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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Applicant

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

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF SCOTT RHEAD

- 1 Q. Please state your name.
- 2 A. Scott Rhead.
- 3 Q. By whom are you employed and in what capacity?
- 4 A. United Water Idaho (“United Water” or “Company”) as Director of
5 Engineering.
- 6 Q. What are your duties and responsibilities in your capacity as Director of
7 Engineering?
- 8 A. I manage all activities of the Engineering group. These responsibilities
9 include strategic planning, capital budgeting, engineering design, information
10 technology, water quality, and construction management for capital
11 improvements.
- 12 Q. Please describe your professional training and experience.
- 13 A. I received a Bachelor of Science Degree in Civil Engineering from Idaho
14 State University in 1972. I was employed by Forsgren Consulting
15 Engineering from 1975 to 1990 designing and managing a variety of water
16 and waste water municipal improvement projects. I joined United Water in
17 1990. Since then I have had diversified responsibilities in both Engineering
18 and Production departments. I am a registered professional engineer in
19 Idaho, Oregon, Washington, Utah and New Mexico. I am also a certified
20 Idaho Water Treatment Operator Level I and Distribution Operator Level IV.
- 21 Q. What is the purpose of your testimony?
- 22 A. I will discuss these topics:

1 • Pro forma adjustments in the test year to recognize investments in plant in
2 service through December 31, 2009.

3 • Explanation of the purchased water expense adjustment as it relates to
4 drought protection, weather conditions, and salmon flow augmentation.

5 Q. Since the last proceeding has the Company continued to invest in utility plant
6 in service?

7 A. Yes. The Company continues to provide new and replacement utility plant
8 in all areas of the business including source of supply, water treatment,
9 pumping, transmission and distribution mains, distribution storage, customer
10 service lines, customer meters, information technology, and general plant.

11 Q. Are the plant in service additions used and useful in providing service to the
12 Company's customers?

13 A. Yes, in my opinion they are.

14 Pro Forma Additions and Retirements

15 Q. Can you now discuss, in general terms, the capital additions planned to be
16 placed in service from May 31, 2009 through December 31, 2009?

17 A. Yes. The plant additions for this time period are detailed in the attached
18 Exhibit No. 4 page 1 through 2. Examples of these capital additions include
19 customer services, meters, pumping equipment, new and replacement mains,
20 control equipment, facility improvements, and security upgrades.

21 Q. Are there some specific clarifications or explanations related to retirements
22 and fixed asset system adjustments on Exhibit No. 4?

23 A. Yes. I will clarify each below.

- 1 • C08C301 Auxiliary Power at Belmont (\$60,087) is being removed from
2 plant in service due to system sale to the City of Nampa.
- 3 • R09D901 Business Park No. 4 (\$94,534) is being retired from plant in
4 service due to developer decision to abandon 925' of 12" PVC and re-install
5 at a later date.
- 6 • C08J502 Replacement Laptops (\$5,200), C08K103 Commercial General
7 Plant (\$3,022) and C08K702 Replace Security Equipment (\$4,500) are all
8 being retired from plant in service which was missed in 2008.
- 9 • Fixed asset system adjustments to previously closed projects (\$60,232) is
10 being removed from plant in service due to an over allocation in AFUDC
11 charged to several projects in the last few years.

12 Q. Will these plant additions be in service by the end of the pro forma period?

13 A. Yes. These items are ongoing and planned for completion by the end of the
14 pro forma period.

15 Q. Will the plant additions shown on Exhibit No. 4 be used and useful in
16 providing service to the Company's customers?

17 A. Yes, in my opinion they will.

18 Purchased Water Expense

19 Q. Please discuss the basis for United Water's purchased water expense in the
20 pro forma amount of \$168,854 as shown on Exhibit 11 Summary of Witness
21 Loy testimony.

22 A. The annual cost for surface water is related to multiple factors. The primary
23 factor in establishing an annual cost is balancing the use of short term rental

1 pool water when available versus longer term storage contracts between the
2 Bureau of Reclamation (BOR) and the Company. This in turn is directly
3 related to the snow pack or moisture conditions for any given year. Annual
4 purchased water has ranged from approximately \$186,000 to \$122,000
5 during the period from 2004-2009. The Company believes the most prudent
6 policy is to rent or lease water at a lower cost when available and preserve
7 the more reliable storage space for drought protection when rental water is
8 unavailable or becomes extremely costly due to limited availability. It
9 should be noted that the BOR contract payments for 2,100 acre feet must be
10 made even if the water is not used in any given year. These contracts are
11 shown in Exhibit No. 5 identified by a double asterisk (**).

12 Q. Are there other variable factors in predicting purchased water expense?

13 A. Yes, specifically related to the Snake River exchange credit. This credit is
14 shown in Exhibit No. 5 identified by a single asterisk (*).

15 Q. Can you clarify how this credit is administered by the Boise River Water
16 Master?

17 A. Yes. The Company owns 2 natural flow surface water rights (Wilson and
18 Initial Butte) in the Snake River. The BOR also own surface water rights in
19 the Snake and Boise Rivers. During early summer each year the BOR uses
20 their rights to augment or increase the natural in-stream flow in both rivers to
21 aid the salmon smolt in their journey to the Pacific Ocean. The Company
22 obtained a transfer exchange agreement with Idaho Department of Water
23 Resources (IDWR) and BOR that allows the Company to divert surface

1 water from the Boise River during this flow augmentation period in
2 exchange for not diverting water it owns in the Snake River. This exchange
3 provides enough water each day for both the Columbia and Marden Water
4 Treatment Plants to operate completely on natural flow during this
5 approximate 60 day augmentation period. The Boise River Water Master
6 records this exchange for both the Company and the BOR.

7 Q. How does this exchange credit affect annual purchased water expense?

8 A. During this augmentation period (typically May 20th-June 20th) the
9 Company's two surface water plants operate using natural flow, therefore no
10 purchased water costs are incurred. The exchange credit has varied from
11 approximately 2,500 acre feet to 3,500 acre feet depending on length of
12 season and up-stream availability. This variability in annual exchange credit
13 in turn affects how much water must be rented after the salmon augmentation
14 period.

15 Q. Please more fully explain what is depicted on Exhibit No. 5.

16 A. In order to meet potential peak day summer demands, the Company must
17 acquire between 12,000 to 13,000 acre feet of surface water to operate the
18 Columbia and Marden Water treatment plants. As explained above, there are
19 a number of options for acquiring that necessary surface water. Each year it
20 is my responsibility to assemble a least-cost portfolio of surface water
21 resources for operation of the treatment plants. Exhibit No. 5 represents the
22 portfolio of resources that must be available to meet anticipated demand.

1 Q. Do you believe \$168,854, as depicted on Exhibit No. 5 is a reasonable
2 allowance for purchased water expense for rate making purposes?

3 A. Yes. Based on my experience in acquiring surface water to meet potential
4 demand, I believe it is.

5 Q. Does this conclude your testimony?

6 A. Yes.

United Water Idaho
Pro Forma Period Plant Additions and Retirements
June 1, 2009 to December 31, 2009

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Project ID	Project Title	In Service Date	Forecast Additions	Forecast Retirements	Forecast Cost of Removal	Forecast Salvage
	Source of Supply					
C09A001_061	Water Rights	Mar-09	94,600			
C09A006_060	Oregon Trail Well Aquifer Storage & Recovery	Mar-09	17,425			
C09A007_060	Market Well Aquifer Storage & Recovery	Jun-09	56,706			
C09A008_060	North Ada Water Supply Study	Aug-09	57,262			
	Subtotals		225,992	0	0	0
	Treatment					
C09B002_060	PERC Study Bethel/Fisk	Aug-09	46,163			
C09B501_060	Replace Chlorination Equipment	Jun-09	71,037	11,370	280	
C09B502_060	Replace Treatment Equipment	Jun-09	42,631	30,000	1,000	
C09B503_060	Chlorine Residual Analyzers	Sep-09	5,100			
	Subtotals		164,931	41,370	1,280	0
	Pumping Plant					
C07C505_060	Replace Hidden Hollow Discharge Line	Nov-09	32,103			
C08C001_060	Pump Station Cooling Systems	Jun-09	74,744			
C08C301_060	Aux. Power @ Belmont	Feb-09	(60,087)			
C08C302_060	Aux Power@ Hulls Gulch & H View Boosters	Apr-09	1,698			
C08C504_060	Spurwing Pump Equipment Replacement	Apr-09	7,610			
C08C505_060	Cartwright Booster Upgrade	Mar-09	16,597			
C08C513_060	Mag Meter Replacement	Feb-09	576			
C09C001_060	RTU Battery Charger Project	Sep-09	13,400			
C09C002_060	Wire To Water Efficiency Equipment	Oct-09	15,000			
C09C100_060	Pumping Equipment @ Sources Of Supply	Various	164,046	88,889	8,800	
CyyC200_060	Annual Equipment Replacements	Various	22,630			
CyyC225_060	Xeric-well site Improvements	Nov-09	11,211			
C09C501_060	Reconstruct Pumping Facilities	Jul-09	17,000	1,000	1,000	
C09C502_060	Replace Control Equipment	Sep-09	23,400	12,734	1,080	
C09C503_060	SCADA RTU Upgrades	Sep-09	11,100			
	Subtotals		351,028	102,623	10,880	0
	T & D Mains					

United Water Idaho
Pro Forma Period Plant Additions and Retirements
June 1, 2009 to December 31, 2009

Project ID	Project Title	In Service Date	Forecast Additions	Forecast Retirements	Forecast Cost of Removal	Forecast Salvage
CyyDxxx_060	Company Funded New Mains	Various	170,638			
CyyD300_060	Developer Funded Extensions	Various	1,710,367	19,409		
CyyDxxx_060	Company Funded Replacement Mains	Various	1,262,769	26,548	17,133	0
R09D901_060	Business Park No. 4 - Retire 925'-12" PVC	Jun-09		94,534	3,252	
	Subtotals		3,143,774	140,491	20,385	0
	Storage					
C08E002_060	Hulls Gulch Res Circ System	Mar-09	907			
C09E501_060	Columbia Tank Gate	Jun-09	3,833			
	Subtotals		4,740	0	0	0
	Services					
C09F001_060	New Domestic Services	Feb-09	354,883			
C09F003_060	New Fire Services	Jan-09	175,075			
C09F501_060	Replace Domestic Services	Feb-09	613,864	130,700		
C09F511_060	Confined Space Service Replacement	Jun-09	56,180	6,029	14,175	
	Subtotals		1,200,003	136,729	14,175	0
	Meters					
C08G301_061	Fixed Network AMI Study	Nov-08	38,617			
C09G001_060	New Customer Meters	Jan-09	24,663			
C09G501_060	Repl Customer Meters	Jan-09	221,964	430,000		
	Subtotals		285,244	430,000	0	0
	Information Technology (IT)					
C08J502_060	Replacement Laptops	Nov-08		5,200		
C09J001_060	Audio/Visual Systems - Conf & Multipurpose	Aug-09	17,400			
C09J501_060	Field Laptop Replacement	Apr-09	2,354	45,567		1,850
C09J502_060	Computer Refresh	Apr-09	6,092	73,555		3,750
C09J503_060	GIS Conversion	Oct-09	66,800			
C09J504_060	HMI Panels-Operations Displays @ Sites	Oct-09	3,300			
	Subtotals		95,946	124,322	0	5,600
	General Plant					

United Water Idaho
Pro Forma Period Plant Additions and Retirements
June 1, 2009 to December 31, 2009

Project ID	Project Title	In Service Date	Forecast Additions	Forecast Retirements	Forecast Cost of Removal	Forecast Salvage
C08K103_060	Commercial General Plant	Oct-08		3,022		500
C08K702_060	Replace Security Equipment	Jan-09		4,500		250
C08K703_060	Parking Lot Replacement	Feb-09	118,800	27,959	4,067	
C09K101_060	Purchase T&D Boring Tool	May-09	636			
C09K301_060	Hydraulic Model	Jun-09	90,000			
C09K302_060	2 Work Stations	Jul-09	27,031	425		
C09K303_060	Security Upgrades	Oct-09	45,300			
C09K304_060	Commercial General Plant	Jun-09	11,465	3,600		
C09K501_060	Repl T&D General Plant	Mar-09	120			
C09K701_060	Security Equipment Repl.	Aug-09	8,400			
C09K702_060	Replace T&D Furnace	Aug-09	4,871	1,500		
	Subtotals		306,623	41,006	4,067	750
	Gross Plant Adds, Retirements, COR & Salvage		\$5,778,281	\$1,016,541	\$50,786	\$6,350
	Fixed Asset System Adjustments to Previously Closed Proj.		(\$60,232)			
	Gross Plant Additions Adjusted		\$5,718,049			

CIAC	
CyyD300_060	Developer Funded Extensions, CIAC
	(\$1,393,501)
C08G301_061	Fixed Network AMI Study, CIAC
	(\$118,000)
C09F001_060	New Domestic Services, CIAC
	(\$97,900)
	Total CIAC
	(\$1,609,401)
	Gross Plant Less CIAC
	\$4,108,648
Refunds	Developer Refunds
	\$109,000
	Net Total Proforma Plant Additions
	\$4,217,648

