

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
UNITED WATER IDAHO INC. FOR) CASE NO. UWI-W-15-01
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR WATER SERVICE IN) ORDER NO. 33436
THE STATE OF IDAHO)**

On May 21, 2015, United Water Idaho Inc.¹ filed a general rate case Application to increase its rates and charges for water service effective June 22, 2015. United Water provides water service to roughly 90,000 business and residential customers in Boise, parts of Eagle, and unincorporated areas of Ada County. The Company proposed to increase its rates by an overall average of 13.2%, resulting in an annual revenue increase of \$5,881,308. Application at 2.

The Commission issued a Notice of Application and Notice of Intervention Deadline, and ordered that the effective date be suspended until December 22, 2015. Order No. 33316. Community Action Partnership Association of Idaho (CAPAI) petitioned to intervene, which the Commission granted. Order No. 33334. The Commission scheduled a technical hearing for November 19, 2015.

On October 8, 2015, the parties filed a Settlement Stipulation and a Joint Motion to Adopt Settlement Procedure and Approve Settlement Stipulation. The Commission adopted the agreed procedural schedule and issued a Notice of Proposed Settlement and Request for Public Comment. The Commission scheduled evidentiary and customer hearings for November 19, 2015, to address the Settlement Stipulation. Order No. 33398.

The Commission received 35 public comments, which included a comment from Boise Deputy Chief Fire Marshal Romeo Gervais. On November 19, 2015, the Commission heard testimony from the parties at an evidentiary hearing on the proposed settlement; the Commission also conducted a customer hearing later that day at which no witnesses appeared. The Commission set December 1 as the deadline for CAPAI to Petition for Intervenor Funding, with which CAPAI complied, rendering the matter fully submitted. Having considered the record before it, the Commission approves the Settlement Stipulation and grants intervenor funding to CAPAI as discussed more fully below.

¹ During this rate case proceeding, United Water applied to the Commission for approval to change its name from United Water Idaho to SUEZ Water Idaho. See Case No. UWI-W-15-03. The Commission authorized the name change in Order No. 33429.

I. UNITED WATER GENERAL RATE CASE

A. The Application

In its Application, United Water proposed a \$5,881,308 annual revenue increase to be spread by a uniform percentage increase across all rate elements. Application at 3. The Company proposed to increase the bi-monthly customer charge from \$20.80 to \$23.55 for small customers served by a 5/8-inch and 3/4-inch service line; from \$26.60 to \$30.10 for larger customers served by a 1-inch service line; and a corresponding increase for customers with larger meter sizes. *Id.*, Atch. 2 at 1. The proposed overall average rate increase was 13.2%.

The Company also proposed increases in its usage rates. Under United Water's proposal, the volumetric charge for water used during the non-summer months would increase from \$1.4647 to \$1.6576 per 100 cubic feet (CCF)² of water. *Id.* The volumetric charge for water used during the summer (between May and September) would increase from \$1.4647 per CCF to \$1.6576 per CCF for less than 3 CCF, and increase to \$2.072 per CCF for all water usage greater than 3 CCF. Application, Atch. 3, Customer Notice. Under the proposal, the average residential customer using 9,500 gallons per month would experience a rate increase of about \$4.22 per month, or an annual billing increase from \$383.99 to \$434.61.

According to the Application, United Water invested more than \$39 million in its water system since its last rate case in 2011. These capital improvements included \$17.2 million to replace aging water mains and meters; \$3.5 million to replace treatment facilities; \$900,000 for a replacement storage tank in the Bogus Basin Road area; and \$500,000 for auxiliary power equipment to ensure uninterrupted water supply during periods of electric outages. *Id.*

United Water sought additional revenue to recover its increased operating expenses and costs associated with plant additions, and to produce a fair rate of return. The Company's proposed rate increase included a requested return on equity of 10.4%, resulting in an expected overall rate of return of 8.45%. Doherty Direct at 2. The Company maintained that its current rates only produce a rate of return of 6.43% based on a test year ending December 31, 2014. Application at 3.

