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Eastsound Sewer and Water considers acquiring Rosario Utilites

By MARGIE DOYLE, Editor

Rollie Sauer and Guy Peto from Orcas Highlands Homeowners Association (OHHA) approached the Eastsound Sewer and Water District (ESWD) board of commissioners on June 12, to propose the annexation of the Rosario Utilities' service district by the ESWD in the hopes of having local management for the utility that now serves over 500 homes in the Rosario-Highlands area of Orcas Island.

Rosario Utilities, LLC has proposed a 62 percent rate hike, which is under consideration by the Washington Utilities and Transportation commission, (UTC). At the same time, Rosario Utilities is in sale negotiations with Washington Water Services Company, which operates 252 districts in Washington state, as a subsidiary of California Water Service Group, a publicly-traded company with additional operations in New Mexico, Hawaii and California. OHHA has researched Washington Water Services, and found that the company is "good and efficient... and dedicated to profits for its stockholders," said Sauer, citing a 12 percent increase in revenue per year that is passed on to company stockholders.

Rosario Utilities' \$970 price tag includes some \$200,000 in costs for the recent buildout of the plant.

The Highlands' Homeowners group is acting "to limit rate increases and to make local ownership and operation of the utility a reality," said Sauer. The OHHOA board unanimously passed a resolution requesting that ESWD, a public utility, support them in the annexation process of Rosario Utilities LLC.

Annexation would involve a petition drive among homeowners, followed by, (if enough signatures are collected), council review and approval, public notices, and placement of the issue on the November ballot for a

vote among residents in the Rosario Utilities service area. If the vote is in favor of the annexation, it would be followed by condemnation, whereby ESWD would take over the utility.

Condemnation would involve a hearing before an administrative judge to determine both the fair market value of the utility, and ESWD's ability to operate the utility.

Sauer said, "The ESWD has power to annex; we don't."

If annexation is approved, the ESWD has the power to obtain bonds which users would pay off over a period of amortization, said Sauer, estimating the terms to be \$1.2 million over 20 years at one percent divided by the current connections. The amount is estimated to be \$15 per connection per month, Sauer said. The \$1.2 million cost includes \$900,000—plus for the sale of the utility, with the additional funds applied to the process of the petition and securing the bond.

Sauer said that because all homeowners in the Highlands are required by CCR's to belong to the homeowners' association, the homeowners in the Rosario community are governed by four different sets of Conditions, Covenants and Restrictions, (CCRs) and is voluntary. "Their board doesn't feel empowered to come to the ESWD." With OHHA taking the lead, Sauer said, "We want to make sure the ESWD is in synch with us before we started the process."

Mike Stolmeier, chair of the board of commissioners of ESWD, replied, "If in synch means 'not opposed' then go ahead." Later Stolmeier added, "We're in a passive position. It's up to them to provide the petition. If the public comes in with a petition, we can't just say no."

Stolemeier also said that operation of the Rosario utility is "Not something ESWD has experience with as a district," and suggested that it was something Eastsound Water Users Association (EWUA) could handle as a subcontractor.

Paul Kamin, EWUA General Manager, said "The EWUA is not jumping in line to run this place, but appeal could be made to consider the public benefit."

The OHHA board is comprised of 105 households. Sauer said that the association currently buys water in bulk from Rosario Utilities, then pumps, stores, and distributes it through a pipeline, for which services OHHA are charged. OHHA includes six households in Otters Lair.

The water rights that would be sold with the utility to Washington Water [or to any purchaser] would "encompass enough water for all [affected homeowners] including Vusario and those who've purchased water rights but not put in meters," said Sauer.

Kamin noted that Washington Water Service has the right to purchase additional water rights from Orcas Water Holding Company. Orcas Water Holding Company was formed late last year when Olympus Partners, current owners of Rosario Utilities, transferred the utility's excess water rights (beyond those needed to service the utility's customers), Kamin said that there are a total of 540 water permits in the Rosario Utilities service area, of which 325 connections are from the Rosario Homeowners area. "A sizable portion of the utility's connections are for Rosario Resort and Cascade Harbor Inn," said Kamin.

ESWD commissioner Ed Sutton stated that there would be a benefit to ESWD in "the possibilities of acquiring additional water rights," from Orcas Water Holding Company.

Kamin said that "EWUA is not progressing towards purchase of water rights from Rosario, with the single biggest issue being price." After the meeting, he noted that EWUA has spent \$75,000 researching the option, and that it is "not financially viable." Kamin added that it would cost \$6.7 million to bring the water to town -- "a challenge in itself."

"It is not in the best interest of the existing EWUA membership to buy the utility linked to the rights," said Kamin, who added, "The Department of Ecology will not allow any entity to transfer water rights to anyone but those who can put them to the public's use."

At the June 12 meeting, Stolmeier said, "In our minds, public ownership of water resources and utilities is desirable."

At the meeting, it was stated that wastewater services would not be part of the sale. Currently, Rosario Utilities provides wastewater services to less than 12 homes, and to Rosario Resort and Cascade Harbor Inn. The rest of the homes in the Rosario Utilities service area are served by septic tanks.

Stolmeier said that it is not required that a service area be geographically contiguous; that the Rosario Utilities would be considered a portion of the ESWD, much as Orcas Landing currently is."

He said "it's a huge decision. Our first duty is to the existing district. We also have the precedent of serving beyond the district for the public good -- Orcas Landing -- for reasons of health and the environment."

Later Stolmeier said, "The scope and scale of what Rollie [Sauer] brought to the table was more realistically thought out than I'd anticipated."

Stolmeier said that since the ESWD doesn't have specific information as to the size of the Rosario Utilities service area, the condition of its plant, or the need for ongoing upgrades, the ESWD's consideration of the proposal would be aimed toward "what we'd like to see as a conclusion. Now, we can decide in principle if we want to expand our area of responsibility as a public utility."

Stolmeier, "As in all things Rosario, it's complex."

For information about the June 14 meeting with Rosario Utilities' customers, the utility owners, Washington Water Services and representatives from the UTC, go to www.islandssounder.com