


# CONCISE EXPLANATORY STATEMENT

Agenda Date: May 26, 1999  
Item Number: 2E

**Docket:** **UW-980082**  
Rulemaking for Investor Owned Water Companies

Staff: Danny Kermode, Revenue Requirements Specialist 

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Bob Wallis, Review Judge  
Dennis Moss, Review Judge  
Jennifer Watsek, Rules Coordinator

## Recommendation:

Direct the Secretary to file a Notice of Proposed Rulemaking (CR-102) in Docket UW-980082 with the Office of the Code Reviser along with the Small Business Economic Impact Statement (SBEIS), in order to revise Chapter 480-110 WAC and a portion of Chapter 480-09 WAC.

## Background/Process:

On February 13, 1998, the Commission filed a preproposal statement of inquiry (CR-101) with the office of the Code Reviser to initiate a review of the rules governing water companies in Chapter 480-110 of the Washington Administrative Code (WAC). This review is in compliance with the Governor's Executive Order 97-02 which requires agencies to review their rules for clarity, intent and statutory authority, need, effectiveness and efficiency, coordination, cost and fairness.

The rulemaking process has consisted of soliciting written comments from all interested persons and holding five stakeholder meetings. These meetings were held on April 16, 1998, June 30, 1998, September 15, 1998, October 6, 1998 and April 21, 1999. The meetings were attended by industry members including representatives of both regulated and non-regulated water companies, a representative from the Washington Investor Owned Water Companies Association, and company owners. Also, water customers along with industry attorneys and consultants also attended and participated.



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In addition to the stakeholder meetings, subcommittees were formed on several issues. Staff met with representatives of water companies to work on defining service area and determining the use of facilities charges. Another subcommittee worked with the Department of Health (DOH) on the scope of rules relating to water quality and water quality refunds.

A Small Business Economic Impact Statement was prepared to determine the costs of compliance along with cost mitigation opportunities. Cost mitigation opportunities were identified and some of the proposed rules were modified to take advantage of those opportunities without loss of effectiveness of the rule. An example would be the requirement to provide a complete general ledger at the time of filing. Stakeholders expressed their concern that this was burdensome and would cause additional costs. The requirement was removed from rule.

Copies of all meeting notices mailed by the Commission, discussion drafts, written comments and all materials upon which staff has relied in this rulemaking process are included in the rulemaking file, which is located in the Commission's record management section.

Written comments on this Notice of Proposed Rulemaking may be submitted to the Commission Secretary by June 25, 1999. Written comments should be addressed to Carole Washburn, Executive Secretary. The proposed public hearing on adoption will be Wednesday July 14, 1999.

#### **Changes to existing rules.**

The current rulemaking eliminates rules that are no longer needed such as the rule that requires submission of sample copies of each contract form currently used by the company. The rulemaking adds rules that were policies and writes the rules in clear and concise language as directed by the Governor's Executive Order 97-02. In addition rules that overlap have been combined, for example 12 rules relating to water meters were combined into just two rules.

#### **Proposed New rules:**

Staff proposes the following changes to Chapter 480-110 WAC:

(1) Update the glossary, *WAC 480-110-245*, by removing words or terms that are not needed or no longer used and adding words or terms to provide clarification of their usage within the proposed rules.

(2) Provide a clear statement of the determination of jurisdiction by the Commission. *WAC 480-110-255-Jurisdiction* of the proposed rules gives clear and understandable guidance to those seeking to understand the Commission's position.

This proposed rule codifies interpretive statement UW-930006. The interpretive statement said the Commission would not include certain revenues in calculating average annual revenue per customer. This rule implements current practice, and includes examples of how the Commission calculates average annual revenue per customer to determine if a water company is jurisdictional

(3) Increase the regulatory revenue threshold required before a water company becomes jurisdictional. RCW 80.04.010 allows the Commission to increase the average annual gross revenue per customer figure which is one of the criteria used to determine WUTC jurisdiction. These proposed rules increase the threshold to \$429 annual revenue per customer from the current \$418 level. The increased threshold recognizes the affects of inflation from the time the threshold was previously adjusted to now. The \$429 was computed using an implicit price deflator from the Department of Commerce, Bureau of Economic Analysis.

(4) Addition of rules that clarify the Commission's requirement regarding adopted tariffs verses initial tariffs. *WAC 480-110-295* of the proposed rules requires initial tariffs be reviewed by the water section staff to ensure the proposed rates are fair, just, reasonable, and sufficient. The rule also gives clear guidance for tariffs that have been adopted by currently regulated companies.

(5) Expand customer notice requirements for tariff filings. This has been a requirement imposed on companies in recent years, but has not been codified in rule form. Proposed rule *WAC 480-110-425* clarifies when advance customer notification is required and what basic information needs to be included.

(6) Adding minimum filing requirements for water company tariff filings to *Chapter 480-09 WAC*. The rules in *Chapter 480-09 WAC* specify what must be filed in support of a tariff filing. However these rules do not currently apply to water companies. This proposed rule defines what staff believes is appropriate to support water company tariff filings, while recognizing requirements for larger non-water companies are not appropriate.

(7) adding a rule, *WAC 480-110-395*, that determines when a water company may be required to refund charges as a result of inferior water quality, and how to calculate the amount of the refund. Staff met with the Department of Health (DOH) and asked them to help define substandard water which is the basis for refunds. The rule limits the

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circumstances in which the Commission will order refunds to acute violations of primary contaminants in excess of maximum contaminant level (MCL) that are not addressed by the company.

**Rule Clarifications:**

The rulemaking team worked with DOH to determine which parts of rule *WAC 480-110-365-Service Responsibility* overlapped with DOH's rules. Those areas already addressed in DOH rules were eliminated as redundant and appropriate references to DOH rules were added.

The proposed rules clarify water company responsibility for complaints and disputes, service responsibilities, in addition to requiring understandable water bills. These rules also address non conventional financing methods. These methods have been used by the Commission and companies to help fund capital projects and emergency repair by companies that do not have access to conventional capital markets. *WAC 480-110-455 Water company funding mechanisms* puts into rule both the surcharge allowed by RCW 80.28.022 and codifies other methods that have been used successfully in the past.

Staff recommends that the Secretary be directed to file a Notice of Proposed Rulemaking (CR-102) along with the Small Business Economic Impact Statement (SBEIS), in Docket UW-980082 with the Office of the Code Reviser, in order to revise *Chapter 480-110 WAC- Water Companies* and *Chapter 480-09 WAC- Procedure*.

Attachment

NEW SECTION

**WAC 480-110-205 Application of rules.** These rules apply to any water company that distributes, sells, or supplies water, and that meets requirements for commission regulation or jurisdiction under RCW 80.04.010 and WAC 480-110-255. This includes investor-owned water companies that meet the jurisdictional threshold of serving one hundred or more customers or receive average revenue of four hundred twenty-nine dollars or more per customer per year.

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NEW SECTION

**WAC 480-110-215 Exemptions from rules.** (1) The commission may grant an exemption of any rule in this chapter, when doing so is consistent with the public interest, the purposes underlying regulation, and applicable statutes.

(2) To request a rule exemption, a person must file with the commission a written request identifying the rule for which an exemption is sought and giving a full explanation of the reason the exemption is requested.

(3) The commission will assign the request a docket number, if needed, and schedule the request for consideration at one of its regularly scheduled open meetings or, if appropriate under chapter 34.05 RCW, in an adjudication. The commission will notify the person requesting the exemption, and other interested persons, of the date the commission will consider the request.

(4) The commission will enter an order granting or denying the request or setting it for hearing, pursuant to chapter 480-09 WAC.

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NEW SECTION

**WAC 480-110-225 Saving clause.** The commission may impose additional or different requirements on any water company in response to a complaint or on its own motion. These rules do not relieve any water company from any of its duties and obligations under the laws of the state of Washington.

