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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE APPLICATION)CASE NO. UWI-W-97-1

OF UNITED WATER IDAHO INC. FOR)

AUTHORITY TO AMEND AND )COMMENTS OF THE

REVISE CERTIFICATE OF CONVENIENCE)COMMISSION STAFF

AND NECESSITY NO. 143.)

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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 Notices of Application and Modified Procedure in Case No. UWI-W-97-1, submits the following comments.

DESCRIPTION

On March 21, 1997, United Water Idaho (UWI) filed an application with the Commission to amend and revise its Certificate of Convenience and Necessity No. 143.  The Company proposes to enlarge and expand its certificated service area by approximately 320 acres in the vicinity of State Street and Bogart Lane.  The expanded area, which includes the proposed Duncan’s Landing residential subdivision, is generally bounded on the north by Hill Road, on the east by Bogart Lane, on the south by State Street and on the west by the half section line of Section 14, T4N, R1E.

While the proposed area of expansion is adjacent to the Company’s existing service area and is not currently served by any other public water utility, it is only one quarter mile from the existing service area of Eagle Water Company.  The Duncan’s Landing residential subdivision, located on approximately 20 acres adjacent to State Street, is over one half mile from Eagle Water’s nearest facilities and approximately one half mile from the nearest existing distribution facilities of UWI.  As a result, UWI intends to serve the subdivision on an interim basis through an interconnection and water service agreement with the city of Garden City rather than through an interconnection with its own distribution system.  Existing Garden City water facilities are within 100 feet of  Duncan’s Landing.  United Water has not indicated when interconnection with Garden City’s system will occur, how much it will cost, or who will pay for the facilities.  A map of the area is attached as Exhibit No. 1.

The water service agreement with Garden City is for a period of one year with automatic one-year extensions until United Water constructs its own facilities to serve Duncan’s landing and surrounding areas.  The agreement may be terminated by Garden City with one year notice and by United Water with 60 days notice.  In order to provide long-term service using its own facilities, UWI will need to construct a lengthy line extension from its nearest existing facilities east of Bogart Lane or wait until residential development naturally occurs to provide the interconnecting facilities.  In addition, the Company is already pursuing other water supply alternatives with limited success.  A new well recently drilled near Gary Lane provided high quality water but with limited yield.  Another well proposed for an area south of State Street is tied up at the Department of Water Resources due to a water right protest by Eagle Water Company.

The agreement with Garden City provides a maximum of 0.5 million gallons per day (MGD) and 15 million gallons per month (MGM).  This quantity of water can serve from 250 to 350 customers depending upon customer type, the size of lots and the amount of summer irrigation.  The water rate specified in the agreement of $0.35 per 1000 gallons is identical to that charged under the Garden City/UWI exchange agreement approved by the Commission in Case No. UWI-W-95-2.  No information was provided regarding the number of customers projected to be served in the requested area, when interconnection with the Company’s system might occur or how much the interconnection might cost.

CONCLUSIONS

While the Staff does not oppose the Company’s application to expand its certificate and serve Duncan’s Landing, we do have concerns regarding the reliability of the service arrangement and future recovery of potentially costly line extensions.  Ordinarily, when an expanded certificate is approved, new service is provided by extending existing Company facilities under current line extension rules.  In this case, the line extension from existing Company facilities is either too costly for the developer requesting service or insufficient supply is available in this area of UWI’s service territory.  Given the Company’s attempts at acquiring new supply and the length of the necessary line extension, it is clear that both are reasons for the supply agreement with Garden City.  A lengthy line extension would also be required if a new well is constructed south of State Street as planned by the Company.  Although the water supply agreement provides the economic advantage of limiting supply expenditures to when development actually occurs, its termination by Garden City prior to significant development could leave the Company with few water supply alternatives.  Under its obligation to serve, UWI would then be forced to construct the costly facilities with or without developer participation.

Staff does not believe any other private water utility is better able to serve this area at this time.  However, the ability of Garden City to terminate the water supply agreement raises questions regarding the reliability of the proposed water supply and the potential cost impact of its replacement.  This uncertainty makes the Duncan’s Landing service arrangement somewhat speculative with potential risks that should not be borne by ratepayers.  Staff believes UWI should eliminate the risk or agree that it will be borne by the Company’s shareholders.

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

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Scott D. Woodbury

Deputy Attorney General

Technical Staff:Randy Lobb

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