

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

DEER MEADOWS WATER
COMPANY, INCORPORATED

Petitioner,

For Approval of a Surcharge for Cost
Recovery of Emergency Pump
Replacement

DOCKET UW-200397

ORDER 01

APPROVING SURCHARGE
SUBJECT TO CONDITIONS

BACKGROUND

- 1 On April 30, 2020, Deer Meadows Water Company, Incorporated, (Deer Meadows or Company), filed with the Washington Utilities and Transportation Commission (Commission) a tariff revision that would generate \$33,139 (19.1 percent) in additional annual revenue. The Company proposes implementing a Cost Recovery Surcharge of \$14.97 per month for all customers. The Company serves 369 customers located in Lincoln County. The Company's last rate increase was \$3,875 (2.8 percent), effective June 21, 2016.
- 2 Deer Meadows notified its customers by mail dated April 22, 2020, that it proposes a surcharge to recover 100 percent of the \$33,139 cost incurred for an emergency replacement of a pump critical to providing water service. This surcharge would recover \$31,495 in principle and \$1,644 in associated revenue sensitive items, resulting in a total of \$33,139 to be recovered via surcharge. The Company has already completed the emergency repairs.
- 3 Commission staff (Staff) determined through interviews with the equipment contractor and Company owner that the failure of the original pump was unexpected, and its failure limited the company's ability to provide water service to its customers. WAC 480-110-455(2)(iii) allows surcharges for "special expenses" that may be subject to large variations for extraordinary maintenance expenses. WAC 480-07-505(2)(b) provides that the Commission generally will not initiate general rate proceedings in response to a filing that requests an emergency rate increase to recover costs associated with causes beyond a company's control. Staff believes that the pump's failure constitutes an emergency that required an immediate replacement, and that the Company should be allowed to seek

recovery through a “special expenses” surcharge rather than a general rate case consistent with WAC 480-110-455(2)(iii) and WAC 480-07-505(2)(b).

- 4 Staff’s review and analysis of Company-provided documents found \$31,495 was spent replacing the failed pump equipment. The Company is also entitled to recover revenue sensitive taxes and fees in the amount of \$1,644. Staff believes that a one-time payment of \$89.81, or a monthly surcharge cost of \$14.97 over a period of six months would be fair, just, reasonable, and sufficient.
- 5 Staff reviewed the Company’s supporting financial documents, invoices for the project, and expected terms and conditions of the surcharge filing. The system repairs were financed by a loan from a Company owner and using the Company’s credit card. Staff believes the financing was an appropriate funding option for both the Company and its customers due the critical nature of repairing the water system.
- 6 Accordingly, Staff recommends the Commission approve the surcharge filed April 30, 2020, subject to the following conditions:
- (a) The surcharge must apply to all water customers served by the Company and expire on November 30, 2020, or upon recovery of \$33,139, whichever comes first.
 - (b) The Company must treat funds received from the surcharge, including interest earned on the funds, as contributions-in-aid-of-construction.
 - (c) The Company will remit funds received from the Surcharge funds to creditors monthly to pay off related debts.
 - (d) The Company must report the following information to the Commission within 60 days of the end of each calendar quarter per WAC 480-110-455(4):
 - i. Beginning balance;
 - ii. Amounts received, detailed by source;
 - iii. Amounts spent, detailed by expense;
 - iv. Ending balance; and,
 - v. Reconciliation of the bank balance to general ledger.
 - (e) The Company must provide documentation to the Commission showing debts are fully paid at the end of the six-month period.

DISCUSSION

7 We agree with Staff that the loan from the owner and use of the Company credit card
were appropriate funding options for the Company and its customers. In addition, the
conditions Staff proposes are reasonable and should be required to ensure the surcharge is
collected and repaid in a transparent manner. The surcharge will recover from customers
100 percent of costs already incurred for emergency equipment replacement, and
provides customers with the option of paying one lump sum or making six monthly
installments. We thus find that the proposed surcharge is fair, just, reasonable, and
sufficient.

8 We also agree with Staff the rate increase caused by the replacement of the failed pump
constitutes an emergency rate increase under WAC 480-07-505(2)(b) and qualifies as a
“special expense” for extraordinary maintenance expenses under WAC 480-110-
455(2)(iii). Accordingly, we approve the proposed tariff revisions subject to the
conditions set out in paragraph 6, above.

FINDINGS AND CONCLUSIONS

- 9 (1) The Commission is an agency of the State of Washington vested by statute with
the authority to regulate the rates, rules, regulations, practices, accounts and
affiliated interests of public service companies, including water companies.
- 10 (2) Deer Meadows is a water company and a public service company subject to
Commission jurisdiction.
- 11 (3) This matter came before the Commission at its regularly scheduled meeting on
May 21, 2020.
- 12 (4) WAC 480-110-455 allows companies to file surcharge tariffs, including those for
special expenses. No company may collect a surcharge or facilities charge except
by Commission order or approval.
- 13 (5) The increase in rates due to the emergency replacement of a failed pump critical
to providing water to the system constitutes an emergency under WAC 480-07-
505(2)(b), and a general rate case is not required to implement the surcharge
requested.
- 14 (6) The Commission has reviewed the tariff revisions Deer Meadows filed in Docket
UW-200397, including related documentation.

- 15 (7) The surcharge tariff in this Docket will recover costs of making emergency repairs to the water system necessary to provide continued water service.
- 16 (8) After reviewing Deer Meadows's tariff revisions filed in Docket UW-200397 on April 30, 2020, and giving due consideration to all relevant matters and for good cause shown, the Commission finds the proposed surcharge is fair, just, reasonable, and sufficient and should be approved, subject to conditions (a) through (e) set forth in paragraph 6 of this Order.

ORDER

THE COMMISSION ORDERS:

- 17 (1) Deer Meadows Water Company, Incorporated's surcharge filed on April 30, 2020, is approved to become effective on June 1, 2020, subject to following conditions:
- (a) The surcharge must apply to all water customers served by Deer Meadows Water Company, Incorporated, and expire on November 30, 2020, or upon recovery of \$33,139 whichever comes first.
 - (b) Deer Meadows Water Company, Incorporated, must treat funds received from the surcharge, including interest earned on the funds, as contributions-in-aid-of-construction.
 - (c) Deer Meadows Water Company, Incorporated, will remit funds received from the Surcharge funds to creditors monthly to pay off related debts.
 - (d) Deer Meadows Water Company, Incorporated, must report the following information to the Commission within 60 days of the end of each calendar quarter per WAC 480-110-455(4):
 - i. Beginning balance;
 - ii. Amounts received, detailed by source;
 - iii. Amounts spent, detailed by expense;
 - iv. Ending balance; and,
 - v. Reconciliation of the bank balance to general ledger.

(e) Deer Meadows Water Company, Incorporated, must provide documentation to the Commission showing debts are fully paid at the end of the six-month period.

18 (2) 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. This Order shall not be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

19 (3) The Commission retains jurisdiction over the subject matter and Deer Meadows Water Company, Incorporated, to effectuate the provisions of this Order.

20 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective May 21, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner