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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for United Water Idaho Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF UNITED WATER IDAHO INC., TO) **CASE NO. UWI-W-06-04**
AMEND AND REVISE CERTIFICATE OF)
CONVENIENCE AND NECESSITY NO 143)

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

REBUTTAL TESTIMONY OF SCOTT RHEAD

May 18, 2007

1 Q. Please state your name.

2 A. Scott Rhead.

3 Q. Are you the same Scott Rhead who previously filed Direct Testimony in this
4 proceeding?

5 A. Yes, I am.

6 Q. What is the purpose of your Rebuttal Testimony?

7 A. I will respond to certain statements contained in the Amended Direct Testimony
8 of Vern Brewer and Nicole Baird Spencer filed on behalf of the City of Eagle.

9 Q. Do you have a general observation regarding Mr. Brewer's testimony?

10 A. Yes. In my Direct Testimony, I provided a detailed explanation of United
11 Water's ability to serve the Trailhead development. In his Testimony, Mr.
12 Brewer does not dispute any part of my Direct Testimony regarding United
13 Water's ability to serve the development. Because my testimony is not
14 challenged, I take it that the City does not dispute United Water's ability to serve.

15 Q. At pages 2—3 of his Direct Testimony Mr. Brewer notes that a relatively small
16 portion of property owned or controlled by the Trailhead developer is inside the
17 City's area of impact. Do you believe this is relevant?

18 A. No. United Water understands that the developer does not at this time intend to
19 develop that area. United Water's Application in this case seeks an expansion of
20 its service area only for areas outside the City's area of impact.

21 Q. At page 3 of his Direct Testimony, Mr. Brewer discusses the City's plans to serve
22 the Trailhead area. In this regard, have you reviewed the City's Water Master
23 Plan?

1 A. Yes I have. According to the plan the northern boundary of its water planning
2 area is ½ mile south of Homer Road. The Trailhead development lies to the north
3 of Homer Road and is outside the geographic area that the City has included in its
4 planning area.

5 Q. Also on Page 3 of Mr. Brewer's Direct Testimony he claims that Eagle's
6 Brookwood well "will be on line in 45-60 days." Do you believe the Brookwood
7 well will be available to provide service within that timeframe?

8 A. No. Based on the fact that the only work completed to date is the actual well, and
9 based on my experience with overseeing the drilling and equipping of various
10 United Water wells, I don't believe pumping equipment, electrical, and building
11 construction can be completed that quickly.

12 Q. Both Mr. Brewer and Ms. Spencer make the point that the Trailhead developers
13 have not yet made application to the County for subdivision approval and the
14 developers have not yet completed design of the development. Is this unusual?

15 A. No. There are numerous steps in the subdivision development process. In United
16 Water's experience, developers determine the sequence of those steps depending
17 on the circumstances of the development. It is not unusual for a developer to
18 confirm there is a secure source of water supply before undertaking the expense
19 and effort of developing a design and seeking other governmental approvals.

20 Q. At page 4 of his testimony Mr. Brewer points out that the annual average water
21 bill for Eagle customers is somewhat less than the annual average bill for United
22 Water customers. Please comment.

1 A. It is true that currently the City's tariff rate for water service is somewhat less
2 than United Water's. The City's current rates, however, may not include recovery
3 of the costs associated with the City's ambitious plan to build a municipal water
4 system. These costs are unknown but potentially huge. Whether those costs are
5 eventually recovered through consumption rates, connection fees, surcharges, or
6 some other mechanism, they will create upward pressure on the City's overall
7 cost of service.

8 Q. At page 4 of Mr. Brewer's testimony he claims that the City of Eagle encourages
9 conservation of water by requiring the use of surface water for irrigation. Please
10 comment.

11 A. Requiring the use of surface water for irrigation can not be equated to
12 encouraging conservation for several reasons. First of all the use of surface water
13 for irrigation, where available, is required both by Idaho state law and Ada
14 County ordinance. Thus, Eagle can make no "conservation" claim for requiring
15 what the law already requires. Secondly, in many cases, using un-metered, less
16 expensive irrigation water may lead to greater use, not less use of the overall
17 water resource. It is true irrigation is a different type of water (i.e. not treated to
18 potable water standards) but this in itself is not conservation. Finally, the City of
19 Eagle historically has not provided its existing water customers with any
20 conservation education or information, water saver kits, or other conservation
21 programs typically offered by water providers. In contrast, United Water has had
22 an active and varied conservation program in place for many years. In addition,

1 United Water has recently completed and the Commission has recently approved
2 in part a detailed revised Water Conservation Plan.

3 Q. Also on page 5 of Mr. Brewer's testimony, he claims that the City of Eagle can
4 serve Trailhead "immediately." Please comment.

5 A. This cannot be accurate because, as I stated earlier in my testimony, The
6 Brookwood well currently lacks pumping equipment, electrical, and building
7 construction, and these components take considerable time to procure and
8 construct.

9 Q. In addition, on page 5 of Mr. Brewer's testimony, he contends it is premature for
10 United Water to amend its certificate until the developer makes some basic
11 decisions about what it is going to propose. Do you agree?

12 A. No. United Water currently has various portions of certificated area for which no
13 development plans or decisions have been made by the landholders. These
14 include infill areas and areas south and east of the City of Boise. The Trailhead
15 developer has requested to have Trailhead included in United Water's certificated
16 service area and, as I testified above, it is not unusual for a developer to confirm
17 there is a secure source of water supply before undertaking the expense and effort
18 of developing a design and seeking other governmental approvals.

19 Q. At page 5 of her Direct Testimony Ms. Spencer comments on the per-lot cost of
20 United Water's estimated facilities construction costs. Do you think this is
21 relevant?

22 A. Not really. Under United Water's Rules and Regulations these costs are
23 contributed by the developer without possibility of refund from United Water or

1 advanced under a Special Facilities Agreement with refunds supported by
2 customer revenues thus insulating current customers from speculative developer
3 risk. Ultimately, the developer must determine how water facility construction
4 costs affect the economics of a development, but that decision does not affect
5 other United Water customers. Additionally, Both United Water and Eagle have
6 main lines in Floating Feather road. Eagle also has water mains at approximately
7 Beacon Light and Highway 55 but this is approximately the same distance away
8 from Trailhead as are United Water facilities. So it is likely that the cost for
9 mains, booster station, and water storage will be in the same cost range for both
10 Eagle and United Water.

11 Q. Does that conclude your rebuttal testimony?

12 A. Yes it does.

CERTIFICATE OF SERVICE

I hereby certify that on the 18th day of May, 2007, I caused to be served, via the method(s) indicated below, true and correct copies of the foregoing document, upon:

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BY Heather Houde