

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

In the Matter of the Request of

WASHINGTON WATER SUPPLY, INC.,

To Approve Tariff Revisions Regarding a
Temporary Surcharge for Recovery of
Purchased Water Expenses

DOCKET UW-230598

ORDER 01

ALLOWING RATES TO GO INTO
EFFECT, SUBJECT TO
CONDITIONS; GRANTING
EXEMPTION FROM RULE

BACKGROUND

- 1 On July 12, 2023, Washington Water Supply, Inc., (Washington Water or Company) filed with the Washington Utilities and Transportation Commission (Commission) a tariff revision to include a surcharge of \$60 per month for the recovery of purchased water expenses due to well issues and high summer usage on the Echo Glen Water System (Echo Glen). On August 7, 2023, Washington Water filed revisions to its proposed tariff and a request for exemption from the notice requirements of WAC 480-110-425(3), which requires that the Company provide 30 days' notice to customers of any change in rates. The Company sent notice to customers on July 12, 2023, of the proposed surcharge, but that notice contained inaccurate dates. The Company sent a revised notice on July 28, 2023, which does not meet the 30-day requirement for the requested effective date. The Company requests that the Commission allow the rates to take effect on August 15, 2023, with less than 30 days' notice.
- 2 Washington Water contends that the Echo Glen well supply has been gradually decreasing over the last few years and the well needs repair or replacement. According to Echo Glen customers, a meeting was held in June of 2022 at which the Company agreed to install a new well and all parties agreed to interim rates to rehabilitate the existing well.
- 3 In April 2023, the Company hired a well driller to rehabilitate the well. Due to an accident resulting in an injury to the well driller employee, the well drilling company has not completed the work. In May of this year the Company again had well capacity issues and began purchasing water, which was trucked in and put into the water system.

4 The Department of Health (DOH) provided Staff with a copy of an August 7, 2023, letter sent to the Company which states Echo Glen is currently on a Boil Water Advisory. The letter further states that for DOH to lift the advisory, the Company must demonstrate the water is safe to drink by providing DOH with bacteriological sample results indicating no coliforms are present.

5 The total customer count for the Echo Glen water system is 42 connections. The surcharge as originally filed would generate an additional \$30,240 (40.9 percent) on an annual basis, or \$7,560 (10.2 percent) over 90 days. The Company serves approximately 140 customers on nine water systems located in King, Kitsap, and Clallam counties. The Company's last rate change was effective January 1, 2001.

6 Additionally, the Company has meters installed for approximately 50 percent of the Echo Glen customers but does not read or bill for water usage. The Company's current tariff has a usage rate, but the Company does not use it. In response to a Commission staff (Staff) data request, the Company noted it would cost about \$700 per customer to install a meter connection and would take about four hours per installation.

7 Staff reviewed the invoices from the water trucking provider and verified the cost incurred for the purchased water. As of July 28, 2023, the Company has invoices showing the cost for purchased water was \$10,965. Staff's review of the filing shows that the historical expenses are reasonable and required as part of the Company's operations to provide water service. The Company's financial information provided, however, supports a surcharge collection over three months rather than 12 months as originally filed. Staff therefore recommends that the Commission approve the tariff surcharge to become effective on August 15, 2023, subject to the conditions that: (1) the surcharge will expire on November 15, 2023, (2) the Company file a general rate case with an effective date no later than February 15, 2024, and (3) per WAC 480-110-455(4), the Company report to the Commission within 60 days of the end of each calendar quarter that the surcharge is in effect:

- 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. Reconcile the bank balance to the general ledger.

8 Staff also recommends that the Commission grant the Company's request for exemption from WAC 480-110-425(3).

9 This matter came before the Commission at its regularly scheduled open meeting on August 10, 2023. The Commission received comments from DOH, as well as several customers of the Company. Both DOH and the customers described a pattern of mismanagement and failure to maintain the water system in a safe, sanitary, and sufficient manner as required by water companies in Washington. The Company did not appear at the open meeting.

DISCUSSION

10 The Commission is extremely concerned by the reports of the Company's failure to adequately maintain and manage Echo Glen. We sympathize with the customers that the situation is urgent and untenable, and demands immediate action which the Company seems both unwilling and unable to provide. We thus direct Staff to initiate a complaint against Washington Water under RCW 80.04.110 addressing both water quality and safety issues, and to partner with DOH to pursue receivership or forced sale of the Company should management continue to refuse to provide the level of water service it is legally required to provide.

11 Unfortunately, due to the current unsafe water supply, until the well can be repaired the Company must continue to purchase and transport water at additional cost. Thus, we agree with Staff and find that Washington Water's proposed surcharge, subject to the conditions that Staff recommends, is reasonable and sufficient. With the conditions, this revision results in a surcharge based on costs incurred. Prior to the November 15 expiration date, the Company may file to update the surcharge with additional invoices paid to recalculate the amount or time period of the surcharge.

12 We also grant the Company a one-time exemption from WAC 480-110-425(3) to allow the surcharge to take effect on shortened notice. We find that Echo Glen customers were provided with sufficient notice of the proposed surcharge on July 12, 2023, despite the inaccurate dates in the notice.

13 Although we find it necessary to allow this temporary surcharge based on costs already incurred and to avoid a looming crisis in this community, we will not approve a surcharge indefinitely. We strongly caution the Company that this is a very short-term solution to address the Echo Glen system's supply issues. The Company *must* prioritize fixing or replacing the well, finish installing meters for all customers, and begin charging metered rates or it will face enforcement action from the Commission. The Commission will continue to work with DOH to resolve the problems with this water system.

FINDINGS AND CONCLUSIONS

- 14 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, and affiliated interests of public service companies, including water companies.
- 15 (2) Washington Water is a water company and a public service company subject to Commission jurisdiction.
- 16 (3) This matter came before the Commission at its regularly scheduled meeting on August 10, 2023.
- 17 (4) Washington Water has demonstrated that the proposed surcharge is fair, just, reasonable, and sufficient.
- 18 (5) The tariff revisions filed by Washington Water on July 12, 2023, as revised on August 7, 2023, should be allowed to become effective on August 15, 2023, and expire on November 15, 2023, subject to the conditions detailed in paragraph 7 of this Order. Washington Water may file revised documentation to support an extension of the time period of the surcharge or adjustment of the rate prior to the expiration date.
- 19 (6) The Commission should grant Washington Water an exemption from WAC 480-110-425(3) for the tariff revision filed on July 12, 2023, and revised on August 7, 2023, to become effective on August 15, 2023, on less than 30 days' notice, subject to the conditions detailed in paragraph 7 of this Order.
- 20 (7) Staff should initiate a complaint against Washington Water under RCW 80.04.110 addressing both quality and safety issues.

ORDER

THE COMMISSION ORDERS:

- 21 (1) The tariff revision filed by Washington Water Supply, Inc., in this Docket on July 12, 2023, and revised on August 7, 2023, shall become effective by operation of law on August 15, 2023, and will expire on November 15, 2023,

subject to the conditions detailed in paragraph 7 of this Order.

- 22 (2) Commission regulatory staff is directed to initiate a complaint against Washington Water Supply, Inc. under RCW 80.04.110 to address water quality and safety concerns.
- 23 (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.

DATED at Lacey Washington, and effective August 10, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner