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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION  
OF UNITED WATER IDAHO INC., FOR AN  
AMENDMENT TO ITS CERTIFICATE OF  
PUBLIC CONVENIENCE AND NECESSITY  
NO. 143 AND FOR AN ACCOUNTING  
ORDER.

CASE NO. UWI-W-07-05

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 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 to the issue identified below 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. In this proceeding United Water Idaho Inc., seeks authority to remove the Danskin and Saddle Ridge Subdivisions ("Subdivisions") from its certificated service area by transferring the facilities that serve the Subdivisions to the City of Kuna ("City"). United Water has negotiated a Purchase and Sale Agreement with the City, which is subject to Commission approval. The Purchase and Sale Agreement is attached to United Water's Application as Exhibit B. United Water also seeks an accounting order with respect to the distribution of the sale proceeds.

The Commission Staff, in Comments filed November 30, 2007, concludes that the transfer is consistent with the public interest because the City has adequate ability to serve, interconnection with the City will improve the supply capacity for the system, and customers will obtain service at rates less than those charged by United Water. (Staff Comments page 4). United Water concurs in this portion of Staff Comments.

With respect, however, to distribution of the sale proceeds, United Water and Staff were in disagreement. In its Application, United Water asserted that the net sale proceeds, in the approximate amount of \$212,000, are the property of United Water and its shareholders and ratepayers have no interest therein. (Direct Testimony of Gregory P. Wyatt, Pgs 4—6). Staff asserted that ratepayers have an equitable interest in the proceeds and are entitled to share in all or part of the proceeds. (Staff Comments Pgs 4—7).

3. As a compromise of the positions on the issue of distribution of sale proceeds in this case, and for other consideration as set forth below, the Parties agree to the following terms:

#### **TERMS OF THE STIPULATION**

4. The Staff and Company agree that the following accounting treatment of the sale proceeds is appropriate:

- The actual net proceeds, after elimination of all associated utility plant in service, associated accumulated depreciation, construction work in progress, advances, contributions, associated amortization of contributions, closing expenses including legal expenses, and all associated transaction expenses, to be recorded as an “other deferred credit” liability on the Company’s balance sheet in account 253.09, titled “Deferred Regulatory Liability”.
- The deferred credit would then be amortized, or written off, over 36 months (3 years) beginning with the month of the sale closing, with the offsetting credit recorded to income statement account 421.00, “Miscellaneous Non-Utility Income.”

- The unamortized balance remaining in the deferred regulatory liability account would be recognized as a deduction from rate base in any subsequent general rate case.

Staff and United Water believe this accounting treatment results in an equitable sharing between shareholders and ratepayers in the sale proceeds by providing that a portion of the proceeds will be recognized as below the line income to United Water and a portion of the proceeds will be recognized as a reduction from rate base in United Water's next general rate case. The accounting treatment set forth above is a refinement of the second option for treatment of proceeds contained in Staff Comments. (Staff Comments Pg. 5—6).

5. United Water currently owns three other non-contiguous water systems serving the Belmont, Coventry and M&M subdivisions in Canyon County, Idaho. United Water is currently negotiating to sell those systems to the City of Nampa. If a definitive purchase and sale agreement with the City of Nampa is executed and submitted to the Commission for approval, United Water consents that the net proceeds of that sale may be treated in the same general manner as set forth above.

6. Accordingly, the Parties stipulate and agree that the Commission enter its order:

1. Approving the modification of United Water's Certificate of Public Convenience and Necessity by eliminating the Danskin and Saddle Ridge Subdivisions there from;

2. Confirming that after the date of closing of the purchase and sale transaction, United Water will have no further obligation to provide domestic water service to the Subdivisions;

3. Confirming that following the assumption by Kuna of the Non-Contiguous Agreement and the Main Line Extension Agreements, United Water will have no further obligations there under;

4. Determining that the accounting treatment of sale proceeds set forth above is fair, just and reasonable.

7. 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.

8. 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.

9. 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 7 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 pre-hearing 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.

10. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

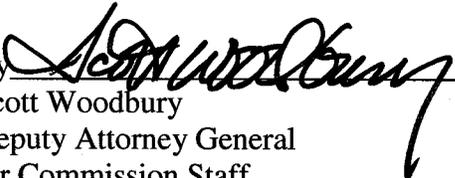
11. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution 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. Except as set forth in paragraph 5 above, 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.

12. 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.

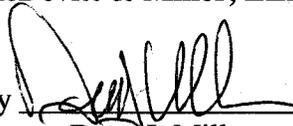
13. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

Respectfully submitted this 14 day of December 2007.

**Idaho Public Utilities Commission Staff**

By   
Scott Woodbury  
Deputy Attorney General  
for Commission Staff

**McDevitt & Miller, LLP**

By   
Dean J. Miller  
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