

Ronald L. Williams, ISB No. 3034
Brandon Helgeson, ISB No. 11615
HAWLEY TROXELL ENNIS & HAWLEY LLP
877 W. Main Street, Suite 200
P.O. Box 1617
Boise, ID 83701-1617
Telephone: 208.344.6000
Facsimile: 208.954.5253
Email: rwilliams@hawleytroxell.com
bhelgeson@hawleytroxell.com

Attorneys For Schweitzer Water Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

APPLICATION OF SCHWEITZER WATER
COMPANY FOR APPROVAL OF
ACQUISITION OF THE ASSETS OF RESORT
WATER CO. INC. AND FOR THE ISSUANCE
OF A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY

Case No. _____

DIRECT TESTIMONY OF JENNIFER BROWNLIE, ESQ. FOR
SCHWEITZER WATER COMPANY

December 27, 2023

1 **Q. Please state your name and title.**

2 A. My name is Jennifer Brownlie, Esq. and I am the General Counsel for Alterra Mountain
3 Company U.S., Inc. (“Alterra”), the parent company of Schweitzer Water Company
4 (“Schweitzer Water”). I am also Vice President of Schweitzer Water.

5 **Q. What is the purpose of your testimony?**

6 A. My testimony is offered for three primary reasons. First, I will give a profile of Alterra as
7 the new owner of Schweitzer Mountain Resort (“Schweitzer Mountain Resort” or the “Resort”)
8 and will describe Alterra’s experience in owning and operating water companies. Second, I will
9 provide a general overview of Alterra’s acquisition of the Schweitzer Mountain Resort assets.
10 Finally, I will explain why Alterra formed Schweitzer Water (f/k/a Husky Water Company) as a
11 wholly owned subsidiary to purchase the water company assets owned by Resort Water Co. that
12 serves the Resort, and to explain Alterra’s future plans for Schweitzer Water.

13 **Q. Please explain Alterra’s business and operations.**

14 A. Alterra owns and operates a range of recreation, hospitality, real-estate development,
15 food and beverage and retail businesses. Alterra is based in Denver, Colorado and owns and
16 operates the following resorts: Steamboat and Winter Park in Colorado; Palisades Tahoe,
17 Mammoth Mountain, June Mountain, Big Bear Mountain Resort and Snow Valley Mountain
18 Resort in California; Stratton Mountain and Sugarbush Resort in Vermont; Snowshoe Mountain
19 in West Virginia; Tremblant in Quebec and Blue Mountain in Ontario, Canada; Crystal
20 Mountain in Washington; Deer Valley Resort and Solitude Mountain Resort in Utah; CMH Heli-
21 Skiing & Summer Adventures in British Columbia; and now Schweitzer Mountain Resort.

22 **Q. Please describe Alterra’s experience in operating water supply systems.**

23

1 A. Alterra has a long history and hands on experience operating, maintaining, and improving
2 water supply systems. For example:

3 At Stratton, Alterra's wholly owned subsidiary, The Stratton Corporation operates the
4 Water Department for the Winhall-Stratton Fire District. The Water Department is permitted for
5 880,000 gallons per day and consists of 15 drilled bedrock wells, 1,000,000 gallons of storage,
6 over 15 miles of distribution piping, a booster station, three pressure reducing valves, all of the
7 distribution lines and fire hydrants for fire protection.

8 At Mammoth, Alterra's wholly owned subsidiary, Mammoth Mountain Ski Area, LLC,
9 operates a domestic water system with 3 water sources and a water treatment plant.

10 At Crystal, Alterra's wholly owned subsidiary, Crystal Mountain, Inc., operates a water
11 system that consists of two water sources with a diversion dam on each source, that flow into a
12 water treatment plant that uses a diatomaceous earth filtration process, and then into two storage
13 reservoirs with a combined capacity of 350,000 gallons. There are approximately seven miles of
14 distribution piping, seven pump stations, two more reservoirs that serve water to two
15 mountaintop restaurants, and two pressure reducing stations, together which ensure the delivery
16 of safe water to every tap throughout Crystal's five pressure zones.

