

Agenda Date: February 25, 2011  
Item Number: A1

**Docket:** UW-110214  
Company Name: Oasis Water Corporation

Staff: Jim Ward, Regulatory Analyst  
Dennis Shutler, Consumer Protection Staff

### **Recommendation**

Issue an order approving the tariff revision filed by the Oasis Water Corporation on January 31, 2011, to become effective March 3, 2011, subject to conditions set forth below.

### **Discussion**

On January 31, 2011, Oasis Water Corporation (Oasis or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would reduce the State Revolving Fund (SRF) surcharge rate. This rate change is a reduction in rates due to changes in the loan terms. The company proposes to decrease rates from \$22.82 to \$19.60 (14.1 percent). Oasis serves about 173 customers near Benton City located in Benton County.

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 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. In June 2010, the PWB determined that Oasis qualified for a no-interest (zero percent) rate and 30-year loan repayment.

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.

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.

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.

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 1, 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.

**Customer Comments**

On January 31, 2011, the company notified its customers of the proposed rate decrease by mail. The commission received no customer comments on this filing.

**Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
SRF Surcharge (Each Customer)	\$22.82	\$19.60

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the SRF surcharge reduction is reasonable and required as part of the company's operation. The company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

**Conclusion**

Issue an order approving the surcharge filed by the Oasis Water Corporation on January 31, 2011, to become effective March 3, 2011, subject to conditions set forth above.