

John R. Hammond, Jr., ISB No. 5470
BATT & FISHER, LLP
U.S. Bank Plaza, 5th Floor
101 S. Capitol Boulevard
Post Office Box 1308
Boise, ID 83701
Telephone: (208) 331-1000
Facsimile: (208) 331-2400

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Terra Grande Water

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE
APPLICATION OF TERRA GRANDE
WATER REQUESTING THAT THE
COMMISSION AUTHORIZE INTERIM
RATE RELIEF AND FURTHER
PROCEEDINGS TO ESTABLISH JUST
AND REASONABLE RATES

Case No. TGW-05-01

APPLICATION

COMES NOW Terra Grande Water (the "Company" or "Terra Grande") and makes this Application to the Idaho Public Utilities Commission ("Commission") for an Order approving interim rate relief that would increase the Company's current rates and charges for water service in the State of Idaho. The Company requests that these rates be changed immediately. The Company requests this immediate authorization to change its rates based on an emergency that was beyond Terra Grande's control and has unexpectedly increased the Company's expenses on short notice. *See Idaho Code* § 61-307; IDAPA 31.01.01.121 & 122.02. In addition, once more data regarding the Company's operations is developed, Terra Grande requests that the Commission adjust or true-up any interim rate previously set to establish just and reasonable rates going forward. If necessary, to preserve any amounts for possible future recovery, Terra Grande requests that it be authorized to use deferred accounting methods to track excess costs.

Terra Grande requests that the Commission process its Application and request for interim rate relief expeditiously. Finally, Terra Grande requests that the Commission process the Company's request for more permanent rate relief by modified procedure under its Rules of Procedure. IDAPA 31.01.01.201-.204.

I.

Terra Grande is a public utility water corporation within the meaning of the Idaho Public Utility Law, is duly organized under the laws of the State of Idaho, and is engaged in conducting a general water business in Boise, Idaho. The Company has provided water service to the Terra Grande Subdivision for over 50 years. This Subdivision is located south of Overland Road, east of Milwaukee Street, north of Targee Street and west of South Ash Park Lane in Boise. The Company has its principal office and place of business at 10012 Eshelman Street, Boise, Idaho. A copy of the Terra Grande's Articles of Incorporation is being provided with this filing as Attachment A. Terra Grande's current Certificate is No. 429.

II.

Terra Grande currently has approximately 117 residential customers that it provides water service to in the Terra Grande Subdivision in Boise, Idaho.

III.

Terra Grande customers are presently served under a two-season flat rate. This is necessary due to the fact that the Company's customers are not individually metered. The monthly summer rate for four months is \$26 and the monthly non-summer rate for eight months is \$16, producing total annual revenue per customer of \$232. A copy of Terra Grande's present schedule of rates for water service is attached hereto as Attachment B.

IV.

On January 18, 2005, the Department of Environmental Quality (DEQ) received test results from all three of Terra Grande's supply wells indicating the presence of Trichloroethylene, a hazardous chemical. The results from the initial testing ranged from ten to nineteen times the Maximum Contaminant Level (MCL) for this chemical in a drinking water system. *See* 40 C.F.R. § 141.61(a)(5)(MCLs for organic contaminants). Subsequent testing confirmed these results.

V.

In response to this problem, Terra Grande provided notice to all of its customers on Friday, January 21, 2005, advising them to cease the use of water for drinking and to minimize all other uses, such as bathing and showering. Terra Grande also began supplying bottled water to its customers and arranged for them to purchase water at wholesale price from a Wal-Mart located across Overland Road from Terra Grande Subdivision. In its notices, Terra Grande communicated with its customers that it would provide them with a billing credit against future bills. The amount of this credit has not been calculated, but the Company requests that in establishing any reasonable amount that the Commission take into consideration that this was an emergency situation not caused by the Company and that Terra Grande did everything in its power to remediate the problem quickly.

VI.

Terra Grande and DEQ have not been able to identify the party responsible for the contamination of the Company's water source. Terra Grande is currently working with DEQ to help ascertain the cause of this contamination.

VII.

The high levels of Trichloroethylene contamination in Terra Grande's water forced the Company to take immediate action to procure reliable and safe water for its customers in the most expedient manner. As a result, Terra Grande worked with DEQ and United Water, Inc. (collectively the "parties") to remediate the contamination problem. The parties decided that based on the current circumstances, the most expedient and cost effective method for establishing a clean potable water supply to the residents of Terra Grande was for the Company to directly connect to United Water's water supply system. DEQ generously provided funds from the Idaho Hazardous Waste Emergency Response Fund to pay for the costs of this connection.

VIII.

This connection consists of the following equipment: 1) a 3" inch meter installed in a concrete vault; 2) 4" pipe connecting the United Water system to Terra Grande's; and 3) a backflow device to prevent any residual contamination from the Terra Grande system from entering into United Water's system. The connection was completed on January 28, 2005 and United Water began providing water service to the Company around 5:00 p.m., MST on that same day under its current, Commission approved Schedule No. 1 for General Metered Service.

IX.

Under United Water's Schedule No.1 for General Metered Service, the Company has a customer charge for a 3" inch meter of \$82.42 bi-monthly. This Schedule also contains a volume charge for all water used per 100 cubic feet (CCF) of \$.9825 in the winter and \$1.2281 for the

summer.¹ United Water's summer rates apply for all water consumed between May 1 and September 30 each year. United Water also assesses the following charges on its customers' bills: 1) a \$.50 bi-monthly charge as required by DEQ to fund the agency's State Drinking Water Program; and 2) a 3% Municipal Franchise Fee as required by the City of Boise. United Water Schedule No. 8.

REQUEST FOR INTERIM RATE RELIEF

X.

As a result in the change in the manner and mode by which Terra Grande provides water service to its customers, it must change its rates immediately in order to recoup its costs of providing said water service. Terra Grande asserts that based on United Water's rates, the Company's expenses will rise, making the Company's current rates unjust and unreasonable.

XI.

Terra Grande requests that in the interim the Commission allow the Company to continue charging its customers \$16 a month for water service based on the Company's filed Tariff. In addition, the Company requests that it be authorized to add the costs of supplying water to its customers using United Water's supply system to its existing flat rate. United Water will calculate charges for Terra Grande and bill the Company bi-monthly using its Schedule No.1 for General Metered Service. Once this bill is received by Terra Grande, the Company requests authorization to pass this additional cost on to its customers. In the interim, Terra Grande proposes to calculate each of its customers' share of this cost by dividing the United Water bill by the total number of Terra Grande customers. Thus, each customer would be billed an equal

¹ These rates are of course subject to change as a result of United Water's current rate case before the Commission. Any change from current rates will of course necessitate further Terra Grande rate adjustments.

amount for the overall United Water bill that Terra Grande will receive in the future. Currently, Terra Grande bills its customers in advance for two months of service.

XII.

A simple illustration can be made using United Water's average consumption per residential customer as stated in the Company's Tariff of 208.75 ccf for the year ending 1998. *See* United Water Schedule No. 1E. Assuming the use of a 3" meter and a 65%/35% summer winter split, each Terra Grande customer's portion of the United Water bill would be \$241.79 annually or \$40.30 bi-monthly. Adding Terra Grande's existing flat rate for water service in the winter would increase each customer's bi-monthly bill to \$72.30 for the winter months. This of course could be higher or lower based upon what the actual usage is recorded by the 3" meter each billing period.

XIII.

If approved, Terra Grande will immediately file a Tariff reflecting any changes to its rates and charges.

XIV.

Notice to the Company's customers concerning this interim and more general rate request is being accomplished by news media releases simultaneously with the filing of the Application and by individual notice mailed to each of Terra Grande's customers. This Notice is attached to this Application as Attachment C. In addition, a copy of the Company's Application is available for public inspection at its office located at 10012 Eshelman Street, Boise, Idaho. The Company has requested that anyone requesting to see the Application at its offices call 322-2509 between 8:00 a.m. to 5:00 p.m.

XV.

Based on the foregoing, the Company asserts that it has shown good cause for the Commission to approve its request for interim rate relief. Accordingly, Terra Grande requests that the Commission grant it interim rate relief based upon the proposal previously discussed on less than thirty (30) days notice, making these rates effective as of the filing date of this Petition.

FURTHER PROCEEDINGS TO ESTABLISH RATES

XVI.

If the Commission grants the Company's request for interim rate relief, it then also requests that the Commission allow further proceedings in conjunction with its investigation in Case No. TGW-04-1 to establish just and reasonable rates for Terra Grande's customers on a going-forward basis once more detail is developed regarding the Company's operations.

XVII.

Because the interim rate relief will likely be adjusted due to further proceedings, the Company requests that it be granted Commission authorization to defer any excess water supply costs in the event that the Commission establishes rates based on an estimated United Water volume charge. The Company requests such treatment until new rates are implemented that provide for recovery of excess water supply costs. This, of course, is moot if the Commission allows the Company to recover its actual costs as determined by United Water billings going forward.

XVIII.

Terra Grande stands ready for immediate consideration of its Application and requests that the Commission considers its merits expeditiously.

XIX.

Communications in reference to this Application should be addressed to:

John R. Hammond
Batt & Fisher LLP
101 S. Capitol Blvd., Suite 500
Boise, Idaho 83702
(208)-331-1000
Fax: (208)-331-2400
jrh@battfisher.com

and

Barbara V. Child
10012 Eshelman Street
Boise, Idaho 83701
208-322-2509
chinachild@cableone.net

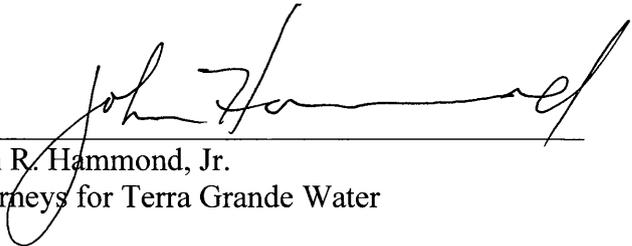
WHEREFORE, Terra Grande respectfully requests of the Commission:

1. That this Application be heard and acted upon at the earliest possible date;
2. That the Commission find that Terra Grande's existing rates are unjust, unreasonable and insufficient to provide the Company the recovery of its costs and a fair rate of return, and that the revised rates and charges proposed in this Application are just and reasonable on an interim basis. Terra Grande requests that the Commission permit the Company to charge its customers these rates effective upon the receipt of its first bill from United Water.
3. The Commission establish further proceedings to establish just and reasonable rates for Terra Grande's customers.
4. Deferred accounting treatment for excess water supply costs above interim rates if appropriate.

5. That the Commission grant such other and further relief as the Commission may determine proper in the circumstances.

DATE this 9th of February, 2005.

BATT & FISHER, LLP



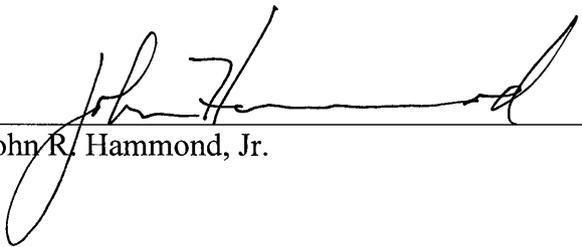
John R. Hammond, Jr.
Attorneys for Terra Grande Water

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 9th day of February, 2005, I caused a true and correct copy of the above and foregoing document to be served, in the manner indicated, on the following:

Dean J. Miller
Attorney for United Water of Idaho, Inc.
MCDEVITT & MILLER LLP
420 West Bannock Street
P.O. Box 2564-83701
Boise, Idaho 83702

- Hand Delivery
- U.S. Mail
- Facsimile
- Federal Express



John R. Hammond, Jr.

FILED EFFECTIVE

ARTICLES OF INCORPORATION

of

TERRA GRANDE WATER, INC.

The undersigned, acting as incorporator of a corporation under the Idaho Business Corporation Act, adopts the following Articles of Incorporation for this corporation:

First: The name of this corporation is *Terra Grande Water, Inc.*

Second: The address of the initial registered office of this corporation is 10012 Eshelman Street, Boise, Idaho 83704. The name of the initial registered agent at such address is Barbara Chester-Child.

Third: That the total authorized number of shares of common stock of this corporation shall be Five Hundred (500) shares, each of no par value.

Fourth: The name and address of the incorporator are as follows:

<u>Name</u>	<u>Address</u>
Barbara Chester-Child	10012 Eshelman Street Boise, Idaho 83704

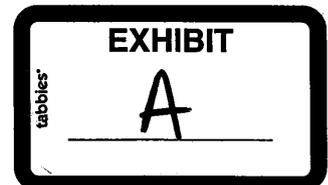
IN WITNESS WHEREOF, I have executed these Articles of Incorporation this 10 day of August, 2004.

Barbara Chester-Child
Barbara Chester-Child
Incorporator

ARTICLES OF INCORPORATION

IDAHO SECRETARY OF STATE
08/17/2004 05:00
CK: 15673 CT: 151040 BH: 761276
I @ 100.00 = 100.00 CORD # 2

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Tariff No.	Page	IDAHO PUBLIC UTILITIES COMMISSION APPROVED EFFECTIVE AUG 10 '04 AUG 10 '04 <i>Per. o.r. 29512 Errata</i> <i>Jan D. Jewell</i> SECRETARY (Approval Stamp)
I.P.U.C. No.		
Canceling		
Name of Utility		
TERRA GRANDE WATER		

SCHEDULE NO. 1

Customer Charges:

Winter Base Rate: \$16.00 per month for September thru April

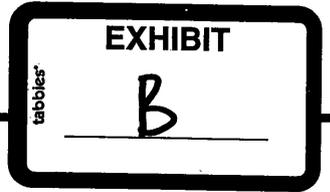
The Company shall follow the "Rules and Regulations of the Idaho Public Utilities Commission Governing Customer Relations of Natural Gas, Electric, and Water Public Utilities Under the Jurisdiction of the Commission."

Approved by Commission Order No. 29512

Issued	2004	Effective	2004
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Issued by **TERRA GRANDE WATER**

By *Barbara Child* Title *owner/operator*



Tariff No.	Page	IDAHO PUBLIC UTILITIES COMMISSION	
I.P.U.C. No.		APPROVED	EFFECTIVE
Canceling		JUN 8 - '04	JUN 8 - '04
Name of Utility		 SECRETARY (Approval Stamp)	
TERRA GRANDE WATER			

SCHEDULE NO. 2

Customer Charges:

Summer Base Rate: \$26.00 per month for May thru August

The Company shall follow the "Rules and Regulations of the Idaho Public Utilities Commission Governing Customer Relations of Natural Gas, Electric, and Water Public Utilities Under the Jurisdiction of the Commission."

Approved by Commission Order No. 29512

Issued	2004	Effective	2004
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Issued by **TERRA GRANDE WATER**

By Barbara Child Title owner-operator

IMPORTANT NOTICE FOR TERRA GRANDE WATER SYSTEM CUSTOMERS REGARDING RATE CHANGES

On February 9, 2005 Terra Grande filed an Application with the Idaho Public Utilities Commission ("IPUC") requesting to increase rates for water service provided to its customers. The proposed request is based on Terra Grande's recent connection to the United Water of Idaho, Inc. supply system to procure reliable and safe water service for its customers. This connection was completed on January 28, 2005, whereupon United Water began selling water to Terra Grande for resale to its customers. Because United Water's rates for water service are higher than the rates Terra Grande charges its customers the Company has requested that the IPUC authorize it to increase its rates.

In the interim Terra Grande has requested that the IPUC authorize the Company to continue to charge its customers its currently approved winter rates of \$16.00 per month. In addition, to these charges, the Company has requested that it be allowed to pass on the actual costs it incurs from procuring water supply from United Water for its customers.

Because the actual consumption of water from the United Water supply system has not been measured yet an illustration of Terra Grande's proposal is provided. Using United Water's average consumption per residential customer as stated in the Company's Tariff's of 208.75 ccf, and assuming the use of a 3" meter and a 65%/35% summer winter split estimated customer rates can be calculated using United Water's winter volume charge of \$.9825 and customer charge of 82.49 bi-monthly for one 3" meter. The resulting Terra Grande customer's portion of the United Water bill would be \$241.79 annually or \$40.30 bi-monthly. Adding Terra Grande's existing flat rate for water service in the winter would increase each customer's bill to \$72.30 for the winter months. This of course could be higher or lower based upon what the actual usage is recorded for each billing period.

Terra Grande also wishes to notify its customers that water usage is now being measured by a 3" meter installed by United Water. Accordingly, all actual usage will be billed to Terra Grande and in turn the Company proposes to pass these costs on to its customers. Thus, the Company requests that its customers engage in any reasonable methods by which they can conserve the use of water. The Company believes that conservation efforts will help to reduce the impacts of any proposed rate increase.

This request to increase rates for water service is subject to public review and a decision by the IPUC. Copies of the filing are available at the Company's offices and the office of the IPUC.

In addition to this request Terra Grande has also requested that the IPUC set just and reasonable rates to replace and/or adjust any interim rate that it may approve for the Company after the Company's operations are thoroughly analyzed.

