

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of  
  
BASIN WATER SOURCES, INC.,  
  
Petitioner,  
  
For Approval of Surcharges for Cost  
Recovery of Pump Repair

DOCKET UW-220739  
  
ORDER 01  
  
APPROVING SURCHARGE  
SUBJECT TO CONDITIONS

**BACKGROUND**

- 1 On September 30, 2022, Basin Water Sources, Inc., (Basin or Company) submitted a Tariff revision to the Washington Utilities and Transportation Commission (Commission) requesting a surcharge rate. The proposed surcharge would generate approximately \$14,940 of additional annual revenue. The Company provides water services for approximately 394 customers in Grant County.
- 2 In December 2021, Basin experienced pump failures and had to replace the pump on its well. This filing for a Cost Recovery Surcharge is to recover 70 percent of the pump replacement expense. The amount included in the surcharge is \$44,861.72. This includes principal, interest, excise taxes, and regulatory fees to repay a ten percent interest loan from the vendor, Summers Excavation, Inc.
- 3 Commission staff (Staff) calculated the monthly rate over the life of loan as \$3.16 per month or a one-time charge of \$98.02 without interest. Staff has reviewed the Company’s supporting financial documents. Staff believes the Company’s proposed surcharge is fair, just, reasonable, and sufficient. Accordingly, Staff recommends the Commission approve the surcharge subject to the following conditions:
  - (a) The surcharge must apply to all water customers served by the Company. The surcharge must expire on November 1, 2025, or upon recovery of \$44,861.72 for principal, interest, and taxes, whichever occurs first.
  - (b) Funds received from the surcharge, including interest earned on the funds while held in a separate account, must be treated as contributions-in-aid-of-construction (CIAC).

- (c) Surcharge funds collected and interest earned upon such funds must be held in a separate reserve account by the Company for the benefit of customers. Such funds do not become the property of the Company or Company owners and may not 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 Chapter 480-110 WAC regarding any unspent surcharge funds must be transferred to the new owners of the Company.
- (d) The Company must report the following information to the Commission within 60 days of the end of each calendar quarter per surcharge, per WAC 480-110-455(4):
  - 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.
- (e) The Company must immediately deposit all monthly payments received and related to the surcharge in the same separate reserve account specified in condition (c), above.
- (f) Excess funds held in the loan reserve account will be remitted annually, at the time of the annual loan payments, to be applied to the principal of each loan. “Excess funds” means money accumulated in the reserve account in excess of 10 percent of the loan payments for the following year.

## DISCUSSION

4 We agree with Staff that the proposed 70 percent surcharge is necessary for the Company to make payments for repairs that have already been made. Further, the repairs were necessary to ensure continued reliable water service is provided to customers.

5 WAC 480-110-455 is designed to aid water companies that have insufficient funds to respond to emergencies, to replace or upgrade failing infrastructure, or to add plant to accommodate growth. Commonly, water companies cannot obtain traditional financing. A surcharge provides a 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. WAC 480-07-505(2)(b) allows for emergency rate

increases for companies that request such treatment on short notice due to circumstances beyond the Company's control. We agree with Staff that the Company's need to replace failed pumps, which are critical to providing water to the affected water systems, constitutes an emergency under WAC 480-07-505(2)(b), and that a general rate case is not required to implement the requested surcharge.

6 WAC 480-110-455(4) additionally sets out the accounting and reporting requirements for surcharges. With the invoices for the completed work currently outstanding, the conditions Staff proposes bring the Company into compliance with our rules and should be required to ensure the surcharge is used to pay off the debt effectively and efficiently. We find the proposed surcharge is fair, just, reasonable, and sufficient. Accordingly, we approve the proposed tariff revisions subject to the conditions set out in paragraph 3, above.

### FINDINGS AND CONCLUSIONS

- 7 (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, securities, transfers of property, and affiliated interests of public service companies, including water companies.
- 8 (2) Basin is a water company and a public service company subject to Commission jurisdiction.
- 9 (3) This matter came before the Commission at its regularly scheduled meeting on October 27, 2022.
- 10 (4) WAC 480-110-455 allows companies to file surcharge tariffs including that for which Basin seeks approval. No company may collect a surcharge or facilities charge except by Commission order or approval.
- 11 (5) Basin is subject to the filing requirements of WAC 480-07-530, for general rate increase proposals. The Company provided information pertinent to the increase being requested but did not provide the remainder of the information required by the rule and requested an exemption from the work paper filing requirements of WAC 480-07-530(4).

- 12 (6) An exemption from general rate increase filing requirements set forth in WAC 480-07-530(4) for the filing in this Docket is in the public interest and is consistent with the purposes underlying the regulation and applicable statutes and should be granted.
- 13 (7) The Commission has reviewed the tariff revisions Basin filed in Docket UW-220739 including related documentation.
- 14 (8) After reviewing Basin's tariff revisions filed in Docket UW-220739 on September 30, 2022, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the proposed surcharge is fair, just, reasonable, and sufficient and should be approved, subject to the conditions set forth in paragraph 3 of this Order.

**ORDER**

**THE COMMISSION ORDERS:**

- 15 (1) Basin Water Sources, Inc's request for an exemption from WAC 480-07-530(4), is granted.
- 16 (2) Basin Water Sources, Inc.'s surcharge filed on September 30, 2022, is approved to become effective November 1, 2022, subject to the conditions set forth in paragraph 3 of this Order.
- 17 (3) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. This Order shall not be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

- 18 (4) The Commission retains jurisdiction over the subject matter and Basin Water Sources, Inc., to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective October 27, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL  
Executive Director and Secretary