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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE JOINT)CASE NO. UWI-W-96-8

APPLICATION OF UNITED WATER IDAHO)

INC. AND BANBURY HOMEOWNERS)

ASSOCIATION, INC. FOR AN ORDER)

APPROVING THE PURCHASE BY UNITED)

WATER IDAHO INC. OF WATER SERVICE)

PROPERTIES OWNED BY BANBURY)

HOMEOWNERS ASSOCIATION; FOR )COMMENTS OF THE

AUTHORITY TO EXPAND UNITED )COMMISSION STAFF

WATER IDAHO'S CERTIFICATE OF)

PUBLIC CONVENIENCE AND )

NECESSITY NO. 143; AND FOR)

APPROVAL OF RATES AND CHARGES.)

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COMES NOW  the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Amended Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline filed on April 30, 1997 in Case No. UWI-W-96-8, submits the following comments.

On April 17, 1997, United Water Idaho (UWI; Company) filed an Amended Application in Case No. UWI-W-96-8 to acquire the water distribution facilities of the Banbury Homeowner’s Association.  The Amended Application is in response to concerns raised by Staff regarding the terms of the Banbury acquisition as proposed by the Company in its original application.

Following discussions with the Commission Staff, the Company filed the Amended Application which addresses changes and clarifies specific terms associated with the Company’s request for an expanded certificate.  Staff comments will address the following four issues:

1.The portion of the Banbury purchase price that Staff could support for rate base treatment in a subsequent rate case.

2.Inclusion of the proposed Spyglass residential subdivision in its expanded certificate request.

3.The interconnection and service extension arrangement with the Spyglass developer.

4.Hook-up fees that will be collected from 32 unserved lots within the Banbury subdivision.

1.In the original comments filed in this case, Staff opposed rate base treatment of the proposed purchase price because we believed the Company had not shown it to be in the public interest.  The reasons cited by Staff in support of our belief that the Company had not met this burden were:

A)The inappropriate calculation of a purchase price based on per customer revenue of $300 when only $200 would actually be provided;

B)The failure to reduce per customer investment to account for uncollected hook-up fees that would otherwise be collected from new customers; and

C)The inappropriate calculation of a purchase price for a partially depreciated distribution system of lesser value then those installed by the Company today.

Based on discussions with the Company and new information regarding the amount of revenue generated by Banbury customers, the size of customer services and the age of the Banbury system, Staff recalculated allowable Company investment.  Staff believes that the Banbury customers should be provided treatment consistent with any other new customer requesting service.  Therefore, existing Company line extension tariffs including the residential escrow formula in place at the time the application was made, were used to make the calculation.  As a result of the analysis, Staff represented to the Company that it would support an investment of $132,600 in rate base as part of the Company’s next general rate case if the Company would agree to forego additional rate recovery of Banbury  acquisition costs.  The difference between the proposed purchase price of $171,300 and the $132,600 should be recorded on United Water’s books as a utility plant acquisition adjustment.

2.Spyglass is a 25-lot residential subdivision north of Chinden Blvd. and adjacent to Banbury on the west.  Although not an explicit part of the original application, the proposed purchase of Banbury by UWI has made service to Spyglass through Banbury possible.  Pursuant to an agreement with the Spyglass developer, the Company has proposed to deviate from its existing line extension tariffs in this particular instance.  Pursuant to the agreement, the developer has agreed to contribute all onsite distribution facilities and pay approximately 40% of the cost to interconnect UWI’s existing system and the Banbury subdivision.

3.An escrow analysis of the arrangement with Spyglass shows that a revenue deficiency may exist in the first few years until sufficient customers take service in Spyglass.  Although the potential for revenue deficiency is unusual, the resulting contribution is essentially equivalent to what would be required under standard line extension escrow policy in place at the time the agreement was executed.  Staff believes that this unusual arrangement is in response to a unique situation.  Staff also believes that impacts on existing ratepayers due to a revenue deficiency, if any, can be avoided by monitoring project status before the next general rate case.  Therefore, Staff supports the Company’s proposal to interconnect the Spyglass subdivision and include it in its certificated area.

4.Finally, contrary to the Company’s understanding, Staff’s position on hook-up fees is that the 32 unserved lots within the Banbury subdivision should be served under existing tariffs at the time the service connection is requested.  If tariffs require no hook-up fee then none should be collected.

DATED at Boise, Idaho, this             day of May 1997.

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Scott D. Woodbury

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