

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
UNITED WATER IDAHO, INC. FOR AN) **CASE NO. UWI-W-04-3**
AMENDMENT TO ITS CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY NO.) **NOTICE OF APPLICATION**
142 AND FOR AN ACCOUNTING ORDER.)
) **NOTICE OF MODIFIED**
) **PROCEDURE**
)
) **NOTICE OF COMMENT/**
) **PROTEST DEADLINE**

YOU ARE HEREBY NOTIFIED that on August 9, 2004, United Water Idaho, Inc. (United Water; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to remove the Carriage Hill Subdivision from the Company's certificated service area and for an accounting order regarding distribution of proceeds from the sale of the Carriage Hill domestic water system from United Water to the City of Nampa. On August 25, 2004, the Company filed supporting testimony for its Application.

Background

On March 29, 1999, the Commission in Order No. 27976 approved an expansion of United Water's certificated service area to include the Carriage Hill Subdivision in Canyon County, Idaho near the City of Nampa. The expansion was pursuant to a Non-contiguous Water System Agreement between the Company and Carriage Hill dated *November 20, 1998*. At the same approximate time, the Company's corporate parent, United Waterworks, entered into a separate understanding with the Carriage Hill developers that United Waterworks would loan the developers up to \$350,000 to finance the construction of the Carriage Hill source of supply system only. Reference 1) Design-Build Promissory Note dated December 7, 1998 and 2) Joint and Several Individuals Guaranty signed by Carriage Hill developers.

As initially constructed the Carriage Hill development had only one well to serve as the source of supply. In the spring of 2002, the developer had embarked on Phase 2 of the distribution system that would add 20 lots to the original 27 in Phase 1. Eventually, 25 lots would be connected, the maximum permitted by the Idaho Department of Environmental Quality (DEQ) for a system with

only one source well. Under DEQ requirements, a second source of supply is required for a water system serving more than 25 connections.

In early 2003, the Carriage Hill developers informed United Water that they did not have funds to construct a second source of supply or to continue payments to United Waterworks. Without a second source of supply Carriage Hill would not be able to expand. Without expansion, Carriage Hill developers would be unable to generate funds to finance a new well or to pay United Waterworks.

On August 15, 2003, the City of Nampa indicated its desire to enter into negotiations with United Water and Carriage Hill in connection with the ownership, operation and maintenance of the Carriage Hill domestic water system and the connection of the system to Nampa's Municipal Water System.

On August 25, 2003, Carriage Hill requested a waiver from the Idaho Department of Environmental Quality to allow an additional ten lots in the subdivision to be connected to the water system prior to the installation of a second source of supply, which second source of supply, it was stated, would take the form of connection to Nampa's Municipal Water System. As of the date of this Application approximately 30 lots in the Carriage Hill Subdivision have been connected to the domestic water system.

Purchase Agreement—United Water (Seller)/City of Nampa (Purchaser)

United Water has entered into a Purchase Agreement (Agreement) with the City of Nampa dated 12 March, 2004. As reflected in the Agreement, the purchase price is \$375,000. A small portion of the purchase price, approximately \$36,000, is to be paid to United Water Idaho. The remainder of the purchase, approximately \$338,000, is to be paid to United Waterworks, Inc., owner of a Design-Build Promissory Note in the original principal amount of \$350,000 dated December 7, 1998, said note being the obligation of Carriage Hill LLC. The purpose of said note was to provide funds to assist Carriage Hill in the construction of the water system within the Carriage Hill Subdivision.

United Water contends that acquisition of the Carriage Hill domestic water system by the City of Nampa is consistent with the Public Convenience and Necessity because:

- ❑ Nampa has adequate source of supply and operational capability to provide safe and reliable water service to the subdivision;
- ❑ The connection of Nampa's distribution system to the Carriage Hill domestic water system will provide a second source of supply as required by DEQ rules thus

insuring reliable water supply to the subdivision and permitting further expansion of the subdivision; and

- The rates charged by Nampa for domestic water service are lower than the rates charged by United Water, and customers within the subdivision will therefore experience a decrease in the cost of domestic water service.

Application Exhibit E (revised) sets forth United Water's proposed journal entries to account for the \$36,000 to be received by United Water at closing. Revised Exhibit E reflects Advanced Plant in Service of \$354,905 and Contributed Plant in Service of \$190,300. The advanced plant reflects the source of supply portion of the system and was provided by the developer. The contributed plant reflects the distribution portion of the system and was fully funded by the developer. Because advanced plant and contributed plant are not included in the Company's rate base, United Water states that customers have not, through their rates, paid any return on those investments. The Company contends that its customers have not acquired any financial or equitable interest for which they should be compensated upon sale of the Carriage Hill assets. United Water contends that the Company's accounting proposal is consistent with established regulatory accounting principles and requests that the Commission approve it.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. UWI-W-04-3 including Exhibit A, Design-Build Promissory Note; Exhibit B, Carriage Hill – Nampa Agreement (LID Agreement); Exhibit C, UWID – Nampa Purchase Agreement; Exhibit D, Nampa City Council Resolution No. 20 – 2004; and Exhibit E, Proposed Journal Entries. The Commission has preliminarily found that the public interest in this matter may not require a hearing to consider the issues presented, and that issues raised by the Company's filing may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that **the deadline for filing written comments or protests** with respect to the United Water's Application in Case No. UWI-W-04-3 and the use of Modified Procedure in Case No. UWI-W-04-3 is **Monday, September 27, 2004**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the issue on its merits and may enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will

consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. UWI-W-04-3 should be mailed to the Commission and the Company at the addresses reflected below.

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST
BOISE, ID 83702-5983

GREGORY P WYATT
UNITED WATER IDAHO INC
PO BOX 190420
BOISE, ID 83719-0420
Email: greg.wyatt@unitedwater.com

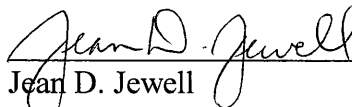
DEAN J MILLER ESQ
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All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application in Case No. UWI-W-04-3 may be viewed at the Commission's web site, www.puc.state.id.us by clicking on "File Room" and "Water Cases" or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 West Washington Street, Boise, Idaho and at the principal business office of United Water, 8248 West Victory Road, Boise, Idaho.

DATED at Boise, Idaho this 31st day of August 2004.



Jean D. Jewell
Commission Secretary

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