

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application for the Sale
And Transfer of Assets from

RAINIER VIEW WATER COMPANY, INC.

To

WASHINGTON WATER SERVICE
COMPANY

DOCKET UW-

APPLICATION FOR SALE AND TRANSFER
OF ASSETS

I. INTRODUCTION

1 In accordance with RCW 80.12.020 and RCW 80.12.040 and WAC 480-110-555, WAC 480-143-120, and WAC 480-143-130, Washington Water Service Company (“WWSC” or the “Company”) files this application requesting approval from the Washington Utilities and Transportation Commission (“Commission”) of the sale and transfer of assets from Rainier View Water Company, Inc. (“Rainier View”) to WWSC (“Application”). Rainier View joins in the Application. Rainier View and WWSC are collectively the "Applicants."

2 WWSC is a wholly-owned subsidiary of California Water Service Group, (“CWSG”). California Water Service Group (NYSE:CWT) is the third-largest publicly traded water utility holding company in the United States, and provides high-quality water and wastewater services to about two million people through four

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subsidiaries: WWSC, California Water Service, Hawaii Water Service, and New Mexico Water Service. CWSG subsidiaries also includes CWS Utility Services and HWS Utility Services. Corporate-wide, CWSG and CWSG subsidiary employees share a commitment to being the leading provider of water and wastewater services and improving the quality of life for customers, communities, stockholders, and employees.

3. In this Application, the Applicants present both sides of the Rainier View transaction for review by the Commission. First, the Applicants provide an analysis of the purchase under RCW Chapter 80.12.040 and WAC 480-143-130 for a utility acquisition of another utility's assets to ensure that the purchasing utility's (WWSC) customers will not be harmed. Second, the Applicants present an analysis of the sale of utility assets by Rainier View under RCW 80.12.020, WAC 480-110-555, and WAC 480-143-120 to ensure that the selling utility's (Rainier View) customers will not be harmed. As described in detail in this Application, WWSC's customers will not be harmed by the acquisition; in addition, Rainier View's customers will not be harmed by, and in fact will benefit from, new ownership. Thus, WWSC's acquisition of Rainier View is consistent with the public interest.

II. DISCUSSION

A. Description of the Rainier View Transaction.

4. Rainier View is a regulated water utility subject to the Commission's jurisdiction, which provides water service to approximately 18,500 customers primarily in Pierce County, Washington. Rainier View's principal business office is located at 5410

189 Street East, Puyallup, WA 98375. Rainier View's primary owners are Mrs. Paula Richardson and the Estate of Neil Richardson.¹ A copy of the 2018 Annual Report of Rainier View to the Commission is attached to this Application as Exhibit 1.

5 WWSC is a Washington water utility currently providing water service to approximately 18,000 customers, mostly in Western Washington. WWSC's principal business office is located at 14519 Peacock Hill Avenue NW, Gig Harbor, WA 98335. Communications regarding this Application should be addressed to the following:

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6 The Asset and Real Property Purchase and Sale Agreement between WWSC and Rainier View ("Rainier View Asset Purchase Agreement" or "Rainier View APA") was executed on November 5, 2019, and is attached to this Application as Confidential Exhibit 2. In this Application, the Rainier View sale will be referred to as the "Rainier

¹ Smaller interests are held by Douglas Fisher, Robert Blackman and Chuck Warner.

View Transaction.” The Rainier View Transaction is structured as an asset purchase for cash consideration, in which WWSC will acquire substantially all the assets of Rainier View, other than the corporate office building and property, which is also occupied by Richardson Well Drilling and Richardson Bottling Company. The Rainier View Transaction is expected to close June 1, 2020. Therefore, the Applicants request an approval date of no later than June 1, 2020.

7 After the Rainier View Transaction is complete, Rainier View will cease operating as a water utility, and WWSC will provide water service to Rainier View’s customers. The water service to customers will not be interrupted by the transition to WWSC. WWSC is proposing to adopt certain schedules from Rainier View’s tariff, as included in this Application as Exhibit 3 (“Rainier View Schedules”). WWSC proposes to adopt Rainier View’s rates for customers on the legacy Rainier View systems. Other than noted above, WWSC is proposing to implement existing WWSC rules and schedules to Rainier View customers as included in this Application as Exhibit 4 (“WWSC Rules and Schedules”).

B. Applicable Legal Standard.

8 In accordance with RCW 80.12.040 and WAC 480-143-130, WWSC must obtain Commission approval prior to completing the purchase of the Rainier View assets, and in accordance with RCW 80.12.020, WAC 480-110-555, and WAC 480-143-120, Rainier View must obtain Commission approval prior to selling, leasing, assigning, or otherwise disposing of any of its property that is necessary or useful in the

performance of its duties to the public. The Commission applies a public interest “no harm” standard in its review of property transfer applications.² The Commission also considers “the new company’s financial and managerial fitness to run the operations.”³

C. WWSC’s Acquisition of Rainier View Satisfies the “No Harm” Standard and Is Consistent with the Public Interest (RCW 80.12.040 and WAC 480-143-130).

9 As described above, WWSC is a wholly-owned subsidiary of CWSG.

Accordingly, WWSC provides the following analysis demonstrating that WWSC’s customers will not be harmed by the Rainier View Transaction, and that the Rainier View acquisition will have no impact on WWSC’s ability to provide water service to its customers. Additionally, WWSC’s customers will benefit from the WWSC’s growth that it is seeking to achieve through its water utility acquisition strategy.

10 **First**, the Rainier View Transaction will not in any way affect the financial, technical, or managerial abilities of WWSC to continue to provide high-quality, reliable service to its water customers. After the Rainier View Transaction is complete, the Company will continue to provide the same safe and reliable water service to its customers. Importantly, assets acquired in the Rainier View Transaction will be managed by WWSC’s team of local water utility professionals, and the operation of Rainier View will not affect WWSC’s day-to-day operations. Further, almost all of the

² WAC 480-143-170.

³ *In the Matter of the Application of Fragaria Landing Water Co., Lowper Inc., dba Lowper Water Co., Marbello Water Co., Inc., and SJM Water Service Inc., Applicant, For the Sale and Transfer of Stock to Iliad Water Servs. Inc.*, Docket UW-150688, Order 01 at ¶15 (July 30, 2015) (citing *In Re Application of PacifiCorp & Scottish Power, LLC*, Docket UE-981627, Third Suppl. Order on Prehearing Conference at 2-3 (Apr. 2, 1999)).

existing Rainier View staff will be retained by WWSC and will continue to operate the water system.

11 **Second**, the Rainier View Transaction represents an important step in CWSG's plan to grow in the water utility business. In particular, CWSG believes that business growth—through acquisition of and investment in water utilities—will provide enhanced financial strength, access to capital markets and overall shareholder value that will support its continued efforts to provide safe and reliable service to customers. In addition, CWSG executives and board of directors have the regulatory, financial, operational, and engineering knowledge and expertise to effectively oversee the operations of the assets acquired in the Rainier View Transaction through its subsidiary WWSC.

12. CWSG's water business model relies on regular maintenance of and investment in critical infrastructure to drive organic growth. CWSG and WWSC understand how to plan for and build efficient operating systems and how to maintain these systems to ensure safe and reliable service. In addition, the water distribution business is largely regulated by public utility commissions—a regulatory environment with which CWSG and its subsidiaries are familiar. For these reasons, CWSG and WWSC believe that its ownership of Rainier View water systems will result in a stronger, and more financially sound water company.

D. The Sale of Rainier View Satisfies the “No Harm” Standard and Is Consistent with the Public Interest (RCW 80.12.020, WAC 480-110-555, WAC 480-143-120).

13 Rainier View’s customers will not be harmed by the Rainier View Transaction, and will in fact benefit from new ownership.

