

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of)	DOCKET UW-071357
)	
ROSARIO UTILITIES, LLC)	ORDER 01
)	
Applicant,)	
)	ORDER GRANTING
For the Sale and Transfer of Assets to)	APPLICATION FOR SALE AND
Washington Water Service Company)	TRANSFER OF ASSETS AND
)	TARIFF ADOPTION
.....)	

BACKGROUND

- 1 On June 22, 2007, Rosario Utilities, LLC (Rosario or the utility) and Washington Water Service Company (Washington Water Service) (collectively, the companies), filed with the Washington Utilities and Transportation Commission (Commission) an application for sale and transfer of assets pursuant to the provisions of RCW 80.12.
- 2 Rosario’s service area is located near Eastsound on Orcas Island in San Juan County. Rosario has 286 customers (formerly described as 508 Equivalent Residential Units, or ERUs). Of these 286 customers, 198 are receiving water service and 88 are on a “ready to serve” status. The utility’s system is known as Rosario Utilities (ID# 74270).
- 3 The purchasing utility assumes the regulatory obligations of the purchased utility. If the commission approves the sale and transfer of Rosario to Washington Water Service, Washington Water Service will be subject to the obligations the Commission imposed on Rosario in prior Commission orders, including Order 07 in Docket UW-011320.¹

¹ *Stevens, et al. v. Rosario Utilities, LLC*, Docket UW-011320 (April 22, 2003). In general, the obligations in this order relate to new service connections to the Rosario system.

FINDINGS AND CONCLUSIONS

- 4 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of public service companies, including water companies. *RCW 80.01.040, RCW 80.04, RCW 80.12 and RCW 80.28.*
- 5 (2) Rosario is an investor-owned water company and is a public service company subject to the jurisdiction of the Commission.
- 6 (3) Washington Water Service is a Washington corporation and a utility holding company. Washington Water Service is a public service company subject to the jurisdiction of the Commission.
- 7 (4) Rosario notified its customers of the sale and transfer in a mailing on June 7, 2007. This matter was brought before the Commission at its regularly scheduled meeting on September 26, 2007.
- 8 (5) The companies state several benefits of this sale and transfer of assets, one of which is that Washington Water Service desires to own and operate water systems on an ongoing basis. Rosario's current owners no longer desire to own and operate the water system. Washington Water Service is the largest investor-owned water company in the state, and it will be able to bring economies of scale benefits to the utility in certain areas, such as billing, collecting, and insurance. In addition, Rosario's current staff is familiar with the utility's operations. They will become employees of Washington Water Service following the sale and transfer and will continue to operate and maintain the water system.
- 9 (6) Pursuant to RCW 80.12.020 and WAC 480-143-170, the Commission has ruled that applicants in a transaction of this sort must "at least demonstrate no harm to the public interest."² The Commission also looks to the new

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

company's financial and managerial fitness to run the operations.³ The Commission believes the applicants have shown there are substantial benefits to the transfer.

- 10 (7) In comments filed with the Commission, members of the public have offered three concerns of potential harm to the public interest resulting from the sale and transfer. First, commenters allege that Commission approval of this transaction would adversely affect the progress of a recent petition for annexation, or other efforts by the public to acquire the utility. However, the Commission does not have authority to consider the impact of this transaction on a public acquisition of the utility.⁴ Therefore, the Commission will not consider it.
- 11 (8) The second concern is that the Commission would determine the fair value of the property used and useful for service (*i.e.*, rate base) that is being transferred. However, it is not necessary for the Commission to make that determination in this docket. Nothing in this order shall be construed as establishing the value for regulatory purposes of the assets or any other items being transferred in this docket.
- 12 (9) The third concern regards water rights, *i.e.*, whether Rosario has transferred to affiliates or others water rights the utility needs to serve its customers, and whether the water rights the utility says it has are sufficient. The Commission has not been presented with any document showing a transfer of water rights from Rosario to any affiliate or others. Commission Staff has indicated that the water rights Rosario has are sufficient to serve existing customers (including ready to serve customers). In any event, assuming the adequacy of Rosario's existing water rights is an issue, that issue would exist whether or not the Commission approves this transfer. In other words, the transfer does not affect that issue, one way or the other.
- 13 (10) Washington Water Service will acquire the water system assets of Rosario for \$937,331, and will assume approximately \$44,144 in State Revolving Fund Loans.

³ *Id.*

⁴ *Cole v. Utilities & Transp. Comm'n*, 79 Wn.2d 302, 306, 485 P.2d 71 (1971).

- 14 (11) As a result of this sale and transfer of water system assets, Washington Water Service will adopt Rosario's tariffs.
- 15 (12) The proposed transfer and tariff adoption will have an effective date of October 1, 2007. This date coincides with Rosario's billing periods. For accounting purposes, the utility's accounting records will be transferred and effective on that date.
- 16 (13) 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.
- 17 (14) The application meets the requirements of RCW 80.12 and the rules and regulations of the Commission adopted pursuant thereto. *WAC 480-143*.
- 18 (15) After reviewing the application Rosario filed in Docket UW-071357 on June 22, 2007, and giving due consideration, the Commission finds that Application of the Sale and Transfer of water system assets by Rosario to Washington Water Service is consistent with, and demonstrates no harm to, the public interest and should be approved.

ORDER

THE COMMISSION ORDERS:

- 19 (1) The Commission authorizes the Sale and Transfer of the assets of Rosario Utilities, LLC to Washington Water Service Company consistent with the joint application 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.
- 20 (2) The Commission approves Washington Water Service Company's adoption of the tariffs of Rosario Utilities, LLC, to be effective with the effective date of the transfer itself: October 1, 2007.

- 21 (3) Washington Water Service Company must file with the Commission within 90 days after the effective date of this Order, the journal entries by which it proposes to record on its books the transfer of water system assets authorized herein. The effective date for accounting purposes shall be October 1, 2007.
- 22 (4) This Order does not establish a precedent, and does not affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or other matters, nor shall the provisions in this Order be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.
- 23 (5) The Commission retains jurisdiction over the subject matter and Rosario Utilities, LLC, and Washington Water Service Company to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective September 28, 2007.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner