BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE  APPLICATION OF UNITED WATER IDAHO, INC. (FORMERLY BOISE WATER CORPORATION) FOR APPROVAL OF AN AGREEMENT TO EXPAND FACILITIES IN SOUTHEAST BOISE AND TO AMEND AND REVISE CERTIFICATE OF CONVENIENCE AND NECESSITY NO. 143. | )  )  )  )  )  )  )  ) | CASE NO. BOI-W-95-1  ORDER NO. 25977 |

On March 8, 1995 Boise Water Corporation (now United Water Idaho, Inc. and hereinafter referred to as United Water or the Company) filed an Application with the Idaho Public Utilities Commission (Commission) to amend and revise its Certificate of Public Convenience and Necessity No. 143 as amended (Certificate), by enlarging and extending the boundaries in which it is authorized to provide general water service.  Reference Title 61 Idaho Code Sections 526-528, Application Exhibits A, B, C and D.  The Company’s Certificate was last amended on November 29, 1993 in Case No. BOI-W-93-2, Order No. 25256 (18th Amended Certificate No. 143).  As part of its Application, the Company submits and requests approval of the financing and reimbursement components of a water supply project development agreement entered into with Micron Technology, Inc. (Micron).  By this Order the Commission approves the proposed amendment to the Company’s Certificate, authorizes the Company to proceed with development of the Southeast Boise Water Supply Project, and approves the related proposal for project financing and reimbursement.

The Application states that for approximately the last 90 years the Company (together with its predecessors in interest) has owned and operated and now owns and operates a water system in Boise, Idaho, and in certain territory in Ada County in the vicinity of, but outside the current corporate limits of Boise, and provides general water service within such territory and to the inhabitants thereof.  As represented in its Application, the Company holds a franchise from the City of Boise and is presently working with the city for renewal of that franchise.  The Company also holds a franchise issued by the Board of County Commissioners of Ada County.

United Water proposes to extend a portion of its southern and eastern boundaries south and east of the Columbia Village Subdivision.  As represented, the extension of its southern and eastern boundaries will fulfill several needs.  Southeast Boise is growing rapidly and Micron continues to expand its plant.  In October 1994, the Idaho Department of Water Resources declared a Ground Water Management Area and Moratorium which halted the drilling of new wells in the Boise Fan Aquifer.  As a result of concerns over the water supply in the area, the Company and Micron on March 7, 1995 entered into an Agreement (the Southeast Boise Water Supply Project Agreement (Agreement)) to develop additional facilities and bring water to the Columbia Basin and the Gowen service areas from the Pleasant Valley Road area.  The scope of the project includes the transfer of water rights of two existing wells (Gowen and Oregon Trail wells) to Micron, the development of two new replacement wells in the Yanke/Nicholson area, a tie-in to the existing Birds of Prey (Raptor) Well, the construction of related transmission lines, and construction of a water storage reservoir to be built on the ridge south of Micron.  Reference Agreement, Exhibit A.  The Agreement recites that the project will (a) help provide Micron with a reliable water supply with sufficient capacity to meet current and future needs with redundancy for fire protection, (b) help the Company meet the current and future water and fire protection needs of its customers, (c) help protect water supplies and investments related to existing Company customers and new customer growth in southeast Boise, (d) help preserve the Boise Fan Aquifer, and (e) provide potential for Boise Fan Aquifer recharge.  The Company and Micron are desirous of having the project facilities in place by July 1, 1995.

As set forth in the Application, the estimated cost of the proposed project is five million dollars ($5,000,000).  The entire cost of the project will be financed by Micron as more particularly described in the Agreement.  (Agreement ¶¶ 5, 7B.)  The Company will reimburse Micron with connection fees from new hook-ups in the Company’s southeast service area as more specifically depicted on a map attached to the Agreement.  (Agreement Exhibit B.)  The Company and Micron have agreed that the costs associated with the project will be apportioned between Micron and third party land developers.  Reimbursements from connection fees will be paid to Micron until the Land Development Associated Costs have been paid in full, but will not exceed a period of 20 years.  (Agreement ¶ 6)

As represented in the Application, the area the Company proposes to serve is contiguous to its present system and certificated area and is not within the authorized territory of any other public utility water corporation under the jurisdiction of the Commission.  The Company further represents that extension into this area is consistent with and necessary to the ordinary course of its business and is required by the public convenience and necessity.

The Company represents that there is only one other water company operating under a Certificate of Public Convenience and Necessity from the Commission within the exterior boundary of the Company’s current Certificate, namely Capitol Water Corporation.  The Company states that Capitol Water’s service area is far removed from the area requested in its current Application.

Notices of Application and Modified Procedure in Case No. BOI-W-95-1 were issued on March 23, 1995.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201 through -204.  The deadline for filing written comments (protests) was April 13, 1995.  Timely comments were received from the Commission Staff and Sharon Ullman (who requested and was granted intervention by prior Order No. 25972.)  The Comments of the parties can be summarized as follows:

Sharon Ullman:

Ms. Ullman challenges the Company’s Application and requests a formal hearing.  Ms. Ullman questions the Company’s construction contracting practices and the dollar impact of the proposed southeast water supply project on existing customers.

Commission Staff:

Staff recommends approval of the Company’s Application.  As characterized by Staff the proposed Agreement allows expansion and modification of existing water supply facilities in southeast Boise using zero interest financing provided by Micron Technology.  Micron will advance 100% of the construction costs and approximately one-half of the income tax consequences of the advance.  The Company’s initial cash requirement will be limited to approximately one-half of the income tax consequence.  Micron is to be reimbursed for non-Micron related-costs (approximately 46.2% of entire project exclusive of reservoir, and 50% of reservoir storage costs) through hook-up fees from new customers locating within the Southeast Boise Water Supply Project service area.

Based on information provided by the Company, Staff assessed the reasonableness of the Agreement by evaluating Company alternatives without Micron participation.  Staff considered the need for replacement or modification of existing facilities, customer growth, the need for new supplies and supply alternatives.  Staff contends that the cumulative Company investment in the southeast Boise area without Micron participation would be approximately $2.6 million or 45% more over the next five years than it would with Micron participation.

Staff also considered more specific issues including accounting treatment of transferred wells, hook-up fees assessed and provided to Micron, tax implications of the project, and rates for service provided to Micron.  Staff concludes that the Agreement can be properly administered and should provide the Company with a cost effective method to serve new growth in southeast Boise.

Staff reminds the Commission, Company and Micron that the future of hook-up fees is presently at issue in the pending Supreme Court appeal filed by the Building Contractors Association of Southwest Idaho (reference Order No. 25640, Case No. BOI-W-93-3).  Should hook-up fees be modified or eliminated as a result of that case, the reimbursement from United Water to Micron may be different than contemplated by the Agreement.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. BOI-W-95-1 including the underlying Application, the Southeast Boise Water Supply Project Agreement and the submitted comments of the Commission Staff and Sharon Ullman.

The Commission finds that the public interest issues raised by Ms. Ullman regarding the need for the project, alternatives and the related consequences to existing ratepayers have been sufficiently addressed and investigated by Commission Staff in this case, and as to the Company’s contracting practices by the Commission in the Company’s last general rate case (Order No. 25640, Case No. BOI-W-93-3).  We note also that this is not a general rate case nor an in-depth investigation and determination as to prudency of the Company’s decisions and actions regarding the Southeast Boise Water Supply Project.  Such analysis is not appropriate until after the Company completes its construction and puts the wells and related facilities into service and an appropriate application is filed by the Company.  The Commission finds that the issues presented in this case are adequately addressed in the filings of record and written comments and do not require a public hearing.

The Commission finds that the proposed expansion area is contiguous to the Company’s present system and certified territory and is not being served by any other public utility water corporation.  The Commission further finds based on the filings of record and information presented that the expansion and proposed Southeast Boise Water Supply Project is necessary in the ordinary course of United Water’s business and is required by the present or future public convenience and necessity.  Good cause having been shown, we find that United Water’s Application to extend its area of service should be granted.  Reference Application Exhibits A, B, C, and D.  We further find it reasonable to authorize the Company to proceed with development of the Southeast Boise Water Supply Project and approve the related proposal for project financing and reimbursement (as detailed in Agreement ¶¶ 5-7b).  The granting of this Application, however, does not constitute ratemaking approval of the Company’s expenditures in the newly certificated area.

CONCLUSIONS OF LAW

United Water of Idaho, Inc. (formerly Boise Water Corporation) is a public utility subject to the jurisdiction of the Idaho Public Utilities Commission under Title 61, Idaho Code.  The Commission has jurisdiction over this matter and the issues raised in Case No. BOI-W-95-1 pursuant to Title 61 of the Idaho Code and pursuant to the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED that the Application of United Water to amend and revise its Certificate of Convenience and Necessity No. 143, as amended, be and hereby is approved, effective immediately.  Reference 19th Amended Certificate No. 143.

IT IS FURTHER ORDERED and the Company is hereby authorized to proceed with development of the Southeast Boise Water Supply Project.  As to such project, the Commission approves the related proposal for project financing and reimbursement.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of  April 1995.

RALPH NELSON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF UNITED WATER IDAHO, INC. (FORMERLY BOISE WATER CORPORATION) TO AMEND AND REVISE CERTIFICATE OF CON­VENIENCE AND NECESSITY NO. 143. | )  )  )  )  )  )  ) | CASE NO. BOI-W-95-1     19th AMENDED  CERTIFICATE NO. 143 |

IT IS HEREBY CERTIFIED that the public convenience and necessity requires, or will require, United Water Idaho, Inc. (formerly Boise Water Corporation), its successors and assigns to hold, construct, or otherwise acquire and to maintain and to operate a water system in and supply water to that certain territory within Ada County in the vicinity of Boise City described in Attachment 1 hereto and subject to the exclusions described in Attachment 2 hereto, and for such purpose to own, hold, construct or otherwise acquire and to maintain and operate within said territories water wells, reservoirs, tanks, towers, stand pipes, collectors, settling basins, galleries and other works and structures, and also to lay, take up, repair, renew, extend, alter, maintain and operate water mains, pipes, conduits, aqueducts, hydrants and other appliances, equipment and facilities in, upon, over, under, along, through and across all streets, avenues, alleys, streams, highways, roads and other public places in said territory as the same now exists or may hereafter be extended, laid out or established, and to exercise the rights and privileges granted, or to which may hereafter be granted United Water Idaho, Inc., its successors or assigns, by any franchise conferred by the state of Idaho or any political subdivision thereof.

This Certificate is predicated upon and issued pursuant to the findings and provisions of Order No. 25977 issued this        of April 1995 in Case No. BOI-W-95-1 to which reference is hereby made.

DATED at Boise, Idaho this                  day of  April  1995.

RALPH NELSON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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