

ADAM TRIPLETT
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0318
IDAHO BAR NO. 10221

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF SYRINGA WATER)	
INC.'S APPLICATION FOR A CERTIFICATE)	CASE NO. SWI-W-24-01
OF PUBLIC CONVENIENCE AND)	
NECESSITY)	
)	COMMENTS OF THE
)	COMMISSION STAFF
)	
)	
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COMMISSION STAFF (“STAFF”) OF the Idaho Public Utilities Commission, by and through its Attorney of record, Adam Triplett, Deputy Attorney General, submits the following comments.

BACKGROUND

On March 28, 2024, Syringa Water Inc. (“Company”) applied for a Certificate of Public Convenience and Necessity to provide water service near Coeur d’Alene, Idaho. The Company provides water service to 78 customers and charges volumetric rates. See Application at 1, No. 15 and Exhibit No. 19. The Company is not currently regulated by the Idaho Public Utilities Commission (“Commission”) and does not possess a Certificate of Public Convenience and Necessity (“CPCN”).

On April 19, 2024, the Commission issued a Notice of Application and Notice of Intervention Deadline, setting a deadline for interested persons to intervene. No parties petitioned to intervene.

On June 6, 2024, Commission issued Order No. 36212 setting a public comment date of June 20, 2024, and set a reply comment date of July 3, 2024.

STAFF ANALYSIS

Staff reviewed the Application, exhibits, and additional information provided by the Company. Based on its review, Staff recommends the Commission (1) find that the Company is a water corporation operating as a public utility in Idaho; and (2) issue the Company a CPCN. Further, Staff recommends the Commission set rates at the Company's currently charged rates filed in Exhibit No. 19, and order the Company to submit a compliance filing that includes a full legal description of all connected parcels, and proper tariff and other documents.

Certificate of Public Convenience and Necessity

During Staff's analysis of whether the Company falls under the Commission's regulatory jurisdiction, Staff compiled a list of non-exclusive criteria and reviewed similar Commission cases and Orders dealing with small water company regulation. Additionally, Staff believes the list of non-exclusive criteria can be used for a final determination in this case:

- a. Is the Company a Non-Profit or a Co-op?
- b. Does the Company operate for the service of the customers and not for compensation?
- c. Is the Company owned by its customers?
- d. Do the customers have control of the rates charged by the Company?
- e. Do the customers control the operations and capital expenditures of the Company?

The Company is a corporation organized in the State of Idaho. The customers do not own the water system and, therefore, have no say on the operations and control of rates for water service. Because customers cannot control the operations of the Company, Staff believes the Company is a public utility operating and managing the water system for compensation.

In making its recommendation, Staff reviewed prior Commission cases. In Case No. MUR-W-14-01, Murray Water became a non-profit association of water users, where every

customer became a member of the association. In Case No. CCH-W-15-01, Country Club Hills became a water and sewer district, where the directors were voted in by the customers in the district. In Case No. PKS-W-15-01, Packsaddle Estates was converted to a non-profit, and the Commission ruled in Order No. 33603 against further regulation because, the Company “Has customers who are members of the Company, with each customer having one vote...” Order No. 33603 at 6. In Case No. GNR-U-22-03, Sunnyside Park Utilities transitioned into a non-profit corporation of water users, and the Commission ruled in Order No. 35737 that the Company is “not subject to the Commission’s regulatory authority because, it is organized and operated for service at cost and not for profit.” Order No. 35737 at 7. In each of these cases, the Commission either cancelled or declined to issue a CPCN because the Company did not meet the requirements to be a regulated utility.

Requirements to be a Regulated Utility

According to Staff’s review, the Company is not operating for service at cost and likewise is not a mutual nonprofit, municipal corporation, or a cooperative. The Company is a public utility as defined by *Idaho Code* § 61-129(1). A public utility is an entity that is dedicated to serving the general public in its service area. The term “public utility” is defined to include “water corporations.” A “water corporation” according to *Idaho Code* § 61-125 includes every corporation “owning, controlling, operating, or managing a water system for compensation” in Idaho. *Idaho Code* § 61-125. Exceptions for corporations that do not qualify as a public utility include mutual nonprofits, cooperatives, or any other public utility that operates for service at cost and not for profit. *Idaho Code* § 61-104. The Company operations do not fit any of the exceptions created in Idaho Code Title 61.

System Description

Syringa Water System serves water to residential connections to Syringa Developments and Silver Beach area in Kootenai County along the northern part of Lake Coeur d’Alene (“Lake”), Idaho. The system draws water from the Lake through two 20 horsepower (“HP”) pumps at a pumping capacity of 200 gallons per minute (“GPM”). The water is transferred to a slow sand filter with four bays (each bay with 75 GPM flow) through a series of three booster pumps (“Cliff House”). Water is transferred to the chlorination chamber using a single

transfer 180 GPM pump. Following the disinfection process with 12.5% Sodium Hypochlorite solution, water is distributed to the system through the Whitetail Booster Station, which is equipped with three booster pumps. The rest of the system consists of a 100,000-gallon storage reservoir, and another booster station (“Small Booster”) with two pumps. The distribution system piping includes pipes ranging from 4 – 12-inch diameter, made with various materials such as Polyvinyl Chloride, High Density Polyethylene, and Ductile Iron. The water system currently serves water to 79 active Equivalent Dwelling Units (“EDUs”). Table No. 1 below summarizes the components and respective capacities of the Company’s existing water system.

Table No. 1: Syringa Water System Summary

System Components	Capacity
Lake Intake	2 Pumps: 200 GPM/each
Cliff House Booster	3 Pumps: 2×85 GPM; 1×130 GPM
Slow Sand Filter	4 Bays: 75 GPM/each
Transfer Pump	1 Pump: 180 GPM
Whitetail Booster	3 Pumps: 2×115 GPM; 1×70 GPM
Small Booster	2 Pumps: 80 GPM/each
Storage Reservoir	1 Reservoir: 100,000 Gallons

Reliability Analysis of the Water System

Staff analyzed the Company’s Application, Exhibits, Idaho Department of Environment and Quality (“IDEQ”) sanitary survey, and Facility Plan, and believes the system should be mostly reliable under day-to-day conditions in serving water to its customers; however, Staff discovered several potential system deficiencies that should be addressed. This includes (1) deficiencies discovered through the IDEQ sanitary survey and (2) deficiencies identified through Staff’s analysis of the capacity of the system components relative to current and future demand.

Deficiencies Identified in Sanitary Survey

Staff discovered that the 2019 IDEQ Sanitary Survey identified a significant deficiency regarding a malfunctioning flow meter on Filter Bay No. 3. In a telephonic conversation with the Staff on June 12, 2024, the Company mentioned it has ordered the meter and expected delivery by July 2024. The Company is planning to install the meter around November 2024 to maintain system operations and successfully meeting customer needs during the high-demand

season between July and November 2024. Staff understands the Company’s approach in resolving this issue and believes the issue will be resolved when the high-demand season is over.

System Deficiencies in Maintaining Current and Future Demand

Staff believes the Company’s system is mostly capable of meeting water demand under normal conditions; however, Staff identified two deficiencies at the system-level: (1) insufficient transfer pump capacity, and (2) lack of water storage for fire flow that may impose reliability issues for both current and future demand scenarios. Based on the assessment, Staff recommends the Commission direct the Company to take appropriate actions to mitigate current deficiencies related to the capacity of the transfer pump and fire flow storage and inform Staff once the issues are resolved.

Staff analyzed the system demand for several different time periods based on information contained in the Application, Exhibits, and the Facility Plan. Table No. 2 summarizes Staff’s analysis of the sufficiency for each component of the system for current and projected demand periods.

