

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**WASHINGTON WATER SUPPLY,
INC.,**

Respondent.

**DOCKETS UW- UW-240079 and
230598 (Consolidated)**

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**

TESTIMONY OF

MIKE YOUNG

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Complaint Against Washington Water Supply, Inc.

August 27, 2024

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1 I. INTRODUCTION

2

3 Q. Please state your name and business address.

4 A. My name is Mike Young, and my address is 621 Woodland Square Loop 4 SE, Lacey,
5 WA 98503. My mailing address is P.O. Box 47250, Olympia, WA 98504-7250. My
6 email address is Mike.Young@utc.wa.gov.

7

8 Q. By whom are you employed and in what capacity?

9 A. I am employed by the Washington Utilities and Transportation Commission
10 (Commission) as a Senior Regulatory Advisor in the Telecom, Water and Solid Waste
11 Section of the Regulatory Services Division. I am currently the Acting Section Manager
12 for the Telecom, Water, and Solid Waste Section.

13

14 Q. How long have you been employed by the Commission?

15 A. I have been employed by the Commission since August 2000.

16

17 Q. Please state your qualifications to provide testimony in this proceeding

18 A. I have a Bachelor of Arts in Accounting from Western Washington University. I have
19 worked for the commission for 24 years, the last 12 of those in the transportation section
20 of the Regulatory Services Division, including as Section Manager and Assistant
21 Director.

1 **Q. Have you testified previously before the Commission?**

2 A. Yes. I have provided testimony in several dockets concerning rate filings by auto
3 transportation, marine pilots, and commercial ferry companies, and have led numerous
4 informal solid waste collection and water company rate filings.

5

6 **II. SCOPE AND SUMMARY OF TESTIMONY**

7

8 **Q. What is the scope and purpose of your testimony?**

9 A. My testimony will address the complaint filed against Washington Water Supply, Inc.
10 (Company or Washington Water), on May 30, 2024.¹ I will address each of the violations
11 alleged in the Complaint and will provide Staff's recommendations.

12

13 **Q. Please summarize Staff's recommendations.**

14 A. Staff recommends the following:

- 15 1. The Company be fined \$400 per each of 57 violations for a total of \$22,800 for
16 failure to provide safe, adequate, and efficient water service.
- 17 2. The Company be fined \$200 per each of 121 violations for a total of \$24,200 for
18 failure to timely repair the Echo Glen well.
- 19 3. The Company be fined \$500 per each of 17 violations for a total of \$8,500 for
20 failure to install working and accurate meters. I recommend that the Commission
21 order Washington Water to install the remaining 17 meters by January 1, 2026. I
22 further recommend that this penalty be suspended until January 1, 2026. For each

¹ *Wash. Util. & Transp. Comm'n v. Wash. Water Supply, Inc.*, Docket UW-230598, Complaint and Notice of Prehearing Conference (May 30, 2024) ("Complaint").

1 meter installed by December 31, 2025, the \$500 penalty will be waived. For each
2 meter *not* installed by January 1, 2026, the suspended penalty will be imposed at a
3 rate of \$100 per meter per month until the meter is installed. I recommend that the
4 Commission order the Company to implement meter reading and billing
5 according to metered usage starting January 1, 2026, for those customers that
6 have meters installed, and starting such practices once meters are installed for
7 customers without meters on January 1, 2026. Lastly, I recommend that the
8 Commission require the Company to report its meter installation progress no later
9 than 30 days after the end of each calendar quarter.

10 4. The Company be fined \$1,000 for not complying with the Commission's order to
11 file a general rate case.

12 5. The Company be fined \$1,000 for each of two violations for a total of \$2,000 for
13 failing to file quarterly reports on two surcharges as required by WAC 480-110-
14 455.

15
16 **Q. Have you prepared exhibits in support of your testimony?**

17 A. Yes. I prepared Exhibits MY-2 through MY-8. They are:

- 18 • Exh. MY-2 Declaration of Mike Young with Attachments 1 through 8
- 19 • Exh. MY-3 Washington Water Response to Staff Data Request No. 12
- 20 • Exh. MY-4 Washington Water Response to Staff Data Request No. 6
- 21 • Exh. MY-5 Washington Water Response to Staff Data Request No. 8
- 22 • Exh. MY-6 Washington Water Response to Staff Data Request No. 9 with attachment
- 23 • Exh. MY-7 Washington Water Response to Staff Data Request No. 13

- 1 • Exh. MY-8 Washington Water Response to Staff Data Request No. 14
- 2 • Exh. My-9 Washington Water Response to Staff Data Request No. 1 (Supplemental)

3

4

III. BACKGROUND

5

6 **Q. Please describe Washington Water.**

7 A. The Company serves approximately 140 connections on nine water systems located in
8 King, Kitsap, and Clallam counties.² Washington Water’s water systems are Echo Glen,
9 Crystal Creek, Wolf, Hinley Hills, MPVK, Deer Trail, Noll Road, Salmon Drive, and
10 Maple Haven.³ The Company’s last rate change was effective January 1, 2001.⁴ In 2023,
11 the Company’s annual revenue was \$80,964.⁵

12

13 **Q. What are the circumstances that prompted the complaint against Washington**
14 **Water?**

15 The Echo Glen water system experienced supply issues. Well supply for Echo Glen
16 gradually decreased over a few years, and the well needed repair or replacement.⁶
17 Washington Water was aware of the decline.⁷

18 Recent issues with Echo Glen reached a peak in 2022.⁸ Customers experienced
19 outages, potential leaks on the system, and complained about lack of meters, resulting in

² Young, Exh. MY-2, Declaration of Mike Young, at ¶ 3.

³ Young, Exh. MY-3, Washington Water Response to Staff Data Request No. 12.

⁴ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 3.

⁵ Young, Exh. MY-4, Washington Water Response to Staff Data Request No. 6.

⁶ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 3.

⁷ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 3 citing Attachment 1, Echo Glen Outage update from Poppe 6-1-2023; Exh. MY-2, Declaration of Mike Young, Attachment 2, Echo Glen Customer Notice 6-3-2022.

⁸ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 4.

1 complaints being filed with the Department of Health (DOH).⁹ According to the Echo
2 Glen customers, a meeting was held in June 2022, where the Company proposed a new
3 well and interim rates to rehabilitate the existing well.¹⁰

4 In April 2023, Washington Water hired a well driller to rehabilitate the well. In
5 May 2023, the Company again had well capacity issues and started to purchase water
6 which was trucked in and put into the water system.¹¹ According to a statement from
7 Water Buffalo Inc., the Company began purchasing water on June 2, 2023.¹² Due to an
8 accident where the well driller employee was injured, the well drilling company was not
9 able to complete the work until September 2023.¹³ The Company has not been able to
10 produce a final report from the drilling company due to a billing dispute.¹⁴

11 In communications to customers, Washington Water identified issues leading to
12 several water system outages lasting up to 10 hours. The company stated that reduced
13 well capacity in combination with higher summer water usage were causing the

⁹ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 4 citing Attachment 3, Echo Glen Water System DOH History Snapshot thru 8.2023 (entry dated 6/1/2022: Complaint received (10 residents). Lack of meters. Lack of adequate communication. Lack of local contact. Repairs done by unlicensed personnel with unknown qualifications. Unknown status of DOH-specified repairs. Inadequate water shut offs at each house).

¹⁰ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 4 citing Attachment 4, Echo Glen customer meeting email 6-8-2022 (meeting scheduled for June 28, 2022).

¹¹ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 5 citing Attachment 1 Echo Glen Outage update from Poppe 6-1-2023.

¹² Young, Exh. MY-2, Declaration of Mike Young, at ¶ 5 citing *In re Request of Washington Water Supply, Inc.*, Docket UW-230598, Initial Filing (July 13, 2023), Water Buffalo, Inc. billing statement dated July 6, 2023.

¹³ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 5 citing Attachment 1 Echo Glen Outage update from Poppe 6-1-2023.

¹⁴ Young, Exh. MY-5, Washington Water Response to Staff Data Request No. 8.

1 outages.¹⁵ The well capacity issues resulted in a Boil Water Advisory, one going into
2 effect on July 5, 2023.¹⁶ This Boil Water Advisory lasted until September 30, 2023.¹⁷

3 On July 12, 2023, the Company filed with the Commission a tariff revision in
4 Docket UW-230598 to include a surcharge of \$60 per month for recovery of purchased
5 water expenses.¹⁸ In Order 01, the Commission granted the surcharge to be collected
6 from August 15, 2023, through November 15, 2023.¹⁹ Additionally, the Commission
7 ordered Washington Water to file a general rate case with rates effective February 15,
8 2024, and ordered the Company to file certain quarterly reports related to the surcharge.²⁰

9 The Company completed well rehabilitation and ceased trucking in water by the
10 end of September 2023.²¹ Instead of filing a general rate case, Washington Water filed a
11 second surcharge request on December 8, 2023, in Docket UW-230997. This second
12 surcharge request was for \$60 per month over six months to recover the remaining costs
13 of the trucked-in water.²² That docket was suspended and resolved through settlement,
14 which was approved by the Commission.²³ The second surcharge went into effect
15 beginning in July 2024.²⁴ By December 31, 2024, Washington Water will have

¹⁵ Young, Exh. MY-2, Declaration of Mike Young, citing Attachment 1, Echo Glen outage update from Poppe 6-1-2023.

¹⁶ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 9 citing Attachment 5, Echo Glen DOH notice 8-7-2023 and Attachment 3, Echo Glen Water System-History Snapshot thru 8.2023 (entry dated 7/7/2023: Chronic water outages. Boil Water Advisory / Conservation Advisory. Well pumping capacity severely reduced. Purveyor trucking water. Difficult to manage consumer demand – not fully metered. Driller contracted to replace well screens / drill new well.); Young, Exh. MY-6, Washington Water Response to Staff Data Request No. 9, p. 1 and 3.

¹⁷ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 11 citing Attachment 7, Company correspondence with email attachment, p. 14.

¹⁸ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 6.

¹⁹ *In re Request of Washington Water Supply, Inc.*, Docket No. UW-230598, Order 01, at ¶ 2 (Aug. 10, 2023).

²⁰ Order 01, at ¶ 2.

²¹ Young, Exh. MY-6, Washington Water Response to Staff Data Request No. 9 with attachment, p. 19.

²² Young, Exh. MY-2 at ¶ 7.

²³ *Wash. Util. & Transp. Comm'n v. Wash. Water Supply, Inc.*, Docket UW-230997, Order 04, Order Approving Settlement (June 14, 2024).

²⁴ Docket UW-230997, Updated Revised Cost Recovery Surcharge Tariff, showing the surcharge to be applied July through December 2024.

1 completed collecting surcharges from customers to recover the total cost of the trucked-in
2 water.

3 On January 22, 2024, the Company filed for a third surcharge in Docket
4 UW-240079 to recover approximately \$24,000 incurred in rehabilitating the well.
5 Washington Water did not file a general rate case. The Commission suspended this tariff
6 at its February 22, 2024, open meeting, and consolidated Dockets UW-230598 and UW-
7 240079.²⁵

8 Washington Water has not filed any quarterly reports relating to the surcharge
9 approved in Docket UW-230598.²⁶

10
11 **Q. Do these circumstances merit a complaint against the company?**

12 A. Yes. The company failed to take timely action to ensure that customers received the
13 water service for which they were billed. Customers did not have safe, adequate, and
14 efficient service for significant periods of time. Additionally, the company failed to
15 comply with commission orders. In the next section of my testimony, I will go through
16 each cause of action from the Complaint, explain each of the Company's violations, and
17 present Staff's recommendation with respect to those violations.

18
19 **IV. CAUSES OF ACTION**

20
21 **A. First Cause of Action: Washington Water violated RCW 80.28.010(2) by**
22 **failing to furnish and supply such service, instrumentalities and facilities as**
23 **shall be safe, adequate and efficient, and in all respects just and reasonable**
24 **during the period that Echo Glenn was subject to a Boil Water Advisory.**

²⁵ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 8.

²⁶ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 15.

