

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF

FROM: DON HOWELL

DATE: AUGUST 2, 2007

SUBJECT: ALGOMA WATER COMPANY'S APPLICATION TO SELL THE
COMPANY TO ROBERT J. CARRIER AND REQUEST FOR A RATE
INCREASE, CASE NO. AWS-W-07-01

On July 18, 2007, Algoma Water Company filed an Application seeking Commission approval to sell the Company (and transfer its Certificate of Public Convenience and Necessity No. 396) to Mr. Robert J. Carrier. In addition to the sale of the Company, Algoma requests a significant increase in its monthly flat rates for water service.

Algoma is a small water company serving about 30 customers near Sandpoint, Idaho. The Company offers unmetered, flat-rated monthly service. In October 2006, the Commission issued Order No. 30155 authorizing the current owner, Mr. Paul Greenwood, to purchase the water company. Order No. 30155 also noted that Mr. Greenwood owns three sewer systems in Bonner County, Idaho.

A. The Proposed Sale

In the present Application, Mr. Greenwood proposes to sell Algoma Water (and apparently the three non-regulated sewer systems) to Mr. Carrier for approximately \$161,000. Attachment D, Addendum No. 2. As part of the Application, Mr. Carrier has submitted a financial statement. The Application indicates that Mr. Carrier has a background in real estate and "income producing business management." Application at 1. Mr. Carrier has been investing in Bonner County since 2004 and also owns real estate in Nevada. The Application states that Mr. Carrier possesses the financial ability to assume responsibility for the Algoma Water System." *Id.* at 1.

In addition to the financial statement, the parties have also included an abbreviated business plan that explains how Mr. Carrier intends to incorporate the water company into his other businesses in Idaho. Briefly, Mr. Carrier intends to retain Bob Hansen of Water Systems Management, Inc. to continue the overall management of the Company and continue the services of Terry Deal (Deal Pump & Electric) for operational maintenance and emergency purposes. Finally, the business plan indicates that Mr. Carrier intends to continue to employ Joan Brittain as the bookkeeper/accountant. Ms. Brittain has been Algoma's bookkeeper for the last four years.

B. The Proposed Rate Increase

Algoma also proposes to increase its monthly, flat rates for service. The Company proposes to increase its rates as set out below:

Commercial: from \$28.15 to \$40.00 (42% increase)

Residential: from \$17.59 to \$30.00 (70% increase)

Application at 22. The Application states that it has been many years since there has been a rate increase and that the Company has made extensive repairs to its system during the last two years.

Included with the Application was a copy of Algoma's customer notice that was included as an insert in the June 2007 billings. The customer notice mentions the proposed sale of the water company but does not specifically mention the proposal to increase monthly rates. The Company requests that the Application be processed under Modified Procedure as expeditiously as possible. The Company has not proposed an effective date for the requested rate increase.

STAFF ANALYSIS

Utility Customer Information Rule 102 requires that a utility notify its customers when it seeks a general rate increase. IDAPA 31.21.02.102.01. More specifically, the rule requires that

If the utility is requesting a rate increase, the customer notice shall include a brief explanation of the utility's need for additional revenue and the dollar amount requested. The notice shall give the proposed overall percentage change from current rates as well as the proposed percentage increase in revenue for each major customer class. The customer notice shall make it clear that the application is a proposal, subject to public review and a Commission decision.

IDAPA 31.21.02.102.01 (emphasis added). Based upon Staff's calculations, the Company seeks an annual revenue increase of \$3,980.52. Application at 22.

After reviewing the Application, Staff has several recommendations. First, Staff recommends that the Company be ordered to prepare and distribute a customer notice providing the required information about the proposed rate increase. Utility Customer Information Rule 102 allows companies to provide such a notice as a bill stuffer in a monthly billing. Second, Rule 102.04 requires that the utility also send a press release to media outlet in their vicinity. The Commission maintains a list of media outlets for each utility. A copy of the press release is also to be filed with the Application.

Third, Staff believes that additional information should be developed regarding Mr. Carrier's financial ability to operate the water company. Finally, Staff believes that additional information is necessary to properly analyze the proposed rate increase. Consequently, Staff recommends that the Commission issue a Notice of Application and a deadline for intervention. Staff intends to move expeditiously to process both the sales transaction and the proposed rate increase.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application, deadline for intervention, and require that the Company issue a customer notice regarding the proposed rate increase? Does the Commission wish to direct the Company to issue the required press release? Should the parties meet informally to discuss a proposed schedule?



Don Howell

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