

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL
WORKING FILE

FROM: ALDEN HOLM
TERRI CARLOCK
MICHAEL FUSS

DATE: OCTOBER 22, 2004

SUBJECT: FALLS WATER COMPANY'S APPLICATION TO BORROW \$250,000;
CASE NO. FLS-W-04-1

RECOMMEND: APPROVAL WITH CONDITIONS

On October 8, 2004 Falls Water Company (Falls Water, Company) requested authority to borrow \$250,000 through the State Drinking Water Revolving Loan Account administered by the Idaho Department of Environmental Quality (DEQ). The annual interest rate for the loan is 3.25%. Repayment of the loan is to be made through biannual installments over twenty (20) years. According to the Company, the DEQ will provide the funding necessary to complete the project, including short-term construction financing, and Falls Water will sign a promissory note at the completion of the project. The loan requires a reserve account equal to one (1) year's repayment of principle and interest due on the agreement. The reserve must be established within five (5) years with a minimum 20 percent annual deposit.

On October 20, 2004, the Company amended its request to seek an additional \$39,000 for a total of \$289,000. The Company states that it has received the construction bids for the project and they were higher than originally anticipated.

The updated projection for the loan proceeds are allocated as follows:

1. Administrative Fees	\$ 17,500.00
2. Engineering Fees	30,575.00
3. Construction Costs	230,000.00
4. Contingency Costs	<u>10,925.00</u>
5. Total Loan Proceeds	\$289,000.00

Falls Water states that the loan is needed to make two upgrades to its distribution system that will bring it into compliance with DEQ water pressure requirements. The first upgrade will provide 2300 feet of 12" water line on Lincoln Road. This line will provide an additional trunk line under the railroad tracks that divide the water system's east and west zones. It will provide additional supply to an area that is currently without wells in the immediate vicinity. Area subdivisions Crimson Valley and Caribou Meadows are currently experiencing water pressure levels below the required 40 psi during peak demand periods. This water line will help to correct the deficiency in pressure in these subdivisions.

The second project will involve installation of 900 feet of 8" water main under the railroad crossing along John Adams Parkway in the Warm Springs and Centennial Ranch subdivisions in the south end of the water system. The water pressure in the Centennial Ranch area has been experiencing low water pressure levels during the last three years when under peak demand periods.

The addition of the two lines will provide the water customers with better water volume and looping for better reliability. Schiess and Associates, Falls Water's engineering firm, list both projects as priority number one in the Company's draft water planning study.

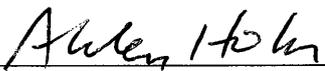
Falls Water has met the Commission's requirements for public notice and paid the filing fee of \$50.

STAFF RECOMMENDATIONS

Staff recommends the Commission approve the request to borrow \$289,000 from the State Drinking Water Revolving Loan Account with the same conditions DEQ places on the Company. The proceeds will provide for vital system improvements that will benefit all customers of the Falls Water system.

COMMISSION DECISION

Does the Commission approve the Company's request to borrow \$289,000 from the State Drinking Water Revolving Loan Account? Does the Commission require any other conditions on Falls Water other than the account reserve required by DEQ?


Alden Holm

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