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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF FALLS WATER CO.,)
INC.'S APPLICATION TO SELL CERTAIN) CASE NO. FLS-W-20-01
WATER SYSTEM ASSETS TO THE CITY OF)
IDAHO FALLS)
)
) COMMENTS OF THE
) COMMISSION STAFF
)
_____)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Matt Hunter, Deputy Attorney General, and in response to the Notice of Application and Modified Procedure issued in Order No. 34543 on February 5, 2020, in Case No. FLS-W-20-01, submits the following comments.

BACKGROUND

On December 2, 2019, Falls Water Co., Inc. (“Company”) applied to the Commission to amend the Company’s Certificate of Public Convenience and Necessity (Case No. FLS-W-19-02). As part of its Application, the Company requested the Commission approve the sale of a 12-inch water main and 6-inch lateral to the City of Idaho Falls (“City”), and requested that it be relieved of the duty to serve the one small commercial customer currently served by the assets to be sold. This small commercial customer’s premises are in an area that has already been annexed by the City.

On December 27, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure setting comment and reply deadlines of March 11, 2020 and March 18, 2020, respectively. *See* Order No. 34517.

On January 24, 2020, the Company sent an email and a letter to Commission Staff. In these communications, the Company explained that one of the City's reasons for purchasing the 12-inch main and associated assets is to allow the City to provide service to a new large commercial customer. The new customer's facilities will be under construction in the early months of 2020. The Company stated that the City is under a contractual obligation to provide water service to this new customer beginning April 1, 2020.

Staff and the Company recognized the March 11, 2020 comment deadline and March 18, 2020 reply comment deadline established by Order No. 34517 would put the Commission's decision regarding the asset transfer near or after the date the City will be contractually obligated to begin service to the new large commercial customer.

On February 4, 2020, Commission Staff proposed that the Commission bifurcate Case No. FLS-W-19-02 to allow the Company's asset transfer transaction with the City to be considered as a separate case. Additionally, Staff recommended that the new case address service to the Company's current small commercial customer that will be served by the City after the asset transfer or after the City builds its own line to the customer.¹

The Commission opened the current case, Case No. FLS-W-20-01, and issued a Notice of Application and Notice of Modified Procedure in Order No 34543.

STAFF ANALYSIS

Staff recommends that Commission approve the proposed sale of a 12-inch water main and 6-inch lateral to the City of Idaho Falls, and that the Company be relieved of the duty to serve the one small commercial customer currently served by the assets to be sold.

Staff believes the proposed asset sale is in the best interests of the Company and its customers because the assets to be sold are underutilized and are likely to remain underutilized because the City has annexed nearly all of the adjacent territory. These assets were installed in 2005 and intended to serve a development (Liberty Park) that was never completed. Currently, the authorized return on these assets is greater than the revenue obtained from the sale of water

¹ The City would need to build its own line if the asset transfer is not approved.

transported through them. The sale will allow the Company to remove these underutilized assets from rate base, which benefits the Company and its customers.

The proposed asset sale includes a 12-inch diameter, 2,007 foot main that runs along Lincoln Road west of Hitt Road, as well as a 6-inch lateral that extends down Applewood Way. *See* Attachment A. Other than the aforementioned small commercial customer, there are no customers served by the 6-inch lateral, and the 12-inch main assets to be sold to the City. Premises located in the area have already been annexed by the City. *See* Attachment B. The Company will continue to serve this customer until the City acquires the 12-inch main from the Company. Purchase of the line will eliminate the need for the City to construct its own line. Because the City plans to annex nearly all the territory that is adjacent to these lines, it is unlikely that the Company would be able to obtain any new customers along them.

The purchase price of \$43,386 for the transfer of the assets is found in Exhibit A of the Asset Purchase Agreement between Seller and the City of Idaho Falls, Idaho. The original asset cost was \$50,703. Staff believes the purchase price to be fair to the Company's current customers, as the sales price is greater than the net book value of the assets.

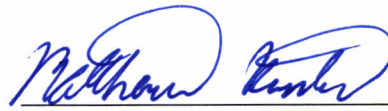
CUSTOMER NOTIFICATION AND CUSTOMER COMMENTS

Rule 125 of the Commission's Rules of Procedure does not require customer notification unless the Company is requesting a rate change. IDAPA 31.01.01.125. In this case, no customer notice was sent. As of Monday, February 10, 2020, no customer comments have been received in the original case, FLS-W-19-02, or this case.

STAFF RECOMMENDATION

Staff recommends the Commission approve the proposed sale of the 12-inch water main and the 6-inch lateral to the City of Idaho Falls, and that the Company be relieved of the duty to serve the one small commercial customer currently served by the assets to be sold.

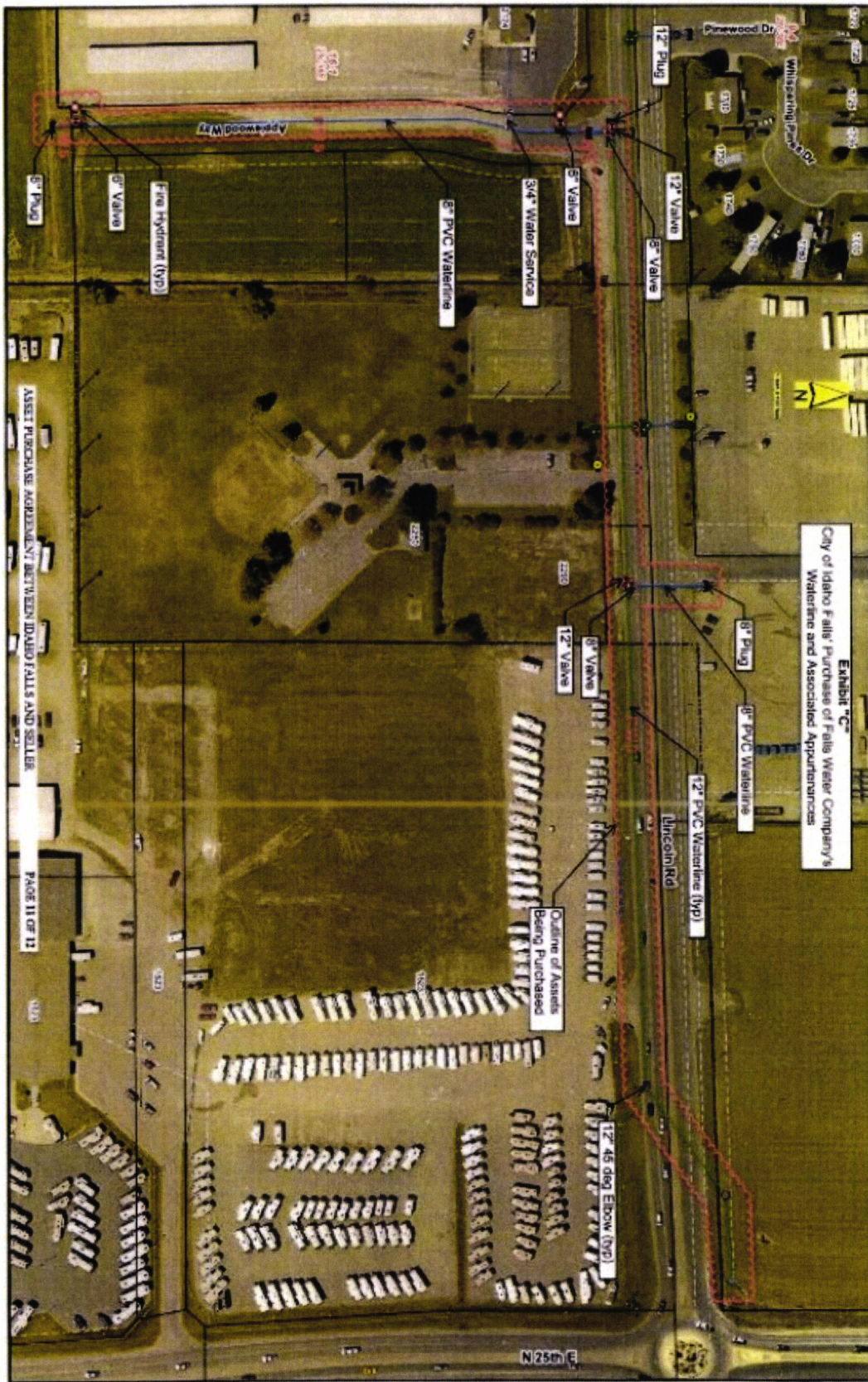
Respectfully submitted this 11th day of February 2020.

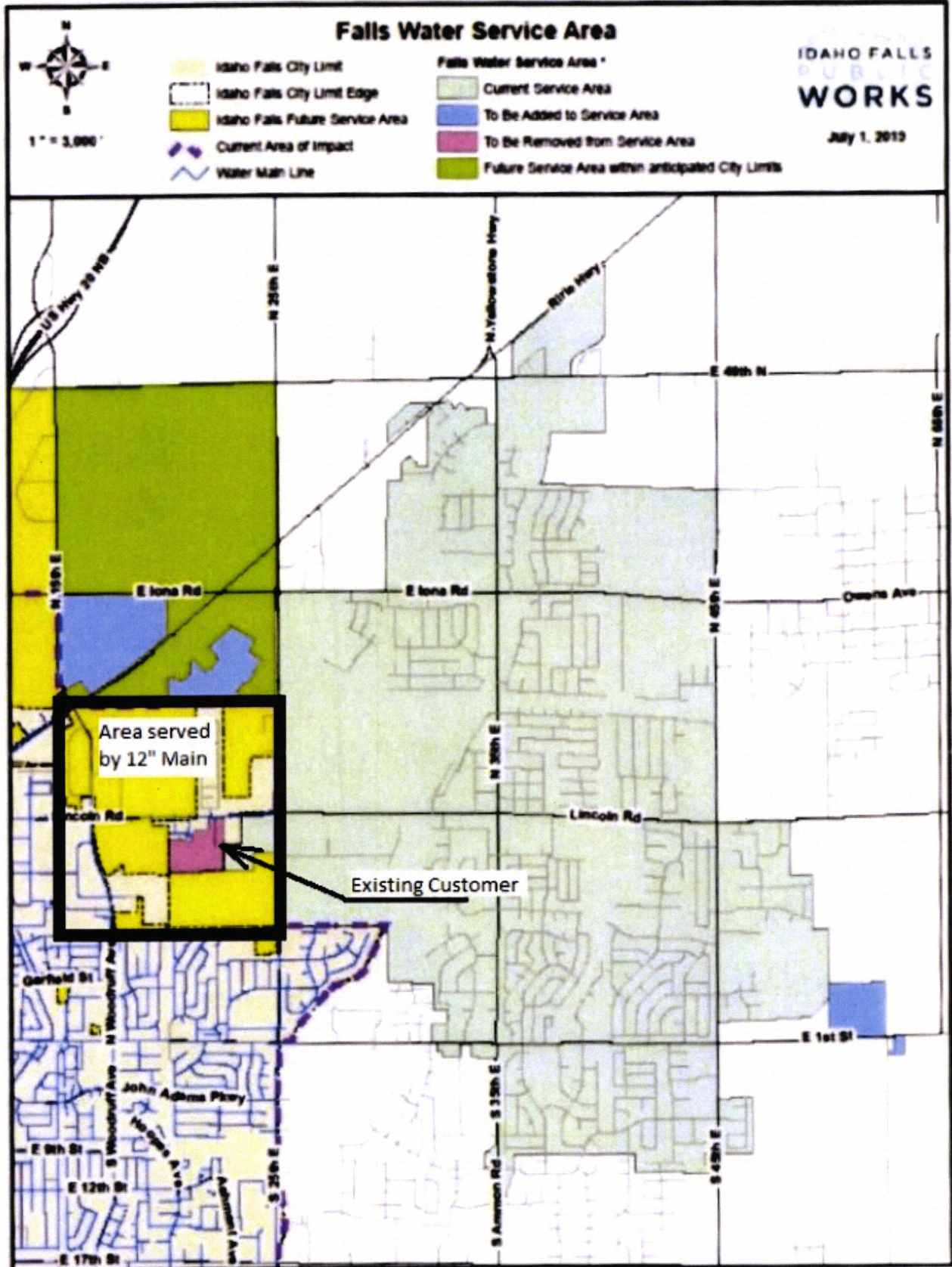


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i:umisc/comments/flsw20.1mhklscwhbemerkm comments





* Falls Water Service area was derived from an image provided from Falls Water on January 14, 2013 and the area shown in this map should be considered approximate.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 11TH DAY OF FEBRUARY 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO FALLS WATER COMPANY** IN CASE NO. FLS-W-20-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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