

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF TETON WATER AND)
SEWER COMPANY’S APPLICATION) CASE NO. TTS-W-12-01
REGARDING THE SALE OF TETON)
SPRINGS WATER AND SEWER COMPANY)
AND TRANSFER OF CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY) ORDER NO. 32685
NO. 475)
)

On June 19, 2012, Teton Water and Sewer Company, LLC (“Teton Water”) filed an Application apprising the Commission that it had purchased Teton Springs Water and Sewer Company (“Teton Springs”), effective May 23, 2012. On July 18, 2012, Teton Water filed additional information about the sale and asked the Commission to transfer Teton Springs’ Certificate of Public Convenience and Necessity (CPCN) No. 475 to Teton Water.¹ On August 28, 2012, the Commission issued a Notice of Application and Notice of Modified Procedure soliciting public input on the Application and setting an October 5, 2012 comment deadline. Commission Staff then commented in support of the Application. In addition, three members of the public commented about water quality concerns, but they did not address the change in ownership of the system.

Based on our review of the record, including the Application and comments, we issue this Order approving the Application as set forth below.

THE APPLICATION

In its Application, Teton Water says that its managing member, Jon Pinardi, has managed the Teton Springs system since 2006. Teton Water says Mr. Pinardi has the business experience and financial ability to continue operating the Teton Springs system, and that he is familiar with the Commission’s regulations and rules and is prepared to abide by them. Mr. Pinardi is licensed as a Drinking Water Distribution Operator – Class I in the State of Idaho. Further, Teton Water also contracts with Teton Water, Inc., which has operated Teton Springs since 2007, as Teton Springs’ primary operator; accordingly, the sale has not changed Teton Springs’ operations. Both Teton Water and the operator are familiar with the Idaho Department

¹ Teton Water’s May 23, 2012 Application and supplemental, July 18, 2012, filing are collectively referred to as the “Application.”

of Environmental Quality's water system testing requirements and have completed required system certifications.

In its Application, Teton Water "acknowledges that the valuation of the system by the Commission will be the basis established by the Commission at the time the present rates were established, with adjustments for depreciation and improvements." Teton Water also says it understands that accounting for the water system must be maintained on a stand-alone basis separate from any other business activities.

Teton Water's Application attaches: (1) the executed Sale Agreement; (2) Mr. Pinardi's water system operator license cards; (3) Mr. Pinardi's financial statement; (4) a warranty deed from Teton Springs to Teton Water; (5) Teton Water's Certificate of Organization and Amended Certificate of Organization; (6) Teton Water's business plan; (7) a Notice of Sale sent to customers; and (8) an Idaho Department of Water Resources letter to Teton Water acknowledging change in ownership of water right.

THE COMMENTS

A. Public Comments

Three members of the public filed comments in this case. None of the comments addressed the proposed change in water system ownership. One customer commented that his tap water tastes bad. The other customers raised concerns about possible water contamination arising from a commercial helicopter operation within Teton Springs' service area. While we appreciate these comments, we note that the Commission does not have primary jurisdiction over Idaho water quality issues; rather, the Idaho Department of Environmental Quality (IDEQ) is the state agency responsible for assuring that the state's water resources meet state water quality standards. We note that Commission Staff contacted IDEQ during this proceeding. IDEQ advised Staff that it surveyed the Teton Springs water system last year and found the water system to be in good condition and in compliance with the Idaho Rules for Public Drinking Water Systems. But in light of the customers' comments, we direct Staff to obtain an update from IDEQ about the status of its survey of the system's water quality. We note that the customers also can contact IDEQ or the new owner, Teton Water, to discuss any continuing water quality concerns.

B. Staff Comments

Staff reviewed the Application and the documents submitted with it. Staff confirmed that Teton Water is an Idaho LLC, that it purchased the Teton Springs water system, and that it has the experience and credentials to operate and maintain the water system in a manner that will provide safe and adequate service to customers. In this regard, Staff notes that Teton Water's managing member—Mr. Pinardi—has managed the Teton Springs water system since 2006.² Further, Teton Water has retained the same primary operator—Teton Water, Inc.—that Teton Springs used to operate the system.

Staff also confirmed that Teton Water has satisfied other agencies' requirements. IDEQ told Staff that Teton Water has complied with applicable IDEQ regulations. IDEQ also said that it surveyed the water facility in September 2011 and found no significant deficiencies, and that the system was in good condition and in compliance with the Idaho Rules for Public Drinking Water Systems.³ In addition, the Idaho Department of Water Resources (IDWR) said that Teton Water timely notified IDWR that Teton Water now owns the system's water right. Staff believes that Teton Water's actions have adequately protected the system's water source.

Based on its review, Staff believes that the sale of the Teton Springs system to Teton Water will not adversely impact the water system's operation or customers. Staff thus recommended that the Commission grant Teton Water's Application, approve the sale of the water system, cancel CPCN No. 475 (which was issued to Teton Springs),⁴ and issue a new CPCN to Teton Water.

Staff also noted that Teton Water acknowledges that the Commission will value the water system using the basis the Commission established when the present Teton Springs rates were set, with adjustments for depreciation and improvements. Staff recommended that Teton Water not book any premium paid on assets as an item to be recovered from customers, either as an acquisition adjustment, an asset to be included in rate base, or an item that will earn a return.

² Staff said that Mr. Pinardi is familiar with the Commission's regulatory authority and that he was responsive and helpful to Staff during this proceeding.

³ IDEQ advised Staff that Teton Water is working with IDEQ to correct a few minor deficiencies that were noted during the survey.

⁴ Case No. TTS-W-08-01, Order No. 30736.

Staff also said that while Teton Water does not seek to adjust rates here, it still should file new tariff sheets reflecting that it now owns the system.

FINDINGS AND DISCUSSION

The Commission has jurisdiction and authority over Teton Water and the issues raised here under Title 61 of the Idaho Code (including *Idaho Code* §§ 61-501, 61-502, 61-503, 61-520, and 61-523, 61-526) and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.* We find that Teton Water is a water corporation and public utility under *Idaho Code* §§ 61-124, 61-125, 61-129, and that it owns, controls, and manages the water system at issue in this case, having purchased that system from its prior owner effective May 23, 2012. We find that Teton Water's request for a CPCN should be granted. We further find that it is fair, just, and reasonable for Teton Water to provide water service in Teton County, Idaho to customers within the same service territory and on same terms, conditions, rates and charges under which Teton Springs provided service. *See* Order Nos. 30718 and 30736 in Case No. TTS-W-08-01.

ORDER

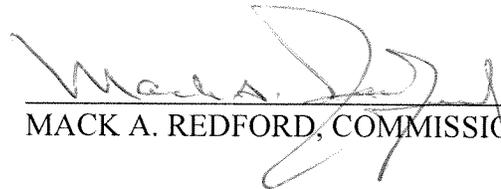
IT IS HEREBY ORDERED that Teton Water's Application is granted. The sale of the Teton Springs water system to Teton Water is approved. CPCN No. 475 is cancelled, and a new CPCN No. 510 shall be issued to Teton Water consistent with our above findings.

IT IS FURTHER ORDERED that Teton Water shall promptly file new tariff sheets reflecting that has owned the water system since May 23, 2012. Teton Water's tariff sheets shall otherwise be identical to the current tariff sheets for Teton Springs that were previously approved by and filed with the Commission.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 21st
day of November 2012.



PAUL KVELLANDER, PRESIDENT

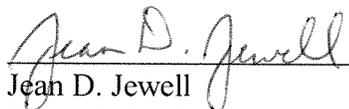


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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