



Washington State
Public Works Board

Post Office Box 48319
Olympia, Washington 98504-8319

Eugene K. Eckhardt
Assistant Director of Water and Transportation
Washington Utilities and Transportation Commission
Post Office Box 47250
Olympia, Washington 98504-7250

Regarding: Gamble Bay Water System

Dear Mr. Eckhardt;

On July 26, 1999, the Public Works Board entered into a loan agreement with Gamble Bay Water Incorporated. The proceeds of the loan were used to fund repairs to two of the company's water systems - the Vincent Road and Bucklin Water Systems. The face value of the loan was \$388,626.00, and the current outstanding principal balance is \$311,434.89. Gamble Bay is currently delinquent on the annual loan payment that was due on October 1, 2004. The total payment due is \$33,248.84.

During the week of November 1, 2004, the staff of the Public Works Board received a call from the Utilities and Transportation Commission notifying us of the proposed transfer of ownership of the water systems to Washington Water Service Company. Board staff contacted Washington Water Service, completed a financial review and on February 5, 2005 recommended that the Board approve the assignment of the loan to Washington Water Service. The Board approved the recommendation pending UTC approval of the transfer of ownership.

We understand the request to approve the transfer of ownership will be heard by the UTC on April 27, 2005. We also understand the UTC has been urged not to "break up" the Gamble Bay Water company, and that Gamble Bay will immediately file for Chapter 7 Bankruptcy unless the break up of the company (through transfer of ownership of all but one of Gamble Bay's water systems) is approved.

Board staff asks that the UTC approve the transfer of ownership as requested by Gamble Bay. Approval of the transfer would allow the Public Works Board to assign the loan to Washington Water Service. Assigning the loan assures us the delinquent payment will be collected immediately, and the outstanding balance of the loan will be collected over the remainder of the loan term. Obviously, bankruptcy proceedings do not provide the same level of assurance the loan will be repaid.

Thank you for the opportunity to comment. If you have any questions, I can be contacted at (360) 586-4133 or mike.woods@pwb.wa.gov.

Sincerely;

A handwritten signature in black ink that reads "Mike Woods".

Mike Woods
Finance and Operations Manager
Public Works Board