MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

FROM:SCOTT WOODBURY

DATE:DECEMBER 23, 1997

SUBJECT:CASE NO. UWI-W-97-6

RATE CASE (REVENUE REQUIREMENT)

Sharon Ullman—Motion Re Bifurcation

On December 16, 1997, Sharon Ullman, an intervenor in Case No. UWI-W-97-6, filed a motion with the Idaho Public Utilities Commission (Commission) for disallowance of bifurcation in Case No. UWI-W-97-6.  The bifurcation requested by United Water Idaho Inc. (United Water; Company; UWI) is to separate revenue requirement from cost of service and rate design.

Ms. Ullman was also a participant in Case No. UWI-W-96-4, the Company’s prior “make whole” rate case.  Based upon a Stipulation and Settlement Agreement (Agreement ) in that case, Ms. Ullman believed that rate design issues would be addressed in UWI’s next full-blown rate case.  The referenced Agreement states in part: “Withdrawal of rate design issues from this proceeding is without prejudice to right of any party to assert any position with respect to rate design in an appropriate future proceeding.”  Ms. Ullman contends that UWI is now reneging on the terms of the prior Agreement by proposing that resolution of rate design issues be further delayed through bifurcation of this case.

Ms. Ullman disputes that bifurcation will “secure just, speedy and economical determination of all issues presented to the Commission.”  Reference IDAPA 31.01.01.013  Liberal Construction.  The underlying rules regarding general rate case filings provide that if the Application is subject to Rule 122 — Notice of Intent to File a General Rate Case (Reference UWI July 21, 1997 Notice of Intent to File a Rate Case . . . pursuant to Rule 122), the Application “must include the following data . . .  testimony and exhibits showing financial statements; cost of capital and appropriate cost of service studies.”  (Emphasis added.)  IDAPA 31.01.01.121.01(e).  Pursuant to Rule 121.03, failure to comply with paragraphs 01 . . . of this Rule is grounds to return or dismiss an application.  IDAPA 31.01.01.121.03.

Ms. Ullman disputes the Company’s contention that “addressing revenue requirement issues and cost of service issues in separate proceedings is the most efficient use of all parties resources.”  UWI Application p. 3.  Ms. Ullman contends that bifurcation will delay resolution of rate design issues and will necessitate the expenditure of additional time and money.  At a minimum, with two separate cases as proposed by UWI, the Company’s customers will be potentially responsible for increased intervenor funding ($50,000 maximum as compared to $25,000 maximum).  Reference 31.01.01.165; Idaho Code § 61-617A. In addition, two separate cases will increase the time (and therefore costs) of required participation (e.g., duplicate hearings and conferences).

Ms. Ullman requests that the Commission

●require UWI to proceed with all phases of a general rate case simultaneously; or

●address cost of service/rate design prior to revenue requirement; or

●dismiss the Company’s Application in Case No. UWI-W-97-6 on the grounds that the Application is incomplete due to UWI’s failure to provide a cost of service study and address rate design issues.

On December 22, 1997, United Water and the Coalition of United Water Customers filed responses to Ms. Ullman’s Motion.  Both recommend that Ms. Ullman’s Motion be denied.  It is suggested that the rate design phase will be highly controversial, as well as complex and challenging.  It is the contention of both that separate consideration and determination of first, revenue requirement and second, cost of service/rate design issues is a logical sequence for addressing the issues, will contribute to efficiency and the use of party resources, will facilitate thoughtful and thorough consideration of the issues, and will provide a procedure that better serves the public interest.

United Water disputes Ms. Ullman’s contention that the Company has “reneged” on a previous commitment.  The Company pledges, now absolutely and unconditionally, to file its cost-of-service studies and rate design proposals within 30 days of the completion of the first phase of this proceeding (reference Application, p. 3), but to allay any possible mistrust, the Company indicates that it will accept a Commission Order requiring the Company to make such a filing.

The Coalition contends, however, that the Company must be put on notice that the rate design proceeding can have a potential impact on revenue requirement, as certain rate design initiatives, it states, may increase or decrease water consumption and enhance sales.

Commission Decision

Is the Commission of the continued belief that bifurcation of revenue requirement and the cost of service/rate design issues is procedurally appropriate?  If not, should the Company’s underlying filing in Case No. UWI-W-97-6 be dismissed as incomplete?  If the procedure adopted is appropriate, should the Company be required by Order to make a cost of service/rate design filing within 30 days following completion of the revenue requirement phase?  Should the Commission’s Order at conclusion of the revenue requirement phase be interim or final?  What is the Commission’s procedural preference in this matter?

Scott Woodbury

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