DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVID SCHUNKE

RANDY LOBB

MADONNA FAUNCE

TERRI CARLOCK

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:APRIL 15, 1996

RE:CASE NOS. UWI-W-96-1 AND WSM-W-96-1

UNITED WATER PURCHASE OF WARM SPRINGS MESA

On March 28, 1996, United Water Idaho Inc. (UWI, United Water) and Warm Springs Mesa, Inc. (WSM, Warm Springs) collectively referred to as “Applicants,” filed an Application with the Idaho Public Utilities Commission (Commission) for an order approving the sale and transfer to United Water of Warm Springs’ water service properties located in Ada County, Idaho.  UWI also requests approval of certain related rate and ratemaking matters.

United Water is a public utility providing water service to more than 50,000 customers in Ada County, Idaho.  United Water is a regulated utility operating under Certificate of Public Convenience and Necessity No. 143 (as amended).  UWI is a subsidiary of United Water Works Inc., a Delaware corporation.

Warm Springs is a public utility providing metered water service to approximately 300 customers in and around Warm Springs Mesa subdivision in Ada County, Idaho.  Warm Springs is a regulated utility operating under Certificate of Public Convenience and Necessity No. 264 (as amended).

United Water, Warm Springs and J. H. Wise & Sons, Inc., an Idaho corporation (“Wise”) have negotiated and executed an Agreement for Purchase and Sale (Agreement) dated March 27, 1996 whereby Warm Springs and Wise will sell and transfer to United Water real property and water works facilities used in furnishing water service to the public in and around the Warm Springs Mesa subdivision.

The purchase price to be paid by United Water for all the land, improvements, personalty and intangible property used and useful in the furnishing of water service by Warm Springs is $550,000.  The purchase price consists of the following:

Depreciated cost of property (rate base)$340,037

Well No. 3  117,000

Land    63,000

Intangibles    29,960

TOTAL$550,000

The purchase price by terms of the Agreement may be adjusted to reflect additional depreciation in the event regulatory approval is not received within six months of the Agreement date.

United Water requests that the identified intangible sum of $29,960 be recognized by the Commission as a “reasonable acquisition adjustment.”  As reflected in the Agreement, intangible property includes without limitation, “customer lists and records, customer deposits, well logs, maintenance records, tariffs and rules and regulations governing the rendering of service and extension of service to future development, franchises, permits and certificates.”  As reflected in the accompanying testimony of United Water, the sum also includes “good will.”

United Water proposes to provide water to Warm Springs customers at United Water’s approved tariff rates and in accordance with United Water’s rules and regulations governing the rendering of water service.  The average total bill of Warm Springs customers is not expected to be significantly different.

Although not required in the underlying Agreement, United Water proposes not to charge connection or hookup fees for new service in the Warms Springs area unless and until the Warm Springs system is interconnected to the United Water distribution system.  As reflected in the accompanying testimony there are approximately 215 undeveloped lots in the Warm Springs area.

Warm Springs states that it desires to convey its water company to United Water because it is unwilling to undertake the perceived risks of continued operations arising from increasingly stringent water quality regulations, increasingly complex utility regulation, and increasingly complex operational and technical requirements.  Because of its small size Warm Springs states that it has experienced, and in the absence of this sale, would continue to experience, difficulties in maintaining its system and in obtaining adequate financing for operations, maintenance and expansion.

United Water maintains that it possesses the technical, managerial and financial abilities to provide reliable and adequate service, and accordingly contends that the proposed transfer is in the public interest.

The Applicants requests an order of the Commission:

1.Approving the sale of Warm Springs assets to United Water;

2.Confirming the right of United Water to include in rate base and future rate proceedings the net full purchase price of the assets subject to this transaction, and to recover reasonable costs of acquisition;

3.Confirming the right of United Water to provide water service in the area now served by Warm Springs at United Water’s currently and hereafter approved tariff rates with the exception of connection fees;

4.Confirming the right of Warm Springs to abandon service, cancellation of Warm Springs’ Certificate of Convenience and Necessity and amendment of United Water’s Certificate of Convenience and Necessity; and

5.Granting such other and further relief as the Commission deems appropriate.

The Application filed in Case Nos. UWI-W-96-1 and WSM-W-96-1 is accompanied by a service area map of United Water with boundary descriptions, the United Water/Warm Springs/Wise Agreement for Purchase and Sale, and the prefiled testimony of United Water.

Commission Decision

The Applicants have asked for expeditious treatment.  Staff recommends immediate issuance of Notices of Application, Intervention Deadline and Prehearing Conference.  How does the Commission wish to process the Application?  Does the Commission desire a different procedure?

Scott D. Woodbury

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