Table No. 2: Summary of System-Level Deficiencies With the Largest Component (For Each Category) Offline

	Current Demand	Growth Projection 2029	Growth Projection 2034	Growth Projection 2053
EDUs Served	79	108	111	121
Lake Intake	Sufficient	Sufficient	Sufficient	Deficient by 6 GPM
Cliff House Booster	Sufficient	Deficient by 14 GPM	Deficient by 19 GPM	Deficient by 36 GPM
Transfer Pump	Deficient by 135 GPM	Deficient by 184 GPM	Deficient by 189 GPM	Deficient by 206 GPM
Whitetail Booster	Sufficient	Sufficient	Deficient by 4 GPM	Deficient by 21 GPM
Storage with Fire Flow	Deficient by 73,925 Gallons	Deficient by 102,660 Gallons	Deficient by 105,633 Gallons	Deficient by 175,542 Gallons

Current Demand

According to Staff analysis, the Company may fall short in satisfying the current Maximum Daily Demand (“MDD”) if the only transfer pump in their system is out of service. Staff also recognized the Company does not have sufficient storage to satisfy the fire flow requirements.

Staff discovered the current MDD for the whole system is approximately 135 GPM. Facility Plan at 16 – 17. According to Idaho Administrative Procedures Act (“IDAPA”) Rules Section No. 58.01.08.501.04, a community water system shall be designed to maintain its MDD with a component of the largest capacity that is out of service. The Company’s current system consists of a single transfer pump, and if out of service, there is a possibility of customers not receiving any water. In a telephonic conversation with the Staff on June 12, 2024, the Company mentioned it had ordered the pump and is expecting delivery by July 2024. The Company is planning to install the pump and the aforementioned meter around November 2024 to maintain system operations and to customer demand during the high demand season occurring in July through November 2024.

Additionally, Staff does not believe the Company’s water system has adequate storage capacity to satisfy fire flow requirements. IDAPA Rules Section No. 58.01.08.501.18 states that the Company’s water system must be designed to satisfy the MDD plus fire flow. Including the necessary fire suppression storage, the Company needs a total of 173,925 gallons of storage capacity to satisfy this requirement. The Company currently has only 100,000 gallons of available capacity, which makes the system deficient of 73,925 gallons. Facility Plan at 35. Also, according to the Kootenai County Fire and Rescue – Field Marshal’s Office, the 2018 Fire Code required fire flow should include a minimum of either: (1) 180,000 gallons of storage capacity, or (2) 1,500 GPM at 20 pounds per square inch of system pressure.

Future Demand

Staff believes the Company’s current system may not be adequate to satisfy projected growth and respective MDDs, starting from 2029 onward. Staff concludes if no further improvements are made to the water system, almost all system components may be deficient in

serving projected customer demand in 2053. Facility Plan at 28 – 45. Staff’s analysis of future demand periods is summarized in Table No. 2 above.

Water Rights

Currently, the Company has total water rights of 2.0 cubic foot per second diversion rate (approximately 898 GPM) for municipal purposes. Staff discovered, according to the Idaho Department of Water Resources (“IDWR”), the Company’s water rights information is incomplete. The Company is in communication with IDWR and waiting for a response regarding the completeness of the information. Staff recommends the Commission direct the Company to provide updated and complete information regarding the water rights to the Commission as the Company receives a response from IDWR.

Company Service Area

Staff reviewed the Company’s legal description of the service area and concludes the provided information is not complete. Staff recommends the Commission direct the Company to submit a compliance filing within 45 days of the final order that includes a complete legal description of all connected parcels to the water system.

While reviewing the provided legal description of the service area, Staff discovered that certain areas that the Company serves water (several lots alongside Silver Beach Rd) were not included in the description. Application – Legal Description of Land. Due to these discrepancies, Staff conducted a teleconference with the Company on June 12, 2024, and requested the Company submit a revised version of the legal description. Staff believes it would be appropriate for the Company to provide a complete legal description of the service territory through a compliance filing within 45 days of the final order.

Financial Review

Prior to 2023, the Company’s expenses were paid by affiliated entities and not recorded properly. In 2023, the Company began properly accounting for its revenues and expenses. The Company’s current water rates, effective January 1, 2024, were established to recover its costs. See Exhibit No. 19. Once regulated, the Company will be required to submit annual reports on or before April 15. Staff will perform routine desk audits of the Company’s financial records to

ensure the Company's financial stability and that its rates are reasonable. Upon completion of an audit of the Company financials, Staff may recommend to the Commission to open another docket to evaluate whether its rates are fair, just, and reasonable.

Pursuant to IDAPA Code Rule 31.36.01.102. Section 31.36.01 102 – PRESUMPTION OF CONTRIBUTED CAPITAL “[i]n issuing certificates for a small water company or in setting rates for a small water company, it will be presumed that the capital investment in plant associated with the system is contributed capital, i.e., that this capital investment will be excluded from rate base. (7-1-93)”. Because the original cost of the Company's water system, such as its pumps, distribution pipes, valves, filtration system, storage tank, and other assets, was funded with contributed capital, the Company has minimal plant-in-service that qualifies for rate base treatment. However, the Company has been investing into its water system to meet its obligation to provide safe and reliable water service. The Company's investments include pumps to ensure the water system can meet its demand and other infrastructure improvements. The investments may qualify for recovery when the Company submits a general rate case filing.

Reporting

Per *Idaho Code* § 61-1003, the Company is required to submit their gross intrastate operating revenues (“GIOR”) on or before April 1 of each year. The GIOR is the total revenues from its utility business in Idaho for the previous fiscal year, which the fiscal year is defined as being January to December.

Per *Idaho Code* § 61-405, every public utility shall file an annual report with the Commission, verified by the oath of an officer thereof. The report shall be filed on or before April 15 each year. Annual reports contain Company information, revenues, expenses, income statement, balance sheet, plant-in-service, accumulated depreciation, a statement of retained earnings, capital stock detail, long-term debt detail, system engineering data, and customer statistics. The Commission's administrative staff will supply the Company with a template and the Company may request the template in Excel format.

CUSTOMER RELATIONS

Notice of Application

Staff worked with the Company to ensure a customer notice met the requirements of Rule 113 of the Commission's Rules of Procedure. IDAPA 31.01.01.113 – Notice of Application. The notice was provided directly to the customers and property owners of record within the affected area in June.

Tariffs and Other Documents

The Company did not submit most of the required documents to adhere to IDAPA 31.21.01. However, Staff will work with the Company to develop or update the necessary documents. Staff recommends the Commission order the Company to submit a compliance filing and to work with Staff to submit the listed documents and to ensure they comply with IDAPA 31.21.01 – Customer Relations Rules for Gas, Electric, and Water Public Utilities (the Utility Consumer Relations Rules) within 45 days of a Final Order:

1. Tariff;
2. Billing Statement;
3. Initial Disconnection Notice;
4. Final Disconnection Notice;
5. Notice of Procedure for Reconnection; and
6. Summary of Rules and distributed to customers.

Customer Comments

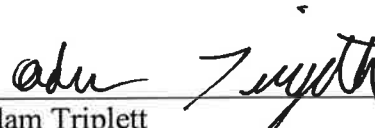
Customers were given until June 20, 2024, to file comments. As of June 18, 2024, three comments were submitted raising concerns about storage capacity, fire protection, and the recent rate increase.

STAFF RECOMMENDATION

Staff recommends the Commission find that the Company is a public utility under its regulatory jurisdiction pursuant to Idaho Code Title 61 and issue the Company a CPCN. Staff further recommends the Commission:

1. Order the Company to submit a compliance filing within 45 days of a final order that includes: (1) a full legal description of all connected parcels; and (2) proper tariff and other documents listed above;
2. Direct the Company to take appropriate actions to mitigate the current deficiencies related to transfer pump and fire flow storage and inform Staff once the issues are resolved; and
3. Direct the Company to submit updated and complete information to Staff regarding the water rights.

Respectfully submitted this 20th day of June 2024.



Adam Triplett
Deputy Attorney General

Technical Staff: Travis Culbertson
Jolene Bossard
Shubhra Deb Paul
Kimberly Loskot
Michael Ott

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 20th DAY OF JUNE 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. SWI-W-24-01, BY E-MAILING A COPY THEREOF TO THE FOLLOWING:

ROBERT HAMILTON SYRINGA WATER INC PO BOX 1902 COEUR D'ALENE ID 83816 E-MAIL: allstarbob@hotmail.com	JENNIFER NEWTON SYRINGA WATER INC PO BOX 3064 COEUR D'ALENE ID 83816 E-MAIL: syringawatercda@gmail.com



PATRICIA JORDAN, SECRETARY