

CECELIA A. GASSNER  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0314  
BAR NO. 6977

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Street Address for Express Mail:  
472 W. WASHINGTON  
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION TO )**  
**SELL THE ALGOMA WATER SYSTEM )** CASE NO. AWS-W-06-1  
**CERTIFICATE OF PUBLIC CONVENIENCE )**  
**AND NECESSITY NO. 396 )** COMMENTS OF THE  
**)** COMMISSION STAFF  
**)**

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The Staff of the Idaho Public Utilities Commission (Commission), by and through its Attorney of record, Cecelia A. Gassner, Deputy Attorney General, in response to the Notice of Application and Notice of Modified Procedure in Order No. 30075 issued on June 16, 2006 and Minute Order issued on August 2, 2006, submits the following comments.

**BACKGROUND**

On May 18, 2006, Algoma Water System (“Algoma”) filed an Application with the Commission seeking approval of the amendment of its Certificate of Public Convenience and Necessity (CPCN) No. 396 to reflect a change in ownership. Algoma states that the ownership of the business has transferred to Mr. Paul Greenwood. The Application states that the new owner does not intend to ask for a change in rates and charges for services at this time.

The utility provides water service to 27 customers (20 residential and 7 commercial) in Bonner County, Idaho. The current tariff on file with the Commission sets the rates for Algoma at \$17.59 per month for residential customers, and \$28.15 per month for commercial customers.

Mr. Greenwood intends to operate the water system as a proprietorship and under the assumed business name of Algoma Water. The Application is solely for the purpose of approving the change in ownership and the issuance of a Certificate of Public Convenience and Necessity in the new owner's name.

## STAFF ANALYSIS

### Finance

Staff has reviewed Algoma's Application requesting approval to sell the water system assets to Paul Greenwood. Mr. Greenwood has a business background in real estate development and business management. He owns a landscaping business in California and three (3) sewer systems in Bonner County, Idaho. He presented to the Commission a personal financial statement indicating a net worth that represent sufficient financial strength to support the ownership of the water system. Although the sewer companies he owns are not publicly regulated by the Commission, these systems are similar in enough respects to indicate that he has experience in operating a utility.

The water system (physical plant) under the ownership of Larry Neu, the previous owner, had no rate base recorded on the annual reports and therefore none of the rates reflect a return on any capital investment. Additionally, Larry Neu acknowledged that all improvements to the water system that were made during the period of time he owned the system were accounted for as repairs (expenses) and not as capital improvements. The new owner has acknowledged that he will not claim any of the purchase price as rate base at this time or in any future rate case. Therefore, the purchase price of the assets purchased by Mr. Greenwood as recorded on the Company's books will not be included in rate base or earn a return, and as such will not be recoverable from customers in rates.

Mr. Greenwood agreed that the operation of the water company will not include any sharing of expenses or overhead costs with any of his other business operations. He also agreed that the accounting for the water system would be separated from the accounting for any other business so that the expenses of operating the water system would be easily identifiable.

The 2005 Annual Report for Algoma reported a long-term debt to Panhandle State Bank in the amount of \$32,305.90. According to Company's responses to Staff's production requests, this long-term debt will be paid in full from the purchase proceeds and Mr. Greenwood does not

intend to incur any other debt that would be secured by the assets of the water system as he begins the operation of the utility.

**Engineering**

Staff contacted the Idaho Department of Environmental Quality (DEQ) to ensure that Algoma is in compliance with DEQ regulations. DEQ informed Staff that the system is substantially in compliance, except that the system had no certified operator at the time of discussions between Staff and DEQ. DEQ requires that each system have a certified operator. Algoma has since demonstrated to Staff that Robert Hansen, a State-certified operator of Water Systems Management, Inc., has been hired to manage the system. Therefore, with a certified operator Algoma will be able to satisfy that requirement of the State. Mr. Hansen's company also provides 24-hour emergency response for maintenance needs. Staff is convinced that overall service of the Company is likely to improve due to the operational employment of Water Systems Management, Inc.

Additionally, DEQ conducted a Public Water System Enhanced Sanitary Survey for Algoma on July 22, 2005. In its report, DEQ indicated nine system deficiencies. Staff has been informed by DEQ that all but one of the deficiencies is to be resolved by September 29, 2006. The only remaining deficiency requires the Company to develop a system for annual inspections of backflow prevention devices, which is to be implemented by December 29, 2006.

