

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY  
TO OPERATE A GAS PLANT FOR HIRE

THE WASHINGTON WATER POWER COMPANY

(Name)

of P. O. Box 3727, Spokane, Washington 99220 is hereby authorized

(Address)

to operate a gas plant for hire in the general area or areas of:

Spokane, Medical Lake, Millwood, Cheney, Deer Park and Airway Heights in Spokane County; Albion, Endicott, Palouse, Pullman, Colfax, Rosalia, St. John, Lacrosse, Colton and Uniontown in Whitman County; Clarkston and Asotin in Asotin County; Chewelah, Colville and Kettle Falls in Stevens County; Lind and Ritzville in Adams County; Sprague, Davenport, Reardan, Harrington and Odessa in Lincoln County; Stevenson in Skamania County; Connell in Franklin County; Goldendale in Klickitat County; Warden in Grant County, and areas adjacent to each of the foregoing as more particularly designated on Appendices A-1 through A-23, attached hereto and by this reference made a part hereof, each such appendix consisting of a map and attached legal description.

CONDITIONS:

1. Any gas plant operated by virtue of this certificate must be operated in accordance with the Laws of the State of Washington and the Rules and Regulations of this Commission.
2. This certificate must be kept on file at the main office of the gas company except when directed to be transmitted to the Commission, and shall be subject at all times to inspection by the authorized representatives of the Commission.
3. This certificate shall be subject to revocation and cancellation by the Commission upon a showing of procurement by false affidavit or representation.
4. This certificate is subject to the terms, conditions and provisions in Cause Nos. U-8889, U-9021, U-9022 and U-9023, U-9052, U-9115, U-9288, U-9591, U-9676, U-9764, U-9826, and U-9954.
5. This certificate is amended pursuant to the order in Cause No. U-73-53 and will become effective on the date of the consummation of the merger therein described.

*This certificate is issued upon finding by the Washington Utilities and Transportation Commission that public convenience and necessity requires or will require such operation in accordance with RCW 80.28.190, and*

Order No. U-73-53 Dated March 13, 1974

Dated at Olympia, Washington, March 13, 1974

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

By Archie E. Martin  
Secretary

AUG 8 1985

Date Answered: \_\_\_\_\_ By \_\_\_\_\_  
Sent to File: \_\_\_\_\_ By \_\_\_\_\_  
Referred To: \_\_\_\_\_ By 7m

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Appli- )  
cation of COLUMBIA GAS COMPANY and )  
THE WASHINGTON WATER POWER COMPANY )  
for an Order Approving the Statu- )  
tory Merger of the Former into the )  
Latter and the Transfer to The Wash- )  
ington Water Power Company of Co- )  
lumbia Gas Company's Certificate to )  
Operate a Gas Plant for Hire in the )  
General Areas of Ritzville, Endicott, )  
Goldendale, Stevenson and Connell, )  
Washington. )  
. . . . . )

CAUSE NO. U-73-53  
ORDER GRANTING  
APPLICATION

On November 23, 1973 The Washington Water Power Company (Water Power) and Columbia Gas Company (Columbia) jointly filed applications under the provisions of 80.12 RCW for an order authorizing the statutory merger of Columbia with and into Water Power with the latter being the surviving corporation and, further, for authority pursuant to RCW 80.28.190 to transfer to Water Power the Commission's Certificate of Public Convenience and Necessity No. 10, as amended, for Columbia to operate a gas plant for hire in the general areas of Ritzville, Endicott, Goldendale, Stevenson, Warden and Connell, Washington. The last of certain amendments and supplements to the application were filed on February 26, 1974.

Water Power is a Washington corporation operating electric, gas and water plant for hire in the States of Washington, Idaho and Montana with approximately 183,000 electric retail customers and 66,000 natural gas customers, and its outstanding no par value common stock is all publicly owned. Columbia is also a Washington corporation serving approximately 1,400 customers with natural gas in the above-named areas of the State of Washington. Of the 538,064 shares of Columbia's outstanding common stock with a par value of 50¢ per share, all but 4% of the total is owned by five stockholders.

The boards of directors of Water Power and of Columbia at separate meetings held on November 2 and November 5, 1973, respectively, voted to adopt the Plan of Merger (the Plan) between the two companies dated November 2, 1973, a copy of which is filed as Exhibit "A" of the applications. May 10, 1974 is the schedule date for the shareholders of Water Power and Columbia to meet separately and vote on the proposal to merge the two companies. This order will be conditioned upon such approval being granted.

The Plan, in part, provides for Water Power and Columbia to merge pursuant to RCW 23A.20.010 et seq., at which time the former becomes the owner of all rights and property of the two corporations, subject to all associated debts and liabilities. Furthermore, after merger Water Power's Articles of Incorporation, By-Laws and its present board of directors will continue in effect and remain without any change or revision. As compensation to the shareholders of Columbia for their ownership in the corporation, on date of merger such shareholders are to receive one share of Water Power common stock for each 16.3 shares of Columbia's common stock. No fractional shares of

U-73-53

2.

Water Power common stock will be issued, but each Columbia shareholder will receive in cash a payment equal to the value of each fractional share based upon its market value on the effective date of merger. Various warranties and representations are made by Columbia asserting that it has good and marketable title to its properties and assets free and clear of all liens other than that of Northwestern National Life Insurance Company pursuant to a secured Note Purchase Agreement and possible minor defects that will not materially affect operation of Columbia's business.

By letter dated October 24, 1973, Northwestern National Life Insurance Company consents to the merger and the prepayment of its loan secured by the afore-mentioned lien. Furthermore, Columbia holds, or is a party to, a service agreement with El Paso Natural Gas Company for the purchase of natural gas and a contract for the sale of natural gas to Lamb-Weston, Inc. that Water Power may validly become a successor to. In addition, Columbia recites its ownership of the Commission's Certificate of Public Convenience and Necessity No. 10, as amended; the rights of which may be acquired by Water Power provided regulatory authority is obtained prior to merger. Both Columbia and Water Power affirm that they are validly existing corporations and their respective financial conditions are accurately set forth in the Balance Sheets dated December 31, 1972, as is their results of operations for periods covered by their Statement of Earnings.

Both companies agree to submit the Plan to their shareholders for approval no later than December 1, 1974 and Columbia's directors, who executed the Plan, warrant that they will vote in favor of the merger. Best efforts will be used by both parties to obtain all regulatory approval for the merger. After receipt of such approval and affirmative vote of two-thirds or more of the holders of the issued and outstanding common shares of each corporation entitled to vote, the merger will become effective when the Articles of Merger are filed with the Secretary of State in the State of Washington and the Secretary issues a Certificate of Merger.

Each party will pay all of its own expenses in connection with the Plan of Merger, which Plan may be terminated by either mutual consent, failure to consummate by January 1, 1975, finding of substantially inaccurate material by either party or the failure to obtain necessary regulatory approval.

The assets and liabilities of Columbia are to be recorded on Water Power's books in the same amount as shown on Columbia's books. As of September 30, 1973, Columbia's assets, rounded to the nearest thousand dollars, totaled \$931,000 of which \$716,000 was net gas plant. On the same basis, the liabilities consisted of \$553,000 in equity, \$329,000 in long-term debt and \$49,000 in current and accrued liabilities and deferred credit. Included in long-term debt is an amount of \$315,180 that is the unpaid balance of a 9½% mortgage note payable to the Northwestern National Life Insurance Company on October 1, 1982.

In a companion application docketed in Cause No. U-73-54, Water Power seeks approval to assume the afore-mentioned

note under the provisions of chapter 80.08 RCW and to issue not more than 32,988 shares of its no par value common stock to carry out the provisions of the Plan. The Commission is entering an order in said cause granting the authority requested as of the effective date of the instant order.

Water Power plans to discharge the assumed Columbia note with proceeds from its notes issued pursuant to a credit agreement with eight banks dated June 11, 1973. Such authorization is being granted by the Commission's first supplemental order in Cause No. U-73-27 es concurrently with issuance of the order in this proceeding.

In negotiating the basis for the exchange of Columbia's common stock for shares of Water Power, the latter were determined to have a stated value of \$20 per share, or \$659,760 for the 32,988 common shares required by the Plan. Columbia had an equity of \$552,934 as of September 30, 1973, at which time the stated value of the afore-mentioned Water Power shares exceeded Columbia's equity by \$106,826. Whatever the afore-mentioned difference as of the date of merger, it must be classified in Account 114 - Utility Plant Acquisition Adjustments. This order will require that the amount so classified be amortized over a 10-year period by equal annual charges to Account 425 - Miscellaneous Amortization, with an identical credit to Account 115 - Accumulated Provision for Amortization of Utility Plant Acquisition Adjustments, or such shorter period of amortization as may be prescribed by letter from the Commission.

In determining which of the applicants' rates would produce the lowest revenue for Columbia's customers, Water Power made a rate comparison covering Columbia's customers for the 12-month period ending November 30, 1973 based on rates in effect on January 1, 1974. The results indicated that a savings of approximately \$7,000 would occur under Water Power rates in comparison to those of Columbia. Furthermore, approximately 52% of Columbia's 1,400 customers would experience a decrease in rates. The study also reveals that five of the six towns served by Columbia will have a revenue reduction in the amount of approximately \$11,100, whereas the customers in Ritzville with 461 customers would experience an average annual increase of 75¢ per month, or \$4,300 in the aggregate.

Recognizing that some increases will occur as shown by the rate study, Water Power contemplates contacting personally each customer with an annual increase of more than \$12 per year with information comparing their bills under Columbia rates in comparison with rates of Water Power.

In view of the reductions indicated by the detailed study, Water Power proposes to apply its presently effective rates to the customers and in the areas now served by Columbia on and after consummating the merger with Columbia as herein proposed.

Both companies also plan to pass on the full amount, if any, of an anticipated natural gas tracking increase by the pipeline supplier that are expected to be in effect on April 1, 1974.

Water Power reports that it will retain the full-time employees of Columbia and they will be covered by the retirement plan and other employee benefits as if they had been employees of Water Power since the date of their employment by Columbia.

By Commission orders in Cause Nos. U-9136, U-9197, U-9207, U-9831 and U-9893, Columbia has been issued Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire in the general areas of Ritzville, Endicott, Goldendale, Stevenson, Warden and Connell, Washington. Authority has been requested to transfer said Certificate No. 10, as amended, to Water Power as part of the preliminary approvals required before proceeding with the proposed merger. Incorporated herein by reference are the afore-mentioned orders of the Commission for the legal description and maps of the areas covered by Certificate No. 10, as amended. In support of the above-stated request, Water Power affirms that it will assume Columbia's gas supply contract with El Paso Natural Gas Company, or its successor, and combine the supplies thereunder with those of its own from a gas supply contract with the same pipeline company to benefit the combined systems. A reduction of \$40,000 is estimated in the cost of gas purchased by reason of combining the two systems.

Other anticipated economies from the merger are the elimination of \$20,000 in officers salaries for Columbia and unmeasured savings for combined electric and gas meter reading, accounting and management in those service areas of Columbia where Water Power provides electric service.

Public notice of the proposed merger was given in the newspapers circulated within the service areas of both Columbia and Water Power and within the former's area the mayors of all cities were likewise contacted. To date no public response either for or against has been received by the Commission. Columbia and Water Power believe their customers and employees will benefit from the proposed merger and that it is in the public interest.

FINDINGS

THE COMMISSION FINDS:

1. Columbia Gas Company and The Washington Water Power Company are public service companies subject to regulation by this Commission under the provisions of chapter 80.12 RCW and RCW 80.28.190.

2. As to form, the applications herein, as amended and supplemented, meet the requirements of chapter 80.12 RCW and RCW 80.28.190 and the applicable rules and regulations of the Commission.

3. It will not be contrary to the public interest for Columbia Gas Company to transfer its assets and liabilities to The Washington Water Power Company and for the latter to acquire and assume the same under a Plan of Merger.

4. Public convenience and necessity requires the transfer of the areas heretofore described and the rights for service granted in Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire, No. 10, as amended, and

issued to Columbia Gas Company to The Washington Water Power Company by authorizing an appropriate amendment covering said areas to its Certificate of Public Convenience and Necessity No. 6, as amended.

O R D E R

THE COMMISSION ORDERS:

1. Subject to the conditions of this order, Columbia Gas Company is hereby authorized to transfer its assets and liabilities to The Washington Water Power Company, and the latter is hereby authorized to acquire and assume the same in accordance with the terms of a Plan of Merger dated November 2, 1973, a true copy of which is filed as Exhibit "A" of the applications.

2. Upon consummating the merger approved in Section 1 of this order, The Washington Water Power Company shall acquire the rights to serve these areas described in the Commission's Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire, No. 10, as amended, now held by Columbia Gas Company, and The Washington Water Power Company shall amend its Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire, No. 6, as amended, by an Appendix A-18 through A-23, attached hereto and by this reference made a part hereof, to include the service rights by area granted in the aforementioned Certificate No. 10, as amended, and Columbia Gas Company shall promptly return said Certificate to the Commission for cancellation.

3. The Certificate of Public Convenience and Necessity issued to The Washington Water Power Company, pursuant to order paragraph No. 2, supersedes and cancels Certificate of Public Convenience and Necessity No. 6, as amended, issued on March 24, 1970 in Cause No. U-9954. Said Certificate dated March 24, 1970, shall be returned to this Commission, upon exercising the authority granted by Sections 1 and 2 of this order.

4. Jurisdiction is hereby retained to effectuate provisions of this order and, further, consideration to determine alterations, if any, to be made in the Commission's Certificate No. 6, as amended, to reflect the authority granted in Section 2 of this order to conform with the requirements of public convenience and necessity as the same may then be made to appear.

5. Prior to exercising the authority granted by this order, the stockholders of Columbia Gas Company and The Washington Water Power Company shall have approved of their respective companies entering into and carrying out the terms of the Plan of Merger dated November 2, 1973 designated as Exhibit "A" of the applications.

6. The Washington Water Power Company shall notify the Commission in writing as to the date the authority granted by Sections 1 and 2 of this order has been exercised and within 60 days after exercising said authority, shall file with the Commission (a) for its prior written approval, the journal entries by which it proposes to record on its books the transaction authorized by this order; and (b) a true copy of its

shareholder minutes approving the above-authorized merger and a copy of the printed material provided the stockholders in connection with their 1974 annual meeting.

7. On or before June 30, 1974, Columbia Gas Company shall file with the Commission a satisfactory closing report covering its results of operations from January 1, 1974 to the effective date of the merger, together with a true copy of its shareholder minutes approving the above-authorized merger and a copy of the printed material provided the stockholders in connection with their 1974 annual meeting.

8. The excess of the stated value of the common shares issued by The Washington Water Power Company over the total book value of the common shares of Columbia Gas Company, as of the date of merger, shall be recorded in Account 114 - Utility Plant Acquisition Adjustments on the books of The Washington Water Power Company and it shall amortize this amount by charges to Account 425 - Miscellaneous Amortization, with concurrent credits to Account 115 - Accumulated Provision for Amortization of Utility Plant Acquisition Adjustments, in equal annual amounts over a 10-year period, or such shorter period of amortization as may be prescribed by letter from the Commission.

9. On not less than one day's notice and prior to exercising the authority granted herein, The Washington Water Power Company shall file an appropriate revision of Sheet A and Sheet C of its currently effective Tariff WN U-24 to incorporate therein, as of the date the above-authorized merger is consummated, the additional territory to be served by reason of said merger as of said date. As of that date, too, currently effective Tariff WN U-1 of Columbia Gas Company will be canceled.

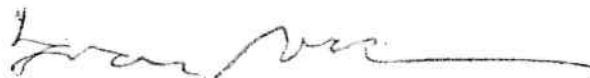
10. This order shall in no way affect the authority of this Commission over rates, service, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted except as herein provided.

DATED at Olympia, Washington, and effective this 13th day of March, 1974.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



DONALD H. BRAZIER, Chairman



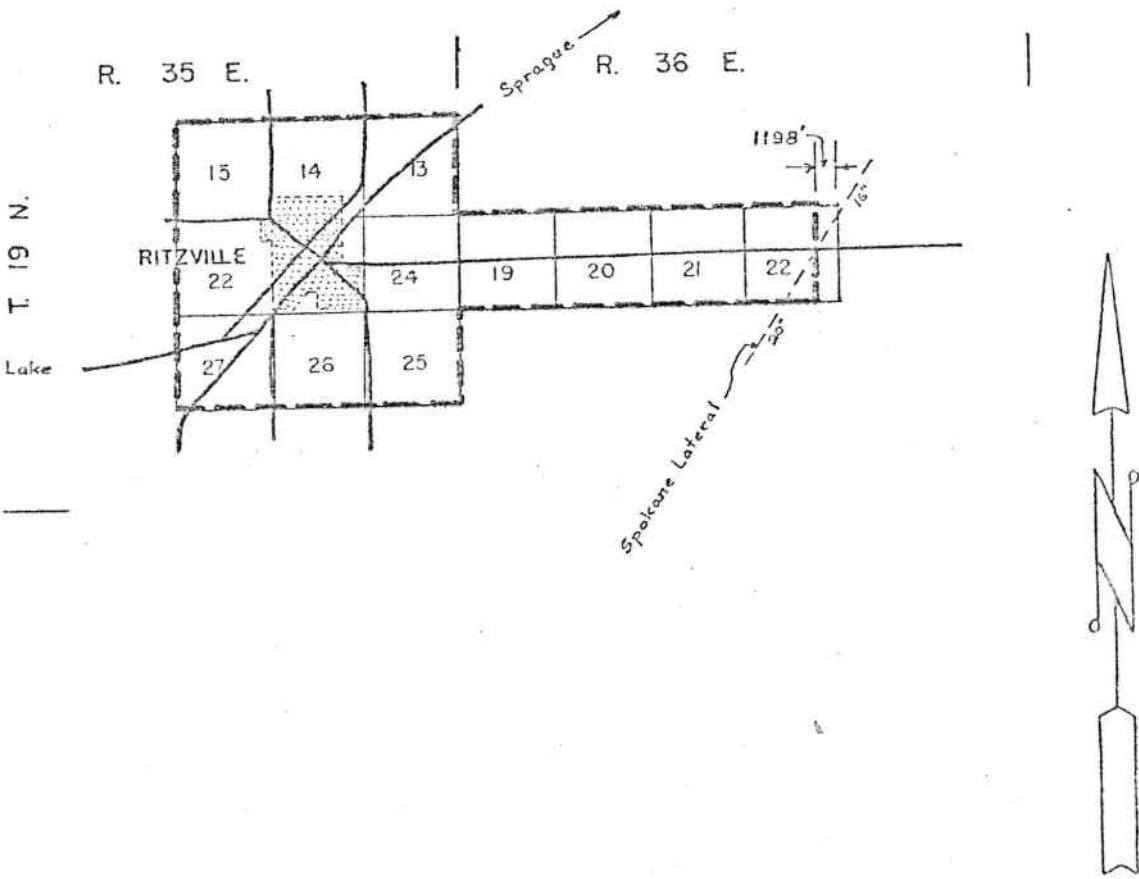
FRANCIS PEARSON, Commissioner

APPENDIX A-18 - LEGAL DESCRIPTION - RITZVILLE AND VICINITY, ADAMS COUNTY

All of the incorporated City of Ritzville and additional portions of Adams County lying within the area described as follows:

Secs. 13, 14, 15 and 22-27, T. 19 N., R. 35 E.W.M., and Secs. 19-22, T. 19 N., R. 36 E.W.M., excepting the easterly 1198 feet of Sec. 22, T. 19 N., R. 36 E.W.M.





Appendix A-18  
 Washington Water Power Co.  
 BOUNDARY OF SERVICE AREA  
 RITZVILLE & VICINITY - ADAMS COUNTY)  
 Cause No. U-73-53

WASHINGTON  
 UTILITIES AND TRANSPORTATION  
 COMMISSION

DATE: MAY 29, 1968 BY: T.W.  
 3-11-74 M. Siegrist

## DIX A-19 - LEGAL DESCRIPTION - ENDICOTT AND VICINITY, WHITMAN COUNTY

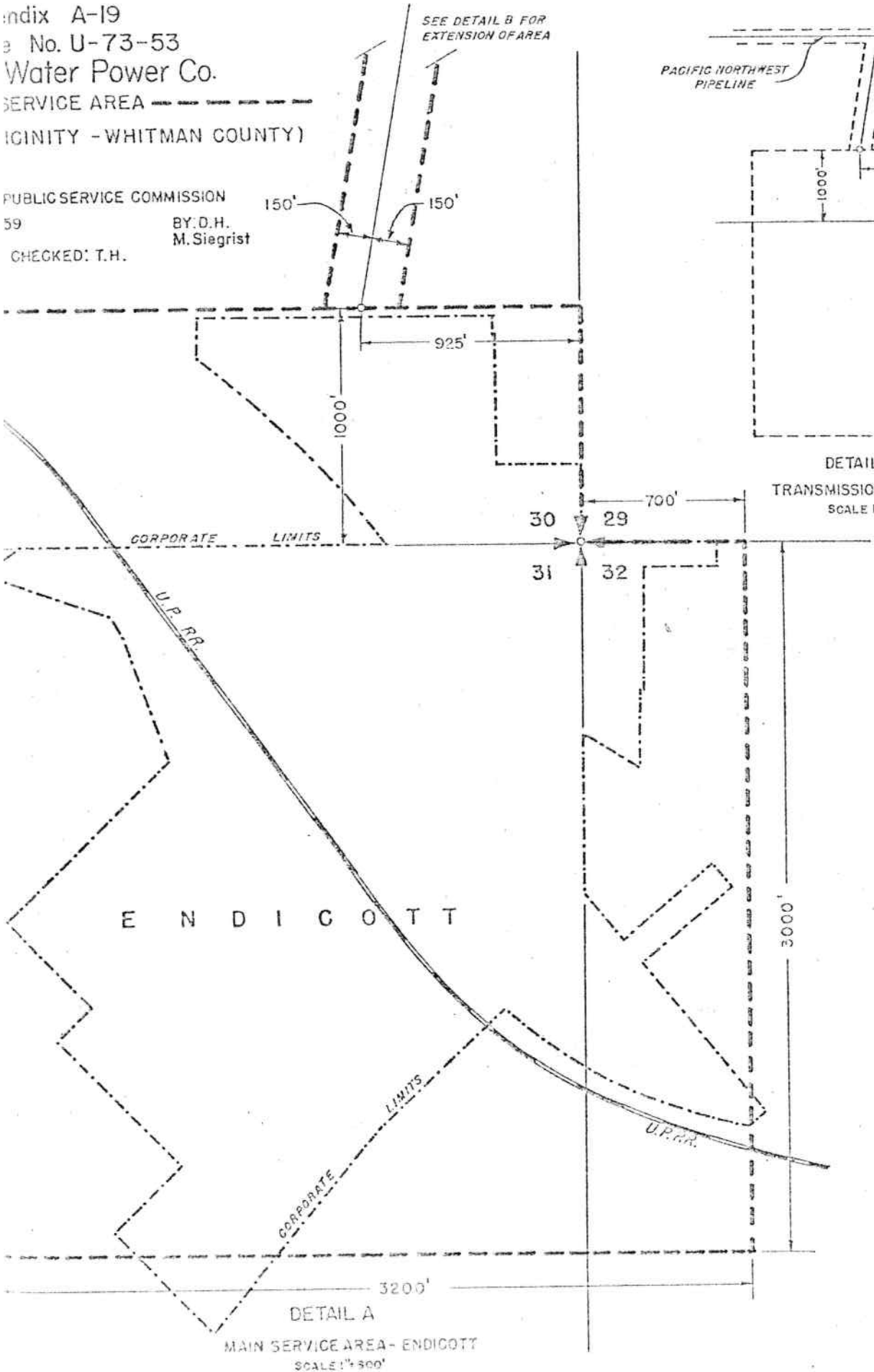
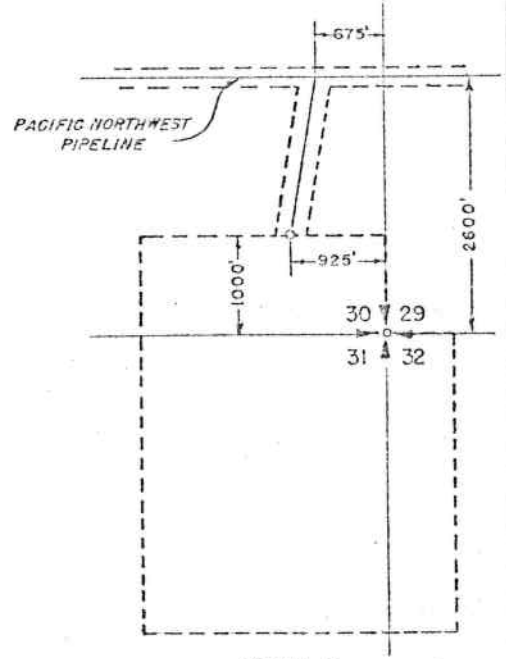
Beginning at the northeast corner of Sec. 31, T. 17 N., R. 41 E.W.M., in the County of Whitman, State of Washington, running thence east on the north line of Sec. 32, T. 17 N., R. 41 E.W.M., a distance of 700 feet; thence south on a line parallel with the west line of said Sec. 32 a distance of 3,000 feet; thence west on a line parallel with the north line of said Sec. 31 a distance of 3,200 feet; thence north on a line parallel with the east line of said Sec. 31 a distance of 4,000 feet; thence east on a line parallel with the south line of Sec. 30, T. 17 N., R. 41 E.W.M., a distance of 1,425 feet; thence northeasterly to the right-of-way of the Pacific Northwest Pipeline Corporation's Lewiston lateral, such point is 825 feet west of the east line of Sec. 30, T. 17 N., R. 41 E.W.M.; thence east on a line parallel with the south line of said Sec. 30 a distance of 300 feet; thence southwesterly to a point 1,475 feet west of the east line and 1,000 feet north of the south line of said Sec. 30; thence east on a line parallel with the south line of Sec. 30 to a point of intersection with the east line of Sec. 30; thence south on the east line of said Sec. 30 to point of beginning.

T. 17 N., R. 41 E. W.M.

Index A-19  
No. U-73-53  
Water Power Co.  
SERVICE AREA  
(VICINITY - WHITMAN COUNTY)

PUBLIC SERVICE COMMISSION  
59  
CHECKED: T.H.  
BY: D.H.  
M. Siegrist

SEE DETAIL B FOR  
EXTENSION OF AREA



## NDIX A-20 - LEGAL DESCRIPTION - STEVENSON AND VICINITY, SKAMANIA COUNTY

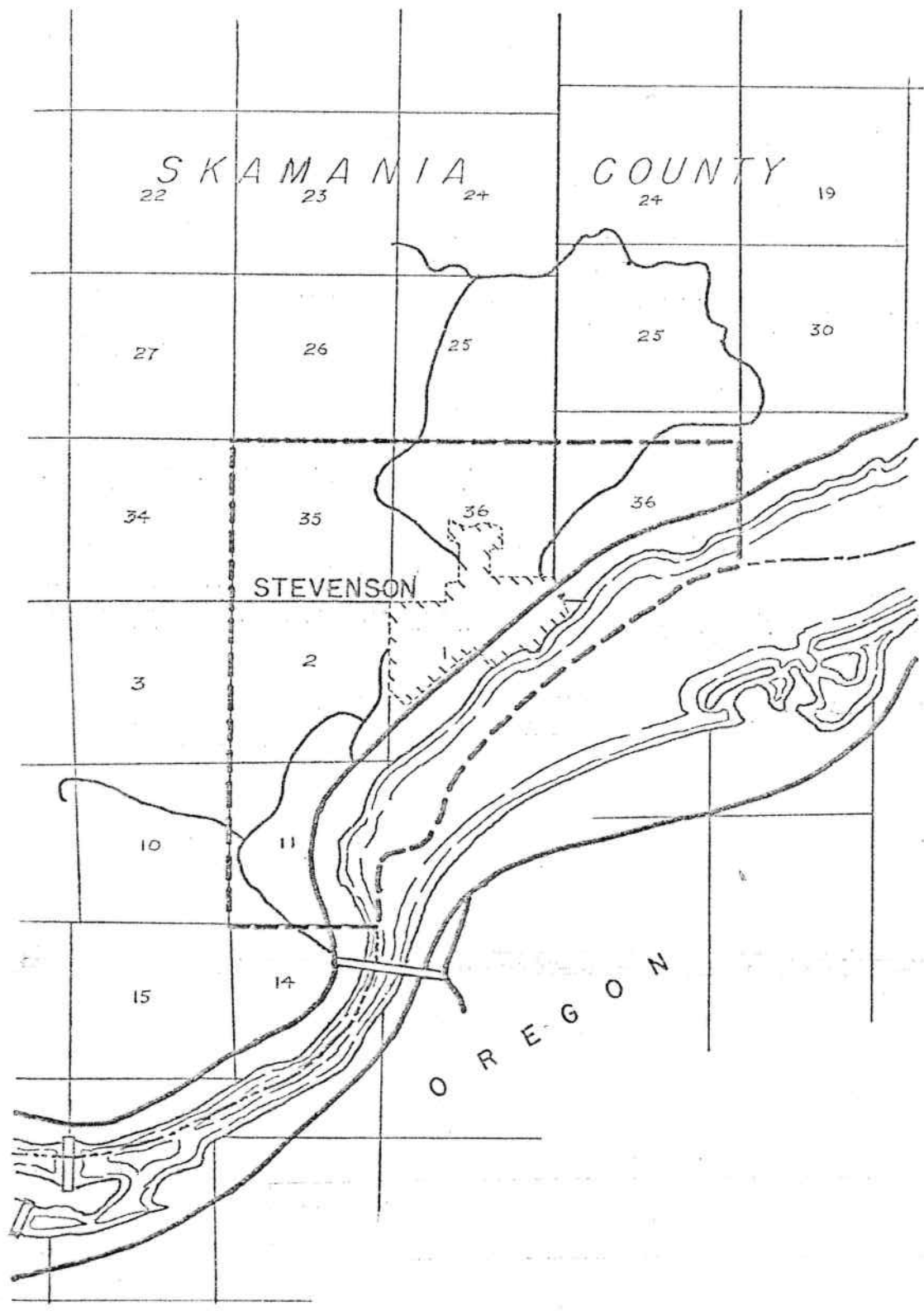
Secs. 35 and 36, T. 3 N., R. 7 E.W.M.; Secs. 1 and 2, and all Secs. 11 and 12 lying within the County of Skamania, in T. 2 N., R. 7 E.W.M.; and that portion of Sec. 36, T. 3 N., R. 7-1/2 E.W.M.; lying within Skamania County and South of the north line of Sec. 36, T. 3 N., R. 7 E.W.M.; extended eastward, all beginning in Skamania County, Washington.

R. 7 E.

R. 7 1/2 E.

R. 8 E.

SKAMANIA COUNTY



Appendix A-20

Cause No. U-73-53

The Washington Water Power Co.

BOUNDARY OF SERVICE AREA - - - - -

STEVENSON AND VICINITY SKAMANIA COUNTY

WASHINGTON PUBLIC SERVICE COMMISSION

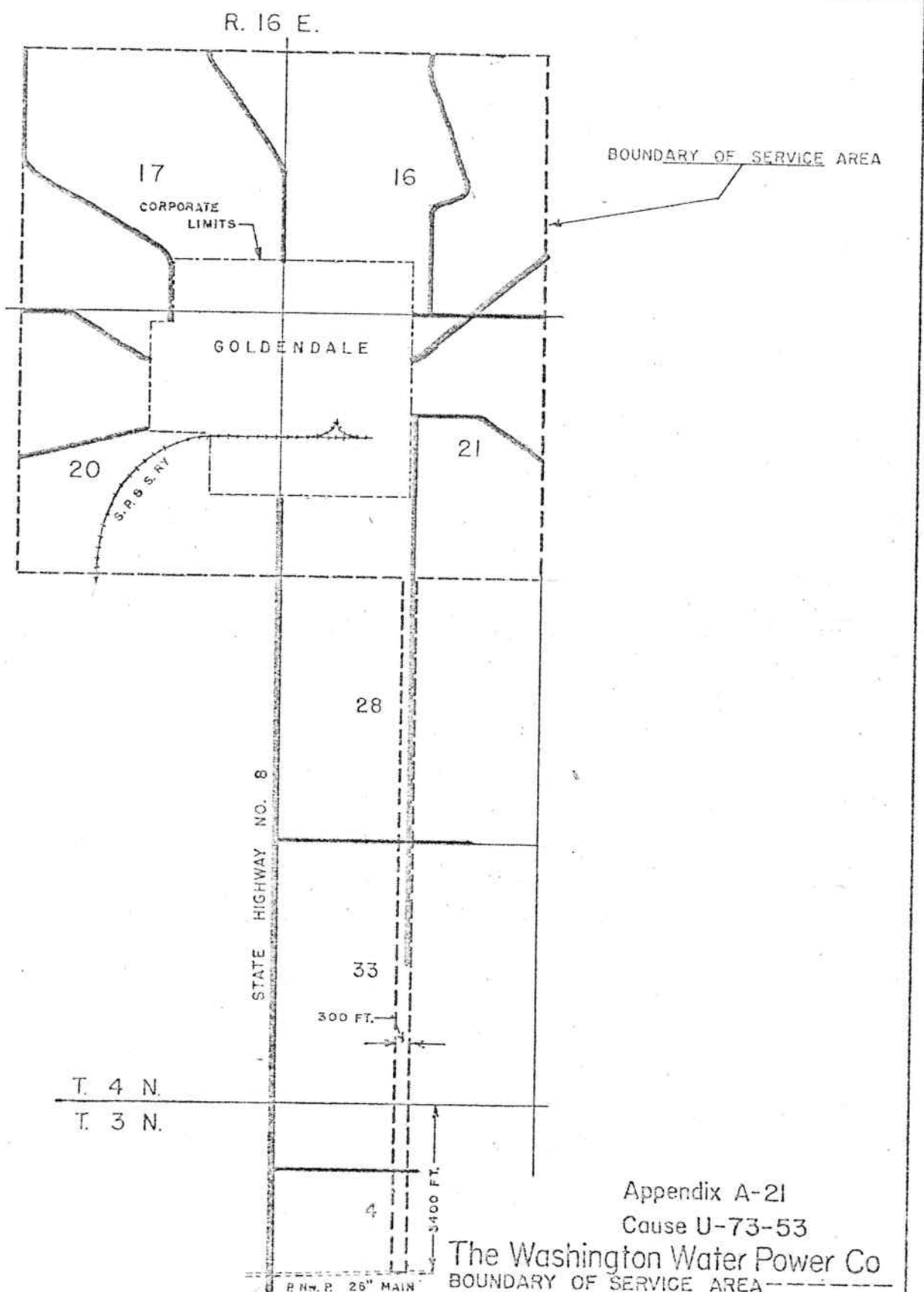
JUNE 24, 1959  
3-11-74

BY: TRW  
M. Siegrist

DIX A-21 - LEGAL DESCRIPTION - GOLDENDALE AND VICINITY, KLICKITAT COUNTY

(a) Main service area - All of Secs. 16, 17, 20 and 21 in T. 4 N., R. 16 E.W.M., including the City of Goldendale, Klickitat County, Washington.

(b) Transmission line area. City gate to south boundary of main service area - A strip of land 300 feet in width, being 150 feet on each side of a line described as follows: Commencing at the southeast corner of the west half of Sec. 21, T. 4 N., R. 16 E.W.M.; thence directly south to the Pacific Northwest Pipeline Corporation's 26-inch main pipeline, which is approximately 3,400 feet south of the north line of Sec. 4, T. 3 N., R. 16 E.W.M., all in the County of Klickitat, State of Washington.



Appendix A-21  
 Cause U-73-53  
 The Washington Water Power Co  
 BOUNDARY OF SERVICE AREA  
 GOLDENDALE AND VICINITY  
 KLICKITAT COUNTY

WASHINGTON PUBLIC SERVICE COMMISSION  
 JUNE 24, 1959 SCALE: 1"=3000 FT.  
 BY T. W. CHECKED BY T.H.  
 3-11-74 M. Siegrist

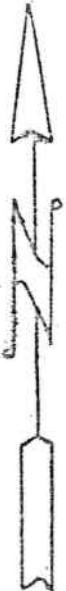
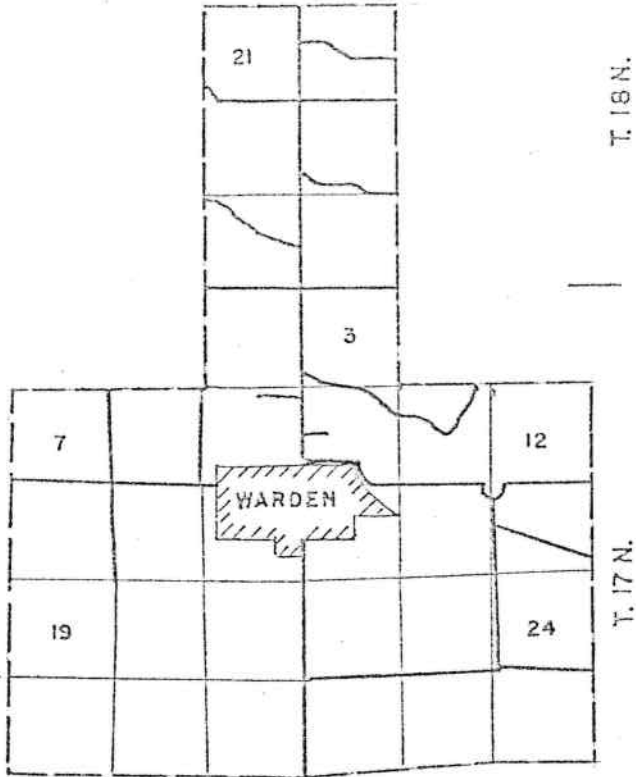
## APPENDIX A-22 - LEGAL DESCRIPTION - WARDEN AND VICINITY, GRANT COUNTY

All of the incorporated area comprising the Town of Warden and additional portion of Grant County, Washington, adjacent thereto lying within the area described as follows:

Secs. 3 and 4 and Secs. 7 to 30, inclusive, T. 17 N., R. 30 E.W.M., and Secs. 21, 22, 27, 28, 33 and 34, T. 18 N., R. 30 E.W.M., in Grant County, Washington.



R. 30 E.



Appendix A-22

Cause No. U-73-53

The Washington Water Power Co.

BOUNDARY OF SERVICE AREA ———

WARDEN AND VICINITY  
GRANT COUNTY

WASHINGTON PUBLIC SERVICE COMMISSION

MAR. 23, 1960

SCALE: 1" = 2 MI.

BY: T.W.

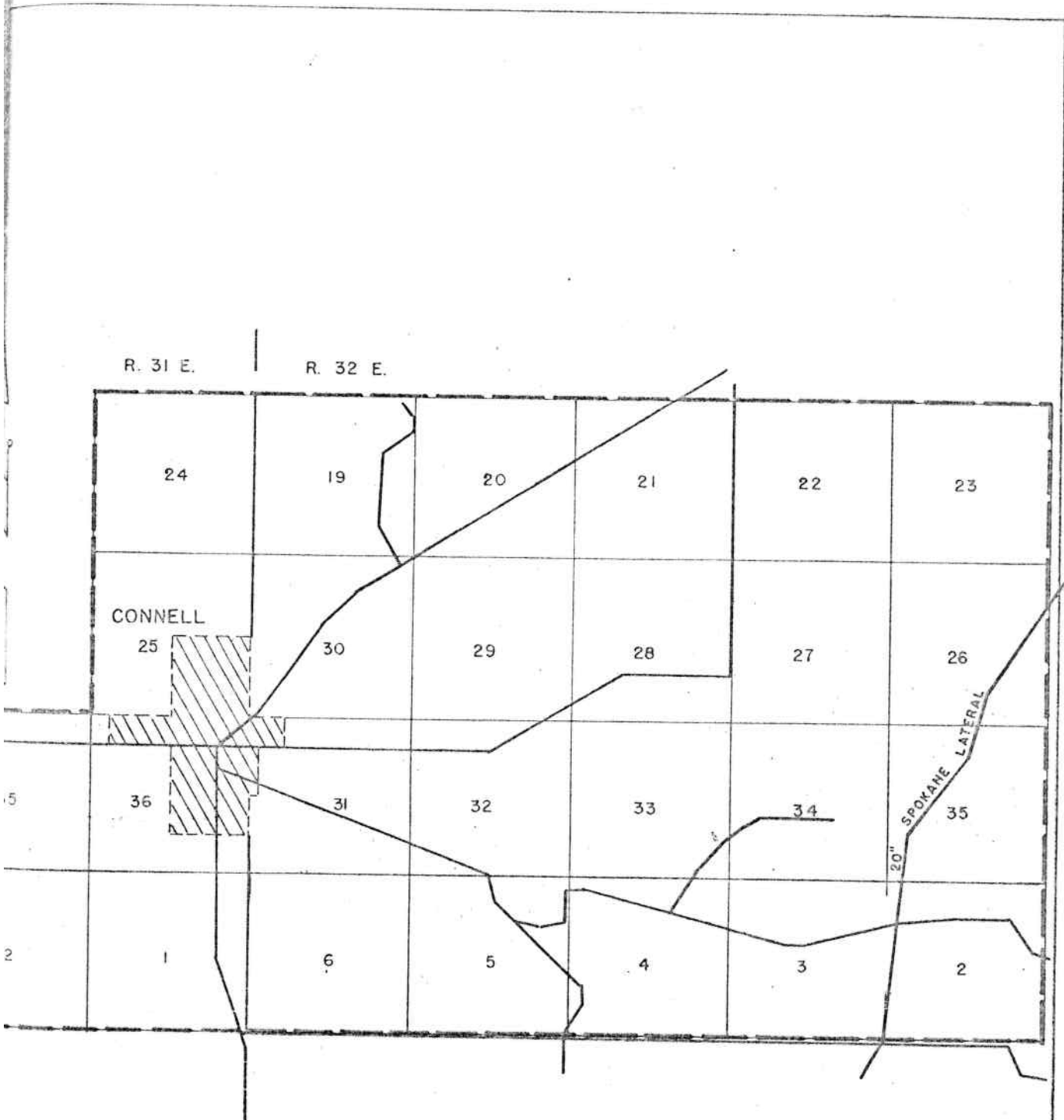
CHECKED: T.N.H.

3-12-74 M. Siagrist

APPENDIX A-23 - LEGAL DESCRIPTION - CONNELL AND VICINITY, FRANKLIN COUNTY

All of the incorporated Town of Connell and additional portions of Franklin County adjacent thereto lying within the area described as follows:

Secs. 1 and 2, T. 13 N., R. 31 E.W.M.; Secs. 24, 25, 35 and 36, T. 14 N., R. 31 E.W.M.; Secs. 2-6, T. 13 N., R. 32 E.W.M.; Secs. 19-23 and 26-35, T. 14 N., R. 32 E.W.M.



Appendix A-23  
 Cause No. U-73-53  
 The Washington Water Power Co.  
 BOUNDARY OF SERVICE AREA - - - - -  
 CONNELL AND VICINITY  
 FRANKLIN COUNTY

WASHINGTON  
 UTILITIES AND TRANSPORTATION  
 COMMISSION

APR. 15, 1969  
 3-12-74

BY: T.W.  
 M. Siegrist