DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

RANDY LOBB

BOB SMITH

ROSE SCHULTE

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:MAY 8, 1996

RE:CASE NO.  UWI-W-96-2

UNITED WATER PURCHASE OF M&M WATER COMPANY

On April 29, 1996, United Water Idaho Inc.  (UWI, United Water) filed an Application with the Idaho Public Utilities Commission (Commission) for an Order approving the purchase by United Water of water service properties owned by M&M Mountain View Acres Subdivision Water Company, Inc.  (M&M).  UWI also requests a related amendment to its Certificate of Public Convenience and Necessity and authorized service area and approval of certain related rate and ratemaking matters.

United Water is a public utility providing water service to approximately 55,000 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.

M&M is an Idaho not-for-profit corporation that exists for the purpose of owning and operating a community water system within the M&M Mountain View Acres Subdivision in Canyon County, Idaho.  M&M provides water service for domestic and culinary purposes to approximately 30 residential customers.

United Water and M&M have negotiated and executed an Agreement for Purchase and Sale (Agreement) dated April 25, 1996, whereby M&M will sell and transfer to United Water real property and waterworks facilities used in furnishing water service to the residential customers of M&M Mountain View Acres Subdivision.

The consideration and purchase price to be paid by United Water for all the land, improvements, personal and intangible property used and useful in the furnishing of water service by M&M is $10 plus an agreement by United Water to install at UWI expense a new well within the subdivision.  United Water reports that installation of a new well is made necessary by the requirements of the Idaho Division of Environmental Quality.  United Water contends that M&M lacks the financial and technical capability to undertake the installation of a new well.  United Water estimates the cost of installing a new well to be approximately $30,000.  UWI intends to finance the cost of the well with internally generated funds.

United Water proposes to provide water service to M&M customers at a flat monthly tariffed rate of $20.  The M&M water delivery system is not metered.  The current monthly rate charged by M&M is $7.00.  UWI proposes that the new rates will go into effect when the new well is installed and operational.

Because of M&M’s small size, United Water contends that M&M 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 and maintenance.

United Water maintains that UWI 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 and is consistent with the public convenience and necessity.

United Water submits that the public interest requires expeditious review of this Application and that the public interest does not require a hearing to consider the issues presented.  United Water requests that the Application be processed under Modified Procedure pursuant to the Commission’s Rules of Procedure, Rules 201-204.

United Water requests an Order of the Commission:

1.  Approving the sale of M&M assets to United Water.

2.  Confirming the right of United Water to include in rate base in future rate proceedings the net full purchase price of the assets subject to this transaction.

3.  Confirming the right of United Water to provide water service in the area now served by M&M.

4.  Approving the proposed tariffed rates for water service.

5.  Approving the amendment of Certificate of Public Convenience and Necessity No. 143, as amended.

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

Staff Analysis

Staff has not yet completed its analysis and has outstanding information requests to the Company.  As reflected in the Company’s Application, United Water is in the process of obtaining “a detailed schedule of pipes, valves, distribution equipment and other properties subject to the transaction,” and is preparing a suitable map of the property.  Staff has been advised that the Company will file such information and comply with Staff’s informal production request on or prior to May 10, 1996.  Staff has no objection at this point to processing this matter under Modified Procedure.  It is presently unclear whether the Company will recover its fixed and incremental costs should it provide service at the proposed rates.  Staff suggests that the affected M&M customers be served with individual notice that the approved rate may be other than the agreed $20/month.

Commission Decision

The Company has requested Modified Procedure.  Does the Commission agree that such a procedure, at least initially, is appropriate?  Should affected M&M customers be served with individual notice ?

Scott Woodbury

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