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IDAHO PUBLIC
UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF UNITED WATER IDAHO INC. FOR) CASE NO. UWI-W-11-2
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR WATER SERVICE IN) SETTLEMENT STIPULATION
THE STATE OF IDAHO)
_____)**

This Settlement Stipulation (Stipulation) is entered into by and among United Water Idaho Inc., (United Water, Company), the Staff of the Idaho Public Utilities Commission (Staff) and Community Action Partnership Association of Idaho (CAPAI), the sole intervenor in this case (collectively, Parties).

INTRODUCTION

The Parties agree the Stipulation represents a fair, just and reasonable compromise of the issues raised in United Water's Application for an increase in water service rates, and the Stipulation is in the public's interest. The Parties believe the Stipulation and its acceptance by the Idaho Public Utilities Commission (Commission) represents a reasonable resolution of the several issues identified in this matter. The Parties, therefore, recommend that the Commission, in accordance with Rule of Procedure (RP) 274, approve the Stipulation and all of its terms and conditions without material change or condition.

BACKGROUND

1. On August 3, 2011, United Water filed an Application seeking authority to increase the Company's rates for water service in the State of Idaho by an average of 19.89%. If approved, the Company's revenues would increase by \$7,616,015 annually. The Company requested the new rates become effective September 2, 2011.
2. On August 18, 2011, the Commission issued Order No. 32333, suspending United Water's proposed effective date for a period of 30 days plus five (5) months from September 2, 2011. On the same date, the Commission issued Order No. 32334, granting CAPAI'S Petition for Intervention.
3. On October 5, 2011, the Commission issued Order 32376, establishing a procedural schedule, including a technical hearing to commence on February 1, 2011.
4. After the filing of the Application, Commission Staff conducted a thorough audit and investigation of the Company's Application. Commission Staff propounded numerous

Audit Requests and Production Requests, to which United Water provided timely responses.

5. On November 16, 17 and 18, 2011, representatives of the Parties met to engage in settlement discussions in accordance with RP 272, with a view toward resolving the issues in this case.
6. Based on the settlement discussions, as a compromise of the positions in this case, and for other considerations as set forth below, the Parties agree to the following terms.

TERMS OF THE STIPULATION

7. Fair Resolution. The settlement is reached as a fair resolution to several disputed issues between the parties, recognizing that neither party was likely to prevail on every issue at hearing. The settlement results in a revenue increase that is reasonable, but without resolving specific issues which were in dispute between the Company and Staff.
8. Revenue Requirement. Regarding United Water's revenue requirement, the Parties agree that United Water should be allowed to implement revised tariff schedules, in the form attached hereto as Exhibit A, to recover \$3,050,000 in additional revenue effective February 1, 2012, which is an overall increase of 7.96%, and to recover an additional \$950,000 effective February 1, 2013, which is an additional increase of 2.48%. The Parties have agreed to this phased-in recovery of the total agreed increase, to mitigate the rate impact on customers that would otherwise occur in a single year, and spread the increase during the period the Company is precluded from filing an additional rate case.

9. Rate Spread and Rate Design. As reflected by Exhibit A, the Parties agree that the additional revenue requirement should be recovered by implementing tariffs which increase rates and charges on February 1, 2012 and February 1, 2013.
10. Rate Case Moratorium. United Water agrees that it will not file a general revenue requirement rate case that results in an effective date for new rates prior to January 1, 2014.
11. Deferrals. The Parties agree that the Commission's Final Order in this matter may also approve the following deferrals and amortization periods.
 - a) Deferred Power Expense: There remains an unamortized balance of deferred Idaho Power Company PCA electric power expense from the deferral and amortization authorized by Order No. 31029, Case No. UWI-W-09-01 in the amount of \$365,570 as of January 31, 2012, which shall be re-amortized over a period of thirty-six (36) months, commencing February 1, 2012. It is estimated that the pending deferred power balance as of January 31, 2012, will be approximately \$185,000, which balance shall be amortized over a period of thirty-six (36) months, commencing February 1, 2012. The Company shall continue to defer for later amortization all amounts billed by Idaho Power Company under its PCA. The carrying charge on the unamortized balances shall be the interest rate determined by the Commission as the interest rate on customer deposits pursuant to Rule 106 of the Commission's Customer Relations Rules, IDAPA 31.01.21.
 - b) Rate Case Expense: There remains an unamortized balance of deferred rate case expense from the deferral and amortization authorized by Order No. 31029, Case No. UWI-W-09-01, which balance shall be re-amortized over a period of thirty-six (36)

months. The Company shall defer and amortize its actual rate case expense incurred in this proceeding over a period of thirty-six (36) months, commencing February 1, 2012.

- c) Tank Paintings: Expense incurred by the Company for the painting and rehabilitation of the Hillcrest water storage reservoir amounting to \$230,134 may be deferred and amortized over a twenty (20) year period beginning February 1, 2012.
- d) Pension Expense: The actual cash contributions to the Company's ERISA pension plan for the plan year 2010 was \$1,300,769. In subsequent plan years, should the actual cash contributions exceed, or be less than, the 2010 plan year contribution, the Company is authorized to record a deferred asset or liability for the difference between the actual cash contribution in each of the subsequent years and the 2010 plan year amount. Such amounts so deferred will be presented by the Company for amortization in its next general rate proceeding and, if prudently made as determined by examination by the Commission, United Water can expect, in the ordinary course of events, to amortize the deferred asset or liability over a period not to exceed three (3) years in its next general rate filing. The Company is also authorized to apply the Commission authorized interest rate on customer deposits, pursuant to Rule 106 of the Commission's Customer Relations Rules, IDAPA 31.01.21, as a carrying charge/accrued interest to the deferred asset or liability until such time as the deferral is incorporated into the revenue requirement of the general rate case.
- e) Relocation Expense: The Company may defer the actual expenses incurred up to the \$125,000 included in this case related to the item labeled relocation expense in Adjustment 11 in Exhibit No. 11, accompanying the Direct Testimony of Jarmila

Cary. The deferred amount shall not be subject to a carrying charge. Such amounts so deferred will be amortized over sixty (60) months beginning the later of the month after the deferral is booked or February 1, 2012. The unamortized amount may be presented by the Company for inclusion in its next general rate proceeding and, if prudently made as determined by examination by the Commission, United Water can expect, in the ordinary course of events, to include the annual amortization in its next general rate filing.

f) Redundant Power: The Company may defer and amortize over a period of five (5) years beginning February 1, 2012, the \$74,272 expense item labeled redundant power expense, in Adjustment No. 16 in Exhibit 11, accompanying the Direct Testimony of Jarmila Cary.

g) Other Deferrals: Except as modified by this Stipulation, the Company may continue to amortize other deferrals previously authorized in Case No. UWI-W-04-04, Case No. UWI-W-06-02 and Case No. UWI-09-01.

12. Depreciable Life of Customer Care and Billing System (CC&B). For the purpose of calculating book depreciation expense on the CC&B system, the useful life of the system shall be considered to be a period of ten (10) years, commencing November 1, 2011.

13. Per Meter Charges and Cost of Service Study. The adjustments to the Company's Bi-Monthly Per Meter Charge as shown on Exhibit A does not reflect a uniform percentage increase to all rate elements. Instead the adjustments reflect a movement toward recovering appropriate customer costs in the Per Meter Charge, as supported by the Cost of Service Study sponsored by Company witness Herbert. In its next general rate proceeding, the Company will not seek further adjustment to the Per Meter Charge,

except on a uniform percentage increase basis. Accordingly, with respect to its next general rate proceeding, the provision of RP 121(01)(e), requiring that a cost of service study be submitted with an Application for a change of rates, may be waived.

14. Issues for Further Discussion. Within a reasonable time after the entry of a Final Order in this matter, the Commission Staff and the Company shall convene a conference, or series of conferences, to discuss potential rate making mechanisms aimed at addressing revenue and earnings instability associated with the observed trend of declining per capita consumption by United Water's customers.

15. Low Income Issues. United Water and CAPAI have agreed on the following matters with respect to low income customers:

- a) The current annual per customer cap of \$50 for receipt of benefits under the UW Cares Program shall be increased to \$65 per customer, per year, for qualified customers;
- b) The annual "matching cap" of \$20,000 contributed by United Water to the UW Cares shall be removed;
- c) Within a reasonable time, United Water will provide to CAPAI an analysis of water consumption patterns of a representative sample of customers who have received benefits from the UW Cares Program;
- d) Within a reasonable time, United Water will provide to CAPAI the other information requested in CAPAI's First Production Requests to United Water, filed in this case;
- e) In order to enhance water conservation opportunities for low income customers, United Water will make available to requesting CAPAI agencies residential water conservation devices for distribution to low income customers. Within a reasonable

time United Water and CAPAI will meet and confer with a view toward developing protocols for insuring kits are delivered only to United Water customers and appropriate record keeping is maintained.

16. Just and Reasonable; Best Efforts. The Parties agree that this Stipulation is in the public's interest and that all of its terms and conditions are fair, just and reasonable. The Parties agree to use their best efforts to obtain Commission approval of the Stipulation in order to have new rates implemented by February 1, 2012.
17. No Acknowledgement. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgement by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusion of law other than those stated herein shall be deemed to be implicit in this Stipulation.
18. Commission Approval. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions.
19. Confidentiality. The Parties agree that this Stipulation represents a compromise of the positions of the Parties. Therefore, other than any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain

before the Commission its own statements and positions with respect to the Stipulation, as directed by RP 272, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding.

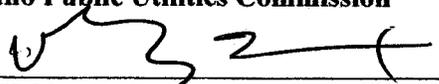
20. Best Efforts. The Parties submit this Stipulation to the Commission and recommend approval in its entirety. Parties shall support this Stipulation before the Commission, and no Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses, and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.
21. Right to Withdraw. If the Commission rejects any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within fourteen (14) days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's Order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate.

22. Counterparts. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

Respectfully submitted this 7th day of December, 2011.

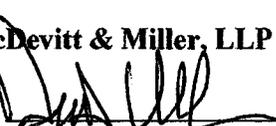
Idaho Public Utilities Commission

By


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Deputy Attorney General
Attorney for Commission Staff

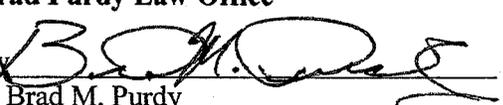
McDevitt & Miller, LLP

By


Dean J. Miller
Attorneys for United Water Idaho Inc.

Brad Purdy Law Office

By


Brad M. Purdy
Attorney for Community Action Partnership Association of
Idaho

UNITED WATER IDAHO INC.

SCHEDULE NO. 1
GENERAL METERED SERVICE

Availability: To all metered customers not served under a separate schedule.

<u>Customer Charges:</u>	<u>Bi-Monthly</u> <u>Per Meter</u> <u>Charge</u>	<u>Bi-Monthly</u> <u>Per Meter</u> <u>Charge</u>
<u>Meter Size</u>		
5/8"-3/4"	\$18.10	\$20.10
1"	\$23.79	\$25.70
1-1/4" and 1-1/2"	\$38.55	\$44.00
2" or multiple meters of equivalent capacity	\$55.65	\$68.20
3" or multiple meters of equivalent capacity	\$102.23	\$133.10
4" or multiple meters of equivalent capacity	\$162.71	\$248.20
6" or multiple meters of equivalent capacity	\$313.15	\$414.50
8" or multiple meters of equivalent capacity	\$472.39	\$542.20
10" or multiple meters of equivalent capacity	\$660.37	\$780.30

<u>Volume Charge:</u>	<u>Winter</u> <u>Rates</u>	<u>Winter</u> <u>Rates</u>
For all water used less than 3CCF (100 cubic Feet) (CCF)(1 CCF=748 gallons):	\$1.3524	\$1.4388
For all water used greater than 3CCF	\$1.3524	\$1.4388

<u>Volume Charge:</u>	<u>Summer</u> <u>Rates</u>	<u>Summer</u> <u>Rates</u>
For all water used less than 3CCF (100 cubic Feet) (CCF)(1 CCF=748 gallons):	\$1.3524	\$1.4388
For all water used greater than 3CCF	\$1.6902	\$1.7985

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.

UNITED
 Issued Per IPUC Order No.
 Effective –February 1, 2012 through
 January 31, 2013.

Issued by UNITED WATER IDAHO INC.
 Gregory P. Wyatt, Vice President
 8248 West Victory Road, Boise, ID

UNITED WATER IDAHO INC.

**SCHEDULE NO. 1B
FLAT RATE SERVICE**

Availability:

To non-metered residential customers pursuant to Residential or Multi-Family Housing Non-Contiguous Water Systems Agreement Paragraph 11(a) addressing flat rate systems.

Customer Charges:

Based on United Water Idaho residential consumption for the year ending June 1998 of 208.75 ccf, the average residential bill, assuming a 3/4" meter and 65% / 35% summer/winter split, is ~~\$434.16~~ / \$468.90. Billed bi-monthly, equals ~~\$72.36~~ / \$78.15.

<u>Bi-Monthly Charge:</u>	\$72.36	\$78.15
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Conditions of Contract:

The monthly charge will be prorated whenever the customer has not been a customer for the entire billing period. The Company or the customer may convert to metered service pursuant to Subparagraphs (b) or (c) of Paragraph 11 as follows:

- (b) If Company should determine that a flat rate customer is using water in excess of the average residential customer, the Company will provide a meter setting and meter. Customer will then pay Company's metered tariff rates as approved by the IPUC, which rates may be amended from time to time.
- (c) If a customer prefers to pay Company's approved metered tariff rates, the customer shall pay the installation and material costs associated with the installation of a meter setting.

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Gregory P. Wyatt, Vice President
8248 West Victory Road, Boise, ID

Sheet No. 4
Replacing all Previous Sheets

UNITED WATER IDAHO INC.

SCHEDULE NO. 3
PRIVATE FIRE SPRINKLER AND SERVICE

Availability:

To all customers who have sprinkler systems and/or inside hose connections for fire fighting purposes.

Rate:

For service through a separate line for fire fighting purposes.

For 3" service or smaller, per month	\$15.84	\$17.74
For 4" service per month	\$24.01	\$26.89
For 6" service per month	\$59.63	\$66.79
For 8" service per month	\$97.98	\$109.74
For 10" service per month	\$152.80	\$171.14
For 12" service per month	\$228.87	\$256.33

Miscellaneous:

Provided that if the installation of a private fire service shall require an extension of the existing mains of the company, the cost of such extension shall be borne by the customer.

All private fire services shall be equipped with sealed gate valves or thermal automatic openings.

Meters may be placed on fire services by the utility at any time; however, metered rates will not apply unless improper use of water is disclosed, and if such be the case, usage will be billed to the consumer under Rate Schedule No. 1.

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Sheet No. 5
Replacing all Previous Sheets

UNITED WATER IDAHO INC.

SCHEDULE NO. 4
PRIVATE FIRE HYDRANT SERVICE

Availability:

To all customers having private fire hydrant installations.

Rate:

For fire hydrants installed and maintained by the customer at customer's expense:

Each fire hydrant, per month ~~\$9.60~~ \$10.75/Month

Miscellaneous:

Service pipe from the fitting on the company water main to the fire hydrant is to be installed and maintained by the customer.

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January 31, 2013.

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UNITED WATER IDAHO INC.

**SCHEDULE NO. 1
 GENERAL METERED SERVICE**

Availability: To all metered customers not served under a separate schedule.

