

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of WILDWOOD WATER COMPANY LLC Petitioner, For Approval of a Surcharge for Cost Recovery of Emergency Pump Replacement	DOCKET UW-210833 ORDER 01 APPROVING SURCHARGE SUBJECT TO CONDITIONS
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BACKGROUND

- 1 On November 1, 2021, Wildwood Water Company LLC (Wildwood or Company) filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that would implement a surcharge rate. The proposed rate increase would generate approximately \$12,230 (11.6 percent) additional annual revenue. The Company serves approximately 228 customers in Island County. The Company’s last general rate increase, which resulted in \$4,100 additional annual revenue, became effective on April 30, 2020.
- 2 The proposed tariff revision will allow the Company to recover 70 percent of the \$49,849 cost incurred replacing aged well pumps that failed: one on the Shirona water system and one on the Crosswoods water system. The Company explained that these pumps are “required to ensure continued assurance of water availability for our customers.”
- 3 The Company provided Commission staff (Staff) with documentation showing the project has been completed and the plant is used and useful. Wildwood requests the surcharge to pay its contractor for services rendered.
- 4 Staff’s review and analysis of Company-provided documents supports the amount requested of \$34,869, which is 70 percent of the total cost of replacing the failed pumps. The Company is also entitled to recover \$1,821 in revenue sensitive taxes and fees, for a total of \$36,690 to be collected over three years, or \$12,230 in additional annual revenue. Staff believes that a one-time payment of \$161.04, or a monthly surcharge cost of \$4.47 over a period of three years, 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 Wildwood. The surcharge must expire on December 31, 2024, or upon recovery of \$36,690 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 Wildwood 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 Wildwood, the trust obligations established in WAC Chapter 480-110 regarding any unspent surcharge funds must be transferred to the owners of the Company.
- (e) Wildwood 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) Wildwood 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 Wildwood.

DISCUSSION

- 6 We agree with Staff that the 70 percent surcharge requested by Wildwood is necessary for the Company to make payments for repairs that have already been made. Further, the repairs were necessary to ensure continued reliable water service is provided to customers.
- 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 to replace failed pumps, which are critical to providing water to the afflicted water systems, constitutes an emergency under WAC 480-07-505(2)(b), and that a general rate case is not required to implement the requested surcharge.
- 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) Wildwood 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 December 23, 2021.

- 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) WAC 480-07-505(2)(b) allows for emergency rate increases a company request on short notice due to causes beyond the Company's control to not initiate a general rate case.
- 14 (6) The increase in rates due to the replacement of failed pumps that are critical to providing water to the afflicted water systems constitutes an emergency under WAC 480-07-505(2)(b), and a general rate case therefore is not required to implement the requested surcharge.
- 15 (7) The Commission has reviewed the tariff revisions Wildwood filed in this Docket, including supporting documentation.
- 16 (8) The surcharge tariff in this Docket will recover costs of making emergency repairs to the water system necessary to provide service.
- 17 (9) After reviewing Wildwood's tariff revision filed in Docket UW-210833 on November 1, 2021, as revised on December 13, 2021, 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:

- 18 (1) Wildwood Water Company LLC's surcharge filed on November 1, 2021, and revised on December 13, 2021, is approved to become effective on January 1, 2022, subject to following conditions:
- (a) The surcharge must apply to all water customers served by Wildwood Water Company LLC. The surcharge must expire on December 31, 2024, or upon recovery of \$36,690 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 Wildwood Water Company LLC for the benefit of customers. Such funds do not become the property of the Wildwood Water Company LLC, or Wildwood Water Company LLC's owners and may not be disbursed, alienated, attached, or otherwise encumbered by Wildwood Water Company LLC, or its owners. In the event of a sale or transfer of Wildwood Water Company LLC, the trust obligations established in WAC Chapter 480-110 regarding any unspent surcharge funds must be transferred to the owners of Wildwood Water Company LLC.
- (e) Wildwood Water Company LLC 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) Wildwood Water Company LLC 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 Wildwood Water Company LLC.

- 19 (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.

- 20 (3) The Commission retains jurisdiction over the subject matter and Wildwood Water Company LLC to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective December 23, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner