

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF GEM STATE WATER ) CASE NO. GSW-W-21-01**  
**COMPANY’S APPLICATION FOR )**  
**APPROVAL OF ACQUISITION OF THE )**  
**ASSETS OF THE WATER BUSINESS OF ) ORDER NO. 35108**  
**TROY HOFFMAN WATER CORPORATION )**

On March 1, 2021, Gem State Water Company, LLC requested the Commission approve its purchase of Troy Hoffman Water Corporation, Inc.’s system assets and the transfer of Certificate of Public Convenience and Necessity (“CPCN”) No. 280 from Troy Hoffman Water to Gem State Water.

On March 26, 2021, the Commission issued a Notice of Application and Modified Procedure, setting a June 15, 2021 comment deadline and a June 29, 2021 reply comment deadline. Order No. 34977. Commission Staff filed written comments, and Gem State Water filed reply comments. No customer comments were filed.

Having reviewed the record, we approve the acquisition of Troy Hoffman Water’s system assets by Gem State Water and approve the transfer of the purchased water system’s CPCN.

**THE APPLICATION**

Troy Hoffman Water is a regulated water utility that serves approximately 147 residential customers in Kootenai County, Idaho under CPCN No. 280. Gem State Water serves customers near Troy Hoffman Water’s service territory. Gem State Water and Troy Hoffman Water entered into an Asset Purchase Agreement on December 18, 2020. The Asset Purchase Agreement will transfer all of Troy Hoffman Water’s real property and personal property, including water rights, to Gem State Water.

Gem State Water does not seek to change rates, rate structure, or other charges with this Application. Gem State Water stated that any future changes would be based on prudently incurred capital expenditures and other accepted ratemaking principles. Gem State Water stated it intends to work with Staff before and during future rate proceedings to consider consolidating the rates, rate structure, and other charges for Gem State Water and Troy Hoffman Water customers. Gem State Water noted its employees will assume the roles previously undertaken by Troy Hoffman Water’s contractors.

## THE COMMENTS

### 1. Staff Comments

Staff recommended the Commission approve the sale of Troy Hoffman Water's assets and the transfer of its CPCN to Gem State Water. Staff noted Idaho law does not specifically address the acquisition of water companies, but that it would rely on the statute governing sales of electric utilities—*Idaho Code* § 61-328—to analyze the transaction. *Idaho Code* § 61-328 requires the Commission to find a) the transaction is consistent with the public interest, b) the cost of the rates for supplying service will not be increased by reason of such transaction, and c) the applicant for such acquisition or transfer has the bona fide intent and financial ability to operate and maintain the system in the public interest.

Staff believes the sale of Troy Hoffman Water's system assets to Gem State Water is consistent with the public interest. Northwest Natural Holding Company is Gem State Water's parent company. Staff noted Northwest Natural Holding Company's continued acquisition of water companies in Idaho may provide benefits through operational efficiencies and economies of scale.

Staff noted that Gem State Water has asserted it will maintain Troy Hoffman Water's existing rates and charges post-acquisition. Staff asserted that when "Gem State Water eventually files a general rate case, Staff will ensure that the requested rate increase was not driven by the transaction, and that rates will not be higher than they would have been absent the transaction." Staff Comments at 4.

Finally, Staff believes Gem State Water has the bona fide intent and financial ability to operate and maintain Troy Hoffman Water's system in the public interest. Staff noted Gem State Water's licensed water system operator will run the Troy Hoffman Water system if the Application is approved, and Gem State Water has committed "to provide safe and reliable service and to meet the infrastructure needs of Troy Hoffman Water [customers]." Staff Comments at 4. Staff also observed that Gem State Water, through its parent companies, has access to capital that will likely lower financing costs for system repairs and upgrades—ultimately benefiting customers.

If the Application is approved and Gem State Water wishes to create a single, combined tariff for Gem State Water, Staff recommended Gem State Water work with Staff to create separate rate schedules for Troy Hoffman Water customers. Likewise, Staff recommended the Commission

direct Gem State Water to work with Staff to make any necessary revisions to its billing and collection documents within three months of issuance of the final order.

Staff noted Gem State Water provided direct notice to each Troy Hoffman Water customer of the proposed acquisition and the Application. If the Application is approved, Staff recommends the Commission direct Gem State Water to provide direct notice of the acquisition to Troy Hoffman Water's customers, and that the notice include Gem State Water's contact information.

2. Gem State Water Reply Comments

Gem State Water filed timely reply comments, noting that it "agrees with comments and recommendations provided in the Staff Comments, and looks forward to continuing to work with the Staff and the Commission to serve its growing customer base in Idaho." Gem State Water Reply Comments at 1.

**COMMISSION FINDINGS AND DECISION**

The Commission has jurisdiction over this matter and the issues in this case under Title 61 of 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. Gem State Water and Troy Hoffman Water are privately held water companies and public utilities as defined in these laws. Having reviewed the record, we find the acquisition fair, just, reasonable, and in the public interest. Consequently, we approve the Application.

Gem State Water will provide organizational support, access to capital, and economies of scale for the Troy Hoffman Water system. It is in the public interest for an experienced owner and operator of public utility infrastructure to acquire this system. Gem State Water has demonstrated the financial ability and bona fide intent to operate the system in the public service. Northwest Natural Holding Company, of which Gem State Water is a wholly-owned subsidiary, has a \$400 million revolving line of credit, a net income of \$70.3 million from continuing operations, cash flow from operations of \$143 million, an A2 credit rating from Moody's, and an AA- credit rating from Standard and Poor's. *See Staff Comments* at 4. The bona fide intent to operate the system in the public interest is demonstrated by Gem State Water's commendable operation of its existing systems, and the Company's strategic plan to purchase and operate

multiple small water companies in the region. Finally, customer rates will not increase because of the transaction. Any future rate increases will be the result of prudent expenditures to improve the respective systems.

We direct Gem State Water to notify Troy Hoffman Water’s customers directly of the acquisition. This notice may be a separate mailing, a message on bills, or a bill insert. We direct Gem State to work with Staff to make any necessary revisions to its customer documents within three months of the service date of this Order. If Gem State Water chooses to create a single combined tariff for water systems owned and operated by Gem State Water, we encourage Gem State Water to work with Staff to file a conforming combined tariff.

**ORDER**

IT IS HEREBY ORDERED that Gem State Water’s Application is approved.

IT IS FURTHER ORDERED that CPCN No. 280 is transferred to Gem State Water.


IT IS FURTHER ORDERED that Gem State Water notify Troy Hoffman Water customers of the sale of the Troy Hoffman Water system—either through a separate mailing, a message on bills, or as a bill insert.

IT IS FURTHER ORDERED that Gem State Water work with Staff to make any necessary revisions to its customer documents 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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

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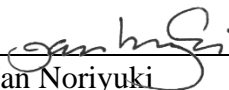
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 14<sup>th</sup> day  
of July 2021.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Jan Noriyuki  
Commission Secretary

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