

ATTACHMENT A

Customer Comments and Staff's Response

**The commission received the following customer comments and questions.  
Staff's responses are identified and contained in boxes.**

In reviewing the materials related to Deer Meadows Water Company, Incorporated's request to the UTC in Docket UW-082113, residential customers at Deer Meadows have put forth a number of questions to the UTC staff.

Some questions that may have a material impact on either the rate case and base meter charge or the consumption rate have not been responded to. Staff is currently reviewing these items. The results of the review will be available when staff's recommendation is presented to the Commissioners.

Comments	Date Posted	Pages
1 – 114 (Provided with December 23, 2008 Memorandum)	December 15, 2008	
115 – 123 (12/23/08 Open Meeting Comments)	January 8, 2009	1
124 – 182 (New comments received)	January 8, 2009	1 - 10
183- 199 (Customer Conference Meeting)	January 8, 2009	10 - 11

COMMENTS RECEIVED DURING THE DECEMBER 23, 2008, OPEN MEETING.

- 115. Wants commission to include 2008 data in its analysis.
- 116. Wants a several month postponement to allow time for independent audit.
- 117. Disputes the Spokane engineering firm's data the company provided for staff's analysis.
- 118. Concerns of \$70,000 in construction costs from 2008.
- 119. Concerns of \$28,000 in damages from tank overflow.
- 120. Concerns of losing golf course, restaurant, and motel.
- 121. Wants additional time for independent engineering firm hired by customers to finalize its value of the system.
- 122. Concern that the rates from this recent proposal have increased greatly from the initial proposal.
- 123. Questions the charges to Lincoln County.

**Staff Response 8.** Staff is currently reviewing these items. The results of the review will be available when staff's recommendation is presented to the Commissioners.



NEW COMMENTS RECEIVED AFTER DECEMBER 15, 2008.

124. The revenue requirements, as determined by the DMWC, are not fair or reasonable and are based on incomplete data not relevant to current water management practices of the golf course. Under our management during 2008, we reduced total water consumption by approximately 50%. It is reasonable to expect that using 2008 data or actual 2009 data versus supposed 2007 data would result in a 35% reduction of the revenue requirement being reported. We have provided documentation to the WUTC demonstrating our substantially decreased water usage and we are pleased to continue providing whatever information necessary to accurately assess the DMWC need. When the Commission determines an appropriate revenue requirement, and if rate increases are necessary, the following rate structure is the maximum Deer Meadows Resort could afford monthly:

Base rate – golf course	\$400 / month	
Base rate – motel, restaurant, lounge	\$100 / month	
Usage rate – golf course	0-6 million gallons	\$75 / million
	6-8 million gallons	\$200 / million
	over 8 million gallons	\$400 / million
Usage rate – motel, restaurant, lounge	0-10 K gallons	\$0.30 / thousand
	10 – 50 K gallons	\$0.75 / thousand
	over 50 K gallons	\$1.50 / thousand

125. We request the UTC audit the company's books at least 2 years prior to 2007 to ascertain a clearer financial picture of the company.

126. Has UTC observed dollar differences between Munson Engineering and TD&H Engineering. Does seem odd that they were done within weeks of each other. Can we somehow get the actual math on Golf Course? My question would be that if it was to be found that the water company was fraudulent in the value of some of its properties or items in the study by TD&H to whom would they answer to. Does the UTC investigate something like this? Do we (customers) do an investigation and bring the findings to you? Lastly, is there UTC ramifications if the water company was fraudulent in its report.

127. Fair rate increases are one thing but increases that are totally unjustified are another. It seems it would be the UTC's responsibility to realize that much of the information coming from the DMWC is suspect. We personally were told a water meter would only cost about \$100 if we purchased it ourselves. Likewise, there has obviously been poor record keeping and this certainly needs to be investigated by looking at more than one years records. The majority of the lots in our section have not even been developed so there is a large sum of money that is going in to the DMWC that should be covering many of their costs.

128. I hope this e-mail reaches you in time to again express my concern over the way the commission handles these issues with little or no concern for the residence in the area they are dealing with and giving priority to the request of the "company" without varification of the data. Anyone, including the deer meadows water company can hire a document to be prepared anyway they want it to look. Just check the latest investment scheme released the week.

