

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of  
  
THUNDER RIDGE WATER CO., INC.  
  
Petitioner,  
  
For Approval of a Surcharge for Cost  
Recovery of Generator and Emergency  
Pump Replacement Project

DOCKET UW-200053  
  
ORDER 01  
  
APPROVING SURCHARGE  
SUBJECT TO CONDITIONS

**BACKGROUND**

- 1 On January 23, 2020, Thunder Ridge Water Co., Inc. (Thunder Ridge or Company), filed with the Utilities and Transportation Commission (Commission) a tariff revision that would generate \$31,280 (49.6 percent) in additional annual revenue. The Company proposes implementing a Cost Recovery Surcharge of \$17.74 per month for all customers. The Company serves 147 customers located on Camano Island in Snohomish County. The Company's last rate change became effective December 15, 2017, for \$14,500 (30 percent).
- 2 Thunder Ridge proposes a surcharge to recover 70 percent of the \$214,811 cost incurred to install a propane-powered generator and emergency pump equipment. This surcharge would recover \$150,367 in principle, plus interest on the loan provided by Thunder Ridge Holdings, LLC (TRH) and associated taxes, resulting in a total of \$188,792 to be recovered via surcharge. The Company has already completed the project.
- 3 Commission staff's (Staff) review and analysis of Company-provided documents noted the Company had not included all applicable revenue sensitive items. Factoring in all revenue sensitive items, Staff found \$31,465 (49.8 percent) in additional annual revenue would be required. Staff believes that a onetime payment of \$1,076.31, or a monthly surcharge cost of \$17.84 would be fair, just, reasonable, and sufficient.
- 4 The project resulted from concerns raised by the Department of Health (DOH) that the system would not meet fire flow requirements if the primary pump failed. The project was presented in the Company's DOH Water System Plan and meets the criteria outlined in WAC 480-110-455(2) for a surcharge to fund current utility plant.

5 DOH has primary jurisdiction regarding fire flow when local legislative authorities have  
not adopted standards. DOH concluded the proposed project was necessary for Thunder  
Ridge to meet water quantity standards.

6 The Company sent notice to its customers by mail dated January 24, 2020, and sent a  
revised notice correcting the duration of surcharge dated February 19, 2020.

7 The proposed surcharge would increase the Company's annual revenues by more than  
3 percent, which classifies the proposed tariff revision as a general rate case per WAC  
480-07-505. Thunder Ridge did not include a request exemption from WAC 480-07-  
530(4), which lists the minimum work paper filing requirements for a general rate case.  
The filing proposes a surcharge for completed utility plant that involves a single capital  
project and funding mechanism. Staff has reviewed the filing, concluding the Company  
has provided sufficient information for Staff to determine the costs associated with the  
Company's filing. Staff requests and recommends the Commission issue an Order  
exempting the Company from WAC 480-07-530(4) by its own motion.

8 Staff reviewed the Company's supporting financial documents, invoices for the project,  
and the expected terms and conditions of the surcharge filing. Staff believes the loan held  
by TRH is an appropriate funding option for both the Company and its customers, and the  
proposed surcharge is fair, just, reasonable, and sufficient.

9 Accordingly, Staff recommends the Commission approve the surcharge filed January 23,  
2020, as revised on February 25, 2020, subject to the following conditions:

- (a) The surcharge must apply to all water customers served by the Company. The surcharge must expire on April 30, 2026, or upon recovery of \$188,792 for principle, interest, and taxes, whichever comes first.
- (b) 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 (CIAC).
- (c) Surcharge funds collected, and interest earned upon funds, must be held in a separate loan reserve account by the Company 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 the Company, the trust obligations established in WAC Chapter 480-110 regarding any unspent surcharge funds must be transferred to the owners of the Company.

- (d) The 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.
  
- (e) The company must immediately deposit all monthly payments received and related to the surcharge in the same separate reserve account specified in condition (c), above.
  
- (f) Excess funds held in the loan reserve account will be remitted annually toward the principle of the loan. “Excess funds” means money accumulated in the reserve account in excess of payments due during the year to Thunder Ridge Holdings, LLC.
  
- (g) Within one (1) year after the approval of the surcharge, the Company must file a general rate case to allow the Company to recover its portion of the project through general rates. This would enable the Commission to analyze the Company’s books, records, and allocations between its affiliates.

### DISCUSSION

10 We agree with Staff that an exemption from WAC 480-07-530(4) should be granted on the Commission’s own motion. Under WAC 480-110-215, the Commission may grant an exemption from the provision of any rule consistent with WAC 480-07-110, which provides that the Commission may, on its own motion, grant and exemption from, or modify the application of, any of its rules in individual circumstances if doing so is in the public interest, consistent with applicable statutes, and consistent with the purposes underlying regulation.

11 The purpose of the work paper filing requirements in WAC 480-07-530(4) is to provide the Commission with information to determine whether a proposed rate increase is fair, just, reasonable, and sufficient. Here, the Company has provided sufficient information to enable the Commission to make a determination. Providing additional information required by the rule would be unnecessary and unduly burdensome. Accordingly,

allowing an exemption to this requirement for this docket only is consistent with public interest, the purposes underlying the rule, and applicable statutes.

12 We also agree with Staff that the loan from TRH is an appropriate funding option for both the Company and its customers. The conditions Staff proposes are reasonable and should be required to ensure the surcharge is repaid effectively and efficiently. The surcharge is to recover 70 percent of costs already incurred for replacing back-up and emergency equipment from its customers. The remaining 30 percent of the cost was provided by the Company as equity. 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 9, above.

### FINDINGS AND CONCLUSIONS

- 13 (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.
- 14 (2) Thunder Ridge Water Co., Inc. is a water company and a public service company subject to Commission jurisdiction.
- 15 (3) This matter came before the Commission at its regularly scheduled meeting on March 26, 2020.
- 16 (4) WAC 480-110-455 allows companies to file surcharge tariffs, including what Thunder Ridge Water Co., Inc. seeks approved. No company may collect a surcharge or facilities charge except by Commission order or approval.
- 17 (5) Thunder Ridge Water Co., Inc. is subject to the filing requirements of WAC 480-07-530 for general rate increase proposals. The Company provided information pertinent to the increase being requested but did not provide the remainder of the information required by the rule.
- 18 (6) Under WAC 480-110-215, the Commission may grant an exemption from the provisions of any rule in WAC 480-110 if doing so is consistent with the public interest, the purposes underlying regulation, and applicable statutes. *See also* WAC 480-07-110.
- 19 (7) Commission Staff requests the Commission, on its own motion, grant an exemption from the work paper filing requirements of WAC 480-07-530(4)

because the Commission has adequate information to determine whether the proposed rate increase is fair, just, reasonable, and sufficient.

- 20 (8) An exemption from the general rate increase filing requirements set forth in WAC 480-07-530(4) for the filing this Docket is in the public interest and is consistent with the purposes underlying the regulation and applicable statutes and should be granted.
- 21 (9) The Commission has reviewed the tariff revisions Thunder Ridge Water Co., Inc., filed in Docket UW-200053, including related documentation.
- 22 (10) The surcharge tariff in this Docket will recover costs of a capital project approved by DOH in the Company's Water System Plan.
- 23 (11) After reviewing Thunder Ridge Water Co., Inc.'s tariff revisions filed in Docket UW-200053 on January 23, 2020, as revised on February 25, 2020, 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 9 of this Order.

## **ORDER**

### **THE COMMISSION ORDERS:**

- 24 (1) The Commission, on its own motion, grants Thunder Ridge Water Co., Inc., an exemption from the requirements of WAC 480-07-530(4).
- 25 (2) Thunder Ridge Water Co., Inc.'s surcharge filed on January 23, 2020, as revised on February 25, 2020, is approved to become effective on April 1, 2020, subject to following conditions:
- (a) The surcharge must apply to all water customers served by Thunder Ridge Water Co., Inc. The surcharge must expire on April 30, 2026, or upon recovery of \$188,792 for principle, interest, and taxes, whichever comes first.
  - (b) 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 (CIAC).

- (c) Surcharge funds collected, and interest earned upon funds, must be held in a separate loan reserve account by the Thunder Ridge Water Co., Inc., for the benefit of customers. Such funds do not become the property of the Thunder Ridge Water Co., Inc., or Thunder Ridge Water Co., Inc.'s owners and may not be disbursed, alienated, attached, or otherwise encumbered by Thunder Ridge Water Co., Inc., or its owners. In the event of a sale or transfer of Thunder Ridge Water Co., Inc., the trust obligations established in WAC Chapter 480-110 regarding any unspent surcharge funds must be transferred to the owners of Thunder Ridge Water Co., Inc.
- (d) Thunder Ridge Water Co., Inc., 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.
- (e) Thunder Ridge Water Co., Inc., must immediately deposit all monthly payments received and related to the surcharge in the same separate reserve account specified in condition (c), above.
- (f) Excess funds held in the loan reserve account will be remitted annually toward the principle of the loan. "Excess funds" means money accumulated in the reserve account in excess of payments due during the year to Thunder Ridge Holdings, LLC.
- (g) Within one (1) year after the approval of the surcharge, Thunder Ridge Water Co., Inc., must file a general rate case to allow Thunder Ridge Water Co., Inc., to recover its portion of the project through general rates. This would enable the Commission to analyze the Thunder Ridge Water Co., Inc.'s books, records, and allocations between its affiliates.

- (3) 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.

- 27 (4) The Commission retains jurisdiction over the subject matter and Thunder Ridge Water Co., Inc., 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 March 26, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

*/s/ Mark L. Johnson*

MARK L. JOHNSON  
Executive Director and Secretary