

Agenda Date: March 27, 2025
Item Number: A2

Docket: UW-250104
Company Name: East Side Improvement Co., Inc.

Staff: Rachel Stark, Regulatory Services
Kelsey Hanson, Regulatory Services
Melissa Castaneda-Kerson, Consumer Protection

Recommendation

To take no action, thereby by allowing Tariff pages filed by East Side Improvement Co., Inc. in Docket UW-250104 on February 24, 2025, and as revised on March 20, 2025, to become effective April 1, 2025, by operation of law.

Discussion

On February 24, 2025, East Side Improvement Co., Inc. (East Side or Company) filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that, as originally filed, would have generated approximately \$79,000 (69.4 percent). With this filing, the Company also filed an affiliated interest contract for turning on and off its irrigation system to be approved. The Company provides water service to 44 domestic and irrigation customers in Kittitas County.

Commission Staff (Staff) and the Company agreed to an additional revenue requirement of \$25,925 (54 percent) for its domestic and irrigation operations.

The Company first became regulated on July 1, 2022, with this case being its first general rate case. The Company has four wells; two are Group B and two are Group A. Currently, customers have no meters and are billed a flat monthly rate.

The main reason for this rate increase request filing is due to increased costs for operational expenses and testing expenses.

In February 2024, Department of Health (DOH) upgraded one of the Company's systems, Turf Trails, from a Group B system to a Group A. With this new rating, DOH requires more testing for Group A systems. Staff wanted to ensure customer concerns with the requested increase and expenses connected to that increase request. Staff performed a thorough review of the Company's books and records as well as DOH requirements and/or standards. Staff met with a DOH engineer to discuss the Company's monitoring schedule, testing requirements, sanitary surveys, customer complaints, customer meter requirements, permit requirements, and any other issues with East Side. DOH stated that testing is increased the first and second year of becoming a Group A system. Staff reviewed expenses for monitoring and testing and made an adjustment of \$1,165 to remove additional testing expenses not required from DOH and found the remaining testing expenses are prudent. Staff also looked at future monitoring and testing requirements and

found testing will decrease between monthly, yearly, three years, or nine years and adjusted for future testing expenses.

Staff also discussed permit compliance with a DOH. Staff found there were a few systems that exceeded or were at capacity for connections. DOH stated that there are currently no customer water quality or quantity complaints filed with DOH. When a system has exceeded or is at capacity for connections, DOH looks at consumer complaints for water pressure or no water in order to require the Company to do capital improvements to its systems to avoid further water issues. Staff's review of the permits filed with DOH were within standards that DOH reviews.

Staff discussed with DOH customer meter requirements. DOH's requirements for metering are in the Washington Administrative Code (WAC) 246-290-496. DOH states they do not require customer meters on systems with 15 or less connections. None of East Side's systems have more than 14 connections. DOH and Ecology do require water Companies to have a meter at each of their water sources in order to be compliant and report how much water is being used.

In April 2024, the Company filed Docket UW-240294, which was a request for a special surcharge to start recovery on irrigation screens which became effective July 1, 2024 and will expire May 31, 2026, or upon recovery of \$28,177.89. Irrigation customers currently have a monthly surcharge of \$26.09.

Irrigation customers receive service from approximately April to October and are billed monthly because the billing system was set up to be a flat monthly rate, each month, when the Company was purchased. Currently, domestic and irrigation operations are at the same rate because the Company does not separate expenses and revenue for each of its operations. Staff has advised the Company to separate expenses and revenue for each operation, and, in future rate cases, expenses and revenue will be separate. Separating operations could increase rates in one operation, and also lower rates in the other operation in order for the Company to fully recover its revenue requirement.

Below is a table showing what the rate would be if irrigation customers were billed only during April to October when the irrigation is being used.

Non-Metered Rates – Irrigation Customer Only
Does not include \$26.09 Irrigation Surcharge

Current Rate	Yearly Amount	Monthly Bill (12 months)	Staff Proposed Rate	Yearly Amount	Monthly Bill (7 months)
\$45	\$540	\$45	\$69.55	\$834.60	\$119.22

Staff's review of the East Side's affiliated interest contract showed the rates were prudent for the duties performed. Staff's review shows the rates agreed upon are fair, just, reasonable, and sufficient for the Company's current request.

Non-Metered Rates

	Current Rate	Company Proposed Rate	Percentage Rate Increase	Staff Revised Rate	Percentage Rate Increase
Domestic	\$45	\$89.38	98.62%	\$69.55	54.55%
Irrigation	\$45*	\$95.04*	111.2%	\$69.55*	54.55%

***Does not include \$26.09 Irrigation Surcharge**

Customer Comments

On February 25, 2025, the Company notified its customers of its proposed increase for domestic and irrigation water service. Staff received seven comments from customers, all oppose the increase. Most commenters stated the increase for both irrigation and domestic service are excessive and unjustified, and they expressed concern about water quality and low water pressure. Several commenters relayed the Company's billing and business practices are mismanaged and the Company is often not responsive. One commenter questioned why customers pay irrigation for the full year when it is provided only half of the year. Another commenter relayed concern about the approval of the affiliate interest with MDJ Contractors because of lack of transparency of costs and pricing structure. Another customer commented they reviewed the workbook sheets submitted by the Company and it appears the system is profitable at the current rates.

Staff provided commenters with information on how they can file an informal consumer complaint with the with the Commission, as well as contact information for the Department of Health Drinking Water. Customers were also informed that they may access relevant documents about the tariff filing on the Commission's website, and that they may contact Melissa Castaneda-Kerson at Melissa.castaneda-kerson@utc.wa.gov or (888) 333-9882 with questions or concerns.

Conclusion

Staff have completed their review of the Company's books and records. Staff's review shows that the affiliated interest contract and the tariff pages filed are reasonable and required as part of the Company's operations.

Recommendation

To take no action, thereby by allowing Tariff pages filed by East Side Improvement Co., Inc. in Docket UW-250104 on February 24, 2025, and as revised on March 20, 2025, to become effective April 1, 2025, by operation of law.