

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: DONOVAN E. WALKER

DATE: FEBRUARY 14, 2005

SUBJECT: APPLICATION OF TERRA GRANDE REQUESTING INTERIM RATES
AND FURTHER PROCEEDINGS TO ESTABLISH JUST AND
REASONABLE RATES – CASE NO. TGW-W-05-1

On February 9, 2005, Terra Grande Water filed an Application with the Commission requesting immediate interim rate relief, further proceedings to establish just and reasonable rates, and deferred accounting treatment for excess water supply costs above interim rates if appropriate. This Application is based upon the emergency interconnection of Terra Grande Water with United Water Idaho Inc.

BACKGROUND

On June 8, 2004, the Commission issued Terra Grande Water a Certificate of Public Convenience and Necessity and authorized the Company's current two-season flat rate fee schedule of \$26 per month in the summer and \$16 per month in non-summer months. Order No. 29512 (Case No. TGW-W-04-1). Additionally, that Order initiated an investigation of the Company. *Idaho Code* §§ 61-501, 61-503. The purpose of the investigation is to establish: (1) whether the existing flat rates for water service are just and reasonable; and (2) whether Terra Grande provides and maintains "service, instrumentalities, equipment and facilities [that] promote the safety and health of its patrons, employees and the public [and is] in all respects adequate, efficient, just and reasonable." *Idaho Code* § 61-302.

On January 21 and January 24, 2005, the Commission was informed by the Company and by Department of Environmental Quality (DEQ) that the three water supply wells of Terra Grande were contaminated with Trichloroethylene (TCE), a hazardous chemical. Customers were notified on January 21, 2005 not to consume the water and to minimize all other uses of the

water. DEQ recommended an emergency interconnection of Terra Grande's water system to United Water's supply system, and offered to make funds available from the Idaho Hazardous Waste Emergency Response Fund to pay for the costs of making the connection. On January 28, 2005, the Commission was notified that the interconnection with United Water was completed.

THE APPLICATION

According to its Application, Terra Grande has provided water service to the Terra Grande Subdivision for over 50 years, and currently has approximately 117 residential customers. The Company states that it notified customers of the contamination on January 21, 2005, and advised them to cease the use of water for drinking and to minimize all other uses, such as bathing and showering. The Company also started supplying bottled water to its customers and arranged for them to purchase water at wholesale price from a Wal-Mart across from the subdivision. Terra Grande notified customers that it would provide them with a billing credit against future bills for their purchase of water. According to the Application this credit amount has not yet been calculated. Terra Grande and DEQ are working together to determine the cause of the contamination, but have not yet been able to identify the party responsible for the contamination of the Company's water source.

The Application states that the connection with United Water's supply system was completed on January 28, 2005, and United Water began providing water service to the Company around 5:00 p.m. on that same day under United Water's current Schedule 1, General Metered Service. This connection consists of: (1) a 3" meter installed in a concrete vault; (2) 4" pipe connecting the United Water system with Terra Grande's system; and (3) a backflow device to prevent any residual contamination from the Terra Grande system from entering into United Water's system. DEQ provided funds from the Idaho Hazardous Waste Emergency Response Fund to pay for the costs for the emergency connection.

According to the Company's Application, United Water's charges under Schedule 1 for general metered service consist of a volume charge for all water use of \$0.9825 per 100 cubic feet (CCF) in the winter, and \$1.2281 per CCF for the summer. In addition, United Water assesses a customer charge for a 3" meter of \$82.42 bi-monthly. Summer rates apply for all water consumed between May 1 and September 30 each year. United Water also assesses a 50¢ bi-monthly charge as required by DEQ to fund the State Drinking Water Program and a 3% Municipal Franchise Fee as required by the City of Boise.

Interim Rate Relief

Terra Grande's Application requests immediate interim rate relief, effective as of the date they filed the Application, February 9, 2005. The Application states that the Company requests this immediate authorization to change its rates based on an emergency that was beyond its control and that has unexpectedly increased its expenses on short notice. The Company asserts that it has shown good cause for the Commission to approve its request for interim rate relief on less than thirty (30) days notice. *Idaho Code* § 61-307; IDAPA 31.01.01.121 and 31.01.01.122.02. Additionally, the Company requests that it be authorized to add the costs of purchasing water from United Water to the Company's existing flat rate. Terra Grande asks that it be allowed to charge its customers the new surcharge rate based upon United Water's charge, effective as of February 9, 2005, after the receipt of its first bill from United Water. The Application does not state when the first bill from United Water is expected to arrive.

Terra Grande requests that in the interim the Commission allow it to continue charging its customers the \$16 flat rate per month based on the Company's current, filed tariff. The Company proposes to divide its United Water bill by the total number of Terra Grande customers, and pass this pro rata expense on to each customer equally by adding a surcharge to their existing flat rate. United Water bills on a bi-monthly basis, and Terra Grande bills its customers in advance for two months of service.

Further Proceedings to Establish Rates

Terra Grande requests that the Commission allow further proceedings in conjunction with its investigation in Case No. TGW-W-04-1 to establish just and reasonable rates for its customers on a going-forward basis once more detail is developed regarding the Company's operations. In the event that actual cost recovery is not authorized by the Commission, the Company also requests authorization to defer any excess water supply costs, until new rates are implemented that provide for recovery of excess water supply costs, over and above any interim rate that is put in place. The Application requests that the Company's request for more permanent rate relief be processed by Modified Procedure.

The Company states that notice to its customers concerning this interim and more general rate request is being accomplished by new media releases and by individual notice mailed to each customer. The customer notice is attached to the Company's Application as Attachment C.

STAFF RECOMMENDATION

Staff recommends that Terra Grande's Application for interim rate relief be processed by Modified Procedure with a shortened comment period of approximately 10 days, making comments due on March 4, 2005.

COMMISSION DECISION

Does the Commission wish to process this case by Modified Procedure as recommended by the Company and Staff?

Does the Commission find that the emergency connection represents good cause to shorten the 21-day comment period?

Does the Commission wish to conduct a public workshop on this matter prior to Staff filing its comments?

Donovan E. Walker

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