

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

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| In the Matter of the Application of |) | DOCKET UW-042121 |
| |) | |
| Tall Timber Water Systems, LLC |) | ORDER NO. 01 |
| |) | |
| Applicant, |) | ORDER GRANTING |
| |) | APPLICATION FOR SALE AND |
| For the Sale and Transfer of Assets |) | TRANSFER OF ASSETS AND |
| to H&R Waterworks, Inc. |) | TARIFF ADOPTION |
| |) | |

BACKGROUND

- 1 On December 2, 2004, Tall Timber Water Systems, LLC and H&R Waterworks, Inc., filed an application for sale and transfer of assets pursuant to the provisions of Chapter 80.12 RCW.

- 2 Tall Timber Water Systems, LLC's office is located in Tumwater and serves approximately 717 customers in Pierce, Mason, Lewis, Kitsap, and Thurston Counties. The company consists of sixty-seven water systems as shown in the application and adopted tariff.

FINDINGS AND CONCLUSIONS

- 3 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of public service companies, including water companies. *RCW 80.01.040; Chapter 80.04 RCW; Chapter 80.12 RCW and Chapter 80.28 RCW.*

- 4 (2) Tall Timber Water Systems, LLC is an investor-owned water company and is a public service company subject to the jurisdiction of the Commission.

- 5 (3) H&R Waterworks, Inc., is a Washington corporation formed to act as a utility holding company and is a public service company subject to the jurisdiction of the Commission.
- 6 (4) This matter was brought before the Commission at its regularly scheduled meeting on February 9, 2005.
- 7 (5) The companies stated the benefits of this acquisition of water company assets include local ownership. The sale to H&R Waterworks, Inc., shifts ownership to a local business organization and consolidates business interest. In addition, the current staff of Tall Timber Water Systems, LLC will continue to operate and maintain the water system(s). The current owners of Tall Timber Water Systems, LLC no longer desires to own and operate the water company. Tall Timber Water Systems, LLC notified its customers of the sale and transfer in a mailing on November 29, 2004.
- 8 (6) There is no purchase price for the water company assets as this sale and transfer is made on a merger basis in exchange for stock or membership interest. The merged assets will be owned pro-rata by the current owners of Tall Timber Water Systems, LLC and H&R Waterworks, Inc. Staff calculates the current rate base of Tall Timber Water Systems, LLC, as of September 30, 2004, to be approximately \$572,583. The combined rate base of H&R Waterworks will be approximately \$1,944,897 and serves a combined total of approximately 2,700 customers in five counties.
- 9 (7) Staff has advised H&R Waterworks, Inc., that absent a showing of commensurate benefits, acquisition adjustments are not included in rate base for inclusion in rates. Staff recommends authorization of the sale and transfer of assets from Tall Timber Water Systems, LLC to H&R Waterworks, Inc.

- 10 (8) As a result of this sale and transfer of water company assets, H&R Waterworks, Inc., will maintain Tall Timber Water Systems, LLC's water rates and charges currently in effect and will adopt the tariff of Tall Timber Water Systems, LLC.
- 11 (9) The proposed transfer and tariff adoption will have an effective date of February 10, 2005. This date is to coincide with Company's billing periods and allows a mutually agreed closing date. For accounting purposes the accounting records should be transferred and effective on January 1, 2005.
- 12 (10) In this docket, the 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.
- 13 (11) The application meets the requirements of Chapter 80.12 RCW and the rules and regulations of the Commission adopted pursuant thereto. *Chapter 480-143 WAC.*
- 14 (12) After review of the application filed in Docket UW-042121 by Tall Timber Water Systems, LLC on December 2, 2004, and giving due consideration, the Commission finds that Application of the Sale and Transfer of water company assets by Tall Timber Water Systems, LLC to H&R Waterworks, Inc., is consistent with the public interest and should be authorized.

ORDER

THE COMMISSION ORDERS:

- 15 (1) The Commission authorizes the Sale and Transfer 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.
- 16 (2) The tariff adoption filed in conjunction with the application, allowing H&R Waterworks, Inc., to continue applying pre-transfer rates without change, is approved to become effective with the effect of the transfer itself on February 10, 2005. H&R Waterworks, Inc., must file with the Commission within sixty days after the effective date of this Order to incorporate the adopted tariff in its own tariff consistent with its adoption of Tall Timber Water Systems, LLC's tariff.
- 17 (3) H&R Waterworks, Inc., must file with the Commission within sixty days after the effective date of this Order, the journal entries by which it proposes to record on its books the transfer of water company assets authorized herein. The effective date for accounting purposes shall be January 1, 2005.
- 18 (4) This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.

- 19 (5) The Commission retains jurisdiction over the subject matter and Tall Timber Water Systems, LLC to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this 9th day of February, 2005.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

PATRICK J. OSHIE, Commissioner