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 IDAHO PUBLIC UTILITIES COMMISSION

Attorneys For Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF UNITED WATER IDAHO INC. FOR)	CASE NO. UWI-W-06-2
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR WATER SERVICE IN)	
THE STATE OF IDAHO)	SETTLEMENT STIPULATION
)	
)	

This Stipulation (Stipulation) is entered into by and among United Water Idaho Inc (United Water; Company), and the Staff of the Idaho Public Utilities Commission (Staff). There are no intervening parties in the case.

INTRODUCTION

1. The Parties agree the Stipulation represents a fair, just and reasonable compromise of the issues raised in United Water's Application for an increase in water service rates, and the Stipulation is in the public interest. The Parties believe the Stipulation and its acceptance by the Idaho Public Utilities Commission (Commission) represents a reasonable resolution of the several issues identified in this matter. The Parties, therefore, recommend that the Commission, in accordance with Rule of Procedure (RP) 274, approve the Stipulation and all of its terms and conditions without material change or condition.

BACKGROUND

2. On February 10, 2006, United Water filed an Application seeking authority to increase the Company's rates an average of 17.91%. If approved, the Company's revenues

would increase approximately \$5.9 million annually. United Water proposed that the rate increase be spread equally among all customer groups. The Company requested that new rates become effective on March 13, 2006.

3. A petition to intervene in this proceeding was filed by Boise Residents Against Commercial Exploitation (BRACE). However, BRACE subsequently withdrew its petition on May 1, 2006. No other petitions to intervene were filed in the case.

4. On March 29, 2006, the Commission issued a Notice of Scheduling and Notice of Hearing establishing the procedural schedule, including a technical hearing to convene on July 12, 2006. Following brief conversations the week before, the Parties met on May 15, 2006 to engage in settlement discussions in accordance with RP 272 with a view toward resolving the issues in this case.

5. Based upon the settlement discussions, as a compromise of the positions in this case, and for other consideration as set forth below, the Parties agree to the following terms:

TERMS OF THE STIPULATION

6. Settlement of Disputed Issues; Revenue Requirement. The settlement is reached as a fair resolution to several disputed issues between the parties, recognizing that neither party was likely to prevail on every issue at hearing. The settlement results in a revenue increase that is reasonable, but without resolving specific issues which were in dispute between the Company and Staff. Regarding United Water's revenue requirement, the Parties agree that United Water should be allowed to implement revised tariff schedules designed to recover \$3.633 million in additional annual revenue from customer rates and charges, which is an overall increase of 10.98%. In determining the \$3.633 million additional revenue requirement, the Parties discussed and debated the relative merits of the several disputed issues, and agree that most of the additional revenue requirement results from including in rate base project costs and expense updates that were not included in rates in the Company's last rate case, Case No. UWI-W-04-4, and their inclusion here is consistent with the Commission's decisions in that case. In addition, the Parties agree that (a) until ordered to the contrary by the Commission, the Company will continue its current method to account for Idaho Power PCA costs. United Water may amortize over three years the approximate current balance of \$79,000, and both parties agree that further deferral will reflect the PCA rate effective as of June 1, 2006; (b) United Water may continue to amortize deferrals for power expense, rate case expense, relocation expense, tank painting

expense, water quality testing expense and several other minor amortizations approved in Order No. 29838 issued in Case No. UWI-W-04-4, and may begin to amortize new deferred tank painting expense of \$150,000 related to Federal Reservoir over a 20 year period; (c) the Company may amortize over a four year period deferred rate case expense related to Case No. UWI-W-04-4 which was not addressed by Commission Order No. 29838 and deferred rate case expenses for this case, UWI-W-06-2; (d) the Stipulation approved by the Commission in Case No. UWI-W-04-4 regarding the cost of debt and return on equity for United Water is appropriate for use in this case.

7. Rate Spread and Rate Design. The Parties agree that the \$3.633 million revenue requirement increase should be recovered by implementing tariffs which increase the rates and charges (except incidental service charges) for all customers by a uniform percentage amount of approximately 10.98%. The uniform percentage increase shall apply equally to the customer charge and volume charge as contained in United Water's tariffs.

8. Upon execution of this Stipulation, the Parties will file a motion to suspend the briefing schedule in the appeal from Case No. UWI-W-04-4, Supreme Court Docket No. 32431. Upon entry of an order approving the settlement, the Company will promptly file appropriate pleadings to dismiss with prejudice the appeal, with each party to bear its own costs.

9. The Parties agree that the Stipulation represents a compromise of the positions of the Parties in this case. As provided in RP 272, other than any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding.

10. The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to RP 274. The Parties shall support this Stipulation before the Commission, and no Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this

Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

11. If the Commission rejects any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 14 days of the date of such action by the Commission, to withdraw from this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's Order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate. In such case, the Parties immediately will request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case. The Parties agree to cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing briefs.

12. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable. The Parties agree to use their best efforts to obtain Commission approval of the Stipulation in order to have new rates implemented by August 1, 2006.


13. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgement by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusion of law other than those stated herein shall be deemed to be implicit in this Stipulation.

14. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions.

15. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

Respectfully submitted this 22nd day of May 2006.

Idaho Public Utilities Commission

By 


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