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Attorney for the Commission Staff

## **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION OF</b>	)	
<b>JD RESORT, INC. TO ACQUIRE CDS</b>	)	<b>CASE NO. SWS-W-18-01</b>
<b>STONERIDGE UTILITIES, LLC WATER</b>	)	
<b>COMPANY AND TRANSFER CERTIFICATE</b>	)	<b>COMMENTS OF THE</b>
<b>OF PUBLIC CONVENIENCE AND NECESSITY</b>	)	<b>COMMISSION STAFF</b>
<b>NO. 395</b>	)	
	)	

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**STAFF OF** the Idaho Public Utilities Commission, by and through its Attorney of record, Edward Jewell, Deputy Attorney General, submits the following comments.

### **BACKGROUND**

On June 22, 2018, the Commission received an Application from JD Resort, Inc. ("JD Resort") seeking Commission approval for CDS Stoneridge Utilities, LLC ("CDS") to sell its water company and transfer existing Certificate of Public Convenience and Necessity No. 395 to JD Resort. On July 16, 2018, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 34107. On August 28, 2018, the Commission issued a Notice of Parties, which listed CDS, JD Resort, and Commission Staff as the only parties to the matter.

### **STAFF ANALYSIS**

Staff recommends that the Commission approve the proposed sale of CDS to Chan Karupiah, sole proprietor of JD Resort. Staff's recommendation is based on its review of the

Application and its attachments, along with CDS's response to production requests. The Attachments to the Application identify multiple entities involved in this sale. The Purchase and Sale Agreement lists Esprit Enterprises, LLC as the buyer of CDS; however, the Application requests the transfer of the CPCN to JD Resort. Staff confirmed that Esprit Enterprises, LLC and JD Resort are both wholly owned by Chan Karupiah, and therefore Mr. Karupiah is the buyer of CDS. Upon closing of the transaction, Mr. Karupiah intends to form a new utility company and will provide the Commission with the new company name at that time.

Idaho law does not specifically address the acquisition of water companies. As done in previous water cases, Staff relied on the standards outlined in Idaho Code §61-328 related to the sale of electric utilities. Those standards dictate that:

- (a) The transaction is consistent with the public interest;
- (b) The cost of rates for supplying service will not be increased by reason of such transaction; and,
- (c) The applicant for such acquisition or transfer has the bona fide intent and financial ability to operate and maintain said the property in the public service.

Staff believes this sale complies with the standards outlined in Idaho Code §61-328. The purchaser has already engaged the services of a licensed Drinking Water Distribution Operator, and is in the process of performing an engineering analysis of the system to determine critical needs.

Staff believes Mr. Karupiah has the ability to financially operate the water company. From discovery, Staff has learned that Mr. Karupiah is an experienced investor, familiar with the commercial real estate markets and investment opportunities in northern Idaho. In addition, Staff has reviewed the last three years of financial statements from Mr. Karupiah and believes that Mr. Karupiah has the ability to finance the capital needs of the utility.

In response to Staff Production Request No. 11, JD Resort indicated that there are no plans to change the current rates and charges in the current CDS tariffs. Although rates will not increase because of the transaction, the engineering analysis will identify only necessary capital improvements in the system that may be a driver for a future rate case.

In response to Staff Production Request No. 12, JD Resort confirmed that it is aware of the Commission's rules and regulations, including but not limited to the Utility Customer Relations Rules (UCRR), IDAPA 31.21.01. However, Staff is aware that a letter and newly-

redesigned bill was recently sent to customers advising them of several new non-recurring charges, including a \$10.00 per month fee for sending out paper bill statements. It appears that JD Resort intends to impose a new policy requiring people to either receive bills via email or pay for paper statements sent via U.S Mail. Staff recommends that the Commission remind JD Resort that it cannot impose rates and charges, or terms and conditions of service, that have not been approved by the Commission and included in CDS's Tariff.

Staff also notes that the new bill does not comply with UCRR requirements. Staff recommends that the Commission direct JD Resort to work with Staff to revise its new bill statement to conform to the Commission's requirements. Staff has already initiated this review process informally.

Staff will work with JD Resort to update its Tariff and all customer-related documents, as needed. It has been five (5) years since the Commission Staff last reviewed several of CDS's important documents required by the UCRR. Staff recommends that JD Resort submit its Explanation of Rates, Rules Summary and collection notices for Staff review within six months of the Commission's order in this case.

#### **CUSTOMER NOTICE AND PRESS RELEASE**

No customer notice or press release was filed with the Application. CDS is not required to provide notice to customers or issue a press release because JD Resort is not proposing any changes to rates. See Rule 125 of the Commission's Rules of Procedure, IDAPA 31.01.01. However, in its response to Staff Production Request No. 8, JD Resort indicated that upon approval of the sale, "Existing customers of the Utility Company shall be notified by e-mail, Certified Mail, or telephone call."

#### **STAFF RECOMMENDATION**

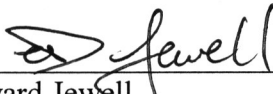
Staff recommends the Commission approve the sale of CDS Stoneridge Utilities to Chan Karupiah, sole proprietor of JD Resort, Inc.

Staff recommends that the Commission remind JD Resort that it cannot impose rates and charges, or terms and conditions of service that have not been approved by the Commission and included in the Company's Tariff.

Staff also recommends that the Commission direct JD Resort to work with Staff to immediately revise its new bill statement to conform to the Commission's requirements.

Staff further recommends that JD Resort submit its Explanation of Rates, Rules Summary, and collection notices for Staff review within six months of the Commission's order in this case.

Respectfully submitted this 14<sup>th</sup> day of March 2019.

  
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Edward Jewell  
Deputy Attorney General

Technical Staff: Joseph Terry  
Jolene Bossard  
Bentley Erdwurm  
Chris Hecht  
Michael Morrison

i:umisc/comments/swsw18.1ejtjbcwhbemm comments

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14<sup>TH</sup> DAY OF MARCH 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. SWS-W-18-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE