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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE CITY OF EAGLE</b> ) <b>AND VEOLIA WATER IDAHO’S JOINT</b> ) <b>APPLICATION TO AMEND VEOLIA</b> ) <b>WATER IDAHO’S CERTIFICATE OF</b> ) <b>PUBLIC CONVENIENCE AND NECESSITY</b> ) <hr style="width: 45%; margin-left: 0;"/> )	)	<b>CASE NO. VEO-W-23-05</b>  <b>COMMENTS OF THE</b> <b>COMMISSION STAFF</b>
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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 December 28, 2023, the City of Eagle (“Eagle” or “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 the Company’s certificated service territory to be served by the City. If the Application is approved, the water system assets servicing Company customers in the eliminated service territory along with other assets serving the Eagle Skate Park in the Eagle Sports Complex will be transferred to the City.

Prior to acquisition by the Company, Eagle Water Company (“EWC”) serviced Area 4, an area encompassing the Bighorn Subdivision, the LDS Church located at 2090 N. Eagle Road, and 2 connections from the 12-inch mainline along Eagle Road.

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

Through this filing, the Applicants seek to remove Area 4 from CPCN No. 143, which includes twenty-five customers and four fire hydrants serviced by the Company.

The Applicants represent that approval of their Application is in the public and the City’s 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 infrastructure to be transferred.

## **STAFF ANALYSIS**

Staff believes 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. This conclusion is based on review of the Application, Direct Testimony, the WMA, and responses to production requests. Staff recommends approval of the Applicants’ request to remove Area 4 from CPCN No. 143. In addition, Staff recommends the Commission:

1. Approve the transfer of assets provided in Attachment 8 within the Application;
2. Approve the proposed accounting treatment for the transfer of assets; and
3. Order the Company to submit a compliance filing amending CPCN No. 143 with Area 4 removed.

## **WMA Requirements**

The WMA approved by the Commission in Order No. 35247 includes an agreement that requires an application to the Commission requesting the removal of Area 4 from the Company’s Certificated Area. The deadline for the filing was June 30, 2023, but included a 6-month extension to December 30, 2023, if pursued in good faith, which the Applicants agree has been done.

## **Public Impact**

Staff believes there will be minimal impact to the public as a result of the transaction for several reasons. First, the City has the ability to provide adequate service to customers in the transferred area based on the City's history of serving the City of Eagle. In addition, Staff believes the City has the intent, along with the financial and system capacity, to provide the incremental service within the transferred area. Second, the Company's rates for the transferred customers in Area 4 are comparable to the City's rates. Finally, the transferred area is part of the WMA that helps provide increased communication and better water service planning between the Company and the City, which should provide long-term benefits to the public.

## **Asset Transfer and Accounting Treatment**

Staff reviewed the assets being transferred and the proposed accounting treatment. Staff believes the assets being transferred, as shown in Attachment 8 of the Application, are necessary for the City to serve Area 4 and the irrigation connection in the Eagle Skate Park. Furthermore, Staff believes the proposed accounting for the transferred assets is appropriate. Therefore, Staff recommends the Commission approve the transfer of the assets in Attachment 8 and the proposed accounting treatment.

The proposed accounting treatment will have minimal impact to customers. The Company will remove the transferred assets from plant-in-service and remove the associated accumulated depreciation. Because there is remaining book value for these assets and there is no exchange of money, the remaining value will be offset as an expense to General Ledger account 71225426 – Impairment Other and should not be included as a recoverable expense in the Company's next general rate case.

Any assets used to serve Area 4 but not transferred will be removed from the system and repurposed if possible.

## **Customer Notice and Public Comments**

The Company's customer notice was included with its Application. Staff reviewed the document and determined that it meets the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. The notice was provided directly to the customers and property owners of record within the subject area. The City of Eagle and Veolia also issued a


press release containing the same information as the notice. Customers were given until April 10, 2024, to file comments. As of April 9, 2024, no customers have commented.

### **STAFF RECOMMENDATION**

Staff recommends the Commission:

1. Approve the Applicants' request to remove Area 4 from CPCN No. 143;
2. Approve the transfer of assets provided in Attachment 8 within the Application;
3. Approve the proposed accounting treatment for the transfer of assets; and
4. Order the Company to submit a compliance filing amending CPCN No. 143 with Area 4 removed.

Respectfully submitted this 10th day of April, 2024.

  
Adam Triplett  
Deputy Attorney General

Technical Staff: Michael Eldred  
Jolene Bossard  
Travis Culbertson  
Kevin Keyt

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10<sup>th</sup> DAY OF APRIL 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. VEO-W-23-05, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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PATRICIA JORDAN, SECRETARY