

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF FALLS WATER CO.,) CASE NO. FLS-W-20-01
INC.'S APPLICATION TO SELL CERTAIN)
WATER SYSTEM ASSETS TO THE CITY OF) ORDER NO. 34561
IDAHO FALLS)
)

On December 2, 2019, Falls Water Co., Inc. (“Falls Water” or “Company”) applied to the Commission to amend the Company’s certificate of public convenience and necessity (“CPCN”) to add 13 areas contiguous to its current certificated service area. The Company also sought approval of a transaction with the City of Idaho Falls (“City”).

On December 27, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure setting comment and reply deadlines. Order No. 34517.

On February 4, 2020, Commission Staff recommended to the Commission that Case No. FLS-W-19-02 be bifurcated to allow the Company’s transaction with the City to be considered as a separate case. The Commission bifurcated the case and created Case No. FLS-W-20-01, issuing a Notice of Application and Notice of Modified Procedure on February 5, 2020. The Notice set a February 11, 2020 comment deadline and a February 18, 2020 reply comment deadline. Only Staff filed comments, after which the Company notified Staff that it would not file reply comments.

Having reviewed the record, we approve the transaction as described below.

THE APPLICATION

The Company’s Application is primarily a request to amend its certificated service area. *See* Application at 1-3. However, the Company also requested the Commission approve the sale of a 12-inch water main and 6-inch lateral to the City, and that the Company be relieved of the duty to serve the one customer currently served by the assets to be sold. As part of this transaction, the Company stated it would sign a memorandum of understanding (“MOU”) with the City. The MOU is intended to help the Company and the City plan the expansion of their water systems in the coming years, making the expansion of the two water systems smoother.

On January 24, 2020, Falls Water sent an email and a letter to Commission Staff. In these communications, the Company explained that the City’s reason for purchasing the 12-inch main and associated assets is to allow the City to provide service to a new, large commercial customer. The Company stated that the City is under a contractual obligation to provide water

service to the commercial customer beginning April 1, 2020. Staff and the Company recognized the comment deadline in Case No. FLS-W-19-02 would likely 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 commercial customer.

STAFF COMMENTS

Staff recommended the Commission approve the proposed transaction, and that the Company be relieved of the duty to serve the one commercial customer currently served by the assets to be sold. Staff believes the asset sale would be in the best interest of Falls Water and its customers because the 6-inch lateral and the 12-inch main are underutilized and will likely continue to be underutilized. Only one customer is served by the assets, and no additional customers are likely to be served by the assets because of the City's annexations nearby.

Staff noted the purchase price for the assets—\$43,386—is greater than their net book value, and therefore is fair to the Company's customers.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction and authority over Falls Water and the issues raised in this case, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.* Based on our review of the record, we find the sale of the water system assets at issue in this case to be in the best interest of Falls Water and its customers.

This transaction makes sense. The 12-inch main and 6-inch lateral are on the far western edge the Company's service territory, and the proximity of the City's water system makes it unlikely these system assets would ever be fully utilized by Falls Water. Designed to serve an entire development, these system assets now serve one small commercial customer. This is not an effective use of the Company's assets. The City is willing to pay a fair market price for the assets, allowing Falls Water to recoup its investment. We find the transaction to be in the best interest of the Company and its customers.

Falls Water is relieved of the duty to serve the one small commercial customer currently served by the assets to be sold, but only once the assets are connected to the City's water system or the assets are disconnected by the City from Falls Water's system. To the degree it is within the Company's power, the Company should strive to make the small commercial customer's transition to its new water service provider as seamless as possible.

ORDER

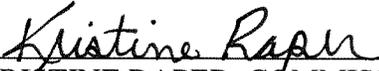
IT IS HEREBY ORDERED that Falls Water's Application to sell a 12-inch main and a 6-inch lateral to the City is approved. Falls Water shall continue to serve the sole customer served by the system assets until the City connects the assets to its water system or disconnects the assets from Falls Water's system.

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. 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 25th day of February 2020.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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