

H & R WATERWORKS, INC.

OFFICES: 3242 CAPITOL BLVD. SE SUITE B TUMWATER, WA 98501

MAIL: PO BOX 542 EAST OLYMPIA WA 98540

(360) 357-3277 (360) 357-3758 FAX

January 18, 2006

Carole J. Washburn
Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

RE: Quail Run Water Company, Inc. –
Remove Regulation and Cancel Tariff

Dear Secretary:

Enclosed you will find the petition of the above-referenced request to be removed from regulation and request to cancel current tariff.

1. Application for removal from regulation and cancel tariff,
2. Copy of Instrument of Transfer,
3. Customer notice of sale and transfer of water system,
4. Name and address of new owner, which is a water utility formed under Washington law and made owner of our water system by sale.

Since this water system was the only water system owned by Quail Run Water Company, Inc. and they do not intend to own any other water systems in the future, H&R Waterworks, Inc. is asking on behalf of Quail Run Water Company, Inc to have Quail Run Water Company, Inc removed from Commission regulation and to have its currently effective tariff cancelled.

If you have any question, please call me at 360-357-3277.

Sincerely

Stephen L. Harrington
Enclosures as noted

**BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

In the Matter of the Application for)	
the Removal from Regulation and)	
Canceling Tariff)	DOCKET _____
)	
)	
Quail Run Water Company, Inc.)	APPLICATION FOR
)	REMOVAL FROM
)	REGULATION AND
)	CANCEL TARIFF
.....)	

BACKGROUND

1 Application is hereby made to the WUTC for an Order authorizing the removal from regulation and cancel tariff under the provisions of chapter 80.12 RCW and chapter 480-143 WAC.

INTRODUCTION

2 Quail Run Water Company, Inc. is a Washington corporation formed to act as a utility service company. Quail Run Water Company, Inc., located in Tumwater, serves 196 customers in Gig Harbor. The water system previously transferred consist of wells, pumps, transmission mains, reservoirs, hydrants, distribution mains, meters, and appurtenances to serve the customers of the Quail Run Water Company, Inc.

3 The water system is currently operating under a green operating permit issued by the Washington State Department of Health and has no outstanding orders or letters directing action.

4 As a result of this transfer of water system assets approved in docket number UW-042122, H&R Waterworks, Inc. did maintain Quail Run Water Company, Inc. water rates in effect until new water rates were set in docket number UW-051062.

EXHIBITS

5 Pursuant to WAC 480-143-120 and WAC 480-143-130, please find attached the following exhibits:

6 Exhibit 1 – Instrument of Transfer.

7 Exhibit 2 – Quail Run Water Company, Inc. Income Statement, Balance Sheet, Asset Listing, Depreciation Schedule and Summary of outstanding securities.

8 Exhibit 3 – H&R Waterworks, Inc. Income Statement, Balance Sheet, Asset Listing, Depreciation Schedule, and Summary of outstanding securities.

9 Exhibit 4 – Adoption of Tariff Notice. Please refer to docket filing number UW-051062.

Exhibit 5 Not Applicable

METHOD OF FINANCE

10 This transfer was part of a consolidation and therefore no sale of assets occurred.

DEREGULATION IS IN THE PUBLIC INTEREST

11 The benefits of this transfer of assets through this deregulation include expanded financial resources, additional staffing and service equipment and water quality staff to provide all aspects of water system repair and operations. The former owner of Quail Run Water Company, Inc. no longer desires to own and operate this public water system independent of other similar companies who seek deregulation, also now owned by the same individual. Customers were notified of the sale and transfer.

12 As a result of the prior sale and transfer of assets, the subsequent filing and Commission approval of rates to establish parity of water rates, H&R Waterworks, Inc. has demonstrated that deregulation is in the public interest.

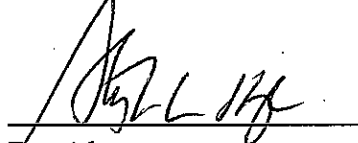
PRAYER

13

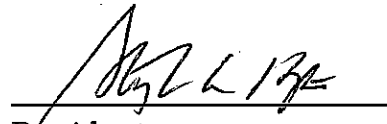
Based on the foregoing, the Applicants request approval of their application respectfully submitted this 17th day of January 2006.

H&R Waterworks, Inc.

Quail Run Water Company, Inc..



President



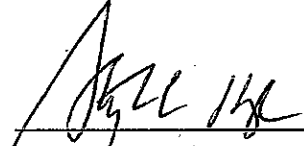
President

FORM OF VERIFICATION FOR APPLICATION

STATE OF WASHINGTON

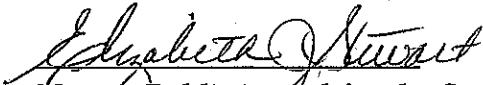
County of Thurston

Stephen L. Harrington being first duly sworn, deposes and says that he is President of H&R Waterworks, Inc., the applicant in the proceeding entitled above, that he has read the foregoing application and knows the contents thereof; that the same is true of his own knowledge, except as to matter which are therein stated on information or belief, and as to those matters he believes them to be true.

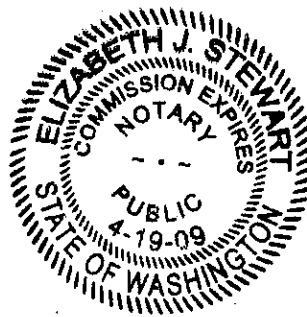


President

Subscribed and sworn to before me the 19th day of January, 2006



Notary Public in and for the State of Washington, residing
At Olympia WA.



UNITED STATES OF AMERICA

The State of



Washington

Secretary of State

CERTIFICATE OF MERGER

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby certify that documents meeting statutory requirements have been filed and processed with the Secretary of State merging the listed "Merging Entities" into:

H & R WATERWORKS INCORPORATED

WA Profit Corporation

UBI: 601-019-703

Filing Date: March 28, 2005

Merging Entities:

601-093-807

601-505-983

QUAIL RUN WATER COMPANY

TIMBERLINE VILLAGE WATER COMPANY, INC.



Given under my hand and the Seal of the State
of Washington at Olympia, the State Capital

Sam Reed, Secretary of State

Quail Run Water Company
COMPARATIVE BALANCE SHEET
TRANSFER OF PROPERTY
As of September 30, 2004

Account No. (a)	Account Name (b)	PRIOR TO TRANSFER (c)	AFTER TRANSFER (d)
ASSETS:			
1	101-105 Utility Plant	\$ 408,252.29	\$ _____
2	108 Less: Accumulated Depreciation	152,236.00	_____
3	110 Accumulated Amortization	_____	_____
4	114 Utility Plant Acquisition Adjustment	(70,780.00)	_____
5	Net Utility Plant	\$ 185,236.29	\$ _____
6	124 Utility Investments	_____	_____
7	127 Special funds (Surcharges, Facility Charges)	_____	_____
8	131 Cash	3,672.17	_____
9	141 Customer Accounts Receivable	1,853.54	_____
10	151 Plant Materials and Supplies	_____	_____
11	162 Prepayments	1,134.00	_____
12	186 Other Deferred Debits	_____	_____
13	Other Assets (Specify) <u>N/R Partner</u>	(2,478.26)	_____
14	Total Assets	\$ 189,417.74	\$ _____
EQUITY CAPITAL AND LIABILITIES:			
15	201-204 Capital Stock Issued	\$ 146,004.00	\$ _____
16	211 Other Paid In Capital	_____	_____
17	214-215 Retained Earnings	(12,845.68)	_____
18	218 Proprietary Capital	_____	_____
19	Total Equity Capital	\$ 133,158.32	\$ _____
20	224 Long-Term Debt	6,394.03	_____
21	231 Accounts Payable	10,865.39	_____
22	232 Notes Payable	_____	_____
23	235 Customer Deposits	_____	_____
24	236 Accrued Taxes	_____	_____
25	253 Other Deferred Credits	_____	_____
26	265 Miscellaneous Operating Reserves	_____	_____
27	271 Contributions In Aid Of Construction (CIAC)	53,300.00	_____
28	272 Less: Accumulated Amortization Of CIAC	(14,300.00)	_____
29	Other Liabilities (Specify) _____	_____	_____
30	Total Liabilities	\$ 56,259.42	\$ _____
31	Total Equity Capital and Liabilities	\$ 189,417.74	\$ _____

Quail Run Water Company
INCOME STATEMENT
TRANSFER OF PROPERTY
For the Period January - September 2004

Account	No.	Account Name	Water	Other	Total
	(a)	(b)	(c)	(d)	Company (e)
REVENUES					
1	400	Operating Revenue Accounts	\$ 69,695.14	\$	\$ 69,695.14
2	471	Miscellaneous Revenue Accounts			0.00
3	474	Other Revenue Accounts			0.00
4		Utility Operating Revenue	\$ 69,695.14	\$ 0.00	\$ 69,695.14
EXPENSES					
5	401	Operating Expense Accounts	35,737.05		35,737.05
6	403	Depreciation Expense	8,460.00		8,460.00
7	406	Amortization Expense			0.00
8	408	Other Tax & License	8,436.17		8,436.17
9	409	Income Taxes			0.00
10		Utility Operating Expense	\$ 52,633.22	\$ 0.00	\$ 52,633.22
11		Utility Operating Income (Loss)	\$ 17,061.92	\$ 0.00	\$ 17,061.92
OTHER INCOME AND DEDUCTIONS					
Other Income:					
12	414	Gain (Loss) From Disposition Of Plant			0.00
13	415-416	Jobbing and Contract Work			0.00
14	419	Interest & Dividend Income			0.00
15	421	Nonutility Income			0.00
16		Total Other Income	\$ 0.00	0.00	0.00
Other Deductions:					
17	426	Miscellaneous Nonutility Expenses			0.00
18	427	Interest Expense	(296.30)		(296.30)
19	433	Extraordinary Income/Deduction	(328.42)		(328.42)
20		Total Other Deductions	\$ (624.72)	0.00	(624.72)
21		Net Income (Loss)	\$ 16,437.20	\$ 0.00	\$ 16,437.20

Quail Run Water Company
WATER UTILITY PLANT (101-105)
TRANSFER OF PROPERTY
As of September 30, 2004

Account		Balance			Balance
No.	Account Name	PRIOR TO	Additions	Retirements	AFTER
(a)	(b)	(c)	(d)	(e)	(f)
1	301 Organization	\$ 7,820.00	\$	\$	\$ 7,820.00
2	302 Franchises	525.00			525.00
3	303 Land and Water Rights	1,000.00			1,000.00
4	304 Structures and Improvements	7,956.00			7,956.00
5	305 Tanks and Reservoirs	10,510.00			10,510.00
6	306 Lake, River and other intakes				0.00
7	307 Wells and Springs	21,075.00			21,075.00
8	309 Supply Mains	21,136.00			21,136.00
9	310 Power Generation Equipment				0.00
10	311 Pumping Equipment	32,210.34			32,210.34
11	320 Water Treatment Equipment				0.00
12	330 Reservoirs and Standpipes	67,148.22			67,148.22
13	331 Transmission / Distribution Mains	124,282.04			124,282.04
14	333 Services	44,954.00			44,954.00
15	334 Meters and Meter Installation	40,425.30			40,425.30
16	335 Hydrants	20,532.00			20,532.00
17	339 Other Plant and Misc Equipment				0.00
18	340 Office Furniture and Equipment	8,030.39			8,030.39
19	341 Transportation Equipment	648.00			648.00
20	343 Tools and Equipment				0.00
21	345 Power Operated Equipment				0.00
22	348 Other Tangible Plant				0.00
	Water System Plan				0.00
23	101 Utility Plant Total	\$ 408,252.29	\$ 0.00	\$ 0.00	\$ 408,252.29

COMPARATIVE BALANCE SHEET

For the Calendar Years 2003 & 2004

Line No. (L)	Account No. (a)	Account Name (b)	2003 Previous Year (c)	2004 Current Year (d)
ASSETS:				
1	101	Utility Plant	\$ 478,888	\$ 494,742
2	104	Utility Plant Purchased or Sold		
3	108	Less: Accumulated Depreciation	(215,710)	(226,318)
4	110	Accumulated Amortization		
5	114	Utility Plant Acquisition Adjustment	(2,059)	(1,988)
6		Net Utility Plant (Add L1 thru L5)	\$ 261,119	\$ 266,437
7	124	Utility Investments		
8	127	Special funds (Surcharges, Facility Charges)		
9	131	Cash	807	6,458
10	141	Customer Accounts Receivable	6,344	4,612
11	151	Plant Materials and Supplies		
12	162	Prepayments	2,912	1,560
13	186	Other Deferred Debits	1	1
14		Other Assets (Specify) <u>Other Receivables</u>	4,200	
15		Total Assets (Add L6 thru L14)	\$ 275,382	\$ 279,067
EQUITY CAPITAL AND LIABILITIES:				
16	201-204	Capital Stock Issued	\$ 10,000	\$ 10,000
17	211	Other Paid in Capital	127,505	91,724
18	214-215	Retained Earnings	115,733	105,391
19	218	Proprietary Capital		
20		Total Equity Capital (Add L16 thru L19)	\$ 253,237	\$ 207,115
21	224	Long-Term Debt	17,378	14,536
		Interest Rate 5.25%		
22	231	Accounts Payable	2,005	20,466
23	232	Notes Payable		
24	235	Customer Deposits		
25	236	Accrued Taxes	1,996	
26	253	Other Deferred Credits		
27	265	Miscellaneous Operating Reserves		
28	271	Contributions In Aid Of Construction (CIAC)	2,314	95,552
29	272	Less: Accumulated Amortization Of CIAC	(1,547)	(59,182)
30		Other Liabilities (Specify) <u>Other Payables</u>		580
31		Total Liabilities (Add L21 thru L30)	\$ 22,145	\$ 71,952
32		Total Equity Capital and Liabilities (Add L20 & L31)	\$ 275,382	\$ 279,067

INCOME STATEMENT

For the Calendar Year 2004

Line No. (L)	Account No. (a)	Account Name (b)	Water (c)	Other (d)	Total Company (e)
REVENUES					
1	400	Operating Revenue Accounts	\$ 155,803	\$	\$ 155,803
2	471	Miscellaneous Revenue Accounts			0
3	474	Other Revenue Accounts			0
4		Utility Operating Revenue (Add L1 thru L3)	\$ 155,803	\$ 0 0	\$ 155,803
EXPENSES					
5	401	Operating Expense Accounts	116,856		116,856
6	403	Depreciation Expense	10,608		10,608
7	406	Amortization Expense	(249)		(249)
8	408	Other Tax & License	14,067		14,067
9	409	Federal Income Taxes			0
10		Utility Operating Expense (Add L5 thru L9)	\$ 141,282	\$ 0 0	\$ 141,282
11		Utility Operating Income (Loss) (L4 minus L10)	\$ 14,521	\$ 0 0	\$ 14,521
OTHER INCOME AND DEDUCTIONS					
Other Income:					
12	414	Gain (Loss) From Disposition Of Plant			0
13	415-416	Jobbing and Contract Work			0
14	419	Interest & Dividend Income			0
15	421	Nonutility Income			0
16		Total Other Income (Add L12 thru L15)	\$ 0	\$ 0 0	\$ 0
Other Deductions:					
17	426	Miscellaneous Nonutility Expenses			0
18	427	Interest Expense	863		863
19	433	Extraordinary Income/Deduction			0
20		Total Other Deductions (Add L17 thru L19)	\$ 863	\$ 0 0	\$ 863
21		Net Income (Loss) (Add L11 plus L16 minus L20)	\$ 13,658	\$ 0 0	\$ 13,658

WATER UTILITY PLANT (101)

Line No.	Account No.	Account Name	Balance Begin Year	Additions	Retirements	Balance End Year
(L)	(a)	(b)	(c)	(d)	(e)	(f)
1	301	Organization	\$ 0			\$ 0
2	302	Franchises	0			0
3	303	Land and Water Rights	10,700			10,700
4	304	Structures and Improvements	46,629			46,629
5	305	Collecting & Impounding Reservoirs	0			0
6	306	Lake, River and other intakes	0			0
7	307	Wells and Springs	21,082			21,082
8	309	Supply Mains	6,727			6,727
9	310	Power Generation Equipment	0			0
10	311	Pumping Equipment	60,506	2,389		62,895
11	320	Water Treatment Equipment	611	12,613		13,224
12	330	Distribution Reservoirs & Tanks	118,313			118,313
13	331	Transmission & Distribution Mains	127,643			127,643
14	333	Service Connections	0			0
15	334	Meters and Meter Installation	21,434	852		22,286
16	335	Hydrants	14,017			14,017
17	339	Other Plant & Misc. Equipment	42,460			42,460
18	340	Office Furniture and Equipment	5,081			5,081
19	341	Transportation Equipment	0			0
20	343	Tools, Shop and Garage Equipment	3,685			3,685
21	345	Power Operated Equipment	0			0
22	346	Communication Equipment	0			0
23	348	Other Tangible Plant	0			0
24		Water System Plan	0			0
25	101	Utility Plant Total (Add L1 thru L24)	\$ 478,888	\$ 15,854	\$ 0	\$ 494,742

SOURCES OF CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

Report below all plant, equipment, and monies (connection charge) received during the year for capital plant.

	Description of Charge's	Number of Connections	Cost or Charge per Connection	CIAC Amount Received
	(a)	(b)	(c)	(d)
26				
27				
28				
29				
30				
31				
32				
33	Total	(Add L26 thru L32)	0 \$	0 \$

QUAIL RUN WATER COMPANY, INC.
3242 Capitol Blvd S, Suite B
Tumwater, WA 98501
(360) 357-3277

November 29, 2004

IMPORTANT NOTICE

The H&R Waterworks, Inc. requested permission from the Washington Utilities and Transportation Commission (WUTC) for the transfer of ownership and operation of the Quail Run Water Company Inc.

This transfer of ownership is being completed to allow H&R Waterworks, Inc. to consolidate what had been seven separate regulated companies and one unregulated company into one, more manageable company. H&R Waterworks, Inc. was formed three years ago to allow us to own and operate several water companies and systems. This sale and transfer should be transparent to you our valued customer. We will continue to use the same phone number, office staff, field staff, and extension array of water specialty equipment to serve you and other customers. The proposed effective date of this transfer, if approved, would be January 1, 2005.

The Quail Run Water Company Inc will no longer own or operate a regulated water system and has asked permission to be deregulated.

Your **current water rates, charges, and services will not change** because of this water system sale and transfer. Any future changes will be the responsibility of H&R Waterworks, Inc.

If you have any questions about how this merger/sale may affect you, please call:

H&R Waterworks, Inc.
PO Box 1
East Olympia, WA 98540
360-357-3277 or toll free 1- (888) 357-3276

If you have questions about the transfer process and deregulation of the former company you may contact the WUTC at the following address:

Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250
1-800-562-6150 or comments@wutc.wa.gov

Only written comments or comments presented at an open meeting to the WUTC may become part of the record.