

Agenda Date: June 27, 2024  
Item Number: A2

**Docket:** UW-240294  
Company Name: East Side Improvement Co., Inc.

Staff: Tiffany Van Meter, Regulatory Services  
Kris Irelan, Consumer Protection

### **Recommendation**

Issue an Order implementing a surcharge and allow tariff revisions filed April 26, 2024, by East Side Improvement Co., Inc., subject to specific reporting conditions.

### **Discussion**

On April 26, 2024, East Side Improvement Co., Inc. (East Side or Company) filed with the Washington Utilities and Transportation Commission (Commission) a request for a surcharge rate. The proposed surcharge would generate approximately \$14,000 (29 percent) additional annual revenue. The Company serves approximately 45 customers Kittitas County. The Company has not had a rate case since becoming regulated in July of 2022.

The Company experienced multiple failures with the pump screen located in the irrigation ditch during the 2023 irrigation season. This ditch provides irrigation service to all customers. To expedite repairs to be done prior to the ditch being filled with water, the Company hired an affiliate contractor to replace the screens in March 2024, to be able to supply irrigation water in time for the spring and summer months. A replacement system was completed, and new pump screens are online.

In April 2024, the owner of the East Side contacted Commission staff (Staff) about options to increase rates to recover increased expenses for water testing on one of its wells after it was upgraded from a class b system to a class A system. This change in classification requires additional testing by the Department of Health. During discussions the Company was concerned about the ability to pay for a new screen system located in a ditch for the irrigation water that all customers receive service for. The previous screening infrastructure was over 16 years old and had multiple issues in 2023 irrigation season that caused extensive expenses for continuous repairs and water flow issues. Staff suggested the Company inquire about obtaining a loan to pay for the work done and file for a surcharge to recover 70 percent of the expense through a special surcharge. Staff provided technical assistance to the Company who has not filed with the Commission since its initial tariff in July 2022, when it became regulated by the Utilities and Transportation Commission.

This docket was originally to be heard at the May 23, 2024, Open Meeting. After learning the contractor was a part owner of the water company the week of the Open Meeting, Staff requested the Company give additional time to review the affiliate work arrangement. The Company agreed and filed to extend the effective date from June 1, 2024, to July 1, 2024.

Regarding Affiliated Interests, RCW 81.16.020 and WAC 480-110-545 state, “Every public service company shall file with the commission a verified copy, or a verified summary if unwritten, of a contract or arrangement providing for the furnishing of management, supervisory[,] construction, engineering, accounting, legal, financial, or similar services, or any contract or arrangement for the purchase, sale, lease, or exchange of any property, right, or thing, or for the furnishing of any service, property, right, or thing, other than those enumerated in this section, hereafter made or entered into between a public service company and any affiliated interest.” And “The filing must be made prior to the effective date of the contract or arrangement.” The Company was unaware of the requirements regarding the affiliate interest company. Staff believes the Company satisfied the requirements although untimely by receiving a written statement from both the Owner of the Company and the Contractor stating the work that was done. Staff has chosen to show the Company grace in regard to timing due to what was received did not give Staff reason for disapproval even though it was not filed before the arrangement was effective or in this case work initiated.

The requested surcharge will allow the Company to recover 70 percent of the \$33,596.10 cost incurred replacing the irrigation screens required for service. The remaining 30 percent will be provided by the owner through equity. The Company provided Staff with adequate documentation showing the project has been completed, and the plant is used and useful. The surcharge would cover \$23,517.27 in principle and 4,660.62, in interest which increases the total to \$28,177.89 to be collected over two years, or \$14,089 in additional annual revenue.

### **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 \$26.09 per month beginning June 1, 2024, which includes recovery of principal and interest. Customers have the option to make a one-time payment of \$522.61. The surcharge will expire on May 31, 2026, or when \$28,177.89 has been collected, whichever occurs first.

### **Customer Comments**

Staff received 13 consumer comments, 12 opposed and one undecided. Customers opposed the surcharge because they believe that the proposed rate is too high. Customers expressed concern regarding alleged inaccuracies in the amounts billed to the Company for equipment, materials, and labor costs. Staff considered all commenters' concerns during their review of this filing. Customers were notified that they may access relevant documents about this rate increase in Docket UW-240294 on the Commission's website, and that they may contact Kris Irelan at 1-888-333-9882 or [kris.irelan@utc.wa.gov](mailto:kris.irelan@utc.wa.gov) with questions or concerns.

### **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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