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NEW SECTION

WAC 480-110-235 Definition of control. (1) For purposes of determining commission jurisdiction over a water company as defined in RCW 80.04.010, "control" means the water system operator or manager has discretion over the property or finances or operations of a water company which is normally exercised by an owner. Factors indicating control include, but are not limited to, whether the operator or manager:

(a) May authorize the purchase or sale of all or part of the water system or its water rights;

(b) May authorize capital additions or improvements to the system;

(c) May accept contributed plant;

(d) May authorize the expenditure or acquisition of funds which encumber any asset of the company;

(e) May authorize the expenditure of funds for nonwater company purposes;

(f) Receives compensation of a type or amount having no reasonable relationship to the work performed or to be performed.

(2) Control will not include management by a satellite agency as defined in chapter 70.116 RCW if the satellite agency is not an owner of the water company.

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NEW SECTION

WAC 480-110-245 Glossary. "Applicant" means any person, partnership, firm, corporation, municipality, cooperative organization, governmental agency, etc., that has completed a water company's application for water service.

"Commission" means the Washington utilities and transportation commission.

"Contributions in aid of construction" means any money, services or property received by a water company to fund capital investments at no cost to the company with no obligation to repay.

"Customer" means:

- Anyone who has paid water company fees and/or has an accepted application for service; or

- Anyone whose service connection is installed and is currently paying a ready-to-serve charge; or

- Anyone who is actually receiving water service from the company.

"Extension" means the water mains and equipment necessary to extend the company's transmission and distribution infrastructure.

An extension may also be called a distribution extension, a main extension, or a line extension.

"Facilities charge" means a one-time fee that a new customer must pay before the company will connect the customer's property to the water system.

"Initial tariff" means:

- The tariff filed by a water company when it first becomes subject to the jurisdiction of the commission; or

- The tariff filed by a water company that was formerly subject to commission jurisdiction, and has once again become jurisdictional. But does not mean a tariff filed to add a newly acquired system or company to the tariff of a currently jurisdictional company.

"Jurisdictional customer" means anyone who is actually receiving water service.

"Potential customer" means anyone to whom the water company has:

- Given a letter agreeing to provide service; and
- The letter is currently enforceable and has not expired by its own terms; and
- The property is not yet receiving any type of service.

"Primary contaminants" means substances that, when present in drinking water at levels exceeding designated maximum contaminant levels (MCL), may adversely affect the health of consumers. These MCLs are established as water quality "primary standards" and are based on chronic, nonacute, or acute human health effects.

"Rate increase filing" means any filing by the company that would:

- Increase gross annual revenues of the company from activities regulated by the commission;
- Restructure tariffs so that one class of customer would provide more gross revenue than under the prior tariff structure. The term does not mean filings designed only to recover governmentally imposed taxes or periodic rate adjustments that have been authorized by commission order.

"Ready-to-serve charge" means the charge assessed by the water company when:

- The water company has the ability to provide water service;
  - The water company has committed to provide water service;
- and
- There is an installed service connection at the customer's property.

"Reconnect charge" means the charge specified in the company's tariff for restoring water service that has been disconnected:

- At the customer's request; or
- For nonpayment; or
- For failure to comply with the company's rules.

"Service area" means the geographic area to which the company intends to provide water service using current plant.

"Service connection" means the pipes, valves, and fittings between the water company's distribution system and the customer's service line.

"Standby charge" means a charge imposed by some unregulated companies for having transmission and distribution infrastructure installed but without the current ability to provide water. Also sometimes referred to as a system readiness fee.

"Surcharge" means a monthly charge or fee paid to the water company for plant or expenses. The surcharge is in addition to regular monthly service fees and typically has an expiration date or dollar limit and is subject to specific accounting requirements.

"Water company" or "company" means any corporation, company, association, joint stock association, partnership or person, their lessees, trustees or receivers appointed by any court whatever, owning, controlling, operating or managing any water plant within the state of Washington for the purpose of furnishing water service to the public for hire and subject to the jurisdiction of the commission. This does not include management by a satellite agency as defined in chapter 70.116 RCW if the satellite agency is not an owner of the water company.

"Water system" means all plant, equipment, and other assets used to provide water service for a specific location.

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NEW SECTION

**WAC 480-110-255 Jurisdiction.** (1) The commission only regulates investor-owned water companies:

(a) That own, operate, control, or manage one or more water systems; except that control or management does not include management by a satellite management agency as defined in chapter 70.116 RCW if the satellite management agency is not an owner of the water company.

(b) Meet jurisdictional thresholds of one hundred or more customers, or receive average revenue of four hundred twenty-nine dollars per customer per year.

If a water company serves customers	and receives average annual revenue per customer	commission regulation
99 or less	less than \$429	No
99 or less	\$429 or more	Yes
100 or more	less than \$429	Yes
100 or more	\$429 or more	Yes

(c) The commission does not regulate the following providers of water service:

(i) Cities, towns, or counties.

(ii) Public utility districts.

(iii) Water districts.

(iv) Local improvement districts.

(v) Homeowner associations, cooperatives and mutual corporations, or similar entities that provide service only to



their owners or members.

(vi) Homeowner associations, cooperatives and mutual corporations, or similar entities that provide service to nonmembers unless they serve one hundred or more nonmembers, or charge nonmembers more than four hundred twenty-nine dollars average annual revenue per nonmember.

(vii) Facilities such as mobile-home parks, apartment buildings, and office buildings where the facility owner passes through to tenants only the cost the facility owner pays for water the facility receives, plus reasonable third-party costs for reading meters, billing, and collecting. The owner may use a flat-rate approach or use submeters to apportion the cost of water to individual tenants.

(2) To determine jurisdiction, the commission considers only those customers receiving water. The commission does not consider customers who do not receive water, such as customers who have paid:

- (a) Water-availability letter fees.
- (b) Standby charges.
- (c) System readiness fees.
- (d) Ready-to-serve charges.

(3) To calculate the average annual revenue per customer, the commission considers only the charges that water-receiving customers pay on a monthly basis, other than contributions in aid of construction. For example, this includes money paid for flat-rate service or the metered base-charge and all usage charges.

(a) The commission does not include charges paid by customers who do not receive water, such as:

- (i) Water availability letter fees.
- (ii) Standby charges.
- (iii) System readiness fees.
- (iv) Ready-to-serve charges.

(b) The commission does not consider contributions in aid of construction in determining jurisdiction. Such contributions can be money, services or property. Payments can be made in a lump sum or financed over time. Examples of contributions in aid of construction include payments for:

- (i) Connection to system.
- (ii) Meter installation.
- (iii) System buy-in.
- (iv) Facilities charges.
- (v) Assessments for capital plant and equipment.

(4) The following example shows how to calculate the average annual revenue per customer for two hypothetical customers. The data for each customer are provided at the end of the example:

- (a) Select the most recent twelve consecutive months.

Example: February 1999 through January 2000.

(b) For each customer who received water service during the twelve-month period, add the amount the customer paid to the water company for items other than contribution in aid of construction items.

Example: Customer A paid \$340.

Customer B paid \$283.

(c) For each customer who received water service during the twelve-month period, add the number of months the customer received water service.

Example: Customer A received water service for twelve months.

Customer B received water service for nine months.

(d) Total the amount paid by customers during the twelve-month period.

Example:

	<u>Paid to Water Company During the Twelve-Month Period</u>
Customer A	\$340
Customer B	+ \$283
	———
Total Paid During Twelve- Month Period	\$623

(e) Total the number of months each customer received water service.

Example:

	<u>Number of Months Received Water Service During the Twelve-Month Period</u>
Customer A	12
Customer B	+ 9
	———
Total Months Received Water Service During the Twelve-Month Period	21

(f) Calculate the "Average Monthly Revenue Per Customer": Divide the "Total Paid During the Twelve-Month Period" by the "Total Months Received Water Service During the Twelve-Month Period."

Example:

Total Paid During the  
Twelve-Month Period \$623

Total Months Received ÷ 21  
Water Service During  
the Twelve-Month  
Period

Average Monthly Revenue \$29.67  
Per Customer

(g) Calculate the "Average Annual Revenue Per Customer":  
Multiply the "Average Monthly Revenue Per Customer" times 12  
months.

(A) Average Monthly Revenue \$29.67  
Per Customer

Months in a Year x 12

(B) Average Annual Revenue \$356.04  
Per Customer

DATA USED IN THE EXAMPLE  
TO CALCULATE  
AVERAGE ANNUAL REVENUE PER CUSTOMER.

Example—  
Customer A

	<u>Standby</u> <u>Charge</u>	<u>Ready to</u> <u>Serve</u> <u>Charge</u>	<u>Connection</u> <u>Charge</u>	<u>Facilities</u> <u>Charge</u>	<u>Meter</u> <u>Base</u> <u>Charge</u>	<u>Meter</u> <u>Usage</u> <u>Charge</u>
<u>Receive Water</u> <u>Service</u>	No	No	Yes	Yes	Yes	Yes
<u>Contribution in Aid</u> <u>of Construction</u>	No	No	Yes	Yes	No	No

Total

<u>Year</u>	<u>Month</u>				<u>Paid</u>	
1997	February			\$20	\$4	\$24
1997	March			\$20	\$5	\$25
1997	April			\$20	\$2	\$22
1997	May			\$25	\$5	\$30
1997	June			\$25	\$6	\$31
1997	July			\$25	\$12	\$37
1997	August			\$25	\$6	\$31
1997	September			\$25	\$4	\$29
1997	October			\$25	\$4	\$29
1997	November			\$25	\$3	\$28
1997	December			\$25	\$2	\$27
1998	January			\$25	\$2	\$27
		\$0	\$0	\$0	\$0	\$285
						\$55
						\$340

Number of months service

12

Not Receiving Water \$0

Receiving Water - Contribution in Aid of Construction \$0

Receiving Water - Other than Contribution in Aid of Construction \$340

Total customer paid during period \$340

**DATA USED IN THE EXAMPLE  
TO CALCULATE  
AVERAGE ANNUAL REVENUE PER CUSTOMER**

**Example—  
Customer B**

	<u>Standby Charge</u>	<u>Ready to Serve Charge</u>	<u>Connection Charge</u>	<u>Facilities Charge</u>	<u>Meter Base Charge</u>	<u>Meter Usage Charge</u>
<u>Receive Water Service</u>	No	No	Yes	Yes	Yes	Yes

<u>Contribution in Aid of Construction</u>		No	No	Yes	Yes	No	No	<u>Total</u>
<u>Year</u>	<u>Month</u>							<u>Paid</u>
1997	February	\$7						\$7
1997	March	\$7						\$7
1997	April		\$12					\$12
1997	May			\$300	\$4,500	\$25	\$5	\$4,830
1997	June					\$25	\$4	\$29
1997	July					\$25	\$3	\$28
1997	August					\$25	\$12	\$37
1997	September					\$25	\$10	\$35
1997	October					\$25	\$15	\$40
1997	November					\$25	\$5	\$30
1997	December					\$25	\$2	\$27
1998	January					\$25	\$2	\$27
		<u>\$14</u>	<u>\$12</u>	<u>\$300</u>	<u>\$4,500</u>	<u>\$225</u>	<u>\$58</u>	<u>\$5,109</u>

Number of months service

9

Not Receiving Water	\$26
Receiving Water - Contributions in Aid of Construction	\$4,800
Receiving Water - Other than Contribution in Aid of Construction	<u>\$283</u>
Total customer paid during period	\$5,109

(h) To ensure all customers are treated equitably, the commission will impute the same rates to any customers receiving free or reduced service that apply to other customers receiving comparable service on the same system.

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NEW SECTION

**WAC 480-110-265 Tariffs.** Tariffs filed by a water company must conform to the rules of this section and chapter 480-80 WAC Utilities General--Tariffs, unless the commission has authorized in writing deviation from the rules.

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NEW SECTION

**WAC 480-110-275 Accounting, and reporting requirements, and regulatory fees.** (1) Water companies must use the uniform system of accounts (USOA) published by the National Association of Regulatory Utility Commissioners (NARUC). The USOA sets out the accounting requirements for class A, B, and C water companies.

Water companies are classified by revenues.

<u>Class</u>	<u>Annual Gross Operating Revenue</u>
A	\$1,000,000 or more
B	\$200,000 to \$999,999
C	Less than \$200,000

(2) A water company may use the accounting requirements for a higher class if it chooses.

(3) The commission will distribute an annual report form that each water company must complete and file with the commission for the prior calendar year. The annual report must be filed, and the company's regulatory fee paid, no later than May 1 of each year.

(4) A written request for the extension of the time for filing the annual report can be made prior to May 1. The commission will not grant an extension of time for payment of regulatory fees.

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NEW SECTION

**WAC 480-110-285 Securities, affiliated interest, transfer of property.** (1) Before a water company issues stock, securities, or other evidence of indebtedness, the company must comply with the requirements of chapter 80.08 RCW and chapter 480-146 WAC.

(2) Before a water company enters into a contract or arrangement with an affiliated interest, the company must file a copy or summary of the contract or arrangement with the commission in accordance with chapter 80.16 RCW and chapter 480-146 WAC.

(3) Before selling, leasing, or assigning any of its property

or facilities, or before acquiring property or facilities of another public utility, a water company must obtain an authorizing order from the commission in accordance with chapter 80.12 RCW and 480-143 WAC.

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#### NEW SECTION

**WAC 480-110-295 Adopted and initial tariffs.** A water company must file revisions to its filed tariff within thirty days of its acquisition of new service area, whether by acquisition of another regulated water company or by acquiring one or more previously unregulated water systems.

(1) **Adopted tariffs - when a regulated company acquires another regulated company.** Any regulated water company acquiring a regulated water company must adopt the latter's tariff. An adoption form must be completed and filed with the commission by the acquiring water company within thirty days of the acquisition. The commission will supply an adoption form upon request.

(2) **Incorporate into existing tariff - when a regulated water company acquires a nonregulated company.**

(a) When a regulated water company acquires a nonregulated water company or water system, the acquiring water company must file a separate tariff page indicating the name of the newly acquired company or system with the rates and charges that were in existence before the acquisition.

(b) If the acquired nonregulated company or water system was previously subject to commission jurisdiction, the acquiring water company must file a separate tariff page indicating the name of the newly acquired company or system with the rates and charges in effect for the acquired company at the time the acquired company was removed from regulation.

(c) No other rates and charges may apply to the customers on the newly acquired system except those specifically shown on the new tariff page unless the company obtains the commission's approval to charge a different rate.

(3) **Initial tariffs - when a company becomes jurisdictional.**

(a) An initial tariff must be filed in a standard tariff format. The commission will provide illustrations of the standard format upon request.

(b) The tariff must be accompanied by a cover letter describing the filing as an initial tariff.

(c) Customers must be notified before the commission receives the filing.

(d) The filing must be accompanied by supporting financial data justifying the proposed rates. See WAC 480-09-337, Filing requirements--General rate increases water companies.

(4) **Initial tariffs - a company that was previously subject to commission jurisdiction.** If a company or water system that was

previously subject to commission jurisdiction and once again becomes jurisdictional, the company must file a tariff with the rates and charges in effect at the time the company was last removed from regulation.

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#### NEW SECTION

**WAC 480-110-305 Access to premises.** Authorized personnel of a water company have the right to enter a customer's property during reasonable hours to perform meter reading, maintenance, testing, installation or removal of the company's property. Customers may ask to see the identification of the water company personnel before allowing entry to the customer's property.

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#### NEW SECTION

**WAC 480-110-315 Availability of information.** (1) A water company must notify its customers of its regular business hours, telephone number, mailing address and a twenty-four hour emergency telephone, pager, voice messaging, fax machine or mobile phone number, at least once a year.

(2) A water company must advise the commission and its customers of any change in address or telephone number(s) at least ten days prior to the effective date.

(3) The water company must develop procedures for prompt response to reported failures or emergencies. A company representative must respond to the customer who reported the service failure or emergency within twenty-four hours of the report.

(4) When a nonemergency customer call is received, a water company must return the customer's call within two business days.

(5) A water company must acknowledge and respond to a customer's written inquiry within two weeks of receiving the letter.

(6) The water company must provide a copy of the commission's consumer brochure to each new applicant for service, and once a year notify its current customers of the availability of the brochure and how to obtain a copy.

(7) The water company must make the following information available for review by customers:

(a) A copy of the water rules, chapter 480-110 WAC.

(b) A copy of the company's current rates and regulations (tariff).

(c) A copy of the consumer brochure published by the



commission.

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#### NEW SECTION

WAC 480-110-325 Application for service. (1) The water company must obtain applications for service in writing, on company-supplied forms. The completed application form must:

- (a) Include both the company's and the applicant's name, address and telephone number;
  - (b) Show the date the person applied for service;
  - (c) Comply with the water company's filed tariffs;
  - (d) Clearly state the type of service requested. (Examples: Residential or commercial, flat-rated or metered service, a letter to provide service, ready to serve, etc.);
  - (e) Include a property lot description, street number, or other sufficient description of location for service;
  - (f) Include a complete list and description of all applicable charges. (Examples: Account set-up, service connection, facilities charge, line extension, etc.);
  - (g) Include the date by which a customer can expect service;
  - (h) Include the application expiration date, if any;
  - (i) Include signatures of the potential customer and a company representative.
- (2) After completing the application, the water company must:
- (a) Provide the applicant with a copy of the completed form;
  - (b) Keep a copy of the completed application in the company's business office for no less than three years after the expiration date or the denial-of-service date;
  - (c) Inform the applicant within ten days of the company's intention to provide service or deny service. If service is denied, the company must tell the applicant the reason service is being denied and advise the applicant of the commission's toll-free number (1-800-562-6150) for appealing the decision.

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#### NEW SECTION

WAC 480-110-335 Establishment of credit and deposits. (1) Establishment of credit - residential. A company must not collect a security deposit if an applicant for residential water service can establish satisfactory credit by any one of the following factors:

- (a) Prior service with the water company within the prior twelve months and:

(i) At least twelve consecutive months with no more than one delinquency notice; and

(ii) The service was not disconnected for nonpayment.

(b) Prior residential water service with another water company, as demonstrated in (a) of this subsection, for which references may be quickly and easily checked. The water company may request that the reference be in writing from the previous water company;

(c) Full-time consecutive employment during the prior twelve months with no more than two employers, and the applicant is currently employed or has a regular source of income;

(d) Ownership of a legal interest in the premises being served;

(e) Furnishing a satisfactory guarantor responsible for payment of water service bills in the event of disconnection or default by the customer, in a specified amount, not to exceed the amount of the cash deposit required;

(f) Producing, in person at the water company's business office, two major credit cards, or other credit references, that the company can quickly and easily check that demonstrate a satisfactory payment history.

(2) **Establishment of credit - nonresidential.** An applicant for nonresidential water service may be required to demonstrate that it is a satisfactory credit risk by reasonable means appropriate under the circumstances.

(3) **Deposit requirements.** A deposit may be required when:

(a) The applicant has failed to establish a satisfactory credit history as outlined in subsections (1) or (2) of this section;

(b) During the prior twelve months, the applicant's service from another water company has been disconnected for failure to pay amounts owing when due;

(c) There is an unpaid, overdue balance owing for similar service from the water company to which application is being made or from any other water company;

(d) Two or more delinquency notices have been served upon the applicant by any water company during the prior twelve months;

(e) The application is for the initiation or continuation of service to a residence where a prior customer still lives and owes a past due bill to the water company.

(4) **Amount of deposit.** Required deposits for a customer or location must not exceed:

(a) Two-twelfths of the estimated annual billings for that customer or location for companies billing monthly;

(b) Three-twelfths of estimated annual billings for companies billing bimonthly;

(c) Four-twelfths of estimated annual billings for companies billing trimonthly.

(5) **Transfer of deposit.** When a customer moves to a new address within the water company's service territory, the deposit must be transferable, less any outstanding past-due balance owing from the old address.

(6) **Interest on deposits.** Interest on deposits collected from applicants or customers must:

(a) Accrue at the rate calculated as a simple average of the

effective interest rate for new issues of one-year treasury bills, computed from December 1 of each year, continuing through November 30 of the following year. The commission will advise the water company each year of the specific rate by mail.

(b) Earn the calculated interest rate during January 1 through December 31 of the subsequent year.

(c) Be computed from the time of deposit to the time of refund or total application of the deposit and must be compounded annually.

(7) **Extended payment arrangement of deposits.** When an applicant or customer is required to pay a deposit but is unable to pay the entire deposit in advance of connection or continuation of service, the applicant or customer must be allowed to pay fifty percent of the deposit prior to service, with the remaining balance payable in equal amounts over the next two months.

(8) **Cash payments.** When payment is made in person and in cash, a receipt must be furnished to each applicant or customer for the amount paid.

(9) **Refund of deposits.** Deposits plus accrued interest must be refunded when there has been satisfactory payment or upon termination of service.

(a) Satisfactory payment - when a customer has paid for service for twelve consecutive months in a prompt and satisfactory manner as evidenced by the following:

(i) The water company has not initiated disconnection proceedings against the customer; and

(ii) No more than two notices of delinquency have been made to the customer by the water company.

(b) Termination of service - upon termination of service, the utility must return to the customer the amount then on deposit plus accrued interest, less any amounts due the utility by the customer.

(10) **Refund of deposits.** Any deposit, plus accrued interest, must be refunded to the customer in accordance with the preference indicated by the customer at the time of deposit or as modified on a later date using one of the following methods:

(a) In the form of a check issued and mailed to the customer no later than fifteen days following completion of twelve months of satisfactory payment as described above; or

(b) Applied to the customer's account for service beginning in the 13th month.

(11) **Additional deposit.** Nothing in this rule prevents the requirement of a larger deposit or a new deposit when conditions warrant. Should a larger or new deposit be required, the reasons must be specified in writing to the customer. Any requirement for a new or larger deposit must comply with the standards set forth in this rule.

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NEW SECTION

**WAC 480-110-345 Refusal of service.** (1) A water company must not refuse or discontinue service to an applicant or customer when there are unpaid bills from a prior customer at the same premises unless the company believes, based on objective evidence, that the applicant is acting on behalf of the prior customer with the intent to avoid payment.

(2) A water company cannot permanently deny service to an applicant or customer because of a prior obligation to the company. A prior obligation is the dollar amount that has been billed to a customer but left unpaid at the time of disconnection of service for nonpayment.

(3) The water company may refuse to connect an applicant for service, or refuse to increase service to a customer, when one or more of the following conditions exist:

(a) The service will adversely affect service being provided to other customers;

(b) The applicant or customer has not complied with state, county, or municipal codes or regulations concerning the approved design of the facilities;

(c) In the company's judgment, the applicant's or customer's installation of piping or equipment is hazardous, or of such design that satisfactory service cannot be provided;

(d) The applicant or customer has not installed on its premises required protective devices necessary to protect the company's property or that of its other customers;

(e) The company is unable to secure all necessary rights of way, easements, approvals, and permits;

(f) Furnishing the water is contrary to the provisions of the company's approved water system plan; or

(g) The location to be served is located outside of the company's service area.

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#### NEW SECTION

**WAC 480-110-355 Discontinuance of service.** (1) Service may be disconnected either by customer direction or by company action:

(a) **Customer-directed** - Customers wanting to discontinue service must notify the water company. The company must disconnect the service as requested by the customer. If the customer fails to request disconnection of service the customer will be responsible to continue paying for water service at the company's tariff rate until the company becomes aware that the customer vacated the property.

