

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: SCOTT WOODBURY

DATE: OCTOBER 5, 2007

**SUBJECT: CASE NO. UWI-W-07-05 (United Water)
SALE OF DANSKIN RIDGE/SADDLE RIDGE NON-CONTIGUOUS
WATER SYSTEM TO CITY OF KUNA**

On September 28, 2007, United Water Idaho Inc. (United Water; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a July 26, 2007 Purchase and Sale Agreement (Agreement) between United Water and the City of Kuna. The subject matter of the Agreement is the sale by United Water to the City of a non-contiguous water system presently serving Danskin Ridge, Saddle Ridge and Iron Horse Subdivisions. Reference Case No. UWI-W-00-02, Order No. 28377 (May 15, 2000).

Pursuant to Agreement, the purchase price is \$375,000. Kuna has agreed to assume the Company's outstanding obligations under the non-contiguous agreement and mainline extension agreements with other third parties and to hold United Water harmless from further obligations thereunder.

United Water contends that acquisition of the Danskin-Saddle Ridge system by Kuna is consistent with the public convenience and necessity because the customers will obtain water service from a dependable municipal supplier (Kuna) at rates that are lower than United Water's rates. In addition, when Kuna connects the Danskin-Saddle Ridge system with their existing municipal system, the customers will experience improved redundancy for both domestic and fire protection flows.

United Water recommends proposed journal entries to account for the sale proceeds. The Company further requests a determination that gain or profit associated with the transfer is the property of United Water and that its customers do not have an interest therein.

United Water requests a Commission Order

- Approving the modification of United Water's Certificate of Public Convenience and Necessity No. 143 by eliminating the Danskin-Saddle Ridge system therefrom;
- 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 Danskin-Saddle Ridge system customers;
- Confirming that following the assumption by Kuna of the non-contiguous agreement and the mainline extension agreements, United Water will have no further obligations thereunder;
- Approving the Company's accounting proposal and determining that gain arising from the transfer is the property of United Water.

The Company's Application in this case includes a map of the Danskin-Saddle Ridge water system, a copy of the Agreement for Purchase and Sale between the Company and the City of Kuna, and the supporting direct testimony of Gregory P. Wyatt, Vice President and General Manager of United Water Idaho.

United Water recommends that its filing be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

COMMISSION DECISION

United Water has filed an Application with the Commission regarding the proposed sale of the Danskin-Saddle Ridge non-contiguous water system to the City of Kuna. The Company recommends that its Application be processed pursuant to Modified Procedure. Staff has no objection to Modified Procedure but recommends that the comment period be extended to allow for investigation and discovery. Staff recommends a comment deadline of Friday, November 30, 2007. The Company will be provided an opportunity to file reply comments. Does the Commission agree with Staff's recommended procedure?

Scott Woodbury

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