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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

SUPPLEMENTAL DIRECT TESTIMONY OF GREGORY P. WYATT

1 Q. Please state your name and business address.

2 A. Gregory P. Wyatt, 8248 W. Victory Rd, Boise Idaho.

3 Q. What is your occupation?

4 A. I am the General Manager of United Water Idaho Inc., (“United Water” or the

5 “Company”).

6 Q. Are you the same Gregory P. Wyatt who previously filed Direct Written

7 Testimony on September 3, 2009, in this matter?

8 A. Yes I am.

9 Q. What is the purpose of your Supplemental Testimony?

10 A. I want to express United Water’s support for the Settlement Stipulation signed by

11 Commission Staff, Community Action Partnership Association of Idaho

12 (CAPAI), and United Water, dated and filed January 26, 2010, and urge the

13 Commission to approve the Settlement Stipulation without material change or

14 condition.

15 Q. Could you briefly describe the key features of the Settlement Stipulation?

16 A. Yes. In the Settlement Stipulation the parties have agreed that:

17 • The Company’s allowed revenues should be increased by \$4,300,000 in

18 two phases as follows: \$3,660,000 effective March 1, 2010, which is an

19 approximate 9.9% increase over current rates, and an additional \$640,000

20 effective February 1, 2011, which is an approximate 1.7% over current

21 rates;

22 • Both phases of the \$4,300,000 increase should be implemented by tariffs

23 that increase the rates and charges (except incidental service charges) to

- 1 all customers by a uniform percentage increase and that the increase apply
2 equally to the Company's customer charge and volume charge;
- 3 • United Water accepts a rate case moratorium and will not file a general
4 revenue requirement rate case Application prior to June 1, 2011;
 - 5 • The Commission's final Order should approve various accounting
6 methods for the Idaho Power Company PCA and certain deferral items as
7 set out in the Settlement Stipulation;
 - 8 • The Commission's final Order should approve an amendment to United
9 Water's Rules and Regulations by adding thereto Sheet 17a, "Budget Bill
10 Plan" in the form attached as Exhibit B to the Settlement Stipulation;
 - 11 • The Commission's final Order should approve an amendment to United
12 Water's Rules and Regulations, Sheet No. 18, Paragraph 44, as set forth in
13 Exhibit C of the Settlement Stipulation, to clarify its rules on Private Fire
14 Service Line Connection;
 - 15 • United Water, CAPAI, and Commission Staff agree to convene an
16 informal workshop, within a reasonable time after the entry of the Final
17 Order in this matter, to discuss potential modifications to the UW Cares
18 Program which is targeted to assist low-income customers, and other
19 issues affecting the low-income community.

20 Q. To put the Settlement Stipulation in appropriate context, could you please
21 describe the Company's initial Application in this case?

22 A. Yes. On September 3, 2009, the Company filed its initial Application requesting
23 a revenue increase of approximately \$5.626 million, or an overall increase of

1 15.21%. The increase was requested in order to enable the Company to earn a
2 return on more than \$13 million of additional capital investment it had made in its
3 water system since rates were last set in August 2006, and to recover certain
4 increases in operating costs including depreciation, electric power and chemicals.

5 Q. Were there other features of the Company's initial application designed to
6 streamline processing of the case and eliminate contentious issues?

7 A. Yes. On July 2, 2009, the Company filed a Motion for Order Waiving
8 Requirement for Cost of Service Study maintaining that there was no compelling
9 need for a study to be included with its current rate case Application. The
10 Company also stated in its Motion that it was not proposing a change to the
11 current tariff design but rather would propose a uniform percentage increase to all
12 rate elements, and that it intended to maintain the 25% differential between winter
13 and summer volumetric rates. The Commission granted the Company's request in
14 Order No. 30865.

15 Additionally, shortly before the case was filed, the Company and Staff
16 agreed to a 10.4% return on equity in this proceeding as being a reasonable return
17 based on the Company's previously approved return level and present economic
18 conditions.

19 Both the cost of service waiver and the return on equity stipulations served
20 to streamline the case and hold down rate case costs.

21 Q. Please describe activities in this case after the initial filing.

22 A. Staff conducted a thorough audit of the Application, assigning a team of auditors,
23 engineers and consumer specialists to the investigation. They reviewed internal

1 processes and procedures regarding inter-company transactions, Company P-
2 Cards and several other areas. The Company cooperated fully in the Staff
3 investigation, responding to 247 formal discovery requests. The Company also
4 responded to 15 formal discovery requests from CAPAI.

5 Q. After the activity you have described did the Company, CAPAI and Staff meet to
6 discuss possible settlement?

7 A. Yes, representatives of the Company, Staff, and CAPAI met for most of the day
8 on January 11, 2010, and part of the following morning January 12, 2010. There
9 are no other parties in the case. At that meeting an agreement on the basic
10 settlement terms was reached. Afterwards the written Settlement Stipulation was
11 finalized and ultimately filed on January 26, 2010.

12 Q. Turning to the specific elements of the Settlement Stipulation, please discuss the
13 recommended revenue increase of \$4.3 million.

14 A. This figure represents an amount all parties believe reasonable after each party
15 had an adequate opportunity to evaluate the merits of issues that were in dispute.
16 While the parties did not attempt to resolve each issue on an item by item basis,
17 the overall increase reflects each party's informed judgment regarding the likely
18 outcome if the case were fully litigated. The agreed increase of \$4.3 million also
19 represents a significant concession from the Company's original request of \$5.626
20 million.

21 Q. Please discuss the proposal for a uniform percentage increase.

22 A. As stated previously, The Company stated in its Motion for Order Waiving
23 Requirement for Cost of Service Study filed July 2, 2009, that it was not

1 proposing a change to the current tariff design but rather would propose a uniform
2 percentage increase to all rate elements, and that it intended to maintain the 25%
3 differential between winter and summer volumetric rates. Since the time of the
4 Company's last rate case in 2006 (UWI-W-06-02), United Water had not
5 undertaken and completed any new large capital projects. Rather, its investment
6 has been more in the nature of replacement of existing facilities and routine
7 infrastructure improvement. A complete cost of service study was submitted in
8 the 2004 rate case and the Commission waived the requirement in the 2006 rate
9 case. United Water's decision not to propose a change in rate design in its filing
10 stems from the fact that the current tariff structure has been in place for many
11 years, and has been reviewed and affirmed on numerous occasions. A uniform
12 percentage increase also preserves the rate relationships the Commission found to
13 be reasonable in the Company's prior cases.

14 Q. Is the rate design proposal a material term of the Settlement Stipulation from the
15 Company's point of view?

16 A. Yes. While the Company recognizes that each term of the Settlement Stipulation
17 is not precedential and approval of it does not commit the Commission to a course
18 of action in the future, an equal distribution to both the volume and customer
19 charge in this case was a material consideration in the Company's willingness to
20 enter into the Settlement Stipulation.

21 Q. You mentioned that the Settlement Stipulation also contains agreements between
22 the parties on certain accounting items. Please explain.

1 A. In paragraph 12 of the Settlement Stipulation, agreements regarding accounting
2 methods for the Idaho Power PCA are set forth. They propose that the Company
3 may amortize its current PCA deferral at March 1, 2010 over three years, and
4 continue to defer for later amortization all amounts billed by Idaho Power under
5 its PCA. The Settlement Stipulation also proposes that the Company may use the
6 Commission approved interest rate on customer deposits to calculate a carrying
7 cost on the un-amortized balances.

8 In sub-clauses a—d of paragraph 13 of the Settlement Stipulation,
9 agreements regarding certain other deferrals are set forth. None of these items
10 affect the revenue increase award in this case. Rather, they reflect agreement on
11 how these accounting issues will be handled on a prospective basis, and specific
12 regulatory approval is necessary to support the accounting entries that will be
13 made. They thus eliminate the potential for disagreements on accounting methods
14 in subsequent cases. The Company requests these methods be approved in the
15 Commission's final order.

16 Q. Another term of the Settlement Stipulation is that the first phase of the rates
17 would go into effect on March 1, 2010. Is this a material term of the Settlement
18 Stipulation from the Company's point of view?

19 A. Yes it is. I understand that under the statutory suspension period the Commission
20 would otherwise have until April 3, 2010 to make the rates effective. Although it
21 is possible the Company would have received an ultimate rate award greater than
22 the agreed settlement amount if the case was fully litigated, receiving an amount
23 certain earlier than legally required was a material factor in the Company's

1 agreement to accept an overall increase of \$4.3 million rather than pursue through
2 hearing the full amount of its revised request.

3 Q. Earlier you mentioned that the Settlement Stipulation provides for a two-phase
4 revenue increase and also includes a rate case moratorium. Please explain why
5 the Company agreed to these provisions.

6 A. The Company was willing to accept the proposed \$4.3 million increase over two
7 phases because it wishes to remain sensitive to the effect the full increase amount
8 may have on customers during these difficult economic times. Although the
9 Company believes the full \$4.3 million in increased revenue is justified now
10 based on the Company's investments, costs and its filing, a phased approach to
11 the increase should mitigate somewhat the impact on customers.

12 For similar reasons the Company also agreed to the rate moratorium which
13 prohibits the Company from filing any general revenue requirement rate case
14 Application prior to June 1, 2011.

15 Q. Please explain the purpose behind the proposed informal meeting with CAPAI
16 mentioned in the Settlement Stipulation.

17 A. United Water has shown through its UW Cares low-income assistance program
18 that it is sensitive to the needs of customers with limited economic resources.
19 This program, initiated in 2005 was the first, and remains the only low-income
20 assistance program available to water customers in Idaho. During the settlement
21 discussions, CAPAI expressed interest in learning more about the UW Cares
22 program and ways that the program might be expanded. United Water is equally
23 interested to discuss enhancements to its UW Cares program and how the

1 Company might also reach more low-income customers with its water
2 conservation information and programs.

3 Q. Does the Budget Bill plan proposed in the Settlement Stipulation also hold
4 potential to benefit low-income customers of the Company?

5 A. Yes. The single greatest category of calls received from residential customers by
6 United Water's customer service representatives is customers who are having
7 difficulty paying their bill and requesting to make payment arrangements. The
8 volume of these requests increases significantly during the irrigation season with
9 its consequent higher bills. The Budget Bill plan would address the need
10 expressed by these customers of having available the option to, on an annual
11 basis, level out their payments for water service.

12 The Budget Bill plan allows customers to plan and budget water usage
13 more effectively than the current "pay as you go" basis. Instead of being faced
14 with larger summer bills that may be extremely burdensome, especially for those
15 with limited economic resources, customers will be able to make less stressful,
16 longer term decisions about water consumption and how it fits into their personal
17 budget.

18 A more detailed rationale for implementing Budget Bill at this time is
19 contained at pages 14—21 of my Direct Testimony, filed herein on September 3,
20 2009.

21 Q. Do you believe the Settlement Stipulation represents a fair resolution of this case?

22 A. Yes. Settlement discussions were only undertaken after Staff conducted a
23 thorough audit of the Application. The Settlement Stipulation is the result of

1 arms-length negotiations between the parties, all of whom had access to all
2 relevant facts. The end result is rates that are fair, just and reasonable in my
3 opinion.

4 Q. Do you have any concluding remarks regarding the settlement process?

5 A. Yes. During the settlement process the Company experienced a willingness by
6 Staff and CAPAI to address issues in a straightforward, professional manner. The
7 Company is very appreciative of these efforts by the parties.

8 Q. Does that conclude your testimony?

9 A. Yes it does.