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January 29, 2010

Jean Jewell
Secretary, Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: Case No. UWI-W-09-01: United Water Idaho General Rate Case

Dear Ms. Jewell:

Enclosed, please find an original and nine (9) copies of the Direct Testimony of Mary Chant on behalf of the Community Action Partnership Association of Idaho. Also enclosed is a CD of the testimony for the Court Reporter, in Word format.

Please contact me should you have any questions.

Sincerely,


Brad M. Purdy

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Community Action Partnership
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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IN THE MATTER OF THE APPLICATION) CASE NO. UWI-W-09-1
OF UNITED WATER IDAHO, INC. FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES IN THE STATE OF)
IDAHO.)

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COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO

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DIRECT TESTIMONY OF
MARY CHANT

1 **I. INTRODUCTION**

2 Q: Please state your name and business address.

3 A: My name is Mary Chant. I am the Executive Director of the Community Action
4 Partnership Association of Idaho (CAPAI) headquartered at 5400 W. Franklin, Suite G,
5 Boise, Idaho, 83705.

6 Q: On whose behalf are you testifying in this proceeding?

7 A: The CAPAI Board of Directors asked me to present the views of an expert on, and
8 advocate for, low income customers of United Water Idaho.

9 Q: Please describe CAPAI's organization and the functions it performs, relevant to its
10 involvement in this case.

11 A: CAPAI is an association of Idaho's six Community Action Partnerships, the Community
12 Council of Idaho and the Canyon County Organization on Aging, Weatherization and
13 Human Services, all dedicated to promoting self-sufficiency through removing the causes
14 and conditions of poverty in Idaho's communities.

15 Q: What are the Community Action Partnerships?

16 A: Community Action Partnerships ("CAPs") are private, nonprofit organizations that fight
17 poverty. Each CAP has a designated service area. Combining all CAPS, every county in
18 Idaho is served. CAPS design their various programs to meet the unique needs of
19 communities located within their respective service areas. Not every CAP provides all of
20 the following services, but all work with people to promote and support increased self-
21 sufficiency. Programs provided by CAPS include: energy and utility assistance,
22 employment preparation and dispatch, education assistance child care, emergency food,
23 senior independence and support, clothing, home weatherization, affordable housing,
24 health care access, and much more. As our economy continues to suffer hardship, and as
25 the cost of utility service, a substantial portion of most people's monthly expenses,

1 frequently and substantially continues to increase, there seems to be a greater need than
2 ever to assist low-income customers with paying for their utility bills through
3 conservation programs, or other means.

4 Q: Have you been involved in prior proceedings before this Commission?

5 A: Yes. As the Executive Director of CAPAI, I am kept apprised of all cases involving the
6 organization before the PUC. With the Board's consent, I am the individual who
7 ultimately makes all or most critical decisions in any given case from whether to petition
8 to intervene to what position to take on any given issue. CAPAI also relies considerably
9 in most cases on Teri Ottens as an outside consultant, relying upon her considerable
10 experience from former Executive Director to someone very familiar with the legislative
11 process. In addition to reviewing all pleadings in this case and, with our attorney's
12 assistance, I familiarized myself with United Water's responses to Staff's many
13 Production Requests and other things. In addition, CAPAI submitted Production
14 Requests of its own. Finally, I was involved in every phase of this case and participated
15 in the two day negotiation settlement between CAPAI, Commission Staff and United
16 Water.

17 II. SUMMARY

18 Q: Please summarize your testimony in this case?

19 A: The purpose of CAPAI's involvement in this case is to explain why CAPAI has executed
20 the Settlement Agreement between United Water, CAPAI, and the Commission Staff.

21 Q: What is the essence of the settlement agreement?

22 A: Rather than provide a detailed explanation of the agreement, including every component,
23 I note that the agreement has already been filed with the Commission along with the
24 testimony of Gregory Wyatt of United Water and supporting testimony of Randy Lobb of
25 Commission Staff, and speaks for itself. I will, however, highlight the points of greatest

1 significance to both United Water's low-income customers, and the Company's
2 ratepayers in general.

3 Q. Does CAPAI support or oppose the Settlement Stipulation?

4 A. CAPAI supports the Settlement Stipulation and believes that it is fair, just and reasonable
5 and is in the best interests of United Water's general body of ratepayers.

6 Q. Would you please briefly describe your analysis of United Water's proposed rate
7 increase?

8 A. Yes. Given that prior to the settlement negotiations, the Commission had granted United
9 Water's Motion for Order Waiving Requirement for Cost of Service Study,¹ (information
10 normally required under the Commission's procedural rules IDAPA 31.01.01.121
11 31.01.01.121(e)) and that the Commission agreed and ordered that United Water would
12 not file any changes to its rate design,² the primary focus for Staff and CAPAI was to
13 analyze the reasonableness, or lack thereof, of the Company's overall requested rate
14 increase and the specific components comprising that requested increase. In addition,
15 CAPAI proposed an informal workshop-type process whereby all interested stakeholders
16 could join in a discussion of how to increase low-income contributions under the United
17 Water "Cares" program as well as other possible low-income oriented programs
18 including the possibility of conservation programs. United Water agreed to conduct such
19 a discussion workshop shortly after the entry of the Commission's final order in this case.

20 Q. What was the *quid pro quo* given by the respective parties for the Settlement?

21 A. Essentially, for those unfamiliar with the ratemaking process for public utilities, rates
22 must be fair, just and reasonable for all ratepayers, as well as the utility in question.
23 Staff's obligation is to focus on the proposed rate increase as it affects all stakeholders.

24
25 ¹ Order No. 30865, July 16, 2009.

² The Commission noted that this information (Cost of Service) was recently obtained in another United Water case.

1 CAPAI's role is to address issues of concern to the utility's most financially distressed
2 customers, as well as to address issues of concern to the general body of ratepayers.

3 Q. Would you detail the consideration given by the respective parties that led to the
4 proposed settlement?

5 A. First, United Water initially sought an overall across the board rate increase of 15.21%.
6 Using updated numbers, this increase would ultimately reach 16.6%, assuming that the
7 Company succeeded on every issue and the case were the case to go to technical hearing
8 before the Commission. Both Staff and CAPAI expressed disagreement with some of the
9 Company's expenses and investment in plant, as well as other issues, and initially
10 proposed a much lower increase. Recognizing that the utility might ultimately be
11 awarded a greater amount than proposed by Staff, and supported by CAPAI, the latter
12 two parties agreed to a total rate increase of 11.63%. As a condition of settlement,
13 however, the rate increase would be phased-in with the additional condition that the
14 utility not file another rate case until a specified date (known as a "stay-out" provision).

15 Q. Would you elaborate on how the phased-in increase and "stay-out" provision will work if
16 approved by the Commission?

17 A. United Water will initially be given a 9.9% increase that will go into effect on March 1,
18 2010. The Company will then receive an additional 1.73% roughly a year later on
19 February 1, 2011. This constitutes the full 11.63% increase agreed upon. In addition,
20 however, the Company has agreed to not file another rate case prior to June 1, 2011.
21 CAPAI believes this last provision should not be trivialized because United Water might
22 otherwise file another case shortly after this case is ruled upon, absent the Settlement
23 Agreement.

24 Q. Why did CAPAI believe that the terms it agreed to are favorable for all ratepayers and
25 particularly low-income customers?

1 A. Much of the need for United Water's proposed rate increase is based on the Company's
2 need to replace aging infrastructure. CAPAI, and Staff, believe that, given United
3 Water's legal obligation to provide adequate service, the Company's proclaimed need to
4 replace or repair infrastructure such as distribution lines, wells, collectors, and/or water
5 reservoirs, treatment plants, etc., made the final outcome of a contested rate case
6 particularly uncertain. There were, of course, issues involving many other rate
7 components that the Company might well have prevailed upon had the case been
8 contested. Given that the Company agreed to a relatively substantial reduction in its
9 requested rate increase, that the increase agreed upon will be phased in, and that United
10 Water will not file another rate case for more than a year, CAPAI believed that the
11 agreement was very reasonable and though we are in the midst of extremely difficult
12 economic times, the settlement reached was likely the best that could be achieved from
13 all customers' points of view. Though it could have gone either way, CAPAI believes
14 that contesting the proposed increase before the Commission at hearing was more likely
15 than not to result in a rate increase greater than what the parties ultimately agreed to.

16 Q. What do you base the foregoing opinion on?

17 A. As I stated, I will not go into detail on every potentially contestable component of the
18 proposed rate increase. CAPAI notes that Staff has already done a fine job of outlining
19 those components in the testimony of Randy Lobb. CAPAI agreed with Staff on some
20 issues regarding these components and disagreed on others, but ultimately agreed on the
21 ultimate conclusion that the proposed settlement was the preferable alternative.

22 Q. You previously mentioned the United Water "Cares" program and CAPAI's efforts to
23 address low-income issues in the near future. Would you elaborate?

24 A. Yes. As part of the settlement, United Water agreed to meet with CAPAI, Staff, and any
25 other interested persons to discuss, among other things, how the benefit of the existing

1 "Cares" program can be maximized. CAPAI is also interested in exploring any other
2 opportunities for low-income customers to participate in bill reducing programs such as
3 conservation. From CAPAI's perspective, this was a condition prerequisite to settlement.
4 CAPAI believes that United Water will cooperate in good faith in this future discussion
5 and is confident that a meaningful discussion will help address the particularly harsh
6 conditions that low-income customers are experiencing during these difficult times.

7 **III. CONCLUSION**

8 Q. What is your formal recommendation in this case?

9 A. CAPAI fully supports the Settlement Stipulation, as it is written, and urges the Company
10 to cooperate with CAPAI who will coordinate with Staff, and other interested persons, to
11 schedule the discussion concerning low-income issues as soon as possible following the
12 Commission's final order in this case.

13 Q. Does this conclude your testimony?

14 A. Yes, it does.
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