

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
 COMMISSIONER SMITH
 COMMISSIONER HANSEN
 COMMISSION SECRETARY
 COMMISSION STAFF
 LEGAL**

FROM: SCOTT WOODBURY

DATE: JULY 21, 2003

**SUBJECT: CASE NO. BIT-W-03-1 (Bitterroot Water)
 SALE/PURCHASE OF WATER UTILITY**

On June 17, 2003, documentation was filed with the Idaho Public Utilities Commission (Commission) pertaining to the sale/purchase of the Bitterroot Water Company. The Bitterroot Water Company is a regulated public utility maintaining and operating a water system and water supply and providing water service to approximately 101 customers in Kootenai County, Idaho in an area more particularly described as Silver Meadow subdivision located in Township 53 North, Range 03 West, Sections 20 and 29, Boise-Meridian, Kootenai County, Idaho, as recorded in the Kootenai County Recorder Office, Record No. 1375350. Certificate of Public Convenience and Necessity No. 319 was issued to Bitterroot Water Company, Inc. by the Commission on December 14, 1995. Reference Case No. GNR-W-95-2, Order No. 26268.

As reflected in an amended Purchase Agreement filed with the Commission on July 7, 2003, the Seller, Bruce Burnett, agrees to sell Kenneth and Cathy Rickel of Kootenai County, Idaho, hereinafter called Purchasers, the Company stock of Bitterroot Water Company, Inc., consisting of 100,000 shares of stock for the purchase price of \$50,000. Pursuant to terms of payment, Seller acknowledges receipt of \$25,000 for 50,000 shares of stock. The balance of the purchase price for the remaining 50,000 shares is payable at 8% per annum commencing June 1, 2003. Payments shall be \$303.32 per month with the first payment being due on the 15th day of the month following Commission approval of this stock transfer. Payments will be due month to

month until the balance is paid in full. The unpaid balance is secured by a promissory note. Seller will retain possession of the balance of the shares until the note is paid.

The addresses of Seller and Purchasers are:

Seller: Bruce Burnett, 4240 Old Seward Highway, Suite 13, Anchorage, AK 99503

Purchasers: Kenneth and Kathy Rickel, PO Box 1261, Hayden Lake, ID 83835

The Sale/Purchase Agreement recites that the Certificate for Bitterroot Water Company, Inc. will not change as a result of this transaction.

As reflected in the filings, the attorney for the Purchasers states that while this is not to be a consolidation of water companies, his clients, the Rickels, currently own the contiguous water company that bears their name. (Rickel Water Company – Commission Certificate No. 324.) Both parties to the sale/purchase agree that it only makes economies of scale and logistical sense that the companies be owned by local people. Further, it is recited that the companies share a communal reservoir and some infrastructure.

The Rickels intend to leave the existing water service fees for Bitterroot “as is” for the near future, but based on economics, contend that it is possible that an increase may be needed. There are reportedly a number of hook ups which may be losing water due to faulty back-flow prevention valves which need to be fixed and/or replaced. This repair, the Rickels contend, will potentially stop the water shortages which have been occurring in the Bitterroot system. The Rickels contend also that there is no question that the Company will need to have another well and reservoir for the expansion of housing north of the Company’s present customer base.

COMMISSION DECISION

Staff recommends that the Application for sale/purchase of Bitterroot Water Company stock be processed pursuant to Modified Procedure. Does the Commission agree with Staff’s proposed procedure?

Scott D. Woodbury

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