17 At Solitude, Alterra's wholly owned subsidiary, Solitude Water Company, delivers up to
18 40,000,000 gallons and 500-acre feet of water annually to both resort and non-resort users,
19 including snowmaking and 680 rooms of transient lodging. Facilities include the Alta Tunnel,
20 which is situated at 8,500 feet of elevation and a 3.2 mile long fourteen-inch (14") diameter
21 service line.

1 At Big Bear, Alterra's wholly owned subsidiary, Snow Summit, LLC, operates a small
2 potable water system that provides domestic water for part of Snow Summit and all of Snow
3 Valley.

4 Alterra's purchase of the Sugarbush Mountain Resort assets included the purchase of the
5 8 water systems and 13 wastewater systems operated by Mountain Water Company at
6 Sugarbush. Mountain Water Company is a Public Community Water System serving Lincoln
7 Peak Village, Sugarbush Village, and Snow Creek condominiums. The water system consists of
8 14 bedrock wells, 1 surface water intake on Clay Brook, and 6 treatment plants. The Mountain
9 Wastewater Treatment system serves 11 commercial buildings, 18 residential condominium
10 buildings, and 51 homes.

11 At Palisades Tahoe, Alterra's wholly owned subsidiary Palisades Tahoe Resort, LLC,
12 operates a Non-Transient Non-Community potable water system serving over 1,000 daily users.
13 This water system consists of five groundwater wells, booster pumps, a multi-barrier treatment
14 filtration and disinfection treatment, and two steel storage tanks.

15 **Q. Are you familiar with the terms of the sale of Schweitzer Mountain Resort to**
16 **Alterra?**

17 A. Yes. On June 1, 2023, Schweitzer Mountain LLC, who is also the parent of Resort Water
18 Co., entered into an agreement to sell the majority of the assets of Schweitzer Mountain Resort to
19 Alterra. The sale was structured so that the assets of Resort Water Co. were sold to Schweitzer
20 Water (then known as Husky Water Company in the name of the agreement), with closing also
21 on August 22, 2023. A copy of the Asset Purchase and Sale Agreement between Resort Water
22 and Schweitzer Water is attached as Confidential Exhibit 0004 to my testimony.

23 **Q. Please generally describe Alterra's plans for the Schweitzer Mountain Resort.**

1 A. Alterra has great respect for what the current and former owners have built at Schweitzer,
2 a premier destination ski resort in the Pacific Northwest. Since 2021, Schweitzer has been part
3 of the Alterra team of resorts by joining Alterra’s Ikon Pass. With this asset acquisition,
4 Schweitzer officially joins the Alterra family of resorts, while at the same time retaining its local
5 authenticity and its Sandpoint based mountain management and operations teams. Tom Chasse,
6 who has been with Schweitzer since 2006, will stay on as President and CEO.

7 Alterra plans to significantly invest in Schweitzer Mountain Resort over the next several
8 years. For example, planned capital improvements include the development of the new
9 Schweitzer Creek Village portal, adding approximately 1,400 additional parking spots with easy
10 access to the new Creekside Quad lift. Eventually, Schweitzer Creek Village will also be home
11 to a new day lodge and other skier amenities.

12 Alterra also continues to invest in its other iconic resorts in North America, planning
13 \$344 million in upgrades at its North American resorts in 2023 – 2024, as you could see on
14 Alterra’s website at: <https://www.alterramtn.co/capital-improvements>. Alterra’s consolidated
15 financial statements for the past three years are attached as hereto as Confidential Exhibit 0005.

16 **Q. Please explain why Schweitzer Water is acquiring the Schweitzer water system**
17 **instead of Alterra, and the relationship between Schweitzer Water and Alterra.**

18 A. The water system purchase and sale was carved-out of the larger Schweitzer
19 Mountain Resort purchase and sale, so that water system assets could be transferred from Resort
20 Water Co. to Schweitzer Water at net book value. As mentioned previously, Schweitzer Water is
21 a wholly owned subsidiary of Alterra. Schweitzer Water is an Idaho corporation created for the
22 sole purpose of owning and operating the potable water system at Schweitzer Mountain Resort.

23

1 Schweitzer Water has access to the full financial resources of Alterra, plus access to the Alterra's
2 utility expertise at other Alterra resorts.

3 **Q. How are the acquisition costs of the Resort Water system being accounted for?**

4 A. Transaction-related costs related to the acquisition have been incurred by Alterra, not by
5 Schweitzer Water. These costs are related to activities including due diligence, environmental
6 and water consultants, research, legal, travel and negotiations. All of the cost and expenses
7 related to the purchase of water system assets by Schweitzer Water are being paid by Alterra as
8 part of its acquisition of the Schweitzer Mountain Resort assets with none of these costs and
9 expenses attributed or allocated down to Schweitzer Water. The acquisition costs will not be
10 included in any rate case filings and passed to Schweitzer Water customers.

11 **Q. Does Schweitzer Water intend to make any changes to the Seller's employees or
12 contractors as a result of its acquisition of the Purchased Assets?**

13 A. Schweitzer Water does not plan significant operational changes to the water utility
14 business of Resort Water Co. Schweitzer Water will be retaining all of Seller's current
15 employees who run the business operations and will continue them in these roles, thus ensuring
16 continuity in staffing and day to day operations. Further, Schweitzer Water does not plan to
17 reduce any services currently provided by Resort Water Co and intends to maintain all existing
18 rates, terms, and conditions for the near term. Schweitzer Water has planned for and budgeted
19 sufficient resources to maintain the business operations and Alterra has provided sufficient
20 working capital to Schweitzer Water to do so.

21 **Q. Please describe Schweitzer Water's interest in the Purchased Assets and why the
22 Commission should approve the transfer of the Business.**

23

1 A. First, the transfer would keep control of the water utility business that provides water
2 service in and around the Schweitzer Mountain Resort in the hands of the new owner of the
3 Resort. Alterra has a vested interest in seeing that the Resort continues to have a safe, reliable
4 and clean drinking water system and service, so that water quality and water supply issues do not
5 arise that could negatively impact the reputation of the Resort. As the Resort grows and
6 expands, Alterra will ensure that Schweitzer Water also has the capital necessary to expand the
7 water system to match the expansion of the Resort.

8 Second, the transfer of control will not detrimentally impact Idaho consumers or cause
9 them inconvenience or confusion, as Schweitzer Water will operate the water utility business
10 under the name of Schweitzer Water Company, reflecting its operations at Schweitzer Mountain
11 Resort, and will continue to operate with the same individuals that will be in charge of its day to
12 day operations.

13 Third, Schweitzer Water, via Alterra, has the experience, expertise, resources and
14 motivation to run the Business in an efficient, effective and productive manner that will promote
15 the public interest.

16 **Q. Are you seeking to increase rates for the Seller's customers as a result of the**
17 **acquisition?**

18 A. No.

19 **Q. Do you anticipate future filings with the Commission regarding rates and tariffs for**
20 **Schweitzer Water?**

21 A. Yes, I do. First, as you can see from the draft tariffs which are an exhibit to the
22 Application for Approval of the Acquisition, there are the unchanged rates schedules for the
23 existing Resort Water customers, and there is a new Schedule 6 for the existing Ridge System

1 customers that also keep those customers at the same rates they are paying. In the long term it
2 would be our objective that the two rate structures come together, but that may take some time,
3 as rates for the two systems are significantly different.

4 Second, Alterra will also be investing in new water system infrastructure, and at some
5 point in the future those new assets will need to be included in the rate base.

6 Finally, a cursory look at the financial statements of Resort Water Co. and its most recent
7 2022 annual report filed with the Commission indicate that Resort Water Co. is not recovering
8 all of its cost of operation and earning a fair return on its existing rate base. The under-recovery
9 of operating costs and lack of earnings is even more significant for the Ridge System.

10 These and other factors will determine one or more additional future filings at the
11 Commission.

12 **Q. Does this conclude your testimony?**

13 A. Yes.

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EXHIBIT

0004

Water Company APA

CONFIDENTIAL

EXHIBIT

0005

Alterra Financials

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