

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF VEOLIA WATER) **CASE NO. VEO-W-23-04**
IDAHO, INC.’S APPLICATION FOR)
APPROVAL OF FIRE HYDRANT) **ORDER NO. 36122**
CONVEYANCE, INSTALLATION, AND)
OPERATION AGREEMENT)
_____)

On October 20, 2023, Veolia Water Idaho, Inc. (“Company”) applied for Commission approval of a Fire Hydrant Conveyance, Installation, and Operation Agreement between the Company and Whitney Fire Protection District (“District”) (collectively, “Parties”). The Company requested that the Commission process its Application through modified procedure.

On November 22, 2023, the Commission issued a Notice of Application and established public comment and party reply deadlines. Order No. 36006. Commission Staff (“Staff”) and several members of the public filed comments to which the Company replied.

Having reviewed the record in this case, the Commission issues this Order authorizing the Company’s requests subject to a compliance filing as discussed below.

APPLICATION

The Company stated that it and the District each own fire hydrants within the Company’s service area in the City of Boise (“Boise”) and Ada County. The Company further stated that many fire hydrants owned by the District need maintenance—a process which is a financially burdensome distraction for the District as it pursues its fire protection responsibilities.

To remedy this, the Company stated an agreement was reached between the Company and the District that included the conveyance of the District’s fire hydrants to the Company (“Agreement”). The Agreement is subject to Commission approval, which if granted, will go into effect 30 days after a final order is issued.

The Company proposed a process whereby ownership of the District’s fire hydrants within the Company’s service area (in both Boise and Ada County) would be transferred to the Company over a five-year period—with 1/5 of the District’s fire hydrants conveyed to the Company each year. After the transfer is complete, the Company would then have unified ownership and maintenance responsibilities over all the fire hydrants that the District uses in Boise and Ada County within its service territory. The Company stated that it had the financial ability to maintain these fire hydrants in accordance with the Commission’s fire flow requirements and fire code.

The Company explained that the Agreement also allows the Company to install new fire hydrants in locations where the existing fire hydrants are too distant from each other to comply with the fire code.

The Application stated there are approximately 70 private fire hydrants in the District's service territory. When the Application was filed, the Company intended to begin billing the owners of these hydrants as allowed by Commission approved tariffs.¹

COMMENTS

1. Staff Comments

Staff believed the Agreement was reasonable and within the public interest, but recommended certain modifications as discussed below.

Rationale for the Agreement

Staff believed that the Agreement was reasonable because it will allow fire hydrants within the District to be better maintained—thus improving the safety of the communities served. Staff noted that the Agreement, if approved, would add costs that the Company would request to ultimately be shouldered by customers during subsequent rate proceedings. However, Staff believed this increase in cost will be offset by the benefits of the Agreement. These benefits include unified ownership of the hydrants and a plan to ensure that the hydrants are adequately maintained in the event of a fire. Staff stated that the District owns 820 hydrants—some of which need maintenance or are inoperable. Under the Agreement, the Company will maintain and replace the existing hydrants while also installing new hydrants where necessary.

The Agreement

Staff noted that the Company will still be liable for the hydrants even if the Agreement expires. Staff also noted that new housing developments and areas requiring a line extension will not be covered by the Agreement. Staff stated that the Agreement was conditional upon Commission approval of the Agreement itself, the Company's ability to recover, and the relevant accounting treatment. Staff recommended approval of the Company's request that the Agreement be effective 30 days after the publication of the Commission's final order approving the Agreement. The Agreement's proposed term is 20 years or after all new hydrants have been

¹ Since the filing of the Application, the Company has agreed that the issues related the billing of private fire hydrant owners will be dealt with in a subsequent filing.

installed by the Company—with an option for the Company to terminate the Agreement early once all hydrants have been installed.

The Company will replace 1/5 of the operational hydrants per year for five years. The Company will also coordinate with the District to replace ten non-operational hydrants per year. Thus, the Company will replace up to 200 hydrants during the term of the Agreement; these installations will be prioritized by the District in coordination with the Company. After discussing the matter, both Staff and the Company believe several issues surrounding private fire hydrants—particularly the process and rate for the billing of the owners of the private fire hydrant owners—can be dealt with in a subsequent filing. Staff believed this would allow Schedule No. 4 (which outlines charges for private hydrants) to be applied with greater consistency. When Staff’s Comments were filed, the Company had identified 83 private hydrants (it is not certain that all have been identified).² Staff recommended adjustments to the Company’s proposed verbiage in the Agreement by explicitly connecting the definition of private fire hydrants to the definition in the Company’s tariffs. Staff recommended that the Company submit a compliance filing incorporating those suggestions.

Costs to Veolia Ratepayers and Proposed Accounting Treatment

The District would not be charging the Company for the hydrants. The costs to customers would be limited to repairs being considered as recoverable operations and maintenance expenses which the Company can request recovery of during a future rate proceeding. If the Agreement is approved, the costs associated with the maintenance and repairs are expected to decrease after the Company replaces all operational hydrants during the first five years of the Agreement. Staff provided Table No. 1 concerning when new installations should be considered used and useful for depreciation purposes.

