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 IDAHO PUBLIC UTILITIES COMMISSION

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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF UNITED WATER IDAHO INC. FOR AN)	CASE NO. UWI-W-06-3
ACCOUNTING ORDER REGARDING)	
CONSERVATION PLANNING COSTS.)	COMMENTS OF THE
)	COMMISSION STAFF
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, in response to the Notice of Application and Notice of Modified Procedure in Case No. UWI-W-06-3 issued on April 12, 2006, and submits the following comments.

BACKGROUND

On March 30, 2006, United Water Idaho Inc. filed an Application requesting an accounting order authorizing the Company to defer and amortize costs associated with its conservation planning effort. In the final Order issued in the last United Water rate case, the Commission directed the Company to update its conservation plan. As a result, United Water retained a consultant to prepare an updated plan, at a cost not to exceed \$80,000. The Company also estimates it will incur additional costs not to exceed \$10,000 to complete the plan revision. Accordingly, United Water asks the Commission to enter an Order authorizing the Company to defer up to \$90,000 in costs associated with the conservation plan to be recovered in rates in a

“current or future rate proceeding.” The completed plan is to be filed with the Commission by December 1, 2006.

STAFF COMMENTS

A comprehensive water conservation plan is a necessity for any water utility company serving a growing customer base while dealing with the pressures of limited resources. United Water’s lack of a current plan prompted the Commission in Order No. 29838 to mandate the Company to prepare and file an updated conservation plan. United Water has contracted with Maddaus Water Management (MWM) to prepare the revised and updated conservation plan at a price not-to-exceed \$80,000 based on time and materials. Because of the unusual nature of the expenses, and the recognition that demand-side management programs are an essential part of any utility’s portfolio of resources, it is appropriate to allow the deferral of these costs.

Staff recommends that United Water be allowed to defer the costs of the conservation plan in Account No. 186, Regulatory Assets. A separate sub-account should be maintained for these deferred costs. This will facilitate the audit requirements to separately identify the additional costs for review. Staff also recommends that the recovery of prudently incurred costs, and the amortization period to recover those costs, should be addressed in the Company’s next General Rate filing. As the Commission has noted on numerous occasions previously, a deferred accounting order does not constitute automatic Commission approval to collect the costs from United Water customers.

The Environmental Protection Agency (EPA) began working on its Water Efficiency Market Enhancement Program in 2002 and is currently evaluating products to include in the program. This program may provide grants for water conservation. Staff recommends that the Company seek any reimbursement of expenditures from other programs or entities, such as the EPA before requesting recovery from customers. Any reimbursement from other programs or entities would be shown as a reduction to the deferred balance when the reimbursement is received. The Company could request any un-reimbursed, prudently incurred costs be recovered from customers and amortized over a period of time to be determined.

United Water has also requested to defer up to an additional \$10,000 for completion and revision to the Conservation Plan. Staff expects United Water to work with MWM while it prepares the Conservation Plan. When the plan preparation is completed by MWM, it should not need revision. If revision to the newly prepared plan is needed, then the original costs may not

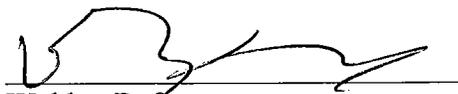
have been prudently incurred. Further, a Conservation Plan may occasionally require small updates and revisions, and these types of expenses would be considered routine and not appropriate for deferral. The Company may include these routine expenditures when they occur during a test year. For those reasons, Staff believes it is inappropriate for the Company to defer these additional costs.

United Water does not request and thus does not provide any justification for a carrying charge on the deferred balance. Staff recommends that a carrying charge not be allowed on these deferrals.

STAFF RECOMMENDATIONS

1. Staff recommends the cost of the preparation of the conservation plan, not to exceed \$80,000 be booked to Account 186, Regulatory Assets, in a separate sub-account.
2. Staff recommends that the recovery of the costs of the preparation of the conservation plan be amortized over a period to be determined at a later date when the Company files its next General Rate case.
3. Staff recommends that the Company seek reimbursement of expenditures from any available program or entity before requesting recovery in rates. Any reimbursement from other programs or entities would be shown as a reduction to the deferred balance when the Company requests recovery in rates.
4. Staff recommends that the additional \$10,000 requested by the Company for revision of the plan not be deferred as a regulatory asset, but rather expensed as a normal operating cost.
5. Staff recommends that no interest be accrued on the deferred balance.

Respectfully submitted this 3rd day of May 2006.


Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Donn English
Terri Carlock

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3RD DAY OF MAY 2006, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. UWI-W-06-3, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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