

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER RAPER
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: BRANDON KARPEN
DEPUTY ATTORNEY GENERAL

DATE: APRIL 30, 2015

SUBJECT: JOINT APPLICATION OF UNITED WATER AND THE CITY OF BOISE FOR APPROVAL OF AN AGREEMENT TO TRANSFER FIRE HYDRANT MAINTENANCE AND OPERATIONS, AND APPROVAL OF CERTAIN RATEMAKING TREATMENT, CASE NO. UWI-W-15-02

On April 10, 2015, United Water Idaho Inc. (“United Water”) and the City of Boise, Idaho (“Boise”) filed a joint Application seeking Commission approval of an agreement between the parties to transfer responsibility for operation, maintenance, and replacement of fire hydrants within Boise’s municipal boundaries from Boise to United Water. *Application* at 2-3, *See also* Exhibit No. 1 (“Agreement”). United Water further seeks approval of related ratemaking treatment to recover the increased costs associated with the transfer. *Id.* at 4. The parties prefiled written testimony and ask that the case proceed under Modified Procedure. *Id.*

THE APPLICATION

A. Proposed Transfer

The Application states that Boise currently owns and maintains more than 6,700 fire hydrants in the city. *Id.* at 2. In July 2014, the parties entered into the agreement to transfer ownership and operation of the hydrants to United Water over a period of 40 years. *Id.* at 3. The parties estimate that approximately 168 hydrants will be replaced each year over the next 40 years. *Id.*

The parties claim that approval of the agreement is “generally to provide operations consistent with other communities in the state; to create equity among taxpayers and ratepayers; to make available capital funding for fire protection infrastructure and other essential services; to conform with the intent of the franchise agreement; and to vest ownership of the hydrants with

the entity that owns the infrastructure connected to the hydrants with the experience and expertise to maintain them.” *Id.* at 3.

B. Proposed Ratemaking

United Water further requests assurance from the Commission that the costs associated with the transfer be fully included in rate base (not 13-month average), and recovered in any subsequent general rate proceedings over the life of the agreement. *Id.* at 4. United Water estimates that “the annual revenue requirement associated with the initial capital investment [will be] approximately \$765,000.” *Id.* According to United Water, this initial cost will increase annual rates by approximately \$1.45 per costumer. *Id.* Notably, each party has reserved the right to declare the agreement “null and void” should the Commission not approve of the agreement, including the accounting treatment requested by United Water.

To buttress their Application, the parties have included a copy of the agreement, direct testimony of Neil Oldemeyer (Director of Boise’s Public Works Department), and direct testimony of George Wyatt (Vice President and General Manager of United Water Idaho).

While United Water has not sought an immediate rate increase to recover the proposed costs that will be incurred under the agreement, it has filed a Notice of Intent to file a general rate case on or after April 6, 2015.

STAFF RECOMMENDATION

Staff concurs with the parties’ request that the case proceed under Modified Procedure. Staff recommends that comments be due July 23, 2015, and reply comments, if any, no later than August 13, 2015.

COMMISSION DECISION

Does the Commission wish to use Modified Procedure, with comments due by July 23, 2015, and reply comments due August 13, 2015?

Brandon Karpen
Brandon Karpen
Deputy Attorney General

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