

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

	)	
In the Matter of the Application for the	)	
Sale and Transfer of Assets	)	DOCKET UW-010417
From American Water Resources, Inc.	)	
To	)	FIRST SUPPLEMENTAL
Peninsula Light Company	)	ORDER
	)	
	)	MODIFYING ORDER
	)	APPROVING SALE AND
.....	)	TRANSFER OF ASSETS

**BACKGROUND**

- 1 On March 28, 2001, American Water Resources, Inc., (AWR) and Peninsula Light Company, Inc., (Peninsula Light) filed an application pursuant to the provisions of chapter 80.12 RCW for sale and transfer of assets of AWR. AWR is located in Onalaska and serves approximately 1,500 customers in Lewis, Thurston, Mason, Kitsap, Pierce, and Grays Harbor Counties. That application proposed to sell and transfer 21 water systems with approximately 153 customers located in Mason, Kitsap and Pierce Counties.
  
- 2 On June 27, 2001 the Commission issued an order approving the sale and transfer of the 21 water systems and approved the allocation of the gain on sale. As a result of that sale and transfer of water system assets, AWR recognized a gain on sale. AWR and Staff agreed that \$113,986 of the gain on sale amount should be allocated between shareholders and customers. \$110,856 was deposited into a Capital Improvement, Contribution in Aid of Construction Account to be used to fund capital improvements.
  
- 3 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 to Staff's memo. 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.

4 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 to Staff's  
memo. 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.

5 This Commission neither approves nor disapproves the reasonableness of any fees,  
charges, rates, purchase price, or accounting allocations involved with the proposed  
arrangement and reserves the right to review those fees, charges, rates, or accounting  
allocations in a future rate proceeding.

### FINDINGS

6 (1) American Water Resources, Inc., is an investor-owned water company and a  
public service company subject to the jurisdiction of the Commission under  
the provisions of chapter 80.12 RCW.

7 (2) As proposed, the recalculation of the company's asset and depreciation  
schedule and an additional distribution based on recalculated allocation by  
American Water Resources, Inc., is reasonable and consistent with the public  
interest and should therefore be approved.

### ORDER

8 THE COMMISSION ORDERS:

9 (1) After the effective date of this order and subject to the provisions herein,  
American Water Resources, Inc., is authorized to implement the revisions to  
the company's asset and depreciation schedule and to make an additional  
distribution of the recalculated allocation.

10 (2) Within 30 days of the issuance of this order, American Water Resources, Inc.  
will distribute \$18,102.66 to pay accounts payable. The company will provide  
a breakdown of accounts paid and copies of checks issued for each vendor.


11 (3) No material change, revision, or amendment to the joint application and  
agreement may become effective without the Commission's prior written  
approval.

- 12 (4) The reasonableness of any fees, charges, rates, purchase price, or accounting allocations involved in carrying out the provisions of ordering paragraph No. 1 of this Order is neither approved nor disapproved in this proceeding.
- 13 (5) This order in no way affects the authority of this Commission over rates, services, accounts, evaluations, estimates, or determination of cost or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted.

DATED at Olympia, Washington, and effective this 25th day of September, 2002.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

  
MARILYN SHOWALTER, Chairwoman

  
PATRICK J. OSHIE, Commissioner