

McDevitt & Miller LLP

Lawyers

420 W. Bannock Street
P.O. Box 2564-83701
Boise, Idaho 83702

(208) 343-7500
(208) 336-6912 (Fax)

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IDAHO PUBLIC
UTILITIES COMMISSION

Chas. F. McDevitt
Dean J. (Joe) Miller

July 2, 2009

Via Hand Delivery

Jean Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, Idaho 83720

Re: UWI-W-09-01

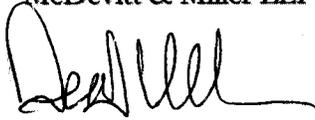
Dear Ms. Jewell:

Enclosed for filing in the above matter, please find an original and seven copies of a Motion for Order Waiving Requirement for Cost of Service Study of United Water Idaho Inc.

Kindly return a file stamped copy to me.

Very Truly Yours,

McDevitt & Miller LLP



Dean J. Miller

DJM/hh
Encl.

Dean J. Miller (ISB No. 1968)
McDEVITT & MILLER LLP
420 West Bannock Street
P.O. Box 2564-83701
Boise, Idaho 83702
Tel: 208-343-7500
Fax: 208-336-6912
joe@mcdevitt-miller.com

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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., FOR)
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR WATER SERVICE IN THE)
STATE OF IDAHO)** **CASE NO. UWI-W-09-01**
MOTION FOR ORDER WAIVING
REQUIREMENT FOR COST OF
SERVICE STUDY

COMES NOW the Applicant, United Water Idaho Inc., (United Water) and moves the Commission for an order waiving the requirement that the application to be filed herein be accompanied by a cost of service study, and in support thereof, respectfully shows as follows:

I.

The Commission's Rule of Procedure 121(e) requires that applications for a change in rates should include "testimony and exhibits showing financial statements, cost of capital and *appropriate cost of service studies.*" (emphasis supplied).

II.

In the typical rate making setting, cost of service studies are used as a tool to guide the Commission's judgment in allocating the utility's revenue requirement among various customer classes, such as residential, commercial, industrial, agricultural classes. Under its current tariff design, however, United Water's revenue requirement is not allocated among traditional customer classes. Rather, all customers pay an identical seasonally differentiated volume charge

and customer charges are based on meter size. A copy of United Water's Schedule No. 1 General Metered Service is attached as Exhibit A. Accordingly, a cost of service study would not be useful for the purpose of allocating revenue requirement to customer classes.

III.

Additionally, as will become apparent from United Water's Application and supporting testimony, since the time of United Water's last rate case in 2006, United Water has not undertaken and completed any new large capital projects. Rather, its capital investment has been more in the nature of replacement of existing facilities and routine infrastructure improvement. As discussed below, a complete cost of service study was submitted in the 2004 rate case and the Commission waived the requirement in the 2006 rate case. Because the composition of United Water's physical system has not changed drastically from the last case, then aside from some plant account balances being higher than in the 2006 case, cost of service study results and allocations would not be materially different.

IV.

A cost of service study may also provide insight into the area of rate design. In its application to be filed, however, United Water will not propose any change to rate design but rather will propose a uniform percentage increase to all rate elements.

United Water's decision not to propose a change in rate design stems from the fact that the current tariff structure has been in place for many years, and has been reviewed and affirmed on numerous occasions. Accordingly, United Water perceives that the current structure is acceptable to the Commission and there is not any imperative to change at this time.

The current 25% seasonal differential in rates for the volume charge was adopted in 1993 in Case No. BOI-W-93-3, Order No. 25640. The filing in that case included a full cost of

service study. In 1998, the Commission conducted a separate cost of service proceeding for United Water in which various cost of service and rate design proposals were considered. After consideration of numerous alternatives, the Commission elected to keep in place the 25% seasonal differential and other elements of tariff design. (Case No. UWI-W-98-3, Order No. 28043). In United Water's 2004 general rate case, a complete cost of service study was presented and, again, the Commission after considering other alternatives, adhered to the 25% seasonal differential and other elements of tariff design. (A slight modification in the form of a 3 ccf initial usage block in the summer priced at the winter rate was introduced into the tariff). (Case No. UWI-I-04-04, Order No. 29838).

V.

Because the current tariff structure has been in existence for such a long period, United Water presumes that the structure is understood (if not unanimously endorsed) by its customers. A change in tariff design would carry with it the possibility of customer confusion and the need for new customer education.

VI.

The economic logic underlying the 25% seasonal differential is that the higher summer charge will send a price signal resulting in decreased demand at system peaks thereby deferring the need to construct costly new facilities to meet system peaks.

As depicted below, the trend in United Water's maximum peak day demand is downward. It thus does not appear there is a need to adjust the differential in the hope of constraining peak day demand.

Date	Maximum Daily Demand Per Customer (gpd)
July 22, 2005	1,233
July 26, 2006	1,161
July 6, 2007	1,120
July 11, 2008	1,048

VII.

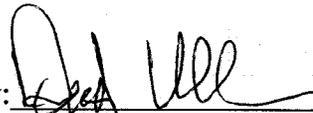
Based on preliminary cost estimates provided by cost of service consultants, United Water estimates the cost of preparing and submitting a cost of service study with its application would be in the range of \$60,000 to \$75,000. This cost, of course, would be included in United Water's rate case expense and assigned to customers. If there is no compelling need for a cost of service study this cost to customers can be avoided.

VIII.

WHEREFORE for the reasons set forth above United Water respectfully requests that the Commission enter its order waiving the requirement for a cost of service study as contained in RP 121(e).

DATED this 2 day of July, 2009.

UNITED WATER IDAHO INC.

By: 

Dean J. Miller
McDevitt & Miller LLP
420 West Bannock
Boise, Idaho 83702
P: 208.343.7500
F: 208.336.6912

Attorney for United Water

CERTIFICATE OF SERVICE

I hereby certify that on the 2nd day of July, 2009, I caused to be served, via the method(s) indicated below, true and correct copies of the foregoing document, upon:

Jean Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, ID 83720-0074
jjewell@puc.state.id.us

Hand Delivered	<input checked="" type="checkbox"/>
U.S. Mail	<input type="checkbox"/>
Fax	<input type="checkbox"/>
Fed. Express	<input type="checkbox"/>
Email	<input type="checkbox"/>

BY: Heather Houle
MCDEVITT & MILLER LLP

UNITED WATER IDAHO INC.

**SCHEDULE NO. 1
GENERAL METERED SERVICE**

Availability:

To all metered customers not served under a separate schedule.

Customer Charges:

<u>Meter Size</u>	<u>Bi-Monthly Per Meter Charge</u>
5/8"	\$ 16.21
3/4"	16.21
1"	21.31
1-1/4" and 1-1/2"	34.53
2" or multiple meters of equivalent capacity	49.85
3" or multiple meters of equivalent capacity	91.58
4" or multiple meters of equivalent capacity	145.76
6" or multiple meters of equivalent capacity	280.52
8" or multiple meters of equivalent capacity	423.17
10" or multiple meters of equivalent capacity	591.57

Volume Charge:

	<u>Winter Rates</u>	<u>Summer Rates</u>
For all water used less than 3CCF (100 cubic Feet) (CCF)(1 CCF=748 gallons):	\$1.2112	\$1.2112
For all water used greater than 3CCF	\$1.2112	\$1.5141

Conditions of Contract:

The customer shall pay the total of the customer charge plus the volume charge. The volume charge is based on all metered water for the billing period. Consumption is expressed in hundred cubic foot units or thousand gallon units as determined by the meter installed by the Company. The customer charge will be prorated whenever the customer has not been a customer for the entire billing period.

Summer Period:

The summer rate will apply to water consumed between May 1 and September 30. Meter readings straddling these dates will be prorated.