

Agenda Date: June 27, 2001
Item Number: 2I

Docket: UW-010417
Company Names: American Water Resources, Inc., and Peninsula Light Company.

Staff: Jim Ward, Revenue Requirements Specialist
Chris Vernon, Public Involvement Coordinator

Recommendation:

Enter an order approving the application of American Water Resources, Inc., and Peninsula Light Company, for sale and transfer of assets (21 water systems) in Docket UW-010417, to become effective June 28, 2001, subject to restrictions on the use of sale proceeds as discussed in the Staff presentation.

Discussion:

On March 28, 2001, American Water Resources, Inc., (American Water Resources) and Peninsula Light Company, (Peninsula Light) filed an application pursuant to the provisions of chapter 80.12 RCW for sale and transfer of assets of American Water Resources. American Water Resources is located in Onalaska and serves approximately 1,938 customers in Lewis, Thurston, Mason, Kitsap, Pierce, and Grays Harbor Counties. This application will affect 21 water systems with approximately 153 customers located in Mason, Kitsap and Pierce Counties.

The water systems being transferred are:

Pierce County: Carney Lake #322, Groff #323, SR 302 #2, 302 #3, Zimmerman #324, Key Ridge #306, Lackey #327, Campbell #326, & Jackson Lake #325.

Kitsap County: Edquist S. Kitsap #331, Cozy Lane #332, Moore Oak #333, Forest Creek #368, Strawberry #361, & Old Sawmill #352.

Mason County: Razor 1 #336, Razor 2 #337, Razor 3 #338, Razor 4 #339, Razor Place #335, & Dream Lane #340.

Peninsula Light is a Washington mutual corporation formed to act as a utility company. It currently provides both electric and water services primarily in the Gig Harbor area of Pierce County. Peninsula Light is not subject to Commission jurisdiction.

The Commission received no comments from customers on this transfer of assets.

The companies state the benefits of this acquisition of water system assets include Peninsula Light's status as a member-owned, non-profit, rural electric cooperative. Peninsula Light has been providing water service since 1995 and employs a certified Water Distribution Manger and other certified staff to provide all aspects of water system repair and operations. Peninsula Light notified customers of

Docket UW-010417

June 27, 2001

Page 2

American Water Resources of the sale and transfer in a mailing on April 27, 2001. Staff calculates the current rate base for the 21 water systems to be approximately \$36,014. Peninsula Light Company will acquire water system assets (21 water systems) of American Water Resources for \$150,000, payable at closing.

As a result of this sale and transfer of water system assets, American Water Resources will recognize a gain on sale. American Water Resources and Staff agree that this \$113,986 in gain on sale should be allocated between shareholders and customers. \$110,856 shall be deposited into a Capital Improvement, Contribution in Aid of Construction Account and only be used to fund capital improvements that are approved or required in writing by Department of Health under the Safe Drinking Water Act or other appropriate expense all of which must be agreed to by a letter from Commission Secretary before any disbursement of funds.

Staff has reviewed the proposed sale and transfer of assets and believes this transaction to be in the public interest only if Staff's conditions and settlement are imposed. Staff recommends that the Commission enter an order approving the application by American Water Resources, Inc., and Peninsula Light Company, for sale and transfer of assets (21 water systems) in Docket UW-010417, to become effective June 28, 2001, subject to restrictions on the use of sale proceeds.