

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

WASHINGTON WATER SUPPLY,
INC.,

Respondent.

DOCKET UW-240079

ORDER 01

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 02

COMPLAINT AND ORDER
SUSPENDING TARIFF REVISIONS;
CONSOLIDATING DOCKETS

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 in Docket UW-230598 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 Glenn water system located in Maple Valley. The total number of customers on the Echo Glenn water system is 42 connections.
- 2 On August 10, 2023, the Commission issued Order 01 in Docket UW-230598 that allowed the surcharge in the amount of \$60.00 per month to become effective August 15, 2023, subject to the following conditions:

- (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.

3 The Company completed well rehabilitation and ceased trucking water in September 2023. The system is no longer on a Boil Water Advisory.

4 On December 8, 2023, the Company filed tariff pages to re-institute the \$60.00 per month surcharge for a period of six months or until it collects \$13,710.00 whichever occurs first. This filing was suspended by the Commission in Order 01, Docket UW-230997, issued on January 11, 2024.

5 On January 22, 2024, the Company filed tariff pages in this docket requesting a surcharge in the amount of \$24,000, to recover the costs incurred by the Company to rehabilitate the Echo Glen well.

6 On February 1, 2024, the Company notified customers of the proposed surcharge.

7 Commission Staff (Staff) reviewed the Company's documentation. Staff does not believe a surcharge is warranted in this instance and that allowing the surcharge would result in rates that are not fair, just, reasonable, or sufficient.

8 In reviewing the filing, Staff looked at the costs to be recovered, the proper mechanism to recover allowable costs, and other requirements of the Company imposed by the Commission. While Staff believes that the costs the Company is seeking to recover are better recovered through a general rate case, which the Company has not filed since 2001, and that this filing should be combined with the docket requiring a general rate filing.

9 Staff further expresses that it does not believe that these costs properly fit into any of the categories of surcharges as outlined in WAC 480-110-455. Although Staff recognizes it could be argued that the Department of Health ordered these repairs, there was no

requirement by the Department of Health that Staff is aware of prior to when issues began in 2022. Staff believes the costs at issue are capital costs, and therefore not special operating expenses. Staff note that the Company was granted a surcharge to recover the costs of trucked water, which qualified as a special operating expense.

- 10 Staff's review further determined that the Company has not yet complied with the requirements in paragraph 7 of Order 01 in Docket UW-230598. One of those requirements was for the Company to file a general rate case by February 15, 2024. Staff believes combining this filing with the UW-230598 docket will allow these costs to be recovered in rates over all customers as part of the single tariff pricing concept.
- 11 Staff recommends that the Commission suspend the revised tariff, combine this docket with UW-230598, and set the matter for adjudication.
- 12 This matter came before the Commission at its regularly scheduled open meeting on February 22, 2024. The Commission heard additional comments from Staff, which reiterated its recommendation.

DISCUSSION AND DECISION

- 13 We agree with Staff that the tariff should be suspended for adjudication and combined with a general rate filing as required in Docket UW-230598. The Commission therefore suspends the tariff filing and orders this docket combined for consideration with the Company's pending general rate case.
- 14 Surcharges, as described in WAC 480-110-455, are designed to fund three types of financing needs:
- (1) Future water utility plant.
 - (2) Current water utility plant as required by the Department of Health or the Department of Ecology.
 - (3) Special expenses, which are operating expenses independent and unique from normal operating expenses.
- 15 The Commission regulates investor-owned utilities and requires owners to make the necessary capital investments to maintain safe and sufficient drinking water. Owner investment is normally recovered in general rates, which repays the owner through depreciation of the capital asset, and return earned on rate-base. Commission practice

when previously granting surcharges for capital cost recovery has been to limit the amount collected through the surcharge to no more than 70 percent of the total costs.

16 We note Staff's argument that the costs Washington Water seeks to recover in this docket are better recovered through general rates. The costs for well rehabilitation are costs to extend the life of the asset and is a normal capital investment required to maintain safe and sufficient drinking water. However, we reserve a ruling on this issue until the conclusion of the proceeding.

FINDINGS AND CONCLUSIONS

- 17 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, and practices of public service companies, including water companies.
- 18 (2) Washington Water is a water company and a public service company subject to Commission jurisdiction.
- 19 (3) The tariff revisions Washington Water filed on January 22, 2024, would increase charges and rates for service provided by Washington Water and might injuriously affect the rights and interest of the public.
- 20 (4) Washington Water has not yet demonstrated that the tariff revisions would result in rates that are fair, just, reasonable, and sufficient.
- 21 (5) Washington Water's rates and charges for water service shown on any tariffs that Washington Water does not propose to revise may also be investigated to determine if they are fair, just, reasonable, and sufficient.
- 22 (6) In order to carry out the duties imposed upon the Commission by law, and as authorized in RCW 80.04.130, the Commission believes it is necessary to investigate Washington Water's books, accounts, practices, and activities; to make a valuation or appraisal of Washington Water's property; and to investigate and appraise various phases of Washington Water's operations. The Commission finds that this docket meets the criteria of WAC 480-07-400(2)(b)(i) and that the parties may conduct discovery pursuant to the Commission's discovery rules in WAC 480-07-400 – 425.
- 23 (7) As required by RCW 80.04.130(4), Washington Water bears the burden to prove that the proposed increases are fair, just, reasonable, and sufficient.

- 24 (8) Washington Water may be required to pay the expenses reasonably attributable and allocable to such an investigation, consistent with RCW 80.20.
- 25 (9) The Commission should consolidate the present docket with Docket UW-230598.

ORDER

THE COMMISSION ORDERS:

- 26 (1) The tariff revisions Washington Water Supply, Inc. filed on January 22, 2024, are suspended.
- 27 (2) The Commission will hold hearings at such times and places as may be required. Such hearings may also examine Washington Water Supply, Inc.'s rates and charges for water service shown on any tariffs that Washington Water Supply, Inc. does not propose to revise.
- 28 (3) Washington Water Supply, Inc., must not change or alter the tariffs filed in this docket during the suspension period unless authorized by the Commission.
- 29 (4) The Commission will institute an investigation of Washington Water Supply, Inc.'s books, accounts, practices, activities, property, and operations as described above.
- 30 (5) The parties may conduct discovery pursuant to the Commission's discovery rules in WAC 480-07-400 – 425.
- 31 (6) Washington Water Supply, Inc., shall pay the expenses reasonably attributable and allocable to the Commission's investigation to the extent required in Chapter 80.20 RCW.
- 32 (7) Dockets UW-240079 and UW-230598 are consolidated.

DATED at Lacey, Washington, and effective February 22, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner