

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF UNITED WATER IDAHO INC. TO)	CASE NO. UWI-W-04-1
AMEND ITS RULES AND REGULATIONS)	
TO IMPLEMENT A BUDGET BILL OPTION.)	ORDER NO. 29455
)	

On February 3, 2004, United Water Idaho Inc. (United Water; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to amend its Rules and Regulations to establish a "Budget Bill" payment program for its residential customers. The Commission in this Order reaffirms its support for a rate design that encourages summer conservation and responsible use of water and denies the Company's Application for a budget bill payment program because it detracts from that goal and because of its cost.

Proposal

The proposed Budget Bill program essentially takes a customer's 12 months' history, six bi-monthly meter readings, of water consumption and spreads that over 12 monthly Budget Bills. An annual reconciliation of negative or positive balances was proposed to occur within limits and be rolled forward into the next Budget Bill period.

United Water estimates the costs of program implementation to be approximately \$72,000, assuming that 15% of its residential customer base enrolls in the "Budget Bill" program. The \$72,000 represents the annual costs of the program and is comprised of additional billing, postage and payment processing expenses. The Company requests an accounting order permitting the deferral of these additional costs for recovery in the Company's next general rate case, subject to audit and review for reasonableness.

On February 10, 2004, the Commission issued Notices of Application and Modified Procedure in Case No. UWI-W-04-1. The deadline for filing written comments was March 3, 2004. Timely comments were filed by Commission Staff and a number of the Company's customers. Customer support ranges from enthusiastic to support if only participants bear the program costs. Customer opposition ranges from those who are satisfied with the current billing

system to a belief that implementation of a level pay will dampen the conservation message and encourage customers to waste water on unneeded landscaping.

Staff Comments

The Commission Staff supports the general concept of Budget Bill but proposes limiting the program to customers with 12 months consumption history at the premises. Staff is reluctant to support the Company's plan to set a Budget Bill amount based upon a criteria other than the customer's own water usage given the fact that the watering habits of one individual have little to do with another's. Because United Water cannot provide the new resident ongoing historical comparative usage on statements to enable the customer to determine whether his or her own usage is in line with that of the prior customer, Staff cannot support a Budget Bill based upon premises usage and therefore recommends that Budget Bills be limited to customers who have lived at the current residence for at least 12 months.

Staff also opposes United Water's request for an accounting Order permitting deferral of the estimated costs associated with implementation of the Budget Bill program.

Company Reply

On March 12, 2004, United Water filed a Reply to Staff Comments. The Company concurs in Staff's recommendations and proposed revisions to the Company's Budget Bill program. The Company takes exception to Staff's comments regarding deferral of program costs.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. UWI-W-04-1 including the comments of customers, the comments and recommendations of the Commission Staff, and the reply comments of United Water.

Although we appreciate the Company's attempt to ease the payment burden of some of its customers through the proposed Budget Bill payment program, we find that the program is costly and will detract from our rate structure to promote summer conservation. Sixty percent of most United Water customers' annual usage occurs in the four months of summer (May-August). The Commission, a decade ago, set summer water rates 25% higher than winter rates in order to send customers a strong price signal to encourage water conservation during the summer months when the peak water demand has to be met.

Drinking water is different from natural gas and electricity where we have approved level pay programs. Water is dependent on local supply. For United Water's service territory that supply is aquifer and surface water. We must encourage good stewardship of the potable waters United Water customers rely on and use for discretionary summer irrigation and sprinklers. In pricing water to reflect the higher cost of summer water service, we send appropriate pricing signals to customers and encourage responsible water use. The Company's proposed Budget Bill Proposal would diminish that water pricing signal and conservation message by levelizing annual costs over 12 months. This Commission continues to support a billing method for United Water that encourages conservation in summer months. The present billing method with seasonal rates (albeit with bi-monthly billing) conveys this conservation message. That is not to say, however, that other rate designs could not also encourage conservation.

In its opposition to the Company's proposal to defer program costs for later recovery, Staff notes that the estimated \$72,000 cost is not a one-time expense for implementation of the Budget Bill program, but represents the estimated annual cost of running the program, assuming a 15% participation level. The actual cost of the program is not known and measurable at this time. Also unknown is the level of customer participation. In addition to all that uncertainty, we find the estimated program costs to be too costly.

In denying this Application, we note that customers with economic emergencies are encouraged to contact the Company and work out payment arrangements.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over United Water Idaho, Inc., a water utility, pursuant to the authority granted in Idaho Code, Title 61 and pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

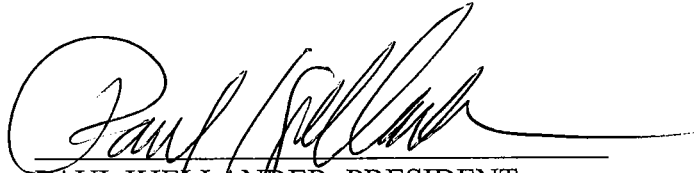
ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby deny United Water's Application to implement a Budget Bill option payment program for its residential customers.

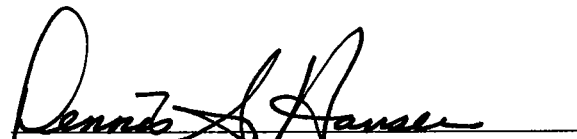
THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days

after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

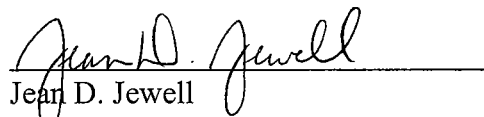
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th day of April 2004.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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