

1 Q. Please state your name and business address for the
2 record.

3 A. My name is Randy Lobb and my business address is
4 472 West Washington Street, Boise, Idaho.

5 Q. By who are you employed?

6 A. I am employed by the Idaho Public Utilities
7 Commission as Utilities Division Administrator.

8 Q. What is your educational and professional
9 background?

10 A. I received a Bachelor of Science Degree in
11 Agricultural Engineering from the University of Idaho in 1980
12 and worked for the Idaho Department of Water Resources from
13 June of 1980 to November of 1987. I received my Idaho
14 license as a registered professional Civil Engineer in 1985
15 and began work at the Idaho Public Utilities Commission in
16 December of 1987. I have conducted analysis of utility rate
17 applications, rate design, tariff analysis and customer
18 petitions. I have testified in numerous proceedings before
19 the Commission including cases dealing with rate structure,
20 cost of service, power supply, line extensions, regulatory
21 policy and facility acquisitions. My duties at the
22 Commission currently include case management and oversight of
23 all technical Staff assigned to Commission filings.

24 Q. What is the purpose of your testimony in this case?

25 A. The purpose of my testimony is to describe the

1 comprehensive settlement reach by all parties in this case
2 and to explain Staff's support.

3 Q. Please summarize your testimony.

4 A. Staff supports the Stipulated Settlement proposing
5 a two-year rate plan calling for a \$3.05 million (7.96%)
6 increase in year one and a \$950,000 (2.48%) increase in year
7 two with a rate moratorium on additional increases through
8 January 1, 2014. Staff believes that the comprehensive
9 multi-year approach to resolving revenue requirement
10 represents a significantly better deal for customers than
11 could be achieved through either a one-year settlement,
12 litigation of the current rate case, or resolution of
13 additional rate filings in 2012.

14 Staff further supports the cost of service (COS)
15 based increase in monthly meter charges with reasonable
16 deferral and amortization of a variety of Company expenses
17 including establishing a depreciable life for the Customer
18 Care and Billing System (CC&B). Staff agrees to support
19 waiver of the COS study requirement in the next general rate
20 case and to meet with the Company to discuss declining water
21 consumption levels. Finally, Staff supports the low income
22 customer provision specified in the Stipulation.

23 Q. How is your testimony organized?

24 A. My testimony is subdivided under the following
25 headings:

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5 **Stipulation Overview**

6 Q. Would you please describe the terms of the
7 Stipulation?

8 A. Yes. The Stipulation specifies a two-year rate
9 plan increasing base rates by \$3.05 million (7.96%) in year
10 one and \$950,000 million (2.48%) in year two. The
11 Stipulation further specifies that new rates become effective
12 February 1, 2012 and February 1, 2013. The Stipulation
13 prohibits any additional rate increases prior to January 1,
14 2014. The stipulated increase of \$4 million (10.44%) over
15 two years compares with the Company's original proposal to
16 increase rates by \$7.62 million (19.9%) in 2012.

17 While the Stipulation represents a comprehensive
18 settlement, it does not provide agreement or acceptance of
19 specific revenue requirement adjustments, Return on Equity
20 (ROE) level, or cost of service methodology. However, it
21 does specify an increase in the customer service charges in
22 excess of the overall revenue percentage increase.

23 Other terms specified in the Stipulation include:
24 1) deferral and amortization of a variety of expenses
25 including those for Power supply, rate case processing, tank

1 painting, employee relocation, pensions and redundant power
2 supply. The Stipulation also specifies a 10-year depreciable
3 life for the Customer Care and Billing System (CC&B). In
4 addition, the Stipulation specifies that the Commission Staff
5 and the Company shall meet to discuss revenue and earnings
6 issues associated with declining per capita consumption by
7 United Water's customers.

8 Finally, the Stipulation specifies agreement
9 between the Company and the Consumer Action Partnership
10 Association of Idaho (CAPAI) on low income customer issues.
11 The Stipulation is attached as Staff Exhibit No. 101.

12 Q. How does the annual base revenue requirement
13 increase proposed in the Stipulation compare to the increase
14 originally proposed by United Water Idaho?

15 A. As noted above, the Company proposed to increase
16 annual revenue in 2012 by \$7.62 million or 19.9% overall.
17 The Stipulation increases revenue by \$3.05 million in 2012 or
18 approximately 40% of the Company's original request. The
19 Company did not propose a base rate increase in 2013 as part
20 of its filing in this case. However, the two-year revenue
21 increase of \$4 million represents approximately 52% of the
22 Company's original one-year request and prohibits any
23 additional increases in 2013.