Table No. 1: Estimated Annual Costs

Est. New Hydrants per year	10
Avg. Installation Cost	\$ 12,770
Est. Cost per year	\$ 127,700
Hydrant Depreciation Rate	2.47%
Est. Annual Depreciation Expense	\$ 3,154
Avg. Annual O&M Expense	See Confidential Attachment A

Staff Comments at 6.

² The parties to this case will continue in the process of determining the precise number private fire hydrants.

Customer Relations and Comments

Staff believed that the Company's Customer Notice did not comply with Commission Rule of Procedure 125. IDAPA 31.01.01.125. Staff believed that the Customer Notice lacked specificity regarding the effects of the Agreement upon private fire hydrant owners and their neighbors served by private hydrants. If the Commission allows, the issues related to private fire hydrant owners can be resolved in the subsequent filing on that matter, Staff recommends that the Company work with Staff on its Customer Notices before such a filing.

2. Public Comments

The District's former Fire Chief stated that it was challenging for the District to keep up with the important work of installing and maintaining fire hydrants. He supported the Commission granting the Company's requests.

The District's current Fire Chief stated that fire hydrants were not always historically required and there was difficulty in addressing the backlog for subdivisions built before this requirement. He noted that the Company and the Boise Fire Department have a similar agreement to that which is proposed in this case and that those parties seem satisfied with that agreement. He supported the Commission granting the Company's requests.

Finally, two individuals requested that fire hydrants be placed near their respective locations and one commentor noted the benefits of the Company installing more fire hydrants and supported the Commission granting the Company's requests.

3. Company Reply Comments

The Company generally agreed with Staff's comments. However, it did not believe that Staff's proposed modified language regarding private fire hydrants was necessary or beneficial. The Company disagreed that the proposed language added clarity to the Agreement and was unsure why Staff suggested it. The Company acknowledged Staff's recommendation to file a compliance filing including the proposed language and stated that it would do so if ordered by the Commission. If so, the Company asked that the Agreement be effective within 30 days of that compliance filing—rather than within 30 days of the final order.

The Company agreed with Staff that the issues surrounding private fire hydrants should be dealt with in a subsequent case. The Company stated that it agreed with Staff on the proposed accounting treatment and the Company's ability to recover the fire hydrant related costs. The Company also stated that, before it filed a case relating to private fire hydrants, it would work with Staff on the press release.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company and the issues in this case under Title 61 of the Idaho Code. Specifically, the Commission regulates “public utilities,” including “water corporations” that serve the public or some portion thereof for compensation. *See Idaho Code* §§ 61-125, -129, and -501.

Having reviewed the record in this case, the Commission approves the Agreement according to the conditions discussed herein. Within 30 days of the publication of this order, the Company must file a compliance filing that clarifies the definition of private fire hydrants in the Agreement as described by Staff. The effective date of the Agreement shall be 30 days after Commission approval of the Company’s satisfactory compliance filing.

As requested by Staff and the Company in this case, the approval of rates related to private fire hydrants shall be determined in a future proceeding; before filing the application to determine the rates for private fire hydrant owners, the Company shall work with Staff on the Customer Notice and Press Releases to ensure that the private fire hydrant owners—and those who would be served by those hydrants—have sufficient notice.

The Commission also approves the Company’s proposed accounting treatment. The Commission will consider the recovery of the Company’s prudently incurred costs associated with the ownership, operation, and installation (of the fire hydrants discussed in this case) as an issue that the Company may bring to the attention of the Commission at a future rate proceeding.

For the reasons stated above, the Commission finds that the Company’s requests are fair, just, and reasonable and approves the Agreement between the Parties accordingly.

ORDER

IT IS HEREBY ORDERED the Agreement is hereby approved subject to a compliance filing made within 30 days of the issuance of this Order. Should the Commission accept the Company’s compliance filing, the effective date of the Agreement shall be 30 days after that Commission order approving the compliance filing.

IT IS FURTHER ORDERED the proper rates for private fire hydrant owners shall be determined in a future case; the Company must coordinate with Staff to ensure proper Customer Notice and associated Press Releases for private fire hydrant customers and associated stakeholders before filing such case.

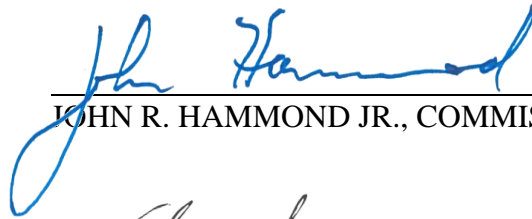
IT IS FURTHER ORDERED that the Commission approves the accounting treatment proposed by the Company in this case.

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 about any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of March 2024.



ERIC ANDERSON, PRESIDENT



JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Monica Barron-Sanchez
Commission Secretary

I:\Legal\WATER\VEO-W-23-04_hydrant/orders\VEOW2304_Final_md.docx