DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

RANDY LOBB

BOB SMITH

BEV BARKER

TERRI CARLOCK

JUDY STOKES

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:NOVEMBER 14, 1997

RE:CASE NO. UWI-W-97-6

APPLICATION TO REVISE AND INCREASE RATES AND CHARGES

On November 3, 1997, United Water Idaho, Inc. (United Water; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to increase its rates and charges for water service.  The overall increase in annual revenue requested is $3,424,516, or an increase of 15.47% over current rates.

United Water serves approximately 57,350 residential, commercial and other classes of customers in the city of Boise and surrounding areas.  The Company’s sources of supply consist of the Marden Water Treatment Plant and 71 deep wells.  The combined capacity of all wells and the treatment plant is approximately 82 million gallons per day.

United Water states that it seeks additional revenues to recover increased operating expenses and costs associated with plant additions, and to produce a fair rate of return.  United Water requests a rate of return of 9.76% on the Company’s investment in property used and useful in rendering water service.  The Company’s present authorized return is 9.51%.  Reference Order No. 26671.  Case No. UWI-W-96-3.  The revenue realized by United Water under its rates as presently authorized, the Company states, produces a rate of return of 7.34%, based on a test year ending June 30, 1997, adjusted for known and measurable changes.  As a result of capital investments in utility plant, the Company reports that its rate base of $74,330,596, as allowed in its last rate proceeding, Case No. UWI-W-96-3, has increased to $84,200,741.  The Company contends that the proposed changes in its rates and charges are just and reasonable and are necessary for the Company to continue to provide adequate and reliable service to its customers.

The Company’s Application in Case No. UWI-W-97-6 is accompanied by supporting testimony and exhibits including financial statements, cost of capital and revenue analysis.   The Company, however, has yet to provide the workpapers and documentation required by IDAPA 31.01.01.121.01(f).  Also reference IDAPA 31.01.01.121.03 Grounds for Returning or Dismissing Application; IDAPA 31.01.01.065 Defective, Insufficient or Late Pleadings.

The Company requests that its Application be heard and acted upon at the earliest possible date.  The Company requests an effective date of December 3, 1997.  The Company requests a Commission finding that its existing rates are unjust, unreasonable and insufficient to provide it with a fair rate of return, and that the revised rates and charges proposed are just and reasonable.

The Company proposes that its requested revenue be recovered through a uniform percentage increase to all customer classes.  The Company commits, however, that within 30 days after the Commission’s Order in this proceeding becomes final, it will file a separate cost of service and rate design proceeding.  Reference IDAPA 31.01.01.121.01(e).  United Water believes that addressing revenue requirement issues and cost of service issues in separate proceedings is the most efficient use of all parties’ resources.

Staff Analysis

Staff supports the Company’s proposal to separate revenue requirement and cost of service.  Staff contends that the statutory timeline for general rate cases should not begin to run until the Company completes its Application filing by providing required documentation and workpapers.  Staff recommends that the proposed effective date of December 3, 1996, be suspended and that the Commission issue Notices of Application, Intervention Deadline, and Prehearing Conference.

Commission Decision

●Does the Commission agree that it is reasonable to separate the revenue requirement and cost of service portions of the Company’s Application to increase rates and charges?

●Does the Commission, as it has indicated in its prior discussion in Case No. UWI-W-96-6, continue in its desire to roll into this proceeding the identified service and water quality issues raised in the submitted investigative reports in Case No. UWI-W-96-6?

●Does the Commission find it reasonable to suspend the proposed December 3, 1997 effective date?

●Does the Commission agree that the statutory timeline for the Company’s general rate case should not begin until the Company provides required documentation and workpapers?  Reference IDAPA Rule 121.

●Does the Commission agree with Staff’s proposal to issue Notices of Application, Intervention Deadline, and Prehearing Conference?

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Scott Woodbury

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