change should water usage continue to decrease. Table 3 shows the effects of further reduction in usage.

Table 3 – Revenue effects of water reduction

Water Usage Reduction	Revenue Reduction
0%	\$0
5%	\$687
10%	\$1,374
15%	\$2,061
20%	\$2,748
25%	\$3,435
30%	\$4,122

If the water usage decreased by 30%, which Staff predicts is unlikely, this would reduce the amount of revenue available to service the DEQ loan by \$4,122, which would still leave \$25,388 to service the loan.

Customer Relations

The Company asked Staff for assistance in drafting a customer notice and press release for this case. Staff sent a draft of the customer notice to the Company, and the Company sent a customer notice to all customers on November 22, 2019. Staff acknowledges that the customer notice fails to meet the requirements of Commission Procedural Rule 125, IDAPA 31.01.01, because it does not mention the average price increase for a customer. The Company did not include a specific price increase in its Application, so the draft notice included a percentage increase based on Staff’s initial review of the Company’s 2018 Annual Report. The Company stated that it sent a copy of the Customer Notice to the Jefferson Star in Rigby as a press release on Wednesday, December 11, 2019.

Public Workshop and Public Hearing

The Commission issued a Notice of Public Workshop and Public Hearing on November 19, 2019. The workshop will be held on Wednesday, January 8, 2020, at 5:30 pm. The Public Hearing will be held following the Public Workshop on Wednesday, January 8, 2020, at 7:00 pm.

Customer Comments

Because of the delay in the customer notice, customer comments will be allowed until January, 8, 2020, which is when customers can submit comments during the public workshop and public hearing. As of December 13, 2019, no comments have been submitted.

Customer Complaints and Inquiries to Commission

The Commission did not receive any complaints in 2016 after Order No. 33658, which was not effective until December 1, 2016. There were no complaints or inquiries received in 2017 or 2019. There were six complaints and inquiries in 2018, including an inquiry from the Company. Historically, most complaints had focused on water quality, low water pressure, and service disruptions. The Company has improved its responsiveness to customer complaints, and outage or low pressure problems were quickly resolved. The Company has shown that it is willing to make payment arrangements acceptable to both the Company and customers.

COMPANY TARIFF

Staff assisted the Company in drafting its Company Tariff—including Rate Schedules, Rules and Regulations and the Main Extension Rules—after Order No. 33658. Despite numerous requests, the Company did not return a signed copy of the Company Tariff to the Commission. Staff is willing to assist the Company in revising its Tariff and recommends that the Company submit a signed copy of its Tariff within 15 days of the effective date of the Order.

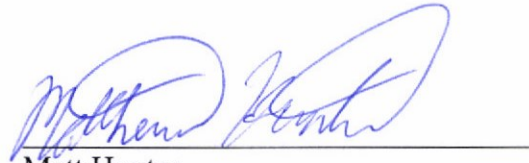
STAFF RECOMMENDATIONS

Staff recommends:

1. A 2018 test year with known and measurable changes.
2. A rate base of \$433,639.

3. An 11% return on equity.
4. An overall rate of return of 1.27%.
5. An annual revenue requirement of \$96,472.
6. A metered rate design as proposed by Staff.
7. The Company submit a signed copy of its Tariff within 15 days of the effective date of the Order.

Respectfully submitted this 18th day of December 2019.



Matt Hunter
Deputy Attorney General

Technical Staff: Brad Iverson-Long
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Chris Hecht
Rick Keller
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i:umisc/comments/mnvw19.1mhblcwhbejtrk comments

