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IDAHO PUBLIC UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. UWI-W-08-02
OF UNITED WATER IDAHO INC., FOR AN)	
AMENDMENT TO ITS CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY NO.)	
143 AND FOR AN ACCOUNTING ORDER.)	

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF GREGORY P. WYATT

1 Q. Please state your name.

2 A. Gregory P. Wyatt

3 Q. What is your position?

4 A. I am the Vice President and General Manager of United Water Idaho.

5 Q. When did you assume your duties as General Manager of United Water Idaho?

6 A. January of 2000.

7 Q. What is the purpose of your testimony?

8 A. I will explain the history of the United Water Idaho's non-contiguous projects in

9 Canyon County, the details of the proposed sale of those systems to the City of

10 Nampa and the underlying rationale for the transaction.

11 Q. Please explain the history of United Water's non-contiguous projects in Canyon

12 County.

13 A. United Water provides service to three subdivisions in Canyon County: the

14 Coventry Place Subdivision, the M&M Mountain View Acres Subdivision and

15 the Belmont Heights Subdivision. In Case No. UWI-W-99-1, Order No. 27976,

16 (1999) the Commission approved the expansion of United Water's Certificate of

17 Public Convenience and Necessity to provide service to the Coventry Place

18 Subdivision; in Case No. UWI-W-00-03, Order No. 28418, (2000) the

19 Commission approved expansion of United Water's Certificate of Public

20 Convenience and Necessity to provide service to the M&M Mountain View Acres

21 Subdivision; in Case No. UWI-W-01-03, Order No. 28885, (2001) the

22 Commission approved expansion of United Water's Certificate of Public

1 Convenience and Necessity to provide service to the Belmont Heights
2 Subdivision. United Water previously provided service in Canyon County to the
3 Carriage Hill Subdivision, the sale of which to the City of Nampa was approved
4 by the Commission in Case No. UWI-W-04-03, Order No. 29625 (2004).

5 Q. Please describe the circumstances leading to your discussions with the City of
6 Nampa regarding the proposed sale of the systems?

7 A. Beginning in the last half of 2006, Nampa contacted me expressing interest in
8 acquiring United Water's Coventry well and water system. During initial
9 discussions, I made it clear to Michael Fuss, Nampa's Public Works Director, that
10 United Water would be interested in selling Coventry, but only on the condition
11 that Nampa consider acquiring all three Canyon County non-contiguous systems;
12 Belmont, Coventry, and M&M.

13 Q. Why did United Water desire the disposition of all three of its Canyon County
14 non-contiguous systems?

15 A. During earlier negotiations with Nampa regarding the Carriage Hill Subdivision
16 sale it became apparent to me that Nampa believed it was not in the best interests
17 of its citizens to have multiple water suppliers within, or close, to its boundaries.
18 The City of Nampa had continued to grow in proximity to, and in some cases
19 around, these non-contiguous systems. Accordingly, growth opportunities in the
20 area for United Water were limited and it was apparent that the City preferred that
21 United Water exit the area all together.

1 Q. Are there also water quality issues that would have to be addressed if United
2 Water were to continue service?

3 A. Yes, there are. Beginning in 2004, we began sampling for uranium in accordance
4 with EPA requirements. The quarterly sampling from that point forward
5 indicated average levels of uranium in the Belmont well to be slightly in excess of
6 the maximum contaminant level (MCL).

7 Q. What has United Water Idaho done in response to the slightly elevated levels of
8 uranium detected in the Belmont system well?

9 A. Beginning in March 2006, and continuing to the present, United Water has issued
10 the residents of the Belmont system a public notification informing them that the
11 average uranium level over the prior four quarters was slightly in excess of the
12 federal standard. United Water also actively investigated three different
13 alternatives to bring the water system back into compliance. These options
14 include drilling a new well, installing uranium removal treatment equipment and
15 connecting to another water system.

16 Q. Please expand on United Water's efforts regarding these three options.

17 A. United Water drilled a 600 foot test well next to the existing Belmont wells. The
18 test well produced water free of uranium, but unfortunately contained levels of
19 hydrogen sulfide, ammonia, and iron that made the water aesthetically unpleasing,
20 and would require significant treatment.

21 United Water also pilot tested two different uranium removal treatment systems at
22 the Belmont well site. Both systems were found to be effective at uranium

1 removal; unfortunately, both treatment systems had two negative implications.
2 First, the capital costs of the systems were significant and the cost of disposing of
3 the spent treatment media was both expensive and very complicated to ship.
4 Second, homeowners in the Belmont Heights system were not eager to have a
5 system that was concentrating uranium in their neighborhood.
6 The third option, connecting the Belmont system to another water system, is the
7 subject of this filing. If the Commission approves the Purchase and Sale
8 Agreement between United Water and the City of Nampa, the City of Nampa
9 intends to extend a water main to interconnect the Belmont system with the City
10 water system and provide water service to the residents of Belmont that meets all
11 federal requirements.

12 Q Has the Idaho Department of Environmental Quality (IDEQ) recognized this
13 interconnection to another system to be a viable solution to the uranium concern
14 for the Belmont residents?

15 A Yes. United Water Idaho has entered into a "Consent Agreement" (attached as
16 Exhibit A) with the IDEQ regarding a uranium mitigation plan for the Belmont
17 system which identifies interconnection with another public water system as a key
18 component of the mitigation strategy.

19 Q. What is the agreed purchase price and how was it determined?

20 A. The purchase price is \$245,000 and it was arrived at through arms length
21 negotiations. The City hired its own engineering consultant to evaluate the

1 systems and the City made an independent judgment as to the amount it was
2 willing to pay.

3 Q. What is the Company's proposal for distribution and accounting of the sale
4 proceeds?

5 A. United Water recommends that the proceeds be distributed and accounted for in
6 the same manner as sale proceeds were recently treated in the sale of the Danskin-
7 Saddle Ridge Subdivisions.

8 Q. Please describe the *Danskin-Saddle Ridge* methodology and its background.

9 A. United Water recently sold its non-contiguous system serving the Danskin and
10 Saddle Ridge Subdivisions to the City of Kuna. Initially, there was disagreement
11 between the Company and Commission Staff regarding the proper allocation of
12 the net proceeds between the Company's shareholders and the Company's
13 ratepayers. After negotiations, the Company and Commission Staff reached a
14 Stipulation which was presented to the Commission. In Order No. 30481, Case
15 No. UWI-W-07-05, the Commission approved the Stipulation and described the
16 distribution method as follows:

17 ■ The actual net proceeds, after elimination of all associated utility plant in service,
18 associated accumulated depreciation, construction work in progress, advances,
19 contributions, associated amortization of contributions, closing expenses
20 including legal expenses, and all associated transaction expenses, to be recorded
21 as an "other deferred credit" liability on the Company's balance sheet in account
22 253.09, titled "Deferred Regulatory Liability".

1 ■ The deferred credit would then be amortized, or written off, over 36 months (3
2 years) beginning with the month of the sale closing, with the offsetting credit
3 recorded to income statement account 421.00, "Miscellaneous Non-Utility
4 Income."

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

8 As was the case in Danskin-Saddle Ridge, this method results in an equitable
9 sharing between ratepayers and shareholders by providing that a portion will be
10 recognized as below the line income to United Water and a portion will be a
11 reduction to rate base in the Company's next general rate case. While United
12 Water believes there are meritorious legal arguments for allocating the net
13 proceeds exclusively to shareholders, the Company recommends this sharing
14 method as a reasonable compromise in this case.

15 Q. Does that conclude your testimony?

16 A. Yes it does.

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DEPARTMENT OF
ENVIRONMENTAL QUALITY

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UNITED WATER

1410 North Hilton • Boise, ID 83706-1255 • (208) 373-0502

IDAHO PUBLIC
UTILITIES COMMISSION

C.L. "Butch" Otter, Governor
Toni Hardesty, Director

May 14, 2008

**CERTIFIED MAIL:
RETURN RECEIPT REQUESTED**

Mr. Gregory Wyatt
United Water Idaho
P.O. Box 190420
Boise, ID 83719

Subject: Executed Consent Order for Belmont Heights community public water system, PWS #ID4010252

Dear Mr. Wyatt:

Enclosed is a fully executed copy of the Consent Order (CO) signed by Idaho Department of Environmental Quality's Director, Toni Hardesty. The staff at the Boise Regional Office will be tracking compliance with the deadlines set forth in the CO. Please send required communications to:

Tiffany Floyd, Regional Drinking Water Manager
Department of Environmental Quality
Boise Regional Office
1445 N. Orchard
Boise, Idaho 83706

Thank you for working with the Department to resolve these issues.

Sincerely,

Handwritten signature of Barry N. Burnell in cursive.

Barry N. Burnell
Water Quality Division Administrator

BNB:jt

Enclosure

c: Courtney E. Beebe, Deputy Attorney General
Tiffany Floyd, Boise Regional Office
Steve Staufer, Boise Regional Office
Brandon Lowder, Boise Regional Office
Enforcement File
COF

IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY

In the matter of:)
)
Belmont Heights Water System)
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CONSENT ORDER
Idaho Code § 39-108

