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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
JD RESORT, INC. TO ACQUIRE CDS)	CASE NO. SWS-W-18-01
STONERIDGE UTILITIES, LLC WATER)	
COMPANY AND TRANSFER CERTIFICATE)	COMMENTS OF THE
OF PUBLIC CONVENIENCE AND NECESSITY)	COMMISSION STAFF
NO. 395)	ON AMENDED APPLICATION
_____)	

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Edward Jewell, Deputy Attorney General, submits the following comments.

PROCEDURAL BACKGROUND

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

On July 16, 2018, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 34107.

On August 28, 2018, the Commission issued a Notice of Parties, which listed CDS, JD Resort, and Commission Staff as the only parties to the matter.

On April 4, 2019, the Commission declined to approve the Company's Application because of the "uncertain nature of fundamental aspects of the Application[.]" Order No. 34297

at 3. The Commission gave JD Resort sixty days to address the uncertainties. Specifically, the Commission requested JD Resort: (1) explain which entity will own the water company; (2) provide documents showing how the water company was or will be transferred to that entity; (3) align the request for the transfer of the CPCN to the entity that will own the water company's assets; and (4) provide documents substantiating the transferee entity's financial and operational abilities to manage a water company in the public service.

STAFF ANALYSIS OF ORIGINAL APPLICATION

The original Application stated, "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 Application, dated June 14, 2018, lists JD Resort as the buyer (with the caveat just stated), yet the Purchase and Sale Agreement submitted with the Application, dated April 2, 2018, lists Esprit Enterprises, LLC ("Esprit Enterprises"), an Idaho limited liability corporation as the purchaser. The original Application was signed by Mr. Chan Karupiah in his personal capacity, without indication that he represented any entity.

Commission Staff filed the only comments and recommended the Commission approve the transfer. Staff confirmed that Esprit Enterprises and JD Resort are owned by Mr. Karupiah. Staff reviewed Mr. Karupiah's last three years of personal financial statements, which were submitted in response to a production request for the financial statements of JD Resort. Staff stated its belief that Mr. Karupiah has the personal financial ability to operate the water company.

During the comment period, Staff learned that a redesigned bill, with several new non-recurring charges not approved by the Commission, was sent to customers during the initial comment period. Staff noted in its comments on the original Application that, besides the new charges not being Commission approved, the new bill did not conform to the Utility Customer Relations Rules ("UCRR"), IDAPA 31.21.01. Staff noted that JD Resort cannot impose rates and charges, or terms and conditions of service, without prior approval of the Commission. Staff recommended the company submit its Explanation of Rates, Rules Summary, and collection notices for Staff review within six months of the Commission's order in this case.

Staff also noted that the purchaser had engaged the services of a licensed Drinking Water Distribution Operator and was performing an engineering analysis of the system to determine critical needs.

STAFF ANALYSIS OF RESPONSE

Staff has reviewed JD Resort's response and believes the key issues identified in the Commission's order have been addressed. Those issues are discussed in greater detail below.

Which entity will own the water company?

On page 1 of the May 6, 2019 Amended Application, JD Resort states that both Esprit Enterprises and JD Resort are under the sole proprietorship of Mr. Chan Karupiah, and that JD Resort will be the owner and operator of CDS. Therefore, Esprit Enterprises is just a vehicle for this transfer.

Provide documents showing how the Company was or will be transferred to the entity.

JD Resort provided a letter from DEQ dated November 26, 2018. This letter states that the DEQ loan has been reassigned from CDS to JD Resort. Also, Staff has been informed through an e-mail from JD Resort's previous water operators that JD Resort has been operating the Company since November 2018, and that they were employed by Mr. Karupiah, not CDS. While this is not a complete description of the ownership transfer, Staff is willing to accept that JD Resort has taken responsibility for the water utility.

Align the transfer of the CPCN to the entity that will own it.

On Page 1 of the Amended Application, JD Resort states that Mr. Karupiah "...wishes CPCN No. 395 to be held by JD Resort..." This aligns with the Company's answer regarding who will own the Company and evidence showing that the Company has taken responsibility for the utility, as stated above.

Provide documents substantiating the transferee entity's financial and operational ability.

Mr. Karupiah provided, as Appendix B to the Amended Application, a notarized personal guarantee stating that he would use his personal assets to support the capital needs of JD Resort

in the operation of the water system. Mr. Karupiah included his personal financial statements in the original application. Staff believes that these financial statements show that Mr. Karupiah has the financial ability to support the needs of the water system. Staff believes the personal financial statements and notarized personal guarantee of financial support for the Company, in combination, adequately demonstrate the financial ability and bona fide intent to operate the utility in the public interest.

On April 26, Staff received an email from the Company's water system manager stating that he had resigned. Staff followed up with JD Resort and learned that it has contracted with two new licensed water system operators who are qualified to provide operational support for the system.

BILLING AND TARIFF ISSUES

In its comments on the original Application, Staff recommended the Commission remind JD Resort that it cannot impose rates and charges, or terms and conditions of service that have not been approved by the Commission and included in the Company's Tariff. Staff notes that the Company has since sent a letter to its customers to retract previously provided erroneous information regarding its billing policy and certain non-recurring charges not authorized by the Commission.

Since filing its comments on the original Application, Staff has become concerned that inadequate attention is being paid to providing customers with accurate and timely bills. Staff has received complaints from customers about receiving incorrect bills or failure to receive bills. This may be due in part to personnel changes at the Company, however, in its response to Staff, the Company has provided inaccurate or insufficient information regarding preparation of customer bills. Staff recommends the Commission remind the Company 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 continues to recommend that the Commission direct JD Resort to work with Staff to revise its billing statement to conform to the Commission's requirements. JD Resorts is currently developing a new water billing system using new software. Staff also recommends JD Resort be required to submit its Explanation of Rates, Rules Summary, and collection notices for Staff

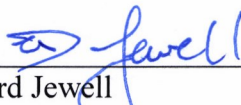
review within three months of the Commission's order in this case. See Utility Customer Relations Rules (IDAPA 31.21.01) Rule 702 (Explanation of Rate Schedule), Rule 701 (Summary of Rules), and Rule 603 (Requirements For and Contents of Notice Before Termination Of Service).

STAFF RECOMMENDATION

Staff recommends the Commission:

- Approve the sale and transfer of CPCN No. 395 from CDS Stoneridge Utilities, LLC to JD Resort, Inc.
- Remind JD Resort that it cannot impose rates and charges, or terms and conditions of service that have not been approved by the Commission and included in the Company's Tariff.
- 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.
- Direct JD Resort to work with Staff to immediately revise its billing statement to conform to the Commission's requirements.
- Require JD Resort 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.

Respectfully submitted this ^{3rd} day of June 2019.



Edward Jewell
Deputy Attorney General

Technical Staff: Joseph Terry
Jolene Bossard
Bentley Erdwurm
Chris Hecht
Michael Morrison

i:umisc/comments/swsw18.1ejtjbcwhbemm comments amended app

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3RD DAY OF JUNE 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF ON AMENDED APPLICATION**, IN CASE NO. SWS-W-18-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE