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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION  
OF UNITED WATER IDAHO INC. FOR  
AUTHORITY TO INCREASE ITS RATES  
AND CHARGES FOR WATER SERVICE IN  
THE STATE OF IDAHO

Case No. UWI-W-04-04

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

REBUTTAL TESTIMONY OF GREGORY P. WYATT

1 Q. Please state your name.

2 A. Gregory P. Wyatt.

3 Q. Are you the same Gregory P. Wyatt who previously filed direct  
4 testimony in this case?

5 A. Yes, I am.

6 Q. What is the purpose of your rebuttal testimony?

7 A. My rebuttal testimony summarizes the Company's overall objection to  
8 the Staff's use of a 13-month averaged rate base in this case. I will  
9 also provide an overview summary of the other rebuttal witnesses  
10 offered by the Company in this case and I will respond to certain  
11 issues expressed by Staff witnesses Lobb, Sterling, English and Idaho  
12 River's United witness Wojcik. More specifically, I will:

13 ➤ Contrast Staff's recommended revenue requirement in this case  
14 with the Company's final proposed revenue requirement and  
15 summarize the Company's view that adopting a 13-month  
16 averaging of rate base denies the Company the opportunity to earn  
17 the return the Commission may authorize in this case.

18 ➤ Respond to Mr. Sterling's and Mr. Wojcik's discussion and  
19 proposal regarding United Water adopting monthly billing.

20 ➤ Respond to Mr. Wojcik's recommendations regarding United  
21 Water's conservation efforts.

1                   ➤ Respond to Mr. English's recommendation to remove payroll and  
2                   associated costs related to the Company's recently hired Public  
3                   Affairs Manager.

4                   Q.           What else is included in your rebuttal testimony?

5                   A.           I will comment on the written consumer comments received by the  
6                   Commission regarding the filing of this case. In addition, I will  
7                   respond to Staff Witness Cooper's comments regarding the  
8                   Company's proposed tariff changes and proposed miscellaneous  
9                   charges.

10                  **Company Rebuttal Case**

11  
12                  Q.           What is Staff's ultimate recommendation in this case?

13  
14                  A.           Staff recommends an overall revenue increase of \$570,837 or a 1.8%  
15                  increase over current rates, (Harms Di. Pg. 3). This contrasts to the  
16                  Company's final recommendation of a revenue increase of \$6,785,523,  
17                  or a 21.51% increase over current rates, (Healy Re. Exhibit No. 2).

18                  Q.           What is the Company's view of the Staff's ultimate recommendation?

19                  A.           The Company believes Staff's recommendation is seriously flawed  
20                  and grossly insufficient primarily due to Staff's use of a 13-month  
21                  average rate base methodology. The Company strongly believes that  
22                  Staff's recommendation denies the Company the opportunity to earn  
23                  the return the Commission may authorize in this case. The primary  
24                  driver of this case is the recovery of investments made by the  
25                  Company since its last case in utility plant that provides service to the

1 public. In Case No. UWI-W-00-1 the Company's approved rate base  
2 was \$98,862,937. The Company's per books rate base as of July 31,  
3 2004 was \$113,575,180, an increase of almost 15%. With the post-test  
4 year addition of Columbia Water Treatment Plant and other facilities,  
5 the Company's final recommended rate base in this case is  
6 \$140,652,083, an increase of more than 42% over the 2000 rate base.  
7 With only a few limited exceptions, Staff does not contend any of this  
8 investment is not used and useful in service to the public. In light of  
9 this, Staff's recommendation, on its face, is unreasonable and punitive.  
10 It is also impossible to contend, and Staff does not suggest, that  
11 customer growth since the last case has produced revenue sufficient to  
12 cover this investment to the extent that only a 1.8% increase is  
13 necessary.

14 Q. How does Staff manage to arrive at this seemingly illogical result?

15 A. Primarily, by changing the ratemaking rules. In each of United  
16 Water's four previous rate cases since 1993 the Commission has  
17 employed a year-end rate base methodology adjusted for known and  
18 measurable pro-forma additions. In this present case however Staff  
19 proposes changing to a 13-month average method for computing rate  
20 base. As admitted by witness Harms, solely due a change in  
21 methodology, Staff's proposed rate base is approximately \$12 million  
22 less than the May 31, 2005 pro-forma rate base filed by the Company

1 and reduces the revenue requirement by about \$2 million (Harms Di.  
2 Pg. 7-8).

3 Q. As a result of Staff changing to a 13-month average rate base  
4 methodology, what happens to the rate base investments the Company  
5 has made that are not included by Staff in this case?

6 A. These water plant investments that are in service and providing  
7 benefits to customers will not be included in the earnings base, for no  
8 good reason other than a change in regulatory methodology. Twelve  
9 million dollars of investment actually made in plant that is used and  
10 useful is effectively vaporized in this case, simply by changing the  
11 ratemaking rules.

12 Q. Did the Company have any way of knowing that the ratemaking rules  
13 might change in this case? Please explain.

14 A. No. The Company first learned of Staff's proposed change upon  
15 reading Staff testimony. In several conferences with Staff, both before  
16 filing our case and after, this was never suggested.

17 Q. Did the Company understand the Commission's decisions in the  
18 recently completed Idaho Power Company and Avista rate cases to  
19 mandate use of an average year methodology for all utilities?

20 A. No. In those Orders the Commission expressed concern about possible  
21 mismatches of revenue and expenses with investments and the  
22 Commission advised Companies that appropriate adjustments should  
23 be made to guard against such mismatches. United Water has

1 attempted to comply with that directive in this case. Neither Order,  
2 however, expressed the intent to use the average year methodology for  
3 all utilities in all cases.

4 Q. Does the Company provide further evidence on this issue in its rebuttal  
5 case?

6 A. Yes. Dr. Dennis Peseau, the Company's expert consultant, provides  
7 extensive testimony. Dr. Peseau demonstrates that the change in  
8 methodology denies the Company the opportunity to earn a reasonable  
9 return on capital actually invested and may actually be confiscatory.  
10 He further demonstrates that Staff's attempt to apply the 13-month  
11 average methodology while purporting to match revenues and  
12 expenses is plagued by inconsistencies and mismatches of  
13 investments, revenues and expenses. As a result, he recommends that  
14 the Commission not adopt Staff's proposed change in methodology.

15 Q. Please provide an overview of the other issues addressed in the  
16 Company's rebuttal case.

17 A. Mr. Jeremiah Healy addresses adjustments to results of operations  
18 proposed by Staff witness English and demonstrates that many of the  
19 adjustments proposed by Mr. English are not supported by sound logic  
20 or consistent application of ratemaking principles. Mr. Healy also  
21 responds to expense and rate base adjustments proposed by witness  
22 Sterling. Company witness Scott Rhead further responds to  
23 adjustments proposed by Witness Sterling. The Company's expert

1 consultant Pauline Ahern addresses the cost of capital  
2 recommendations of Staff witnesses Carlock and Hall, demonstrating  
3 that Staff's recommendation regarding cost of equity is unreasonably  
4 low. The Company's consultant Mr. David Degann, an expert in  
5 pension accounting, addresses Mr. English's adjustments with respect  
6 to pension expense.

7 **Monthly Billing**

8 Q. Please summarize the testimony of Witness Sterling regarding monthly  
9 billing.

10 A. Witness Sterling proposes that before any consideration be given to  
11 changing United Water's current rate design, the Commission first  
12 decide whether the practice of bi-monthly billing should be continued,  
13 (Sterling Di. Pg. 59-60). He goes on to state that monthly billing could  
14 relieve at least some of the burden of extremely high summer bills for  
15 many customers, (Sterling Di. Pg. 60), and that the more current price  
16 signal sent by monthly billing would provide customers with just as  
17 strong of a conservation message as with bi-monthly billing, (Sterling  
18 Di. Pg. 61). Finally, witness Sterling notes that the Company's  
19 estimated operating cost of implementing monthly billing would be  
20 \$1,086,000 per year, which would require an increase in the  
21 Company's annual revenue requirement of approximately 3.4%  
22 (Sterling Di. Pg. 61).

1 Q. Please summarize the testimony of Witnesses Wojcik regarding  
2 monthly billing.

3 A. Witness Wojcik claims that bi-monthly billing cycles can be counter-  
4 productive to water conservation efforts (Wojcik Di. Pg. 10), but  
5 offers no supporting evidence for this claim. Mr. Wojcik recommends  
6 that United Water switch to a monthly billing process because he  
7 believes customers need to be able to better track their usage over  
8 shorter periods of time than bi-monthly billing allows (Wojcik Di.  
9 Pg.11).

10 Q. Was there any other testimony submitted that touched on the issue of  
11 monthly payments of customer bills?

12 A. Yes. Witness Teri Ottens, of Community Action Partnership  
13 Association of Idaho (CAPAI) made a recommendation relating to  
14 monthly payments. Witness Ottens stated that, "CAPAI believes that  
15 the Commission should consider a level or monthly pay program in the  
16 future as another tool to assist low-income seniors, disabled and  
17 families with their budgeting on water usage costs", (Ottens Di Pg.  
18 11).

19 Q. What is United Water's position on converting from bi-monthly to  
20 monthly billing?

21 A. The Company agrees with witnesses Sterling, Wojcik, and Ottens that  
22 monthly billing would send customers a more current price signal

1 which may enable them to more effectively manage their water use,  
2 and that the corresponding monthly payments would enable customers,  
3 especially low income customers, to better budget for their water  
4 usage costs.

5 Q. Does United Water have a recommendation for the Commission in this  
6 case with regard to converting to monthly billing?

7 A. Yes. United Water recommends the Commission approve the  
8 following:

9 ➤ United Water convert from bi-monthly billing to monthly billing  
10 for all customers as quickly as possible, but not later than six  
11 months, after implementation of new rates in this case.

12 ➤ Authorize cost recovery in this case through inclusion in revenue  
13 requirement of the anticipated \$1,086,000 increased annual  
14 operating costs associated with monthly billing.

15 Q. What makes up the \$1,086,000 increase in annual operating cost  
16 associated with monthly billing?

17 A. Primarily the costs include increases in personnel for meter reading  
18 and customer service, increased billing, postage, and collection costs,  
19 and other related operating cost increases. Witness Healy explains  
20 these costs in more detail in his Rebuttal Testimony.

21 Q. Why should the Commission approve the conversion from bi-monthly  
22 to monthly billing?

1           A.       There are several reasons. First, as other witnesses have testified, a  
2                   monthly billing regime will provide a timelier price signal to  
3                   customers than bi-monthly billing, especially during the high water use  
4                   summer months. A monthly bill, received closer to the consumption  
5                   period may afford customers the opportunity to adjust their water  
6                   usage patterns so as to conserve water and lower their bills for water  
7                   service. Secondly, bi-monthly billing, combined with the current 25%  
8                   higher summer commodity rate, results in customers receiving bills  
9                   that can be difficult to budget for and pay, especially low-income  
10                  customers. For example, in 2004 the average residential bi-monthly  
11                  bill was about \$52, and during the summer it can be well over \$100.  
12                  With monthly billing, the customer's average bill would be cut in half  
13                  to approximately \$26, and summer monthly bills would likewise be  
14                  more manageable. A smaller monthly bill would relieve some of the  
15                  burden of high summertime water cost for many customers. In  
16                  addition, a smaller monthly bill should enable customers to more  
17                  adequately budget for their water service needs, and will enable lower  
18                  income customers to more readily pay for the water service they use.

19          Q.       What other ways can customers benefit by the change to monthly  
20                   meter reading and billing?

21          A.       Monthly meter reading and billing creates a more useful water usage  
22                   history since there are twelve reading periods instead of six. This  
23                   history can enable a more accurate estimated monthly bill whenever an

1 actual meter reading cannot be obtained. In addition, meter readers  
2 will find customer leaks, high water usage, stopped meters, etc. more  
3 readily because they will visit customer sites twice as often. This  
4 should reduce the number and severity of these kinds of customer  
5 billing problems. Lastly, monthly billing provides the company with  
6 twice as many opportunities to communicate to customers via bill  
7 messages and inserts.

8 Q. On what frequency do the other major utilities in United Water's  
9 service territory bill their customers?

10 A. All the major utilities in this area, including Idaho Power,  
11 Intermountain Gas, and Qwest, bill customers on a monthly basis.

12 Q. Has United Water considered the options of either reading meters bi-  
13 monthly and billing monthly or reading meters and billing monthly  
14 only during the summer period as an alternate to year-round monthly  
15 billing?

16 A. Yes. Staff's Production Requests No. 38 & 39 inquired about the  
17 feasibility of those two options. With regard to the concept of reading  
18 and billing monthly only during the summer, United Water strongly  
19 opposes this option and believes that, while it might be a somewhat  
20 lower cost option than full monthly reading and billing, it creates  
21 significant major challenges including the following:

- 22 • Temporary staffing would have to be hired, trained and then  
23 dismissed every six months.

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- Investments in equipment, purchased specifically for this purpose, would then be idled for six months of each year. Examples are vehicles, meter reading equipment, communications equipment, computer equipment, tools, and etc.
- Billing protocols would have to be changed seasonally with the associated cost of programming to accommodate monthly billing (i.e. hi/lo parameters in reading and billing, schedules, due dates, past due processing).
- Vendors would have to accommodate the seasonal fluctuation from approximately 38,500 bills per month to 77,000 bills per month.
- This option would cause significant customer confusion and would require repeated customer communications regarding the billing frequency and process.

United Water is also strongly opposed to the option of reading meters on a bi-monthly basis but billing customers monthly in the summer, for example by billing half of the consumption each month or estimating one month then adjusting to an actual read the next month.

United Water is not in favor of this scenario for the following reasons:

- It would require a major change in the billing system software to handle reading and calculating consumption but holding half for later billing. It would require a significant capital investment if at all possible.

- 1 • Billing, postage, and collections costs would double for half of the
- 2 year.
- 3 • Temporary staffing would have to be hired, trained and dismissed
- 4 seasonally.
- 5 • With all bills being estimated one month and actually read the
- 6 next, large numbers of accounts would require review and the
- 7 number of adjusted bills would likely skyrocket resulting in a huge
- 8 increase in customer calls and billing adjustments.
- 9 • This option would likely cause significant customer confusion and
- 10 would require repeated customer communications regarding the
- 11 billing process.

12 Q. If the Commission decides United Water should convert to monthly  
13 billing what does United Water recommend be done about the  
14 proposed bi-monthly 3ccf residential summer rate block proposed in  
15 the low-income help program Stipulation dated March 23, 2005  
16 between United Water and CAPAI?

17 A. If the Commission orders United Water to convert to monthly billing  
18 the 3ccf residential summer rate block cannot readily be divided in  
19 half for billing purposes. United Water therefore recommends that the  
20 first block be set at 2ccf on a monthly billing basis. Since the 2ccf on  
21 a monthly basis is greater than 3ccf on a bi-monthly basis, it is  
22 expected that CAPAI would embrace the increased volume to be  
23 priced at the lower first tier rate as proposed in the Stipulation.

1           **Conservation**

2           Q.       Please summarize the testimony and recommendations of Witnesses  
3                   Wojcik regarding United Water's conservation programs.

4           A.       Witness Wojcik states that an effective conservation program must  
5                   include four components: water pricing incentives (via an increasing  
6                   rate block), rebate and retrofit incentives, regulations (e.g., plumbing,  
7                   landscaping, and water-waste code), and education (Wojcik Di Pg 11).  
8                   Although he considers the education component of United Water's  
9                   conservation program to be commendable and acceptable in terms of  
10                  its comprehensiveness, he does not believe the balance of the  
11                  Company's program and efforts are adequate in the remaining three  
12                  areas he cites (Wojcik Di Pg. 12-13). He offers eleven (11) examples  
13                  of other programs and policies that United Water could implement  
14                  (Wojcik Di Pg. 14), however he recognizes there are barriers to  
15                  implementation, including the fact that United Water, as an investor-  
16                  owned utility, can only advocate for regulation changes, such as  
17                  landscaping codes, and that the Company cannot establish municipal  
18                  regulatory controls on land use and development. He also  
19                  acknowledges that United Water does not have a dedicated source of  
20                  funds for conservation programs, such as a tariff rider (Wojcik Di Pg.  
21                  15). Witness Wojcik goes on to posit that the conservation programs  
22                  he outlines are cost effective (Wojcik Di Pg. 15), but beyond a review

1 of Albuquerque's efforts (Pg 15-16), he does not offer significant data  
2 to substantiate that claim. In fact he states:

3 "Unfortunately, a lack of conservation program monitoring and a  
4 relatively short history of water conservation implementations, has  
5 yielded a significant "data gap" in the water supply industry. Unlike  
6 with traditional supply options, accurate and reliable cost-  
7 effectiveness data for water conservation options is rather limited."  
8 (Wojcik Di Pg. 16, Lines 12-15).  
9

10 Witness Wojcik ultimately recommends that United Water develop  
11 and submit for Commission approval an updated and comprehensive  
12 conservation plan that includes a cost comparison between supply  
13 versus demand resources, and that analyzes a means of funding  
14 additional conservation costs. In addition, Wojcik recommends that  
15 United Water implement the new plan, and work with the City of  
16 Boise to consider a water-wise landscaping ordinance for new  
17 development and establish a higher level of water efficiency in the  
18 Boise plumbing code, (Wojcik Di Pg.18).

19 Q. Do you agree with Mr. Wojcik's contention that United Water's  
20 conservation plan and efforts do not offer a reasonable range of  
21 opportunities for customers to lower their usage, and therefore  
22 maintain or lower their bills? Please explain.

23 A. No. As outlined in my Direct Testimony (Wyatt Di Pgs. 13-15),  
24 United Water offers a variety of educational, product, and service  
25 oriented water conservation programs to its customers. Although I  
26 agree that recent customer response to certain portions of the

1 Company's program has not been as high as we would like, i.e.  
2 conservation kits and water audits, it is true that average residential  
3 summer water usage has continued to decline over the years. As  
4 shown by Company witness Gradilone's direct Testimony, Exhibit 6,  
5 Schedule 3, Page 6 of 25, average residential summer consumption has  
6 declined from an historical high of 146,000 gallons in 1986-87 to the  
7 current level of 115,000 gallons, or a decrease of more than 21%.  
8 Certainly a portion of this decline may be weather related and some  
9 can be attributed to the implementation of dual irrigation systems in  
10 new development areas, but a portion must also be attributable to  
11 water conservation efforts which were not actively promoted prior to  
12 the late 1980's.

13 Q. Of the eleven (11) examples of other programs and policies that  
14 United Water could implement proposed by Witness Wojcik, has  
15 United Water reviewed any of these for implementation in the past?  
16 Please explain.

17 A. Yes, at least four of the eleven were reviewed in the 1993 Water  
18 Conservation Plan analysis prepared for United Water by Montgomery  
19 Watson. They include the toilet rebate program, landscape retrofit  
20 program, large landscape water audits (large water user audit  
21 program), and low water use landscape ordinance.

22 Q. Did the 1993 Plan recommend implementation of these four programs,  
23 and If not, why not?

1           A.       No, they were determined not to be feasible for United Water and the  
2                   Boise market based on the cost/benefit analysis conducted at the time  
3                   and United Water's limited ability to influence local land use  
4                   ordinances.

5           Q.       In his testimony Mr. Wojcik also refers to a rebate program for in-  
6                   home water usage monitors recently offered by the City of Aurora,  
7                   Colorado, (Wojcik Di Pg. 11, Lines 5-9), and then lists a water use  
8                   monitoring meter rebate program as one of the eleven (11)  
9                   conservation program options. Is it currently possible for United  
10                  Water to implement such a meter-monitoring device and rebate  
11                  program similar to the one in Aurora, Colorado? Please explain.

12          A.       No. In response to United Water's First Production Request to Idaho  
13                  Rivers United, Request No. 9, which asked if the Aurora device was  
14                  compatible with the United Water system at the same cost, Mr. Wojcik  
15                  replied, "The type of in-home usage monitoring device implemented in  
16                  Aurora, Colorado, would not be compatible with UWI's system unless  
17                  and until automated meter reading systems were implemented."

18          Q.       Do you agree with Mr. Wojcik's suggestion that the initial summer  
19                  block be increased by approximately three times the proposed 3ccf bi-  
20                  monthly quantity, (Wojcik, Pg. 7, Lines 16-17)? Please explain.

21          A.       No. The initial summer block, as agreed to in the Stipulation with  
22                  CAPAI, was not intended to equate to an average household use level  
23                  as offered by Witness Wojcik. On the contrary, the 3ccf bi-monthly

1 quantity was proposed as a “life line” or “subsistence” level of  
2 consumption in order to help primarily low income users, and was  
3 never intended to accommodate all or average household usage. In  
4 addition, if the Commission agrees that United Water should move to  
5 monthly meter reading and billing, I have already stated in my rebuttal  
6 testimony that the Company would accept a 2ccf quantity on a  
7 monthly basis which is 33% higher than the amount stipulated to with  
8 CAPAI on a bi-monthly basis.

9 Q. Did Mr. Wojcik, or anyone else from Idaho Rivers United, participate  
10 in the Commission sponsored “low-income assistance” workshop held  
11 on February 23, 2005 out of which the came the Stipulation referred to  
12 in Mr. Wojcik’s testimony, (Wojcik, Pg. 6, Line 27)?

13 A. No. Although the workshop was adequately noticed by the  
14 Commission and also reported ahead of time in the Idaho Statesman,  
15 neither Mr. Wojcik nor anyone else from Idaho Rivers United attended  
16 the workshop.

17 Q. What is United Water’s position regarding Mr. Wojcik’s  
18 recommendation that the Company develop and submit for  
19 Commission approval an updated and comprehensive conservation  
20 plan as soon as possible following this case, and that the plan should  
21 include a cost comparison between supply versus demand resources,  
22 and also analyze means of funding additional further conservation  
23 program costs, (Wojcik Di Pg. 18, Lines 3-6)?

1           A.           Basically United Water is in agreement with the recommendation.  
2                        The Company believes it should undertake the task of procuring an  
3                        outside consulting firm to assist in developing a new comprehensive  
4                        conservation plan, with the final plan and recommendations being  
5                        submitted to the Commission for review. It is unclear whether the  
6                        various conservation options identified by witness Wojcik are the most  
7                        appropriate, and the Company would like to see an analysis of the  
8                        viability and cost vs. benefits related to a wide range of conservation  
9                        options for its customers. The Company is, however, unsure how long  
10                      the consultant procurement process will take and is similarly unsure  
11                      how long such a comprehensive study will take. Therefore, the  
12                      Company recommends the Commission allow it the opportunity to  
13                      identify and interview potential consulting firms to determine timing  
14                      before establishing a deadline for the study completion.

15           Q.           What is United Water's position regarding establishing a means of  
16                        funding for its conservation study and eventual programs.

17           A.           United Water believes the cost of obtaining an updated and  
18                        comprehensive conservation plan will be substantial and requests that  
19                        the Commission allow deferral for consideration of recovery in a  
20                        future rate case of all costs associated with the updated plan. In  
21                        addition, United Water believes it is very likely that implementation of  
22                        new conservation measures and programs will result in significant  
23                        increases in ongoing operating costs. Therefore, the Company

1 recommends that the study assess the likely costs associated with its  
2 conservation programs and efforts and assess how best to cover  
3 conservation program costs.

4 Q. Is United Water aware of any other utilities that have an authorized  
5 means of cost recovery related to conservation programs? Please  
6 identify.

7 A. Yes. Idaho Power has an Energy Efficiency Rider, Schedule 91,  
8 which is applicable to all retail customers. According to Schedule 91,  
9 the energy efficiency rider is designed to fund Idaho Power's  
10 expenditures for the analysis and implementation of energy  
11 conservation programs.

12 Q. What is United Water's position regarding Witness Wojcik's  
13 recommendation that the Company work with the City of Boise to  
14 consider a water-wise landscaping ordinance for new development and  
15 establish a higher level of water-efficiency in the Boise plumbing  
16 code.

17 A. Although the Company can discuss land use issues with the City of  
18 Boise, it is unsure what influence it may have in this area. The  
19 Company believes that these two components along with others should  
20 be considered inside the proposed comprehensive conservation plan  
21 study that has already been recommended.

1           **Public Affairs Manager**

2           Q           On what basis does Mr. English recommend eliminating the salary of  
3                           the Company's recently hired Public Affairs Manager?

4           A.           First, Mr. English claimed in his direct testimony (Page 11 line 19  
5                           through Page 12, line 1) that at the time of filing his direct testimony  
6                           the position was vacant and that Staff did not know with certainty the  
7                           position would be filled, nor did Staff know the exact salary to be paid.  
8                           In fairness to Mr. English, he did acknowledge in response to the  
9                           Company's First Production Request No. 2, that the Company's  
10                          response to Staff Production Request Number 198, 1<sup>st</sup> update,  
11                          indicating the position had a committed candidate and a known and  
12                          measurable salary of \$56,500, was received late in their testimony  
13                          preparation but not included. However, the successful candidate did in  
14                          fact start his employ at United Water on Monday, April 18, 2005. This  
15                          leaves the second reason for the elimination of the expense, Mr.  
16                          English states, "Staff believes the duties of the position would include  
17                          that associated with corporate image and lobbying", (English Di, pg  
18                          12). Mr. English incorrectly concluded from Company witness Healy's  
19                          direct testimony and job advertisements in local newspapers that the  
20                          duties of the Public Affairs Manager are concerned exclusively with  
21                          lobbying and corporate image and thus should be eliminated. Neither  
22                          Mr. Healy's testimony nor the newspaper ads mentioned lobbying.

1                   Neither did Mr. English ever request a copy of the position description  
2                   for the Public Affairs Manager from the Company.

3           Q.        What are the primary responsibilities of the recently hired Public  
4                   Affairs Manager?

5           A.        The responsibilities and duties cover three broad areas: media and  
6                   public relations, community relations and governmental relations. The  
7                   Public Affairs Manager is also responsible to supervise and direct the  
8                   Outreach and Education Coordinator, whose job includes all of United  
9                   Water's water conservation programs and educational activities.

10          Q.        Since you stated that governmental relations is one of the areas of  
11                   responsibility for the Public Affairs Manager, is Mr. English correct in  
12                   stating that, "a major portion of this position's responsibility will be  
13                   lobbying." (English Di Pg. 12, Lines 20-21)? Please explain.

14          A.        No. The major portion of the position's responsibilities will be media,  
15                   public, and community relations, with only a small portion associated  
16                   with governmental relations. However, it must be recognized that  
17                   within the term "governmental relations" we mean relations with local  
18                   city and county officials as well as governmental regulatory entities  
19                   such as Idaho Department of Environmental Quality and Idaho  
20                   Department of Water Resources. All of these governmental entities  
21                   have both direct and indirect impacts on United Water's production,  
22                   transmission and distribution of water to its customers, and the Public  
23                   Affairs Manager's responsibilities in communicating and maintaining

1 effective relations with these kinds of governmental entities is integral  
2 to those same activities.

3 Q. What other activities will the Public Affairs Manager be involved with  
4 that will directly affect customers?

5 A. Additional duties will include creating and managing the Company's  
6 communications with customers via bill messages, bill inserts,  
7 consumer confidence reports, paid media advertising regarding  
8 company operational activities such as system flushing and water  
9 conservation, any customer surveys the Company may perform, and  
10 the like.

11 Q. Can you cite an example of the type of local city and community relations  
12 work the Public Affairs Manager position might be involved with in  
13 the direct testimony of any party to this case?

14 A. Yes. In response to the question if there are any barriers to United  
15 Water instituting some of the conservation programs he recommends,  
16 Witness Wojcik on behalf of Idaho River's United states, "The most  
17 obvious barrier is that UWI (as an investor-owned utility) can only  
18 lobby for regulatory changes, such as landscaping codes" (Wojcik Di.,  
19 Pg 15,). United Water believes that the Public Affairs Manager  
20 position will provide the Company with a resource to work with local  
21 city officials and other community groups for changes that will benefit  
22 our customers such as changes to landscaping codes.

1 It would appear obvious that with the very real possibilities of United  
2 Water moving to monthly billing and undertaking new and expanded  
3 conservation efforts the Company's obligation and need to  
4 communicate effectively with customers, the media, and governmental  
5 entities will increase. The newly hired Public Affairs Manager will be  
6 integral to filling this need.

7 Q. What do you recommend the Commission do regarding Mr. English's  
8 disallowance of salary and other costs related to the Company's  
9 recently hired Public Affairs Manager?

