

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

Opposition and Comments against CDS Stoneridge Utilities:

(A) Application for Increase to Water Meter New Installation fees, Case # SWS-W-23-02;

and,

(B) Application for Additional Capital Contributions, Case # SWS-W-23-03.

-----  
The undersigned (residents of Stoneridge) file these comments in opposition to both the above matters pending before the IPUC:

(1) **157% Increase:** Stoneridge Utilities requests an increase in water meter installation fees from \$3,500.00 to \$9,000.00, per meter. This is a 157% increase. As explained below, Stoneridge Utilities's application provides insufficient evidence meeting its burden of proof for such increase. "Most often, it is the party which requested the hearing who will bear this 'burden of proof.'" Idaho Office of Administrative Hearings,

<https://oah.idaho.gov/representing-yourself/>

(2) **Outside Contractors vs In House Installations:** Stoneridge Utilities claims in its water meter increase application [exhibit "D"],

"The *majority* of [water meter] installs were done by Swank Excavating in 2021 - 2023. Our prior system operator (left SRU summer 2023) was able to do some of the installations which did not include "boring under road" or "cutting open the road." When we did this complex "in-house" installations they were typically installing a meter only and our costs were minimal for parts/materials, etc.

.....

"In total we had the following new connections in each time period [as follows]:

2020 - 29

2021 - 18 [connections] less 15 either prior to  
Tariff # 3, or "Not Arm's-Length"

2022 - 18 [connections] less 11 in-house transactions.

2023 - 04 [connections] less 2 in-house transactions and two not connected yet."  
[emphasis added]

Stoneridge Utilities' application itself disproves its own request. For example:

(a) The "majority" of installs were NOT done by an outside contractor ("Swank Excavating"), as claimed by applicant.

(b) From the information provided by Stoneridge Utilities, for the "test period" between 2021 - 23, there were a total of 10 outside contractor installations [3 for 2021; 7 for 2022; and a net 0 for 2023]. For the same period, there were a total of 30 connections (75% of total connections) NOT done by outside contractors.

© Stoneridge Utilities has had no increase costs from 75% of the total connections (30), but yet requests a 157% increase in fees. D

(d) Stoneridge Utilities submits sample billings from "Swank Excavating" [exhibits "E" & "F"]. None of these billings are as much as applicant's requested increase (\$9,000.00).

(3) **The Request results in a Windfall:** The applicant's Exhibit "D" also claims: "In 2022 our new construction revenue was 48,895 and the associated installation costs were \$70,148 for a net loss in 2022 on New Connections".

If the 18 connections in 2022 were charged \$9,000.00 per connection [total revenue: \$162,000], and costs were \$70,148, the applicant would receive a **\$91,852** windfall for utility connections in 2022.

(4) **\$980,000.00 Capital Contribution:** Stoneridge Utilities is applying "to the Commission for authorization to borrow \$980,000.00 from related entities and or receive additional capital contributions for \$980,000.00, from the same related entities".

(a) Stoneridge Utilities' is clearly not requesting *preauthorization* for the borrowing, because the borrowing has *already been completed*. Instead, Stoneridge Utilities is requesting retroactive approval of its actions, having already completed the transfer. Stoneridge Utilities' application for retroactive approval is completely disingenuous. Permission should be sought prospectively, not retroactively.

(b) In order to justify its request, Stoneridge Utilities argues: "Esprit Enterprises, LLC had no prior experience managing a publicly regulated water company. The first four years of

learning the reporting requirements along with updating operations and administrative procedures and evaluating the condition of the approximately 30+ year old water system(s) has been a steep learning curve for an organization with a complete staff turnover in 2019."

- (i) However, this was not the tone or tenor of the applicant when a request was made of the Commission to approve Stoneridge Utilities' purchase of the water utility.
- (ii) For example, the staff report [Case # SWS-W-18-01] recites: "Staff believes Mr. Karupiah has the ability to financially operate the water company. From discovery, staff is learned that Mr. Karupiah is an experienced investor, familiar with the commercial real estate markets and investment opportunities in northern Idaho. In addition, staff has reviewed the last 3 years of financial statements from Mr. Karupiah and believes that Mr. Karupiah has the ability to finance the capital needs of the utility." And,
- (iii) Also, from the staff report [Case # SWS-W-18-01]: ". . . JD Resort [applicant] indicated that there are no plans to change the current rates and charges in the current CDS tariffs. Although rates will not increase because of the transaction, the engineering analysis will identify only necessary capital improvements in the system that may be a driver for a future rate case."

Applicant's approval for purchase of the water utility was based upon an express statement that rates would not be increased, except based upon an engineering analysis for necessary capital improvements. Applicant has presented no engineering analysis and no basis for capital improvements.

- (5) **It's really all about a General Rate Increase:** Stoneridge Utilities makes clear that it is using both these proceedings as a springboard for a general rate increase application. For example,
  - (a) "In addition, we [Stoneridge Utilities] are in the process of filing a general Taif rate increase application." And,
  - (b) "In recent years, Stoneridge Utilities has "Capitalized" all that losses on "New Connections" on to the balance sheet into balance sheet account # 333 . . . This strategy allows those "new connection losses" to be

amortized . . . annually and therefore increase our "Rate Base" for Rate Design purposes to recover in future years."

