

Jean Jewell

From: satuthill@cableone.net
Sent: Monday, September 26, 2011 6:32 AM
To: Jean Jewell; Beverly Barker; Gene Fadness
Subject: PUC Comment Form

A Comment from Scott Tuthill follows:

Case Number: UWI-W-11-02
Name: Scott Tuthill
Address: 4403 Keldoan Ave
City: Boise
State: ID
Zip: 83702
Daytime Telephone: 208-342-1608
Contact E-Mail: satuthill@cableone.net
Name of Utility Company: United Water of Idaho
Acknowledge: acknowledge

Please describe your comment briefly:

Once again I find myself writing to vigorously complain about a proposed United Water rate increase. Less than two years after their last rate increase application, in a economic period dubbed 'The Great Recession', I find it both shocking and audacious that they would even think of applying for a rate increase, no less one for 20%. I would like to address the two elements of their request. I will offer that I have lightly reviewed the 400+ pages of testimony filed by United Water. I am not an expert on utility accounting and regulation nor all the detail but I am very experienced in general business management in for profit organizations. I know this is long, though relative to the testimony submitted it is not. I am willing to spend time to talk with and/or attend meetings as needed to further present my points.

On the first element of their request, what is truly amazing is that 38% of their request is tied to a reduction in water usage by their customers. Let me address this first in a rational way and then with an emotional perspective.

Rationally, based on testimony, this trend has been going on since 2003 with a reduction in Average Consumption per Metered Customer of 22.7% during that period. Based on a review of the closed case files on the IPUC web site during this same period of time United Water was granted three rate increases for a compounded rate increase of 39.5%. (UWI-W-04-4 = 7.68%, UWI-W-06-02 = 17.91%, and UWI-W-09-01=9.9%). The requested 20% increase would mean United Water rates would increase by a compounded 67% since 2003 against this 22.7% reduction in usage per customer. Something is not right if it takes this much price inflation to make their financials work. Since this trend is both material to their request and seemingly will continue I would not authorize any consumption based rate increase until United Water produces a long term plan that convincingly demonstrates how they intend to manage their business in the face of this consumption trend. This topic has to be addressed and was also identified by Herbert in his testimony.

Now, on the emotional basis, I don't know if the United Water team is either incredibly arrogant or incredibly out of touch with reality to make this request. If you review their web site, their mailings, and other customer communications they have consistently preached for more efficient water usage and supported water conservation efforts. Their 2009 Annual Conversation Guide even states on the title page: 'Cut Your Water Bill with Efficient Landscaping Tips' The IPUC even has 'Water Conservation Tips from United Water Idaho' as a

link on your web site. Now they in effect are saying: 'Well we really didn't mean that, and now that you have cut your water usage like we asked and educated we have to raise rates so we get the same revenue'. To relate to the prior paragraph did this consumption drop catch United Water by surprise? Why didn't they have it worked into their plans years ago? Additionally, looking forward, to continue this communication hypocrisy would be tragic. 'The real truth' needs to be communicated.

Stepping back a bit to look at the big picture, when does United Water actually have to be responsible for managing a business? This application suggest that they not are in touch with the economy and financial state of their customers. Where have they done anything to keep rates and prices down -- like virtually every other business and local government entity in this country? Wyatt's testimony identifies an efficiency measure - Number of Customers per employee. On this metric their performance has degraded by 6% since 2007 and they are a level below 2003. I would expect that given the long term drop in consumption from 2003 that United Water management would put substantial effort into efficiency improvements. But they are going in the wrong direction. Additionally, Wyatt's argument that their absolute level is 'well in excess of the average' is inaccurate and misleading as United Water is only including local employees in their calculation. For an equivalent comparison to other regulated companies they need to include a pro-ration of employees within the rest of United Waterworks, Inc. and Suez Environment.

The second element of their request is once again tied to the argument 'We made all this investment so now we need to increase rates to generate our return from it'. I understand from the last time I commented on a rate increase this is in fact the legally arranged model -- so I will offer comments within that:

* I still claim United Water has no motivation to manage capital projects in an cost efficient manner. In fact if they spend more, they then earn more based on their guaranteed return. From what I understand there is no pre-approval of their capital spending nor independent verification of its need or cost. This model is never going to lead to responsible behavior from a for-profit company. Never. For instance why, in the face of the long term decline consumption per customer do they continue to invest in infrastructure? As identified in Ahern's testimony United Water has \$6.50 of capital per \$1.00 in revenue which is 70% higher than the water industry average of \$3.83. At a very high level their business structure appears inefficient in its capital deployment. Until this inefficiency is convincingly addressed by the Company I would not grant any more rate increases.

* I am aware of the Hill Road project as this is in my area of Boise. Does it really take three years to put in 1.7 miles of water main? This seems as bad as the 12 months it took to build one building across the street from my house back in 2008/2009. I am not a construction expert but in these cases simple observation seems to suggest something is wrong.

* I am not sure if Ahern's testimony also means that another increase in United Water's Authorized ROE is again being considered from 10.4% to 10.5%. I would again caution granting this in the face of the current and future economic outlook where everyone agrees low debt costs will exist well into the future and historic measures of return are likely inaccurate as the world adjusts to a 'New Normal'. Additionally it is worth noting that United Water's average ROE for the 5 year period 2006-2010 at 7.72% is higher than the 7.51% in the comparison proxy group of companies used in Ahern's work. United Water is already making more than their comparison peers. And, I did not see in Ahern's testimony if she also provided a comparison on Authorized Rates of Return in addition to her other work.

* To me '... replacing water mains, service lines, and meters...' sounds like maintenance and not an increase in their capital base. Does spending on this also become a basis for a rate increase? It would seem that wear and tear and maintenance should be paid for out of their ongoing revenue stream.

* One glaring area of expense issues is relative to the \$5.5M spending on the new customer information system. As I understand from the Hawthorne and Doherty testimony this is an initiative across all of United Waterworks and the \$5.5M is United Water of Idaho's allocation. The Hawthorne testimony may be compelling in demonstrating the case for change but nowhere in his testimony does he address the affordability nor financial benefits and

return of this system. This examination and study has to be part of any professional IT planning process. Wyatt's letter to customers says it will '...improve transactions with customers and service calls...' but his testimony also states they have very high customer satisfaction in this area today. They are spending money to fix something that is not broken. Returning to the financial aspects spending \$5.5M on a CIS system for a \$38M revenue business is well beyond reason for any IT spending benchmarks I referenced. A Gartner Group 2009 study indicated total IT spending was 4.1% of company revenue. An earlier PWC study in 2007 across 20 different industries showed total IT spending was 3.1% of company revenue with Utilities on average lower than that. This CIS application development alone is 14% of annual revenue. As another comparison the City of Boise's overall 2011 budget was for \$344M in spending. Of this budget \$6.2M was for IT in total and of that \$2.5M is related to application development. This corresponds to 1.8% and 0.7% respectively of their total spending. When looked at relative to these benchmarks United Water's new CIS system appears extravagant and bloated and I don't feel I should have to pay for it. Spending this amount is ludicrous for a company of this size.

My question to the IPUC is 'Do you have the processes and authority to perform your role?' I understand that by state law you cannot refuse to consider this rate increase request. But my sense is this is a situation where we have both a utility out of control and where there is not the proper financial control system in place to get them under control. As the IPUC I see it as your responsibility to excel and look out after citizens in both areas. If I remember in 2009 you granted United Water an increase in their authorized rate of return. At the time this was questionable and in hindsight it was, in my opinion, a mistake to grant them this. As a question to you, given current and long term forecasted financial conditions of historically low capital costs, how do we reduce this rate? Certainly United Water is not going to request it. Also, given the important tie between capital spending, ROE, and rates, how can you put in place some sort of oversight and approval process to authorize their capital spending BEFORE it becomes part of their asset base for which they are authorized a return. This appears to be the single largest process gap.

Finally, with respect to looking out for citizens help me understand the process you go through. From what I can see United Water filed for their rate increase on August 3rd and submitted 400+ pages of testimony at that time. I am not sure if this was a transcript of live testimony or was based on prepared questions from you or even United Water themselves. Per IPUC memos and press releases you allowed 'Interested Parties' a deadline of September 1 to file as 'intervenor' status. Yet, I like almost all customers, did not find out about the proposed rate increase until we received our United Water bills well into September. How can this timeline provide a due process to normal rate paying citizens? I do give the IPUC credit for delaying the implementation of the rate increase beyond the Sept 2 United Water request, but there is just something wrong in this whole model. It would seem like the intervenor filing process has to provide for some meaningful period after customers are notified by United Water. I will conjecture that some notice might have been placed in local papers and this is a acceptable notification method. But with the long term drop in newspaper circulation this method is no longer sufficient and will not create a due process situation. Changes need to be made to reflect the current electronic methods of 'Push' communications. It is my expectation as well that the IPUC would take leadership in this area.

Thanks for the opportunity to comment and if there is anything else I can provide I would be glad to.

Scott Tuthill
satuthill@cableone.net
4403 Keldoan Ave, Boise, ID 83702

The form submitted on <http://www.puc.idaho.gov/forms/ipuc1/ipuc.html>
IP address is 24.119.36.72

Jean Jewell

From: rlesslee@hotmail.com
Sent: Friday, September 23, 2011 11:34 AM
To: Jean Jewell; Beverly Barker; Gene Fadness
Subject: PUC Comment Form

A Comment from Rod Leslie follows:

Case Number: *UWI-W-11-02*
Name: Rod Leslie
Address: 11108 Powderhorn St.
City: Boise
State: ID
Zip: 83713
Daytime Telephone:
Contact E-Mail: rlesslee@hotmail.com
Name of Utility Company: United Water
Acknowledge: acknowledge

Please describe your comment briefly:

I am opposed to the requested rate increase. To ask for higher rates because people are being more conservative with water use is a slap in the face to all the users who complied with your request.

Also in this economy I don't think it's right to increase rates that will affect the poor and those on fixed incomes the most.

Thank You!
Rod Leslie

The form submitted on <http://www.puc.idaho.gov/forms/ipuc1/ipuc.html>
IP address is 71.37.164.6

Jean Jewell

From: posborn@cableone.net
Sent: Friday, September 23, 2011 7:49 AM
To: Jean Jewell; Beverly Barker; Gene Fadness
Subject: PUC Comment Form

A Comment from P A Osborn follows:

Case Number: UWI-11-02
Name: P A Osborn
Address: 3362 N Gawaine Place
City: Boise
State: Idaho
Zip: 83704
Daytime Telephone:
Contact E-Mail: posborn@cableone.net
Name of Utility Company: United Water
Acknowledge: acknowledge

Please describe your comment briefly:

This comment is to oppose the request by United Water for a general rate increase. As they have stated in the letter sent with the billing, they received a two phase increase last year.

United Water has a monopoly on the water supply, so IPUC is our only recourse to oppose an annual 20% increase. As they are continually advertising, most of us are doing everything we can to decrease consumption and keep our water costs down. I don't think the general public should be penalized to keep their profit margin from going down - price increases cause a hardship for those on a fixed or low income.

Please do not grant this price increase.
Thank you for the opportunity to comment.

The form submitted on <http://www.puc.idaho.gov/forms/ipuc1/ipuc.html>
IP address is 96.18.192.4

Jean Jewell

From: kimtpinkerton@gmail.com
Sent: Monday, September 26, 2011 5:02 AM
To: Jean Jewell; Beverly Barker; Gene Fadness
Subject: PUC Comment Form

A Comment from Kim Pinkerton follows:

Case Number: UWI-W-11-02
Name: Kim Pinkerton
Address:
City: Boise
State: ID
Zip:
Daytime Telephone:
Contact E-Mail: kimtpinkerton@gmail.com
Name of Utility Company: United Water Idaho
Acknowledge: acknowledge

Please describe your comment briefly:

As a customer of United Water Idaho and a believer in conservative water consumption, I am disturbed by the fact that our rates may increase in large part because of the reduction in the company's revenue due to the decrease in volume. We should be rewarded for finding ways to conserve water within our properties and not penalized by having our rates increased because we have. This is wrong.

The form submitted on <http://www.puc.idaho.gov/forms/ipuc1/ipuc.html>
IP address is 96.18.106.139

Jean Jewell

From: Snowbunny@sunvalley.net
Sent: Tuesday, September 27, 2011 4:10 AM
To: Jean Jewell; Beverly Barker; Gene Fadness
Subject: PUC Comment Form

A Comment from Brent Nelson follows:

Case Number: *UWI-W-11-02*
Name: Brent Nelson
Address:
City: Boise
State: ID
Zip: 83702
Daytime Telephone:
Contact E-Mail: Snowbunny@sunvalley.net
Name of Utility Company: United Water
Acknowledge: acknowledge

Please describe your comment briefly:

I feel the requested rate increase should be denied.
As a customer we are asked to conserve water and when we do you want to raise our rates to make up for lost revenue. This is just one of the problems with a private company running our water system. United Water already receives a customer fee that seems high. Maybe the company should have maintained the system better over the years and all this work would not be necessary all at once. We have become more efficient with our water use now United water needs to be more efficient with resources they are paid.

The form submitted on <http://www.puc.idaho.gov/forms/ipuc1/ipuc.html>
IP address is 216.201.66.237