Algoma's system is currently non-metered. The previous owners of the Company had indicated interest in metering in the past. However, no meters have been installed to date. Staff addressed metering with the Company, which explained that there are no future plans for meter installation.

**Consumer Relations**

A Notice to Algoma's customers was filed with its Application. The Notice was mailed to customers as required by the Utility Customer Relations Rules (IDAPA 31.21.02102). The original Notice mailed to customers with their April billing notice reflected an incorrect Commission mailing address. Staff brought this to the attention of the Company. A corrected notice was to be sent out but the Company has not provided Staff with a mailing date.

The Commission has received one inquiry and one complaint from January 2003 until September 11, 2006. The inquiry was asking for the name and address of then new owner Chris Neu. The Commission has received no complaints regarding customer service or billing practices during the time Mr. Neu owned the Company. In September 2006, a complaint was

filed regarding the difficulty in contacting the billing agent for Algoma. The only phone number listed on consumer bills and notices is for Deal Pump & Electric. It should be made clear on all customer notices and billing statements that customers should contact Deal Pump & Electric for emergency repairs and to call the Company's bookkeeper for billing questions and to make payment arrangements. Further, as neither phone number will answer as "Algoma Water," customers need to be made aware of whom they are calling.

A review of Algoma's recently revised forms, notices and billing statement show the Company has taken the necessary steps to change their forms and come into compliance with almost all the Utility Customer Relations Rules (IDAPA 31.21.01000 et seq.) and Utility customer information Rules (IDAPA 31.21.02000 et seq.). Some changes, however, still need to be made to the customer notices and billing statement.

The Billing Statement does not reflect a payment due date. The due date should allow for at least fifteen days after the billing date. An Invoice Statement mailed with the Billing Statement includes a business term for payment due of "Net 15." Customers may not understand that terminology. Therefore, Staff recommends that the statement be revised to clearly reflect due dates.

The "Initial Notice" which provides customers with 7 days to contact the Company to avoid disconnection, cannot include payment demand of past due sewer charges to avoid disconnection of water service. The listing of the phone number for an Emergency Contact set forth on the notice should inform customers they are calling Deal Pump & Electric, and not Algoma. Customers should be provided with the phone number for Algoma Water's bookkeeper, who also handles any billing issues.

The "Final Notice" has the phone number for an emergency contact rather than the bookkeeper, who is the only one authorized to make payment arrangements and discuss billing questions. Her contact information should be clearly stated on the notice. The amount stated for payment to avoid disconnection may not include any past due amount for sewer. The current example of a billing statement that was provided to Staff does not make it clear to customers that Algoma is not threatening disconnection of water for sewer charges that are past due to Northern Utilities Sewer (a separate business of the owner that serves the same customer base). The notice to customers of the possibility of disconnection because of overdue water charges should not contain any reference to sewer charges that may also be due and owing by the customer.

Lastly, the "Summary of Rules for Customers of Small Water Companies" document should reflect the phone numbers for company contacts identical to those used in other customer notices. This document is the annual notice provided to customers of the tariff in place and rules of which customers should be aware, and is a key information piece to let customers know how to contact the company in the event of issues or concerns. The contact information for billing issues and repair needs is imperative and should be clearly stated on this document.

#### STAFF RECOMMENDATION

The Staff recommends that the Commission approve the transfer of the Certificate of Public Convenience and Necessity for Algoma to Mr. Paul Greenwood. The Staff further recommends that Algoma be directed to revise its billing statements to address the concerns set forth above in Staff's comments.

Respectfully submitted this 15<sup>th</sup> day of September 2006.



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Cecelia A. Gassner  
Deputy Attorney General

Technical Staff: Joe Leckie  
Harry Hall  
Mike Darrington  
Tammy Estberg

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15<sup>TH</sup> DAY OF SEPTEMBER 2006, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AWS-W-06-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

LARRY NEU  
C/O TOMLINSON BLACK  
200 MAIN ST  
SANDPOINT, ID 83864

PAUL E GREENWOOD  
22311 ROMAR ST  
CHATSWORTH CA 91311

  
\_\_\_\_\_  
SECRETARY