Stoneridge Utilities' applications must not be used as a springboard for a general rate increase. The undersigned strongly urge the Commission to reject both applications, as neither are the proper basis for a future general rate increase. Any general rate increase should stand on its own.

(6) **Audit Requested:** The undersigned request the Commission conduct an audit of Stoneridge Utilities, as a next step in these proceedings. The authority for an audit is contained in paragraph (9)(d), *infra*, Conditions of Sale. The applicant self-serving income statements and balance sheets and calculations simply have no reliability or credibility without audit. The size [157% increase] and nature of applicant's requests [\$980,000.00 in already made loan "capitalization"] alone justify an audit. Applicants are not in compliance with the financial requirements described in paragraph (9), *infra*, Conditions of Sale.

(7) **Bank Line of Credit Required:** As recited *infra* [paragraph (9)(b)], the IPUC final order requires a *bank* line of credit. There is no evidence that a bank line of credit has ever been established. The only evidence given by the applicant of a line of credit is one from Esprit (not a bank) to the JD Resort (both wholly owned by Chan Karupiah). And this information has been filed just recently, 17 January 2024. A bank line of credit was due shortly after the final order approving the sale of the utility (2019). Without compliance with the Commission's existing orders, the Commission should deny applicant's present requests.

(8) **No Timely Reporting:** Further, there is no evidence that applicant has timely filed the periodic monthly and yearly statements required by the Commission's Final Order [see paragraph (9)(b)]. Without compliance with the Commission's existing orders, the Commission should deny applicant's present requests.

(9) **Conditions of Sale:** As argued above, the IPUC Final Order allowing sale of the water utility to applicant contained several conditions [Case # SWS-W-18-01]. For example:

(a) "JD Resort [applicant] must demonstrate his 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 bankruptcy or otherwise being unable to meet all of his financial obligations, a signed personal guarantee to financially support a legally

separate company is 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."

- (b) "JD Resort [applicant] must be able to make and pay for ongoing repairs and have access to capital for major repairs, including pump or well failures. . . JD resort must file balance sheets and income statements with the commission quarterly . . . JD resort must file its balance sheet and income statement for the quarter ended 30 June, 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 a credit of at least \$250,000. If JD Resort does establish a satisfactory bank line of credit, JD Resort must continue to file monthly statements showing a line of credit remains in place under JD Resorts name, along with the dollar balance utilized in remaining, until the commission orders otherwise . . ."
  - © " . . . JD Resort must also demonstrate compliance with the generally acceptable reporting requirements under Idaho code."
  - (d) "We remind JD Resort [applicant] that the Commission has the authority to audit JD Resort at any and all reasonable times. Idaho Code § 61-610."
- (10) **Staff Memo on Capitalization Request:** Staff has filed a "Decision Memo" with the Commission on 23 January, 2024. The undersigned concurs with the reasoning of the Decision Memo and recommendation to deny applicant's capitalization request [Case # SWS-W-23-03].
- (11) **Conclusion:** Both applications must be denied because applicant has not met its burden of proof and the applications lack merit. If the applications are not denied, prior to the Commission proceeding further, the Commission should order an audit.

Scott and Cheryl Baumann  
113 Forest Ridge Road  
Blanchard Id 83804  
[cheryl.baumann@gmail.com](mailto:cheryl.baumann@gmail.com)  
(208) 659-0301

Donovan and Mary Ellen Kessler  
431 Hanford  
Blanchard Id 83804  
[ddketzler@hotmail.com](mailto:ddketzler@hotmail.com)  
(462) 415-5383

John d. Dupree  
181 Stewart Drive  
Blanchard Id 83804  
[dupreej@proton.me](mailto:dupreej@proton.me)

Steve and Nancy Rezac  
28 Sans Souci Drive  
Blanchard Id 83804  
(208) 255-8243

Leon Marshall  
200 Hanford Rd  
Blanchard Id 83804  
[lxmarshall@gmail.com](mailto:lxmarshall@gmail.com)

Randy and Mickey Garrison  
76 Bellflower Ct  
Blanchard ID 83804  
[garrison@rmgarrison.com](mailto:garrison@rmgarrison.com)  
(541) 672-4441

The following comment was submitted via PUCWeb:

Name: Stephanie Lynn

Submission Time: Feb 6 2024 1:07PM

Email: [lov3suns3ts@gmail.com](mailto:lov3suns3ts@gmail.com)

Telephone: 425-870-4856

Address: Lot 15 Hanaford Rd  
Blanchard, ID 83804

Name of Utility Company: Stoneridge

Case ID: SWS-W-23-02

Comment: "We own a lot in the StoneRidge neighborhood and will be building soon. We were just notified of a request for a 185% increase to the connection hook up fees. This seems excessive and we did not have any backup documentation to prove that this indeed is how much it costs StoneRidge Utilities to connect the water. We do not approve of this increase request."