Morning View Water Co.
Adjustments Summary
MNV-W-19-01

	Company Annual Report		Adjustments											Staff Recommendation
	A		B	C	D	E	F	G	H	I	J	K	L	
			Remove One-Time Revenue	Owner Revenue	Reclass Revenue	Labor	Mileage	Rent	Water Testing	Deferral/Amort	Misc Removals	Adjust Plant in Service	Plant additions	
Revenues	85,708			1,795										
1 Metered Water Sales	332	(332)											87,503	
2 Commission-approved Surcharges collected	86,040	(332)		1,795									87,503	
3 Other Revenue														
4 Total Revenue														
Operating Expenses														
5 Labor-Operation & Maintenance	9,180												9,180	
6 Labor-Customer Accounts	-												-	
7 Labor-Administrative & General	18,660				(5,240)								13,420	
8 Salaries-Officers & Directors	-			1,164									1,164	
9 Employee Pensions & Benefits	-												-	
10 Purchased Water	-												-	
11 Purchased Power & Fuel for Power	17,664				791								18,455	
12 Chemicals	-												-	
13 Materials & Supplies-Operation & Maintenance	235												235	
14 Materials & Supplies-Admin & General	1,242											(7)	1,235	
15 Contract Services-Professional	3,486									(350)			3,136	
16 Contract Services-Water Testing	720							1,145				(25)	1,840	
17 Contract Services-Other	10,539											(8,539)	2,000	
18 Rentals-Property & Equipment	900			631				50					1,581	
19 Transportation Expense	-						897						897	
20 Insurance	1,872												1,872	
21 Advertising	-												-	
22 Rate Case Expense (Amortization)	-												-	
23 Regulatory Comm. Exp. (Other Except Taxes)	-												-	
24 Bad Debt Expense	-												-	
25 Miscellaneous Expenses	3,793				(791)						332		3,334	
26 Total Operating Expense	68,292			1,795		(5,240)	897	50	1,145		(18)	(8,571)	58,349	
27 Depreciation Expense	22,473											(1,652)	20,992	
28 Amortization Expense										1,663			1,663	
29 Rate Case Amortization										1,334			1,334	
30 Regulatory Fees	187												187	
31 Property Taxes	3,419										(71)		3,348	
32 Payroll Taxes	2,660										(197)		1,959	
33 DEQ Fees	540												540	
34 Water District 120	184												184	
35 South Rigby Irrigation	179										(179)		-	
36 Idaho Rural Water	355												355	
37 Total Expenses	98,289			1,795		(5,744)	897	50	1,145	2,997	(465)	(1,652)	88,911	
38 Net Income	(12,249)					5,744	(897)	(50)	(1,145)	(2,997)	465	1,652	(1,408)	
39 Plant in Service	630,322											(160,406)	478,487	
40 Accumulated Depreciation	119,750											(67,695)	52,141	
41 Net Plant in Service	510,572											(92,711)	426,346	
42 Other Deferred Charges	-									3,324			3,324	

Morning View Water Co.
Owner Revenue
MNV-W-19-01

	Owner Residence	Base Charge	Volumetric	Total
Jan	4,110	\$ 64	\$ 0.62	\$ 64.62
Feb	3,230	\$ 64	\$ 0.48	\$ 64.48
Mar	4,100	\$ 64	\$ 0.62	\$ 64.62
Apr	46,380	\$ 64	\$ 10.71	\$ 74.71
May	100,100	\$ 64	\$ 36.50	\$ 100.50
Jun	157,500	\$ 64	\$ 64.05	\$ 128.05
Jul	242,000	\$ 64	\$ 104.61	\$ 168.61
Aug	268,690	\$ 64	\$ 117.42	\$ 181.42
Sep	145,990	\$ 64	\$ 58.53	\$ 122.53
Oct	4,480	\$ 64	\$ 0.67	\$ 64.67
Nov	4,420	\$ 64	\$ 0.66	\$ 64.66
Dec	4,700	\$ 64	\$ 0.71	\$ 64.71
Total Residence Revenue (rounded to dollars)				<u>\$ 1,164</u>

	Office	Volumetric	Total
Jan	1,010	\$ 50	\$ 50.15
Feb	620	\$ 50	\$ 50.09
Mar	22,730	\$ 50	\$ 57.61
Apr	18,240	\$ 50	\$ 55.46
May	16,460	\$ 50	\$ 54.60
Jun	14,710	\$ 50	\$ 53.76
Jul	12,300	\$ 50	\$ 52.60
Aug	12,470	\$ 50	\$ 52.69
Sep	8,030	\$ 50	\$ 51.20
Oct	9,080	\$ 50	\$ 51.36
Nov	1,920	\$ 50	\$ 50.29
Dec	8,740	\$ 50	\$ 51.31
Total Office Revenue (rounded to dollars)			<u>\$ 631</u>

Morning View Water Co.

Labor

MNV-W-19-01

Line No.	SOC	2015 (MNV-E-16-01)		2018		% Increase		Staff Position
		Median	Mean	Median	Mean	Median	Mean	
1	51-8031 Water Operator	\$ 18.72	\$ 19.20	\$ 19.27	\$ 20.14	2.94%	4.90%	3.92%
2	43-3031 Bookkeeper	\$ 14.71	\$ 15.67	\$ 15.55	\$ 17.22	5.71%	9.89%	7.80%
3	11-1021 General manager	\$ 37.79	\$ 44.65	\$ 33.32	\$ 39.87	-11.83%	-10.71%	3.92%
4	43-3011 Account Clerk	\$ 14.71	\$ 15.67	\$ 15.55	\$ 17.22	5.71%	9.89%	7.80%

	SOC Code	MNV-E-16-01 Approved	% Increase	Staff Position
5	Officer and Directors	11-1021 \$ 3,060	3.92%	\$ 3,180
6	Operation Compensation			
7	Admin & General	43-3031 \$ 9,165	7.80%	\$ 9,880
8	Operations & Maintenance	51-8031 \$ 9,180	3.92%	\$ 9,540
9	Total Operation Compensation			<u>\$ 19,420</u>
10	Total Salary Expense			<u>\$ 22,600</u>
10	Benefits provided			
11	Water Benefits			\$ 1,164
12	Compensation in Annual Report			
13	Labor-Operation & Maintenance			\$ 9,180
14	Labor-Administrative & General			\$ 18,660
15	Salaries-Officers & Directors			<u>\$ -</u>
16	Total Compensation in Annual Report			<u>\$ 27,840</u>
17	Compensation Adjustment			\$ (5,240)
18	Payroll Tax %9.6			
19	Payroll Tax Adjustment			<u>\$ (504)</u>
20	Total Adjustment			<u><u>\$ (5,744)</u></u>

Morning View Water Co.
Mileage
MNV-W-19-01

Weeks	Trip taken to				Total
	MNV System (deemed prudent)	Bank/Post Office	Water testing	Supplies	
1-10	20	39	3	2	
11-20	20	52	4	0	
21-30	20	48	2	0	
31-40	20	41	1	0	
41-50	20	37	3	0	
51-53	4	8	0	0	
Total trips:	104	225	13	2	
Roundtrip distance	4	3.6	28	28	
Total miles:	416	810	364	56	
Combined total miles:					1,646
2018 federal mileage expense rate:					\$ 0.545 /per mile
Total transportation expense (rounded to nearest dollar):					\$ 897

Morning View Water Co.

Rent

MNV-W-19-01

Actual cost of current office space

Buidling assessed value	\$	56,959
Annual depreciation expense	\$	1,899
Morningview 50% share	\$	950

2018 actual office expenses

Electricity	\$	166
Natural Gas	\$	351
Water	\$	631
Garbage removal	\$	69
Lawn maintenance	\$	35
Lock	\$	20
Total actual office expenses	\$	<u>1,271</u>
Morningview share+office expenses	\$	2,221

Market-rate office rent (annual) \$ 5,304

Market rent sample:

Location	Sq Ft	Montly Rent
Rexburg	NA	\$ 375
Idaho Falls	120	\$ 400
Pocatello	800	\$ 500
Pocatello	300	\$ 425
Idaho Falls	350	\$ 220
Idaho Falls	900	\$ 750
Rigby	360	\$ 550
Idaho Falls	600	\$ 300
Idaho Falls	500	\$ 500
Rigby	400	\$ 400
Average Rent:		<u>\$442</u>

Morning View Water Co.
 Water Testing Adjustment
 MNV-W-19-01

Wells #1-2

Source	Analyte	Frequency	No. of Test*	Cost/Test	Total Cost	Annual Cost
Each Well	Nitrate	Annual	9	\$ 40.00	\$ 360.00	\$ 40.00
Each Well	Nitrite	1 in 9 Years	1	\$ 40.00	\$ 40.00	\$ 4.44
Each Well	SOCS - Group	1 in 3 Years	3	\$ 1,350.00	\$ 4,050.00	\$ 450.00
Each Well	IOC - Sodium	1 in 3 Years	3	\$ 35.00	\$ 105.00	\$ 11.67
Each Well	VOCS - Group	1 in 3 Years	3	\$ 210.00	\$ 630.00	\$ 70.00
Each Well	Arsenic	1 in 3 Years	3	\$ 40.00	\$ 120.00	\$ 13.33
Each Well	IOC - Flouride	1 in 3 Years	3	\$ 25.00	\$ 75.00	\$ 8.33
Each Well	IOCS - Phase 2 and 5	1 in 3 Years	3	\$ 166.67	\$ 500.00	\$ 55.56
Subtotal Per Well						\$ 653.33

Subtotal Per Well	\$ 653.33
Times 3 Wells	\$ 1,306.67

Wells #3

Source	Analyte	Frequency	No. of Test*	Cost/Test	Total Cost	Annual Cost
Each Well	Nitrate	Annual	9	\$ 40.00	\$ 360.00	\$ 40.00
Each Well	Nitrite	1 in 9 Years	1	\$ 40.00	\$ 40.00	\$ 4.44
Each Well	Alpha	1 in 6 Years	1.5	\$ 95.00	\$ 142.50	\$ 15.83
Each Well	Radium 226	1 in 9 Years	1	\$ 130.00	\$ 130.00	\$ 14.44
Each Well	Radium 228	1 in 9 Years	1	\$ 30.00	\$ 30.00	\$ 3.33
Each Well	Uranium	1 in 6 Years	1.5	\$ 100.00	\$ 150.00	\$ 16.67
Each Well	VOCS - Group	1 in 3 Years	3	\$ 210.00	\$ 630.00	\$ 70.00
Each Well	Sodium	1 in 3 Years	3	\$ 35.00	\$ 105.00	\$ 11.67
Subtotal Per Well						\$ 176.39

Subtotal Per Well	\$ 176.39
Times 1 Wells	\$ 176.39

Distribution

Source	Analyte	Frequency	No. of Test*	Cost/Test	Total Cost	Annual Cost
Distribution	Lead & Copper	5 samples/3 years	30	\$ 70.00	\$ 2,100.00	\$ 233.33
Distribution	Total Coliform	Monthly	108	\$ 25.00	\$ 2,700.00	\$ 300.00
Subtotal Distribution						\$ 533.33

Grand Total - Normalized Annual Water Testing Costs	\$ 1,840
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* Total number of tests in 9-year cycle.

** IOC = Inorganic Contaminants

VOC = Volatile Organic Contaminants

DBP = Distribution By-Products

Company Pro Forma Water Testing	\$ 695
Staff Normalized Annual Water Testing Costs	\$ 1,840
Staff Adjustment to Water Testing	\$ 1,145

Morning View Water Co.
 Plant in Service Adjustment
 MNV-W-19-01

ACCT #	DESCRIPTION	MNV-W-16-01			Useful Life (years)	Dep Rate (%)	Depreciation 2017 and 2018	Staff Position for Accumulated Depreciation
		2018 Annual Report	Rate Base Adjustment	Rate Base in Order #33658				
301	Organization	-	-	-				
302	Franchises and Consents	-	-	-				
303	Land & Land Rights	-	-	-				
304	Structures and Improvements	\$ 581,502	\$ (532,164)	\$ 49,338	35	2.9% \$ (2,819)		
305	Collecting & Impounding Reservoirs							
306	Lake, River & Other Intakes							
307	Wells		\$ 77,447	\$ 77,447	25	4% \$ (6,196)		
308	Infiltration Galleries & Tunnels							
309	Supply Mains		\$ 85,202	\$ 85,202	50	2% \$ (3,408)		
310	Power Generation Equipment		\$ 55,362	\$ 55,362	10	10% \$ (11,072)		
311	Power Pumping Equipment	\$ 45,000	\$ 86,691	\$ 131,691	20	5% \$ (13,169)		
320	Purification Systems							
330	Distribution Reservoirs & Standpipes							
331	Trans. & Distrib. Mains & Accessories							
333	Services							
334	Meters and Meter Installations	\$ -	\$ 64,372	\$ 64,372	35	2.9% \$ (3,678)		
335	Hydrants	\$ 1,800	\$ (1,800)	\$ -				
336	Backflow Prevention Devices							
339	Other Plant & Misc. Equipment							
340	Office Furniture and Equipment	\$ 2,020	\$ (2,020)	\$ -				
341	Transportation Equipment							
342	Stores Equipment							
343	Tools, Shop and Garage Equipment							
344	Laboratory Equipment							
345	Power Operated Equipment							
346	Communications Equipment							
347	Miscellaneous Equipment	\$ -	\$ 6,504	\$ 6,504	10	10% \$ (1,301)		
348	Other Tangible Property							
	TOTAL	\$ 630,322	\$ (160,406)	\$ 469,916		\$ (41,644)		
	Accumulated Depreciation	\$ 119,750	\$ (109,339)			\$ 41,644	\$ 52,055	

**Morning View Water Co.
Plant Addition
MNV-W-19-01**

	Plant in Service				Depreciation		
	ACCT #	DESCRIPTION	2018 addition	Useful Life	Dep Rate	Dep Exp	First year Accum Depr
Pipe replacement							
Contract Services-Other			\$ 3,277.5				
Contract Services-Water testing			\$ 25.0				
Materials & Supplies-Admin & General			\$ 7.3				
Expenses not in Annual Report			\$ 18.7		2%	171	\$ 86
Subtotal:			\$ 3,309.77				
Well repair							
Contract Services-Other			\$ 5,261.65				
Subtotal			\$ 5,261.65				
Grand total (to Supply Mains) (rounded)			\$ 8,571				

Morning View Water Co.
Rate Base Calculation
MNV-W-19-01

	Annual Report	Staff Recommendation	Difference
1 Plant In Service	630,322	478,487	(151,835)
2 Accumulated Depreciation	<u>119,750</u>	<u>52,141</u>	<u>(67,609)</u>
3 Net Plant in Service	510,572	426,346	(84,226)
4 Inventory	-	-	-
5 Working Capital	<u>8,536</u>	<u>7,293</u>	<u>(1,243)</u>
6 Total Rate Base	519,108	433,639	(85,469)
7			
8			
9 Working Capital Calculation			
10 Total Operating Expense	<u>68,292</u>	<u>58,349</u>	<u>(9,942)</u>
11 Working Capital	8,536	7,293	(1,243)

Morning View Water Co.
 Rate of Return Calculation
 MNV-W-19-01

	Company Annual Report				Staff Recommendation			
	(A) Amount Outstanding	(B) % of Total Outstanding (Column A/ Total Line 6)	(C) Cost of Capital	(D) Weighted Cost (Column B X Column C)	(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)	\$ (25,049)			-	\$ 26,272			-
2 Retained Earnings	\$ (12,249)				\$ (25,049)			
3 Total Common Equity (Proprietor Capital) Line 1 + Line 2	\$ (37,298)	-7.88%	11.00%	-0.87%	\$ 1,222	0.24%	11.00%	0.03%
4 Short-Term Debt		0.00%	4.00%	0.00%		0.00%	4.00%	0.00%
5 Long-Term Debt	\$ 510,614	107.88%	1.25%	1.35%	\$ 510,614	99.76%	1.25%	1.25%
6 Total Capital	\$ 473,316				\$ 511,836			
7 Weighted Cost of Capital (Rate of Return Required)				0.48%				1.27%
				(Line 3 + 4 + 5)				(Line 3 + 4 + 5)

Morning View Water Co.
Revenue Requirement
MNV-W-19-01

	Company Annual Report	Staff Case
1 Rate Base	\$ 519,108	\$ 433,639
2 Required Rate of Return	0.48%	1.27%
3 Return on Investment	\$ 2,500	\$ 5,521
4 Net Operating Income Realized	\$ (12,249)	\$ (1,408)
5 Net Operating Income Deficiency	\$ 14,749	\$ 6,930
Revenue Requirement Increase		
9 Subject to Income Tax	\$ 2,500	\$ 5,521
10 Tax Gross Up Factor	136.3451%	136.9420%
Tax Grossed Up Amount	\$ 3,409	\$ 7,561
11 Not Subject to Income Tax	\$ 12,249	\$ 1,408
12 Gross Up Factor not Subject to Income Taxes	100.2535%	100.6925%
Not Subject to Income Taxes Amount	\$ 12,280	\$ 1,418
Revenue Requirement Increase	<u>\$ 15,689</u>	<u>\$ 8,969</u>
13 Revenue Increase Required	\$15,689	\$8,969
14 Amortize Rate Case Expenses		
15 Total Revenue Increase Required	<u>\$15,689</u>	<u>\$ 8,969</u>
16 Total Revenue Collected in Test year	\$86,040	\$ 87,503
17 Revenue Increase %	18.23%	10.25%
18 Total Gross Revenue Requirement	<u><u>\$101,729</u></u>	<u><u>\$ 96,472</u></u>

	Subject to Income Taxes	Excluding Income Taxes	Subject to Income Taxes	Excluding Income Taxes
Gross-up Factor Calculation				
19 Net Deficiency	100.00%	100.00%	100.00%	100.00%
20 PUC Fees	0.2529%	0.2529%	0.1877%	0.1877%
21 Bad Debts	0.0000%	0.0000%	0.5000%	0.5000%
	<u>99.7471%</u>	<u>99.7471%</u>	<u>99.3123%</u>	<u>99.3123%</u>
22 State Tax @ 6.925%	6.9075%	0.0000%	6.8774%	0.0000%
23 Federal Taxable	92.8396%	99.7471%	92.4349%	99.3123%
24 Federal Tax @ 21%	19.49632%	0.00000%	19.41133%	0.00000%
25 Net After Tax	<u>73.34329%</u>	<u>99.74710%</u>	<u>73.02359%</u>	<u>99.31230%</u>
26 Net to Gross Multiplier	136.34512%	100.25354%	136.94205%	100.69246%

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18TH DAY OF DECEMBER 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. MNV-W-19-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

NOLAN GNEITING PRESIDENT
MORNING VIEW WATER CO
PO BOX 598
RIGBY ID 83442
Email: morningviewwater@gmail.com



SECRETARY