

Exhibit No. _____ T (AW-1T)
Docket UW-110220
Witness: Amy White
Revised July 28, 2011

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

SUMMIT VIEW WATER WORKS,

Respondents.

DOCKET UW-110220

TESTIMONY OF

Amy White

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

July 22, 2011
Revised July 28, 2011

1 Purchase and Sale agreement transferring some of the plant assets from these
2 affiliates to Summit View. Notes payable from Summit View to the affiliates were
3 prepared for Summit View to sign, but the notes have not been executed so no
4 property has yet changed hands. Staff reviewed depreciation schedules listing assets
5 that had been prepared by the Company and its consultants and found that many of
6 the assets for which the Company was seeking a return had either not been included
7 in the Purchase and Sale agreement and thus still belong to either CMLLC or TCDC;
8 were listed on the depreciation schedules twice in error; had already been paid for
9 outright by Summit View and thus should not be included in the Purchase and Sale
10 agreement to begin with; or could not be traced to invoices submitted by Summit
11 View. Exhibit No. ___ (AW-4) summarizes the Company's errors or lack of
12 documentation regarding its plant assets.

13
14 Q. **Why is this issue a significant?**

15 A. This is significant because Summit View's case seeks to place \$1,577,785 in plant
16 assets onto its balance sheet while Staff has only been able to substantiate ~~\$328,083~~
17 \$328,103 in assets. Staff allocated \$190,021 of those assets to the irrigation
18 operations of the Company and the remaining \$138,062 was allocated to the
19 domestic water operations. In its affiliated interest filing in Docket UW-101903, the
20 Company informed the Commission that these assets are to be financed 100 percent
21 through debt owed to affiliates CMLLC and TCDC.

1 **Q. Did you prepare a corrected balance sheet for the Company?**

2 A. Yes. Exhibit No. _____(AW-5) is an adjusted balance sheet prepared by Staff. It
3 begins with the balance sheet filed in the Company's Annual Report for 2009. Staff
4 notes that the balance sheet filed by the Company was \$37,073 out of balance. Staff
5 then added amounts to bring the Company's assets up to the ~~\$328,083~~ \$328,103 total
6 asset amount substantiated by Staff. Staff has also adjusted the accumulated
7 depreciation to the amount calculated using NARUC depreciation lives. Liabilities
8 were adjusted to reflect the actual Contributions-in-Aid-of-Construction (less
9 accumulated amortization) balance. Long-term debt was adjusted to reflect the entire
10 amount of plant assets adjusted onto the balance sheet since the Company intends to
11 finance the transfer of those assets from its affiliates using 100 percent debt. Finally,
12 an adjustment of \$120,493 was made to Retained Earnings to force the balance sheet
13 to balance. This aggregated the net effect of all the adjustments and the amount that
14 the Company's original balance sheet had been out of balance. The result of these
15 adjustments to the Company's balance sheet showed that the Company had negative
16 equity capital of \$89,792 and total liabilities of \$389,543, for a net liabilities plus
17 owners' equity total of \$299,751 compared to an asset base of \$299,751.

18
19 **Q. You stated earlier that Staff encountered issues regarding the Company's**
20 **record-keeping for employee time. Do you have any recommendation on this**
21 **issue?**

22 A. Yes. Staff recommends that the Commission order the Company to establish a time
23 system that produces accurate records of employee time related to either the
24 domestic or irrigation operation in order that accurate allocation of costs to each