

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

NORTHWEST WATER SERVICES,
LLC,

Applicant,

For the Sale and Transfer of 50 percent
membership to KELLY WYNN

DOCKET UW-191063

ORDER 01

ORDER GRANTING APPLICATION
FOR SALE AND TRANSFER OF
ASSETS

BACKGROUND

- 1 On December 31, 2019, Northwest Water Services, LLC, (Northwest Water or Company) filed with the Washington Utilities and Transportation Commission (Commission) an application for sale and transfer of 50 percent membership to Kelly Wynn pursuant to the provisions of RCW 80.12. Kelly Wynn currently owns 50 percent, and the approval of this sale and transfer will result in Mr. Wynn becoming the sole owner.
- 2 Northwest Water's service area is located in Skagit, Snohomish, and Island Counties. Northwest Water has 440 customers. The Company's water systems are Skagit River Colony (ID # 592443), Bacus Road #1 (ID # 64327Y), Blanchard Knob (ID # AC712E), Rolf Bruun (ID # 08915H), Lake Alyson (ID # 50691R), Tjetland (ID # 17475C), Cedarhearth (ID # 96889D), and Silver Lake Water (ID # 79245N).
- 3 The purchasing member assumes the regulatory obligations of the utility. If the Commission approves the sale and transfer of Carol Rofkar's 50 percent membership to Kelly Wynn, he will own 100 percent of Northwest Water. Northwest Water will continue to be subject to any obligations the Commission imposed prior to this transfer.
- 4 The parties state several benefits of this transfer of ownership, including that Kelly Wynn desires to own and operate water systems on an ongoing basis and Carol Rofkar no longer desires to own and operate the water systems. Northwest Water also will be able to secure the financing for water treatment on the Silver Lake Water system upon completion of the transfer. In addition, Northwest Water (through an affiliated company)

has performed operations and maintenance and its staff is familiar with the utility's operations of the water systems.

- 5 Northwest Water filed a general rate case in Docket UW-190798, and its new rates became effective November 1, 2019. The rate increase was largely based on a pro forma adjustment for water treatment to be installed on the Silver Lake Water system (ID # 79245N). After discussions with the Company, Commission staff (Staff) has concluded that the financing and installation of the treatment system has not occurred (\$7.00 of each customer's base rate is meant to cover the loan obligation). Staff's understanding after speaking with the Company's lender is that the financing of the treatment system cannot be finalized while the Company's ownership is being transferred. However, the lender informed Staff that the loan is ready for underwriting once the sale is approved.
- 6 Staff is concerned with the amount of time that has passed and continues to pass since the new rates went into effect because customers are already paying for a treatment system that is not yet installed. Staff recommends the Commission require Northwest Water Services to provide proof of financing or installation of treatment within 90 days of the date of this Order. If Northwest fails to gain financing or provide proof that the treatment system is in service, Staff expects the utility to file tariff revisions reducing monthly rates.

DISCUSSION

- 7 Pursuant to RCW 80.12.020 and WAC 480-143-170, the Commission has determined that applicants in a transaction of this sort must "at least demonstrate no harm to the public interest." The Commission also looks to the new owner's financial and managerial fitness to run the operations.
- 8 We agree with Staff that the mutual benefits to Kelly Wynn, who desires to own and operate water systems on an ongoing basis, and Carol Rofkar, who no longer desires to own and operate the water systems, speak to managerial fitness. In addition, Northwest Water (through an affiliated company) has performed operations and maintenance and its staff is familiar with the utility's operations of the water systems. Importantly, Northwest Water will be able to secure the financing for water treatment on the Silver Lake Water system once application for sale and transfer of assets is granted. The Commission believes the applicants have shown there are substantial benefits to the transfer.

9 However, to ensure no harm to the public interest, the Commission agrees with Staff's
recommendation that Northwest Water should be required provide proof of financing or
10 installation of treatment on the Silver Lake Water system within 90 days of the effective
date of this Order.

10 Accordingly, we grant the application for sale and transfer of assets of Northwest Water
from Carol Rofkar to Kelly Wynn subject to the condition Staff recommends.

FINDINGS AND CONCLUSIONS

11 (1) The Commission is an agency of the State of Washington vested by statute with
the authority to regulate the rates, rules, regulations, practices, accounts,
securities, transfers of property and affiliated interests of public service
companies, including water companies.

12 (2) Northwest Water is an investor-owned water company and is a public service
company subject to Commission jurisdiction.

13 (3) Northwest Water is a Washington limited liability company and a utility holding
company. Northwest Water is a public service company subject to Commission
jurisdiction.

14 (4) Northwest Water notified its customers of the sale and transfer in a mailing that
was sent on December 31, 2019.

15 (5) Kelly Wynn will acquire the 50 percent membership from Carol Rofkar.

16 (6) As a result of this sale and transfer of ownership, Northwest Water's tariff will
remain the same.

17 (7) This matter was brought before the Commission at its regularly scheduled meeting
on February 6, 2020.

18 (8) The proposed transfer and tariff adoption will have an effective date of February 6,
2020.

19 (9) Pursuant to RCW 80.12.020 and WAC 480-143-170, the Commission has
determined that applicants in a transaction of this sort must "at least demonstrate

no harm to the public interest.”¹ The Commission also looks to the new owner’s financial and managerial fitness to run the operations.² The Commission believes the applicants have shown there are substantial benefits to the transfer.

- 20 (10) In this docket, 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.
- 21 (11) The Application meets the requirements of RCW 80.12 and the rules and regulations of the Commission. WAC 480-143.
- 22 (12) After reviewing the Application Northwest Water filed in Docket UW-191063 on December 31, 2019, and giving due consideration, the Commission finds that the Application of the Sale and Transfer of 50 percent membership by Carol Rofkar to Kelly Wynn is consistent with, and demonstrates no harm to, the public interest and should be approved subject to the condition that that Northwest Water provides proof of financing or installation of treatment on Silver Lake Water system within 90 days of the effective date of this Order.

ORDER

THE COMMISSION ORDERS:

- 23 (1) The Commission authorizes the Sale and Transfer of 50 percent membership from Carol Rofkar to Kelly Wynn consistent with the joint application filed 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.
- 24 (2) Northwest Water Services, LLC, must file with the Commission within 90 days after the effective date of this Order either proof of financing for, or installation of, water treatment for the Silver Lake Water system. If no such proof is provided,

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

² *Id.*

the Company must file a tariff revision reducing rates for the cost of the water treatment asset. The effective date for this purpose shall be February 6, 2020.

- 25 (3) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 26 (4) The Commission retains jurisdiction over the subject matter and Northwest Water Services, LLC, to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective February 6, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON
Executive Director and Secretary