

Agenda Date: December 23, 2021
Item Number: A3

Docket: UW-210833
Company Name: Wildwood Water Company LLC

Staff: Ben Sharbono, Regulatory Services
John Cupp, Consumer Protection

Recommendation

Issue an Order implementing a surcharge and allow tariff revisions filed November 1, 2021, by Wildwood Water Company LLC as revised on December 13, 2021, subject to specific reporting conditions.

Discussion

On November 1, 2021, Wildwood Water Company LLC (Wildwood or Company) filed with the Washington Utilities and Transportation Commission (Commission) a request for a surcharge rate. The proposed surcharge would generate approximately \$12,230 (11.6 percent) additional annual revenue. The Company serves approximately 228 customers on Whidbey Island in Island County. The Company's last general rate increase was effective April 30, 2020, for \$4,100 additional annual revenue.

During the summer of 2021, the Company experienced pump failures on both its Shirona and Crosswoods water systems. These pumps provide most of the water delivered to customers. To expedite repairs, the Company hired a third-party contractor to replace the pumps as soon as possible due to the dry summer months. The repairs were completed, and new pumps were online by September. The Company has not yet paid the invoices for the work but has recorded the debt as an Accounts Payable item. The Company also is attempting to obtain a loan from a local bank to obtain funds to pay for the repairs.

The requested surcharge will allow the Company to recover 70 percent of the \$49,849 cost incurred replacing the pumps. The remaining 30 percent will be provided by the owners through equity. The Company provided Commission staff (Staff) with adequate documentation showing the project has been completed, and the plant is used and useful. The surcharge would cover \$34,894 in principle and associated revenue sensitive items¹ which increases the total to \$36,690 to be collected over three years, or \$12,230 in additional annual revenue.

¹ Revenue sensitive items are additional taxes and fees impacted by increases in gross revenue, including upon the revenue taken to cover the tax or fee. These include Business and Occupation taxes and the Commission's regulatory fee.

Surcharges

Surcharges are subject to WAC 480-110-455(4) and as this surcharge request is for expenditures already incurred, Staff asks the Commission to allow the surcharge and issue an order instructing the Company to report as required in (4)(c). This subsection requires the company report within 60-days of the end of each calendar quarter:

- 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 of the bank balance to the general ledger.

Rate Impact

The surcharge will increase all customer bills by \$4.47 per month beginning January 1, 2022, which includes recovery of principle and revenue sensitive items. Customers have the option to make a one-time payment of \$161.04. The surcharge will expire on December 31, 2024, or when \$36,716 has been collected, whichever occurs first.

Customer Comments

On October 29, 2021, the Company notified its customers by mail of the proposed surcharge. Customers were notified that they may contact John Cupp with questions or concerns. Staff received three comments opposed to the surcharge.

Customer Comments A customer commented that the Company should have set aside money it receives in rates for projects like this.

Staff Response

Staff explained that reserve funds are not allowed, and the logic supporting this prohibition. Staff also explained that if a surcharge is allowed by the Commission, the money will be deposited into an account in which the Company will have to report on the balance, amounts received, amounts spent, and other information.

Staff informed customers that state law requires rates to be fair, just, reasonable, and sufficient to allow the Company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Customers were also told that Commission staff performs a thorough review of rate filings to ensure all rates and fees are appropriate.

Conclusion

Staff has completed its review of the Company's supporting financial documents, books, and records. Staff has been able to determine that the expenses are reasonable and required as part of the Company's operation. The Company's financial information supports the revenue requirement, and the Company should be allowed to collect a surcharge under the requirements of WAC 480-110-455.

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