

Agenda Date: March 15, 2018  
Item Number: A1

**Docket:** UW-180164  
Company Names: Crosswoods Water Company Inc.  
Shirona Water Company, LLC

Staff: Cristina Steward, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendation**

Grant the application for sale and transfer of the assets of Crosswoods Water Company Inc. to Shirona Water Company, LLC, and approve the adoption of tariff rates by Shirona Water Company, LLC, to be effective April 1, 2018.

### **Discussion**

On February 21, 2018, Shirona Water Company, LLC (Shirona) filed an application with the Washington Utilities and Transportation Commission (commission) for the sale and transfer of assets of Crosswoods Water Company Inc. (Crosswoods) pursuant to the provisions of RCW 80.12.040, Authority required to acquire property or securities of utilities.

Crosswoods' current owner no longer desires to own and operate the water system, whereas Shirona desires to own and operate an additional water system. Shirona will be able to bring economies of scale benefits to customers by consolidating work in several areas, such as operations, project financing, and billing. Shirona and Crosswoods are both located on Whidbey Island in Island County.

The proposed sale and transfer of assets and tariff rate adoption will have an effective date of April 1, 2018. This date coincides with Shirona's billing period. For accounting purposes, the utility's accounting records will be transferred and effective on April 1, 2018. Shirona will assume any regulatory obligations of the purchased utility.

Staff must determine, consistent with RCW 80.12.020 and WAC 480-143-170, that the applicant in the transaction must "at least demonstrate no harm to the public interest."<sup>1</sup> Staff must also look to the new company's financial and managerial fitness to run the operations.<sup>2</sup> No harm was shown to the customers of the Crosswoods system because the purchasing company is adopting the current tariff rates for that system. Shirona will continue to use the same satellite management agency, who is familiar with each of the utilities' operations and will be able to bring economies of scale to the companies. Therefore, the applicant has shown there are substantial benefits to the proposed sale and transfer, and that the application meets the requirements of RCW 80.12.040 and WAC 480-143.130.

<sup>1</sup> *In Re Application of PacifiCorp & Scottish Power, LLC*, Docket UE-981627, Third Supplemental Order on Prehearing Conference at 2-3 (April 2, 1999).

<sup>2</sup> *Id.*

If the sale and transfer of assets is allowed, the commission neither approves nor disapproves the reasonableness of any fees, charges, rates, purchase price, or accounting allocations involved with the transaction. The commission reserves the right to review those fees, charges, rates, or accounting allocations in a future rate proceeding.

<b>Rate Comparison</b>				
<b>Size</b>		<b>Usage</b>	<b>Shirona</b>	<b>Crosswoods</b>
3/4 inch	Base rate		\$ 27.50	\$ 20.25
	Block 1	0-500	\$ 3.25	\$ 1.50
	Block 2	501-1000	\$ 3.55	\$ 1.90
	Block 3	>1001	\$ 4.10	\$ 2.40
	<b>Total Customers</b>		102	127

### **Customer Comments**

On February 19, 2018, the company notified its customers of the proposed sale and transfer of assets by mail. Staff received no comments regarding the proposed sale and transfer of assets. Customers may contact John Cupp at 1-888-333-9882 or [jcupp@utc.wa.gov](mailto:jcupp@utc.wa.gov) with questions or concerns.

### **Conclusion**

After reviewing the joint application for sale and transfer of assets filed by Shirona Water Company LLC, UW-180164, on February 19, 2018, staff believes that the petition for sale and transfer of Crosswoods Water Company Inc. to Shirona Water Company LLC is in the public interest and should be approved. This sale and transfer of assets will allow the company to continue to grow under new ownership and allow for economies of scale in management and operations.

### **Recommendation**

Grant the application for sale and transfer of the assets of Crosswoods Water Company Inc. to Shirona Water Company, LLC, and approve the adoption of tariff rates by Shirona Water Company, LLC, to be effective April 1, 2018.