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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

COMMISSION STAFF (“STAFF”) OF the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submits the following comments.

BACKGROUND

On October 20, 2023, Veolia Water Idaho, Inc. (“Veolia” or “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 the Application through modified procedure.

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.

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 Company proposed a process whereby ownership of the District's fire hydrants within the Company's service area would be transferred to the Company over a five-year period. 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.

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.

Additionally, upon approval of the Agreement, the Company intends to begin billing the owners of private fire hydrants it has identified within the District, not currently being billed, in accordance with its approved tariff.

STAFF ANALYSIS

Staff reviewed the Company's Application, the proposed Agreement, and responses to Production Requests. Staff believes that the Agreement is reasonable because it will improve fire protection in the District, which is in the public interest. Therefore, Staff recommends the Commission approve the proposed Agreement with modifications to the private hydrant specific language with an effective date 30 days after Commission approval. In addition, Staff recommends the Commission:

1. Order the Company to submit a compliance filing with the modified Agreement;
2. Deny the Company's request to apply Veolia's private-hydrant tariff to the owners of private hydrants within the District's boundaries in this case and order any action taken related to private hydrants and billing these customers to be addressed in a subsequent case;
3. Approve the accounting treatment of the costs associated with ownership, operation, installation, and maintenance of all hydrants into Hydrant Plant Account 335.4;

4. Approve Veolia’s proposal of recovery of costs associated with ownership, operation, installation, and maintenance of hydrants under the Agreement to be determined for recovery in a future general rate case; and
5. Order the Company to work with Staff on Customer Notices and Press Releases prior to submitting a future application related to private fire hydrants.

Rationale for the Agreement

Staff believes the Agreement is reasonable and in the public interest because it will help improve fire protection by ensuring an adequate amount and ongoing maintenance of public fire hydrants within the District. Although the Agreement will result in increased costs for all Veolia customers, the Commission determined in a similar agreement that the increase in cost is offset by improved fire protection and efficiencies for City of Boise residents. Order No. 33390 at 7.

The District owns 820 hydrants, some of which require maintenance and are non-operational. *See* Company response to Production Request No. 7. The District states, “In recent years, these responsibilities have proven more burdensome and have distracted from the District’s core fire-protection functions In addition, the District tends to have a lower density of fire hydrants than newer systems, due in part to the District’s financial inability to install new hydrants.” *See* Application at 2.

Under the Agreement, the Company will own, replace, and maintain existing fire hydrants and install new fire hydrants within the District. The Company stated the benefits of the Agreement are “...unified ownership of the water system and fire hydrants; sufficient financial resources to adequately maintain and replace hydrants within the Whitney Fire District boundary; ensuring that customers within the Whitney Fire District receive the benefits of a unified system similar to customers outside the District boundaries; and others.” *Id.* Staff reviewed the proposed Agreement and believes the Agreement provides benefits of increased reliability and fire protection.

The Agreement

Terms and Effective Date

The Agreement states how the District will transfer ownership of its existing fire hydrants to Veolia. Once Veolia assumes ownership of the hydrants, the Company will be responsible for

operating and maintaining transferred fire hydrants. Regardless of termination of this Agreement, Veolia will be liable for transferred hydrants. *See* Company’s response to Production Request No. 3. This Agreement will not apply to hydrants in new housing developments or those requiring main line extensions within the District, any of which will be covered under the “Rules and Regulations Governing Water Main Extensions” in the Company’s tariffs. *See* Company’s response to Production Request No. 6.

The Agreement is conditioned on Commission approval of (1) the Agreement, (2) Veolia’s proposal for recovery of costs associated with ownership, operation, installation, and maintenance of all hydrants, and (3) the accounting treatment of the costs associated with ownership, operation, installation, and maintenance of all hydrants prior to being effective. *See* Agreement at 3. Additionally, the Company requested the Agreement become effective 30 days after Commission Order.

After the effective date, the Agreement will be in place until all hydrants have been installed or for a period of 20 years. However, if all new hydrants are installed prior to 20 years, Veolia will have the right to terminate the Agreement after providing a 30 day notice to the District. Agreement at 5. The Company anticipates that it will start inspecting existing hydrants and installing new hydrants on January 1, 2025. *See* Company’s response to Production Request No. 5. Staff believes the expected timing of terms will give the Parties adequate time to implement the Agreement; therefore, Staff recommends the Commission approve an effective date 30 days after Commission Order.

Deliverables

Beginning January 1 of the calendar year following the effective date of this Agreement, Veolia will start inspecting one-fifth of existing fire hydrants, of which those that are operational will be added to the Transfer List and Veolia will assume ownership of those on the Transfer List by the end of year. Any existing hydrants that are non-operational will first be placed on the Replacement List for replacement by Veolia. After replacement, the hydrant will go on the Transfer List, and Veolia will assume ownership by the end of that calendar year. All existing hydrants are expected to be inspected and transferred at the end of five years.

Each year, the District will provide Veolia with a list of 10 hydrants that are the top priority for installation in that calendar year. Veolia will focus installation efforts on those 10

hydrants and if practicable, will install those by the end of the year. *See Agreement at 2.* Veolia will install up to 200 new fire hydrants over the course of the 20-year Agreement.

Private Hydrants

Staff reviewed the Company's proposal to bill private hydrants in the District under Schedule No. 4 through this case. However, during a phone call with Staff, the Company stated that they planned to update Schedule No. 4 and identify and bill customers with private hydrants across the Company's service territory through a subsequent case to be filed later. Because any changes to Schedule No. 4 should be consistently applied to all private hydrants across the entire service territory, including those within the District, Staff recommends that any action taken related to private hydrants and billing these customers should be addressed in that subsequent case. Additionally, Staff recommends the Commission deny the Company's request to bill private hydrant customers within the District in this case.

Veolia has identified 83 private hydrants owners, all of which have not been billed for connection to the Company's system. The Company stated:

[b]ased on recent findings, the Company's tariff has not been applied uniformly due to inconsistent and misunderstood private fire hydrant definitions, availability of accurate mapping records, changes in Fire Department regulations, as well as various private fire installation scenarios. It appears that through 1998, private hydrants were billed with fire services or individually. A 1998 change in fire department policy caused new private hydrants to be installed separately from fire services and consequently new private hydrants after 1998 were not billed.

See Company's response to Production Request No. 9.

To help identify the public hydrants addressed by the Agreement and to exclude any hydrants within the District that are not part of the Agreement, the Parties stated the following regarding private hydrants: "Private Hydrants. This Agreement shall not apply to any Private Hydrants, defined to include those hydrants a) greater than fifteen (15) feet from public right-of-way, b) located behind a locked gate, or c) owned by persons or entities other than the District." Agreement at 3.

Staff recommends this specific language in the Agreement be modified to, "This Agreement shall not apply to any Private Hydrants as defined by the Company's tariffs. Hydrants included in this Agreement will exclude hydrants a) greater than fifteen (15) feet from

public right-of-way, b) located behind a locked gate, or c) owned by persons or entities other than the District.” Staff believes this modified language will help reduce issues with any future language changes to Schedule No. 4. Additionally, Staff recommends the Commission order the Company to submit a compliance filing detailing the modification to the Agreement.

Costs to Veolia Ratepayers

There is no exchange of money between the Parties. Additionally, the transfer of the District’s existing hydrants should not have an impact on the Company’s rate base, as the existing hydrants have no book value and are fully depreciated.¹

Upon completion of replacement and installation of a new hydrant, the Company will take full ownership and capitalize the cost. Future repairs made by the Company may be considered an operations and maintenance expense (“O&M”) or plant account and tracked and recorded to the appropriate accounts. The O&M costs during the transfer window may be higher than normal, but should decrease after completion of transfer, or after five years. After the five years, the Company will continue to inspect hydrants and complete necessary repairs. *See Table No. 1.*

Proposed Accounting Treatment

The proper accounting treatment is booking the costs to install new hydrants to Hydrant Plant Account 335.4 and begin depreciating when considered used and useful. Table No. 1 outlines the estimated annual costs. Staff recommends the Commission approve the accounting treatment of all hydrants to Hydrant Plant Account 335.4. However, Staff recommends that prudence and recovery of new fire hydrants be determined in a future general rate case.

Table No. 1 – Estimated Annual Costs

Est. New Hydrants per year	10
Avg. Installation Cost ¹	\$ 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
¹ See Response to Staff Production Request No. 2.	

¹ Book Value refers to the value of an asset after accounting for accumulated depreciation.

CUSTOMER RELATIONS

The Company's proposed Customer Notice and Press Release were requested on November 16, 2023, and submitted to the Commission on December 7, 2023, as part of Production Request No. 9 and were reviewed by Staff at that time. Staff believes that the Company's notices to its customers did not comply with Rule 125. Staff believes that some notable omissions include insufficient explanations of the impact that the Agreement might have upon relevant customers, particularly those customers close to a private fire hydrant. Of note, Staff believes that this would affect the neighbors, within 300 feet of private fire hydrants, as well as the hydrant owners. Likewise, Staff believes that the proposed notice did not clearly specify that this issue is still a proposal that is subject to public review and that customers have a right to comment on the matter. The Press Release also failed to inform customers that they could file comments on the case.

Through ongoing correspondence with the Company, the Company assured Staff that it wanted to make sure all notices were accurate and sufficient. Staff contends that customers that previously had not been charged for private fire hydrant service would see a significant increase, as they were not previously charged for the service. Thus, Staff believes that compliance with Rule 125 is necessary. Accordingly, Staff believes that the Company must send the notices to all potentially affected customers before those customers receive a bill or charge related to a private fire hydrant. Assuming the Commission agrees with Staff's recommendation to delay treatment of private fire hydrants in a subsequent case, Staff recommends that the Company work with Staff on Customer Notices and Press Releases prior to submitting its application.

CUSTOMER COMMENTS

As of January 17, 2024, there have been five customer comments. All have been in support of the proposed Agreement. The comments are primarily from residential customers, all of which agree to the proposal and request additional hydrants be installed in their areas. Commenters raise the issue of not having adequate fire protection in their respective areas within the Whitney Fire District. Additionally, the current Fire Chief of Whitney Fire District, Greg Womack, commented on December 4, 2023, and expressed support of the Agreement, stating

“[t]he two parties have been working together for many years to provide a water system that will help the fire departments fulfill their oath to protect the citizens we serve.”

STAFF RECOMMENDATION

Staff recommends the Commission issue an Order that:

1. Approves the proposed Agreement with the modification of the private hydrant specific language in the Agreement;
2. Orders the Company to submit a compliance filing with the modified Agreement;
3. Approves an effective date following 30 days after Commission Order;
4. Denies the application of Veolia’s private-hydrant tariff to the owners of private hydrants within the District’s boundaries at this time and orders any action taken related to private hydrants and billing these customers to be addressed in a subsequent case;
5. Approves the accounting treatment of the costs associated with ownership, operation, installation, and maintenance of all hydrants into Hydrant Plant Account 335.4;
6. Approves Veolia’s proposal of recovery of costs associated with ownership, operation, installation, and maintenance of hydrants under the Agreement to be determined for recovery in a future general rate case; and
7. Orders the Company to work with Staff on Customer Notices and Press Releases prior to submitting its future application related to private hydrants.

Respectfully submitted this 18th day of January 2024.


Michael Duval
Deputy Attorney General

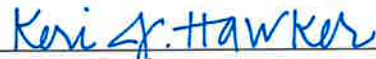
Technical Staff: Kimberly Loskot
Travis Culbertson
Michael Eldred
Jon Kruck
Chris Hecht

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18th DAY OF JANUARY 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO VEOLIA WATER IDAHO LLC**, IN CASE NO. VEO-W-23-04, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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Keri J. Hawker

Legal Assistant to Michael Duval

CONFIDENTIAL ATTACHMENT A

VEO-W-23-04

**Confidential Attachment A
VEO-W-23-04
Staff Comments
1/18/24**