

Agenda Date: January 25, 2024  
Item Number: A2

**Docket:** UW-231047  
Company: Lakeland Village Water Company

Staff: Byron Davis, Regulatory Services  
Andrew Roberts, Consumer Protection

### **Recommendation:**

Issue an Order implementing a surcharge and allow tariff revisions filed by Lakeland Village Water Company on December 23, 2023, to become effective February 1, 2024, subject to reporting requirements outlined in WAC 480-110-455.

### **Discussion**

On December 23, 2023, Lakeland Village Water Company (Lakeland or Company) filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions proposing to implement a surcharge that would generate approximately \$70,000 (22.9 percent) in additional annual revenue. The water system provides water service to approximately 900 customers in Mason County. The Company's last general rate increases were effective on January 1, 2011.

The proposed tariff revision will allow the Company to recover 70 percent of a \$100,000 loan, principle plus interest and state excise taxes, used to update their Comprehensive Water System Plan as required by The Washington State Health Department.

The Company has confirmed that the water system Plan is still currently in process. Twenty-five percent of the project is completed and will take another 4 months to be 100 percent complete.

Commission Staff's (Staff) reviewed Company-provided documents which support the amount requested of \$70,000 which is 70 percent of the total cost of the Comprehensive Water System Plan. Staff believes that a one-time payment of \$81.37, or a monthly surcharge cost of \$1.10 per customer over a period of 10 years is appropriate and will result in rates that are fair, just, reasonable, and sufficient.

### **Staff's Recommended Conditions for Surcharge**

Staff recommends the Commission authorize the surcharge subject to the following conditions: (WAC 480-110-455)

(a) The surcharge must apply to all water customers served by Lakeland. The surcharge must expire on January 31, 2034, or upon recovery of \$70,000 for principle plus interest and state excise taxes, whichever occurs first.

- (b) In the event of partial payment made by a customer, funds must first be applied to the surcharge before being applied to other charges billed.
- (c) Funds received from the surcharge, including interest earned on the funds while held in a reserve account, must be treated as contributions-in-aid-of-construction.
- (d) Surcharge funds collected, and interest earned upon funds, must be held in a separate reserve account by Lakeland 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 Lakeland, the trust obligations established in WAC Chapter 480-110 regarding any unspent surcharge funds must be transferred to the owners of the Company.
- (e) Lakeland must report the following information to the Commission within 60 days of the end of each calendar quarter per WAC 480-110-455(4):
  - i. Beginning balance;
  - ii. Amounts received, detailed by source;
  - iii. Amounts spent, detailed by expense;
  - iv. Ending balance; and,
  - v. Reconciliation of the bank balance to general ledger.
- (f) Lakeland must immediately deposit all monthly payments received and related to the surcharge in the same separate reserve account specified in condition (c), above.
- (g) Excess funds held in the reserve account will be remitted quarterly toward the payment of the debt. "Excess funds" means money accumulated in the reserve account in excess of payments due during the quarter to Lakeland.

### **Customer Comments**

On December 12, 2023, the Company notified its customers of the proposed surcharge increase by U.S. mail. Staff received one consumer comment. This consumer questions the need for customers to pay for system additions rather than the company finding partners to pay for the costs.

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