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1. Pursuant to the Idaho Environmental Protection and Health Act, Idaho Code §§ 39-101 through 39-130, the Idaho Department of Environmental Quality (Department) enters into this Consent Order with Belmont Heights Water System (Belmont Heights), owned and operated by United Water Idaho. Belmont Heights is a community public water system (System), PWS 4010252, which serves 76 connections and approximately 190 persons on a daily basis in Canyon County, Idaho.
 2. Quarterly samples taken from Belmont Heights' System in 2006 and 2007 consistently exceeded the uranium maximum contaminant level (MCL) of 30 µg/L, specified in 40 CFR 141.66, incorporated by reference in the Idaho Rules for Public Drinking Water Systems, IDAPA 58.01.08.050.
 3. The Department requested that Belmont Heights meet with the Department in a compliance conference to enter into a Consent Order. A compliance conference was held on March 6, 2008.
 4. Belmont Heights hereby agrees to perform the following actions in the time periods set forth in order to achieve compliance with Idaho Rules for Public Drinking Water Systems, IDAPA 58.01.08:
 - a. Public Notice. Belmont Heights shall continue to provide quarterly public notices concerning the exceedances of the MCL for uranium and the health effects related to these exceedances, in accordance with IDAPA 58.01.08.150, to each residence on the System by mail or hand delivery.
 - i. Belmont Heights shall continue to provide quarterly public notices until such time as the Department notifies Belmont Heights in writing that quarterly notices are no longer required.
 - ii. Belmont Heights shall provide the Department with proof of each quarterly notification via the Department's supplied notification form and a copy of each quarterly notification within ten (10) days of completion in accordance with IDAPA 58.01.08.150.
 - b. Sampling. Belmont Heights shall continue to submit water samples from the System on a quarterly basis for uranium analysis by a certified laboratory. All sample analysis results shall be submitted to the Department. Belmont Heights shall continue quarterly sampling until such time as the Department notifies Belmont Heights in writing that quarterly sampling is no longer required.

c. Uranium Mitigation Option. No later than July 1, 2008, Belmont Heights shall complete the following mitigation strategy:

i. Enter into an agreement with an existing public water system for interconnection and service, with a signed letter of agreement between Belmont Heights and an existing public water system for interconnection and service in accordance with IDAPA 58.01.08.542.d.

ii. Belmont Heights shall submit to the Department a letter from that public water system stating that they will be able to provide services to Belmont Heights and the proposed date of interconnection.

iii. Interconnection and service shall be completed no later than December 1, 2009.

5. Department Submittal Review Process. Unless otherwise set forth specifically herein, the following document submittal and review process (Submittal Review Process) shall be followed regarding submittals required by this Consent Order. This process shall be followed until the Department approves the document or the document review time frame has expired.

a. Within thirty (30) calendar days of receipt of Belmont Heights' submittal, the Department shall 1) notify Belmont Heights in writing the document is approved; 2) notify Belmont Heights in writing of any deficiencies in the document; or, 3) notify Belmont Heights of the Department's extension of the Department's review and comment period. If the Department notifies Belmont Heights of deficiencies in the document, Belmont Heights shall submit a revised document to resolve those deficiencies within thirty (30) calendar days of receipt of the Department's notice.

b. The Submittal Review Process shall be repeated until the Department notifies Belmont Heights the document is approved. However, the submittal must meet the Department's approval within sixty (60) days from the due date for the first submittal of the document, unless the Department provides Belmont Heights with a written extension of the sixty (60) day time frame. Belmont Heights' failure to obtain Department approval of a submittal within such time frames shall constitute a violation of this Consent Order.

c. Once the Department approves documents, they shall be incorporated herein and enforceable as a part of this Consent Order.

6. All communications required of Belmont Heights by this Consent Order shall be addressed to:

Tiffany Floyd
Regional Drinking Water Manager
Department of Environmental Quality
Boise Regional Office
1445 N. Orchard
Boise, Idaho 83706

7. All notices, reports and submittals required of the Department by this Consent Order shall be addressed to:

Camille Cegnar
United Water Idaho
8248 West Victory Road
PO Box 190420
Boise, ID 83719-0420

8. This Consent Order shall not in any way relieve Belmont Heights from any obligation to comply with any provision of the Idaho Rules for Public Drinking Water Systems, or any applicable local, state, or federal laws.

9. Belmont Heights recognizes that failure to comply with the terms in this Consent Order may result in district court action seeking specific performance of this Consent Order; assessment of costs and expenses; available penalties under Idaho Code §39-108; restraining orders; injunctions; attorney fees; and other relief available by statute or rule as the court considers to be just and reasonable under the circumstances.

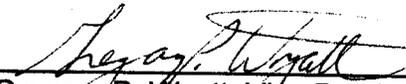
10. This Consent Order shall remain in full force and effect until the Department acknowledges in writing that the Consent Order is terminated and that Belmont Heights has fulfilled all requirements of this Consent Order.

11. This Consent Order shall bind Belmont Heights, its successors and assigns, until terminated in writing by the Department.

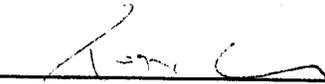
12. Each undersigned representative to this Consent Order certifies that he or she is fully authorized to enter into the terms and conditions of this Consent Order, and to execute and legally bind such party to this document.

13. The effective date of this Consent Order shall be the date of signature by the Director of the Idaho Department of Environmental Quality.

DATED this 5th day of MAY, 2008.

By: 
Gregory P. Wyatt, Vice President, General Manager
United Water Idaho

DATED this 13th day of May, 2008.

By: 
Toni Hardesty, Director
Department of Environmental Quality