

DONALD L. HOWELL, II
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0312
BAR NO. 3366

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IDAHO PUBLIC UTILITIES COMMISSION

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF MAYFIELD SPRINGS WATER COMPANY, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY)))))))	CASE NO. MSW-W-08-1 STAFF SUPPLEMENTAL COMMENTS
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The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Donald L. Howell, II, Deputy Attorney General, submits the following supplemental comments to reflect partial settlement of issues as discussed by the parties at the settlement conference held June 20, 2008.

BACKGROUND

On February 5, 2008, Mayfield Springs Water Company, Inc.¹, an Idaho corporation, filed an Application requesting a Certificate of Public Convenience and Necessity to provide water service as a public utility. *Idaho Code* § 61-526; IDAPA 31.01.01.111. The Company asserts that the proposed service area is not within, and therefore will not interfere with, the authorized territory of any other public utility water corporation.

¹ Formerly Idaho Springs Water Company, ISW-W-08-1. See Notice of Name Change issued on May 12, 2008.

The Company initially proposed a rate for residential customers that would include a flat monthly charge and an additional, variable, amount determined by monthly consumption. It anticipated a residential monthly charge between \$50 - \$100 per customer. The Commission approved the interim, flat monthly water rates (subject to refund): \$25 per month for connections to lots upon which construction of a residential dwelling is occurring; \$50 per month for residential customers; and \$800 per month for water service to common areas. Order No. 30512.

On April 25, 2008, the Company filed an Amended Application proposing new interim rates. The Company proposed a monthly base rate of \$81.60 for the first 10,000 gallons, and \$0.000651 for each gallon in excess of 10,000 gallons.

STAFF SUPPLEMENTAL COMMENTS

1. Licenses and Permits Expenses. The Company did not include any costs in its Application or workpapers regarding annual expenses for licenses and permits. However, Staff acknowledged that the Company will be obligated to pay DEQ and the Commission. Consequently, Staff recommended in its initial comments that \$300 be included as annual expenses to pay for these annual costs. Staff Comments at 6.

In its reply comments, the Company provided additional information demonstrating that its license and permit expenses amount to \$400 annually. Reply Comments at 5-6. Therefore, Staff accepts that \$400 for annual license and permit expenses is reasonable.

2. Annual Legal Fees and Rate Case Costs. The Company originally requested that it recover \$10,000 annually in rates for legal fees incurred. After reviewing the legal billing invoices, Staff did not believe this amount was reasonable and instead included a normalized amount of \$750 for annual legal fees. In its reply comments, the Company reduced its original request of \$10,000 to \$2,750 annually for legal fees. The Company asserts that some of the legal fees incurred during the civil litigation were matters concerning Commission authority, including CPCN issues. In addition, the Company requested \$7,500 in legal fees for this rate case.

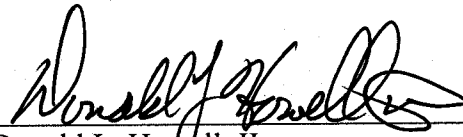
Although the Staff continues to recommend \$750 annually as recurring annual legal fees, Staff finds that it is reasonable to allow the Company to recover \$7,500 (amortized over five years) for its rate case costs and expenses of this case.

3. Engineering Fees. The Company included \$3,480 in annual expenses to be made to professional engineers. Staff found that all of these costs were related to the initial installation

of the water system and obtaining the required permits from DEQ. Because these are non-recurring expenses, Staff argued in its initial comments that they are not appropriate for inclusion as an ongoing annual expense. Staff comments, however, included a normalized amount of \$250 to cover the cost for two hours of engineering expenses that may be incurred on an annual basis. Staff Comments at 5.

In its reply, Mayfield submitted a document from the engineering firm employed by the Company which "roughly" estimated that \$2,500 was a "reasonable" amount for annual engineering fees related to maintaining a small water system similar to Mayfield's. Reply at 7-8. After reviewing the Company's reply comments and following settlement discussions, Staff now recommends that \$1,250 in annual engineering fees (10 hours at \$125 per hour) be included in annual expenses.

Respectfully submitted this 29th day of July 2008.



Donald L. Howell, II
Deputy Attorney General

Technical Staff: Joe Leckie
Gerry Galinato

N:MSW-W-08-01_dh_Supp Comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 28TH DAY OF JULY 2008, SERVED THE FOREGOING **STAFF SUPPLEMENTAL COMMENTS** IN CASE NO. MSW-W-08-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

JOHN R. HAMMOND JR.
FISHER PUSCH & ALDERMAN
SUITE 500
101 S CAPITOL BLVD
BOISE, ID 83701
EMAIL: jrh@fpa-law.com

TRENT NIEFFENEGGER
IDAHO SPRINGS WATER CO. INC.
PO BOX 344
MERIDIAN, ID 83642
EMAIL: trent@westparkco.com

ALDEN J HOLM CPA
WEST VALLEY BUSINESS CENTER
9446 W FAIRVIEW AVE
BOISE ID 83704
EMAIL: alden@treasurevalleycpa.com

GERALD J. CORVINO
11865 W TUSTIN LANE
KUNA ID 83634-5032
EMAIL: gcorvino@yahoo.com



SECRETARY

CERTIFICATE OF SERVICE