

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

RAINIER VIEW WATER COMPANY,
INC.,

Applicant,

For the Sale and Transfer of Assets to
WASHINGTON WATER SERVICE
COMPANY

DOCKET UW-200091

ORDER 01

GRANTING APPLICATION FOR
SALE AND TRANSFER OF ASSETS;
ADOPTING TARIFF

BACKGROUND

- 1 On February 7, 2020, Rainier View Water Company, Inc., (Rainier View Water or Company) and Washington Water Service Company (Washington Water Service) (collectively, the Companies), filed with the Washington Utilities and Transportation Commission (Commission) an application for sale and transfer of assets pursuant to the provisions of RCW 80.12 (Application).
- 2 Rainier View Water serves 18,500 customers near Puyallup and near Gig Harbor in Pierce County on 26 water systems. Washington Water Service intends to acquire the water system assets of Rainier View Water. If the Commission approves the sale and transfer of Rainier View Water to Washington Water Service, Washington Water Service will be subject to any obligations the Commission imposed on Rainier View Water.
- 3 The Companies explained several benefits of the sale and transfer of assets. 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 the water system. Second, Washington Water Service will be able to bring economies of scale benefits to the Company in certain areas, such as billing, collecting, and insurance. Finally, Washington Water Service will retain current employees who perform operations and billing, and its staff is familiar with the Company's operations.

- 4 Rainier View Water notified its customers of the sale and transfer of assets in a mailing on February 19, 2020.
- 5 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 only exception is Rainier View Water's office building and yard, located in Puyallup, which is used by other businesses and is not included in the asset transfer. Current COVID-19 issues may also shift or delay the closing date.
- 6 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, Washington Water Service proposes to bring rates to parity in multiple steps. This will avoid rate shock to the customers that were formerly served by Rainier View Water. Staff believes that due to the large rate disparity between the Companies' customers, Washington Water Service should keep all customer cost records, expenses, and revenues separate for Rainier View and Washington Water Service, and that such separate record keeping should continue until Washington Water Service files its next general rate case, which will include a review of rates for parity adjustments.
- 7 Washington Water Service filed with the Commission the journal entries by which it proposes to record on its books the transfer of water system assets authorized herein. The effective for accounting purposes will be at closing which is proposed before June 1, 2020.
- 8 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
- 9 Commission staff (Staff) has reviewed the application and determined that the Companies have sufficiently demonstrated there are substantial benefits to the transfer. Accordingly, Staff recommends the Commission grant the Companies' Application.

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.*

DISCUSSION

10 We agree with Staff's recommendation and approve the Application. Based on Staff's review, it appears the transaction will result in no harm to the public and is in the public interest. Washington Water is a large, experienced water company subject to Commission regulation with a positive history of compliance. We also agree with Staff that Washington Water Service should keep all customer cost records, expenses, and revenues separate for Rainier View and Washington Water Service until Washington Water Service files its next general rate case. We note that this Order approves only the sale and transfer of assets, and neither approves nor disapproves the reasonableness of the purchase price or any fees, charges, rates, or accounting allocations related to the transaction. The Commission reserves the right to review those fees, rates, or accounting allocations in a future rate proceeding.

FINDINGS AND CONCLUSIONS

- 11 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies.
- 12 (2) Rainier View Water is an investor-owned water company and is a public service company subject to Commission jurisdiction.
- 13 (3) Washington Water Service is an investor-owned water company and is a public service company subject to Commission jurisdiction.
- 14 (4) Rainier View Water notified its customers of the sale and transfer of assets in a mailing on February 19, 2020.
- 15 (5) Washington Water Service will acquire the water system assets of Rainier View Water.
- 16 (6) As a result of this sale and transfer of water systems assets, Washington Water Service will bring limited Rainier View Water rates and charges under its tariff. Due to the large rate disparity between Rainier View Water and Washington Water, the company should keep all cost records, expenses, and revenues separate for the Rainier View and Washington Water services for customers. Separate

record keeping should continue until Washington Water Service files a general rate case and review of rates for parity adjustment.

- 17 (7) This matter was brought before the Commission at its regularly scheduled meeting on March 26, 2020.
- 18 (8) The proposed transfer and tariff rate adoption will have an effective date of March 27, 2020. For accounting purposes, the Company's accounting records will be transferred and effective on March 27, 2020.
- 19 (9) The application meets the requirements of RCW 80.12 and the rules and regulations of the Commission. WAC 480-143.
- 20 (10) After reviewing the Application Rainier View Water filed in Docket UW-200091 on February 7, 2020, and giving due consideration, the Commission finds that the Application of the Sale and Transfer of Assets by Rainier View Water to Washington Water Service is consistent with, and demonstrates no harm to, the public interest and should be approved.
- 21 (11) Washington Water Service should be required to keep all customer cost records, expenses, and revenues separate for Rainier View and Washington Water Service until Washington Water Service files its next general rate case.

ORDER

THE COMMISSION ORDERS:

- 22 (1) The Commission authorizes the Sale and Transfer of the assets of Rainier View Water Company, Inc., to Washington Water Service Company consistent with the joint application filed on February 7, 2020, and consistent 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.
- 23 (2) The Commission approves Washington Water Service Company's adoption of limited Rainier View Water Company, Inc., rates and charges under its tariff to be effective consistent with closing of the sale and transfer. Washington Water Service Company will keep all cost records, expenses, and revenues separate for

the Rainier View Water Company, Inc., and Washington Water Service Company services for customers. This separate record keeping will continue until Washington Water Service Company files its next general rate case, which must include a review of rates for parity adjustment.

- 24 (3) 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 be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 25 (4) The Commission retains jurisdiction over the subject matter and Rainier View Water Company, Inc., and Washington Water Service Company to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective March 26, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



DAVID W. DANNER, Chair



ANN E. RENDAHL, Commissioner



JAY M. BALASBAS, Commissioner