<u>Customer Charges:</u>	<u>Bi-Monthly Per Meter Charge</u>	<u>Bi-Monthly Per Meter Charge</u>
<u>Meter Size</u>		
5/8"-3/4"	\$20.10	\$20.80
1"	\$25.70	\$26.60
1-1/4" and 1-1/2"	\$44.00	\$45.50
2" or multiple meters of equivalent capacity	\$68.20	\$70.60
3" or multiple meters of equivalent capacity	\$133.10	\$137.70
4" or multiple meters of equivalent capacity	\$248.20	\$256.90
6" or multiple meters of equivalent capacity	\$414.50	\$428.90
8" or multiple meters of equivalent capacity	\$542.20	\$561.10
10" or multiple meters of equivalent capacity	\$780.30	\$807.40

<u>Volume Charge:</u>	<u>Winter Rates</u>	<u>Winter Rates</u>
For all water used less than 3CCF (100 cubic Feet) (CCF)(1 CCF=748 gallons):	\$1.4388	\$1.4647
For all water used greater than 3CCF	\$1.4388	\$1.4647

<u>Volume Charge:</u>	<u>Summer Rates</u>	<u>Summer Rates</u>
For all water used less than 3CCF (100 cubic Feet) (CCF)(1 CCF=748 gallons):	\$1.4388	\$1.4647
For all water used greater than 3CCF	\$1.7985	\$1.8310

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.

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UNITED WATER IDAHO INC.

SCHEDULE NO. 1B
FLAT RATE SERVICE

Availability:

To non-metered residential customers pursuant to Residential or Multi-Family Housing Non-Contiguous Water Systems Agreement Paragraph 11(a) addressing flat rate systems.

Customer Charges:

Based on United Water Idaho residential consumption for the year ending June 1998 of 208.75 ccf, the average residential bill, assuming a ¾" meter and 65% / 35% summer/winter split, is ~~\$468.90~~ / \$479.34. Billed bi-monthly, equals ~~\$78.15~~ / \$79.89.

<u>Bi-Monthly Charge:</u>	78.15	\$79.89
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Conditions of Contract:

The monthly charge will be prorated whenever the customer has not been a customer for the entire billing period. The Company or the customer may convert to metered service pursuant to Subparagraphs (b) or (c) of Paragraph 11 as follows:

- (b) If Company should determine that a flat rate customer is using water in excess of the average residential customer, the Company will provide a meter setting and meter. Customer will then pay Company's metered tariff rates as approved by the IPUC, which rates may be amended from time to time.
- (c) If a customer prefers to pay Company's approved metered tariff rates, the customer shall pay the installation and material costs associated with the installation of a meter setting.

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UNITED WATER IDAHO INC.

**SCHEDULE NO. 3
PRIVATE FIRE SPRINKLER AND SERVICE**

Availability:

To all customers who have sprinkler systems and/or inside hose connections for fire fighting purposes.

Rate:

For service through a separate line for fire fighting purposes.

For 3" service or smaller, per month	\$17.74	\$18.34
For 4" service per month	\$26.89	\$27.80
For 6" service per month	\$66.79	\$69.05
For 8" service per month	\$109.74	\$113.46
For 10" service per month	\$171.14	\$176.94
For 12" service per month	\$256.33	\$265.03

Miscellaneous:

Provided that if the installation of a private fire service shall require an extension of the existing mains of the company, the cost of such extension shall be borne by the customer.

All private fire services shall be equipped with sealed gate valves or thermal automatic openings.

Meters may be placed on fire services by the utility at any time; however, metered rates will not apply unless improper use of water is disclosed, and if such be the case, usage will be billed to the consumer under Rate Schedule No. 1.

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UNITED WATER IDAHO INC.

SCHEDULE NO. 4
PRIVATE FIRE HYDRANT SERVICE

Availability:

To all customers having private fire hydrant installations.

Rate:

For fire hydrants installed and maintained by the customer at customer's expense:

Each fire hydrant, per month ~~\$10.75~~ \$11.12/Month

Miscellaneous:

Service pipe from the fitting on the company water main to the fire hydrant is to be installed and maintained by the customer.

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