



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

April 1, 2005

Herta Ingram, Chief Financial Officer
Thurston County PUD No. 1
210 Union Avenue, Suite G
Olympia, WA 98507

Virgil Fox, President
American Water Resources, Inc.
921-B Middle Fork Road
Onalaska, Washington 98570

RE: American Water Resources, Inc.- Status of Asset Funds

Dear Ms. Ingram and Mr. Fox:

On March 31, 2005, Thurston County PUD No. 1 asked the Washington Utilities and Transportation Commission (Commission) if it concurred with "transferring the balances from the Facilities Charge Fund and the Surcharge Reserve Accounts to the Surcharge Note to pay down the principal prior to closing the sale of American Water Resources, Inc., to Thurston PUD."

As of December 31, 2004, information provided by American Water Resources, Inc., to the Commission shows the following funds and balances.

Asset Funds

	Funding	Source	Balance
Facilities Charge	New Connections	Tariff charge of \$1,860	\$24,576.00
CIP Surcharge Reserve	Monthly - Bill Surcharge	Tariff Charge of \$4.54 monthly	\$11,104.00
Peninsula Light Gain on Sale of Assets	Proceeds from sales to Peninsula Light	CIP Program	\$27,065.00
LCW&SD #5 Note Receivable	LCW&SD #5 - sale of assets	CIP Program	\$57,500.00
Total			\$120,245.00



The Facilities Charge account was created in 1998 rate case to provide funds for Capital Improvements listed in Appendix B of the company's water system plan. (Docket UW-980072)

The CIP Surcharge Reserve account was created in April 1998 to fund required Department of Health (DOH) Critical list of capital improvements loan. (Dockets UW-990518 and 010866)

The Peninsula Light Gain on Sale Fund was created in June 2001, for funding capital improvements that are approved or required in writing by DOH. The Commission has previously released funds three times in response to supported requests. (Docket UW-010417)

LCW&SD #5 Note Receivable from Lewis County Water and Sewer District #5 account was created in September 2003 when the Company sold assets and water systems for a promissory note. (Docket UW-031284)

Liability Accounts

	Source	Uses	Balance
CIP Surcharge Note	Surcharge	CIP Program	\$174,797.00
Customer Refund	Operations	Refund Over-collection	\$67,062.00
Plant Loan	Capital Purchases	Repayment, Plant and Equipment	\$160,599.00
Plant Loan	Water system purchases	Repayment Plant and Equipment	\$20,119.00
Total			\$422,577.00

The CIP Surcharge Note account was created in April 1998 to repay a loan used to make capital improvements required by the Department of Health (DOH). (Dockets UW-990518 and 010866)

The Customer Refund account was created in November 2004, to refund monies to customers that the Company collected, but did not use for the purposes ordered by the Commission. (Dockets UW-010961 and 031284)

The Commission has jurisdiction over American Water Resources, Inc., until the sale transaction between American Water Resources, Inc., and Thurston County PUD No. 1 is completed. However, the Commission does not have jurisdiction over the transaction itself. The Commission, in various dockets, issued orders that created the Asset Funds and the Customer Refund account to benefit customers. The Commission required American Water Resources to obtain approval from the Commission prior to using funds in the Peninsula Light Gain on Sale of Assets account, approved in Docket UW-010417. The Commission staff has completed its review of your request to use the balances in the Asset Funds to pay down the principal of the CIP Surcharge Note and

American Water Resources, Inc. - Status of Asset Funds


March 31, 2005

Page 3

concur that use would be consistent with the intent of the Commission's orders establishing those Asset Funds. This letter authorizes the release of the balance in the Peninsula Light Gain on Sale of Assets account, approved in Docket UW-010417, to pay down the principal of the CIP Surcharge Note.

If you have any questions, I can be reached at jward@wutc.wa.gov or (360) 664-1250.

Sincerely,


for Carole J. Washburn
Executive Secretary