MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

FROM:SCOTT WOODBURY

DATE:JUNE 15, 1998

RE:CASE NO. UWI-W-97-6

GENERAL RATE CASE (REVENUE REQUIREMENT)

SERVICE AND WATER QUALITY ISSUES (UWI-W-96-6)

Application

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.  Supporting workpapers and documentation were filed by the Company on November 14, 1997.  The overall increase in annual revenue requested was $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, 71 deep wells and 29 reservoirs with storage capacity of 27.4 million gallons.  The combined production 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 general 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 was accompanied by supporting testimony and exhibits including financial statements, cost of capital and revenue analysis, and supporting workpapers and documentation.

The Company requested that its Application be heard and acted upon at the earliest possible date.  The adjusted proposed effective date as agreed to by the Company and the Commis­sion in Order No. 27229 is December 14, 1997.  The proposed effective date was suspended by Commission Order No.              .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 (and rate design) issues in separate proceedings is the most efficient use of all parties’ resources.

Also at issue in this Case No. UWI-W-97-6 pursuant to Commission authority, power and jurisdiction (Reference Idaho Code 61-501) are the identified service and water quality issues raised in the filings and submitted investigative reports in Case No. UWI-W-96-6 (In the Matter of the Investigation of United Water Idaho Inc and its Ability to Provide Adequate Service and Water Quality).  The identified water quality problem addressed in Case No. UWI-W-96-6 was the presence of iron and/or manganese in United Water’s ground water wells that exceed the secondary maximum contaminant levels (SMCLs) listed in the Safe Drinking Water Act (SDWA).  Although secondary contaminants are classified as non-health threatening, the presence of high levels of iron and manganese can result in aesthetic problems including foul odor, poor taste and discoloration.  On May 21, 1997, Commission Staff filed its final investigative report in Case No. UWI-W-96-6.  Staff’s report detailed the nature and extent of the Company’s water quality problem, the Company’s efforts to address the problem (technical and customer relations), and alternatives for mitigating or eliminating the problem (including estimated costs).  On August 26, 1997, United Water filed its response.

Public hearing in Case No. UWI-W-97-6 was held in Boise, Idaho on April 22-24, 1998.  The following parties appeared individually and/or by and through their respective counsel or representative:

United Water Idaho Inc.Dean J. Miller, Esq.

Walton F.  Hill, Esq.

Idaho Citizens CoalitionL. Fothergill

Sharon Ullman, Pro SE

Commission StaffScott D. Woodbury, Esq.

The Coalition of United Water Customers, Eagle Water Company, Hidden Springs Community, LLC and Hidden Springs Water Co., although previously granted intervenor status, failed to appear at the hearing.

Post-hearing briefs in Case No. UWI-W-97-6 were filed by United Water, Sharon Ullman and the Commission Staff.  The Company filed a formal reply to Ms. Ullman’s brief and a letter response to Staff’s brief.  The Company also filed a post-hearing amended Exhibit No. 5 setting forth amended power cost calculations (reference Tr. p. 993, Order No. 27516), and a late filed Exhibit  No. 33 setting forth the Idaho State Tax Commission’s 1998 market value appraisal, which is a major factor in determining the Company’s ad valorem tax obligation.  At the time of hearing, the appraised market value of 1998 had yet to be calculated by the State Tax Commission.

Timely Petitions for Intervenor Funding were filed by Idaho Citizens Coalition ($6,955) and Sharon Ullman ($4,696.22).  Reference IDAPA 31.01.01.161.  United Water on June 4th filed a response and objection to the Petitions for Intervenor Funding.

Scott Woodbury

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