129. The proposal states the increase to the Golf Course would be increased by \$120.00 monthly. We can hardly believe that personal rate would have been \$28.00 and Golf Course only uses \$120.00 water per month. Sounds like the golf course has not been paying their fair share for the amount of property they water.

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130. I would like to bring your attention to an area of discrepancy that I have noted with the financial statements provided to you by the Deer Meadows Water company. On August 19th, 2008 I had asked Amy White about the alleged "loan from Vanessa Hollis" and were there any supporting documents for that loan. I have yet to hear back from you in regards to these questions I had asked you. The 2007 P/L statement shows a \$46,000 loan from Vanessa the financial officer. Were you able to view that private contract.?? Does one exist.? if so is it filed in county records as a lien.?

- It appears on the general ledger that the money for the payment came from the company's savings account through the checking account.
- There is no supporting evidence in the 2006 P/L statement that a loan existed at that time. When did the loan occur and in what form of payment etc...?

The original 2007 P/L statement provided by Deer Meadows Water company on March 6th, 2008; shows a loan listed as an expense. Handwritten notes on the document show a notation of "7% and "shareholder ( secretary )" and subtracted from exp " On page 6 of documents listed as "Itemized Categories Report" (Quicken format) Under the subcategory of LOAN it shows four transactions.

7/31/07	Savings	Loan	R	20,000
8/6/07	Savings	TXFR loan	R	10,000
9/10/07	Savings	Loan	R	6,000
10/5/07	Savings	Loan	R	10,000
TOTAL	Loan			46,000

The above loan statements are again listed under the Expense category. If in fact the loan was a deposit into the savings acct wouldn't it show as Income? I can see a one time error in bookkeeping but on four monthly occasions. It is not clear as to whether the loan was deposited or paid out? On 8/6/07 it shows those monies as having been transferred. Again there is no tracking information provided so it is not clear as to where the money came from or went to. Finally, on the promissory note provided by Chuck Spencer it gives the date of the note as October 05, 2007 and the principal rate of 11% per annum. The stated interest rate contradicts the 2007 P/L statement and what Amy White was told as being 7%. Further, the date of the loan is the last date which the company allegedly received a loan of \$10,000. However, the "promissory note" signed by Charles Spencer was not signed until 11th October 2008. This is the same date of request for documents from UTC. The fact that the "promissory note" wasn't signed until a year after the alleged loan occurred and is not notarized, nor signed by the maker of the loan makes this promissory note and loan somewhat suspicious. Additionally, the monthly income/expenses listed in the Quicken generated report does not appear to support the allegation that Vanessa loaned the company money because bills that were due. A request for copies of bank deposits and transfer documents/records on those loan dates should clarify where those funds came from and from whom.

131. This proposal should be denied until the 2007 financial books and the 2008 financial books are looked at, as there is only a few days left in 2008. Are you aware of, in 2007 the Deer Meadows Water Co. did a lot of extra work and the expense should have been distributed over a two or three year period. Because Deer Meadows has many property owners that do not live here all year, we are asking the committee to postpone this rate increase proposal until the 2007 and the 2008 financial books have been reviewed and a community meeting has been set up.

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132. The date is still based on 2007 records where we have evidence of poor records management and inadequate billing practices. However the potential impact to our rates are much higher now with this new proposal. Here is one example of no usage how does someone explain this for a empty lot with no hookup.

Current, July proposal , August proposal and now the winter proposal

Residential Usage Current 31-Jul 29-Aug 22-Nov

No usage (base fee only) \$336 \$429 \$438 \$654.

We have a organized community against this rate increase and propose to the UTC without having to use the court system that this latest rate request is postponed until we can have our own paid for independent engineering study completed. We do not agree any study should be based on 2007 records we have proven evidence they are not complete or accurate. Please allow this community time to respond. The majority are not against the water company making a reasonable profit. However we have shown again and again the water company is not reading meters or billing properly so we can show it is very unclear of the profit they should be making with proper business practices at the current rates. This is a involved community of people we need the UTC to allow s to be involved and give us time to respond with data to the current request.

133. With the fact that most of the property owners are all over the country this time of year I would ask that you consider extending the hearing dates. This makes me wonder why on Sept. 26<sup>th</sup> 2008 Munson Engineers valued the Water Co. at 2,347,591 and as of 11-11-2008 TD&H value the same system at 8,622,484 this raises a red flag to me. I also question the cost for fire hydrants as there are only 2" stand pipes that must be referred to as a fire hydrant. The cost that TD&H shows for water meters is 1500 each? This seems a bit much when a 3/4" water meter can be bought for about 100.00 retail. The numbers that are supplied for the 4.5 acres of property at 5000.00 per acre is also a red flag. As a acre of property in the area should be worth at least 25,000.00 in this area. An other question I would ask is how can the DMWC say what the electric use will be with the cut back with the biggest use on the golf course cut back in 2008, and the DMWC sold water to the road contractors in 2008, at \$5.00 per thousand, which in turn would have increased the electric use in 2008.

134. Having looked over the Engineering firms study of the system it appears to be greatly inflated in order to justify the outrageous rate increases being requested. Of course that is what they are being paid to accomplish. If you do a complete audit of their books back to 2002 you would find that monies were distributed to owners without any regard for maintaining such funds. Now they want to build the funds on future rate increases. A full audit of this operation needs to be completed before any decisions are made.

135. This letter is to re-iterate our request that the UTC audit the company's books at least two years prior to 2007 to ascertain a clearer financial picture of the company.

136. Mr states the company has mismanaged its operations.

137. Ms wants a total audit of the company's operations conducted. Ms believes there should be an extension to the filing to allow more time for their attorney and Spokane firm to value the water system.

138. There is much miss management involved. There is a proven lack of record keeping and that employees have falsified records.

139. The State should be aware of the fortune amassed by the Spencer family since 1992 while owning the water company, which made possible the development of the golf course,

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motel/restaurant, real estate developments, and construction company. Their suggestion that they have broken even only twice since 1992 is laughable! The Spencers skimmed off every penny of real estate sales revenues, water hook up fees, and golf course revenues, choosing to ignore the need for an emergency fund for the water company. It has only been since their patriarch passed away a couple of years ago that they have begun to try to untangle and separate the golf course, motel, real estate holdings, and of course the water company.

**Staff Response 9.** Staff is currently reviewing these items. The results of the review will be available when staff's recommendation is presented to the Commissioners.

140. Deer Meadows Resort, Ltd. comprises the golf course, motel, restaurant and lounge central to the community of Deer Meadows. The water rate increases proposed by the Deer Meadows Water Company (DMWC) are extreme and exceed the resort's ability to pay. If these rate increases are approved, Deer Meadows Resort will be bankrupt. The community will lose the key recreation and social venue, more than 20 local jobs, and an important greenbelt for wildfire prevention; furthermore, property values will drop.

141. Although DMWC may require rate increases, those increases must fall within a range that the consumer can manage. As such, the largest increase Deer Meadows Resort could incur is just more than 50%. This increase is more than fair and reasonable as we are certainly not able to increase our cost to the consumer to this degree. This proposal would almost triple my yearly water bill.

142. The pricing structure proposed is such that only the more wealthy residents will be able to use water for more things than standard household activities without severe monetary concerns. These standard activities include such things as bathing, laundry, bathroom, cooking, cleaning, drinking, washing dishes, etc. The water usage rates in this proposal are unrealistic and ridiculously high.

143. Can the UTC do the math. Using numbers from 2007 pertaining to usage for that year and projecting same lot owners new proposed rate usage numbers? My math shows that the 2007 of \$688 would change to \$3,685 a 435% raise.

144. For this to be given the "o.k.", would have an extremely negative impact on this area in multiple ways and would not be a "right" increase.

145. Mr states in these troubled economic times this company should not be asking for such an outlandish rate increase. The amount they are requesting is way out of line and this company needs to be thoroughly investigated.

146. This proposed increase letter dated 11-22-08 would raise my bill to about \$59.75. The increase from the current \$28.00 non-user fee to \$59.75 is unacceptable.

147. Many of us live on a fixed income.

148. Please note the enclosed copy of one bill we had. This would cost us a normal summer water bill from \$65.00 to \$320.00. No one can afford this 215% rate increase. It is totally unexceptable.

149. They should not be making a large profit and large salaries at our expense. There is no way we can afford these new rate proposals. They may as well put a lein on our property until I die, which may be soon, if this proposal goes thru. We hope the committee will look at these new rate proposals very carefully as it will break some homeowners and they will be having to sell

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their homes and property.

150. We feel the increase they are asking for is to the extreme. Everything to do with this increase is way out of range plus feel something needs to be taken care of to make this affordable for people in this area.

151. The date is still based on 2007 records where we have evidence of poor records management and inadequate billing practices. However the potential impact to our rates are much higher now with this new proposal.

152. Please all we are requesting are fair and reasonable water service and water rates. As you know the Deer Meadows Golf Course has a sale pending and the sale will fail with these proposed rates. Again, all we ask for is fair water rates.

153. Mr states the requested rate increase is way out of line.

154. Mr is upset that the company is trying to make a living wage off this system. Mr believes the increase is excessive to the company's needs and the owners should be able to do more on less income.

155. I am very upset that Deer Meadows Water Co. has submitted to raise our water rates to ridiculous levels.

**Staff's Response 10.** State law requires rates to be fair and reasonable for customers, but high enough to allow the company a chance to recover operating expenses and earn a return on investment. The commission can set service standards for customer service and can take action against a company that fails to meet those standards, but it cannot deny rates that are needed to cover company costs. Staff understands customers' concerns regarding the amount of an increase, but does not explicitly consider the amount of the increase in preparing its recommendations. Staff's goal is to recommend the "right" rates.

156. Dennis I can see from fred helpers e-mail that you are now aware of the situation during the winter when most of the residents are out of the area. Do you think this is a coincidence or more clever planning by the water company to slip one by? I would add my name to fred's request that you transfer documents from the original filing.

157. I also request that all comments made under Docket UW-081418 be transferred and considered with the new docket UW-082113 as all comments by any interested party are still applicable.

**Staff's Response 11.** Staff advised these customers that the company withdrew its previous filing and then employed a firm to develop accurate data, which the company was now returning with that new data, that all comments made on the initial filing would remain with the initial filing as those comments pertained to the data presented in the initial filing. Staff had advised concerned customers to notify the company on how to contact them during the period they would be away on vacation, and staff too committed to contact all previous commenting customers of this new filing.

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158. We have a home in Steven County and an additional piece of property thru the PUD which charges \$18.70 for hookup turned off and \$23.70 turned on and metered use.

159. No water Co. in the state has this kind of rate. The Seven Bays water system has been in operation since 1970 and their customers only pay \$800 per year for all the water they can use and this includes sewer and road maintenance.

160. The rates proposed are higher then any water system I can find in the State.

161. I find it interesting that they want to raise rates to levels higher than that of the municipality in which I have my permanent residence.

**Staff's Response 12.** Rates are based on each company's specific needs and may be higher or lower than rates for another company.

162. We are currently paying \$28.00 for nothing. We have an undeveloped piece of property. We were forced to hook up at closing. We have used less than 500 gallons of water during the past 2 years.

**Staff's Response 13.** Staff advised these customers that when a water company has committed to providing future service to a customer, and has provided a service connection, the company may charge that customer a ready-to-serve charge. This is because the company must maintain its water system so that it is able to provide service to current customers and ready-to-serve customers. This ensures that all customers are paying for their share of the system. Customers who use water pay for their share of the system, plus for the water they use. Ready-to-serve customers don't use water, so they pay only for their share of the system, which includes the cost of the plant, return on investment in the plant, and a portion of plant operations and maintenance.

163. Under current economic conditions, most citizens and businesses are facing various financial difficulties.

164. Deer Meadows Resort is committed to water conservation and responsible water resource management. We will continue working to optimize water usage and look forward to serving the community for years to come.

165. I am strongly opposed to the rates adjustment requested by DMWC; both the magnitude and the structure. Our personal water consumption drops to around 5,000 gallons during the winter and early spring wet months. It increases as the weather gets warmer and drier and outdoor irrigation is required. During the hot/dry season my lawn is irrigated with an automatically controlled sprinkler system that comes on early in the morning when the wind is light and vaporization is minimized. My landscaping, vegetable plants and fruit trees are irrigated with automatically controlled drip and soaker systems that are activated primarily in the early morning. These irrigation techniques help assure that the water used gets to the roots of the items being watered with a minimum of waste.

