

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE PURCHASE AND</b>	)	
<b>SALE OF TROY HOFFMAN WATER</b>	)	<b>CASE NO. TRH-W-09-01</b>
<b>CORPORATION (CERTIFICATE OF</b>	)	
<b>CONVENIENCE AND NECESSITY NO. 280)</b>	)	<b>ORDER NO. 30992</b>
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On November 12, 2009, an Application was filed with the Idaho Public Utilities Commission (Commission) requesting approval of the sale of Troy Hoffman Water Corporation (THWC) by Bentwood Park LLC to Dalton Square LLC. Dalton Square will operate the THWC as a corporation and continue to operate under the THWC name. The Application is solely for approval of the change of ownership. The Commission in this Order approves the sale and transfer of ownership.

Dalton Square is familiar with the Commission's regulatory authority and rules and is prepared to abide by existing directives. It is aware of the Commission's website and has made itself familiar with the Utility Customer Relations Rules (IDAPA 31.21.01) and Utility Customer Information Rules (IDAPA 31.21.02). Dalton Square is familiar with the water system testing requirements of the Idaho Department of Environmental Quality and is prepared to fulfill those ongoing requirements.

Dalton Square represents that it has the business experience, financial ability and water system expertise to operate and maintain the system. Dalton Square is owned by Ron Stadley and Ken Murren and was formed in 2006. Dalton Square owns light-industrial buildings for rent in Coeur d'Alene as well as apartments for rent in Plummer. Mr. Stadley has been the water master for THWC since 1995 and is qualified to operate a pressurized potable water system, both through his hands-on experience of handling the day-to-day operations, maintenance and emergencies as well as through being licensed as a drinking-water operator which requires ongoing continuing education classes. Mr. Stadley holds a current Drinking Water Operator License. Mr. Stadley has also been an electrician since 1988 and owns his own electrical company. He holds a master electrician license in four states. Mr. Murren has 25 years of experience in commercial and residential construction. He owns a general contracting and landscaping business and specializes in custom homes. He is currently in the process of

preparing to take his tests to receive both his Drinking Water Operator License and Backflow Assembly Tester License.

There is no deed transferring title to the water system because THWC is the corporation that owns the real estate and Dalton Square is purchasing the corporation. Included with the Application are copies of the Purchase and Sale Agreement between Bentwood Park and Dalton Square. The transfer of ownership took place April 1, 2009. Also included is a copy of the Drinking Water Operator License held by Ron Stadley, a copy of Dalton Square's Certificate of Existence from the Idaho Secretary of State, and a copy of the Idaho Tax Commission's 2009 Valuation of THWC for \$16,081.

The Purchase and Sale Agreement, Attachment A to the Application, shows the purchase price of \$65,000 as the value the seller and buyer agreed upon for the respective sale and purchase of THWC. Dalton Square acknowledges that it is aware 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 and adjusted for additional depreciation and improvements. Dalton Square understands it is its responsibility to justify any additions to the valuation.

Included with the filing also is a brief business plan which explains how Dalton Square intends to incorporate the THWC into its other business interests and a copy of notice sent to customers on November 10, 2009, informing them of the sale.

Dalton Square acknowledges that it understands that accounting for the water system must be in accordance with the Commission's Uniform System of Accounts and must be maintained on a stand-alone basis separate and apart from any other business activities of the buyer. It is the intent of the buyer to continue to use the services of All Service Electric to do the billing for the water system and to complete and meet the Commission's accounting requirements. All Service Electric has been doing the billing for THWC for the past three years.

On December 17, 2009, the Commission issued a Notice of Application and Modified Procedure in Case No. TRH-W-09-01. The deadline for filing written comments was January 15, 2010. Comments were filed by Commission Staff and two of the Company's customers. One customer supports the sale. The other customer informs the Commission of a service problem, low water pressure.

## STAFF COMMENTS

Staff has reviewed the current financial information for Dalton Square, Ron Stadley and Ken Murren. Based upon the financial information provided, Staff believes that Dalton Square and its managers have the financial strength to support and operate Troy Hoffman Water Corporation as an ongoing concern and will not be an additional burden on the water company's operations. Additionally, Staff believes that Dalton Square, Mr. Stadley and Mr. Murren have the financial strength to provide for future financial needs should the water utility have that need.

As part of its review, Staff contacted the Idaho Department of Environmental Quality, Coeur d'Alene region (IDEQ) to ensure that Troy Hoffman Water Corporation is currently in compliance with IDEQ's rules and regulations. The Company is due for a Sanitary Survey in 2010. The survey will identify any current deficiencies and confirm that deficiencies identified during the December 2004 Survey have been appropriately corrected. One major deficiency identified in 2004 was the need for installation of a water production flow meter at the well. The Company contends that this retrofit occurred in March 2009.

Staff also reviewed the Company's water rights. According to the Idaho Department of Water Resources (IDWR), northern region, Troy Hoffman Water has two valid water right licenses. IDWR informed Staff that it would soon serve notification to water rights holders in the area to file adjudication claims.

Staff notes that the Commission has received no complaints and only one inquiry from a customer in the past three years. Two comments were received from customers during the comment period. One comment expressed support for the sale while the other expressed concern about adequate water pressure. Staff informs the Commission that the Company has investigated the water pressure complaint. The Company reports that the customer's meter was functioning properly and was not spinning to indicate a potential leakage problem. The water pressure at the customer side of the house was 68 psi. The Company suggested to the customer that the screens on the faucets and showerhead perhaps need to be checked to see if they are clogging. Troy Hoffman Water appears to Staff to be operating within IDEQ's rules and regulations pertaining to water pressures in the distribution system.

Staff notes that Troy Hoffman Water did not submit updated versions of its tariff and rate schedule as part of the transfer. A review of the Company's rules and regulations on file, dated 1982, and the rate schedule, dated 1996, indicate the Company will need to revise its rate

schedule format and tariff to comply with the model tariff adopted by the Commission. Staff review of notices and billing statements submitted in 2007 as part of a periodic review indicate that the Company will also need to update documentation to conform with the Utility Customer Relations Rules (IDAPA 31.21.01 *et seq.*). Billing documentation is adequate but the Company will need to revise its annual rules summary and notices used in the termination process. Sample forms are available online or from Commission Staff. Staff states its willingness to work with the Company in an ongoing effort to update forms to ensure compliance with all the Commission's current rules and regulations.

Commission Staff recommended approval of the sale and transfer of ownership. Staff recommended that Dalton Square make the appropriate changes with the affected state agencies to reflect the new registered agent and registered address of Troy Hoffman Water Corporation. Staff recommended that the Company update its tariff, rate schedule format, rules summary and billing and collections documents to comply with current Commission rules and regulations.

#### **COMMISSION FINDINGS**

The Commission has reviewed the filings of record in Case No. TRH-W-09-01 including the Application and related attachments, the comments and recommendations of Commission Staff, and the comments of customers. We have also reviewed the Company's Certificate file (CPCN No. 280), its 2008 Annual Report, its filed rules and tariffs, and the Commission's Orders in the Company's most recent rate case (Case No. TRH-W-95-1, Order Nos. 26545 and 28264). Based on our review of the foregoing, we continue to find it reasonable to process the Company's Application without public hearing and pursuant to Modified Procedure. IDAPA 31.01.01.204.

The Commission is asked in this case to approve the sale of Troy Hoffman Water Corporation by Bentwood Park LLC to Dalton Square LLC, i.e., a transfer of stock. The Purchase and Sale Agreement and transfer of ownership took place on April 1, 2009. THWC is a regulated public utility (Certificate No. 280) that provides water service in Kootenai County, Idaho to approximately 144 residential customers. We find the sale of stock and transfer of ownership to be a seamless transition in regard to provision of water service to customers. While no reason is advanced for the delay in notifying the Commission of the sale, we find that no harm occurred to customers. We find Dalton Square and its management team to have the

operational expertise and financial wherewithal to meet the present and future needs of the water system. We find it reasonable to approve the sale and transfer.

The Commission also finds it reasonable to require the Company to update its tariff, rate schedule format, rules summary and billing and collection documents to comply with current Commission rules and regulations. The Company may contact Commission Staff for assistance.

### **CONCLUSIONS OF LAW**

The Idaho Public Utilities Commission has jurisdiction over Troy Hoffman Water Corporation, a public water utility, pursuant to the jurisdiction granted in Title 61 of the Idaho Code, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

### **ORDER**

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve the sale of Troy Hoffman Water Corporation by Bentwood Park LLC to Dalton Square LLC.

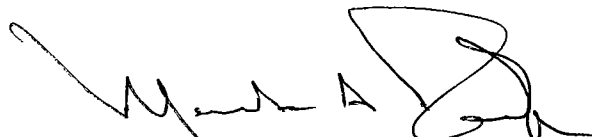
IT IS FURTHER ORDERED and the Company is directed to update its tariff, rate schedule format, rules summary and billing and collections documents to comply with current Commission rules and regulations.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

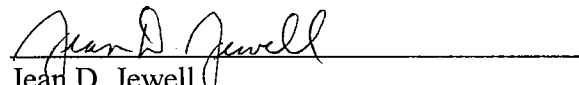
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29<sup>th</sup>  
day of January 2010.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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