

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF UNITED WATER IDAHO INC. FOR) CASE NO. UWI-W-06-05
APPROVAL OF ITS WATER)
CONSERVATION PLAN AND APPROVAL) ORDER NO. 30305
OF A SURCHARGE)

United Water Idaho, Inc. on December 1, 2006 filed an Application requesting approval of an updated water conservation plan, and also requesting a surcharge to pay for implementation of the plan. The Company's Application states that it evaluated 91 potential conservation measures and selected 17 for further study and evaluation. United Water proposes to implement seven of the conservation measures at a cost that would nearly double its current expenditures for conservation measures. The Company currently spends approximately \$124,000 per year; implementation of the additional measures would add approximately \$120,000 to United Water's annual conservation program costs.

The Company requested that its Application be processed by Modified Procedure, and on January 24, 2007, the Commission issued a Notice of Application and Notice of Modified Procedure. The Commission Staff filed comments on February 23, 2007, and United Water filed reply comments on March 28, 2007.

The Water Conservation Plan, page 4, summarizes the programs and annual budgets United Water proposes to implement. In addition to continuing the "current outreach and educational programs," the seven conservation measures the Company proposes to add are the following:

1. Additional Xeriscape Demonstration Gardens. United Water currently maintains a xeriscape garden at its offices. The new conservation plan proposes to increase xeriscape gardens, including placing some in landscaped areas of public agencies. United Water would manage the gardens and provide signs and brochures to educate people visiting the gardens. Annual budget: \$17,400.

2. Expand Water Efficient Landscaping Workshops. This program would boost the Company's current efforts to increase attendance at its water efficient landscaping workshops. Incentives could include landscape and drip system vouchers. Annual budget: \$11,200.

3. Residential School Education. This component would expand the current program that provides elementary grades four through six with workbooks, presentations, teaching materials and other educational tools to teach the students the importance of conserving water. Annual budget: \$6,700.

4. Rain Sensor Retrofit. United Water would periodically give rain sensors to customers, and homeowners would pay for optional installation. Rain sensors delay one or more water cycles in an automatic sprinkler system in response to rain. The goal is to distribute approximately 8,000 sensors over five years. Annual budget: \$35,600.

5. Trigger Shut Off Valves and Hose Timers. For customers without automatic sprinkler systems, this program would offer incentives on the purchase of a shut off valve or timer connected to a yard water hose. Annual budget: \$6,900.

6. Award Program for Businesses. United Water would sponsor an annual awards program for businesses that significantly reduce water use. The business would receive a plaque, presented at a lunch with the mayor. Annual budget: \$1,300.

7. Restaurant Low Flow Spray/Rinse Nozzles. United Water would provide free installation of low flow spray/rinse nozzles in restaurants, grocery stores and commercial kitchens. The goal is to install 1,000 nozzles over five years. Annual budget: \$40,900.

Staff in its comments expressed concerns with the programs selected for implementation, some of which are primarily educational and do not produce readily quantifiable savings. Staff supported implementation of the measures identified in the Company's Application, but not the surcharge proposed by the Company to pay for the new conservation measures.

Staff noted that the plan does not provide details on how the new programs would be implemented, nor does it provide for an evaluation of the effectiveness of the programs once implemented. Staff conceded that determining savings from a conservation program can be difficult and imprecise, but believes results from the programs selected by United Water are particularly difficult to assess. Staff recommended the Company conduct surveys of a representative sample of participants in its programs to determine the actual conservation efforts of customers.

Staff recommended that the Company continue its existing conservation efforts and implement the measures identified in the updated plan, and also consider other conservation

measures. Staff recommended the Commission not approve the proposed conservation tariff rider and instead authorize a deferred accounting treatment of the additional costs.

United Water in its reply comments responded to each of the recommendations made by the Staff. The Company stated it intends to develop a more targeted approach for implementation of each measure, but that to do so before receiving Commission approval of the plan is premature and risks wasting Company resources. Noting the difficulty in evaluating the effectiveness of conservation measures, the Company disagrees with Staff's suggestion that the Company be required to conduct surveys of participants in each of its programs. The Company believes the cost of evaluation programs can exceed the amount spent for the program.

Regarding deferral of the costs rather than a conservation rider, United Water expressed concern with the open-ended nature of Staff's recommendation that costs be deferred and subject to a "later demonstration of reasonableness." If the Commission does not approve a conservation surcharge, the Company requested clarification in the Commission's Order of the proof that will be required to permit amortization of deferred costs.

DISCUSSION

At the conclusion of a recent rate case, the Commission directed United Water to update its 1993 conservation plan. We appreciate the Company's response in preparing the plan it submitted with its Application. We decline to approve, however, the Company's request for authorization to implement all seven new measures, along with a surcharge to pay for them. Instead, the Commission approves implementation of four of the new measures, and approves deferral of the additional costs.

As noted in the updated conservation plan, United Water's current conservation efforts are primarily outreach and educational programs. Some of the proposed new programs expand education and recognition efforts, and likely would produce little or no tangible conservation of water. The updated plan filed by United Water does not make a compelling case for increasing the budget to educate the public generally about water conservation measures. Accordingly, we direct the Company to continue its existing conservation program, and to implement four of the new measures identified in its updated conservation plan. Specifically, the Commission approves implementation of the additional following programs: Xeriscape gardens (budget \$17,400), rain sensor retrofit (budget \$35,600), trigger shut-off valves and hose timers (budget \$6,900), and restaurant low flow spray nozzles (budget \$40,900). We find the current

conservation budget for education and outreach programs to be adequate at this point, and that the four programs identified for implementation are the most likely of the measures proposed to result in measurable reductions in water use.

We also decline to approve a conservation surcharge, but authorize deferral of the new conservation costs for the four additional programs. The projected annual budget for the four programs is \$100,800. The Commission authorizes United Water to defer the actual costs of the four programs, and reminds the Company that deferral will require a prudence review and audit of the program costs in a rate case filing where recovery is requested. The Company will be required to show that the deferred costs are above the amounts already included in base rates. The Commission does not believe further evaluation of the specific programs is necessary at this point, as efficiency of implementation and prudence of the program will be evaluated to establish the recovery level and amortization period when the Company seeks recovery of the new conservation costs. A cost/benefit analysis for each program should be provided to show the ongoing benefits to customers.

ORDER

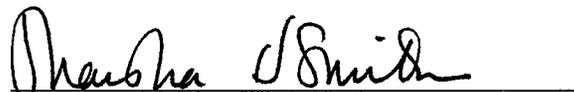
IT IS HEREBY ORDERED that United Water implement four of the seven conservation measures identified in its November 2006 conservation plan, as set forth in this Order.

IT IS FURTHER ORDERED that United Water is authorized to defer the actual costs of the four conservation programs for future review by the Commission.

THIS IS A FINAL ORDER. Any person interested in 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 18th
day of April 2007.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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