

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

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| In the Matter of the Application for the |) | |
| Sale and Transfer of Assets |) | DOCKET UW-010417 |
| From American Water Resources, Inc. |) | |
| To |) | ORDER GRANTING |
| Peninsula Light Company |) | APPLICATION FOR SALE |
| |) | AND TRANSFER OF ASSETS |
| |) | AND TARIFF ADOPTION |
| |) | |

BACKGROUND

- 1 On March 28, 2001, American Water Resources, Inc., (American Water Resources) 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 American Water Resources. American Water Resources is located in Onalaska and serves approximately 1,938 customers in Lewis, Thurston, Mason, Kitsap, Pierce, and Grays Harbor Counties. This application proposes to sell and transfer 21 water systems with approximately 153 customers located in Mason, Kitsap and Pierce Counties.

- 2 Peninsula Light is a Washington mutual corporation formed to act as a utility company and currently provides both electric and water services, primarily in the Gig Harbor area of Pierce County.

- 3 The companies state that the benefits of this transfer of water system assets include Peninsula Light being a member-owned, non-profit, locally regulated, rural electric cooperative. Peninsula Light has been providing water service since 1995 and employs a certified Water Distribution Manager and other certified staff to provide all aspects of water system repair and operations. Peninsula Light notified customers of American Water Resources of the sale and transfer in a mailing on April 27, 2001. Current rate base is calculated to be approximately \$36,014. Peninsula Light Company will acquire water system assets (21 water systems) of American Water Resources for \$150,000, payable at closing.

- 4 As a result of this sale and transfer of water system assets, Peninsula Light Company states it will maintain American Water's water rates currently in effect for a period of one year unless prompted by wholesale electric cost and associated impacts on the expense of operating water systems.

- 5 The Commission's approval will be effective on June 27, 2001. This date is to coincide with company billing periods and allows a mutually agreed closing date. For accounting purposes the bookkeeping records should be considered to be transferred and effective on the closing date.
- 6 The water systems being transferred are:
- 7 (1) Pierce County; Carney Lake #322, Groff #323, SR 302 #2, 302 #3, Zimmerman #324, Key Ridge #306, Lackey #327, Campbell #326, & Jackson Lake #325.
- 8 (2) Kitsap County; Edquist S. Kitsap #331, Cozy Lane #332, Moore Oak #333, Forest Creek #368, strawberry #361, & Old Sawmill #352.
- 9 (3) Mason County; Razor 1 #336, Razor 2 #337, Razor 3 #338, Razor 4 #339, Razor Place #335, & Dream Lane #340.
- 10 American Water Resources will recognize a gain on sale. American Water Resources and Staff agree that this \$113,986 in gain on sale should be allocated between shareholders and customers. \$110,856 shall be deposited into a Capital Improvement, Contribution in Aid of Construction Account and only be used to fund capital improvements that are approved or required in writing by Department of Health under the Safe Drinking Water Act or other appropriate expenses, all of which must be agreed to by a letter from Commission Executive Secretary.
- 11 As proposed, the funds received as a result of this gain on sale of 21 water systems will be deposited into a separate reserve account exclusively for the purpose of funding capital improvements that are approved or required in writing by Department of Health under the Safe Drinking Water Act or other appropriate expenses, all of which must be agreed to by the Commission Secretary in writing before any disbursement of funds. This separate reserve account will be listed on all company financial records and will be considered a cash account asset (NARUC account #127). Expenditures from the reserve account will be treated as customer contributions for ratemaking purposes. American Water has agreed to provide copies of monthly bank statements until all funds are expended.
- 12 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

- 13 (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.
- 14 (2) Peninsula Light Company is a mutual corporation with members governing its operations, and as such is not subject to the jurisdiction of the Commission.
- 15 (3) As to form, the application meets the requirements of chapter 80.12 RCW and the rules and regulations of the commission adopted pursuant thereto.
- 16 (4) As proposed, the sale and transfer of water system assets by American Water Resources, Inc., to Peninsula Light Company is reasonable and consistent with the public interest and should therefore be approved

ORDER

17 THE COMMISSION ORDERS:

- 18 (1) After the effective date of this order and subject to the provisions herein, American Water Resources, Inc., is authorized to sell water system assets to Peninsula Light Company under the terms and conditions of the proposed agreement filed as an exhibit in the joint application.
- 19 (2) Of the \$113,986 in gain on sale, \$110,856 will be deposited into a Capital Improvement, Contribution in Aid of Construction Account and only be used to fund capital improvements that are approved or required in writing by Department of Health under the Safe Drinking Water Act or other appropriate expense all of which must be agreed to by a letter from Commission Executive Secretary.
- 20 (3) The funds received as a result of this gain on sale of 21 water systems will be deposited into a separate reserve account exclusively for the purpose of funding capital improvements that are approved or required in writing by Department of Health under the Safe Drinking Water Act or other appropriate expense all of which must be agreed to by the Commission Secretary in writing before any disbursement of funds. This separate reserve account will be listed on all company financial records and will be considered a cash account asset (NARUC account #127). Expenditures from the reserve account will be treated as customer contributions for ratemaking purposes. American Water will provide copies of monthly bank statements until all funds are expended.

- 21 (4) Prior to disbursing any funds from this separate reserve account, the company shall submit to the Commission a written request to use the proceeds and receive prior written approval from the Commission Secretary. This request will be filed prior to disbursement of any funds.
- 22 (5) No material change, revision, or amendment to the joint application and agreement may become effective without the Commission's prior written approval.
- 23 (6) The tariff revision filed in conjunction with the application, removing water systems from the service area of American Water Resources, Inc., is approved, to become effective on or after June 28, 2001.
- 24 (7) 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.
- 25 (8) 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 27th day of June, 2001.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

PATRICK J. OSHIE, Commissioner