

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF FALLS WATER)	CASE NO. FLS-W-21-02
COMPANY INC'S. APPLICATION FOR)	
AUTHORITY TO INCUR DEBT TO)	
ACQUIRE REAL PROPERTY)	ORDER NO. 35249
)	

On November 5, 2021, Falls Water Company Inc. ("Company") applied to the Commission requesting authority to incur up to \$691,500 in debt to buy real property consisting of an office, warehouse, and storage yard. *See Idaho Code* § 61-901 *et seq.* The Company currently leases the real property it proposes to purchase with the funds from the debt issuance. The Company requested the Commission issue its final decision by December 13, 2021.

The Company plans to close on the real estate transaction by year end 2021, although it may be able to close in the first quarter of 2022.

The Company published a notice of the Application in the Post Register on November 19, 2021. The Company paid the filing fee required under *Idaho Code* § 61-905 on November 22, 2021. On November 22, 2021, the Company also filed a Statement of Public Notice and Proof of Publication with the Commission noting that it had published notice in the *Post Register* which serves Bonneville County, Idaho.

Based on our review of the record, we approve the Company's Application to incur debt as noted below.

THE APPLICATION

The Company asks for authority to incur \$691,500 of debt to purchase real property. The debt consists of a 15-year loan with an interest rate of 0.90% APR for the first 12 months, 2.99% APR for years 2 through 10, and 6.50% APR for years 11 through 15. The Company's Application included a letter from Zions Bank indicating its willingness to finance the real property purchase.

The Company seeks to incur the loan to finance the purchase of real property in Idaho Falls, Idaho. The real property consists of two lots that the company currently leases. One of the lots houses the Company's main office building. The other lot is vacant and provides space to store equipment and other material.

Earlier this year, as the Company's most recent lease approached expiration, the Company learned that should it renew the lease its monthly payments would increase to \$5,500. The lease also provided the Company with an option to purchase the property, which it has exercised. The Company's monthly payments on the loan will be less than the \$5,500 it would otherwise pay under a new lease.

The total purchase price of the property is \$922,000.00, of which the Company will pay a 25% down payment—or \$230,500—leaving a principal balance of \$691,500.

STAFF REVIEW AND RECOMMENDATION

Staff recommended the Commission authorize the Company to incur up to \$691,500 in debt to purchase the real property it currently leases for its offices and storage. Staff also recommended the Commission require the Company to file its final loan documents with the amount borrowed and all other terms within seven days of closing.

Staff reviewed the Company's Application and 2020 Annual Report, and confirmed that the Company paid the fees required under *Idaho Code* § 61-901 *et seq.*

Staff noted the Company did not submit financial statements with its Application but did not believe this should disqualify the Application because substitute financial documents were available. Staff believed that Company could meet cashflow requirements to cover the debt payments based on its 2020 Annual Report filed in Case No. FLS-W-20-03. Staff noted that the current lease payment on the building was \$3,496 per month, but that it would increase to \$5,500 per month if the Company continued to lease and the Company's debt service payments would be less than \$5,500 per month.

Staff discussed the terms of the loan and amount the Company would borrow compared to the amount listed in Zions Bank's Indication of Interest due to the Company's 25.00% down payment. Staff noted the tiers of interest over the life of the loan. Staff discussed the difference in rates between Zions Bank's Indication of Interest and the Company's Application for years 11-15 wherein the Application stated the rate would be 6.50% and the Indication of Interest said it would be the five-year U.S. Treasury plus 2.00%. The Company clarified the 6.50% listed in the Application was a worst-case scenario.

Staff did not believe the new debt would affect the Company's capital structure significantly. Staff noted this debt issuance would not impact the Company's Commission approved capital structure or weighted average debt interest rate of 3.50% for the first ten years.

See Case No. FLS-W-20-03. Staff observed that the loan structure for years 11-15 would potentially remain below the Commission approved debt interest rate if the U.S. Treasury Index remains low.

Staff noted that the acquisition of Falls Water by N.W. Natural appeared to provide the Company with better access to capital markets by comparing the rates in the Company's Application to recent Commission authorized debt issuances by Rocky Mountain Power and Avista, which had similarly low interest rates.

Staff did not believe the Commission should issue a prudency determination on the real property acquisition at this time contrary to the Company's request. Staff believed the time constraints imposed by *Idaho Code* § 61-904 did not allow for proper review and the Company's next general rate case would provide a better opportunity to fully review the prudency of the Company's purchase.

DISCUSSION AND FINDINGS

The Commission finds that the Company is an Idaho corporation, a water corporation within the definition of *Idaho Code* § 61-125, and a public utility within the definition of *Idaho Code* § 61-129. The Commission has jurisdiction over this Application under *Idaho Code* § 61-901 *et seq.*

The Commission finds that the Company's Application should be approved. The Company's Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure (IDAPA 31.01.01.141-150), and the Company has paid all fees required by *Idaho Code* § 61-905. Further, the proposed incurrence of debt is for a lawful purpose, is within the Company's corporate powers, and is compatible with the public interest.

We find that if the Company receives a loan in the amount it anticipates borrowing and with the conditions it expects, then its capital structure approved in Case No. FLS-W-20-03 will not be impacted.

The Company shall file with the Commission the loan documents (showing the amount borrowed and all other terms of the loan) within seven days of those documents becoming available to the Company.

The issuance of this Order authorizing the proposed financing does not constitute Commission determination/approval of the type of financing or the related costs for ratemaking

purposes, which determination the Commission expressly reserves until a future ratemaking proceeding.

The Commission's approval of the Company's proposed debt incurrence is not an approval of how the Company ultimately spends any funds obtained from the loan. The Commission also does not have before it, and therefore does not determine, the effect of incurring the debt on rates to be charged by the Company for water service to its consumers.

ORDER

IT IS HEREBY ORDERED that the Company's Application is granted. The Company may incur up to \$691,500 in debt under the terms and conditions and for the purposes set forth in the Company's Application and this Order.

IT IS FURTHER ORDERED that the Company shall file with the Commission the loan documents (showing the amount borrowed and all other terms of the loan) within seven days of those documents becoming available to the Company.

IT IS FURTHER ORDERED that the foregoing authorization to incur debt is without prejudice to the regulatory authority of the Commission regarding rates, utility capital structure, service accounts, valuation, estimates for determination of cost or any other matter which may come before this Commission under its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provisions of Chapter 9, Title 61, Idaho Code, or any act or deed done or performed in connection with this Order shall be construed to obligate the State of Idaho to pay or guarantee, in any manner whatsoever, any security authorized, issued, assumed, or guaranteed under Chapter 9, Title 61 Idaho Code.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of the Company's exhibits or other material accompanying the Application for any purpose besides issuing 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 with regard to 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 6th day of December 2021.



PAUL KJELLANDER, PRESIDENT

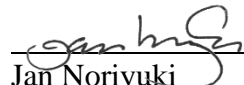


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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