



The Sale/Purchase Agreement recites that the underlying Certificate No. 319 for Bitterroot Water Company, Inc. will not change as a result of this transaction. No change in rates has been requested.

As reflected in the initial filing, 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 common reservoir and some infrastructure.

On July 25, 2003, Commission Notices of Application and Modified Procedure were issued in Case No. BIT-W-03-01. The deadline for filing written comments was August 14, 2003. Commission Staff was the only party to file comments.

#### **Staff Comments and Recommendations**

Staff recommends (1) that the Commission approve the sale of Bitterroot Water Company, Inc.'s stock to Kathy and Kenneth Rickel; (2) prohibit the Company from recording any costs of this transaction on the books of the corporation; (3) direct the Company to attain full compliance with DEQ certified operator requirements; and (4) direct the Company to file amended tariff pages reflecting the change of *ownership* and a new tariff for the Staff-recommended \$25 reconnection charge.

As reflected in Staff's comments, the proposed owners, Ken and Kathy Rickel, currently own and operate the Rickel Water Company adjacent to, and interconnected with, the Bitterroot water system. The Rickels, Staff contends, have an established history of successfully operating the Rickel Water Company in compliance with Commission requirements.

Staff notes that as a developer-owned and operated system, the physical plant of Bitterroot is considered contributed property to the water corporation (IDAPA 31.36.01.103) and therefore has no net value (rate base) for ratemaking purposes. Staff has informed the Rickels that the plant valuation of Bitterroot will be carried forward at its existing zero net value for ratemaking purposes and that the \$50,000 stock purchase price should not be recorded on the books of Bitterroot Water Company. The stock purchase is a personal investment by the Rickels and as such is not recoverable from ratepayers.

Staff states that it has contacted the Idaho Department of Environmental Quality (DEQ) to ensure that both the Rickel and the Bitterroot systems are in compliance with DEQ regulations. DEQ informed Staff that both systems are in compliance except that neither system currently has a certified operator. DEQ requires that each system have not one but two certified operators. (Reference IDAPA 58.01.08.554-561). Mrs. Rickel told Staff that her husband Ken and his brother would be taking a certification course in the near future. With common ownership, the Rickels themselves will be able to satisfy the requirement for both the Bitterroot and the Rickel water systems.

Staff notes that both corporations are in good standing with the Idaho Secretary of State. Staff believes that this sale of stock will not adversely impact the customers of either water system and further believes that common ownership and management of the two water systems may provide operational efficiencies that currently do not exist.

Staff reminds the Company that although a rate change is not requested at this time, should a request occur in the future, proper customer notification and an additional application with the Commission will be required. Staff recommends that the Commission's Order make it clear that the Commission sets water rates after an audit and investigation of the Company's income and expenses during a rate case. Customers will have an opportunity to review any future rate change Application and offer comments prior to the Commission's final decision.

Staff notes that on July 1, 2003, Bitterroot provided its customers with individual notice regarding the proposed sale of the water system to Ken and Kathy Rickel. Staff has received no comments from Bitterroot customers regarding the proposed sale.

Staff notes that both Rickel Water Company and Bitterroot Water Company are in general compliance with the rules and regulations of the Commission, including the Utility Customer Relations Rules (IDAPA 31.21.01), Utility Customer Information Rules (IDAPA 31.21.02), and Small Water Company Policies (IDAPA 31.36.01). Staff states that it will work with the Companies to make minor revisions to the annual rule summaries pursuant to Commission rule changes, that became effective in May of this year.

Additionally, Staff notes that the rule summary for Bitterroot Water Company indicates there is a reconnection fee of \$25. However, Bitterroot has no approved tariff for a \$25 reconnection charge. The Company has never imposed the unauthorized fee because it has never disconnected a customer. Because a \$25 fee is reasonable and comparable with other approved

reconnection charges, Staff recommends the Commission approve a \$25 reconnection charge even though it was not included in the Application. Staff further recommends that the Commission allow the reconnection charge to be included with the full set of replacement tariffs to be submitted by the new owners after the sale is approved.

### **Commission Findings**

The Commission has reviewed the filings of record in Case No. BIT-W-03-1 including the comments and recommendations of Commission Staff. Commission approval has been requested of the sale/purchase of Bitterroot Water Company stock. Bitterroot serves 101 customers in Kootenai County. The sale of Bitterroot stock is in effect a sale of the Company. The purchasers are Kenneth & Cathy Rickel, owners of the Rickel Water Company, a Commission regulated utility in good standing. The two water systems are contiguous and share a common reservoir and some infrastructure. Rickel Water Company serves 21 customers. What is proposed, we recognize, is not a consolidation of water companies. Bitterroot will continue to operate under its present Certificate No. 319. An amendment to tariff sheets will be required to reflect the change in ownership. Under the facts presented we find the proposed sale/purchase of Bitterroot Water Company stock to the Rickels to be in the public interest and the best interest of Bitterroot customers.

Bitterroot continues to be subject to the rules and regulations of the Commission, including the Utility Customer Relations Rules (IDAPA 31.21.01), Utility Customer Information Rules (IDAPA 31.21.02), and Small Water Company Policies (IDAPA 31.36.01). Additionally, the Company is expected to comply with DEQ certified operator requirements. Reference IDAPA 58.01.08.554-561.

The Commission further finds it reasonable to administratively conform the Company's tariffs to what it has represented in its annual rule summaries. In doing so, we find it reasonable to approve the Staff-recommended reconnection fee of \$25.00 for Bitterroot Water Company and direct the Company to file a conforming tariff.

Regarding the \$50,000 Bitterroot stock purchase price, we find that the purchase is a personal investment by the Rickels and as such is not recoverable from Bitterroot ratepayers. The transaction costs are therefore not to be recorded on the books of the corporation.

## CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Bitterroot Water Company, a water utility, and the sale/purchase of the Company's stock, pursuant to 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 proposed sale by Bruce Burnett and purchase by Kenneth & Cathy Rickel of the Company stock of Bitterroot Water Company, Inc.

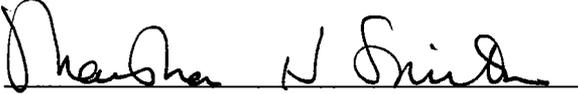
IT IS FURTHER ORDERED and Bitterroot Water Company is directed to file amended tariff sheets reflecting the change in ownership.

IT IS FURTHER ORDERED and the Commission does hereby approve a reconnection charge of \$25.00 for Bitterroot Water Company, Inc. The Company is directed to file a conforming tariff.

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 28<sup>th</sup>  
day of August 2003.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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