

Agenda Date: May 23, 2024
Item Number: A3

Docket: UW-240294
Company Name: East Side Improvement Co., Inc.

Staff: Tiffany Van Meter, Regulatory Services
Kris Irelan, Consumer Protection

Recommendation

Issue an Order implementing a surcharge of \$26.09 per customer per month, effective from June 1, 2024, until May 31, 2026, as filed April 26, 2024, by East Side Improvement Co., Inc., subject to specific reporting conditions.

Background

On April 26, 2024, East Side Improvement Co., Inc. (East Side or Company) filed with the Washington Utilities and Transportation Commission (Commission) a request for a surcharge rate. The proposed surcharge would generate approximately \$14,089 (29 percent) additional annual revenue. The Company serves approximately 45 customers in Kittitas County. The Company's has not had a rate case since becoming regulated in July 2022.

Discussion

The Company experienced pump screen failures in the ditch that provides irrigation service. These pumps provide all the irrigation water delivered to customers. To expedite repairs, the Company hired a third-party contractor to replace the screens in March 2024 to be able to supply irrigation water in time for the spring and summer months. The repairs were completed, and new pump screens are online. The Company took out a loan to pay the invoices for the repair work.

The requested surcharge will allow the Company to recover 70 percent of the \$33,596.10 cost incurred replacing the irrigation screens required for service. The remaining 30 percent will be provided by the owner through equity. The Company provided Commission staff (Staff) with adequate documentation showing the project has been completed, and the plant is used and useful. The surcharge would cover \$23,517.27 in principle and 4,660.62, in interest which increases the total to \$28,177.89 to be collected over two years, or \$14,089 in additional annual revenue.

Surcharges

Surcharges are subject to WAC 480-110-455(4) and as this surcharge request is for expenditures already incurred, Staff asks the Commission to allow the surcharge and issue an order instructing the Company to report as required in (4)(c). This subsection requires the Company report within

60-days of the end of each calendar quarter:

- i. Quarter beginning balance;
- ii. Amounts received, detailed by source (i.e., customer billing, customer one-time payments, or interest earned on amounts held in accounts);
- iii. Amounts spent, detailed by project or type of expense;
- iv. Quarter ending balance; and,
- v. Reconciliation of the bank balance to the general ledger.

Rate Impact

The surcharge will increase all customer bills by \$26.09 per month beginning June 1, 2024, which includes recovery of principal and interest. Customers have the option to make a one-time payment of \$522.61. The surcharge will expire on May 31, 2026, or when \$28,177.89 has been collected, whichever occurs first.

Customer Comments

On April 26, 2024, the Company notified its customers by mail of the proposed surcharge. Staff received two consumer comments. One customer opposed the rate increase because they felt that the proposed rate was too high. The other customer stated that they wanted to observe how the Commission would rule on the matter. Customers were notified that they may access relevant documents about this rate increase on the Commission's website, and that they may contact Kris Irelan at 1-888-333-9882 or kris.irelan@utc.wa.gov with questions or concerns.

Conclusion

Staff has completed its review of the Company's supporting financial documents, books, and records. Staff has been able to determine that the expenses are reasonable and required as part of the Company's operation. The Company's financial information supports the revenue requirement, and the Company should be allowed to collect a surcharge under the requirements of WAC 480-110-455.

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