

Agenda Date: January 26, 2023
Item Number: A9

Docket: UW-220964
Company Name: Blue Rock Water Company, LLC
Staff: Mike Young, Regulatory Services
John Cupp, Consumer Protection

Recommendation

Take no action allowing tariff pages filed by Blue Rock Water Company, LLC, on December 23, 2022, to become effective February 1, 2023, by operation of law.

Background

On December 23, 2022, Blue Rock Water Company, LLC, (Blue Rock or Company) filed with the Washington Utilities and Transportation Commission (Commission) Tariff revisions adding Schedule 5.1, which provides for a facilities charge in the amount of \$6,500. The charge will apply only to future connections company-wide except for the Lower Water System in Clallam County, and the Suddenview system in Snohomish County. The Company provides water service to approximately 900 customers on 21 systems in multiple counties in western Washington and one system in Lincoln County. Blue Rock is the successor of Iliad Water Company, Inc. and has not filed for a general rate increase under current ownership.

The Company does not currently have a facilities charge in its tariff, but the predecessor owners had charged a “facilities charge” to many customers as the various systems were constructed. The proposed charge would only apply to future customers who are not currently connected to the system or receiving water service. The Company is contemplating several capital improvement projects, significantly on the Sunny Hills system located in Lincoln County.

Discussion

A facilities charge is defined in WAC 480-110-245 as a one-time fee that a new customer must pay before the Company will connect the customer’s property to the water system. WAC 480-110-455, Funding Mechanisms, further states that “The purpose of a surcharge or facilities charge is to provide the water company with a source of capital provided by customers, to fund capital needs.” The Company proposes to make capital improvements to several systems, and specifically to the Sunny Hills system in order to accommodate additional connections. The system currently has 35 active connections, but has the potential to add 18 more, and a further 55 connections in a future development if the storage and pumping mechanisms are upgraded to handle the increased capacity. The Company has been working with the Department of Health (DOH-through their Sanitary Survey process) to determine the engineering requirements. Although these figures are preliminary, the following table outlines cost estimates for the capital improvements:

Sunny Hills Investments per Sanitary Survey & 21-0513	
Controls upgrade (Samsara)	\$ 47,500
Engineering	\$ 20,000
Well tests / GPS location of meters	\$ 2,500
2 Booster pumps	\$ 11,110
Sample tap	\$ 5,800
AFR Meters	\$ 27,500
Excavator rental	\$ 2,500
Total Phase 1 investment	<u>\$ 116,910</u>
Storage tank (15,000 gallon)	\$ 100,000
Total cost	<u>\$ 216,910</u>
Possible connections (18) @ \$6,500	\$ 117,000

Adding a facilities charge would assign the cost to those causing the cost; future customers requiring increased capacity. The current system is adequate for the existing 35 customers, but not for additional connections according to DOH engineering standards. Facilities charges are classified as Contributions in Aid of Construction and as such do not count towards the Company's rate base calculation.

The Company in its cover letter suggests that the amount proposed is in line with inflationary costs compared to almost 20 years ago, when most of these systems were initially constructed. The Company has invested and will continue to invest its own capital in system improvements company wide.

In addition, the Company is adding pass-through facilities charges for the Lower and Suddenview water systems in the amount of \$2,500. This is a facilities or connection charge applied by the Clallam County and Snohomish County utility districts for connections added to those two water systems who receive water from the municipalities.

Staff concurs with the Company's assessment of the facts and believes the proposed rates to be fair, just, reasonable, and sufficient to provide capital for future planned system improvements.

Customer Comments

On December 29, the Company notified its customers by mail of the proposed tariff revision. Customers were notified that they may contact John Cupp at 1-888-333-9882 or

john.cupp@utc.wa.gov with questions or concerns. Staff received 16 consumer comments, all opposed to the facilities charge.

Comments

Staff received comments from consumers who:

- receive water from Blue Rock Water Company, and are not subject to the facilities charge;
- have drilled their own wells; or
- have pending water availability requests.

Existing Blue Rock customers, consumers with their own wells, and potential customers all oppose the \$6,500 facilities charge, saying it is excessive. Consumers receiving water from their own wells don't feel they are or were ever obligated to use Iliad/Blue Rock service and the service charge should never apply to them. Several consumers with their own wells stated they have already paid a facilities charge and should not have to pay another if they were to reconnect to Blue Rock's facilities.

Staff Response

Staff explained that the issue is thoroughly investigated. Staff asked customers who said they already paid a facilities charge to provide documentation. Staff has not yet received such documents.

Whether consumers currently with their own wells will be required by the Department of Ecology to stop using those wells and reconnect to the water system is a separate matter outside of this filing.

Conclusions

Staff has completed its review of the Company's documentation. Staff's review shows that the revised tariff pages filed are reasonable and required as part of the Company's operations.

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