

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

In the Matter of the Petition of	)	DOCKET UW-110436
	)	
OLYMPIC WATER AND SEWER, INC.,	)	ORDER 01
	)	
Petitioner,	)	
	)	
For An Accounting Order to Defer Amounts Associated with Well No. 17 and Soil Contamination	)	ORDER GRANTING ACCOUNTING PETITION
.....	)	

**BACKGROUND**

- 1 On March 7, 2011, Olympic Water and Sewer, Inc. (Olympic or the Company), filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under WAC 480-07-370(1)(b). The petition seeks authority to defer expenses associated with drilling Well No. 17 and the investigation and remediation of soil contamination discovered while drilling Well No. 17, with the recognized accounting period for deferral beginning January 1, 2009. Well drilling costs are \$32,794, and investigation and remediation expenses for soil contamination are unknown at this time and the timing of remediation work is uncertain. The Company only seeks an accounting order to defer these expenses and does not request a determination of ratemaking treatment at this time. The amortization of the deferred expenses will be determined in a future ratemaking proceeding.
- 2 Olympic submits that it incurred costs to drill Well No. 17 and investigate soil contamination, and may incur remediation expenses. The Company claims these costs and expenses are legitimate costs and expenses of operating as a public utility in the state of Washington, and that these costs and expenses were prudently incurred.
- 3 The Company sought to recover the drilling costs and some legal costs in its general rate case filed in Docket UW-101543. Staff raised concerns that those costs are not know and measurable at this time. To resolve the suspended rate case, the Company filed a letter withdrawing the rate case conditioned upon the Commission approving a deferred accounting order for the costs associated with Well No. 17.
- 4 Staff believes costs for drilling Well No. 17 and investigating and remediating soil contamination should only be considered when costs are known and measurable and

responsibilities for those costs have been finalized. Staff believes the following conditions should apply to a deferral in order to properly identify all deferred costs:

1. The recognized accounting period for deferral shall begin on January 1, 2009, and end with the completion of remediation and meeting the requirements set forth by the Department of Health, Department of Ecology and U. S. Environmental Protection Agency, if any.
2. Deferred amounts will accrue interest at 9.3 percent (Staff's calculated weighted cost of capital for Docket UW-101543). This accrual starts when each payment is made or received.
3. Deferred costs incurred prior to discovering soil contamination will be separated and recorded as Well No. 17 drilling cost. These costs include, but are not limited to drilling, engineering and legal costs.
4. Deferred costs incurred after discovering soil contamination will be separated and recorded as soil contamination investigation or remediation cost. These costs may include, but are not limited to, engineering fees, other consultant fees, legal fees, and other remediation-related costs such as testing and monitoring.
5. Deferred amounts will include payments received from insurance providers or other third parties as compensation or contribution for Well No. 17 drilling, and soil contamination investigation and remediation costs. These payments will accrue interest at 9.3 percent from when the payment is received.
6. The Company will record all deferred costs and third party payments in account 186, Miscellaneous Deferred Debits.
7. The tax benefits of the deferred costs will also be accrued with rate determinations to be determined with the cost recovery.
8. a - The Company may file tariff revisions to recover Well No. 17 drilling and soil contamination investigation costs when the costs are known and measurable and the responsibilities for costs have been finalized between any insurance provider or other third party.

- b - The Company may file tariff revisions to recover soil contamination remediation costs when the costs are known and measurable and the responsibilities for costs have been finalized between any insurance provider or other third party.
9. Allowance of a deferred accounting petition makes no determination of ratemaking treatment of any deferred cost and does not constitute regulatory assurance that the deferred debit will be recovered, in whole or part, in any future rate proceeding.
10. Deferred accounting treatment does not determine whether any of the Company's decisions or incurred costs associated with drilling Well No. 17, or with investigating or remediating soil contamination were prudent, whether or not the Company exercised due diligence in pursuing compensation from third parties for soil contamination, what portion of costs, if any, should customers ultimately bear, or how those costs, if any, should be recovered. All of these issues will be considered by the Commission during any tariff revision proceeding in which the Company seeks to recover deferred costs.
11. The Company must file a report with the Commission every six months that summarizes the deferred amounts incurred in items (3), (4) and (5), any remaining issues to be resolved regarding the investigation and remediation of soil contamination and expected timelines to resolve each of those issues.

### FINDINGS AND CONCLUSIONS

- 5 (1) The Washington Utilities and Transportation 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. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 6 (2) Olympic is a water company and a public service company subject to Commission jurisdiction.
- 7 (3) WAC 480-07-370(1)(b), allows companies to file petitions including that for which Olympic seeks approval.

- 8 (4) Staff has reviewed the petition in Docket UW-110436 including related work papers.
- 9 (5) Staff believes Olympic's request for an accounting order is reasonable and should be granted, subject the conditions set forth in paragraph 4 above.
- 10 (6) This matter came before the Commission at its regularly scheduled meeting on March 24, 2011.
- 11 (7) After reviewing Olympic's petition filed in Docket UW-110436 on March 7, 2011, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition should be granted.

**ORDER**

**THE COMMISSION ORDERS:**

- 12 (1) Olympic Water and Sewer, Inc.'s Petition requesting to Defer Amounts Associated with drilling Well No. 17 and the investigation and remediation of soil contamination discovered while drilling Well No. 17 in account 186, Miscellaneous Deferred Debits is granted.
- 13 (2) This authorization is subject to the conditions set forth in paragraph 4 above.
- 14 (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 granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 15 (4) The Commission retains jurisdiction over the subject matter and Olympic Water and Sewer, Inc., to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective March 24, 2011.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**JEFFREY D. GOLTZ, Chairman**

**PHILIP B. JONES, Commissioner**