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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF FALLS WATER CO., INC. FOR)	CASE NO. FLS-W-24-01
APPROVAL OF A REPLACEMENT WELL)	
FOR ITS MORNING VIEW SYSTEM)	
)	COMMENTS OF THE
)	COMMISSION STAFF
)	

COMMISSION STAFF (“STAFF”) OF the Idaho Public Utilities Commission, by and through its Attorney of record, Chris Burdin, Deputy Attorney General, submits the following comments.

BACKGROUND

On January 31, 2024, Falls Water Co., Inc. (“Company”) filed an application (“Application”) with the Idaho Public Utilities Commission (“Commission”) seeking approval for a replacement well to serve customers within the Company’s recently acquired Morning View (“MV”) Water Company water system.

The Company represents that in 2020, the Company filed an Application seeking the Commission’s approval for the acquisition of the assets of MV Water Company. Application at 2. The Company states that after acquiring MV Water Company’s assets, the Company

conducted a review of system needs and contracted with Aspen Engineering, Inc. to complete a Facility Plan for the system. *Id.*

The Company represents that the Facility Plan indicates that a new backup well for the system is needed “immediately” to ensure sufficient water supply if the primary well fails. *Id.* The Company states that it believes that installing a new well and related infrastructure (collectively, the “Project”) for the MV Water Company system is reasonable, necessary, and in the public interest. *Id.* at 3.

STAFF ANALYSIS

Based on its review of the Company’s Application, exhibits, and responses to discovery requests, Staff recommends the Commission authorize the Company to construct a backup well and related infrastructure for the MV water system as proposed, with the caveats that the capacity of the proposed well be right-sized for customer’s water demand and that the need and economics for a sand separator is justified. If the Commission authorizes the decision to construct, Staff will review the actual cost of the Project to ensure it is properly sized to meet customer’s water needs and is implemented at a reasonable cost when the Company seeks recovery in a future general rate case.

The Company’s current system includes three wells. The Company states that Well Nos. 1 and 2 are not operating adequately and Well No. 3 (the largest well) produces nearly all the water for the MV system. Application at 3. In addition, the Company is required by the Idaho Department of Environmental Quality (“IDEQ”) to have a backup well that can supply water in the event of a failure of the Company’s largest well, which in this case is Well No. 3. Facility Plan at 4. The proposed Well No. 4 will serve as the backup well replacing Well Nos. 1 and 2 as a part of the Project as detailed below.

Description of the Project

In its Application, the Company has identified several tasks to complete the Project including developing engineering plans, constructing the well, updating piping in the wellhouse, installing a new sand separator and Variable Frequency Drive (“VFD”) controls, and purchasing and installing a backup power generator. Application at 4.

The Company plans to decommission both Well Nos. 1 and 2 once Well No. 4 is operational. The Company also plans to reutilize the same meter from existing Well Nos. 1 and 2 for the proposed Well No. 4. Company's Response to Production Request No. 3. The Company estimates that Well No. 4 will have an estimated useful life of 40 years. Company's Response to Production Request No. 28.

Need for a Backup Well

Without the new backup well, Staff believes the Company's water system cannot reliably satisfy customers' water demand or meet the requirements outlined in the Idaho Rules for Public Drinking Water Systems (IDAPA 58.01.08 Section Nos. 501, 541, and 552). Staff believes the need for the backup well is adequately justified based on the following:

1. Regulatory requirements for a backup well;
2. Well maintenance history;
3. Considered alternatives to a backup well; and
4. Projected future growth.

However, analyzing the Company's current demand and projected future growth, Staff is concerned that the Company's proposed well capacity exceeds projected water demand. Thus, Staff will review the installation of Well No. 4 when the Company seeks recovery for the actual cost of the new well to ensure it is not oversized for the system without sufficient justification. The consequence of installing an unjustified, oversized well could result in an adjustment to the cost of the well allowed for recovery.

Regulatory Requirements for a Backup Well

Without the installation of Well No. 4 as a backup well, Staff believes the Company will fall short of three requirements as contained in Idaho Rules for Public Drinking Water Systems. The Company needs to meet minimum requirements for Maximum Daily Demand ("MDD"), water pressure, and Peak Hourly Demand ("PHD"), if the Company's largest well goes out of service.

First, the Company is required to have enough firm capacity¹ to satisfy its MDD if the largest well is out of service due to malfunction, maintenance, etc. (IDAPA 58.01.08.501.17). As can be seen from Table Nos. 1 and 2 below, the MDD of 399,200 gallons per day (“gpd”) cannot be currently met by Well Nos. 1 and 2, if its largest well, Well No. 3, goes out of service.

Table No. 1: Estimated Customer Demand

	Estimated demand in gpd
ADD	124,000
MDD	399,200
PHD	496,000

Facility Plan at 16.

Table No. 2: Pumping Capacity of MV System Wells.

	Pumping Capacity in gpd	Pumping Capacity in gallons per minute (“gpm”)
Well Nos. 1 and 2	288,000	200 ²
Well No. 3	720,000 ³	500 ⁴
Well No. 4 (Proposed)	792,000 – 864,000 ⁵	550-600

Second, the Company has enough capacity to satisfy its Average Daily Demand (“ADD”) of 124,000 gpd and maintain 58 pounds per square inch (“psi”) system-level pressure with all of its wells operational; however, Staff believes that the Company will fail to satisfy its ADD, resulting in depressurization, if Well No. 3 is out of service, given the capacity of Well Nos. 1 and 2 and the operational status of those wells (IDAPA 58.01.08 Section Nos. 501.07 and 552.01.b).

¹ Firm pumping capacity is defined as the production capacity of the water supply wells in the system with the largest well out of service. Facility Plan at 18.

² Facility Plan at 4.

³ Facility Plan at 18.

⁴ Staff calculated this value from the information provided in Company’s Facility Plan at 18.

⁵ Staff calculated this value from the information provided in Company’s Response to Production Request No. 5.

Third, the Company does not have enough firm capacity to satisfy Peak Hourly Demand of 496,000 gpd if Well No. 3 is out of service with Well Nos. 1 and 2 only having capacity of 288,000 gpd in total, even when they are operational (IDAPA 58.01.08.501.17).

Projected Future Growth

Staff believes that the capacity of proposed Well No. 4 may be oversized to meet current and future water demand and minimum regulatory requirements. Without sufficient justification for the size of the well when the Company seeks recovery in a future rate case, Staff may recommend to the Commission an adjustment to the amount allowed for recovery to prevent customers from being overcharged for an oversized well.

The Company is currently serving approximately 400 people via 138 residential connections. The Company is anticipating only 3 additional connections by the end of 2026. Facility Plan at 16. Furthermore, the Company affirms it is not projecting any significant changes to its water demand in the future. Company's Response to Production Request No. 14. Since the Company can currently meet its current water demand solely with existing Well No. 3 that has a capacity of 720,000 gpd, Staff believes a backup well of similar size will be sufficient, unless there are additional circumstances unknown to Staff at this time.

Alternatives to a Backup Well and Cost-Benefit Analysis

According to Staff's analysis, there are no feasible alternatives other than to construct a backup well. Two potential alternatives to the proposed well include deepening existing Well Nos. 1 and 2 or adding a storage tank.

The Company considered deepening existing Well Nos. 1 and 2; however, the diameter and thickness of well casings do not satisfy current IDEQ requirements. Company's Response to Production Request Nos. 16 and 17.

Staff also inquired about the possibility of constructing a storage tank; however, the Company asserted, and Staff agrees, that a storage tank is not feasible because it would be insufficient to stay ahead of demand on maximum demand days. Company's Response to Production Request No. 15.

Well Maintenance History

Staff inquired about the possibility of maintaining operation of Well Nos. 1 and 2; however, Staff agrees that maintaining those wells into the future is not a viable option. The Company stated that Well Nos. 1 and 2 have suffered from a buildup of rocks and mud resulting in murky water despite the use of sand separator and regular maintenance over the past three years. Company's Response to Production Request No. 19. Due to such challenges, Well Nos. 1 and 2 experienced a 99.6% reduction of water production in 2023 compared to 2021, while Well No. 3 has been acting as the dominant source to satisfy the customer demands. Company's Response to Production Request No. 8 – Attachment 1-3.

Need for Related Infrastructure of the Project

The Company has included, and Staff assessed the need for, a backup generator, a variable frequency drive, and a sand separator for the proposed well.

Need for Backup Generator

Staff believes the Company needs a backup generator for the proposed Well No. 4 as a part of the Project to reliably satisfy water demand during unforeseen power outages. According to Idaho Rules for Public Drinking Water Systems, a water system must have enough water supply wells with backup power to satisfy ADD or emergency storage equal to one days ADD (IDAPA 58.01.08.501.07).

Staff inquired about the potential to share the backup generator at Well No. 3 for the proposed well; however, the Company ruled out this option since proposed Well No. 4 will be located approximately 2,500 feet away from Well No. 3. Company's Response to Production Request No. 10. Staff agrees that due to the long distance, the cost of necessary wiring, conduit, excavation, permitting, and labor, this option is not feasible or cost effective.

Need for a Variable Frequency Drive

Staff agrees that a VFD is required for the proposed backup well as a part of the Project to improve the flow of water production and maintain a consistent pumping capacity when the existing Well No. 3 is not in service.

Staff inquired whether the Company has considered reusing the existing VFDs from Well Nos. 1 and 2. The Company responded it is not feasible because the proposed well will be equipped with a higher capacity pump compared to Well Nos. 1 and 2. Company's Response to Production Request No. 18 and 26.

