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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)

BOISE WATER CORPORATION FOR)CASE NO. BOI-W-95-1

APPROVAL OF AN AGREEMENT TO)

EXPAND FACILITIES IN SOUTHEAST BOISE)

AND TO AMEND AND REVISE CERTIFICATE)STAFF COMMENTS

OF CONVENIENCE 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, Lori Mann, Deputy Attorney General, and hereby submits these comments as provided for in the Notice of Application issued in this case on March 23, 1995.

On March 8, 1995, United Water Idaho (formerly Boise Water Corporation) filed an application with the Commission for approval of an agreement with Micron Technology Inc. to expand its facilities in southwest Boise and to amend and revise its certificate of public convenience and necessity.  The Commission Staff makes the following comments with respect to the proposed agreement with Micron and the Company's request to amend its certificate.

THE PROPOSED AGREEMENT

Generally, the proposed agreement between Micron and United Water Idaho (UWI) 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.  UWI’s initial cash requirement is limited to approximately one-half of the income tax consequence.  Micron would then be reimbursed for non-Micron related costs through new customer hook-up fees over a twenty year period.  The project would consist of the following:

●Conveyance of the existing UWI Trail Creek and Gowen wells to Micron.  United Water retains the right to use these wells to meet emergency conditions.

●Construction of two new 2000 gpm wells in an area known as the Yanke Well field near Pleasant Valley Road south of Boise.

●Interconnection of the UWI Raptor well and construction of a transmission main from the well field to Micron and residential areas of southeast Boise.

●Construction of a 3 million gallon storage reservoir in southeast Boise.

The project, estimated to cost approximately $5 million, will provide 3 million gallons per day (MGD) to replace the supply from existing wells, 2 MGD redundant backup for Micron and 4.3 MGD of additional transmission capacity to serve approximately 3000 new customers.  An additional well will be required at some future time to provide water supply for approximately 1,500 of these customers.  Additionally, the storage reservoir will provide 1.5 MG for use by Micron and another 1.5 MG peaking and fire reserve for new and existing customers.  Based on the flow capacity and reservoir storage breakdown, the Company proposes to reimburse Micron (through new customer hook-up fees) for 46.2% of the project costs exclusive of the reservoir storage costs.  Micron would be reimbursed for 50% of the reservoir storage costs.

Staff assessed the reasonableness of the Agreement by evaluating Company alternatives without Micron participation.  At the request of Commission Staff, UWI provided a comparison between the project with Micron participation and the most likely facility upgrade scenario without Micron participation.  The comparison shows that the cumulative Company investment required in this area without Micron participation would be approximately $2.6 million, or 45%, more over the next five years than it would with Micron participation.  The alternative comparison assumes that UWI would not serve Micron without its participation in the project.

In assessing the validity of the Company's comparison, the Commission Staff considered several factors including need for replacement or modification of existing facilities, customer growth and the need for new supplies, supply alternatives to those chosen by the Company and the effect of the Company simply serving Micron (as well as new residential customers) under existing company tariffs.  As a result of the cost comparison and evaluation of the assumptions used in the comparison, the Staff has come to several general conclusions.

●Residential growth in southeast Boise and Micron's requested water service from UWI will require new water supplies that are not available from ground water in that area.  Therefore, UWI must look to expansion of the Marden Street water treatment plant, construction of new water treatment plants or the import of ground water from other areas.

●Regardless of the water supply alternative chosen or whether or not UWI provides water service to Micron, the costs to UWI ratepayers is less with Micron participation under the proposed agreement than under existing company financing alternatives or existing tariffs.

●The time frame for providing Micron’s water needs and the near term needs of new and existing residential customers in the area appears to preclude serious consideration of water treatment (expansion or new construction) as a viable water supply alternative.

●Failure to provide for Micron’s water needs within its required time frame would eliminate project participation by Micron under the proposed agreement.

In addition to the cost comparison, Staff also considered several other 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 submitted questions to the Company to gather additional information on these issues.  Based on the Company's response, Staff believes that the Agreement can be properly administered and should provide a more cost effective method for the Company to serve new growth in this area.

However, Staff is concerned about the future status of UWI hook-up fees at issue in the pending Supreme Court appeal filed by the Building Contractors Association of Southwest Idaho. The Building Contractors Association's appeal questions the validity of hook-up fees charged to new customers as a result of Commission Order No. 25640 in Case BOI-W-93-3.  Should UWI hook-up fees be modified or eliminated as a result of that case, the reimbursement from UWI to Micron may be different than contemplated by the Agreement.  Staff has been assured that the Micron reimbursement will follow exactly the approved tariffs of UWI at the time of collection.  Micron, therefore, bears the risk that changes in hook-up fees may change the timing of the reimbursement.

Based on the cost comparison, the Company's response to specific questions and Staff analysis, the Commission Staff supports the special agreement between UWI and Micron.  Staff also supports the Company's request to amend its certificate given the proximity of the project to the Company's existing service area and the lack of any other regulated water utility in the area.  Staff believes that the Agreement should be approved at this time and then reassessed in the event UWI hook-up fees are modified by Supreme Court decision.

DATED at Boise, Idaho, this                day April, 1995.

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Lori Mann

Deputy Attorney General

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