

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

In the Matter of the Petition of)	DOCKET UW-110214
)	
OASIS WATER CORPORATION,)	ORDER 01
)	
For Approval of a Surcharge to Service a)	
Drinking Water State Revolving Fund)	
Loan)	ORDER APPROVING SURCHARGE
.....)	

BACKGROUND

- 1 On January 31, 2011, Oasis Water Corporation (Oasis or Company) filed with the Washington Utilities and Transportation Commission (Commission) a revision to its currently effective Tariff WN U-1, designated as First Revision Sheet No. 24 canceling Original Sheet No. 24. The stated effective date is March 3, 2011.

- 2 Oasis filed the surcharge tariff to service a \$1,048,350 Drinking Water State Revolving Fund (DWSRF) loan approved by the Public Works Board (PWB). Proceeds from the loan were used for capital improvement projects on the Company’s water system. The Company serves 173 customers located in Benton County.

- 3 The original loan contract was a low-interest (2.5 percent), 20-year loan approved by the PWB in 2000. In March 2010, the PWB surveyed the company’s water customers and determined that Oasis qualified for a no-interest (zero percent) rate and 30-year loan repayment.

- 4 The PWB Staff reviewed the Company’s financial information and concluded the proposed surcharge should generate sufficient funds to allow the Company to repay the DWSRF loan from surcharge revenue alone. Staff and the PWB Staff worked with the Company to file the proposed surcharge.

- 5 Staff has reviewed the Company’s supporting financial documents, books and records. Staff concludes the no-interest, 30-year DWSRF loan is an excellent funding option for both the customers and the Company, and that the proposed surcharge is fair, just, reasonable and sufficient.

- 6 Repayment of the Company’s DWSRF loan relies on one revenue source, monthly surcharges paid by current and future customers. In addition, any funds received as part

of the Company's tariff for facilities charges will also be used to pay down the loan principal.

- 7 To ensure that the Company has sufficient revenue to service the DWSRF loan, Staff recommends that Commission approval of the surcharge should be subject to the following conditions:
- a) The surcharge applies to all water customers served by the Company. The surcharge expires on October 10, 2037, or upon recovery of \$1,048,350 in principal, whichever occurs first.
 - b) The Company will, within five business days of receipt, deposit all monthly surcharge payments in the DWSRF loan reserve account specified in condition (f) below.
 - c) Surcharge funds will be deposited in a separate interest bearing account.
 - d) Funds received from the surcharge, including interest earned on the funds while held in a DWSRF loan reserve account, will be treated as contributions-in-aid-of-construction (CIAC).
 - e) All funds received through the Company's surcharge including any interest earned on the funds while held in DWSRF loan reserve account, will be used to pay the DWSRF loan until the surcharge expires.
 - f) Surcharge funds collected and interest earned upon such funds must be held in a separate DWSRF loan 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 WAC 480-110 regarding any unspent surcharge funds will be transferred to the new owners of the Company.
 - g) All funds received through the Company's facilities charge (\$3,103.20), including any interest earned, will within five business days of receipt, be deposited in the same DWSRF loan reserve account specified in condition (f) above.

- h) The Company must report the following DWSRF loan reserve account information to the Commission within 45 days of the end of each calendar quarter:
 - i. Beginning balance;
 - ii. Amounts received, detailed by source;
 - iii. Amounts spent, detailed by project or expense;
 - iv. Ending balance;
 - v. Copy of bank statement(s) detailing loan reserve account for the quarter;
 - vi. Reconciliation of bank balance to general ledger.
- i) All excess funds held in the DWSRF loan reserve account will be remitted annually, at the time of the annual loan payment, to be applied to the principal of the DWSRF loan. "Excess funds" means money accumulated in the reserve account in excess of 10 percent of the DWSRF loan payment for the following year.
- j) If adequate funds are not available from the collection of surcharges and facilities charges, the Company owners may be required to provide additional owner's equity investment to make the annual DWSRF loan payment.
- k) The Company must maintain DWSRF records separate from normal daily operations, these include: revenues, expenses, assets, liabilities and equity in a manner that will allow the Company to provide a detailed breakdown, by account, in its next rate case.

DISCUSSION

8 After reviewing Oasis's tariff revisions filed in Docket UW-110214 on January 31, 2011, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the proposed surcharge should be granted, subject to conditions (a) through (k) set forth in paragraph 7 of this Order, for the following reasons:

- a. The Department of Health WAC 246-290-310 states the Company shall be responsible for complying with the standards of water quality identified in this section. This project funded by the DWSRF loan will help ensure standards of water quality and adequate water supply.

- b. The PWB provides government-funded, low-interest loans and requires an assurance of repayment. This surcharge, subject to the recommended conditions, would satisfy that condition.
- c. The DWSRF loan is necessary to allow the Company to pay for the water system capital improvements.

FINDINGS AND CONCLUSIONS

- 9 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 10 (2) Oasis 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 February 25, 2011.
- 12 (4) WAC 480-110-455 allows companies to file surcharge tariffs including that for which Oasis seeks approval. No company may collect a surcharge or facilities charge except by Commission order or approval.
- 13 (5) Staff has reviewed the tariff revisions Oasis filed in Docket UW-110214 including related work papers.
- 14 (6) The surcharge tariff in this docket is to fund a capital project required by the Department of Health.
- 15 (7) Repayment of the Company's DWSRF loan relies on one revenue source, monthly surcharges paid by current and future customers. In addition, any funds received as part of the Company's tariff for facilities charges will also be used to pay down the loan principal.

ORDER

THE COMMISSION ORDERS:

- 16 (1) Oasis Water Corporation's surcharge filed on January 31, 2011, is approved to become effective March 3, 2011, subject to conditions (a) through (k) set forth in paragraph 7 of this Order.
- 17 (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. Nor shall this Order granting a surcharge be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 18 (3) The Commission retains jurisdiction over the subject matter and Oasis Water Corporation, to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective February 25, 2011.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner