

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF TETON WATER &)
SEWER COMPANY’S APPLICATION TO)
AUTHORIZE DEBIT FOR PURPOSE OF)
WELL CONSTRUCTION)
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CASE NO. TTS-W-20-01

ORDER NO. 34603

On February 20, 2020, Teton Water & Sewer Company (“Teton Water” or “Company”) applied for Commission authorization to issue up to \$450,000 in debt. *See Idaho Code* § 61-901 *et seq.* The purpose of this debt is to build a third well for the Company’s water system.

Based on our review of the record, we approve the Application as noted below.

THE APPLICATION

Teton is a small water company serving approximately 924 persons in Teton County, Idaho. The Company requests the Commission authorize it to assume up to \$450,000 in debt. This debt would take the form of a loan secured by the assets of Teton. The Company expects to receive a loan with a 5-year term and a 7-8% interest rate.

The purpose of the loan would be to plan, engineer, permit, drill, and construct a third well for the Company’s water system. The Company provided bids and estimates totaling \$385,519 but is requesting a Commission authorization of \$450,000 in case costs vary once construction begins. The Company asserts it needs the well to meet the Company’s current and future service obligations, and to provide system redundancy should either of the existing wells fail. The Company points to the records in two of its prior cases, Case Nos. TTS-W-17-01 and TTS-W-19-01, as evidence that a third well is necessary. Specifically, during summer 2019 water demand exceeded production capacity multiple times, and the Company only avoided service interruptions by running both well pumps almost continually. *See Case No. TTS-W-19-01, Application at 1.* Adding a third well to the system would increase the Company’s production capacity and create system redundancy.

Teton Water hopes to secure the loan by April 1, 2020. The Company paid the filing fee required under *Idaho Code* § 61-905 on February 28, 2020. The Company issued a press release

to local newspapers. On February 26, 2020, Teton Water provided unaudited financial statements to Commission Staff.

STAFF REVIEW AND RECOMMENDATION

Staff reviewed the Company's Application and financial statements and confirmed that the Company paid the fees required under *Idaho Code* § 61-901 *et seq.* Staff found the bids and estimates provided by Teton Water to be reasonable considering the geology of the area in which the water system is located. Staff recommended the Commission approve the Company's Application and borrowing authority up to \$450,000, but noted the Company's rates are insufficient to service the proposed debt.

Staff noted the third well would significantly impact the Company's rate base if the Commission finds the project to be prudent:

In the Company's last general rate case (Case No. TTS-W-08-01), the Company's rate base was \$57,763. The Company's water revenues in its 2019 financial statements were \$162,534, and the gross income from the 2018 Annual Report was \$35,808. Staff estimates that the annual payment on the \$384,519 loan (the estimated cost of the project) at 7% interest with a five-year term would be approximately \$91,000. The Company's current rates are not sufficient to service the loan.

Staff Decision Memorandum at 2. With well systems typically depreciated over 25 to 35 years, Staff noted a mismatch between the usual cost recovery for a well and the terms of the loan. Staff recommended the Company seek more favorable loan conditions. If that is not possible, then "accelerated recovery of the third well may be the only option to maintain the financial security of the Company." *Id.*

In response to questions from the Commission at its March 10, 2020 and March 17, 2020 decision meetings, Staff clarified that drilling a new well is probably the most cost-effective solution for the Company—despite its significant price tag. A water storage tank that could hold enough water to act as a redundancy for the system would cost considerably more than the proposed well to build. Staff also noted that even if Teton Water could realistically connect to another nearby water system, the cost to build a line to the nearest viable system would probably be more than the cost to drill a well.

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 issuance of debt is for a lawful purpose, is within the Company's corporate powers, and is compatible with the public interest.

While we authorize this debt, we recognize that if Teton Water receives a loan in the amount and with the conditions it expects, its current rates will be insufficient to service the loan payments. We encourage the Company to do all it can to secure loan conditions that will minimize the impact on customer rates.

Because issuance of this much debt will be a significant burden on Teton Water, authorization is subject to several conditions. First, Teton Water 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. Second, the Company shall file an annual report on the loan with the Commission, due February 28 of each year. The annual report shall include the beginning and ending balance of the loan, and number of payments made, and whether there were any missed or late payments. The annual report shall be filed with the Commission as long as a balance remains on the loan, or until the Commission eliminates this requirement by Order.

The issuance of an Order authorizing the proposed financing does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes, which determination the Commission expressly reserves until the appropriate proceeding.

The Commission's approval of the Company's proposed debt issuance is not an approval of how the Company ultimately spends any funds obtained from the issuance. The Commission also does not have before it, and therefore does not determine, the effect of issuance 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 issue up to \$450,000 in debt—in the form of a secured loan—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 Company shall file an annual report on the loan with the Commission, due February 28 of each year. The annual report shall include the beginning and ending balance of the loan, and number of payments made, and whether there were any missed payments during the report year.

IT IS FURTHER ORDERED that the foregoing authorization 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 (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this case 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 or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th
day of March 2020.



PAUL KJELLANDER, PRESIDENT

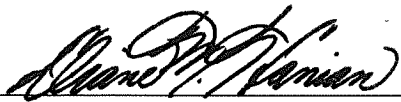


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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