



Idaho Public Utilities Commission

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Case No. UWI-W-15-02, Order No. 33300

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Commission approves agreement transferring fire hydrants from city to United Water Idaho

BOISE (October 7, 2015) – The Idaho Public Utilities Commission has approved an agreement between United Water Idaho and the City of Boise that transfers responsibility for the operation, maintenance and replacement of more than 6,700 fire hydrants from the city to United Water.

The commission approved the application only on the finding that United Water will be able to maintain and replace the fire hydrants “at a more efficient and higher level of expertise,” than would the city. However, the commission rejected the claim by United Water and the city that the transfer would create equity among United Water ratepayers and Boise City taxpayers. In fact, the commission said the arrangement will result in eventual higher rates to United Water customers, many of whom are Boise city residents, without a corresponding decrease to the franchise fee United Water ratepayers already pay the city. “While we recognize customers will experience an increase in service rates, we find the increase is offset by improved fire protection and efficiencies for city residents,” the commission said.

The agreement, which does not immediately impact customer rates, is to replace about 168 hydrants per year over the next 40 years at an annual cost of about \$765,000 or about \$1.45 per customer per year initially. However, the per-customer cost gradually increases to more than \$26 per year at the end of the 40-year replacement period. Customer rates will not be impacted until after United Water files its next rate case. The utility has not claimed any expense for the transfer in the rate case it now has before the commission.

Commission staff noted that the 3 percent franchise fee assessed by the city on all United Water customers provides about \$1 million per year, more than two-and-a-half times the city’s \$450,000 hydrant maintenance and replacement budget. Commission staff said a reduction in United Water’s franchise fee may be the simplest way to improve equity for the increase in costs that will be borne by ratepayers.

The city characterized the commission staff's comments as an impermissible intrusion into Boise's budgeting and expenditure of franchise fees. The commission disagreed, stating it "has no intention of encroaching on the city's use and management of franchise fees collected from United Water customers. However, it is worth noting that there have been prior cases where utilities and municipalities have adjusted franchise fees to accomplish mutual goals. It is certainly true that the city could ameliorate the financial impact of this agreement on city residents should it choose to do so."

Both the city and United Water noted that in almost every other city in Idaho, the entity that provides water for fire suppression also owns, operates and maintains the fire hydrants. United Water said transferring the hydrants to the utility would 1) create equity among taxpayers and ratepayers, 2) make available capital funding for fire protection infrastructure and 3) vest ownership of the hydrants with the entity that owns the infrastructure connected to the hydrants and the experience and expertise to maintain them.

The commission said "creating consistency with other municipalities is, by itself, not a sufficient reason for approval of the agreement. The city and its water utilities have operated under the current system for decades" and achieved the same fire rating as it would under United Water ownership.

Under the current system, the city argued, hydrants are paid for by the city's general fund (largely taxes), which not everyone pays. "This means that governments, non-profits and other tax-exempt entities are not required to fund this important element of the water and fire protection system even though they receive great benefit from it," said Neal Oldemeyer, Boise City Public Works Department director in testimony filed with the commission. Oldemeyer said the \$450,000 budgeted for hydrant work, projected to fall short in the near future, would be reallocated to the replacement of other critical fire equipment such as engines and trucks or enhance or preserve current levels of service for fire, police, libraries and parks.

The commission's order and other documents related to this case are available on the commission's Website at www.puc.idaho.gov. Click on "Open Cases" under the "Water" heading and scroll down to Case No. UWI-W-15-02.

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