

RECEIVED
FILED



2005 SEP -6 AM 10: 27

IDAHO PUBLIC
UTILITIES COMMISSION

Dean J. Miller
McDEVITT & MILLER LLP
420 West Bannock Street
P.O. Box 2564-83701
Boise, ID 83702
Tel: 208.343.7500
Fax: 208.336.6912
joe@mcdevitt-miller.com

Attorneys for Applicant

ORIGINAL

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

**REPLY TO COMMISSION
STAFF'S ANSWER TO PETITION
FOR RECONSIDERATION**

COMES NOW United Water Idaho Inc., (“the Company,” “United Water”) and Replies to the Commission Staff’s Answer to Petition for Reconsideration dated August 31, 2005, as follows:

While Replies to Answers to Petitions for Reconsideration are not specifically contemplated by the Commission’s procedure rules, (*See* IPUCRP 331) United Water believes it important to correct certain statements in Staff’s Answer, which if not corrected, might cause the Commission to mistakenly deny the Company’s Reconsideration Petition. These statements relate to the critical rate base issue.

The Staff Answer states at page 2, “It is erroneous [for the Company] to imply the Commission excluded all post-test year investment incurred after December 31, 2004. In particular the Commission allowed all Columbia Water Treatment Plant (CWTP) costs in rate

base even though it was not substantially completed until March 2005.” Staff repeats the assertion later: “Again, it is important to point out that the Commission allowed a majority of United Water’s post-test year investment in the test year rate base.” (Answer pg 4).

What Staff’s characterization of the Order No. 29838 (“Order”) does not make clear, and what the Company believes is improper, is that post-test year investment (with the exception of CWTP) is included in rate base at only one thirteenth (1/13) of its actual investment value. This results in \$7,541,724 of investment in used and useful plant investment being excluded from rate base and the denial of a return on that investment, as illustrated by this calculation:

Total Post Test Year Investment (excluding CWTP):	\$8,170,201
Post Test Year Investment Allowed:	\$ 628,477
Post Test Year Investment Excluded:	\$7,541,724
Earnings Shortfall at 8.357%	\$ 630,262
Incremental Tax Multiplier	1.683
Revenue Requirement Deficiency:	\$1,060,730

This is the deficiency from the Order’s treatment of post-test year investment. A deficiency of equal magnitude results from the 13 month average treatment of investment during the test year which reflects only one-thirteenth of used and useful plant in service at July 31, 2004.

Staff goes on to assert that “Of course, the Commission rejected Staff’s rate base calculation and determined to include in rate base additional post-test year plant made by the Company.” Staff also states that the Commission allowed capital expenditures through March 31, 2005 rather than December 31, 2004 as recommended by Staff (Answer pg, 2 & 3). Staff offers these assertions to support its claim that the Company’s concern about earnings deficiency is unfounded. In fact, the difference between non-CWTP related post-test year plant additions as a component of rate base calculated as of December 31, 2004 and rate base calculated as of March 31, 2005, is only \$80,406. This small amount does not materially alter the Company’s analysis demonstrating earnings deficiency.

The assertion that the “Commission rejected Staff’s rate base calculation” is inaccurate in another respect. The difference between the Commission determined rate base of \$126,824,685 and Staff recommended rate base of \$124,524,407 (\$2,300,278) is not due to a rejection of Staff’s rate base methodology—the Order, obviously, accepts that methodology. Rather the difference is mostly attributable to the Order’s rejection of certain discrete adjustments to rate base proposed by Staff. These include, for example, rejection of Staff adjustments for CWTP land and buildings, Initial Butte water rights, and water rights investments.

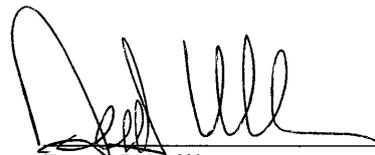
Finally, United Water believes that Staff’s Answer incorrectly interprets the cited Idaho Supreme Court cases of *Utah Power v. IPUC*, 105 Idaho 822, 673 P.2d 422 and *Citizens Utilities*, 99 Idaho 164, 579 P.2d 110. The Company, again, respectfully requests that reconsideration be granted so that the meaning of those cases can be more fully explored by written brief.

United Water appreciates the Commission’s indulgence in receiving and considering this Reply.

WHEREFORE, for the reasons stated in its Petition, the Commission should grant United Water’s Petition for Reconsideration.

Respectfully submitted this 1 day of September, 2005.

MCDEVITT & MILLER LLP



Dean J. Miller

Attorneys for United Water Idaho Inc.

CERTIFICATE OF SERVICE

I hereby certify that on the 17th day of September, 2005, I caused to be served, via the method(s) indicated below, true and correct copies of the foregoing document, upon:

Brad M. Purdy
*Attorney for the Community Action Partnership
Association of Idaho*
2019 North 17th Street
Boise, Idaho 83702
Fax: 208.384.8511
bmpurdy@hotmail.com

Hand Delivered
U.S. Mail
Fax
Fed. Express
Email

William M. Eddie
Advocates for the West
P.O. Box 1612—83701
1320 West Franklin Street
Boise, Idaho 83702
Fax: 208.342.8286
billeddie@rmci.net

Hand Delivered
U.S. Mail
Fax
Fed. Express
Email

Bill Sedivy
Idaho Rivers United
P.O. Box 633
Boise, Idaho 83701
Fax: 208.343.9376
iru@idahorivers.org

Hand Delivered
U.S. Mail
Fax
Fed. Express
Email

Sharon Ullman
9627 West Desert Avenue
Boise, Idaho 83709
Fax: 362-0843
sharonu@cableone.net

Hand Delivered
U.S. Mail
Fax
Fed. Express
Email

Chuck Mickelson
Boise City Public Works
P.O. Box 500—83701
150 North Capitol Boulevard
Boise, Idaho 83702
Fax: 208.384.7841
cmickelson@cityofboise.org

Hand Delivered
U.S. Mail
Fax
Fed. Express
Email

Douglas K. Strickling
Boise City Attorney's Office
P.O. Box 500—83701
150 North Capitol Boulevard
Boise, Idaho 83702
Fax: 208.384.4454
dstrickling@cityofboise.org

Hand Delivered
U.S. Mail
Fax
Fed. Express
Email

Scott L. Campbell
Moffatt Thomas
101 South Capitol Blvd., 10th Floor
P.O. Box 829—83701-0829
Boise, Idaho 83702
Fax: 208.385.5384
slc@moffatt.com

Hand Delivered
U.S. Mail
Fax
Fed. Express
Email

✓
✓
✓
✓
✓



Handwritten signature of Scott L. Campbell, with the words "Legal Assistant" written below the signature.