Need for a Sand Separator

The Company has included the cost of a sand separator for proposed Well No. 4 even though the Company's Facility Plan did not require one. Facility Plan at 22. If the Company purchases and installs a sand separator, Staff recommends the Company provide economic justification for the need compared to other feasible alternatives when the Company seeks recovery for the cost of the Project.

A sand separator is utilized to remove sand from produced water when the amount of sand exceeds IDEQ's permitted limit of 5 parts per million ("ppm"), and to ensure safe, clean usable water. Company's Response to Production Request No. 24. An alternative is to install a stainless-steel screen, which does require regular maintenance.

The Company's existing Well No. 3 does not have a sand separator installed, rather it is equipped with a stainless-steel screen, and it has not been compromised with sand, rocks, or sediments. The Company agrees that any potential issues of sand accumulation may be mitigated by drilling Well No. 4 deeper (similar to Well No. 3), which may provide better water supply in dry years. According to the Company, a screen may be adequate to avoid sand or sediment build-up, and a sand separator can be installed "If Necessary" in such scenarios. Company's Response to Production Request No. 25. However, Staff is uncertain whether there will be additional costs associated with a screen in the future. Staff believes it would be prudent for the Company to perform a cost-benefit analysis between the options of installing a sand separator during the implementation of the Project and using a screen and maintaining it regularly.

Cost Estimate Analysis of the Project

The Project has a preliminary cost estimate of \$466,470, performed on March 12, 2024, by Aspen Engineering, Inc. This cost estimate includes a 10% contingency and a 7.5% contract administration fee. However, the estimate does not include the following:

- Cost of reprogramming the SCADA system – \$5,000;
- Decommissioning Well Nos. 1 and 2 – \$8,060; and
- Increased annual power expense – \$1,841.

The Company represented that it will ensure the construction of the Project is completed at a reasonable least cost by submitting bids and selecting the best low-cost and qualified vendors. The Company stated it will provide the bid results to Staff by August 1, 2024. Company's Response to Production Request Nos. 20, 21, 27, and 30.

The Company will receive an equity infusion from its parent companies to fund this Project. Company's Response to Production Request No. 6. Staff expects the Company to provide sufficiently detailed supporting documentation when it seeks recovery of these costs in a subsequent filing, such as how the construction of the well and related Project infrastructure was completed as a least-cost solution and to provide cost estimates of alternate well pumping capacities to meet the PHD, etc.

Project Timeline

The Company expects the proposed construction will take approximately 198 days to complete with an anticipated completion date of November 15, 2024. The construction design has not been finalized or approved by IDEQ at this time. The Company mentioned it would provide all Project requirements and specifications to the Commission Staff by July 1, 2024. Company's Response to Production Request No. 20.

Water Rights

Currently, the Company's water rights for the MV system allow for a total annual water production of 196.9 acre-feet ("AF") for domestic water use and 92 AF for irrigation use. Application – Appendix B. In 2023, the MV Well Nos. 1 and 2 produced 0.07 AF and Well No. 3 produced a total of 135.07 AF. Company's Response to Production Request No. 8 – Attachment 3.

The Company expects to build Well No. 4 to the same pumping capacity as Well No. 3 of nearly 600 gpm. This will provide the Company with an approximate total pumping capacity of 1,100 gpm. The Company's current water rights allow it to produce water at a rate of 840 gpm.

Facility Plan at 18. The Company articulated it will utilize the SCADA system to alternate the operation of Well Nos. 3 and 4 and if demand is greater than normal, both wells may run concurrently. However, Staff notes that the water production capacity may exceed available water rights if both Well Nos. 3 and 4 are running at maximum production capacity simultaneously. If these two wells run alternatively as planned, Staff believes the inclusion of Well No. 4 on the MV system should not have an impact on the Company's available water rights.

The Company plans to decommission Well Nos. 1 and 2 for the construction of Well No. 4. It also expects that the proposed Well No. 4 will produce approximately half of the system's total annual demand of 67.57 AF based on 2023 water production. Company's Response to Production Request No. 5. As the Company attempts to repair system leaks once identified, if it does not experience any drought conditions, the Company expects the annual water production levels to trend down in the future from 2023 levels. Company's Response to Production Request No. 22.

STAFF RECOMMENDATION

Staff recommends the Commission authorize the Company to construct the backup well and related infrastructure of the Project subject to a review of prudently incurred actual cost in a future rate case.

Respectfully submitted this 24th day of April 2024.



Chris Burdin
Deputy Attorney General

Technical Staff: Shubhra Deb Paul
Kimberly Loskot

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE ON THIS 24th DAY OF APRIL 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. FLS-W-24-01, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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