

## DECISION MEMORANDUM

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

**FROM: SCOTT WOODBURY**

**DATE: FEBRUARY 27, 2004**

**SUBJECT: CASE NO. UWI-W-04-2 (United Water)  
AGREEMENT FOR PURCHASE AND SALE – TERRA GRANDE  
CERTIFICATE AMENDMENT**

On February 19, 2004, United Water Idaho Inc. (United Water; Company) and Barbara V. Child dba Terra Grande filed a joint Application with the Idaho Public Utilities Commission (Commission) for an Order approving the purchase by United Water of water service properties owned by Barbara V. Child. United Water requests authority to expand its Certificate of Public Convenience and Necessity No. 143 to include the Terra Grande water system and requests approval of related rates and charges for Terra Grande customers. Reference *Idaho Code* § 61-526; IDAPA 31.01.01.112.

The Terra Grande water system has been operating for over 50 years and provides water service under a flat rate to approximately 117 residential customers in the Terra Grande Subdivision in Ada County, Idaho. Terra Grande is generally located South of Overland Road, East of Milwaukee Street and North of Targee Street as more particularly depicted in the map attached to the Application as Exhibit 1.

The total purchase price set forth in the Agreement for Purchase and Sale (Application Exhibit 2) is \$47,000. United Water states that upon approval of the purchase, the Company will invest up to \$122,000 in capital improvements for system upgrades and metering of customers. The proposed system upgrades which include capping Terra Grande's four wells and switching customers to United Water supply are described in Application Exhibit 4. United Water requests an Order confirming the right of the Company to include in rate base in future rate proceedings the full Terra Grande purchase price and up to \$122,000 in capital investment along with reasonable costs of acquisition which are estimated to be approximately \$5,000.

United Water requests a Commission Order confirming the right of the Company to provide service to the Terra Grande customers according to United Water's current approved rules and regulations, including its tariff rates for service. Revenue from Terra Grande customers, at present United Water rates, the Company estimates will be equal to or greater than the revenue requirement associated with the assets being acquired. The revenue requirement calculation is set forth in Application Exhibit 5. The Company projects that Terra Grande customers will generate average residential revenue for United Water, or \$327/year. Terra Grande customers are presently served under a two-season flat rate. The summer rate for four months is \$26 and the non-summer rate for eight months is \$14, producing total annual per customer revenue of \$216.

As reflected in the Application, Barbara V. Child desires to convey the Terra Grande domestic water system to United Water because she wishes to retire from the water business and is unwilling to undertake the perceived risks of continued operation arising from increasingly stringent water quality regulations, and increasingly complex operation and technical requirements. Because of its small size Ms. Child states that Terra Grande has experienced, and in the absence of the sale, would continue to experience, difficulties in maintaining its system and obtaining adequate financing for operations, maintenance, and expansion.

United Water contends that it possesses the technical, managerial and financial abilities to provide reliable and adequate service and accordingly it represents that the proposed transfer is in the public interest.

### **Commission Decision**

As reflected in a letter to customers (Application Exhibit 6) United Water and Ms. Child intend to hold an informational meeting in order that customers can be informed of the details, reasons and ramifications of the sale. Commission Staff intends to participate and/or hold a separate public workshop. Staff recommends that following the meeting with customers, that the Company's Application be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. Does the Commission agree with Staff's recommended procedure?

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Scott D. Woodbury

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