

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER RAPER
COMMISSION SECRETARY
COMMISSION STAFF
DAPHNE HUANG**

**FROM: DON HOWELL
DEPUTY ATTORNEY GENERAL**

DATE: JUNE 5, 2015

**SUBJECT: UNITED WATER'S GENERAL RATE CASE APPLICATION,
CASE NO. UWI-W-15-01**

On May 21, 2015, United Water Idaho Inc. 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 approximately 90,000 business and residential customers in Boise, parts of Eagle, and unincorporated areas of Ada County. United Water proposes 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 Company proposes to spread the requested increase in revenue by a uniform percentage increase to all rate classes. *Id.* at 3. If approved, 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.

United Water states that it has invested more than \$39 million in its water system since its last rate case in 2011. These capital improvements include \$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. Application, Atch. 3.

United Water seeks 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 includes a proposed return on equity of 10.4% resulting in an expected overall rate of return of 8.45%. Doherty Direct at 2. The Company maintains 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.

The Company is also proposing several changes to its “Rules and Regulations Governing the Rendering of Service.” The Company proposes to terminate service without prior notice if a customer fails to install, maintain or annually test a backflow prevention device. Proposed pp. 14-15. The Company also proposes changes to its Water Main Extension Agreements. See Exh. No. 2 accompanying the testimony of United Water witness Marshall Thompson.

United Water submitted its Press Release and Customer Notice with its Application. The Company indicates that it will provide individual notice to each of its customers with their bi-monthly bills beginning in June and ending in July 2015.

STAFF RECOMMENDATION

Given the complexity and magnitude of this general rate increase, Staff recommends the Commission suspend the proposed effective date of June 22, 2015, for a period of thirty (30) days plus five (5) months, pursuant to *Idaho Code* § 61-622(4).

Staff also recommends the Commission set a deadline for intervention. Once the deadline for intervention has passed, Staff recommends that Staff counsel convene an informal prehearing conference so the parties may propose a schedule for processing this case and address other procedural matters.

COMMISSION DECISION

1. Does the Commission wish to issue a Notice of Application and a deadline for intervention?
2. Does the Commission wish to suspend the proposed effective date of June 22, 2015, for a period of thirty (30) days plus five (5) months, pursuant to *Idaho Code* § 61-622(4)?
3. Once the deadline for intervention has passed, does the Commission direct Staff counsel to convene an informal prehearing conference so the parties may develop a proposed schedule to process this general rate case?

Don Howell
Don Howell
Deputy Attorney General

bls/M:UWI-W-15-01_don