

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of LAKELAND
VILLAGE WATER COMPANY
Petitioner,
For Approval of a Surcharge for Cost of
Comprehensive Water System Plan

DOCKET UW-231047

ORDER 01

APPROVING SURCHARGE
SUBJECT TO CONDITIONS

BACKGROUND

- 1 On December 23, 2023, Lakeland Village Water Company (Lakeland Village 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 revenue over 10 years. 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, 2022.
- 2 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
- 3 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.
- 4 Commission Staff (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.
- 5 Staff recommends the Commission authorize the surcharge subject to the following conditions:
 - (a) The surcharge must apply to all water customers served by Lakeland Village.

The surcharge must expire on January 31, 2034, or upon recovery of \$70,000 for principle and revenue sensitive items, 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 Village 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 Village, 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 Village 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 Village 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 Village.

DISCUSSION

6 We agree with Staff that the 70 percent surcharge requested by Lakeland Village is necessary for the Company to make payments for the Comprehensive Water System Plan already in progress. The Water System Plan is a requirement by the Department of Health.

7 WAC 480-110-455 is designed to aid water companies that have insufficient funds to respond to emergencies, to replace or upgrade failing infrastructure, or to add plant to accommodate growth. Commonly, water companies cannot obtain traditional financing. A surcharge provides a water company with a source of capital, provided by customers, to fund capital needs. No company may collect a surcharge or facilities charge except by Commission order or approval. WAC 480-07-505(2)(b) allows for emergency rate increases for companies that request such treatment on short notice due to circumstances beyond the company's control. We agree with Staff that the Company's need funds to develop the required Comprehensive Water System Plan which is required by the Department of Health.

8 WAC 480-110-455(4) additionally sets out the accounting and reporting requirements for surcharges. With the invoices for the completed work currently outstanding, the conditions Staff proposes bring the Company into compliance with our rules and should be required to ensure the surcharge is used to pay off the debt effectively and efficiently. We find the proposed surcharge is fair, just, reasonable, and sufficient. Accordingly, we approve the proposed tariff revisions subject to the conditions set out in paragraph 5, above.

FINDINGS AND CONCLUSIONS

- 9 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, and affiliated interests of public service companies, including water companies.
- 10 (2) Lakeland Village is a water company and a public service company subject to Commission jurisdiction.
- 11 (3) This matter came before the Commission at its regularly scheduled meeting on January 25, 2024.

- 12 (4) WAC 480-110-455 allows companies to file surcharge tariffs. No company may collect a surcharge or facilities charge except by Commission order or approval.
- 13 (5) The Commission has reviewed the tariff revisions Lakeland Village filed in this Docket, including supporting documentation.
- 14 (6) The surcharge tariff in this Docket will recover costs of the Comprehensive Water System Plan as required by the Department of Health.
- 15 (7) After reviewing Lakeland Village's tariff revision filed in Docket UW-231047 on December 23, 2023, and giving due consideration to all relevant matters and for good cause shown, the Commission finds the proposed surcharge is fair, just, reasonable, and sufficient and should be approved, subject to conditions (a) through (g) set forth in paragraph 5 of this Order.

ORDER

THE COMMISSION ORDERS:

- 16 (1) Lakeland Village Water Company's surcharge filed on December 23, 2023, is approved to become effective on February 1, 2024, subject to following conditions:
- (a) The surcharge must apply to all water customers served by Lakeland Village Water Company. The surcharge must expire on January 31, 2025, or upon recovery of \$70,000 for principle and revenue sensitive items, whichever comes 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 loan reserve account by the Lakeland Village Water Company for the benefit of customers. Such funds do not become the property of the Lakeland Village Water Company, or Lakeland Village Water Company owners and may not be disbursed, alienated, attached, or otherwise encumbered by Lakeland Village Water Company, or its owners. In the event of a sale or transfer of Lakeland Village Water Company, the trust obligations established in WAC Chapter 480-110 regarding any unspent surcharge funds must be transferred to the owners of Lakeland Village Water Company.

- (e) Lakeland Village Water Company 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 Village Water Company 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 loan reserve account will be remitted quarterly toward the principle of the loan. “Excess funds” means money accumulated in the reserve account in excess of payments due during the quarter to Lakeland Village Water Company.

- 17 (2) This Order shall not affect the Commission’s authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. This Order shall not be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

- 18 (3) The Commission retains jurisdiction over the subject matter and Lakeland Village Water Company to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective January 25, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner