



Public Utility District No. 1  
of Thurston County

Commissioners

Linda Oosterman – District 1  
Russell E. Olsen – District 2  
Chris Stearns – District 3

October 23, 2014

Subject: Docket UW-143295, Comments on Proposed Rulemaking, WAC 480-110

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

Dear Mr. King,

Thank you for the opportunity to comment on the Utilities and Transportation Commission rulemaking to consider rules within WAC 480-110 to improve the financial and managerial capacity of regulated water companies and for considering allowing public entities to acquire struggling water systems. We are intrigued in the possibility of assuming ownership of private water systems that have the potential to be stabilized and improved through consolidation and investment.

Under the right circumstances, Thurston County PUD would be interested in assuming ownership of water systems in Thurston, Pierce and Lewis Counties. We could also consider systems in Grays Harbor County. The Thurston County Public Utility District (PUD) was formed in 1938 under Title 54 of the Revised Code of Washington and is governed by an elected Board of Commissioners. Thurston County PUD owns 158 water systems centered in Thurston, Lewis and Pierce Counties. Responses to your questions are below in **Bold Font**.

1. What are your primary sources of funding for addressing:
  - a. Regular system operation and maintenance? **We set rates for all PUD owned facilities to insure we can meet normal operation and maintenance funding needs.**
  - b. Emergency repairs? **Capital Improvement Project (CIP) funds, fund**

**balance or bond funds are used, if needed, to pay for emergency repairs. We keep sufficient funding sources on hand to meet any emergency needs.**

- c. System equipment replacement, improvement or expansion? **As a municipal corporation, we can use CIP Funds, capital surcharges, general facility charges, local utility improvement districts (LUID), fund balance, developer extension agreements, or bond funds as appropriate to the situation for these types of needs. If known in advance, these needs are programmed into our asset management plan for long term funding through low interest federal and state low interest funding mechanisms, or by issuing bonding funds. These payments are repaid through capital surcharges that are paid by all PUD system customers.**
  - d. System equipment investment to comply with state or federal water quality requirements? **These types of normal operational requirements are paid for through rates, but can also be funded with capital surcharges, LUIDs, or bond funds if needed.**
2. The Commission is interested in encouraging equity investment in water systems, in combination with obtaining loans or using customer monies (surcharges or facility charges) to finance plant repairs, replacements or improvements. What changes in Commission rules, policies or practices would encourage you to invest your own funds as equity, or encourage other investors to invest equity in your company? What are the current barriers to making investments in your system? **Thurston County PUD is interested in assuming ownership and not in managing systems for other owners on a long term basis. Funding consolidation of privately owned systems via the State drinking water state revolving fund (DWSRF) program or from the State funding the Water System Acquisition and Rehabilitation Program (WSARP) would allow us, as a public entity to assume ownership of troubled systems and then make any necessary improvements.**
  3. In setting the tariff rates of other regulated utilities, the Commission considers the ratio of equity (owner investment) to debt (loans) capital

for funding the rate base on which the company can earn a return. For water companies, the Commission has required owner investment as a condition of approving tariff changes to pay for State Revolving Fund loans, with a goal of achieving 30 percent equity investment in the projects being financed. In some cases, the investment has been made immediately, in other cases following a long-term annual investment plan. The Commission would appreciate comments on that policy, and the impact of extending that policy to general rate cases. **Thurston County PUD has no comments on this policy as it does not pertain to Thurston County PUD.**

4. Commission regulations allow companies to build a reserve or surcharge account using customer contributions in aid of construction, customer surcharges or facility charges. The agency has found in some cases that the reserve accounts do not have sufficient safeguards to ensure the money is used for the intended purpose. What are your views on requiring reserve or surcharge funds to be placed in a trust account, escrow account, lock box or protected by surety bonds, to reduce opportunities for misuse or embezzlement? **We have no comments on this policy as it does not pertain to Thurston County PUD. We place our funds with the Thurston County Treasurer, have significant internal controls for cash handling and management, and are audited annually by the State Auditor's Office. Our reserves exceed bond and 60 day liquidity requirements in all funds and the Board has established a goal to work toward 90 days of reserves.**
5. What changes in Commission rules, policies or practices would encourage your company to expand your customer base or acquire other water systems or water companies to take advantage of economies of scale? What changes would you recommend to facilitate recovery of costs in acquiring and rehabilitating water systems? **We recommend you make it a priority to partner with Clark Halvorson, Director of the Department of Health, Office of Drinking Water, to identify public partners to take over systems that need better economies of scale that PUDs, cities, water and sewer districts,**

**mutuals, cooperatives, or larger privately owned systems can provide. We recommend you seek funding for the consolidation of privately owned systems by finding ways to fund the State's Water System Acquisition and Rehabilitation Program (Substitute Senate Bill 6340) that allows public entities to assume ownership of privately owned troubled systems.**

6. Does your company currently operate or manage water systems for another company or water utility? If so, how many? If not, is your company operated or managed by another company or water utility?  
**Yes. Thurston County PUD is an approved satellite management agency and currently manages 14 water systems but this is not a line of business we wish to expand.**

7. ***For companies not currently regulated by the Commission:*** What effect, if any, does coming under Commission regulation have on your willingness to make system improvements, acquire additional water systems, or expand your company's customer base?  
**We are not willing to come under UTC regulatory authority.**

If you have any questions, don't hesitate to contact me at loosterman@thurstonpud.org , or at 360.357.8783, or the PUD's General Manager, John Weidenfeller at [jweidenfeller@thurstonpud.org](mailto:jweidenfeller@thurstonpud.org), or at 360.357.8783.

Sincerely,

*Linda Oosterman*

Linda Oosterman  
Thurston County PUD Commissioner