14 **First**, Rainier View’s customers will experience no disruption in service and will not be harmed by the Rainier View Transaction. Rainier View will be managed by WWSC’s team of local water utility professionals, who will provide operations and management support for the water system and customer service support for the benefit of customers. As previously stated, nearly all of the current Rainier View employees will remain on the job to provide service to customers. To help ensure a smooth transition, Rainier View and WWSC, before closing the transaction, will send bill inserts describing the transaction and the process for transition to WWSC, provide new email and phone number contact information as well as the URL for WWSC’s website, and describe any changes for Rainier View’s customers related to WWSC’s customer billing and payment practices. As a result of these efforts, Rainier View’s customers will experience no disruption in service and the Rainier View Transaction will be seamless for Rainier View’s customers.

15 **Second**, Rainier View’s customers will benefit from the leading utility industry experience of WWSC and CWSG. In particular, Rainier View’s customers will benefit from these companies’ experience and expertise in planning for, building, and maintaining safe and reliable infrastructure and in providing exemplary customer service. Undoubtedly, the operations acquired in the Rainier View Transaction will need

capital investment in the future. CWSG, the parent of WWSC, is a publicly-traded company with a market cap of approximately \$2.5 billion, and it and its subsidiaries have revolving credit facilities aggregating to approximately \$450 million. WWSC, through its parent company, will be able to provide the needed investment over time, therefore benefiting Rainier View's customers.

16 **Third**, given the shared executive support among WWSC and CWSG, Rainier View's customers will benefit from the utilities' depth of experience with regulatory compliance.

17 **Fourth**, Rainier View's customers will experience no immediate change in their basic water utility rates, and, in fact, will see a small decrease in rates since the treatment loan will be paid at closing and the surcharge will be dropped.

E. Financial and Managerial Fitness of WWSC

18 Financial Fitness of WWSC. Under the Rainier View Transaction, WWSC will acquire the Rainier View water systems. CWSG will provide funds for WWSC to complete the Rainier View Transaction, and thus WWSC is financially able to acquire Rainier View. (See also Exhibit 5, below).

19 Financial Statements. CWSG's 10-K for 2018 is at <http://ir.calwatergroup.com/node/18351/html> (Noted as Exhibit 5).

20 Experience in Utility Management. The assets acquired in the Rainier View Transaction will be operated by WWSC's team of water utility professionals. Additionally, this operation will benefit from the utility expertise of its parent, CWSG,

and its sister subsidiaries which have 92 years of experience overseeing the operations of a regulated water distribution companies, and will bring this expertise to the acquired Rainier View water systems. Importantly, CWSG's executives and board of directors have the regulatory, financial, operational, and engineering knowledge and expertise to effectively oversee the operations acquired in the Rainier View Transaction through WWSC. CWSG executives understand how to plan for and build an efficient water distribution system and how to maintain that system to ensure safe and reliable service.

F. Notice to Customers

21 In accordance with WAC 480-143-210(1), notice of the transfer of ownership must be provided to customers thirty days prior to the Commission's open meeting date for which an application is scheduled for action. The Company will coordinate with Commission Staff to determine the date on which the Application will be scheduled for Commission action, and will plan to provide notice to Rainier View's customers at least 30 days in advance of that date. The draft Rainier View customer notice is included with this Application as Exhibit 6.

G. Exhibits

22 The following exhibits are included with this Application:

- Exhibit 1 – Rainier View 2018 Annual Report (includes Financial Statements)
- Exhibit 2 – Rainier View Asset Purchase Agreement (Confidential)
- Exhibit 3 – Rainier View Schedules

- Exhibit 4 – WWSC Rules and Schedules
- Exhibit 5 – CWSG's 10-K for 2018
- Exhibit 6 – Draft Customer Notice

III. CONCLUSION

23 WWSC and Rainier View respectfully request that the Commission approve this Application in accordance with RCW 80.12.020 and RCW 80.12.040, and WAC 480-110-555, WAC 480-143-120, and WAC 480-143-130. The Rainier View Transaction will not harm WWSC's customers or Rainier View's customers, and will benefit Rainier View's customers, and accordingly, the Rainier View Transaction is consistent with the public interest.

Respectfully submitted this 14 day of February, 2020.



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Attorney for Applicants