**BEFORE THE WASHINGTON STATE**

**UTILITIES AND TRANSPORTATION COMMISSION**

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| In the Matter of the Application ofDUNGENESS HEIGHTS WATER SYSTEM INC., Applicant,For the Sale and Transfer of Stock . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .  | ))))))))))) | DOCKET UW-120132ORDER 01ORDER GRANTING APPLICATION FOR SALE AND TRANSFER OF STOCK; ADOPTING TARIFF  |

## **BACKGROUND**

1. On January 16, 2012,Dungeness Heights Water System Inc.(Dungeness Heightsor Company), filed with the Washington Utilities and Transportation Commission (Commission) an application (with exhibits) for sale and transfer of stock pursuant to the provisions of RCW 80.12. The filing also contained the following:
* An adoption notice effective February 15, 2012, adopting all existing rates and charges;
* A signed copy of the Instrument of Transfer;
* Financial statements; Income Statement, Balance Sheet, Asset Listing and Depreciation Schedule; and
* A copy of the notice informing customers of the sale and transfer of the Company.[[1]](#footnote-1)
1. Dungeness Heights’s water system is known as Dungeness Heights Water System (Department of Health ID # 20425N), which is located near Sequim in Clallam County and serves 135 customers.
2. If approved by the Commission, shares from Eric and Kim Thomas are sold and transferred to Colin and Michele Jackson for $160,000. The new shareholders will maintain the Dungeness Heights’s water rates currently in effect and will adopt the tariff of Dungeness Heights Water Systems Inc. The new shareholders will assume all regulatory obligations of the purchased Company and remain subject to any obligations the Commission has imposed on Dungeness Heights.

1. Both the Company and the new shareholders cite several benefits from the sale and transfer of the Company stock:
* The new shareholder hopes to be licensed by the Department of Health soon and will provide expertise in the day to day operations of the water system.
* The new shareholders desire to own and operate the water system.
* The current certified operator will provide on-going service for up to one year.
1. Commission Staff has completed its review of the Company’s supporting documents, books and records. Staff finds the current rate base to be approximately $115,500 and notes a complete audit has not yet been done. Staff met with the new stockholders and explained the Commission’s rate setting method uses rate base, not purchase price. Dungeness Heights has demonstrated that the proposed sale and transfer is in the public interest.
2. The proposed sale and transfer and tariff adoption have an effective date of February 15, 2012. This date coincides with the Company’s billing periods. For accounting purposes, the Company's accounting records will be transferred and effective on that date.

### FINDINGS AND CONCLUSIONS

1. (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, and securities, transfers of property and affiliated interests of public service companies, including water companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
2. (2) Dungeness Heightsis an investor-owned water company and is a public service company subject to Commission jurisdiction.
3. (3) Upon approval by the Commission of the sale and transfer of water system stock, the new shareholders will adopt Dungeness Heights’s existing tariff.
4. (4) This matter was brought before the Commission at its regularly scheduled meeting on February 10, 2012.
5. (5) Pursuant to RCW 80.12.020 and WAC 480-143-170, the Commission has determined that applicants in a transaction of this sort must “at least demonstrate no harm to the public interest.”[[2]](#footnote-2) The Commission also looks to the new company’s financial and managerial fitness to run the operations.[[3]](#footnote-3) The Commission believes the applicants have shown there are benefits to the transfer.
6. (6) In this docket, the Commission neither approves nor disapproves the reasonableness of any fees, charges, rates, purchase price, or accounting allocations involved with the transaction. The Commission reserves the right to review those fees, charges, rates, or accounting allocations in a future rate proceeding.
7. (7) The application meets the requirements of RCW 80.12 and the rules and regulations of the Commission. *WAC 480-143.*
8. (8) After reviewing the application filed by the Company in Docket UW-120132 on January 31, 2012, and giving due consideration, the Commission finds that the Application of the Sale and Transfer of stock by Dungeness Heights to the new shareholdersis consistent with, and demonstrates no harm to, the public interest and should be approved.

## **ORDER**

**THE COMMISSION ORDERS:**

1. (1) The Commission authorizes the Sale and Transfer of the stock of Dungeness Heights Water System Inc.,to the new shareholders consistent with the joint application in accordance with RCW 80.12.020. No material change, revision, or amendment to the joint application and agreement shall become effective without the Commission’s prior written approval.
2. (2) The Commission approves new shareholder’s adoption of the tariff of Dungeness Heights Water System Inc., effective the same date as the sale and transfer itself; February 15, 2012.
3. (3) The new shareholders must file with the Commission within ninety (90) days after the effective date of this Order, the journal entries by which it proposes to record on its books the transfer of water system stock authorized herein. The effective date for accounting purposes shall be February 15, 2012.
4. (4) This Order shall not affect the Commission’s authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
5. (5) The Commission retains jurisdiction over the subject matter and Dungeness Heights Water System Inc., and the purchasers to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective February 10, 2012.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

 DAVID W. DANNER, Executive Director and Secretary

1. Customers were provided notice of the sale and transfer on January 10, 2012. [↑](#footnote-ref-1)
2. *In Re Application of PacifiCorp & Scottish Power, LLC,* Docket UE-981627, Third Supplemental Order on Prehearing Conference at 2-3 (April 2, 1999). [↑](#footnote-ref-2)
3. *Id.* [↑](#footnote-ref-3)