DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

MADONNA FAUNCE

RANDY LOBB

JUDY STOKES

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:OCTOBER 2, 1995

RE:CASE NO. UWI-W-95-2

CERTIFICATE AMENDMENT

EXCHANGE OF SERVICE AREAS W/GARDEN CITY

On July 31, 1995, United Water Idaho, Inc. (United Water; Company), a public utility providing domestic water service, filed an Application with the Idaho Public Utilities Commission (Commission) for approval of a Service Area Exchange Agreement (Exchange Agreement) with the City of Garden City and a related amendment and revision to its Certificate of Convenience and Necessity No. 143, relinquishing a portion of its certificated area.

The Exchange Agreement, dated July 20, 1995, provides for an exchange of service areas between the Company and Garden City whereby the Company will provide service to the “North State Area” and Garden City will provide service to the “Millstream Area.”  The net effect of the Agreement is that Garden City will provide water service to areas lying within its corporate boundaries and area of impact and will no longer provide water service to areas lying within the Boise City limits and Boise area of impact.

Garden City presently serves approximately 912 customers in the “North State Area,” which is defined as the area lying north of State Street and (generally) south of Hill Road and between Gary Lane on the west and Pierce Park Lane on the east.  Under the Agreement Garden City will convey to the Company its transmission and distribution system located within the North State Area.  Garden City agrees to supply water to the Company for an initial two-year period, and at the Company’s option for succeeding one-year periods not to exceed a total of ten years.  The City will deliver the water to the Company at the City’s present connection point on the north side of the Boise River at the Plantation Subdivision on East 52nd Lane.  The amount of water delivered to the Company by Garden City to serve the North State Area will be determined from the water readings of customers in the North State Area.  Payment will be at the following rates:

a.  $.35 per 1,000 gallons delivered from October 1 to April 30

b.  $.45 per 1,000 gallons delivered from May 1 to September 30

United Water presently serves approximately 382 customers residing in the “Millstream Area,” which lies in an area north of Chinden Boulevard, west of Glenwood Street and south of the Boise River.  Under the Exchange Agreement, United Water will convey to Garden City its water utility property in the Millstream Area, consisting of a transmission and distribution system, its Millstream well and the water rights pertaining to said well.

In consideration of the exchange of service areas and water utility plants and facilities, the Company has agreed to pay Garden City $593,250.

Although the North State and Millstream Areas are metered, it is represented that the meters are of different types.  Under the Exchange Agreement, United Water and Garden City have agreed to an exchange of meters whereby the meters presently in the North State Area will be exchanged for the meters in the Millstream Area.  The cost involved in removing, exchanging and reinstalling meters is to be divided equally between the parties.

Pursuant to the Exchange Agreement, Garden City agrees that it will not extend its water distribution system to the area lying north of State Street or west of Five Mile Road extended, which areas are presently beyond its area of impact.  The Company agrees that it shall no longer operate the water distribution system now serving the Millstream Area or in the area lying westerly thereof in the City’s area of impact between Chinden Boulevard and the Boise River.

The Exchange Agreement is subject to the approval of the Commission and if not approved, the Exchange Agreement by its terms shall be deemed null and void and of no further effect.

On August 29, 1995 the Commission issued Notices of Application and Intervention Deadline.  On September 20, 1995 the Commission issued an Amended Notice of Application correcting identified errors in rate information.  The corrected numbers translate into related changes in the Bill Consumption Analysis Table (attached).  Upon becoming United Water customers, existing Garden City residential customers with three-quarter inch meters in the North State Area will see (as corrected) rate increases ranging from 20% for high winter consumption to 49% for high summer consumption.  Existing United Water residential customers with three-quarter inch meters in the Mill Stream Area will see rate decreases ranging from 37% for high winter consumption to 65% for low summer consumption upon becoming Garden City customers.

Pursuant to Notice persons desiring to participate in any subsequent conference for determining further scheduling and procedure in Case No. UWI-W-95-2 were required to intervene by September 20.  The Commission received timely Petitions to Intervene from Gary Lane Meadows Homeowners Association, Inc. and Boise City (attached).

●Gary Lane Meadows Subdivision is currently served by Garden City but is in Boise City limits.  The association members are North State Area customers.

●Boise City requests intervention because if the Application is granted, it states,  its residents will receive water utility service from United Water and will suffer an increase in their water rates; and because granting the Application may have a significant impact on the rates paid by Boise City as a large municipal water user for future water service.

United Water objects to intervention by Boise City (attached).  The Company contends that Boise City has failed to show any direct or substantial interest in these proceedings.  The Company contends that Boise City misconstrues the proceeding as an Application “to revise and increase rates charged for water service” and perceives that there could be “significant impact on the rates paid by Boise City as a large municipal water user for future water service.”

United Water contends that the only rates involved in this proceeding are the rates which would be applied to the approximate 912 new customers in the North State Area who presently are customers of Garden City.  The rates paid by Boise City, the Company maintains, are not affected.  Furthermore, the Company contends that United Water’s Service Area Exchange Agreement with Garden City and this Application are consistent with and implement the Impact Area Agreement entered into by Boise City and Garden City in December 1994 which, United Water understands, provides that Garden City will negotiate with United Water Idaho for transfer of Garden City’s assets located outside of Garden City’s boundary.

In addition to formal requests for intervention, the Commission has also received numerous requests for hearing.  The general tenor of “letter, fax and E-mail” comments filed by North State Area customers is angry—upset that their rates may be increased, but that the water supply, quality and service will not be improved; expressing that the nature and scope of the transfer was misrepresented; contending that there has been an insufficient and/or a lack of information/warning or timely notification; and contending that the proposed increase in rates will create an economic hardship for those on fixed incomes, etc.

Commission Decision

●How does the Commission wish to proceed in this matter?

●Should the Gary Lane Meadows Homeowner Association be granted intervention?

●How does the Commission want to process Boise City’s Petition for Intervention?

Boise City has filed a written response contending that it “has a direct and substantial interest in this proceeding to insure that the Area of Impact Agreement terms have been complied with and that Boise City residents are being treated fairly by the United Water Service Area Exchange Agreement.”  Boise City also contends that it has an interest in insuring that the purchase price is reasonable and is not included in the Company’s rate base for future rate determinations.  Neither party requests oral argument.  Does the Commission have questions for the parties, the answers to which would aid the Commission in its decision?  Does the Commission believe that oral argument should be scheduled?  If not, does the Commission find that Boise City has articulated a direct and substantial interest in the subject matter of this proceeding?  Does the Commission believe that Boise City’s participation will unduly broaden the issues in this proceeding?  Is Boise City’s intervention in the public interest?  Should Boise City be granted intervention?  Should Boise City’s participation be subject to any conditions? What is the Commission’s preference?

●Should a prehearing conference be scheduled to review case status, identify issues and establish further procedure?  Should individual notice be provided to all parties filing comments?

Scott Woodbury

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