

Agenda Date: September 25, 2002
Item Number: A5

Docket: UW-010417
Company Name: American Water Resources, Inc.

Staff: Jim Ward, Regulatory Analyst
Penny Hansen, Public Involvement Coordinator

Recommendation:

Enter an order approving a modification of the Commission's order issued June 27, 2001, in Docket UW-010417 that will allow American Water Resources, Inc., to retain an additional \$18,103 of the sales price as compensation for its investment in ratebase.

Discussion:

On March 28, 2001, American Water Resources, Inc., (AWR) and Peninsula Light Company, (Peninsula Light) filed an application pursuant to the provisions of chapter 80.12 RCW for the sale and transfer of 21 water systems of AWR. On June 27, 2001, the Commission issued an order approving the sale and transfer and approved the allocation of the gain on sale.

As a result of that sale and transfer of water system assets, AWR realized a \$113,986 of the gain on sale that AWR and Staff agreed should be allocated between shareholders and customers. AWR deposited \$110,856 into a non-interest-bearing Capital Improvement, Contribution in Aid of Construction Account for the purpose of funding only capital improvements.

Since that approval, \$66,422 has been released for various capital projects with a remaining balance of \$44,433. AWR has recently undertaken a thorough review of its property records and realized that the assets and depreciation figures filed in this application were inaccurate. AWR filed an analysis that shows a recalculation of allowable gain using the same methodology used for the order issued on June 27, 2001, as set forth in Attachment 1. Instead of \$40,638 assets and \$4,624 accumulated depreciation, AWR states that the revised amounts should have been \$66,112 assets and \$9,691 accumulated depreciation. Staff has reviewed AWR's revised asset and depreciation schedule and agrees with the revised numbers. That means that AWR should have realized an additional \$18,796 from the sale proceeds to recover its investment in ratebase of \$56,421.

AWR is asking the Commission to issue a supplemental order accepting AWR's recalculation of its asset and depreciation schedule and approving an additional distribution of \$18,796 of the sale proceeds as shown in Attachment 1. The difference between the requested \$18,796 and staff's revised \$18,103 is the imputed loss of interest the Company incurred by using a non-interest bearing account since June 27, 2001. Currently the gain on sale account has adequate funds for this distribution. If approved, AWR states that it will use the funds to pay accounts payable. Staff has reviewed the proposed recalculation and modification for distribution of funds and believes this transaction to be in the public interest.

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Staff recommends that the Commission enter an order approving a modification of its order issued June 27, 2001 in Docket UW-010417 that will allow American Water Resources to retain an additional \$18,103 of the sales price as compensation for its investment in ratebase.

Attachment