

UW-071357
Attachment A
Staff Memorandum August 29, 2007 Open
Meeting

Agenda Date: August 29, 2007
Item Number: **A7**

Docket: **UW-071357**
Company Name: Rosario Utilities, LLC
Washington Water Service Company

Staff: Jim Ward, Regulatory Analyst
John Cupp, Regulatory Analyst
Lynda Johnson, Consumer Program Specialist

Recommendation

Approve the joint application by Rosario Utilities, LLC and Washington Water Service Company for the sale and transfer of assets in Docket UW-071357, effective September 1, 2007.

Discussion

On June 22, 2007, Rosario Utilities, LLC (Rosario Utilities) and Washington Water Service Company (Washington Water Service) filed a joint application pursuant to the provisions of Chapter 80.12 RCW for a sale and transfer of assets.

The water system in this application is the Rosario water system (ID #74270). It is located near Eastsound on Orcas Island. It serves approximately 286 customers (formerly 508 Equivalent Residential Units) in San Juan County. 188 customers receive water. The other 88 customers are ready to serve customers.

Washington Water Service is the largest water utility holding company in the state, serving approximately 15,000 customers on 198 water systems. These systems are located in the seven counties in western Washington: Clallam, Jefferson, Pierce, Thurston, Kitsap, King and Mason counties. Washington Water Service's office is located in Gig Harbor. It employs Department of Health-approved water system managers, and it operates and manages additional non-regulated water systems as a Department of Health approved Satellite Management Agency.

Rosario Utilities notified its customers of the proposed sale and transfer on June 1, 2007, by mail. Prior to that, Rosario Utilities sponsored a meeting on April 2, 2007, to which all customers were invited, to advise customers that Rosario Utilities would: (1) propose a general rate increase; and (2) propose the sale and transfer of assets to Washington Water Service.

Customer Comments:

More than 150 customers have attended company-sponsored meetings and/or commission open meetings to ask questions and make comments. The commission also received 95 written comments expressing opinions or concerns on a variety of issues regarding both the rate case and the sale and transfer of the company to Washington Water Service.

To facilitate staff's understanding and consideration of customer concerns and questions, staff reviewed all of these comments. Staff then included as an Attachment A to the memorandum for the rate case (UTC Docket UW-070944) a summary of these customer concerns and questions, followed by staff analysis and staff's actions in response.

The company has also responded in writing to specific customer questions. The company's response is also attached as an Appendix B to the memorandum for the rate case (UTC Docket UW-070944).

Staff believes that all issues have been reasonably considered and addressed, and the company's proposed sale and transfer application can move forward.

Sale and Transfer of Assets:

Washington Water Service will acquire all operations and assets of Rosario Utilities' water system for \$948,132.47, less amounts owed on the State Revolving Fund loans. Staff's review in Rosario Utilities' general rate case (Docket UW-070944) found a rate base of \$937,331.

The benefits of this sale include having an operator/owner that wants to be in the water utility business, professional water system management, in-house engineering, and additional financial resources and economies of scale for some expense categories (such as billing and collecting, insurance, etc.).

Rosario Utilities has a general rate increase pending in Docket UW-070944, for \$147,586 (62 percent) of additional revenue per year. The proposed tariffs have an effective date of September 1, 2007. Washington Water Service will adopt the rates in effect for Rosario Utilities on September 1, 2007, so the sale and transfer will not affect what the rates would be otherwise. Any future rate changes would be subject to commission review and all other commission requirements. On September 1, 2007, Washington Water Service would begin billing monthly for all services at the rates in effect at that time.

Staff believes the transfer is in the public interest. Therefore, staff recommends that the Commission approve the joint application for sale and transfer of assets.

Conclusion

Approve the joint application by Rosario Utilities, LLC and Washington Water Service Company for the sale and transfer of assets in Docket UW-071357, effective September 1, 2007.