

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE CONNECTION FEES)
OF UNITED WATER IDAHO INC. AND OTHER)
RELATED ISSUES INCLUDING RATE DESIGN.)**

CASE NO. UWI-W-96-4

**ORDER NO. 26898 AND
NOTICE OF DEADLINE FOR
INTERVENOR FUNDING**

This case was initiated September 17, 1996 pursuant to Idaho Public Utilities Commission (Commission) Order No. 26611 following a Stipulation\Motion signed by all parties to United Water's most recent rate case, Case No. UWI-W-96-3. The subject matter, as reflected in the case caption above, is the connection fee policy and related tariffs of United Water Idaho Inc. (United Water; Company). This case provides the Commission and parties with the first comprehensive opportunity to revisit the connection fee issue following the Idaho Supreme Court's 1996 opinion in *Building Contractors Association of Southwestern Idaho Inc. vs. IPUC*, 128 Idaho 534, 916 P. 2d. 1259 (1996).

United Water serves approximately 55,000 residential, commercial, and other classes of customers in the city of Boise and surrounding areas. The Company's sources of water supply consist of the Marden Water Treatment Plant and 62 deep wells. The combined 1995 capacity of all wells and the treatment plant is approximately 78 million gallons per day.

Public hearing in Case No UWI-W-96-4 was held on April 10, 1997. The following parties appeared either individually or by and through their respective counsel:

United Water Idaho Inc.	Dean J. Miller, Esq.
Coalition of United Water Idaho Customers	Peter J. Richardson, Esq.
Building Contractors Association	Forrest Goodrum, Esq.
Sharon Ullman	
Commission Staff	Scott Woodbury, Esq.

At the hearing on April 10, 1997, the parties presented a proposed Stipulation and Settlement Agreement (Reference Order No. 26898 - Attachment A) and asked that the Commission

NOTICE OF DEADLINE FOR
INTERVENOR FUNDING
ORDER NO. 26898

adopt it as the resolution of the case. The general terms of settlement regarding the Company's customer contribution rules are as follows:

- Elimination of guaranteed revenue escrows for residential subdivisions.
- Elimination of connection fees for new customers.
- Implementation of new main extension agreements whereby the developer or applicant requesting service contributes the actual transmission and distribution cost of connecting to the Company's water system including off-site mains, on-site mains and terminal facilities (service and meter).
No allowance or line extension refunds (except vested interest).
- Vested interest refunds relating to contributions for off-site main extensions and service to completely new pressure zones requiring independent booster pumps and storage.
- Authorization of labor in lieu of cash for installation of facilities within residential subdivisions.
Prequalification contractor requirements.
Information disclosure procedure, re.: cost of materials and overheads.
- Provision for good faith renegotiation of Micron Agreement re.: refund mechanism related to Micron's prior advance of costs for supply, transmission and storage facilities.

Commission Findings:

The Commission has reviewed and considered the filings of record in Case No. UWI-W-96-4, the prefiled testimony and the exhibits of the parties, the Idaho Supreme Court's 1996 opinion in the *Building Contractors* case and the submitted Stipulation and Settlement Agreement. We appreciate the parties' efforts in negotiating what we find to be a fair, just and reasonable change in the Company's customer contribution rules. We find the terms of settlement to be supported by the filed testimony and exhibits of Commission Staff and Company witness Ben Hepler. We find the proposed settlement terms to be in the public interest and equitable, both to the Company's existing customers and to future customers. We also acknowledge and find reasonable and acceptable, the parties' agreed stipulation not to address rate design issues in this proceeding.

To remove any possible confusion, we find it reasonable to establish an explicit deadline for applications for intervenor funding in Case No. UWI-W-96-4. YOU ARE HEREBY NOTIFIED that all applications for intervenor funding must be filed in this case with the Commission Secretary within fourteen (14) days from the date of this Order. Reference *Idaho Code* § 61-617A and Commission Rules of Procedure, IDAPA 31.01.01.161-164.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over this matter and United Water Idaho Inc., a water utility pursuant to the authority and power granted the Commission under Title 61 of the *Idaho Code* and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

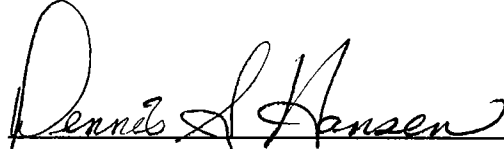
ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the customer contribution rules of United Water Idaho Inc. be changed in accordance with and pursuant to the terms contained in the Stipulation and Settlement Agreement attached to this Order. The Company is directed to file revised tariffs to implement and conform to the provisions of the Stipulation within thirty (30) days of this Order. The effective date of the revised tariffs will be the date of filing.

IT IS FURTHER ORDERED and the Commission does hereby adopt the foregoing schedule deadline for intervenor funding applications.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) 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 *23rd*
day of April 1997.


DENNIS S. HANSEN, PRESIDENT


RALPH NELSON, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Myrna J. Walters
Commission Secretary

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE CONNECTION)
FEES OF UNITED WATER IDAHO INC.) CASE NO. UWI-W-96-4
AND OTHER RELATED ISSUES INCLUDING)
RATE DESIGN)
_____)

STIPULATION AND SETTLEMENT AGREEMENT

COME NOW the parties identified herein and stipulate and agree as follows to wit:

RECITALS

1. Parties: The parties to this Stipulation and Settlement Agreement are:

A. United Water Idaho Inc (United),

B. The Coalition of United Water Idaho Customers (Coalition),

C. Sharon Ullman (Ullman),

1 D. Building Contractors Association (BCA),

2 E. The Staff of the Idaho Public Utilities Commission (Staff).

3 There are no other parties to this proceeding other than those above named.

4
5 2. Purpose of Stipulation: The purpose of this stipulation is to resolve and settle
6 differences of opinion with respect to certain issues in this proceeding and to recommend to the
7 Commission for approval various modifications to United Water Idaho Inc.'s (United) customer
8 contribution rules.

9 3. Background: The genesis of this case is United's 1993 general rate case in which the
10 Commission established certain connection and/or hook-up fees (connection fees).
11 Subsequently, these fees were found to be discriminatory by the Idaho Supreme Court. At about
12 the same time, United applied for another general rate increase. At the urging of the parties to
13 this proceeding, the Commission split that rate case into two separate proceedings--one
14 addressing the rate increase issues and the instant case addressing hookup fees, rate design and
15 related issues.

16 In accordance with deadlines established by the Commission in this proceeding each of
17 the parties who desired has filed written pre-filed testimony setting forth their views regarding
18 appropriate policies for customer contribution rules for United.

19 STIPULATION

20 1. Recommended changes to customer contribution rules. The parties hereto recommend
21 that United's customer contribution rules be modified in accordance with the following

1 principles:

2 A. Eliminate the use of the current guaranteed revenue/escrow type agreements;

3 B. Implement new main extension agreements whereby the developer or

4 applicant requesting service contributes the entire cost of extending the

5 distribution system to make service available at the new customer location;

6 C. Eliminate the collection of connection fees.

7 2. Reasons for recommended changes.

8 The recommended changes are supported by the pre-file testimony of Staff and concurred
9 in by United and the Coalition. While BCA does not necessarily concur in the rationale for these
10 changes, BCA concurs in the adoption of these changes in light of other terms of this Stipulation.

11 3. Issues withdrawn: The written pre-filed testimony of some parties to this proceeding
12 contain recommendations with respect to general rate design and the summer/winter differential
13 that currently is part of United's rate structure. The stipulating parties agree that issues relating
14 to general rate design will be withdrawn from this proceeding. Withdrawal of rate design issues
15 from this proceeding is without prejudice to the right of any party to assert any position with
16 respect to rate design in an appropriate future proceeding.

17 4. Micron Agreement: United and Micron Technology Inc. previously entered into an
18 agreement whereby Micron advanced the cost of some source of supply, major transmission lines
19 and storage. Pursuant to the agreement, United agreed to refund to Micron a percentage of new
20 connection fees for new customers within a specific geographic region where these facilities
21 serve (the geographic region). If, pursuant to the recommendations contained herein, connection

1 fees are eliminated, United would continue to refund the amount of money anticipated by the
2 agreement to Micron for new customers in the geographic region as if the connection fees had
3 not been eliminated, but were still in effect. Payments to Micron hereunder shall be added to
4 United's rate base.

5 In order to accomplish the goal of refunding the percentage of connection fees anticipated
6 by the agreement, United agrees to negotiate amendment(s) to the agreement in accordance with
7 its original spirit and in good faith with Micron, and in said negotiations will address increases in
8 the connection fee level as well as other issues implicated by this settlement. Any such
9 amendment(s) to the agreement will be subject to the Commission's approval.

10 5. Off-site main extensions and refunds: At pages 10--12 of his Second Supplemental
11 Direct Testimony, (Attached) Mr. Hepler outlines United's proposal regarding contributions for
12 off-site mains and service to completely new pressure zones. The proposal regarding off-site
13 mains is also illustrated in Exhibit No. 7 (Attached). Tariff sheets to implement these proposals
14 are contained in Exhibit 8 to the Second Supplemental Direct Testimony of Mr. Hepler.

15 The stipulating parties agree that these proposals are appropriate and fair to all parties
16 concerned and may be adopted by the Commission.

17 6. Labor in lieu of Cash: In order to achieve a settlement of this proceeding, United
18 agrees to a system that makes it possible for developers to exercise a choice in selecting a
19 contractor to perform facilities installations within residential subdivisions. The stipulating
20 parties agree that the following procedures should be adopted to implement such a system:

21 A. In order to be eligible to install water mains and services, a contractor must

1 satisfy the "Pre-Qualification Contractor Requirements," as set forth in Exhibit No. 6 of the
2 Second Supplemental Direct Testimony of Benjamin Hepler. If found qualified pursuant thereto,
3 the contractor must thereafter perform all work in accordance with the procedures and
4 requirements set forth in Exhibit 6.

5 B. United shall implement such systems and procedures as are necessary to
6 monitor the implementation of a labor in lieu of cash program to insure that implementation of
7 the program does not result in increased administrative and inspection costs for United and its
8 customers generally.

9 C. Upon request of a developer, United shall disclose information regarding its
10 cost of materials and overheads, subject to an appropriate confidentiality agreement.

11 7. Tariffs to be filed, effective date. The stipulating parties agree that the tariff changes
12 necessary to implement the provisions of this stipulation are contained in Exhibit No. 8 to the
13 Second Supplemental Direct Testimony of Benjamin Hepler and that the same may be approved
14 by the Commission.

15 United will file revised tariffs to implement the provisions of this stipulation within thirty
16 (30) days of the Commission's Final Order to be effective upon filing.

17 8. Testimony to be Spread on Record. To the extent it is necessary to the Commission's
18 consideration of this Stipulation, the parties agree that the pre-filed testimony of all witnesses
19 may be spread on the record without the necessity of calling the sponsoring witnesses, and each
20 party waives the right to cross-examine sponsoring witnesses.

21 8. Authority to Execute. The persons executing this Stipulation in a representative

1 capacity covenant and warrant that they have full power and authority to execute this Stipulation
2 on behalf of their respective clients.

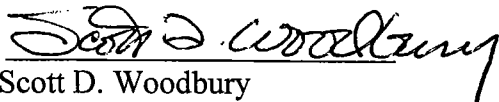
3 9. Waiver of Further Proceedings. Upon entry by the Commission of a Final Order
4 approving and adopting the terms hereof, each party waives any further proceedings herein,
5 including Petition for Reconsideration or Appeal to the Idaho Supreme Court.

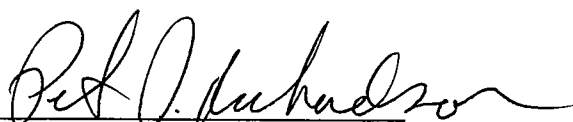
6 10. Effect of Failure to Approve. If the Commission for any reason does not enter a
7 Final Order approving and adopting the terms hereof, this Stipulation shall be held for naught
8 and shall be of no further force and effect. Each party shall thereafter be free to again assert
9 positions contained in pre-filed testimony previously submitted.

10 11. Intervenor Funding. Pursuant to the Idaho Public Utility and the Rules of Practice of
11 the Commission, Intervening parties herein may have a right to petition the Commission for an
12 award of Intervenor Funding. If said petitions are filed, United will neither support nor oppose
13 awards of intervenor funding. United requests that the Commission conduct its independent
14 review to determine financial need and the degree to which the requesting party made a material
15 contribution to the proceeding.


16 12. Approval Requested. The stipulating parties agree, and represent to the
17 Commission, that each of the individual terms hereof are material and essential to the complete
18 terms hereof. The stipulating parties further agree, and represent to the Commission, that the
19 overall terms hereof are fair, just, reasonable and consistent with the public interest.
20 Accordingly, each of the stipulating parties request that the Commission enter its Final Order
21 approving and adopting the terms hereof without change and in their entirety.

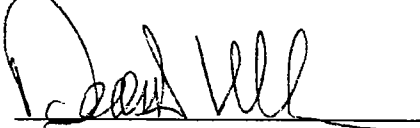
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2 DATED this 9th day of April, 1997.
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6 Scott D. Woodbury
7 Attorney for Commission Staff
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12 Peter J. Richardson
13 Attorney for Coalition of United Water Customers
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20 Forrest Goodrum
21 Attorney for Building Contractors Association
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26 Sharon Ullman
27 Pro se
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31 Dean J. Miller
32 Attorney for United Water Idaho Inc.
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1 advanced the money for, I would recommend that for new connections in the area
2 covered by the contract, the Company continue to refund the same amount of money
3 to Micron, which would be added to the Company's rate base, as if the connection
4 fees were still in effect.

5 Q. Basically, would you say you have fundamental agreement with Mr. Lobb's
6 recommendation?

7 A. Yes, with the exception of labor in lieu of cash we have previously discussed.

8 Q. What if the Commission does agree that labor in lieu of cash be allowed? Should
9 there be specific requirements for this procedure?

10 A. Yes, the Company's proposed requirements are shown in Exhibit 6 attached. These
11 are requirements are what are essentially in place at the current time for developers
12 who chose the labor in lieu of cash option currently allowed on Commercial,
13 Industrial, or Municipal Projects

14 Q. You are agreeing with Mr. Lobb that the developer or applicant should contribute the
15 cost of the mains, services, and meters. Should there be any time when a developer
16 or an applicant should receive any refunds of the cost of a main line extension?

17 A. Yes, I believe that if a developer or applicant pays the cost of an offsite main and
18 another developer or applicant takes service from that line, within a specific time
19 frame, then the new developer or applicant should pay their proportionate share of
20 the offsite main.

21 Q. What is an offsite main?

22 A. This would be a main that is installed between the Company's existing system and
23 the nearest boundary of the nearest boundary of the property to be served plus one

1 half of the main fronting the property to be served. For example, if an applicant
2 wants service installed to serve an individual lot or a development but had to install
3 500 feet of main before it reached his lot, the 500 feet of main plus half of the main
4 fronting his property would be offsite main. Obviously, the other half of the main
5 fronting the property to be served and all distribution system facilities within a
6 development (including mains, service lines and meter installations) would be on
7 site. See Exhibit 7.

8 Q. What is your suggestion in regard to the offsite main cost?

9 A. My suggestion is that if an applicant requests service from an offsite main, they
10 would contribute the cost of the proportionate share of their front footage towards
11 the cost of the offsite main, which would be refunded to the original party(ies) who
12 paid for the offsite main.

13 Q. Are there other circumstances in which you would recommend that a developer
14 advance any cost and receive a refund vs. contributing dollars?

15 A. Yes, in an instance where a developer is requesting service to a completely new
16 pressure zone requiring independent booster pumps and storage, the developer
17 should contribute the cost of the main, services, and meters, and advance the cost of
18 the booster pumps and storage. As the customers are added in the area served by
19 these boosters, pumps and storage, refunds would be made to the developer for these
20 costs. This would be similar to the Micron projects.

21 Q. Why should the developer advance the cost of the booster pumps and storage rather
22 than the company installing these facilities?

1 A. Basically because the developer is speculating that there will be a need for the
2 facilities. If he is correct in his speculation, the company will refund at least a
3 portion of these dollars and will have made an investment in the backbone plant. If
4 he is not correct in his speculation, the facilities will not be useful, and the company
5 should not be stuck with an investment that is not used.

6 Q. How would this refund be calculated?

7 A. If a developer wanted to develop in an area that required a new storage tank due to
8 serving a new pressure zone and the tank could ultimately serve only 1000
9 customers, and if the tank cost \$500,000, the average cost would be \$500 per
10 customer. The normal allotted cost for storage per customer is \$110 as utilized in
11 our calculation of the \$530 connection fee. Therefore, we would propose to refund
12 only \$110 per customer.

13 Q. Have you prepared tariff sheets for approval to implement your recommendation for
14 both the standard main extension agreements and the offsite proposal?

15 A. Yes, see Exhibit 8.

16 Q. Have you reviewed Dr. Reading's testimony?

17 A. Yes.

18 Q. Would you comment on Dr. Reading's recommendations in regard to "Individual
19 Customer Hook-up Cost and Charges".

20 A. Yes. I believe his first three recommendations are basically (1) eliminate the
21 guaranteed revenue method; (2) eliminate the free allowance; and (3) require the
22 applicant to contribute the cost of the main line extension, service lateral, and meter.
23 As in my testimony concerning Mr. Lobb's recommendations, I believe the

HALF OFFSITE
MAIN

OFFSITE
MAIN

STREET R.O.W.

300 FT.

500 FT.

EXISTING WATER MAIN

STREET R.O.W.

HALF
ONSITE
MAIN

INDIVIDUAL LOT
OR
PROPOSED
DEVELOPMENT

OFFSITE
MAIN

OFFSITE COST:

COST / FT. OF MAIN EXTENSION
X 500 FT. + 1/2 COST / FT. OF
MAIN EXTENSION X 300 FT.

ONSITE COST:

300 FT. X 1/2 COST / FT. OF MAIN
EXTENSION PLUS THE COST OF ANY
DISTRIBUTION FACILITIES LOCATED
WITHIN THE PROPOSED DEVELOPMENT