

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE CITY OF EAGLE) CASE NO. VEO-W-23-05
AND VEOLIA WATER IDAHO’S JOINT)
APPLICATION TO AMEND VEOLIA)
WATER IDAHO’S CERTIFICATE OF) ORDER NO. 36200
PUBLIC CONVENIENCE AND NECESSITY)
)

On December 28, 2023, the City of Eagle (“City”) and Veolia Water Idaho, Inc. (“Company”) (collectively the “Applicants”) jointly applied to amend and revise the Company’s Certificate of Public Convenience and Necessity (“CPCN”) No. 143 to remove a portion of service area covering the City from the Company’s certificated service territory. The Applicants requested their Application be processed via modified procedure.

On January 18, 2024, the Commission issued a Notice of Application and Notice of Intervention deadline, setting a deadline for interested persons to intervene. Order No. 36064. No parties petitioned to intervene.

On March 4, 2024, the Commission issued a Notice of Modified Procedure, establishing public comment and Applicant reply deadlines. Order No. 36104. Staff submitted the only comments.

Having reviewed the record, the Commission issues this Order approving the Application and directing the Company to take further action as described below.

THE APPLICATION

The Applicants seek to remove from CPCN No. 143 what they refer to as “Area 4,” an area encompassing the Bighorn Subdivision, the LDS Church located at 2090 N. Eagle Road, and two connections from the 12” mainline along Eagle Road. Veolia services 25 customers and four fire hydrants in the impacted area. If the Application is approved, the water system assets servicing these customers along with other assets serving the Eagle Skate Park in the Eagle Sports Complex will be transferred to the City.

Prior to acquisition by Veolia, the Eagle Water Company (“EWC”) serviced Area 4. In settling prior litigation between the Applicants related to the Company’s eventual acquisition of EWC, the Applicants formed a Water Management Agreement (“WMA”) that, among other things, required the City apply (with Company cooperation) for removal of Area 4 (and other

areas) from the Company's service territory. The Applicants assert that approval of their Application is in the public interest, the City's and Company's rates are comparable, and the City has a bona fide intent and financial ability to operate and maintain the water system infrastructure to be transferred.

STAFF COMMENTS

After reviewing the Application, supporting testimony, WMA, and responses to production requests, Staff recommended approval of the proposed service territory reduction, asset transfer, and the accounting treatment. Additionally, Staff recommended the Commission direct the Company to submit a compliance filing amending CPCN No. 143 by removing Area 4 from the Company's service territory. In support of these recommendations, Staff expressed the belief that the Application satisfies the WMA requirements; the transfer of service territory and assets will have minimal impact on the public; and the proposed accounting treatment for the asset transfer is reasonable. Staff's analysis of each of these considerations is discussed further below.

WMA Requirements

The WMA requires an application to the Commission requesting the removal of Area 4 from the Company's Certificated Area by June 30, 2023. However, the Applicants agreed that the Application was pursued in good faith and extended the filing deadline to December 30, 2023.

Public Impact

Staff figured the Transaction would minimally impact the public for several reasons. First, the City's history of serving its residents shows it can provide safe and adequate service to customers in Area 4. Additionally, Staff believed the City has the intent, along with the financial and system capacity, to provide service within the transferred area. Second, the City and Company's rates for the transferred customers are comparable. Finally, Area 4 is part of the WMA, which facilitates better communication and water service planning between the Company and the City, which Staff opined should benefit the public over time.

Asset Transfer and Accounting Treatment

After reviewing the assets being transferred and their proposed accounting treatment, Staff recommended approval of both. Staff believed the assets listed in Attachment 8 of the Application are necessary for the City to serve Area 4 and the irrigation connection in the Eagle Skate Park. Assets currently serving Area 4 that are not transferred will be removed from the system and repurposed, if possible.

Staff also believed the proposed accounting for the transferred assets is appropriate and will minimally impact customers. The transferred assets and accumulated depreciation will be removed from plant-in-service. Because no money is changing hands, the remaining book value of the assets will be offset as expense to General Ledger account 71225426 – Impairment Other that will not be recoverable in the next general rate case.

Customer Notice and Public Comments

After reviewing a copy of the notice the Company provided to customers with its Application, Staff determined the document meets the requirements of Rule 125 of the Commission’s Rules of Procedure. Customers and property owners within the affected area received the notice. The Applicants also issued a press release with the same information as the notice.

COMMISSION FINDINGS AND DECISION

The Idaho Public Utilities Commission has jurisdiction over the Company, a water corporation, and the issues presented in this case pursuant to Idaho Code, Title 61, specifically including, but not limited to, *Idaho Code* §§ 61-104, 61-125, 61-129, and 61-526.

Having reviewed the record, the Commission finds it fair, just, reasonable, and in the public interest to approve the Applicants’ request to remove Area 4 from the Company’s CPCN No. 143. The Applicants agreed to transferring this portion of the Company’s service area as part of their WMA, showing the City’s intent to service customers in Area 4. Considering its history of serving other residents, we find that the City has the financial and system capacity to adequately serve customers in Area 4. Additionally, customers in Area 4 will continue paying rates for service following the transfer that are comparable to those charged by the Company.

We also find it fair, just, and reasonable to approve the proposed asset transfer between the Applicants. The assets proposed for transfer are necessary for the City to serve Area 4 and the irrigation connection in the Eagle Skate Park. The Company will withdraw and repurpose, if possible, other assets currently serving Area 4 that are not being transferred. By removing the transferred assets and accumulated depreciation from plant-in-service while offsetting the remaining book value of the assets as an expense in General Ledger account 71225426 – Impairment Other, as the Applicants propose, the accounting treatment of the transferred assets will minimally impact customers. As such, we find the Applicants’ proposed accounting treatment to be reasonable.

However, it is also important that the Company's CPCN No. 143 continues to accurately reflect the Company's service territory once Area 4 is removed. We therefore direct the Company to submit a compliance filing amending CPCN No. 143 to remove Area 4 from the Company's service territory within 15 days.

ORDER

IT IS HEREBY ORDERED that the Applicants' request to remove Area 4 from the Company's CPCN No. 143, is approved.

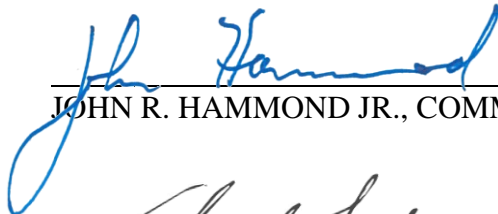
IT IS FURTHER ORDERED that the transfer of assets identified in Attachment 8 within the Application and the proposed accounting treatment for the asset transfer are approved.

IT IS FURTHER ORDERED that the Company submit a compliance filing amending CPCN No. 143 to remove Area 4 from the Company's service territory within 15 days of the service date upon this Order.

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. *See Idaho Code § 61-626.*


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of May 2024.


ERIC ANDERSON, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


EDWARD LODGE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary

I:\Legal\WATER\VEO-W-23-05_CPCN Eagle/orders\VEOW2305_final_at.docx