

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF FALLS WATER CO.,) CASE NO. FLS-W-21-03
INC. TO AMEND CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
NO. 236) ORDER NO. 35357
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On November 15, 2021, Falls Water Co., Inc. (“Falls Water” or “Company”), applied to the Idaho Public Utilities Commission (“Commission”) to modify its Certificate of Public Convenience and Necessity (“CPCN”) No. 236 by enlarging and extending the boundary of the area where it is authorized to provide service.

On December 8, 2021, the Commission issued a Notice of Application and Notice of Modified Procedure setting public comment and company reply deadlines. *See* Order No. 35250.

On February 8, 2022, Staff commented on the matter. On February 15, 2022, the Company replied. No other comments were received.

Having reviewed the comments and record, the Commission now issues this final Order granting the Company’s Application.

BACKGROUND

Falls Water is a wholly owned subsidiary of Northwest Natural Gas Company (“NWNG”). *Staff Comments* at 2. NWNG serves customers in the Pacific Northwest. *Id.* As part of a recent reorganization, NWNG formed the Northwest Natural Holding Company, which holds companies including NW Natural Water Company, LLC and its subsidiary, NW Natural Water of Idaho, LLC—which the Company is a subsidiary of. *Id.* In 2018, the Commission approved NW Natural Water Company, LLC’s acquisition of Falls Water. *See* Order No. 34103.

THE APPLICATION

The proposed service area, known as Honey Bee Acres, is surrounded by the Company’s existing certificated area. *Application* at 2. The proposed area currently has two small wells and sufficient water rights to provide water service to 18 connections. *Id.* The Company stated that it was willing to absorb the existing water system and assume ownership of the water system’s assets. *Id.* All customers in the proposed area (and each household) signed an easement

agreement consenting to their homes being connected to the Company's system. *Id.* at Attachment C.

The Company recommended that an eight-inch water main be installed and that ¾-inch meters be installed for each connection. *Id.* at 3. The Company represented that this would benefit existing customers and homeowners by providing necessary looping to improve fire flows in the area north of Iona Road and west of 45th East. *Id.*

The Company also represented that existing Company rate tariffs for ¾-inch meter customers would be used once the customers of the Honey Bee Acres water system are connected to the Company's water system. *Id.* The Company believed that this amendment would be consistent with public convenience and necessity. *Id.*

STAFF COMMENTS

Staff reviewed the proposed acquisition under *Idaho Code* § 61-328.¹ *Staff Comments* at 2. After reviewing all relevant documentation pertaining to the acquisition under *Idaho Code* § 61-328, Staff recommended that the Commission approve the Company's Application to acquire Honey Bee Acres and modify CPCN No. 236 to include the Honey Bee Acres' existing service area. *Id.* at 3.

1. Acquisition Documentation Review

Staff reviewed the Easement Agreement, the legal description of Honey Bee Acres service area, production request responses, and the Idaho Department of Environmental Quality ("IDEQ") sanitary surveys. *Id.* Staff believed that the legal description was accurate, and that the system would operate at least as reliably as it had historically after the acquisition by the Company. *Id.* However, during its review of the IDEQ documents, Staff discovered positive tests for coliform in 2018 and 2020. *Id.* Through production request responses, the Company alleviated Staff's concerns by stating that it had added 18 inches to the top of its well casings to avoid heavy rainfall issues, which the Company stated was the likely cause of the coliform issue. *Id.*

2. Public Interest

Staff believed that the acquisition would be mutually beneficial for customers of both systems once interconnected and therefore, Staff believed that the transaction was consistent with the public interest. For Honey Bee Acres customers, the acquisition would result in the

¹ *Idaho Code* § 61-328 pertains to electric utility transfers of its property in the Idaho. However, Staff has used it to review other proposed transfers of a public utility's property. *See* Case No. SUZ-W-18-02.

replacement of an aging water system infrastructure. Additionally, Staff stated that the Company could provide more reliable service and better customer service to Honey Bee Acres customers. *Id.* at 4. Staff also stated that the upgrades would improve firewater flows for all customers in the area by providing necessary looping in the area north of Iona Road and 45th East. *Id.*

3. *Cost and Rates for Supplying Service*

The Company proposed that Honey Bee Acres customers pay for water service under the existing Company rate tariffs for a ¾-inch meter once connected. *Application* at 2. Since the current Honey Bee Acres water system has no consumption meters, Staff was unable to determine an accurate impact on customer water bills. *Staff Comments* at 4. However, Staff discovered through Company production request responses that the average monthly bill for Falls Water residential customers in 2021 was \$29.67. *Id.* Staff believed that Honey Bee Acres customers who use the same amount, or less water than, the average Company customer would not see an increase in their monthly bill costs. *Id.* If a customer uses more water, the customer might see an increase in their water cost under the Company’s tariffs—however, because all new customers have agreed to the acquisition and connection to the Company’s water system, Staff believed any potential increase would be reasonable.² *Id.* Moreover, customers can control their bill if they see an increase in monthly costs because once connected to the Company’s system, each customer would be metered. *Id.* at 5.

4. *Bona Fide Intent and Financial Ability to Operate and Maintain the System in the Public Service.*

Staff believed that the Company demonstrated its bona fide intent and financial ability through operation of its system and the recent acquisition of other water systems.³ *Id.* at 5. Staff believed the Company intends to operate the Honey Bee system efficiently because NWNG has the necessary access to capital markets to proactively address any infrastructure needs in the Honey Bee Acres service area. *Id.* Additionally, the Company committed to maintain an adequate source of supply to provide safe and reliable service to the Honey Bee Acres service area. *Id.*

² Staff additionally verified that all customers in the proposed service area signed the Easement Agreement. *Staff Comments* at 5.

³ NW Natural Water Company, LLC, in conjunction with its parent companies, is actively seeking to expand its operations in Idaho. NW Natural Water Company, LLC and associated companies have shown commitment to their growth plan through the acquisition of other water systems in Idaho. The acquisitions of water systems by NW Natural Water Company, LLC should provide benefits through operational efficiencies and economies of scale as it acquires more systems. *Staff Comments* at 4.

5. Company Tariff

Staff recommended that the Company revise its tariff to include Honey Bee Acres rates on a separate schedule which would expire upon the connection of the two systems. *Id.* at 6. Until interconnection occurs, Staff understood that Honey Bee Acres' customers would be billed under existing rates that Honey Bee Acres customers are currently charged. *Id.*

COMPANY REPLY COMMENTS

The Company appreciated Staff's diligence in reviewing the Application and submitted materials. *Company Reply Comments* at 1. The Company agreed with Staff's comments and stated it would work with Staff to revise its tariff sheets to include the Honey Bee Acres rates on a separate schedule as recommended by Staff. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter and the issues in this case under Title 61 of Idaho Code. Specifically, the Commission regulates "public utilities," including "water corporations" that serve the public or some portion thereof for compensation. *See Idaho Code* §§ 61-125, -129, and -501. The Commission has an established practice of evaluating the transfer of water systems under the criteria found in *Idaho Code* § 61-328. Based on our review of the record, we find the acquisition of the water system assets located in Honey Bee Acres to be in the best interest of Honey Bee Acres customers, Falls Water and will not harm customers of Falls Water. We therefore find the Amendment to CPCN No. 236 to enlarge the Company's existing service area to include Honey Bee Acres just, fair, and reasonable. We also find that the possibility of a customer bill increase after the interconnection of the two systems is acceptable given the Easement Agreement that all Honey Bee Acres' customers signed. Customers may control their bill better with the installation of meters. We direct the Company to continue working with Staff to create a tariff schedule that expires upon interconnection of the two water systems. Additionally, the Commission directs the Company to issue written notice to existing Honey Bee Acres Customers describing the Company's pricing structure with a rate comparison for customers with average usage within thirty (30) days of issuance of this Order.

ORDER

IT IS HEREBY ORDERED that the Company's Application to amend CPCN No. 236 to include Honey Bee Acres service area is approved.

IT IS HEREBY ORDERED that the Company issue written notice to existing Honey Bee Acres Customers describing the Company's pricing structure with a rate comparison for customers with average usage within thirty (30) days of issuance of 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 31st day of March 2022.



ERIC ANDERSON, PRESIDENT

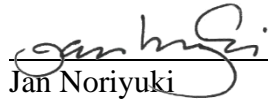


JOHN CHATBURN, COMMISSIONER



JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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