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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
UNITED WATER IDAHO INC., FOR)
APPROVAL OF ITS WATER)
CONSERVATION PLAN AND FOR)
APPROVAL OF A WATER CONSERVATION)
SURCHARGE AND REQUEST FOR)
MODIFIED PROCEDURE.)

CASE NO. UWI-W-06-5

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF GREGORY P. WYATT

December 1, 2006

1 Q. Please state your name and business address.

2 A. Gregory P. Wyatt, 8248 West Victory Road, Boise, Idaho.

3 Q. What is your occupation?

4 A. I am the General Manager of United Water Idaho Inc., (“United Water” the
5 “Company”).

6 Q. What is the purpose of your testimony in this proceeding?

7 A. I will describe United Water’s Application regarding its revised Conservation
8 Plan (“Plan”) and the Company’s request for an appropriate means to fund the
9 anticipated new costs of the Plan.

10 Q. Briefly describe the sequence of events leading up to the creation of the
11 Company’s revised Plan and the need for this Application.

12 A. United Water’s initial Conservation Plan was created and subsequently approved
13 by this Commission in 1993. Since then the Company has actively implemented
14 that plan. As part of its 2004 rate case outcome, UWI-W-04-04, the Company
15 was ultimately ordered to develop a revised Conservation Plan and to submit that
16 Plan to the Commission by December 1, 2006; Commission Order Nos. 29871
17 and 29934.

18 Q. Please describe the steps the Company took in developing the new Plan.

19 A. First the Company researched potential consultants who could accomplish the
20 revision and ultimately sent requests for proposals to eight (8) qualified firms. On
21 April 12, 2006, the firm, Maddaus Water Management (“MWM”), was awarded
22 the contract for developing the new Plan at a cost not to exceed \$80,000.00.
23 Immediately following, the Company provided MWM with numerous data and

1 information regarding the Company's historical and current conservation
2 activities, the water system, historical and projected annual production,
3 consumption, customer growth, and source of supply data, and other information.
4 As explained in the Conservation Plan, MWM, in consultation with the Company
5 and interested stakeholders from Idaho Rivers United and the Idaho Public
6 Utilities Commission, evaluated ninety one (91) potential conservation measures.
7 Seventeen (17) measures were selected for further study and were evaluated using
8 MWM's Water Demand Management Least Cost Planning Decision Support
9 System (DSS Model). The DSS Model was used to both forecast future water
10 demand and to evaluate the individual water conservation measures water saving
11 potential, uptake rates and cost effectiveness. This analysis produced a list of
12 seven (7) conservation measures that were found to be cost effective. These
13 seven measures form the basis of the new Plan. These measures are listed in the
14 Application and discussed in greater detail in Sections 5 and 6 of the Plan.

15 Q. When are the seven conservation measures to be implemented by the Company?

16 A. As explained in the Plan, four (4) measures are to be implemented in 2007-2008,
17 and three (3) measures are to be implemented in 2008-2009.

18 Q. Does United Water agree with the seven measures recommended in the Plan and
19 with the general timeframe for implementation?

20 A. Yes. The proposed measures appear to be cost effective and aimed at producing
21 measurable water savings.

22 Q. Does the Plan provide an estimate of how much the seven conservation measures
23 will cost to implement?

1 A. Yes, the Plan estimates that the new measures, when combined with current
2 conservation efforts, will cost \$244,200.00 annually when fully implemented.
3 This represents an annual increase in cost of \$120,000.00 over current
4 conservation related expenditures.

5 Q. Does the Plan propose any methods for funding those costs?

6 A. Yes, the Plan proposes four potential means for funding the costs related to the
7 new conservation measures; (1) implement a “water conservation surcharge”, (2)
8 develop additional partnerships with various like-minded conservation groups, (3)
9 seek grant funding, and (4) include the costs in base rates.

10 Q. What is United Water’s position with regard to the four proposed funding
11 alternatives?

12 A. The Plan proposes that a “water conservation surcharge” could be added to the
13 water bill to raise the money required to carry out the recommended activities in
14 the Plan. Of the four funding options listed, this approach is preferred by the
15 Company because it enables funding to be generated at the same time the
16 implementation costs are being incurred. A separate, auditable account could be
17 set up to track the surcharge funds and to ensure that they are used only for
18 conservation expenditures. Along with a surcharge, the Plan recognizes, and the
19 Company agrees that a change from bi-monthly to monthly billing would be
20 beneficial.

21 While United Water agrees that there are opportunities to form partnerships with
22 different groups, including those cited in the Plan, to enhance water conservation
23 outreach and messaging, and United Water will seek to strengthen current

1 relationships and will seek new ones as appropriate, United Water, however, does
2 not agree that such partnering will necessarily reduce the Company's costs for
3 implementing the recommended seven conservation measures. For example,
4 during the summer of 2006 United Water partnered with Idaho Rivers United in
5 placing conservation advertising in the local newspaper and television. This
6 partnership certainly increased conservation messaging over that which United
7 Water had been accomplishing on its own, but it also cost United Water additional
8 money to participate with Idaho Rivers United in this effort.

9 Grant funding is not an area of familiarity for United Water and the Company has
10 no experience with grant writing or the process of obtaining grants. United Water
11 is not opposed to grants per se, but believes that its conservation plan measures
12 should be funded by the customers who benefit by the implementation of the
13 measures.

14 Q. How have conservation efforts for United Water been funded in the past?
15 A. Historically, including conservation program costs in base rates has been the way
16 United Water has received funding for its current programs. This method,
17 however, assures that the Company alone will bear the costs for new programs
18 until prospective rates are set using a history of conservation expenses included in
19 the new rates. On its face, this approach seems most unfair for expenditures that
20 are made with the intention of saving customers money on their water bills.

21 Q. If a "water conservation surcharge" were to be implemented, how much affect
22 would the surcharge have on the average residential customers' annual bill?

1 A. Using information from United Water's most recent rate increase shows that the
2 annual costs for implementing the new conservations measures would amount to
3 0.33% of revenues. The 0.33% was calculated by taking test year adjusted
4 revenues from Case No. UWI-W-06-02 of \$33,059,527 (see F. Gradilone Exhibit
5 1, Schedule 1, Page 1 of 2), and adding the rate award of \$3,633,000 for an
6 adjusted revenue of \$36,692,527, and then dividing it into the projected additional
7 annual Plan cost of \$120,000, resulting in 0.33%. At that level, the surcharge
8 would amount to an additional \$1.20 annually, or ten cents a month, on the
9 average residential customer's annual bill at new rates of \$363.12.

10 Q. Is there precedent for funding conservation efforts through a surcharge?

11 A. Yes, I believe the Commission has approved a conservation surcharge for Idaho
12 Power Company.

13 Q. Does the Company have any other thoughts regarding funding the new
14 conservation measures that are not included in the Plan?

15 A. Yes. Should the Commission determine that a water conservation surcharge is
16 not advisable, and that recovery should be through the historical inclusion in base
17 rates approach, The Company would suggest that it be allowed to accumulate the
18 costs for implementing the new Plan measures in a deferred account. Since the
19 Plan recommends implementing the measures in a phased approach, it would
20 likely take two to three years before the costs reach a stable annual level. The
21 Company believes that a deferral of these "start-up" costs and subsequent
22 allowance of a reasonable amortization period, in conjunction with inclusion of
23 annual Plan costs in base rates, is an appropriate means to protect customers while

1 not requiring the Company to subsidize the Conservation Plan implementation
2 between general rate cases.

3 Q. Does that conclude your testimony?

4 A. Yes it does.