



Case No. SWS-W-18-01

Order No. 34297

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State regulators decline to approve sale of water company, direct applicant to amend application

BOISE (April 9, 2019) – State regulators declined to approve the sale of a small water company in northern Idaho amid uncertainty about the transaction.

CDS Stoneridge Utilities, LLC is the current owner of the water company, which is located in the Stoneridge Community near Blanchard in Bonner County.

In June 2018, JD Resort, an Idaho-based corporation, requested approval from the Idaho Public Utilities Commission to purchase the water company at an undisclosed price, and assume the company's existing Certificate of Public Convenience and Necessity.

The water system consists of wells, water rights and a distribution system, along with a wastewater treatment plant. It provides service to approximately 354 residential customers and 15 commercial customers, including the residents of Stoneridge Golf and Residential Community as well as customers of Happy Valley Rancho Water.

During Commission staff's review of the proposal, questions arose about the entity that would ultimately purchase the company - the [application](#) lists JD Resort as the buyer, but the Purchase and Sale Agreement submitted with the application lists Esprit Enterprises, LLC as the "purchaser."

The application also calls for the transfer of the water company to JD Resort, which would, upon closing of the sale, form a new utility company, the name of which would be provided to the Commission "at that time."

That unknown new company would presumably own and operate the water system. Any transfer of ownership of a regulated utility's assets must receive Commission approval.

In addition, the financial information that JD Resort submitted to the Commission consisted of its owner's personal financial documents.

Although there is no state statute that specifically addresses the sale of water companies, the Commission is guided by the standards set out in [Idaho Code § 61-328](#) in determining the outcome of a proposed sale. Those standards require the transaction to be consistent with the public interest, that the cost and rates for supplying service will not be increased because of the

transaction and that the applicant has the bona fide intent and financial ability to operate and maintain the property in the public service.

“Before we can evaluate whether the transaction will be in the public interest and whether the transferee has the bona fide intent and financial ability to operate and maintain the property in the public service, we need to know which entity will own and operate the water company,” the Commission said in [its order](#).

Rather than reject the application outright, the Commission ordered JD Resort to file an amended application within 60 days.

“The uncertain nature of fundamental aspects of the application make it impossible for us to approve the application as submitted,” the Commission said.

In its order, the Commission said the amended application should:

- Explain what entity will own the water company,
- Provide documents showing how the water company was or will be transferred to that entity,
- Align the request for the transfer of the CPCN to the entity that will own the water company’s assets, and
- Provide documents substantiating the transferee entity’s financial and operational abilities to manage a water company in the public service.

All documents related to this case are available [here](#). Or go to the Commission’s web site, www.puc.idaho.gov, click on “Open Cases” under the “Water” heading and scroll down to case number SWS-W-18-01.