1 **Q. Did Washington Water issue a Boil Water Advisory for the Echo Glen water**
2 **system?**

3 A. Yes. On July 5, 2023, the Company issued a Boil Water Advisory.²⁷ The
4 Company provided a Health Advisory Summary dated July 7, 2023, filed with
5 DOH.²⁸

6

7 **Q. What is a Boil Water Advisory?**

8 A. A Boil Water Advisory is a notice to customers required by the federal
9 Environmental Protection Agency that advises customers to boil water before use,
10 including consumption, due to actual or potential E coli contamination.

11

12 **Q. Are Boil Water Advisory notices common?**

13 A. No. Boil Water Advisories should not be a common occurrence, but they do
14 happen for various reasons.

15

16 **Q. Do you have concerns about the Boil Water Advisory issued by Washington**
17 **Water in July 2023?**

18 A. Yes. Although the existence of a Boil Water Advisory by itself does not
19 necessarily give rise to a statutory violation, in this case, I am concerned about the
20 length of time the Advisory was in effect and how Washington Water handled the
21 notification process.

²⁷ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 9; Exh. MY-6, Washington Water Response to Staff Data Request No. 9 with attachment, page 1 and 3.

²⁸ Young, Exh. MY-6, Washington Water Response to Staff Data Request No. 9 with attachment, at 5.

1 **Q. How long was the Boil Water Advisory in effect?**

2 A. According to Washington Water, it lifted the Boil Water Advisory on September
3 30, 2023.²⁹ This coincides with the time that trucked-in water was utilized. At the
4 time, DOH had concerns about being notified of the advisory and when it was
5 lifted.³⁰

6 Washington Water was required to coordinate with DOH prior to lifting
7 the Boil Water Advisory.³¹ In early November 2023, in response to an email from
8 DOH employee Derek Pell, the Company advised DOH and Commission Staff
9 that it had withdrawn the Boil Water Advisory in October 2023, after samples
10 were tested with negative results for contamination.³² During this same time,
11 Washington Water received a violation from DOH because it did not receive
12 required coliform sample results for November 2023.³³

13
14 **Q. What concerns do you have regarding Washington Water's ability to provide**
15 **safe, adequate, and efficient water service during the period that Echo Glen**
16 **was subject to a Boil Water Advisory?**

17 A. Customers were required to boil water from early July through September or
18 October 2023. Contamination testing was conducted at the end of September and

²⁹ Young, Exh MY-2, Declaration of Mike Young, Attachment 7, page 14 (Email from John Poppe to Shelly Cline dated 9-30-23).

³⁰ Young, Exh. MY-2, Declaration of Mike Young, at ¶¶ 9-11.

³¹ Young, Exh. MY-2, Declaration of Mike Young, at ¶¶ 9-10, and Attachment 7, page 2 (email from DOH to Company).

³² Young, Exh. MY-6, Washington Water Response to Staff Data Request No. 9 with attachment, at page 17; Exh. MY-2, Declaration of Mike Young, Attachment 7, page 3. *But see*, Young, Exh MY-2, Declaration of Mike Young, Attachment 7, page 14 (Email from John Poppe to Shelly Cline dated 9-30-23).

³³ Exh. MY-2, Declaration of Mike Young, Attachment 6, page 1.

1 the end of October.³⁴ Each of the tests show that the water was satisfactory.³⁵
2 Washington Water asked one of its customers to tell the rest of the Echo Glen
3 customers that the Boil Water Advisory was lifted on September 30, 2023,
4 making Washington Water's statement to DOH that the advisory was lifted in
5 October 2023 inaccurate. Regardless, operating under a Boil Water Advisory for
6 three months is a significant amount of time, and customers were not receiving
7 the safe potable water they were paying for during this time.

8 Customers participated in the Commission's Open Meeting on August 10, 2023.
9 Customers described their experiences purchasing potable water, having as little
10 as two hours of running water, the inability to sell the houses due to not being
11 able to affirm that they have year-round potable water, losing plants due to lack of
12 water, concern about elderly parents, harm to livestock and pets, and not having
13 sufficient water to address their daily needs, including hygiene.³⁶

14
15 **Q. How did the company notify customers of the Boil Water Advisory?**

16 A. John Poppe, the owner of Washington Water, provides an email to one customer
17 for almost all company communications, including Boil Water Advisories.³⁷ That
18 one customer would then forward the communication via email to other

³⁴ Young, Exh. MY-2, Declaration of Mike Young, Attachment 7, pages 25-27.

³⁵ Young, Exh. MY-2, Declaration of Mike Young, Attachment 7, pages 25-27.

³⁶ UTC Open Meeting August 10, 2023 Recording at 39:11 through 1:36:55, <https://wutc.app.box.com/v/OpenMeetings/file/1288044702722>. Mr. Poppe failed to appear at this Open Meeting.

³⁷ Young, Exh MY-2, Declaration of Mike Young, Attachment 7, page 14 (Email from John Poppe to Shelly Cline dated 9-30-23); Young, Exh. MY-7, Washington Water Response to Staff Data Request No. 13.

1 customers.³⁸ Washington Water inaccurately describes this practice as the
2 Company emailing its customers.³⁹

3
4 **Q. Does this comply with commission notification requirements?**

5 A. In my opinion, no. Although WAC 480-07-425 describes notice requirements
6 related to changes in rates, services, and ownership, it provides direction to water
7 companies regarding what is expected regarding how they communicate with
8 their customers. WAC 480-07-425 contemplates written notice that is printed for
9 distribution. That distribution might include a bill message, bill insert, printed in a
10 company newsletter, or mailed separately to customers.⁴⁰ In these examples,
11 communication is made to each customer by the Company, not by a single
12 customer who then passes the information on to the rest of the customers. It might
13 be possible to allow for electronic notice, if that communication comes from the
14 Company and is sent to all customers opting into electronic communication.

15 In theory, the method Washington Water used with respect to the Boil
16 Water Advisory might provide notice to all customers. However, the customer
17 forwarding the notice commented at the August 10, 2023, Open Meeting that she
18 did not have email addresses for all the customers.⁴¹ As a result, there is no

³⁸ Per the company's answer page 2 paragraph 10 the company states they pay the customer to forward emails to other customers. Staff has no information about this service, nor about any alternative plans in cases where this customer is unable to provide the service. *See also*, UTC Open Meeting August 10, 2023 Recording at 39:11 through 1:36:55 (customer Shelly Cline provided comments about the email situation). <https://wutc.app.box.com/v/OpenMeetings/file/1288044702722>

³⁹ Young, Exh. MY-7, Washington Water Response to Staff Data Request No. 13; Young, Exh. MY-8, Washington Water Response to Staff Data Request No. 14.

⁴⁰ WAC 480-110-425(1) and (5).

⁴¹ UTC Open Meeting August 10, 2023 Recording at 39:11 through 1:36:55 (customer Shelly Cline provided comments about the email situation). <https://wutc.app.box.com/v/OpenMeetings/file/1288044702722>

1 certainty that all customers would receive the notice, or that they would
2 understand the implications of the notice.

3 Moreover, Washington Water unreasonably shifts its responsibility to
4 notify all customers onto an individual customer. This customer does not appear
5 to be an employee of the company and cannot be burdened with that
6 responsibility from a regulatory compliance perspective. Instead, the Company
7 should notify each customer, so that it can be assured that all customers timely
8 receive notification. This is particularly important in the event of a Boil Water
9 Advisory, so customers understand not to consume contaminated or potentially
10 contaminated water.

11
12 **Q. What is your conclusion about the Boil Water Advisory and related customer**
13 **notice process?**

14 A. My conclusion is that Washington Water failed to provide safe, adequate, and
15 efficient services for an unreasonably extended period. Additionally, the
16 Company failed to adequately communicate with its customers about the Boil
17 Water Advisory, placing customers at risk.

18 Under RCW 80.28.010(2), water utilities are required to furnish safe,
19 adequate, and efficient water service. Washington Water customers were
20 subjected to an unreasonably long Boil Water Advisory, preventing them from
21 receiving safe, adequate, and efficient water service. The length of time the Boil
22 Water Advisory was in effect caused harm to these customers. As a result,
23 Washington Water violated RCW 80.28.010(2).

1 **Q. What is your recommendation with respect to the first cause of action?**

2 A. I recommend the Commission issue penalties for failure to provide safe, adequate,
3 and efficient services, which was exacerbated by the Company's failure to
4 provide proper notice to customers. I recommend that the Commission find
5 violations began on August 5, 2023, a month after the Boil Water Advisory
6 commenced, and ended by September 30, 2023. This timeline recognizes that a
7 Boil Water Advisory by itself does not warrant a violation, but that the length of
8 time involved here is extraordinary. Staff's recommendation results in at least 57
9 violations, one violation for each day between August 5, 2023, and September 30,
10 2023.

11 The Commission may impose a penalty up to \$1,000 for each violation.
12 Staff recommends that the Commission impose a penalty of \$400 per violation,
13 for a total penalty of \$22,800 for the first cause of action.

14

15 **B. Second Cause of Action: Washington Water violated RCW 80.28.010(11) by**
16 **failing to timely repair the Echo Glen well.**

17

18 **Q. Did the Echo Glen water system recently experience outages, pressure changes, or**
19 **other disruptions to service provision?**

20 A. Yes. Based on communications I reviewed from customers, the system has had periodic
21 outages and low-pressure issues, perhaps even leaks, for the past several years.⁴²

22 Customers commented at the Commission's August 10, 2023, Open Meeting, describing

⁴² Young, Exh. MY-2, Declaration of Mike Young, at ¶¶ 13-14.

1 their experiences about poor water service occurring over a long period. Customers
2 described the situation as being dire and dangerous to their health.⁴³

3
4 **Q. Was the Company aware of these issues?**

5 A. Yes. In 2022, the company acknowledged that well production was inadequate to meet
6 customer demand.⁴⁴ This situation culminated in the summer of 2023, when the company
7 had to truck in water to maintain proper levels in the reservoir to maintain water pressure
8 and meet customer demand.⁴⁵

9
10 **Q. Did the company eventually repair the existing well or drill a new well?**

11 A. Yes. After some issues with the contractor, the company was able to rehabilitate the
12 existing well in September 2023.⁴⁶ However, before that could be accomplished the
13 company issued a Boiled Water Advisory due to low pressure in the system.⁴⁷

14
15 **Q. Do you believe the company acted in compliance with the requirements of RCW
16 80.28.010(11)?**

17 A. No. RCW 80.28.010(11) requires every water company to construct and maintain safe
18 and efficient facilities in connection with the distribution of water. In maintaining safe
19 and efficient facilities, companies are expected to address maintenance and repair
20 proactively and timely. Given the volume of customer communications, complaints about

⁴³ UTC Open Meeting August 10, 2023 Recording at 39:11 through 1:36:55.
<https://wutc.app.box.com/v/OpenMeetings/file/1288044702722>

⁴⁴ Young, Exh. MY-2, Declaration of Mike Young, Attachment 1.

⁴⁵ Young, Exh. MY-2, Declaration of Mike Young, at ¶¶ 3-5.

⁴⁶ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 7.

⁴⁷ Young, Exh. MY-2, Declaration of Mike Young, at ¶ 9.

1 the availability of water, involvement of DOH, and the length of time the company took
2 to resolve the issues, I do not believe the company acted in a timely manner.

3 According to the Echo Glen customers, a meeting was held in the summer of
4 2022 with the Company where it agreed that a new well was needed. The Company did
5 not file for rates, nor did it contract for well repairs in 2022. It was not until April, 2023
6 that the Company contracted with a well drilling company to address the well issues. The
7 well replacement and rehabilitation was not completed until September 2023, over a year
8 after meeting with customers.

9 While some of this timing was beyond the Company's control (the contractor was
10 injured and alternative contractors were not available), Washington Water did not
11 mitigate the situation by proactively addressing the well issues within a reasonable time.
12 In August 2023, nearly two months before the well was fixed, customers commented to
13 the Commission about how the well issues had been ongoing since the previous year and
14 how their water service had deteriorated.⁴⁸ Washington Water's actions left customers
15 without an adequate and safe water supply for an excessive amount of time.

16 Customer comments indicate that water quality issues were occurring as early as
17 2022, with the issues culminating in trucked water being necessary by June 2, 2023.⁴⁹
18 The well was rehabilitated by September 30, 2023. During this time, Washington Water
19 failed to maintain safe and adequate facilities as required under RCW 80.28.010(11).

⁴⁸ UTC Open Meeting August 10, 2023 Recording at 39:11 through 1:36:55,
<https://wutc.app.box.com/v/OpenMeetings/file/1288044702722>

⁴⁹ Young, Exh. MY-2, Declaration of Mike Young, citing *In re Request of Washington Water Supply, Inc.*, Docket UW-230598, Initial Filing (July 13, 2023), Water Buffalo, Inc. billing statement dated July 6, 2023.

1 **Q. What is your recommendation with respect to the second cause of action?**

2 A. I recommend the commission issue penalties for failing to maintain safe and adequate
3 facilities as required under RCW 80.28.010(11). I recommend that the Commission find
4 violations began on June 2, 2023, the day Echo Glen water system began receiving
5 trucked-in water, and ended by September 30, 2023. This timeline would result in at least
6 121 violations, one for each day between June 2, 2023, and September 30, 2023.

7 The Commission may impose a penalty up to \$1,000 for each violation. Staff
8 recommends that the Commission impose a penalty of \$200 per violation, for a total
9 penalty of \$24,200 for the second cause of action.

10

11 **C. Third Cause of Action: Washington Water violated WAC 480-110-415(1) by**
12 **failing to install meters to measure the volume of water delivered to 21 direct**
13 **service connections.**

14

15

16 **Q. Has the Company installed meters on its Class A systems?**

17 A. The Company stated that it has installed meters to approximately 26 customers out of 43
18 connections on the Echo Glen water system.⁵⁰

19

20 **Q. Does this violate any statutes or rules?**

21 A. Yes. WAC 480-110-415 directs water companies to install meters that are in working
22 order and accurately measure water flow.

⁵⁰ Young, MY-3, Washington Water Response to Staff Data Request No. 12; Young, MY-9, Washington Water Response to Staff Data Request No. 1 (Supplemental).

1 **Q. Is Washington Water required to install meters for the Echo Glen water system?**

2 A. Yes. The DOH established rules that limited water distribution system leakage to 10
3 percent for water systems with 15 or more residential service connections. WAC 246-
4 290-496 required systems to install source meters by the effective date of the rule,
5 January 1, 2007, and service meters by January 22, 2017, 10 years after the effective date
6 of the rule. This rule applies to Washington Water's Echo Glen water system.

7
8 **Q. Is Washington Water Service in compliance with these requirements?**

9 A. No. Washington Water has 43 residential connections on the Echo Glen water system, so
10 it was required to install service meters by January 22, 2017. It has only installed 26
11 service meters, leaving 17 meters uninstalled.⁵¹ Unmetered connections that are required
12 to be metered violate WAC 480-110-415 because the missing meters cannot be in
13 working order. Nor can they accurately measure water flow.

14
15 **Q. How does a lack of meters contribute to the current system issues?**

16 A. If Washington Water had installed meters and billed customers according to usage,
17 customers would be better able to monitor their water usage/behavior and avoid
18 overtaxing the system. Also, by comparing usage at the source meter with total usage
19 recorded by the service meters, the Company could determine whether leaks exist in the
20 system and whether those leaks were on the Company or customer side of the
21 infrastructure.

⁵¹ The Complaint alleges that Echo Glen has 21 uninstalled meters. Staff updates that number here based on discovery received from Washington Water.

1 **Q. What is your recommendation with respect to the third cause of action?**

2 A. I recommend the Commission require the company to complete its meter installations no
3 later than January 1, 2026. This timeline will allow sufficient time to acquire and install
4 the remaining meters.

5 Further, I recommend the Commission require Washington Water to implement
6 meter reading and billing according to metered usage starting January 1, 2026, for those
7 customers that have meters installed, and starting such practices once meters are installed
8 for customers without meters on January 1, 2026.

9 I also recommend the commission require the Company to report its meter
10 installation progress no later than 30 days after the end of each calendar quarter.

11 Lastly, I recommend that the Commission issue a penalty of \$500 per meter not
12 yet installed, for a total penalty of \$8,500 for the third cause of action. I recommend that
13 the Commission suspend this penalty until the Company reports its progress through
14 December 31, 2025. Staff recommends that the suspended penalty be waived by \$500 for
15 each meter installed by December 31, 2025. The suspended penalty would be imposed by
16 \$100 per month for each meter not installed by January 1, 2026, until such meter is
17 installed and operational, without limit. For example, if a meter is not installed until July
18 2026, the penalty imposed would be \$700 for that meter.

19

20 **D. Fourth Cause of Action: Washington Water violated Order 01 from Docket**
21 **UW-230598 by failing to file a general rate case no later than January 15,**
22 **2024, with an effective date of February 15, 2024.**
23

24 **Q. In Docket UW-230598, the Company requested a surcharge which the Commission**
25 **granted, subject to conditions. What conditions did the Commission impose?**

1 A. The Commission imposed the following conditions:⁵²
2 (1) The surcharge will expire on November 15, 2023.
3 (2) The Company must file a general rate case with an effective date no later than
4 February 15, 2024.
5 (3) Per WAC 480-110-455(4), the Company must report specific information to the
6 Commission within 60 days of each calendar quarter that the surcharge is in effect, as
7 will be discussed below.

8
9 **Q. Did the Company comply with the condition that it file a general rate case with an**
10 **effective date no later February 15, 2024?**

11 A. No. The company did not file the general rate case by that deadline. Staff and the
12 Company later agreed to a procedural schedule in the consolidated dockets, which the
13 Commission adopted in Order 03,⁵³ that directed the Company to file its general rate case
14 and supporting materials by June 27, 2024.⁵⁴ The company did not file a general rate case
15 by June 27, 2024, but instead filed for another surcharge to recover the cost of the well
16 repairs.⁵⁵ Staff requested additional information from the Company in discovery to
17 attempt to acquire sufficient information to calculate general rates. Pursuant to the
18 procedural schedule, Staff's response testimony to Washington Water's rate filing in
19 these consolidated dockets is due on January 22, 2025.

⁵² Order 01, at ¶ 7.

⁵³ *WUTC v. Washington Water Supply, Inc*, Dockets UW-240079 and UW-240079, Order 03, at ¶ 5 (May 15, 2024).

⁵⁴ Order 03, Appendix B.

⁵⁵ *WUTC v. Washington Water Supply, Inc*, Dockets UW-240079 and UW-240079, Testimony of John Poppe, (July 3, 2024).

1 **Q. When was the last general rate increase for this company?**

2 A. The Company's last rate increase went into effect on January 1, 2001, in Docket
3 UW-001796.

4
5 **Q. What issues arise when rates are not updated over a long period of time?**

6 A. Customers may experience substantial rate shock when rates eventually do increase.
7 Additionally, by not increasing rates to keep pace with rising prices, the Company
8 deprived itself of capital that could have been used to better maintain the system and
9 potentially avoid the serious service issues that have occurred in the past several years.

10

11 **Q. What is your recommendation with respect to the fourth cause of action?**

12 A. I recommend the Commission issue penalties against the Company for failing to comply
13 with Order 01, which ordered Washington Water to file a general rate case. Staff
14 recommends the Commission impose a penalty of \$1,000 for this violation.

15

16 **E. Fifth Cause of Action: Washington Water violated Order 01 from Docket**
17 **UW-230598 by failing to file reports each calendar quarter the trucked water**
18 **surcharge was in effect.**

19

20 **Q. You testified above that the Commission required Washington Water to file certain**
21 **information with the Commission within 60 days of each calendar quarter that the**
22 **surcharge was in effect. Please explain this condition of Order 01.**

23 A. Order 01 directed the Company to file reports consistent with WAC 480-110-455, which
24 outlines reporting required when a company is granted a surcharge. In particular,
25 Washington Water was expected to provide a report detailing the beginning balance, the

1 amounts received detailed by source, the amounts spent detailed by project or expense,
2 the ending balance, and a reconciliation of bank balance to general ledger.

3
4 **Q. Did the Company comply with the Commission's order?**

5 A. No. The Company filed no reports of any kind for the surcharge approved in Docket
6 UW-230598. That surcharge was in existence from August 15, 2023, to November 15,
7 2023, requiring the Company to file reports in October 2023 and January 2024. The
8 surcharge has expired with no visibility regarding the funds collected from customers.

9 I will note that the surcharge approved in Docket UW-230997 began in June 2024
10 and will run through December 2024. Under WAC 480-110-455, Washington Water is
11 required to file reports regarding this surcharge as well, even without a specific
12 Commission order requiring the reporting. Those reports will be due in October 2024 and
13 January 2025.

14
15 **Q. Why are the reporting requirements important?**

16 A. The reporting requirements are designed to ensure the company collects no more or less
17 than granted in the surcharge, and that all customers are treated equally and pay their fair
18 share of costs. In this case, Staff has no indication of how many customers have paid the
19 surcharge, nor of how much money the company has received through the surcharge.

20
21 **Q. What is your recommendation with respect the fifth cause of action?**

22 A. I recommend that the Commission issue penalties against Washington Water for failing
23 to comply with Order 01. I recommend that the Commission find that the Company

1 committed two violations for the two reports it failed to file, which were due in October
2 2023 and January 2024. The Commission may impose a penalty up to \$1,000 for each
3 violation. Staff recommends that the Commission impose a penalty of \$1,000 for each of
4 the two violations, for a total penalty of \$2,000, for the fifth cause of action.

5
6 **V. EVALUATION OF ENFORCEMENT FACTORS**

7
8 **Q. Based on your recommendations in Section IV above, what is the total penalty Staff**
9 **recommends in this case?**

10 A. I recommend the following penalties in this case: \$22,800 for failing to maintain safe,
11 adequate, and efficient service; \$24,200 for failing to timely repair the Echo Glenn well;
12 \$8,500 for failing to install meters to measure the volume of water delivered to 17 direct
13 service connections; \$1,000 for failing to file a general rate case; and \$2,000 for failing to
14 file financial reports. My recommendation includes suspending the meter installation
15 penalty. In total, Staff recommends \$58,500 in penalties, with \$8,500 suspended. This
16 would require Washington Water to pay penalties of \$50,000.

17 The table below shows the five causes of action, the number of violations, and
18 Staff's penalty recommendations.

<u>Cause of Action</u>	<u>Number of Violations</u>	<u>Recommended Penalty (per violation)</u>	<u>Recommended Penalty (total)</u>
Violation of RCW 80.28.010(2) (failure to supply safe, adequate, and efficient water service)	57	\$400	\$22,800
Violation of RCW 80.28.010(11) (failure to timely repair the Echo Glen well)	121	\$200	\$24,200
Violation of WAC 480-110-415(1) (failure to install accurate, working meters)	17	\$500	\$8,500
Violation of Order 01 (failure to file general rate case)	1	\$1,000	\$1,000
Violation of Order 01 (failure to file financial reports)	2	\$1,000	\$2,000
TOTAL:	198		\$58,500 with \$8,500 suspended for net paid penalties of \$50,000

2

3 **Q. Please describe the factors the Commission considers when contemplating whether**
4 **to impose a penalty on a regulated company.**

5 A. In Docket A-120061, the Commission identified 11 non-exclusive factors it would
6 consider when determining an appropriate penalty for violations. Those factors are:

7 (1) How serious or harmful the violation is to the public.

8 (2) Whether the violation is intentional.

- 1 (3) Whether the company self-reported the violation.
- 2 (4) Whether the company was cooperative and responsive.
- 3 (5) Whether the company promptly corrected the violations and remedied the
- 4 impacts.
- 5 (6) The number of violations.
- 6 (7) The number of customers affected.
- 7 (8) The likelihood of recurrence.
- 8 (9) The company's past performance regarding compliance, violations, and
- 9 penalties.
- 10 (10) The company's existing compliance program.
- 11 (11) The size of the company.⁵⁶

12 These factors are non-exclusive, and no one factor is controlling.

13

14 **Q. What is a suspended penalty?**

15 A. A suspended penalty is a penalty that the Commission imposes, but allows the company

16 to not pay, contingent on the Company meeting certain requirements during a suspension

17 period. If the Company fails to meet the suspension requirements, the suspended amount

18 becomes due and payable.

19

20 **Q. Why might the Commission suspend a portion of a penalty?**

⁵⁶ *In re Matter of the Enforcement Policy of the Wash. Utils. & Transp. Comm'n*, Docket A-120061, Enforcement Policy, ¶ 15 (Jan. 7, 2023).

1 A. A suspended penalty is useful to encourage and ensure compliance with regulatory
2 requirements. The Commission has identified factors it looks at in determining whether
3 to suspend a penalty. Those factors are:

4 (1) Whether the violation is a first-time violation.

5 (2) Whether the company has taken specific actions to remedy the violations and
6 avoid similar violations in the future.

7 (3) whether the company agrees to a specific compliance plan that will guarantee
8 future compliance in exchange for suspended penalties.

9 (4) Whether Staff and the company have agreed that Staff will conduct a follow-
10 up investigation at the end of the suspension period, and if a repeat violation is
11 found, that the suspended penalty is re-imposed.

12 (5) Whether the company can demonstrate other circumstances that support
13 suspension.⁵⁷

14
15 **Q. Does Staff believe its overall penalty recommendation is appropriate in this case?**

16 A. Yes. The overall penalty recommendation is commensurate with the violations
17 committed and the serious service issues created by the Company's actions.

18
19 **Q. Please address the 11 enforcement factors from the Commission's policy statement
20 as they relate to Staff's recommended penalty.**

21 A. Evaluating the 11 enforcement factors demonstrates that Staff's overall penalty
22 recommendation is reasonable and appropriate in this case.

⁵⁷ Enforcement Policy, ¶ 20.

1 (1) How serious or harmful the violation is to the public. This factor considers the
2 impact to the public. “The more serious or harmful the violation, the more appropriate
3 penalties or other sanctions may be.”⁵⁸ In this case, Washington Water’s actions of not
4 addressing critical well repairs and water quality issues had a deep negative impact on
5 customers of the Echo Glen water system. For months, customers went without sufficient
6 water for their daily needs, including personal hygiene and animal and livestock welfare.
7 Customers explained how they were buying water from other sources to replace the water
8 that Washington Water was not providing. Customers described having as little as two
9 hours of running water, losing plants due to the lack of water, and the inconsistent
10 pressure issues that, at the time, lead to pipes bursting. Customers also describe economic
11 damage to their ability to sell their homes due to the lack of available year-round potable
12 water.⁵⁹ The Company’s actions lead to serious economic, health, and safety issues for its
13 customers.

14 Additionally, Washington Water failed to comply with the Commission’s order.
15 While the Company collected the surcharge approved in Docket UW-230598, it refused
16 to comply with reporting requirements and the directive to file a general rate case. A
17 company’s refusal to comply with its regulatory requirements is harmful to the public and
18 is contrary to the public interest.

19 (2) Whether the violation is intentional. This factor considers whether a company
20 willingly and intentionally violates a Commission requirement. A company that
21 knowingly commits a violation may be dealt with more severely.⁶⁰ In this case,

⁵⁸ Enforcement Policy, ¶ 15 (subsection (1)).

⁵⁹ UTC Open Meeting August 10, 2023 Recording at 39:11 through 1:36:55, <https://wutc.app.box.com/v/OpenMeetings/file/1288044702722>. Mr. Poppe failed to appear at this Open Meeting.

⁶⁰ Enforcement Policy, ¶ 15 (subsection (2)).

1 Washington Water knew about the well and water quality issues at least since summer
2 2022, but did not take action until spring 2023. When Washington Water acted, it
3 continued to experience delays, resulting in the issues not being resolved until the fall of
4 2023. Given the severity of the situation and the length of time, these violations appear to
5 be intentional.

6 Regarding violations of Order 01, Mr. Poppe was not present at the August 10,
7 2023 Open Meeting at which the Commission expressed its decision. However, Order 01
8 is clearly written, and Mr. Poppe should have understood the requirements set forth in the
9 order. It appears that he intentionally disregarded the Commission's directive to file
10 certain reports and to file a general rate case.

11 (3) Whether the company self-reported the violation. This factor considers
12 whether a company identified and self-reported to the Commission that a violation
13 occurred.⁶¹ Washington Water did not self-report any of the violations.

14 (4) Whether the company was cooperative and responsive. This factor considers
15 whether a company is cooperative and responsive during an investigation.⁶² The
16 Company was argumentative with Staff when provided instructions for filing surcharges
17 and rates both verbally and via email. I personally sent the same instructions multiple
18 times. When the Company submitted its filings, it failed to follow the instructions
19 provided. The Company also indicated to other Commission Staff to believe it had not
20 received those instructions and did not timely comply with informal data requests. In
21 addition, I often had to enlist the support of Derek Pell from DOH to get answers from
22 the Company about the status of the trucked-in water, well repairs, and the Boil Water

⁶¹ Enforcement Policy, ¶ 15 (subsection (3)).

⁶² Enforcement Policy, ¶ 15 (subsection (4)).

1 Advisory. Ultimately, when ordered by the Commission to file a general rate case by a
2 given deadline, the Company ignored the order and deadline, and then filed another
3 surcharge instead of a general rate request. To obtain enough information from the
4 Company to calculate general rates, Staff is required to ask for that information in
5 discovery.

6 (5) Whether the company promptly corrected the violations and remedied the
7 impacts. This factor considers whether a company corrects violations and any underlying
8 system problems.⁶³ Washington Water eventually resolved the well and water quality
9 issues, but its lack of promptness is what gave rise to the violations in this case.

10 Additionally, Washington Water failed to file a general rate case in January 2024.
11 Instead, it filed a request for a third surcharge. When given the opportunity to file its rate
12 case within the consolidated dockets, Washington Water again filed testimony relating to
13 a surcharge and not general rates. Staff is pursuing discovery to attempt to receive
14 adequate information on which to calculate general rates for the Company. And,
15 Washington Water has not filed the required surcharge reporting required by Order 01
16 and WAC 480-110-455. The Company has not promptly addressed any of its violations.

17 (6) The number of violations. This factor considers how many violations have
18 occurred.⁶⁴ In this case, there are a total of 198 violations.

19 (7) The number of customers affected. This factor considers how widespread the
20 impact on customers is.⁶⁵ In this case, the entire Echo Glen water system was impacted
21 by Washington Water's failure to maintain its system and provide safe and adequate

⁶³ Enforcement Policy, ¶ 15 (subsection (5)).

⁶⁴ Enforcement Policy, ¶ 15 (subsection (6)).

⁶⁵ Enforcement Policy, ¶ 15 (subsection (7)).

1 water. The Echo Glenn water system has 44 service connections. Customers appearing at
2 the August 10, 2023 Open Meeting quantified the number of people impacted to be over
3 100 individuals.⁶⁶

4 (8) The likelihood of recurrence. This factor considers whether a company has
5 changed its practices or if the violations are repeat violations.⁶⁷ Washington Water has
6 shown no changes in its practices, and Staff is concerned that repeat violations are likely.
7 The Company does not appear to take its regulatory obligations seriously. This has
8 resulted in a poorly run water company that may continue to incur violations in the
9 future.

10 (9) The company's past performance regarding compliance, violations, and
11 penalties. This factor considers whether a company has a history of noncompliance,
12 repeated violations, or previous penalties.⁶⁸ DOH provided a timeline of incidents and
13 interactions with the Company, and customer complaints to DOH, relating to the Echo
14 Glen system.⁶⁹ This timeline shows that issues arose as far back as 2006. None of these
15 incidents were communicated to the Commission by the company, nor did the Company
16 seek recovery of costs for any repairs or other expenses associated with maintaining the
17 Echo Glen system.

18 The Commission also penalized Washington Water for failure to file annual
19 reports and pay regulatory fees as required by RCW 80.24.010 and WAC 480-110-505 in
20 2013 and 2017.⁷⁰

⁶⁶ UTC Open Meeting August 10, 2023 Recording at 39:11 through 1:36:55,
<https://wutc.app.box.com/v/OpenMeetings/file/1288044702722>.

⁶⁷ Enforcement Policy, ¶ 15 (subsection (8)).

⁶⁸ Enforcement Policy, ¶ 15 (subsection (9)).

⁶⁹ Young, Exh. MY-2, Declaration of Mike Young, Attachment 3.

⁷⁰ Docket UW-130900, July 5, 1013; and Docket UW-170425, July 25, 2017.

1 (10) The company's existing compliance program. This factor considers whether
2 a company has an active and adequate compliance program in place.⁷¹ Staff is unaware of
3 any active or adequate compliance program for Washington Water. The Company did
4 recently retain attorneys who have appeared in the consolidated dockets, and they may be
5 able to assist the Company in developing a compliance program. However, nothing in the
6 Company's past actions indicate that it is concerned with creating or using a compliance
7 program.

8 (11) The size of the company. This factor considers the size of the company in
9 order to take proportionate action in response to violations.⁷² Washington Water is a
10 relatively small company with 140 connections across its nine water systems. The
11 company's annual revenue was \$80,964 in 2023. The size of the Company drove the
12 level of per violation penalties Staff recommends in this case, and should also inform
13 how the Commission requires payment from the Company of any penalties ordered. Staff
14 believes that the violations and the impact of those violations is substantial and justifies a
15 significant penalty.

16
17 **Q. You recommend suspending the \$8,500 penalty for violations related to failure to**
18 **install working, accurate meters. Please explain why you think this is appropriate.**

19 **A.** Suspended penalties can act as both a carrot and a stick to encourage a regulated
20 company to comply with its obligations. In this case, Washington Water has not installed
21 the appropriate and required meters. Based on the DOH regulation, Washington Water
22 should have installed the meters 7 years ago, and this has had serious implications for the

⁷¹ Enforcement Policy, ¶ 15 (subsection (10)).

⁷² Enforcement Policy, ¶ 15 (subsection (11)).

1 Echo Glen water system. The Commission has an opportunity to make meter installation
2 a priority for the Company by placing a financial incentive on completing the installation.
3 If the Company installs the remaining meters during the suspension period, it receives the
4 benefit of not paying the penalty. If the Company fails to install the meters, penalties
5 become due and increases with each month the meters remain uninstalled.

6
7 **Q. With respect to the remaining \$50,000 penalty, is it necessary for the company to**
8 **pay the entire amount at once?**

9 A. No. This amount can be broken into reasonable sized payments, given the Company's
10 size and annual revenue. Four payments would result in payments of \$12,500 each, five
11 payments would result in payments of \$10,000, and 10 payments would result in
12 payments of \$5,000. These payments could be made every 6 or 12 months until the
13 penalty is fully paid. The Commission has discretion in determining the appropriate
14 number of payments and the timeframe over which the penalty is paid, including
15 adopting one of Staff's proposals I have suggested in this answer or determining a
16 different payment schedule altogether.

17
18 **VI. CONCLUSION**

19
20 **Q. Can you summarize your recommendations?**

21 A. Yes. I recommend:

- 22 1. The Company be fined \$400 per each of 57 violations for a total of \$22,800 for
23 failure to provide safe, adequate, and efficient water service.

- 1 2. The Company be fined \$200 per each of 121 violations for a total of \$24,200 for
2 failure to timely repair the Echo Glen well.
- 3 3. The Company be fined \$500 per each of 17 violations for a total of \$8,500 for
4 failure to install working and accurate meters. I recommend that the Commission
5 order Washington Water to install the remaining 17 meters by January 1, 2026. I
6 further recommend that this penalty be suspended until January 1, 2026. For each
7 meter installed by December 31, 2025, the \$500 penalty will be waived. For each
8 meter *not* installed by January 1, 2026, the suspended penalty will be imposed at a
9 rate of \$100 per meter per month until the meter is installed. I recommend that the
10 Commission order the Company to implement meter reading and billing
11 according to metered usage starting January 1, 2026, for those customers that
12 have meters installed, and starting such practices once meters are installed for
13 customers without meters on January 1, 2026. Lastly, I recommend that the
14 Commission require the Company to report its meter installation progress no later
15 than 30 days after the end of each calendar quarter.
- 16 4. The Company be fined \$1,000 for not complying with the Commission's order to
17 file a general rate case.
- 18 5. The Company be fined \$1,000 for each of two violations for a total of \$2,000 for
19 failing to file quarterly reports on two surcharges as required by WAC 480-110-
20 455.

21

22 **Q. Does this conclude your testimony?**

23 A. Yes, it does.