Also in its Application, the Company proposed several changes to its "Rules and Regulations Governing the Rendering of Service." United Water proposed to terminate service without prior notice if a customer failed to install, maintain or annually test a backflow

² A CCF, or 100 cubic feet of water, equals 748 gallons.

prevention device. Exh. 2 to Thompson Direct. In addition, the Company proposed changes to its Water Main Extension Agreements. *Id.*

B. The Proposed Settlement

The parties filed a proposed Settlement Stipulation on October 8, 2015, that they agreed “is in the public’s interest,” and that “represents a fair, just and reasonable compromise of the issues raised in United Water’s Application for an increase in water service rates.” Settlement Stipulation at 2. In the Settlement Stipulation, the parties agreed that United Water be permitted to recover \$2,730,000 in additional revenue effective December 22, 2015, which is an overall annual increase of approximately 6.00%, and to recover an additional \$670,000 effective December 22, 2016, which is an additional annual increase of 1.39%. *Id.* at 4. The Settlement Stipulation also includes provisions regarding rate design, and deferrals and amortizations. *Id.* at 4-5. Under the Settlement Stipulation, the parties agreed United Water would not file a general revenue requirement rate case for new rates, to be effective before December 22, 2017. *Id.* at 4.

The parties stipulated to the following changes to customer rates in the first year, as part of the proposed settlement:

CUSTOMER CHARGE	CURRENT	UNDER PROPOSED SETTLEMENT
5/8-inch to 3/4-inch service line (bi-monthly)	\$20.80	\$22.05
1-inch service line (bi-monthly)	\$26.60	\$28.19
Non-summer months (volumetric, per CCF, i.e., 100 cubic feet or 748 gallons)	\$1.4647	\$1.5523
Summer months (volumetric, per CCF), up to 3 CCF	\$1.4647	\$1.5523
Summer months (volumetric, per CCF), greater than 3 CCF	\$1.8310	\$1.9405

Attachment 1 to Application at 1 (showing current rates); *see* Settlement Stipulation, Exhibit A at 21 (detailing all proposed rate changes).

Further, the parties agreed to modify United Water’s proposed Rules and Regulations changes, as shown in Amendment 1 to Exhibit 2A, attached to the Settlement Stipulation. The modifications include language allowing “residential fire protection systems conforming to NFPA [National Fire Protection Association] [Rule] 13D standards for flow through usage” as an exception to the requirement that “[a]ll fire service line connections will be separate from potable service lines.” Settlement Stipulation, Amendment 1 to Exhibit 2A. The parties also

agreed to clarifying language regarding termination of service under the cross-connection control program and backflow prevention devices. *Id.*

Finally, the parties' Settlement Stipulation addressed "United Water Cares," a voluntary program that provides financial assistance to the Company's low-income customers. United Water agreed to increase its annual per-customer assistance contribution in the program from \$65 to \$75. Settlement Stipulation at 6. After December 22, 2016, the cap will be increased in any subsequent general rate case by the same percentage (rounded up to the nearest dollar) as the percentage increase in revenue granted. *Id.* at 6-7.

C. Customer Comments

Although no one testified at the customer hearing on November 19, 2015, the Commission received 35 written comments from 33 customers, and from Boise Deputy Fire Chief Romeo Gervais. Only one customer comment was filed after the Settlement Stipulation was reached and announced; the customer who filed that comment also commented before the Settlement Stipulation announcement.

The general tenor of the pre-settlement comments was disapproval. Almost all comments expressed, in one form or another, that the proposed rate increase in United Water's Application was excessive, unreasonable, or otherwise unjustified. One customer did not oppose the rate increase, but suggested that only the usage charge increase, and that fixed customer charges remain the same. Another customer proposed inquiry into the variable costs of pumping water to customers at different elevations. The customer who commented twice expressed disapproval before the Settlement announcement, but ultimately expressed approval and appreciation of the Settlement Stipulation.

Deputy Fire Chief Gervais filed his comment before the Settlement Stipulation announcement. His comment addressed United Water's proposed rule change that would have required "all fire service line connections [to] be separate from potable service lines." Application, Thompson Direct, Exh. 2 at Sheet 22, Section 44. Chief Gervais wrote that NFPA Rule 13D, which was "adopted by the City of Boise and the State of Idaho . . . was specifically developed to provide reasonable levels of life safety while allowing cost effect installations." Citing that rule, Chief Gervais wrote, "I would recommend United Water allow combined domestic and fire protection services for meter sizes up to 2-inches where used to supply NFPA 13D systems." *Id.* Addressing the Chief's concern, the parties agreed to add an exception – for

NFPA 13D systems – to the requirement that all fire service line connections be separate from potable service lines for meter sizes up to one inch. Settlement Stipulation, Amendment 1 to Exh. 2A.

II. DISCUSSION AND FINDINGS

United Water Idaho Inc. is a water corporation and a public utility, as defined under Title 61 of the Idaho Code, providing water service to the public in the State of Idaho. *Idaho Code* §§ 61-125, 61-129. The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502, -503, -507, -520, -523, and -622.

The Commission considers settlement stipulations under Procedural Rules 271-277. IDAPA 31.01.01.271-.277. Under those rules, the Commission prescribes how it will consider a proposed settlement, given the nature of the case and terms of the settlement before it. IDAPA 31.01.01.274. In this case, we set the matter for an evidentiary hearing at which the parties presented testimony supporting the settlement stipulation; we also requested comments from the public, in writing or at a public customer hearing. Order No. 33398.

The purpose of an evidentiary hearing on a settlement is “to consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.” IDAPA 31.01.01.274. The settlement stipulation’s proponents have the burden of showing that the settlement is reasonable, in the public interest, or otherwise according to law or regulatory policy. IDAPA 31.01.01.275. The Commission is not bound by settlement agreements. Instead, we “independently review any settlement proposed” to determine whether it complies with our rules and the law. IDAPA 31.01.01.276.

Commission Staff conducted an extensive review and audit of United Water’s rate case filing. Tr. at 24-27. Staff’s examination included numerous discovery requests, analyses of trends and the Company’s allocations to Idaho, and evaluations of adjustments for reasonableness. *Id.* Staff, United Water, and CAPAI participated in a number of settlement discussions to address Staff’s and CAPAI’s concerns regarding the Company’s rate case filing. Settlement Stipulation at 3. We note with approval, the professionalism with which the parties engaged in settlement discussions, as described by United Water’s witness Marshall Thompson. *Id.* at 16. Also, we appreciate the time and effort undertaken by customers, and by Deputy Fire Chief Gervais, who provided their comments in this matter.

A. Revenue Requirement, Rate Design, Stay-Out, and Deferrals

As to the agreed revenue increase, we observe that the agreed first year increase of \$2.73 million (and a total increase of \$3.4 million over two years) is a significant reduction from United Water's initial request of \$5.88 million in a single year. United Water's initial request was made "to enable the Company to earn a return on additional capital investments" to its water system since rates were last set in January 2012, as well as to recover increased operating costs. Tr. at 8-9. Staff proposed a number of specific adjustments (e.g., regarding employee compensation and incentives, pension costs, allocated costs) about which the parties did not agree. *Id.* at 27-30. However, witnesses for Staff and United Water indicated that the Settlement Stipulation represents compromises made by all parties to achieve a mutually acceptable revenue requirement. *Id.* at 10, 26. CAPAI, which performed its own analysis of the terms in the Settlement Stipulation, also agreed the terms were fair, just and reasonable. *Id.* at 39-40. We find that the first year revenue increase of \$2,730,000, effective December 22, 2015, and the second year increase of \$670,000, effective December 22, 2016, are just, fair and reasonable, and in the public interest. *See Idaho Code* § 61-622; IDAPA 31.01.01.274-.276. These adjustments are necessary to provide for recovery of reasonable investments and expenses.

The parties agreed that United Water's increased revenue should be recovered by a uniform percentage increase to all rate elements. *Id.* at 7, 31. The parties did not agree on a *methodology* for assessing weather normalization and declining customer usage. *Id.* at 29-30. However, United Water accepted the normalized consumption *values* proposed by Staff. *Id.* at 7, 30. We find that a uniform percentage increase is appropriate. *See IDAPA* 31.01.01.274-.276.

Under the Settlement Stipulation, United Water agreed not to file another general revenue requirement rate case with an effective date prior to December 22, 2017. *Id.* at 7. Staff expressed that this "Stay-Out" provision "provides rate stability for customers." *Id.* at 26. In addition, the parties agreed to deferrals and amortization periods regarding: (1) deferred power; (2) rate case expense; (3) tank paintings; (4) pension expense; (5) AFUDC equity gross up amount; (6) relocation expense; and (7) conservation expense. *Id.* at 7-8, 30-31; *see Settlement Stipulation* at 5. We find the agreed upon treatment regarding these terms fair and just. *See IDAPA* 31.01.01.274-.276.

B. Rules and Regulations

In their settlement discussions, the parties also addressed language used in United Water's proposed rules and regulations changes. Tr. at 9, 31. Modifications to the proposed changes were agreed upon and set forth in Amendment 1 to Exhibit 2A, attached to the parties' Settlement Stipulation.

One of the modifications concerns fire service connection lines. United Water's initial proposal stated, "All fire service line connections will be separate from potable service lines." Staff suggested – as supported by Deputy Chief Gervais's written comment – adding the proviso, "except that residential fire protection systems conforming to NFPA 13D standards for flow through usage will be permitted on the meter size range one-inch or smaller (≤ 1 in)." Amendment 1 to Exh. 2A. Although Mr. Thompson's prefiled testimony did not reflect the change, he clarified at hearing that United Water agreed to Staff's proposed language, as reflected in the Settlement Stipulation. Tr. at 4.

Staff also proposed changes to United Water's rules modifications regarding the Company's cross-connection control program. See Amendment 1 to Exh. 2A. Mr. Thompson expressed that Staff's suggested changes "resulted in improved clarity in [the] Rules." Tr. at 14. We find that the agreed language, as articulated in the parties' Amendment 1 to Exhibit 2A of the Settlement Stipulation is appropriate and approve it. See IDAPA 31.01.01.274-.276.

C. Low-Income Customer Program

The United Water Cares program assists low-income customers through bill reductions. See Settlement Stipulation at 6. Following settlement discussions with CAPAI, United Water agreed to increase its program's limit for per-customer assistance from \$65 to \$75, effective January 1, 2016. *Id.* at 6-7. Increasing the program limit does not affect customer rates. CAPAI Executive Director Christina Zamora expressed that "CAPAI is appreciative of [United Water's] exemplary attitude toward and treatment of its low-income customers." Tr. at 45. Ms. Zamora also testified that the Company's agreement to increase the per-customer assistance limit serves the best interest of all ratepayers by reducing customer arrearages, and debt-collection costs, among other benefits. *Id.* We find that increasing the per-customer assistance in the United Water Cares program is just, fair and reasonable, and in the public's interest. See IDAPA 31.01.01.274-.276. We further find that linking future program benefits to approved revenue requirement increases in rate cases after December 22, 2016, is a proactive

method to assist low-income customers and reflects the Company's commitment to furthering its United Water Cares program.

III. INTERVENOR FUNDING

A. Legal Standard

Intervenor funding is available pursuant to *Idaho Code* § 61-617A and Commission Rules 161 through 165. Section 61-617A(1) declares that it is “the policy of [Idaho] to encourage participation at all stages of all proceedings before this commission so that all affected customers receive full and fair representation in those proceedings.” *Idaho Code* § 61-617A(2). The statute authorizes the Commission to order any regulated utility with intrastate annual revenues exceeding \$3.5 million – such as United Water – to pay all or a portion of the costs of one or more parties. Intervenor funding costs include: legal fees, witness fees, transportation and other expenses so long as the total funding for all intervening parties does not exceed \$40,000 in any proceeding. *Idaho Code* § 61-617A(2). The Commission must consider the following factors when deciding whether to award intervenor funding:

- (1) That the participation of the intervenor has materially contributed to the Commission's decision;
- (2) That the costs of intervention are reasonable in amount and would be a significant financial hardship for the intervenor;
- (3) The recommendation made by the intervenor differs materially from the testimony and exhibits of the Commission Staff; and
- (4) The testimony and participation of the intervenor addressed issues of concern to the general body of customers.

Idaho Code § 61-617A(2). To obtain an award of intervenor funding, an intervenor must comply with Commission Procedural Rules 161-165. The petition must contain an itemized list of expenses broken down into categories; a statement explaining why the costs constitute a significant financial hardship; and a statement showing the class of customer on whose behalf the intervenor participated. Rule 162, IDAPA 31.01.01.162.

B. CAPAI's Request for Intervenor Funding

CAPAI timely filed a Petition for Intervenor Funding seeking recovery of \$4,542.05 in total expenses. CAPAI is a non-profit corporation overseeing a number of agencies that “fight the causes and conditions of poverty throughout Idaho.” Petition at 5. CAPAI stated that, given

the magnitude of United Water’s initial proposed rate increase, it believed its intervention “was necessary to advocate for the interests of low-income customers.” *Id.* at 6. CAPAI maintained that its financial support comes from governmental sources, and that its budget to participate in cases before the Commission is “extremely limited.” *Id.* According to CAPAI, its ability to participate in cases such as this one is dependent upon “the availability of intervenor funding and past awards by this Commission.” *Id.*

CAPAI stated that it participated in all aspects of this case, including analysis of United Water’s initial Application and its impact on all residential customers. CAPAI also participated in settlement conferences and the technical hearing to address the proposed settlement stipulation. *Id.* at 2. As a result of CAPAI’s negotiations, United Water agreed to increase the per-customer limit for low-income assistance through the United Water Cares program from \$65 to \$75. Settlement Stipulation at 6. CAPAI noted that ongoing funding for the Cares program is provided entirely by United Water’s shareholders; further, the program “provides system-wide benefits to United Water’s ratepayers [by reducing] disconnections, lost customers, collections costs, and many other negative consequences” of losing customers due to their inability to pay bills. *Id.* at 4-5.

CAPAI submitted that it “made a concerted effort to minimize its expenses and maximize the effect” of its efforts, and that its costs and fees in this case are reasonable. *Id.* at 5. CAPAI’s costs include \$42.05 in photocopies and postage, and \$4,500 in legal fees for 30 hours of work by CAPAI’s counsel. *Id.* at 9. Counsel’s time was devoted to reviewing discovery requests and responses, communicating with CAPAI’s Executive Director, participating in meetings with the Community Action Agency El Ada, participating in settlement negotiations, reviewing proposed settlement terms, and preparing for and appearing at hearing, among other tasks. *Id.* at 9-10. In summary, CAPAI requested recovery of its costs and legal fees in the total amount of \$4,542.05.

C. Commission Findings

The Commission finds that CAPAI’s request for intervenor funding satisfies the intervenor funding requirements. CAPAI participated in the case and contributed to the examination of the issues and the Commission’s decision. CAPAI’s efforts and contributions materially differed from Staff’s in that they focused on the United Water Cares program and on low-income customer needs. We further find that CAPAI’s efforts and involvement in this case

benefit all ratepayers by reducing the negative impacts of disconnections from customers' inability to pay. Given CAPAI's limited resources, denial of intervenor funding would be a significant financial hardship to CAPAI. Finally, we find that CAPAI's costs of intervention are reasonable. We find it fair, just and reasonable to award CAPAI its requested amount of \$4,542.05 in total expenses. The intervenor funding award shall be recovered from United Water and shall be chargeable to the residential customer class. *Idaho Code* § 61-617A(3).


ORDER

IT IS HEREBY ORDERED that the Settlement Stipulation filed by the parties on October 8, 2015, is approved. The tariff schedules filed by United Water/SUEZ Water on November 16, 2015, shall be effective on December 22, 2015.

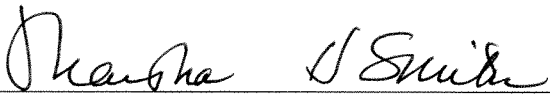
IT IS FURTHER ORDERED that CAPAI's Petition for Intervenor Funding is granted in the amount of \$4,542.05.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within 21 days of the service date of this Order. Within seven days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 16th
day of December 2015.



PAUL KJELLANDER, PRESIDENT

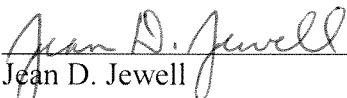


MARSHA H. SMITH, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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