

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of) DOCKET NO. UW-021603
)
KAYAK POINT WATER CO., INC.,)
)
 Applicant,) ORDER GRANTING
) APPLICATION FOR SALE AND
For the Sale and Transfer of Assets) TRANSFER OF ASSETS AND
to Kayak Estates Water, LLC.) TARIFF ADOPTION
.....)

BACKGROUND

- 1 On December 5, 2002, Kayak Point Water Co., Inc., (Kayak Point or Company) and Kayak Estates Water, LLC, filed a joint application for sale and transfer of assets pursuant to the provisions of Chapter 80.12 RCW.

- 2 Kayak Point water system serves approximately 334 customers and is located south of Stanwood in Snohomish County.

FINDINGS AND CONCLUSIONS

- 3 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of public service companies, including water companies. *RCW 80.01.040; Chapter 80.04 RCW; Chapter 80.12 RCW and Chapter 80.28 RCW.*

- 4 (2) Kayak Point is an investor-owned water company and is a public service company subject to the jurisdiction of the Commission under the provisions of Chapter 80.12 RCW.

- 5 (3) This matter was brought before the Commission at its regularly scheduled meeting on July 31, 2003.
- 6 (4) The companies stated the benefits of this acquisition of water system assets include local ownership. The sale to Kayak Estates Water, LLC will shift ownership to a local member of the community. In addition, the current staff of the water system will continue to operate and maintain the water system. The present owners of Kayak Point no longer desire to own the water system. Kayak Point notified its customers of the sale and transfer in a mailing in December 2002.
- 7 (5) In the application filed December 5, 2002, the attorney filing the joint application states that based upon the 2001 annual report the utility plant in service is \$1,739,365 with accumulated depreciation of \$1,011,964 and using Commission Staff's 2000 analysis, net CIAC is \$158,128. This produces a rate base of approximately \$569,273. Kayak Estates will acquire all operations and property of Kayak Point water system for \$457,000, by paying \$250,000 cash at closing and issuing a 15-year note payable of \$207,000. Staff has advised Kayak Estates Water, LLC that absent a showing of commensurate benefit, the Commission has not included acquisition adjustments in rate base nor in a company's recovered costs when setting rates.
- 8 (6) Kayak Estates has now signed an agreed order in Docket No. 03-017 with the Department of Health (DOH) designed to resolve on-going water quantity and water quality concerns with regard to the Kayak Point water system. Iliad, Inc., and the Kayak Estates' attorney have provided copies of conditional liens (to be released upon the sale and transfer being approved by this Commission and the companies involved) and

assurances that customers affected by the liens will be provided notice that they can request reimbursement for costs incurred to remove a lien.

- 9 (7) Staff has recommended authorization of the sale and transfer of assets from Kayak Point to Kayak Estates Water, LLC.
- 10 (7) As a result of this sale and transfer of water system assets, Kayak Estates Water, LLC will maintain Kayak Point's water rates currently in effect and will adopt the tariff of Kayak Point.
- 11 (8) The proposed transfer and tariff adoption will have an effective date of August 1, 2003. This date is to coincide with Company's billing periods and allows a mutually agreed closing date. For accounting purposes the bookkeeping records should be transferred and effective on that date.
- 12 (9) This Commission neither approves nor disapproves the reasonableness of any fees, charges, rates, purchase price, or accounting allocations involved with the proposed arrangement and reserves the right to review those fees, charges, rates, or accounting allocations in a future rate proceeding.
- 13 (10) The application meets the requirements of Chapter 80.12 RCW and the rules and regulations of the Commission adopted pursuant thereto.
Chapter 480-143 WAC.
- 14 (11) After review of the application filed in Docket UW-021603 by Kayak Point on December 5, 2002, and giving due consideration, the Commission finds that Application of the sale and transfer of water system assets by Kayak Point, to Kayak Estates Water, LLC is consistent with the public interest and should be authorized.

ORDER

THE COMMISSION ORDERS:

- 15 (1) The Commission hereby authorizes the Sale and Transfer consistent with the joint application, in accordance with RCW 80.12.020. No material change, revision, or amendment to the joint application and agreement shall become effective without the Commission's prior written approval.
- 16 (2) The tariff adoption filed in conjunction with the application, allowing Kayak Estates Water, LLC to continue applying pre-transfer rates without change, is approved to become effective with the effect of the transfer itself on August 1, 2003. Kayak Estates Water, LLC must file with the Commission within 60 days after the effective date of this Order, its initial tariff that is consistent with its adoption of Kayak Point Water's tariff.
- 17 (3) Kayak Estates Water, LLC must file with the Commission within 60 days after the effective date of this Order, the journal entries by which it proposes to record on its books the transfer of water system assets authorized herein. For accounting purposes, the effective date of the transfer shall be August 1, 2003.
- 18 (4) This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.
- 19 (4) The Commission retains jurisdiction over the subject matter and Kayak Point Water Co., Inc., to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this 31st day of July, 2003.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner