

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
 COMMISSIONER SMITH
 COMMISSIONER REDFORD
 COMMISSION SECRETARY
 COMMISSION STAFF
 LEGAL**

**FROM: SCOTT WOODBURY
 DEPUTY ATTORNEY GENERAL**

DATE: DECEMBER 10, 2009

**SUBJECT: CASE NO. TRH-W-09-01 (Troy Hoffman Water)
 SALE OF COMPANY**

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.

Dalton Square is familiar with the Commission's regulatory authority and rules and is prepared to abide by existing directives. They are aware of the Commission's website and have made themselves 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 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, shows the purchase price of \$65,000 as the value the seller and buyer agreed upon for sale/purchase of THWC. Dalton Square acknowledges that they are 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 adjusted for additional depreciation and improvements. Dalton Square understands it is their 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 their 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 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 last three years.

Bentwood Park and Dalton Square request that the Application be processed under Modified Procedure.

COMMISSION DECISION

Filed with the Commission is an Application for the sale of Troy Hoffman Water Corporation (Certificate of Convenience and Necessity No. 280). The Company and Staff recommend that the Application be processed pursuant to Modified Procedure. Does the Commission agree with the recommended procedure?



Scott Woodbury
Deputy Attorney General

bls/M:TRH-W-09-01_sw