24 **The Settlement Process**

25 Q. Would you please describe the process leading to

1 the Stipulated Settlement?

2 A. Yes. The Company filed its rate application on
3 August 3, 2011 and the Commission set a September 1, 2011
4 intervention deadline. CAPAI was the only party to intervene
5 in the case.

6 The Commission issued a procedural order on October
7 5, 2011 establishing a schedule for pre-filed direct
8 testimony, pre-filed rebuttal testimony and the dates for the
9 technical hearing.

10 In preparation for filing its direct testimony,
11 Staff thoroughly reviewed the Company's rate filing and
12 conducted onsite audit of Company expenses and investments.
13 Staff also submitted over 200 production and audit requests
14 to the Company to gather information as part of its
15 investigation.

16 Once Staff had sufficiently completed its
17 identification of issues, adjustments and supporting
18 justification, a settlement conference was scheduled and the
19 parties met on November 16, 2011. The timing of settlement
20 negotiations was important to assure that Staff had time to
21 sufficiently develop its case but still had ample time to
22 prepare testimony in the event settlement was not achieved.
23 Direct testimony was scheduled to be filed on December 13,
24 2011.

25 The primary topic discussed at the settlement

1 conference was revenue requirement. Issues included
2 methodology to determine normalized annual water consumption,
3 Return on Equity (ROE), salary expense, pension expense,
4 Customer Information System (CIS) investment and some 20
5 other revenue requirement adjustments. The parties also
6 discussed annual expense trackers, changes to the customer
7 charge, first block water consumption levels and low income
8 assistance. The possibility of a multi-year rate plan was
9 also discussed during the meeting but settlement was not
10 achieved. The parties met again the next day on November 17
11 to continue negotiations. Once again the parties could not
12 reach agreement on revenue requirement and settlement was not
13 achieved. Staff and the Company continued to negotiate over
14 the next week and through compromise by both parties reached
15 tentative agreement on settlement terms.

16 **Staff Evaluation**

17 Q. How did Commission Staff evaluate the Stipulation
18 to determine that it was reasonable?

19 A. The primary approach taken by Staff to evaluate the
20 merits of the Stipulation was to compare the revenue
21 requirement increase proposed in the Settlement to the
22 revenue requirement increase that could reasonably be
23 achieved through hearing. The ultimate goal is to achieve
24 the best deal possible for customers regardless of process.

25 During the four-month period since the Company's

1 filing, Staff had the opportunity to thoroughly review
2 company expenses and investments. Staff also extensively
3 evaluated water consumption and economic data to determine if
4 the Company's analysis of historic usage trends and
5 forecasted usage declines were valid.

6 Based on its investigation, Staff believed it could
7 reasonably support recommending a \$4.4 million reduction in
8 the Company's revenue requirement request. This would result
9 in an increase of approximately \$3.2 million or 8.3% if all
10 of the Staff's recommended adjustments were accepted by the
11 Commission. Staff could not expect that the Commission would
12 approve an increase lower than this amount absent additional
13 adjustments and supporting justification provided on the
14 record. Additionally, Staff was made aware through the
15 negotiation process of potential weaknesses in its case that
16 would be exploited by the Company at hearing. The likely
17 outcome of litigation with Company rebuttal of Staff
18 positions and other evidence on the record would be a
19 reduction in revenue requirement adjustments and a larger
20 overall increase than that proposed by the Staff.

21 Consequently, Staff believed the first year
22 stipulated increase of 7.96% was a better outcome than the
23 best case 8.3% increase identified by Staff. Staff also
24 believed that the overall two-year increase of 10.44% could
25 be a better deal for customers than what would ultimately be

1 approved by the Commission based on the record at hearing.
2 This is particularly true when one considers that the Company
3 is prohibited by the Stipulation from any additional
4 increases until January 1 of 2014. Absent the Stipulation,
5 the Company could realistically be awarded an increase in
6 excess of 10.44% in this case and then file another rate case
7 next year.

8 Q. What adjustments did Staff identify?

9 A. Staff identified over 30 adjustments but the
10 majority of the revenue reduction was concentrated in five
11 main areas. They were ROE, normalized water sales, employee
12 compensation, CC&B investment and working capital. Together
13 these categories made up approximately \$4 million of the
14 \$4.44 million overall reduction identified by Staff. Other
15 areas of adjustment included rate case expenses, rate base
16 adjustments, R&I Alliance costs, backup generation costs,
17 water right expenses and other miscellaneous expenses.

18 Q. Why was Staff unable to identify sufficient
19 adjustments to eliminate the need for a rate increase?

20 A. The drivers of the Company's revenue request
21 increase in this case were primarily additional Company
22 investment, increases for power, pensions, chemicals and
23 other operational expenses and declining revenues to recover
24 fixed costs. Some expense increases for things like power
25 supply, property taxes, chemicals and cash contributions to

1 pensions are direct pass-through revenue requirements that
2 are subject to limited adjustment. Some new investments for
3 things such as pipelines, filtration and pumping are clearly
4 required for providing adequate service and are also subject
5 to limited adjustment. It is these categories of costs that
6 are justified and simply must be paid for, creating an
7 unavoidable revenue requirement increase.

8 Moreover, Company investments and expense levels
9 previously approved for recovery by United Water in prior
10 rate cases require a higher level of justification to be
11 removed as unreasonable in this case. Consequently, Staff
12 focused on those investments and expenses that were
13 questionable, incurred at the discretion of the Company and
14 not previously approved by the Commission.

15 Q. Doesn't reduction in the Company proposed ROE
16 provide significant opportunity to reduce the requested
17 revenue requirement increase?

18 A. Yes it does and the Staff incorporated an ROE in
19 its revenue requirement calculation that was significantly
20 below that recommended by the Company. In fact Staff's
21 suggested ROE was significantly below anything approved by
22 the Commission for an Idaho utility in the last 20 years.

23 Disagreement among the parties over appropriate ROE
24 is the reason it is not specified in the Stipulation. In
25 Staff's opinion, the possibility of a lower Commission

1 ordered ROE as a result of hearing and Staff's agreement to
2 not specify ROE in the Stipulation is one reason why a lower
3 overall revenue requirement could be achieved by Stipulation.

4 Q. The Company has cited declining water sales as one
5 of the reason a rate increase is needed at this time. You
6 also previously mentioned that Staff evaluated water
7 consumption and economic data to determine if the Company's
8 analysis of historic usage trends and forecasted usage
9 declines were valid. How does the Stipulation address this
10 issue?

11 A. Besides ROE, determination of normalized test year
12 water consumption was the most controversial issue addressed
13 during settlement negotiations. Staff did not believe the
14 Company's historic trend analysis and forecast of normalized
15 annual water consumption was valid. Although the conclusions
16 reached regarding consumption levels were significantly
17 different, neither the Staff nor the Company would concede on
18 method of analysis or results. Consequently, the Stipulation
19 does not specifically accept or identify declining water
20 consumption trends.

21 However, Staff believes the stipulated revenue
22 requirement increase captures the effect of Staff's adjusted
23 normalized consumption levels. In other words, much of the
24 Company's proposed rate increase due to reduced water
25 consumption has been removed. To the extent Staff's

1 consumption adjustment is captured in overall revenue
2 requirement, the Company can continue to use its proposed
3 level of consumption to establish commodity rates.

4 To further address this issue, the Stipulation
5 provides for meetings between Staff and the Company to
6 discuss revenue and earnings instability associated with
7 declining per capita consumption by United Water's customers.
8 The rate moratorium period will also allow for further
9 analysis of consumption level trends.

10 **COS and Rate Design**

11 Q. Has Staff reviewed the Company's cost of service
12 study?

13 A. Yes, it has.

14 Q. What terms in the Stipulation pertain to COS?

15 A. While the COS study is not specifically accepted in
16 the Stipulation, it is used to establish stipulated bi-
17 monthly customer charges.

18 Q. Is the Company's COS study used in any other way?

19 A. No. Consequently, the parties to the Stipulation
20 agreed that Commission rules requiring a COS filing with each
21 application for a general rate increase be waived for the
22 Company's next general rate case filing. Staff believes the
23 waiver will reduce rate case costs and improve efficiency of
24 case processing without sacrificing necessary information.

25 Q. Why does Staff support use of the COS for the

1 purpose of establishing customer charges?

2 A. The Company's proposed COS study shows that current
3 bi-monthly customer charges do not cover all fixed costs
4 associated with providing water service. Staff does not
5 dispute the COS findings in this regard. However, Staff
6 maintains, as it has in past cases, that the customer charge
7 should only recover fixed costs associated with meter
8 reading, billing services, and a portion the costs for meters
9 and services. In Staff's opinion, applying the Company's COS
10 for this category of costs justifies the above average
11 increase in customer charges.

12 Q. What does the Stipulation provide in terms of rate
13 design?

14 A. The Stipulation provides for an increase in the bi-
15 monthly customer charge for each meter size based on the
16 Company's original COS based proposal. For example, the
17 Company originally proposed to increase the bimonthly
18 customer charge for a 3/4 inch metered customer from \$18.10
19 to \$23.20, an increase of 28.18% when the proposed overall
20 revenue increase was 19.9%. Applying the same ratio to a
21 stipulated overall revenue increase in year one of 7.96%
22 produces a bi-monthly increase from \$18.10 to \$20.10 or
23 approximately 11.1%. Bi-monthly charges for all other meter
24 sizes were then determined based on their ratio to the 3/4
25 inch metered rate.

1 The ratio would also be applied to the year two
2 increase. The bimonthly rate would increase from \$20.10 to
3 \$20.78 for an approximate 3.48% increase when the overall
4 rate increase in year two is only 2.48%.

5 Commodity rates would all increase uniformly to
6 generate the necessary increase each year. In year one the
7 commodity rate would increase by 6.48% and in year two it
8 would increase by an additional 1.89%. Staff Exhibit No. 102
9 shows how customer charges and commodity rates change over
10 the two-year period.

11 Q. What is the impact of the rate changes on customer
12 bills at various consumption levels?

13 A. Customers with 5/8 or 3/4 inch meters using 10
14 cubic feet (CFT) of water bi-monthly would see their summer
15 bi-monthly bills increase from \$33.99 to \$37.01 in the first
16 year and to \$38.01 in the second year. Non summer bills
17 would increase from \$31.62 to \$34.48 in year one and to
18 \$35.45 in year two.

19 Customers using 100 CFT would see bi-monthly summer
20 bills increase from \$186.11 to \$198.87 in year one and to
21 \$202.80 in year two. Staff Exhibit No. 103 shows how bi-
22 monthly bills will change for residential customers in summer
23 at various consumption levels.

24 **Other Issues**

25 Q. Could you please explain Staff's support for the

1 expense deferrals specified in the Stipulation?

2 A. Yes. There are six expense deferrals specifically
3 identified in the Stipulation. They are: 1) Power Supply
4 Expense; 2) Rate Case Expense; 3) Tank Painting Expense; 4)
5 Pension Expense; 5) Relocation Expense; and 6) Redundant
6 Power Expense.

7 Two of the expenses identified in the Stipulation
8 for deferral and amortization, Power supply and rate case
9 expenses, constitute a continuation of accounting and cost
10 recovery previously approved by the Commission in Order No.
11 31029 issued in Case No UWI-W-09-01. Staff therefore
12 supports continued amortization over three years of these
13 unamortized costs.

14 Staff further supports a deferral and three-year
15 amortization of the actual rate case expenses associated with
16 this case. While Staff has questions regarding the amount of
17 costs recoverable from customers, it believes the overall
18 stipulated revenue increase incorporates these concerns and
19 allows for near full amortization of this additional expense
20 during the rate moratorium period.

21 Staff also agrees that it is reasonable to allow
22 deferral for amortization of tank painting expense as
23 specified by the Stipulation. Staff believes that expenses
24 associated with painting the Hillcrest Storage reservoir are
25 justified and the accounting treatment is consistent with

1 Commission treatment of similar expenses in the past.

2 Staff has also agreed to the deferral with
3 amortization of relocation and redundant power expenses as
4 specified in the Stipulation. Staff maintains that concerns
5 regarding the level of appropriate cost recovery of these
6 items have been incorporated in the overall stipulated
7 revenue requirement. In addition, Staff believes that any
8 specific recovery of unamortized relocation costs can be
9 addressed in a future rate case. Staff also believes that
10 the 5-year amortization of redundant power supply costs
11 associated with removal of non-salvageable plant is
12 reasonable.

13 Q. Why did Staff agree to deferral and amortization of
14 pension expense?

15 A. Staff agreed to deferral and amortization of
16 pension expense as a compromise in this case and to recognize
17 that pension expense can fluctuate significantly from year to
18 year in much the same way that power supply expense
19 fluctuates. Staff agrees that it is reasonable to allow the
20 Company to defer actual cash contributions to the Company's
21 pension plan in excess of annual amounts included in base
22 rates and request recover in a subsequent rate case. The
23 deferral balance is symmetrical in that it can decrease if
24 actual contributions are less than those embedded in base
25 rates.

1 Q. Why does the Stipulation specify a useful life of
2 10 years for the Company's CC&B system?

3 A. The Stipulation specifies a useful life for the
4 CC&B system in order for the Company to calculate
5 depreciation expense and begin depreciation of the equipment.
6 The Company had originally proposed a seven year life. The
7 Staff proposed ten year depreciable life results in a lower
8 annual depreciation expense and a lower overall revenue
9 requirement than would have otherwise occurred.

10 Q. Would you please explain Staff's support for the
11 low income customer provisions in the Stipulation?

12 A. The low income customer provisions specified in the
13 Stipulation deal with modification of existing United Water
14 programs to: 1) increase the benefit cap United Water
15 provides to each qualified customer; 2) to increase the
16 matching cap for funding provided by United Water through UW
17 Cares; and 3) provide CAPAI with low income customer water
18 use information and additional water conservation devices for
19 distribution to low income customers. Staff believes these
20 recommendations are reasonable and supports all of the modest
21 low income customer program enhancements. Staff also notes
22 that the changes have little or no revenue requirement impact
23 in this case.

24 Q. Does that conclude your testimony?

25 A. Yes, it does.

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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.

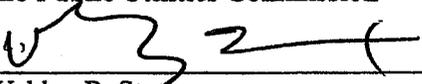
20. Best Efforts. The Parties submit this Stipulation to the Commission and recommend approval in its entirety. Parties shall support this Stipulation before the Commission, and no Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation 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.

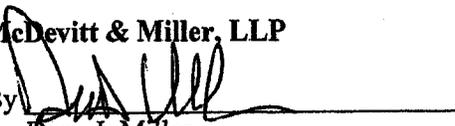
Respectfully submitted this 7th day of December, 2011.

Idaho Public Utilities Commission

By 

Weldon B. Stutzman
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

Sheet No. 3
 Replacing all Previous Sheets

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"	\$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 Rates</u>	<u>Winter Rates</u>
For all water used less than 3CCF (100 cubic Feet) (CCF)(1 CCF=748 gallons):	\$1.3521	\$1.4388
For all water used greater than 3CCF	\$1.3521	\$1.4388

<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):	\$1.3521	\$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

Exhibit No. 101
 Case No. UWI-W-11-02
 R. Lobb, Staff
 12/13/11 Page 11 of 20

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.

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

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.

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

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.

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

STIPULATION EXHIBIT A PAGE 5 OF 10

Exhibit No. 101
Case No. UWI-W-11-02
R. Lobb, Staff
12/13/11 Page 15 of 20

Sheet No. 3
 Replacing all Previous Sheets

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"	\$20.40	\$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	\$133.40	\$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</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):	\$1.4388	\$1.4647
For all water used greater than 3CCF	\$1.4388	\$1.4647

<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):	\$1.4388	\$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.

UNITED
 Issued Per IPUC Order No.
 Effective – February 1, 2013

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

Exhibit No. 101
 Case No. UWI-W-11-02
 R. Lobb, Staff
 12/13/11 Page 16 of 20

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 ~~\$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.

UNITED
Issued Per IPUC Order No.
Effective – February 1, 2013

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

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.

UNITED
Issued Per IPUC Order No.
Effective – February 1, 2013

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

Sheet No. 10
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 ~~\$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.

UNITED
Issued Per IPUC Order No.
Effective – February 1, 2013

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

**United Water Idaho Inc.
Stipulation Bi-Monthly Rates**

UWI-W-11-02

Bi-Monthly Customer Charge	Present Rate 2011	Stipulation Rate Effective 1-Feb 2012	Percent Increase	Stipulation Rate Effective 1-Feb 2013	Percent Increase
5/8 - 3/4	18.10	20.10	11.05%	20.80	3.48%
1	23.79	25.70	8.03%	26.60	3.50%
1 1/2	38.55	44.00	14.14%	45.50	3.41%
2	55.65	68.20	22.55%	70.60	3.52%
3	102.23	133.10	30.20%	137.70	3.46%
4	162.71	248.20	52.54%	256.90	3.51%
6	313.15	414.50	32.36%	428.90	3.47%
8	472.39	542.20	14.78%	561.10	3.49%
10	660.37	780.30	18.16%	807.40	3.47%
Winter Rates					
Usage up to 3 CCF	1.3521	1.4388	6.41%	1.4647	1.80%
Greater than 3 CCF	1.3521	1.4388	6.41%	1.4647	1.80%
Summer Rates					
Usage up to 3 CCF	1.3521	1.4388	6.41%	1.4647	1.80%
Greater than 3 CCF	1.6902	1.7985	6.41%	1.8310	1.81%
Flat Rate	72.36	78.15	8.00%	79.89	2.23%
Private Fire - Monthly					
3" and smaller	15.84	17.74	11.99%	18.34	3.38%
4"	24.01	26.89	12.00%	27.80	3.38%
6"	59.63	66.79	12.01%	69.05	3.39%
8"	97.98	109.74	12.00%	113.46	3.39%
10"	152.80	171.14	12.00%	176.94	3.39%
12"	228.87	256.33	12.00%	265.03	3.39%
Sprinkler	239.98	268.78	12.00%	277.90	3.39%
Hydrant	9.60	10.75	11.98%	11.12	3.42%

Bill Impacts for Typical 3/4-inch Meter Customers at Various Summer Usage¹
United Water Idaho
Case No. UWI-W-11-02

Bi-monthly Summer Usage CCF ²	Present Rate			Year 1 Rates			Year 2 Rates			Percent Diff. Yr-1 & Present		Percent Diff. Yr-1 & Yr-2		
	Customer Charge	Commodity Charge	Total Charge	Customer Charge	Commodity Charge	Total Charge	Customer Charge	Commodity Charge	Total Charge	Customer Charge	Commodity Charge	Total Charge	Yr-1	Yr-2
3	\$ 18.10	\$ 4.06	\$ 22.16	\$ 20.10	\$ 4.32	\$ 24.42	\$ 20.80	\$ 4.39	\$ 25.19	10.20%	3.19%	\$ 20.80	\$ 4.39	\$ 25.19
10	\$ 18.10	\$ 15.89	\$ 33.99	\$ 20.10	\$ 16.91	\$ 37.01	\$ 20.80	\$ 17.21	\$ 38.01	8.88%	2.72%	\$ 20.80	\$ 17.21	\$ 38.01
50	\$ 18.10	\$ 83.50	\$ 101.60	\$ 20.10	\$ 88.85	\$ 108.95	\$ 20.80	\$ 90.45	\$ 111.25	7.23%	2.12%	\$ 20.80	\$ 90.45	\$ 111.25
100	\$ 18.10	\$ 168.01	\$ 186.11	\$ 20.10	\$ 178.77	\$ 198.87	\$ 20.80	\$ 182.00	\$ 202.80	6.86%	1.98%	\$ 20.80	\$ 182.00	\$ 202.80
200	\$ 18.10	\$ 337.03	\$ 355.13	\$ 20.10	\$ 358.62	\$ 378.72	\$ 20.80	\$ 365.10	\$ 385.90	6.64%	1.90%	\$ 20.80	\$ 365.10	\$ 385.90
500	\$ 18.10	\$ 844.09	\$ 862.19	\$ 20.10	\$ 898.17	\$ 918.27	\$ 20.80	\$ 914.40	\$ 935.20	6.51%	1.84%	\$ 20.80	\$ 914.40	\$ 935.20
1000	\$ 18.10	\$ 1,689.19	\$ 1,707.29	\$ 20.10	\$ 1,797.42	\$ 1,817.52	\$ 20.80	\$ 1,829.90	\$ 1,850.70	6.46%	1.83%	\$ 20.80	\$ 1,829.90	\$ 1,850.70

¹Summer usage and rates apply to water consumed between May 1 and September 30.

²CCF = 100 cubic feet

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13TH DAY OF DECEMBER 2011, SERVED THE FOREGOING **DIRECT TESTIMONY OF RANDY LOBB IN SUPPORT OF THE STIPULATION AND SETTLEMENT**, IN CASE NO. UWI-W-11-02 BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

KEVIN H. DOHERTY
UNITED WATER MANAGEMENT AND
SERVICES COMPANY
200 OLD HOOK ROAD
HARRINGTON PARK, NJ 07640
E-MAIL: Kevin.doherty@unitedwater.com

DEAN J MILLER
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2019 N 17TH STREET
BOISE ID 83702
E-MAIL: bmpurdy@hotmail.com



SECRETARY

CERTIFICATE OF SERVICE