166. I have utilized the techniques I am aware of to conserve water and am willing to pay reasonable rates for the water being used.

167. We would ask that the UTC look at this rate increase request very, very carefully.

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168. The time of the commission on this issue could not come at a worse time. Dennis my cell phone is xxx-xxx-xxxx, but my do try to keep in contact by e-mail, though at times this has proven to be problematic in that two e-mails sent in the couple of weeks I suspect have not gone through.

169. We would like for voice our opposition to an extraordinary rate increase for the Deer Meadows Water Co in Davenport Wa.

170. The Davenport rates are excessive already without a proposed 172% increase. The developer supposedly paid \$2,000.00 per parcel for meters, hookup and improvements. If the water system needed upgrading, it should have been done prior to sales. My husband and I hope you make this water district accountable to the residents.

171. I do not know if the rates increase for Deer Meadows Water Co. in Davenport WA. is still being asked for and considered. If it is still being considered, I would like to express my opposition to the increase. I am a non-user of the water system. I was told when originally asked to join the system in 1992, that the fees would be \$1500.00 per 1" hook up and \$7 or \$8 per month for average use, and \$2.00 for non-users. None of what I originally agreed to has happened. Everything has cost many times the original agreed price. I understand the need for the Water Company to make a profit, but I also think they should share in the unexpected costs that are being passed on to the water users.

172. I am a recently retired Police detective who has over 23 years in Investigations. The last 15 years of my career, my area of expertise was money laundering and asset forfeiture cases with the Snohomish Regional Drug Task force. I am currently under contract with that agency to provide training and assistance for their detectives. I also conduct training seminars and classes to law enforcement detectives and prosecutors throughout the Northwest. I am writing in my capacity as a property owner at Deer Meadows, Wa.

173. We would like to know why Deer Meadows Water Co. is trying to run the homeowners out of the development? As we live in a desert area, unlike Seattle or Olympia, we need water on our lawns, flowers and trees. We have a sprinkler system and still lost six Blue Spruce trees this year because of lack of water and we try to water conservatively. On our flower beds we use a drip system. For fire protection we need a green belt around our home. Our area gets on the average of 13" inches of rainfall per year, usually from Oct. to May. Why should the Deer Meadows Water Co. raise our rates when they are drawing the water out of Lake Rosevelt, a public lake? Their wells are 150' from the lake. The rate increase they are asking for is a result of poor management in the past and they are asking for us to pay for their problems. The excuse of the water system being old, (1992) has no bearing on the rate changes.

174. Mr called and stated he believes this filing is more out of line than the initial filing. Mr believes the company chose the holiday period to file when customers were away on vacation.

175. Also in the past we would get our bill that month and then next month wouldn't get a bill anyway was verty unorginized. Our bills still are not right they sent us what was suppose to be a copy of our bills which are not right as I have my original bills and they are not the same. We only RV on our property and usually never even use the 5000 gal, but yet one month they show us using 109000 gals. which is impossible, we were only on property about 1 weekend a month this summer.

176. I am opposed to the high proposed rates for customers of the deer meadows water system. The community is mostly retired people on limited incomes and recreation property owners. I believe nothing has fundamentally changed in our arguments against a rate increase in July 2008.



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177. The golf course is a value to Lincoln County and Southern Stevens County and all the new developments in the area. During the first rate request July 31-08 there was a lot of protest and a number of questionable numbers provided by DMWC. They withdrew that request and proposed a new (2<sup>nd</sup>) request on Aug. 29<sup>th</sup> 2008. The (2<sup>nd</sup>) rate request was withdrawn on Sept. 5, 2008 with no explanation? During a face to face meeting with Myself, Chuck Spencer, and Willis Goodwin Chuck Spencer said that if we did not stop resisting the rate increase he (Chuck) would have the water company appraised and all of us customers would be paying very much higher water rates along with all connected fees. This meeting was held at the DMWC office Aug. 18<sup>th</sup> 2008.

178. The study seems to emphasis' conservation but goes on to state that of the 1500 acre/ft allowed under their water rights, only 400 acre/ft are being utilized at this time. While waste of water is one thing, utilizing it for the current customers benefits are quite another. The water from Lake Roosevelt for domestic and irrigation are the purposes for which the lake was created. You must understand that the soil in the Deer Meadows area is very sandy and much more that 5000 gallons are required during the irrigation season if a person is going to have a green lawn or grow any type of garden. I don't believe that maintaining a green lawn or growing a vegetable garden should be considered wasteful of water or penalized with outrageous water rates just to enhance the life styles of owners and operators of the Water Company. This company is in serious need of competent management. If properly operated and compensating individuals for actual work they would have an operating reserve and could go a long way towards reaching its goal of building an emergency reserve fund. The engineer study makes mention of "with the prospect of expanding the system" higher connection fees can be set. The only area to expand would be to turn the golf course into lots. Of course that would only be possible if the golf course is forced out of business as will be the case if these increases are approved. Then some of the water company owners would get control again of the failed golf course and the proposal that was filed with Lincoln County planning Commission could be brought forward again. Further having a meeting two days before Christmas with weather as bad as it is, cannot be considered consumer friendly.

179. Mr is worried the area will loose the golf course, restaurant and motel.

180. This company never checks its meters, didn't bill me for months after I had my water hooked up. Maybe if they actually billed properly based on actual meter reads they would not need to ask for rates so high that a major business and customer of theirs would go out of business. If we lose the golf course, the community will dry up and Dear Meadows water will be out of business.

181. The suggestion that we, captive rate payers, should now have to make up for all those years of poor management , poor business acumen, and profit taking is unbelievable! The community's outcry is really not about whether or not we can afford the water rates. It is about the misrepresentation of the facts surrounding Deer Meadows Water Company's business practices. At the end of the day, I believe this is really about how to control a private for profit entity providing a public health service to a captive audience. We would hope that we would protected from excessive profit taking, especially considering that their future revenues are guaranteed by restrictive covenants forbidding the drilling of wells.

182. The Deer Meadows Water Company sold water to Lincoln County during the Deer Meadows/Deer Heights Road Project in 2008 at the rate of \$5.00 per thousand gallons. This rate

seems to be higher than the water company could legally charge for water per current established rates.

**Staff's Response 14.** Comment noted.

COMMENTS RECEIVED AS OF JANUARY 6, 2008.

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COMMENTS RECEIVED DURING THE JANUARY 8, 2008, TELECONFERENCE.

183. How can staff use revenues from the test period when Deer Meadows did not collect correct revenues during that period?
184. Does staff make adjustments where the purchaser of the property paid water connection fees to the developer, when the developer is also the water company?
185. What factor is used to determine rates for a larger meter?
186. What justifies higher rates when the system is already in?
187. Will staff make their recommendation to the Commissioners before they make their decision?
188. Per the 12-month test period of 2007, staff requested three items from the company outside the test period, will this data be used in staff's analysis?
189. Do the Commissioners have the ability to change the proposed rates?
190. Has Deer Meadows been contacted by staff regarding staff's findings?
191. If the proposed rates are approved, what recourse do the customers have?
192. Was staff aware in 2007 there were expenses due to damages caused because the water tank overflowed?
193. How do the different engineering surveys play into the proposed rates?
194. Several questions about payments to the developer for property purchase, if the payment included costs applied to the water company as an affiliated transaction?
195. Can fees be broken out where the golf course would pay a reduced rate after reaching a certain level?
196. Can the Commissioners approve rates with usage?
197. Regarding the golf course, golf course collected data for two months of usage in 2008, and would appreciate staff using that data since it showed a 50 percent reduction in usage.
198. The proposed rates show a 333 percent increase in charges to the golf course, would staff consider only a 50 percent increase?
199. Do the Commissioners take into consideration the fact that the water used goes back into the environment?

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**Staff Response 15.** Staff is currently reviewing these items. The results of the review will be available when staff's recommendation is presented to the Commissioners. During the teleconference, staff explained the commission's regulatory process, regulatory principles and rate-setting methodology.