10 A. I recommend the Commission reject Mr. English's adjustment and  
11 allow full recovery in revenue requirement of the Public Affairs  
12 Manager position annual salary of \$56,500 and all associated payroll  
13 and benefits costs.

14 **Customer Comments**

15 Q. Have you reviewed the comments submitted by customers regarding  
16 the filing of this case?

17 A. Yes, I have read each of the written comments submitted by  
18 customers.

19 Q. Do you agree with Staff witness Carol J. Cooper's summarization of  
20 those written comments?

21 A. Generally yes, and I'd like to point out one additional issue. Although  
22 customers did express their concern with issues including the amount  
23 of the increase and their ability to afford it, new growth, summer rates,

1 and the customer charge, there was virtually no dissatisfaction  
2 expressed regarding the quality of water or service received from  
3 United Water. In fact only 2 customers even noted anything about  
4 water quality: one concerning “brown water” and another who disliked  
5 the chlorine added for disinfection purposes. As evidenced by the lack  
6 of comments, it is clear United Water’s customers are satisfied with  
7 the quality of water and service provided by the Company.

8 **Revised Tariff**

9 Q. Please address Staff Witness Cooper’s comment that no Company  
10 witness sponsored the proposed tariff changes and her  
11 recommendation that the changes made to the Water Main Extension  
12 Agreement regarding “Umbrella Excess Liability” coverage be denied  
13 because this substantive change to the Company’s Rules and  
14 Regulations was not explained.

15 A. Staff Witness Cooper is correct that no Company Witness sponsored  
16 the proposed tariff revisions. This was an administrative error and the  
17 Company now designates Witness Wyatt as the sponsor of all  
18 proposed tariff changes. With regard to the change from \$2,000,000 to  
19 \$5,000,000 made to the Water Main Extension Agreement provision  
20 regarding “Umbrella Excess Liability” coverage, the Company regrets  
21 this was not highlighted in testimony. In fact, Company Water Main  
22 Extension Agreements in use since late 1999 specify the higher  
23 coverage be in place and the Company requires proof from contractors

1 that is in place as was our practice with the Company's contractor for  
2 main extension installations, Owyhee Construction, prior to the change  
3 to labor and materials in lieu of cash as a result of Commission Order  
4 No. 26898 where the Company was directed to permit subdivision  
5 developers to provide labor and materials in lieu of cash. Upon  
6 reviewing Company files, I have found that the Company sought to  
7 revise this provision in August of 1999 when updating its Water Main  
8 Extension Agreement to comply with Commission Order No. 26898. I  
9 have also found in Company files Rules and Regulations pages that  
10 refer to the higher insurance limit signed by the Company President at  
11 the time, William C. Linam. Apparently the Company began  
12 implementing the higher limit in 1999 even though the Commission  
13 never authorized it. This is regrettable.

14 Q. Have developers or contractors complained about the higher policy  
15 limits or notice period?

16 A. No, upon internal inquiry I have not found a single instance in which  
17 developers or contractors have complained about the higher insurance  
18 limit. In addition, the higher insurance limit serves to provide an  
19 increased level of protection to both customers and the Company from  
20 contractor and developer fault. Similarly, the Company's proposal to  
21 change the provision requiring a sixty-day (60-day) notice for  
22 cancellation or material change in coverage to thirty days (30 days)

1                   merely adds to the protection of the Company and customers. Finally,  
2                   no developers or contractors have objected to the changes in this case.

3           Q.           What do you propose the Commission do regarding these two changes  
4                   to the Company's tariff?

5           A.           I recommend the Commission approve these two changes because they  
6                   serve to provide added protection to both the Company and customers.

7           **Miscellaneous Service Charges**

8           Q.           What is your position with regard to Witness Cooper's  
9                   recommendations regarding the Company's proposed changes to  
10                  Miscellaneous Service Charges, (Cooper, Pg. 7, Line 1 to Pg. 8, line  
11                  17)?

12          A.           The Company agrees with Witness Cooper's recommendation to  
13                  increase the returned check charge from \$15 to \$20. At this time, the  
14                  Company accepts Witness Cooper's other recommendations that the  
15                  charges for reconnection of service, after hours reconnection fee, and  
16                  premise visits to collect payment of bills remain at their current levels.

17          Q.           Does this conclude your testimony?

18          A.           Yes.