

Agenda Date: March 26, 2020
Item Number: A1

Docket: UW-200091
Company Names: Rainier View Water Company, Inc.
Washington Water Service Company

Staff: Jim Ward, Regulatory Analyst
John Cupp, Regulatory Analyst

Recommendations

Grant the application filed on February 7, 2020, for Sale and Transfer of assets and real property of Rainier View Water Company, Inc. to become effective March 27, 2020, and accept adoption of certain tariff pages as filed by Washington Water Service Company consistent with closing of the sale and transfer.

Background

On February 7, 2020, Rainier View Water Company, Inc. (Rainier View Water or company) and Washington Water Service Company (Washington Water Service) (collectively, the Applicants), filed with the Washington Utilities and Transportation Commission (commission) an application for sale and transfer of assets and real property from Rainier View Water to Washington Water Service pursuant to the provisions of RCW 80.12 (Application).

Rainier View Water serves approximately 18,500 residential and non-residential customers on 26 water systems in Pierce County and on two water systems in Kitsap County. Washington Water Service provides water service to approximately 18,000 customers served on 197 water systems located in eight counties.

Washington Water Service intends to acquire assets and real property of Rainier View Water. If the commission approves the sale and transfer of assets and real property from Rainier View Water to Washington Water Service, Washington Water Service will be subject to any obligations the commission imposed on Rainier View Water.

Discussion

The expected closing date of the sale and transfer agreement is on or before June 1, 2020. The transfer of assets and real property includes plant, equipment and land or easements for all water systems owned by Rainier View Water. The single holdback is the office building and yard, located in Puyallup, associated with Rainier View Company since the building is used by other businesses.

Current COVID-19 issues may also shift or delay the closing date.

Pursuant to RCW 80.12.020 and WAC 480-143-170, applicants proposing a transaction of this sort must “at least demonstrate no harm to the public interest.”¹ The commission also looks to the new company’s financial and managerial fitness to run the operations.²

The Applicants explained several benefits of the sale and transfer of all assets and real property. First, Washington Water Service desires to own and operate water systems on an ongoing basis and Rainier View Water’s current owners no longer desire to own and operate water systems. Second, Washington Water Service will be able to bring enhanced access to capital investment to the Rainier View Water group of water systems. Third, water distribution business is regulated by public utility commissions—a regulatory environment with which Washington Water Service is familiar. Finally, Washington Water Service will maintain the current Rainier View Water staff who have performed operations and billing, and its staff is familiar with the company’s operations. The water service to customers will not be interrupted by the transition of Rainier View Water’s ownership from Rainier View Water to Washington Water Service.

Rainier View Water notified its water utility customers of the sale and transfer of all assets and real property in a mailing on February 19, 2020. Rainier View Water’s current rates and charges will not change as a result of this transaction and Washington Water Service will be required to notify all affected customers of any future rate increases.

As part of the transfer of tariff rates, Rainier View Water will be paying off debts and will not transfer the Water Treatment Surcharge approved August 1, 2014, and updated December 31, 2016. Additionally, Washington Water Service Company will adopt limited Rainier View Water rates and charges under its tariff. The plan on the tariff updates is that once the company knows closing will occur, Washington Water Service will file new tariff pages so the changes are in effect coincident with closing. The limited rates and charges are Rainier View Water’s meter rates and blocks with summer conservation rates, commercial fire flow charges, general facilities charges and City of Tacoma purchase and sale rates.

Washington Water Service will commit to filing a rate case that will begin the process to blend rates within one year of closing of the sale and transfer of Rainier View Water. Because of the size of the rate disparity, the company will be proposing to bring rates to parity in multiple steps. This will avoid rate shock to the customers that were formerly served by Rainier View Water.

Washington Water Service will file with the commission the journal entries by which it proposes to record on its books the transfer all the Assets and Real Property of water system, as authorized herein, within sixty (60) days of closing. The effective date for accounting purposes will be March 27, 2020.

¹ *In Re Application of Monterra, Inc. and Cascadia Water, LLC*, Docket UW-190116, Order 01, approving application for Sale and Transfer of Assets: Adopting Tariff and Approving Corporate Restructuring at 7 (April 11, 2019).

² *Id.*

Customer Comments

On February 19, 2020, the company notified its customers by mail of the proposed sale. Customers were notified that they may access relevant documents about this case on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns.

Commission staff (staff) received comments from two Rainier View customers who are concerned that Washington Water Service will increase their rates. Both believe Rainier View Water's rates are fair. Staff explained that a rate increase is not part of this case, and the company will be required to notify them if it files to increase rates.

Conclusion

Commission staff has reviewed the joint application and determined that the Applicants have sufficiently demonstrated there are substantial benefits to the transfer. Accordingly, staff recommends the commission grant the Application for sale and transfer of assets and real property.

Additionally, staff has reviewed, and determined that the sale and transfer of all Assets and Real Property, are appropriate and consistent with regulatory practices. These recommendations for approval 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 recommendation be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

Recommendations

Therefore, staff recommends the commission grant the application filed on February 7, 2020, for Sale and Transfer of assets and real property of Rainier View Water Company, Inc. to become effective March 27, 2020, and accept adoption of certain tariff pages as filed by Washington Water Service Company consistent with closing of the sale and transfer.