

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. SWS-W-18-01
OF JD RESORT TO ACQUIRE CDS)
STONERIDGE UTILITIES, LLC WATER)
COMPANY AND TRANSFER CERTIFICATE) ORDER NO. 34391
OF PUBLIC CONVENIENCE AND)
NECESSITY NO. 395)

On June 22, 2018, the Commission received an Application from JD Resort, Inc. (“JD Resort” or “Company”) seeking Commission approval for CDS Stoneridge Utilities, LLC (“CDS Stoneridge Utilities”) to sell its water company and transfer existing Certificate of Public Convenience and Necessity (“CPCN”) No. 395 to JD Resort.

On April 4, 2019, the Commission ordered JD Resort to submit an Amended Application to clarify certain aspects of its Application. Order No. 34297.

On May 6, 2019, JD Resort submitted an Amended Application.

Now, based on a review of the record before us, we approve the Amended Application subject to the terms and conditions described herein.

THE APPLICATION AND THE AMENDED APPLICATION

The original Application states, “For consideration by the Idaho PUC we respectfully request your authorization for the transfer of the existing utility company to the Buyer (the Buyer of the real property is currently JD Resort, Inc.; and, upon closing intends to form a new utility company and will provide the same company name to you at that time).” Application at 1. The Purchase and Sale Agreement submitted with the Application (“Agreement”) listed Esprit Enterprises, LLC as the purchaser of the water company.

The Amended Application states, “Both JD Resort and Esprit Enterprises LLC are under the sole proprietorship of Chan Karupiah, who wishes CPCN No. 395 to be held by JD Resort until such time that a new LLC is formed and the matter brought before the Commission.” Amended Application at 1. JD Resort also submitted a personal guarantee of Mr. Karupiah that he would “use [his] personal finances as necessary to support the capital needs of JD Resort in the operation of the water system associated with CPCN No. 395 located in Bonner County Idaho.” *Id.* at Appendix B. JD Resort also submitted a letter from the Idaho Department of Environmental

Quality confirming the reassignment of the debt held by CDS Utilities to JD Resort. *Id.* at Appendix A.

COMMENTS

Staff recommends approval of the Amended Application. Staff is satisfied that Esprit Enterprises served as a mere vehicle for the transaction from CDS Utilities to JD Resort and that JD Resort has taken responsibility for the water utility, as evidenced by the assignment of debt from CDS Utilities to JD Resort. Staff believes the Amended Application clarifies that the CPCN is to be transferred to JD Resort, the same entity that will own the system. Staff believes that Mr. Karupiah's financial statements and notarized personal guarantee of financial support for the operation of the water system demonstrate the financial ability to operate the utility in the public interest. JD Resort has contracted two new licensed water system operators who are qualified to provide operational support for the system, and is performing an engineering analysis of the system to determine critical needs, which Staff believes demonstrates a bona fide intent to operate the system in the public service.

Based on information Staff received following Order No. 34297, Staff recommends the Commission remind JD Resort of its obligation to provide accurate and timely bills to its customers and to promptly and thoroughly investigate and respond to complaints filed with the Commission. Staff also recommends the Commission remind JD Resort that it cannot impose rates and charges, or terms and conditions of service, which have not been approved by the Commission and included in JD Resort's tariff. Staff also recommends the Commission direct JD Resort to work with Staff to revise its billing statement to conform to the Commission's requirements. Staff also recommends JD Resort be required to submit its Explanation of Rates, Rules Summary, and collection notices for Staff review within three months of the Commission's order in this case.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter and the issues in this case under Title 61 of the Idaho Code. Specifically, the Commission regulates "public utilities," including "water corporations" that serve the public or some portion thereof for compensation. *See Idaho Code* §§ 61-125, -129, and -501. The Commission has an established practice of evaluating the transfer of water systems under the criteria found in *Idaho Code* § 61-328. CDS Stoneridge Utilities is a privately held water company and public utility as defined in these laws. It has been issued CPCN No. 395 and serves the public within its certificated service area.

The Commission has reviewed the Application, comments of Staff, the Amended Application, and the comments of Staff on the Amended Application. Based on our review, we approve the Amended Application and impose additional requirements on JD Resort as described below. We find it prudent to impose these conditions because of the sparse and confused nature of JD Resort's Application and Amended Application, and because of the issues and concerns that arose during the Application review process.

JD Resort must demonstrate its financial ability to operate on its own accord. The notarized personal guarantee of Chan Karupiah to use his personal finances to support the financial needs of the Company is of uncertain value. If Mr. Karupiah were to file for bankruptcy or otherwise be unable to meet all of his financial obligations, a signed personal guarantee to financially support a legally separate company has dubious value compared to more standard cash capital or debt instruments likely held by other creditors. Therefore, we require assurances that JD Resort has the financial ability to operate the system in the public service, not JD Resort by and through Chan Karupiah.

JD Resort must be able to make and pay for ongoing repairs and have access to capital for major repairs, including pump or well failures. To facilitate Staff and Commission review of these requirements, JD Resort must meet the following reporting and financial requirements. JD Resort must file balance sheets and income statements with the Commission quarterly. *See Idaho Code* § 61-401. JD Resort must file its balance sheet and income statement for the quarter ended June 30, 2019, within 60 days of this Order. Subsequent quarterly financial statements must be filed within 45 days of the quarter end. JD Resort must file monthly bank statements showing at least a \$50,000 balance until JD Resort establishes a bank line of credit of at least \$250,000. If JD Resort does establish a satisfactory line of credit, JD Resort must continue to file monthly statements showing the line of credit remains in place under JD Resort's name, along with the dollar balance utilized and remaining, until the Commission orders otherwise. If a major repair is needed while JD Resort otherwise must maintain a \$50,000 balance, JD Resort may draw the balance below \$50,000 for a period of two monthly statements to make the required investments in the system. If JD Resort needs over two months to bring its account back up to the \$50,000 minimum level, it must notify the Commission immediately by letter. These amounts, in the Commission's judgment and expertise, should cover the costs most typically associated with water system operation, maintenance, repair, and replacement.

JD Resort must demonstrate that the transaction is consistent with the public interest and that it has the bona fide intent of operating the system in the public service. An understanding of the governing statutes and regulations is required to operate the system in the public service and in a manner that is consistent with the public interest. JD Resort must demonstrate its understanding of the Utility Customer Relations Rules (“UCRR”), IDAPA 31.21.01. JD Resort must report quarterly on all customer complaints it received during the preceding quarter, including explanations of who complained, what was the reason for the complaint, where the source of the complaint was located, why the complaint arose, and how the complaint was resolved. JD Resort must also report quarterly on all non-recurring charges it collected during the preceding quarter to ensure that the Company is collecting only Commission-approved charges. JD Resort cannot bill customers for rates or charges that are not in JD Resort’s current Commission-approved Tariffs. *Idaho Code* § 61-313. JD Resort must work with Commission Staff to revise its billing statement to conform to the Commission’s requirements, and must submit its Explanation of Rates, Rules Summary, and collection notices for Staff review within three months of the service date of this Order.

Besides the specific reporting requirements imposed on JD Resort by this Order, JD Resort must also demonstrate compliance with the generally applicable reporting requirements under Idaho Code. *See Idaho Code* § 61-401 *et seq.* JD Resort must timely pay its annual special regulatory fee. *Idaho Code* §§ 61-1001 – 1007. Failure of JD Resort to meet its specific or statutory reporting requirements in a timely manner will potentially subject JD Resort to penalties. *See e.g., Idaho Code* §§ 61-406, -612, -616, -617, -701, -704, -705, -706, -707, -712. We remind JD Resort that the Commission has the authority to audit JD Resort at any and all reasonable times. *Idaho Code* § 61-610. These provisions apply to all public utilities in Idaho, and we reference them here only to remind JD Resort of its obligations as a regulated public utility.

The requirements imposed upon JD Resort by this Order will remain effective until JD Resort proves to the Commission’s satisfaction that such requirements are no longer necessary. Upon an application to remove the additional reporting requirements, the Commission will look at all relevant factors, including compliance with the UCRR, compliance with reporting requirements imposed by this Order, timely payment of fees, and compliance with Idaho statute and IDAPA 31.01.01 *et seq.*

O R D E R

IT IS HEREBY ORDERED that JD Resort's Amended Application is approved, subject to the conditions stated.

IT IS FURTHER ORDERED that JD Resort shall file quarterly reports detailing customer complaints and how the complaints were resolved, and all non-recurring charges collected during the preceding quarter.

IT IS FURTHER ORDERED that JD Resort shall file balance sheets and income statements with the Commission quarterly, within 45 days of the quarter end. The balance sheets and income statements for the quarter ended June 30, 2019 must be filed within 60 days of the service date of this Order.

IT IS FURTHER ORDERED that JD Resort shall file monthly reports showing an account balance of \$50,000 or greater or a line of credit of at least \$250,000.

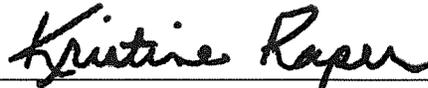
IT IS FURTHER ORDERED that JD Resort must work with Commission Staff to revise its billing statement to conform to the Commission's requirements, and must submit its Explanation of Rates, Rules Summary, and collection notices for Staff review within three months of the service date of this Order.

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 with regard to any matter decided in 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.

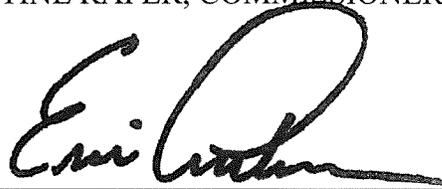
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 2nd
day of August 2019.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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