

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

CANYON LAKES WATER
COMPANY, L.L.C.,

Applicant,

For the Transfer of Ownership to
CANYON LAKES WATERWORKS,
LLC

DOCKET UW-240771

ORDER 01

ORDER GRANTING THE
TRANSFER OF OWNERSHIP

BACKGROUND

- 1 On October 16, 2024, Canyon Lakes Water Company, L.L.C. (Canyon Lakes Water Company or Company) filed with the Washington Utilities and Transportation Commission (Commission) notice of transfer of ownership pursuant to the provisions of RCW 80.12 (Notice).
- 2 Canyon Lakes Water Company serves 386 irrigation customers near Kennewick in Benton County. Canyon Lakes Water Company is a wholly owned subsidiary of Canyon Lakes Golf Course, Inc (Canyon Lakes Golf Course).
- 3 On January 23, 2025, the Company filed an Application for Sale and Transfer of Assets and Tariff Adoption (Application). In the Notice and Application, the Company notes Canyon Lakes Golf Course, Inc., was sold to new owners on August 1, 2024. During the sale, Canyon Lakes Golf Course sold its interest in Canyon Lakes Water Company to a company founded by the purchasers, Canyon Lakes Waterworks, LLC (Canyon Lakes Waterworks). Canyon Lakes Waterworks paid Canyon Lakes Golf Course \$10,000 to acquire all the ownership shares of the Company. The Company maintains in its Application that the Company will maintain the same UBI number and that irrigation services were not and will not be interrupted.
- 4 If the Commission approves the transfer of ownership, Canyon Lakes Water Company will transfer from Canyon Lakes Golf Course ownership to Canyon Lakes Waterworks ownership. The Company claims the transfer makes no changes to Canyon Lakes Water Company operations, billing, personnel, or other aspects of the Company.

5 The Companies explained the primary benefit to customers is Canyon Lakes Waterworks
desires to own and operate water systems on an ongoing basis and Canyon Lakes Water
Company's owner of record no longer desires to own and operate the water system. The
prior owner of Canyon Lakes Golf Course, and subsidiary Canyon Lakes Water
Company seeks to retire.

6 Further, customers will not be harmed by the transfer of ownership since Canyon Lakes
Water Company's operations, services, and rates will not change.

7 On January 23, 2025, Canyon Lakes Water Company notified its customers that Canyon
Lakes Waterworks had purchased all ownership of the Company, and that Canyon Lakes
Water Company was seeking Commission authorization for the transfer of ownership. In
the notice, the Company provided customers with the Commission's email, website, and
address for the receipt of public comments.¹

8 On March 27, 2025, this matter came before the Commission during its regularly
scheduled Open Meeting. Commission staff (Staff) represented that they had reviewed
the application and determined that the Company had sufficiently demonstrated there are
substantial benefits to the transfer and made a recommendation that the Commission
grant the Application. A customer of the Company provided oral comments and raised
concerns regarding a reported but unresolved complaint against the Company and its
predecessor. Staff recommended that the Commission continue the matter to the next
regularly scheduled Open Meeting on April 10, 2025, to give Staff the opportunity to
review the matter further, which the Commission accepted.

9 Staff reviewed the alleged violations and found the following:

- a. The Company had been sold without Commission approval. The sale of
the Company was investigated by Staff and Canyon Lakes Water
Company is seeking to remedy the violation of Commission rule in this
docket.
- b. The owner had transferred cash out of Canyon Lakes Water Company
without notice to the Commission. Staff investigated the allegation,
reviewing the Company's books and records related to financial
transactions between Canyon Lakes Golf Course and Canyon Lakes Water
Company from January 2022 through August 2024. In its review, Staff
noted there were transactions moving excess funds from the Canyon Lakes

¹ Notice, Exhibit 5 (Jan. 23, 2025).

Water Company to Canyon Lakes Golf Course. Staff notes the transactions appear to be routine in nature and done in the normal course of business. Staff believes the transactions are compliant with WAC 480-110-535(2), which allows transfers without notice to the Commission for dividends that do not exceed net income during a 12-month period, or for transfers that are routine management functions.

- 10 During the March 27, 2025, Open Meeting, the Commission also heard concerns that the ownership of the Company is seeking to transfer the irrigation system and operations to the Kennewick Irrigation District. In response, the Commission directed the matter be continued to the April 10, 2025, Open Meeting, and directed Staff to address any necessary conditions to the Application to ensure the Commission’s jurisdiction over the Company remained intact until the investigations into the concerns raised by the customer were determined and the Commission could take action if needed
- 11 Staff has reviewed the Application and determined that the Companies have sufficiently demonstrated there are substantial benefits to the transfer.
- 12 In response to Commission direction to impose conditions, Staff recommends the Commission grant the Company’s Application, subject to the following conditions:
- a. Canyon Lakes Water Company, LLC will follow all statutes, rules, and regulations as required in the Revised Code of Washington (RCW) Title 80 and Washington Administrative Code (WAC) Title 480.
 - b. Canyon Lakes Water Company, LLC will remain under Commission jurisdiction until authorized to deregulated by the Commission pursuant to RCW 80.04.010(32)(e).
 - c. Canyon Lakes Water Company, LLC ownership must comply with Commission investigations in a timely manner.

DISCUSSION

- 13 Pursuant to RCW 80.12.020 and WAC 480-143-170, public service company’s may not sell or otherwise dispose of any part of, or the whole, of its franchise without Commission order, and that a transaction of this sort must “at least demonstrate no harm to the public interest.” The Commission also looks to the new Company’s financial and managerial fitness to run the operations.

- 14 RCW 80.12.040 stipulates “No public service company shall, directly or indirectly, purchase, acquire, or become the owner of any of the franchises, properties, facilities, capital stocks or bonds of any other public service company unless authorized so to do by the commission.”
- 15 In transfers of ownership, the Commission historically considers parent companies of public service companies as public service companies for the purposes of transferring ownership. As such, the Companies must seek Commission approval of the transfer of ownership.
- 16 We agree with Staff’s recommendation, including the recommended conditions, and approve the Application to transfer ownership of Canyon Lakes Water Company, L.L.C. from Canyon Lakes Golf Course, Inc. to Canyon Lakes Waterworks, LLC. Based on Staff’s review, it appears the transaction exceeds the “no harm” standard and will be in the public interest. Since the owner of Canyon Lakes Golf Course, which owns Canyon Lakes Water Company, seeks to retire, it is in the public interest and is further supported by the acquisition by a new ownership group. No changes in operations, services, or rates demonstrate that the customers are not being harmed by the transfer of ownership.
- 17 We note that this Order approves only the transfer of ownership, and neither approves nor disapproves the reasonableness of the purchase price or any fees, charges, rates, or accounting allocations related to the transaction. The Commission reserves the right to review those fees, rates, or accounting allocations in future rate proceeding.

FINDINGS AND CONCLUSIONS

- 18 (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.
- 19 (2) Canyon Lakes Water Company is an investor-owned water company and is a public service company subject to Commission jurisdiction.
- 20 (3) Canyon Lakes Waterworks, by purchasing a public service company, is an investor-owned water company and is a public service company subject to Commission jurisdiction.

- 21 (4) Canyon Lakes Water Company notified its customers of the sale and transfer of assets in a mailing on January 23, 2025.
- 22 (5) Canyon Lakes Waterworks will acquire the Canyon Lakes Water Company for \$10,000.
- 23 (6) As a result of this transfer of water systems ownership, Canyon Lakes Water Company will not change its current tariff rates.
- 24 (7) This matter was brought before the Commission at its regularly scheduled meeting on April 10, 2025.
- 25 (8) The proposed transfer and tariff rate adoption will have an effective date of August 1, 2024. For accounting purposes, the Company's accounting records will be transferred and effective on August 1, 2024.
- 26 (9) The application meets the requirements of RCW 80.12 and the rules and regulations of the Commission. WAC 480-143.
- 27 (10) After reviewing the Application Canyon Lakes Water Company filed in Docket UW-240771 on October 16, 2024, and giving due consideration, the Commission finds that the Application of the Transfer of Ownership of Canyon Lakes Water Company to Canyon Lakes Waterworks is consistent with, and demonstrates no harm to, the public interest and should be approved, subject to the conditions contained in paragraph 12 of this Order.

ORDER

THE COMMISSION ORDERS:

- 28 (1) The Commission authorizes the Transfer of the ownership of Canyon Lakes Water Company, L.L.C., to Canyon Lakes Waterworks, LLC consistent with the joint Notice filed on October 16, 2024, and the Application filed January 23, 2025, and consistent with RCW 80.12.020, subject to the conditions contained in paragraph 12 of this Order. No material change, revision, or amendment to the joint application and agreement shall become effective without the Commission's prior written approval.
- 29 (2) 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 be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

- 30 (3) The Commission retains jurisdiction over the subject matter and Canyon Lakes Water Company, L.L.C., and Canyon Lakes Waterworks, 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 April 10, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

BRIAN J. RYBARIK, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner