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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. TO AMEND ITS)	CASE NO. FLS-W-15-01
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY.)	
)	COMMENTS OF THE
)	COMMISSION STAFF
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure in Order No. 33298 issued on May 8, 2015, submits the following comments.

BACKGROUND

On March 16, 2015, the Commission received an Application from Falls Water Co., Inc. ("Falls Water" or "Company") to amend and revise its existing Certificate of Public Convenience and Necessity (CPCN) pursuant to *Idaho Code* § 61-526 and Rule 112 of the Idaho Public Utilities Commission Rules of Procedure.

Falls Water filed its Application in response to Commission Order No. 32663 issued on October 12, 2012 requiring Falls Water to amend its CPCN to include customers currently being served by the Company that are outside of its original service area.

Falls Water submitted the following documents in support of its Application: (1) legal descriptions of the proposed six area groups to be added to their current service area (See Application Exhibit A, Exhibit B-1 through Exhibit B-6); (2) Memorandum of Understanding (MOU) with the City of Ammon (See Application, Exhibit C); and (3) system maps (See Company Response to Staff Request No. 2).

Falls Water asks the Commission to modify the Company's current CPCN (i.e., Seventh Amended CPCN No. 236) to reflect that the Company is servicing subdivisions outside its currently certificated area.¹ If approved, this would be the Eighth Amended CPCN No. 236.

STAFF ANALYSIS

In response to the Company's request, Staff comments address the following issues: (1) Articles of Incorporation with amendments to provide water service within the State of Idaho; (2) the MOU with the City of Ammon; and (3) expansion of territory for authorized water services.

Articles of Incorporation with Amendments

Staff reviewed the Articles of Incorporation with amendments for Falls Water. Staff found that the Company is organized under the laws of the State of Idaho. The Company has maintained its business formation and is in "good standing" according to the Idaho Secretary of State as of June 2015.

City of Ammon Memorandum of Understanding

Falls Water's proposed new service territory is adjacent to the City of Ammon which has its own public water system. The Company attached a MOU with the City of Ammon delineating an agreed upon service boundary between the City of Ammon's water system and its own water system.

The MOU was signed by the Mayor of Ammon and the Representative of Falls Water in May and June of 2006. The MOU was reviewed by Staff and found to contain (1) a mapped boundary at the Stone Arbor Subdivision with two main line interconnection points; (2) a surveyed description of the south boundary line; and (3) a mapped boundary near the South

¹ Previous CPCN amendments have been predicated upon and issued pursuant to Order No. 5220, dated May 7, 1959; Order No. 6861, date May 14, 1963; Order 13249, dated July 5, 1977; Order No. 13522, dated November 7, 1977; Order No. 14963, dated September 24, 1979; Order No. 20649, dated August 6, 1986; Order No. 24122, dated January 30, 1992; and Order No. 27616, dated July 7, 1998.

Ammon Road and the John Adams Parkway, where the two service areas were coordinated such as to maintain the integrity of each system.

Amended Certificate of Public Necessity

The Company's Application seeks to enlarge and extend the boundary of the territory in which it is currently authorized to provide water service. Service has expanded since the Seventh Amended CPCN No. 236 due to various developments and construction of water service lines.

Staff reviewed the legal descriptions and maps provided for the expanded service boundaries in detail and found that they were consistent with existing developments.

Falls Water plans to provide service to the new areas through water mains and service lines installed by various developers through its standard "Main Extension Contract" as provided for through its tariff on file with the Commission.

Staff reviewed the Company's tariff and notes that Appendix A of the current tariff includes the Uniform Main Extension Rule for Water Utilities Based on Order 7830 (Case No. U-1500-22).

Contribution in Aid of Construction

IDAPA 31.36.01.103. Presumption of Contributed Capital, states: "In issuing certificates for a small water company or in setting rates for a small water company, it will be presumed that the capital investment in plant associated with the system is contributed capital, i.e., that this capital investment will be excluded from rate base."

The Company's Application identifies that certain portions of the proposed acquisitions include Plant in Service installed and paid for by other developers. Those portions of the acquisitions meet the requirements for contributed capital and should be recorded as Contributions in Aid of Construction (CIAC). In Case No. FLS-W-12-01, Staff's audit of Falls Water Company included an audit of the General Ledger Accounts for Plant in Service. During the audit, Staff found these General Ledger accounts clearly identify entries for CIAC. These entries record each item of Plant in Service, the acquisition date, the amount and amortization of CIAC. Staff also tested the supporting documentation for certain CIAC entries. No exceptions were found. Staff believes the General Ledger Accounts, accounting procedures, and supporting

documentation of Falls Water Company, will be adequate to account for CIAC for the proposed additions.

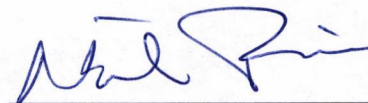
CONCLUSION AND RECOMMENDATIONS

Staff agrees that expanding Falls Water's service area to include the additional territory is consistent with the public convenience and necessity as required by Idaho Code § 61-526. The MOU between the Company and the City of Ammon denotes an agreed upon service boundary between the two water systems. The MOU appears to contain adequate provisions necessary to maintain the integrity of each system and avoid problems with localized area water flows and pressures.

The proposed territories are currently served by the Company or, if undeveloped, are situated in locations adjacent to, or surrounded by, territories served by the Company. Staff thus concludes that the requested service territory would not interfere with the operations of any other water utility corporation under the Commission's jurisdiction, in compliance with Idaho Code § 61-526.

Staff recommends an amended CPCN according to the revised legal descriptions as submitted by the Company in its Application.

Respectfully submitted this 7th day of July 2015.



Neil Price
Deputy Attorney General

Technical Staff: Johanna Bell
John Nobbs
Chris Hecht

i:/umisc/comments/flsw15.1npjbjncwh comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 7th DAY OF JULY 2015, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. FLS-W-15-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

K SCOTT BRUCE
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SECRETARY