(b) **Company directed: Notice requirements** - After properly notifying the customer, as explained in subsection (3) of this section, the water company may discontinue service to its customers for:

(i) Unpaid bills;

(ii) Water use for purposes or properties other than those

specified in the customer's application for service;

(iii) Willful waste of water through improper or defective piping, equipment, or otherwise;

(iv) Piping or equipment that does not meet the company's standards or fails to comply with other applicable codes and regulations;

(v) Tampering with the company's property;

(vi) Vacating the premises;

(vii) Nonpayment of any proper charges, including deposit, as provided in the company's tariff;

(viii) Refusing to allow access as required in WAC 480-110-305;

(ix) Violating rules, service agreements, or effective tariffs, including violation of outdoor watering instructions given to customers in order to curtail water use during time of shortage;

(x) Use of equipment that detrimentally affects the company's service to its other customers.

(c) **Service obtained by fraud:** No notice required before termination - A water company may terminate service without notice when it discovers that a customer has obtained service fraudulently. Examples of fraud include: When service is connected without the company's knowledge, when service is obtained by fraudulent means or representations, or when service is used to provide service to other persons who are required to obtain their own service.

(i) **First offense:** The company may disconnect service immediately and without prior notice when it discovers fraud, unless the customer immediately pays:

(A) The tariff rate for service that the company estimates was taken fraudulently; plus

(B) All company costs resulting from the fraudulent use; plus

(C) Any applicable required deposit.

(ii) **Second offense:** The company may disconnect service immediately and without prior notice when it discovers further fraud. The company may refuse to reconnect service to a customer who has been disconnected for further fraud.

(iii) **Commission review:** A customer may ask the commission to review any company determination of fraud through an informal or formal complaint. The company has the burden of proving that fraud occurred. However, this rule does not relieve any person who has committed fraud from civil or criminal responsibility.

(2) **Medical emergencies** - When a water company has cause to disconnect or has disconnected a residential service, it must postpone disconnection of service or must reinstate service for a grace period of five business days after receiving either verbal or written notification of the existence of a medical emergency. In cases of actual emergencies when service is reinstated, payment of a reconnection charge and/or deposit shall not be required prior to reinstatement of service.

(a) The company may require that the customer, within five business days, submit written certification from a qualified medical professional stating that the disconnection of water service would significantly endanger the physical health of a resident of the household. "Qualified medical professional" means a licensed physician, nurse practitioner, or physician's assistant

authorized to diagnose and treat the medical condition without supervision of a physician. Nothing in this section precludes a company from accepting other forms of certification, but the maximum the company can require is written certification. If the company requires written certification, it may require that the certification include some or all of the following information:

- (i) Residence location;
- (ii) An explanation of how the physical health of the person will be endangered by disconnection of local service;
- (iii) A statement of how long the condition is expected to last; and
- (iv) The title, signature and telephone number of the person certifying the condition.

(b) A medical emergency does not excuse a customer from paying delinquent and ongoing charges. The company may require that the customer do the following within the five business day grace period: Pay a minimum of twenty-five percent of the delinquent balance and enter into an agreement to pay the remaining delinquent balance within ninety days and to pay subsequent bills when due. Nothing in this section precludes the company from agreeing to an alternate payment plan, but the company may not require the customer to pay more than this subsection prescribes. The company must send a notice to the customer confirming the payment arrangements within two business days.

(c) If within the five-day grace period the customer fails to provide an acceptable payment arrangement, the company may disconnect service without further notice.

(d) If the customer fails to abide by the terms of the payment agreement the company may disconnect service without further notice.

(e) The medical certification is valid only for the length of time the health endangerment is certified to exist but no longer than six months unless renewed.

(3) Required notice prior to disconnecting service - Water companies must notify customers before disconnecting their service except in case of danger to life or property, fraudulent use, impairment of service, or violation of law. In all other cases, the company must not disconnect service until it has met the following requirements:

(a) The company must serve a written disconnection notice on the customer, either by mail, or, at the company's option, by personal delivery of the notice to the customer's address, attached to the primary door. Each disconnection notice must include:

(i) A delinquent date that is no less than eight business days after the date of personal delivery or mailing if mailed from inside the state of Washington or a delinquent date that is no less than eleven days if mailed from outside of the state of Washington; and

(ii) All pertinent information about the reason for the disconnection notice and how to correct the problem; and

(iii) The company's name, address, and telephone number by which a customer may contact the company to discuss the pending disconnection of service.

(b) In addition to (a) of this subsection, a second notice must be provided by one of the two options listed below:

(i) Delivered notice - The company must deliver a second

notice to the customer and attach it to the customer's primary door. The notice must contain a deadline for compliance that is no less than twenty-four hours after the time of delivery that allows the customer until 5:00 p.m. of the following day to comply; or

(ii) **Mailed notice** - The company must mail a second notice, which must include a deadline for compliance that is no less than three business days after the date of mailing if mailed from within the state of Washington or six days if mailed outside the state of Washington.

(c) Disconnection notices must:

(i) Include detailed information pertinent to the situation; and

(ii) Include the company's name, address and telephone number by which the customer may contact the company to discuss the pending disconnection of service; and

(iii) Expire after ten business days from the first day that the company may disconnect service, unless other mutually agreed upon arrangements have been made and confirmed in writing by the company. If mutually accepted arrangements are not kept, the company may disconnect service without further notice.

(d) Except in case of danger to life or property, companies may not disconnect service on Saturdays, Sundays, legal holidays, or on any other day on which the company cannot reestablish service on the same or following day.

(e) A company employee dispatched to disconnect service must accept payment of a delinquent account at the service address if tendered in cash, but is not required to give change for cash tendered in excess of the amount due and owing. The company must credit any excess payment to the customer's account. When disconnection does not take place due to payment made by the customer, the company may assess a fee for the disconnection visit to the service address as provided in the company's tariff. The disconnection notice must describe the disconnection visit charge, the amount, and the circumstances under which the charge will be made.

(f) When service is provided through a master meter, or when the utility has reasonable grounds to believe service is to other than the customer of record, the company must undertake reasonable efforts to inform occupants of the service address of the impending disconnection. Upon request of one or more service users, where service is to other than the customer of record, a minimum period of five days must be allowed to permit the service users to arrange for continued service.

(g) When service is provided to a hospital, medical clinic with resident patients, or nursing home, notice of pending disconnection must be provided to the director of the Washington department of health, and to the customer. Upon request to the company from the Washington department of health director or designee, an additional five business days must be allowed before disconnecting service to allow the department to take whatever steps are necessary to protect the interests of resident patients who are responsibilities of the Washington department of health.

(h) Service may not be disconnected while the customer is pursuing any remedy or appeal provided by these rules or while engaged in discussions with the company's representatives or with the commission. However, any amounts not in dispute must be paid

when due and any conditions posing a danger to health, safety, or property must be corrected.

(4) **Payments at a payment agency** - Payment of any past due amounts to a designated payment agency of the water company constitutes payment when the customer informs the company of the payment and the company has verified the payment with the payment agency.

(5) **Reconnecting water service after disconnection** - The water company must restore disconnected service when the customer has paid, or the company has agreed to bill, any reconnection charge and:

- (a) The causes of disconnection are removed; or
- (b) The customer pays all proper charges; or
- (c) The customer pays any applicable deposit as provided for in the company tariff in accordance with WAC 480-110-335.

The commission may order reconnection pending resolution of any bona fide dispute between the company and the customer over the propriety of disconnection.

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#### NEW SECTION

**WAC 480-110-365 Service responsibilities.** (1) **Customer responsibility** - Customers must notify the water company in writing prior to making a change in equipment or usage that will materially affect the service being provided by the company. The customer must:

(a) Provide the company adequate time to install necessary additional facilities or supply; and

(b) Pay an equitable share of the cost of necessary additional facilities, if any, as provided in the company's tariff or through a contract submitted to the commission for approval.

(2) **Water company responsibility** - Water companies must:

(a) Install and maintain all equipment at appropriate locations necessary to operate the system;

(b) Install additional equipment as required by the commission in connection with performing special investigations; and

(c) Notify all affected customers when changes to the service will require customers to adjust their equipment.

(i) If the customer has been advised of the needed change prior to taking service, the company has no obligation to pay for any costs in connection with making required changes to the customer's equipment.

(ii) If the change in service is required by law, the company has no obligation to pay for any costs in connection with making required changes to the customer's equipment.

(iii) Otherwise when equipment must be adjusted to permit use under the changed conditions, the cost of any necessary adjustments must be equitably shared by the company and customer.

(3) **Maintenance** - Each water company must maintain its plant



and system in a condition that enables it to furnish adequate service and meet its obligation under chapter 246-290 or 246-291 WAC, as applicable.

(4) **Quality of water** - Each water company must meet Washington department of health requirements under chapter 246-290 or 246-291 WAC, as applicable.

(5) **Protection of water supply** - Each water company must protect its sources of supply, as required by Washington department of health, WAC 246-290-135 or chapter 246-291 WAC, as applicable.

(6) **Operations and maintenance** - Each water company must comply with Washington department of health rules regarding operation and maintenance, as required under chapter 246-290 WAC and by good engineering practices.

(7) **Test records** - Each water company must:

(a) Keep a complete record of each test made for quality and service conditions as required under these rules. The records must contain complete information concerning the test, including such items as the commission may require;

(b) Provide the records to the commission staff upon request.

(8) **Interruption of service and service outages:**

(a) Water companies must make all reasonable efforts to avoid outage of service but are not insurers in the event of every emergency, acts of God, or similar event. When outages do occur, the company must make reasonable efforts to reestablish service with a minimum of delay.

(b) When making necessary repairs or changes to its facilities, a water company:

(i) May interrupt service for a period of time as reasonably necessary and in a manner that minimizes the inconvenience to the customers; and

(ii) Must attempt to do the work during working hours regularly maintained by the company.

(c) A water company may interrupt service without incurring any liability.

(9) **Notice of service interruptions** - Water companies must:

(a) Notify its customers of a scheduled interruption twenty-four hours in advance through newspapers, radio announcements, or other means;

(b) Notify police and fire departments affected by the interruption individually;

(c) Keep a record of all interruptions of service affecting a substantial number of customers, including in such records:

(i) The location;

(ii) The date and time;

(iii) The duration; and

(iv) The cause of each interruption, if known.

(d) Provide copies of records to the commission staff, upon request.

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NEW SECTION

**WAC 480-110-375 Form of bills.** (1) Customer bills must:

- (a) Be issued at intervals not to exceed three months and identify if the water company is billing in arrears or advance;
- (b) Show a reference to the applicable rate schedule;
- (c) Identify and show each separate charge as a line item;
- (d) Show the total amount of the bill;
- (e) Include enough information that, together with tariff rates, the customer can calculate his or her bill (a copy of the tariff is available for review at company or from the commission upon request);
- (f) Show the date the bill becomes delinquent if not paid. The minimum specified time after the bill's mailing date must be fifteen days, if mailed from within the state of Washington, or eighteen days if mailed from outside the state of Washington, after the bill's mailing date.

A customer may request to pay by a certain date that is not the normally designated payment date when showing good cause. Good cause may include, but is not limited to, adjustment of a billing cycle to parallel receipt of income. The preferred payment date must be prior to the next invoice date.

(g) Include the water company's business address and telephone number and/or emergency telephone number by which a customer may contact the company;

(h) If the customer is metered, include the current and previous meter readings, the current read date, and the number and kind of units consumed;

(i) Show taxes and any tax percentage rate that the taxes are computed from. Taxes must be totaled to show a total taxed amount. Upon request, the company must provide a detail of the computation of the tax amount. Taxes, as used here, represent municipal occupation, business and excise taxes that have been levied by a municipality against the company, and are being passed on to the customer as a part of the charge for water service; and

(j) Clearly identify when a bill has been estimated.

(2) Water companies may prorate bills for customers who have taken service for a fraction of the billing period. If the company does not have its method of prorating bills in its tariff, the company must prorate bills in the following manner:

(a) For flat rate service, the charge must be prorated on the basis of the proportionate part of the period during which service was rendered.

(b) For metered service the charge will be equal to:

(i) The applicable minimum charge as shown in the company's tariff must be prorated on the basis of the proportionate part of the period during which service was rendered; plus

(ii) Any water usage charge computed using rates and allowances shown in the company's tariff.

(3) The water company must include its method for estimating bills in its tariff. Estimating of bills is allowed for no more than two consecutive billing cycles.

(4) When a company has cause to back-bill a customer, the company must allow the customer payment arrangements, if requested, for the same number of months to pay equal to the cumulative total of months being back-billed. (Example: If the company is

back-billing for a one-year period, the company must allow the customer twelve months of equal payments to pay the total amount of the back billing.) These payments will be in addition to current billings.

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#### NEW SECTION

WAC 480-110-385 Water company responsibility for complaints and disputes. (1) If a water company receives a complaint or dispute from a customer or an applicant for service it must:

- (a) Acknowledge the complaint;
- (b) Investigate promptly;
- (c) Report the results of the investigation to the complainant;
- (d) Take corrective action, if warranted, as soon as appropriate under the circumstances;
- (e) Inform the complainant that the decision may be appealed to a higher level representative at the company, if any;
- (f) Inform the complainant, if still dissatisfied after speaking with the higher level representative, of the commission's availability for review of the complaint; and
- (g) Provide the complainant with the commission's address and toll-free telephone number.

(2) Applicants, customers, or their representatives, may file with the commission:

- (a) An informal complaint against the company as set forth in WAC 480-09-150; and/or
- (b) A formal complaint against the company as set forth in WAC 480-09-500.

(3) When commission consumer affairs staff refers an informal complaint to the company, the company must:

- (a) Investigate and report the results to the commission consumer affairs staff within two business days. The commission consumer affairs staff may grant an extension of time for responding to the complaint, if requested and warranted;
- (b) Keep the commission consumer affairs staff informed of progress toward the solution and the final result.

(4) Each water company must keep a record of all complaints concerning service or rates for at least one year and, on request, make them readily available for commission review. The record must contain:

- (a) Complainant's name and address;
- (b) Date and nature of the complaint;
- (c) Action taken; and
- (d) Final result.

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NEW SECTION

**WAC 480-110-395 Water quality refunds.** (1) Water companies may be required to refund water charges due to poor water quality only:

(a) Upon commission order resulting from a formal proceeding before the commission; and

(b) When there are violations of the Washington department of health water quality standards in WAC 246-290-310 (primary contaminants); and

(c) If the company does not take follow up steps outlined in WAC 246-290-320.

(2) The amount of the refund will be determined in a formal proceeding before the commission and is not recoverable through rates or charges.

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NEW SECTION

**WAC 480-110-405 Meter accuracy and water pressure complaints.**

(1) When the water company receives a meter accuracy or water pressure complaint, it must perform a test and share the results with the customer. The test must be at no charge to the customer, except the water company may charge for any additional meter tests requested by the customer within a twelve-month period as provided in its tariff.

(2) The test must be performed within ten days of the complaint.

(3) The customer has the option to witness the test. Should the customer choose to witness the test, a mutually agreed time will be established. A continuously recording pressure gauge may be required for a period of up to one week based on customer complaints of low pressure.

(4) The meter or pressure test must be taken using industry standard methods and equipment.

(5) If a meter test reveals a meter error in excess of two percent water flow to the detriment of the customer, the company must repair or replace the meter at no cost to the customer. A refund for any over billing must be made to the customer.

(6) If the water company and customer cannot resolve a complaint, it may be appealed to the commission for resolution.

(7) The water company must keep a record of meter and pressure tests and have them available for inspection. The record must list the customer's name and address, type of complaint, resolution, and what test method was used.

(8) The water company must provide, at the commission's request, a description of the test procedures and equipment used to perform meter and pressure complaint tests.

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NEW SECTION

WAC 480-110-415 Meters. (1) Water company rights and responsibilities:

(a) The water company must:

(i) Bear the cost of the meter and meter installation.

(ii) Install water meters that are in working order and accurately measure water flow.

(iii) Record meter serial numbers and identify location of installation.

(iv) Repair or replace a malfunctioning meter at its expense unless a customer causes the malfunction.

(b) The water company may:

(i) Install meters and charge the tariff meter rate after thirty days notice to affected customers.

(ii) Install any apparatus to detect fraud or waste without notifying the customer.

(2) Water customer rights and responsibilities:

(a) A customer may request that a standard residential meter as defined in the company's tariff be installed, provided that metered rates are in effect.

(b) When a customer requests a meter installation, the water company may charge the customer in advance for the meter cost and meter installation, if such charge is included in the company's tariff. The company must reimburse the customer, by bill credit, at least ten percent of the meter and installation charge each month until fully paid.

(c) The water company has thirty days from the date of request to install the meter.

(d) If the water company fails to install the meter within the time limit in (c) of this subsection, the customer must be charged only the meter minimum charge until the meter is installed.

(e) If a customer tampers with a meter, the customer will be liable to the company for any repair or replacement costs.

(f) If the customer requests assistance in reading a meter, the water company must provide information on how to read the meter.

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NEW SECTION

WAC 480-110-425 Water company customer notice requirements.

(1) Draft customer notices must be submitted to the commission for review at least one week prior to the company's planned printing date for distribution.

(2) At a minimum, the water company must notify:

(a) Anyone who may be affected by the water company's proposal including customers and potential customers; and

(b) The public affairs section of the commission.

(3) Notice to customers must be provided thirty days prior to

the requested effective date when a water company proposes:

- (a) A change in rates;
  - (b) A change in services and/or conditions;
  - (c) A change in ownership or control of the operating company;
  - (d) A change in ownership by way of sale or transfer of assets (see chapter 480-143 WAC for content of notice);
  - (e) To institute a charge for a service that was formerly free;
  - (f) To eliminate or grandfather any service.
- (4) Content of notice for rate change - The notice to customers must contain, at a minimum, the following:

IMPORTANT NOTICE

- (a) Date
- (b) (Insert water company name) has filed for approval from the Washington utilities and transportation commission to increase rates (insert total annual revenue). If approved, the rates will be effective on (insert effective date).
- (c) (Clearly explain the reason for the proposal - be specific.)

Current Rates/Services	Proposed Rates	Percentage of Increase
\$	\$	%

(d) If you have questions about the proposed filing and how it will affect you, please call (insert company name & office phone number). If you have questions about the rate making process, you may contact the Washington Utilities and Transportation Commission at the following address: WUTC, 1300 S. Evergreen Park Drive S.W., P.O. Box 47250, Olympia, WA 98504-7250; 1-800-562-6150 (toll-free) or by e-mail [comments@wutc.wa.gov](mailto:comments@wutc.wa.gov).

(e) If you would like to comment on this proposal, it is important for you to do so now. Comments must be submitted in writing or presented at the commission's open meeting to be considered as part of the formal record. The commission encourages your written comments, either supporting or opposing, regarding this proposal. All open meetings are held in Olympia, WA. If you would like to be added to the commission's mailing list to be notified of the open meeting date, please call the toll-free number listed above and leave your name and complete mailing address.

Sincerely,  
Company Name/Representative

(5) Notice after commission action is permitted only when the commission approves an increase in federal, state, county or city-imposed taxes, fees or surcharges, and when credits are issued.

(a) At a minimum notice after commission action must include

the effective date, a clear description of changes to rates or services resulting from the commission's decision, and a company contact number where customers may seek additional information.

(b) Any notice after commission action may be accomplished by a bill message, bill insert, printed in a company newsletter, or mailed separately to customers.

(c) The commission may require other notification to the public as it determines necessary.

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#### NEW SECTION

**WAC 480-110-435 Extension contracts.** (1) Each water company must file, as a part of its tariff, an extension rule that states the conditions required by the company before it will extend its transmission and distribution infrastructure to provide water service to an applicant.

(2) Companies entering into any extension contract must:

(a) File the contract with the commission not less than thirty days before the proposed effective date of the contract.

(b) Conform the proposed contract to the applicable provisions of WAC 480-80-335.

(3) Extension contracts must include the documentation necessary to show that the proposed charges are fair, just, reasonable, and sufficient.

(4) An extension may also be referred to as a distribution extension, a main extension, or a line extension.

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#### NEW SECTION

**WAC 480-110-445 Service connections and customer service lines.** A service connection is the pipes, valves, and fittings between the water company's distribution system and the customer's service line. The customer's service line is the water line from the customer's points of usage to the water company's service connection.

(1) A service connection must not be longer than the total width of any public rights of ways or public utility easement running along or parallel to the water distribution system connection or the distance from the distribution main to the customer's property line, whichever is shorter. If a service connection is longer, it will be treated as an extension.

(2) Service connections may be installed when the system is originally built or at a later date, after the system is

operational. A service connection charge may be based on the average installation cost for new service connections in subsection (3)(a) and (b) of this section. The service connection must be owned and maintained by the water company.

(3) A water company may assess a service connection charge, if named in its tariff, to recover the cost of the service connection:

(a) Installed by the water company during construction of the water system; or

(b) Installed after the distribution system had been buried and in service; or

(c) When the service connection has been previously removed for good cause and must be reinstalled to provide water service.

(4) A service connection charge must not be assessed if:

(a) The water company did not incur any cost to install the service connection (e.g., the service connection is a contribution in aid of construction);

(b) The water company is just installing a meter; or

(c) The water company is merely opening a valve to connect the company's distribution system to the customer's service line.

(5) The company may install the service connection to the property line, property corner, or to a location on the property mutually agreed upon. The company may install a meter or valve at any point along the service connection line or at a different mutually agreed location provided that in such event the property line will nevertheless be deemed the point of delivery.

(6) The customer's service line must be installed to provide easy access to the water company's distribution system. If there is doubt as to where the proper location should be, the customer must consult with the water company and agree on a location.

(7) The water company may request that the trench be left open and customer's service line exposed in order to inspect the connection for potential problems. The water company must complete the inspection within two business days after notification that the trench is open.

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#### NEW SECTION

**WAC 480-110-455 Water company funding mechanisms.** (1) Some water companies have insufficient funds to respond to emergencies, replace or upgrade failing infrastructure, or add plant to accommodate growth. Frequently, water companies cannot obtain financing through traditional capital markets. The purpose of a surcharge or a facilities charge is to provide the water company with a source of capital, provided by customers, to fund capital needs. No company may collect a surcharge or facilities charge except by commission order or approval.

(2) Surcharges.

(a) Surcharges are designed to fund three types of financing needs:

(i) Future water utility plant. This surcharge allows the



company to collect money from current customers to fund a reserve in order to pay for future capital projects that are part of a long-range plan. The project must be approved by the department of health as a part of a long-range plan, or required by the department to assure compliance with federal or state drinking water regulations, or to perform construction or maintenance required by the department of ecology to secure safety to life and property under RCW 43.21A.064(2).

(ii) Current water utility plant. This surcharge is used to fund financing that pays for current plant improvements required by:

(A) Washington department of health order or letter to adequately serve current customers; or

(B) Required by department of ecology. This surcharge is tied to the repayment of the debt used for the financing of the required water utility plant.

(iii) Special expenses. This surcharge is used to pay for operating expenses that are independent and unique from normal operating expenses or that may be subject to large variations. This type of operating expense may need periodic reevaluation without the need of a general rate case. Examples of the use of this type of surcharge are: New or highly variable safe drinking water act testing and treatment expenses, extraordinary maintenance expenses, or temporary taxes.

(b) A surcharge may fund up to one hundred percent of the total cost of a project or expense.

(c) Funds received by surcharge, including any interest earned on the funds while being held in reserve, are contributions in aid of construction.

(d) When seeking approval of a surcharge the company must file:

(i) A cover letter explaining the request;

(ii) A tariff page, stating the amount of the surcharge and who must pay;

(iii) Supporting justification for the charge; and

(iv) If applicable, requests for capital surcharges must refer to the appropriate sections of the company's submitted comprehensive water system plan, or include a copy of the Washington department of health order or letter requiring plant improvements to adequately serve current customers.

(3) Facilities charges.

(a) Facilities charges are designed to fund two types of capital needs:

(i) Future water utility plant. This type of facilities charge allows the company to collect money from new customers to fund a reserve in order to pay a portion of future capital projects that are part of a long-range plan. The project must be in accordance with the company's submitted comprehensive water system plan or Washington department of health order or letter requiring plant improvements to adequately serve current customers, or utility plant that is required by department of ecology.

(ii) Current water utility plant. This type of facilities charge allows the company to collect money from new customers to be used to fund a reserve to partially finance current plant improvements required by Washington department of health order or letter to adequately serve current customers or required by

department of ecology.

(b) A facilities charge may not fund one hundred percent of the total cost of qualifying projects. The water company must maintain an appropriate ratio of rate base to total plant.

(c) Funds received through a facilities charge, including any interest earned on the funds while being held in reserve, are contributions in aid of construction.

(d) A water company may impose a facilities charge by tariff or contract.

(e) When seeking approval of a facilities charge the company must file:

- (i) A cover letter explaining the request;
- (ii) A tariff page or signed contract, stating the amount of the charge and who must pay;
- (iii) Supporting justification for the charge;
- (iv) Requests for a facilities charge must refer to the appropriate sections of the company's submitted comprehensive water system plan, or include a copy of the Washington department of health order or letter requiring plant improvements to serve current or potential customers.

**(4) Accounting and reporting requirements.**

(a) Surcharge funds and facilities charge funds collected pursuant to this rule, and interest earned upon such funds must be held in a separate account by the company for the benefit of customers. Such funds do not become the property of company owners and may not (except as authorized in (b) of this subsection), be disbursed, alienated, attached, or otherwise encumbered by the company or its owners. In the event of a sale or transfer of the company, the trust obligations established in this rule regarding any unspent surcharge or facilities charge funds are transferred to the new owner of the company.

(b) Funds may be used from the account only to the extent and for the purposes approved by the commission.

(i) At the discretion of the commission, disbursements from the account may become subject to prior approval by the commission either by order by the commission or by letter from the executive secretary.

(ii) The company may be required to file requests for disbursements.

Requests would provide sufficient detail to allow the determination that the requested disbursement is in compliance with the commission's order.

(c) The water company must report for each tariffed surcharge or facilities charge the following information to the commission within sixty days of the end of the calendar quarter:

- (i) Beginning balance;
- (ii) Amounts received, detailed by source;
- (iii) Amounts spent, detailed by project or expense;
- (iv) Ending balance;
- (v) Reconciliation of bank balance to general ledger.

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NEW SECTION

**WAC 480-110-465 Political information and political education activities.** (1) The commission will not allow expenses for political information or political education activities for ratemaking purposes.

(2) Political information and political education activities include, but are not limited to:

(a) Encouraging support or opposition to ballot measures, legislation, candidates for an office, or current public office holders.

(b) Soliciting support for political action committees.

(c) Gathering data for political mailing lists.

(d) Soliciting political contributions or recruiting political volunteers.

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NEW SECTION

**WAC 480-110-475 Reports of accidents.** Each water company must notify the commission within seventy-two hours after every accident resulting in death or serious injury to any person occurring in its plant or through contact with its facilities. At a minimum, the report must include the name of the injured person, time and place of the accident, and an explanation of the accident. The water company may notify the commission by phone, but must provide a written report within five business days.

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NEW SECTION

**WAC 480-110-485 Retention and preservation of records and reports.** (1) The water company must retain all records and reports for three years unless otherwise specified in subsection (2) of this section. No records may be destroyed prior to the expiration of the time specified in subsection (2) of this section.

(2) The *Regulations to Govern the Preservation of Records of Electric, Gas and Water Companies*, published by the National Association of Regulatory Utility Commissioners is prescribed as the requirement for the state of Washington. This document is available at the commission branch of the Washington state library. The commission secretary will provide a copy of the document on request, subject to any charge, or it may be ordered directly from the National Association of Regulatory Utility Commissioners.

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NEW SECTION

WAC 480-110-495 Maps. Each water company shall maintain a current map of each of its water systems showing the current service area. The company must provide the current maps to the commission for review within five business days of a request. The maps must contain enough detail to answer questions related to rates and charges and obligations to serve.

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REPEALER

The following sections of the Washington Administrative Code are repealed:

WAC 480-110-011	Application of rules.
WAC 480-110-016	Saving clause.
WAC 480-110-018	Definition of control.
WAC 480-110-021	Glossary.
WAC 480-110-023	Average customer revenue jurisdictional threshold.
WAC 480-110-026	Tariffs.
WAC 480-110-028	Fire flow requirements.
WAC 480-110-031	Accounting.
WAC 480-110-032	Accounting--Political information and political education activities.
WAC 480-110-036	Finance--Securities, affiliated interests, transfer of property.
WAC 480-110-041	Availability of information.
WAC 480-110-046	Application for service.
WAC 480-110-051	Deposits.
WAC 480-110-056	Refusal of service.
WAC 480-110-061	Contract for service.
WAC 480-110-066	Distribution extensions--Service installations--Service connections.
WAC 480-110-071	Discontinuance of service.
WAC 480-110-076	Service responsibilities.
WAC 480-110-081	Service connections.
WAC 480-110-086	Meter location.
WAC 480-110-091	Access to premises.
WAC 480-110-096	Complaints and disputes.
WAC 480-110-101	Form of bills.
WAC 480-110-111	Refund for inaccurate metering.
WAC 480-110-116	Responsibility for delinquent accounts.

WAC 480-110-121	Meter charges and installation.
WAC 480-110-126	Meter readings.
WAC 480-110-131	Identification of meters.
WAC 480-110-136	Initial accuracy of meters.
WAC 480-110-141	Accuracy of meters.
WAC 480-110-146	Dispute as to accuracy of meters.
WAC 480-110-151	Complaint meter test.
WAC 480-110-156	Statement of test procedures.
WAC 480-110-161	Frequency of periodic tests.
WAC 480-110-166	Meter history records.
WAC 480-110-171	Reports of accidents.
WAC 480-110-176	Filing of records and reports and the preservation of records.

NEW SECTION

**WAC 480-09-337 Filing requirements--General rate increases water companies.** A rate increase filing for a water company must include at least the following information:

(1) Cover letter - each filing must include a cover letter. The letter must:

(a) Provide a description of the filing, and the requested action, in understandable terms;

(i) Technical terms are acceptable, but descriptions must use common terms so the public can easily understand the impact of the filing;

(ii) Acronyms, if used, must be defined before they are used in the text of the letter;

(b) State why the filing is being made, e.g., increased costs for water testing;

(i) Compliance filings required by prior commission action must include the docket number of the commission action and the name of that proceeding;

(ii) Rate change filings must describe each service that is impacted and the dollar and percentage change for each service as well as the net impact of all changes on the company's total regulated revenue;

(iii) Filings that only address changes to the text of the tariff must describe the general effect, and reasons for the changes;

(c) Requests for permission to change tariffs on less than statutory notice will be granted by the commission only when it deems the circumstances or conditions fully justify the lack of notice. A complete explanation with reasons for the request is required with a tariff revision less than statutory notice filing must include reasons that support less than statutory notice treatment;

(d) Failure to include required information in the cover letter could result in the filing being rejected.

(2) The proposed tariff with explanatory markings.

(3) Supporting work papers for the test period. The supporting work papers must include:

(a) A calculation of the revenue impact of proposed rates by each class affected;

(b) Balance sheet and statement of revenues and expenses;

(c) Depreciation schedule;

(d) If adjustments are proposed, the company must file:

(i) Schedule showing adjustments to the statement of revenues and expenses, including any restating adjustments and/or proforma adjustments including effect of proposed rates;

(ii) Work papers explaining both restating and proforma adjustments;

(e) Usage statistics verifying test year revenues and proposed revenues;

(f) Public water system identification number assigned by

Washington department of health for each system that the new rates will affect; and

(g) Schedule showing separation of revenues and expenses between regulated and nonregulated operations.

(4) A copy of the notice mailed to customers.

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