

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of  
  
EAST SIDE IMPROVEMENT  
CO., INC.  
  
Petitioner,  
  
For Approval of a Surcharge for Cost  
Recovery of emergency irrigation screen  
replacement

DOCKET UW-240294  
  
ORDER 01  
  
APPROVING SURCHARGE  
SUBJECT TO CONDITIONS

**BACKGROUND**

- 1 On April 26, 2024, East Side Improvement Co., Inc., (East Side or Company), filed with the Washington Utilities and Transportation Commission (Commission) a tariff revision that would generate \$14,089 (29 percent) in additional annual revenue. The Company proposes implementing a Cost Recovery Surcharge of \$26.09 per month for all customers. The Company serves 45 customers located in Kittitas County. The Company has not had a rate case since becoming regulated in July of 2022.
- 2 East Side notified its customers by mail dated April 26, 2024, that it proposes a surcharge to recover 70 percent of the \$33,596 cost incurred for an emergency replacement of irrigation screens required to provide irrigation water service. This surcharge would recover \$23,517.27 in principle and \$4,660.62 in interest, resulting in a total of \$28,177.89 to be recovered via surcharge. The Company has already completed the emergency repairs.
- 3 Commission staff (Staff) determined through discussion with the Company owner that the failure of the irrigation screens was unexpected, and the failure limited the company’s ability to provide irrigation water service to its customers. WAC 480-110-455(2)(iii) allows surcharges for “special expenses” that may be subject to large variations for extraordinary maintenance expenses. WAC 480-07-505(2)(b) provides that the Commission generally will not initiate general rate proceedings in response to a filing that requests an emergency rate increase to recover costs associated with causes beyond a company’s control. Staff believes that the screen failure constitutes an emergency that required an immediate replacement, and that the Company should be allowed to seek recovery through a “special expenses” surcharge rather than a general

rate case consistent with WAC 480-110-455(2)(iii) and WAC 480-07-505(2)(b).

4 Staff's review and analysis of Company-provided documents found \$33,596.10 was spent replacing the failed screen on the pump equipment. The Company is also entitled to recover interest for a loan that the Company took out to pay for the repair. Staff believes that a one-time payment of \$522.61, or a monthly surcharge cost of \$26.09 over a period of two years would be fair, just, reasonable, and sufficient.

5 Staff reviewed the Company's supporting financial documents, invoices for the project, and expected terms and conditions of the surcharge filing. The system repairs were financed by a loan from a bank using an 18 percent interest rate. Staff believes the financing was an appropriate funding option for both the Company and its customers due to the critical nature of repairing the water system.

6 Accordingly, Staff recommends the Commission approve the surcharge filed April 26, 2024, subject to the following conditions:

(a) The surcharge must apply to all water customers served by the Company and expire on May 31, 2026, or upon recovery of \$28,177.89, whichever comes first.

(b) The Company must treat funds received from the surcharge, including interest earned on the funds, as contributions-in-aid-of-construction.

(c) The Company will remit funds received from the Surcharge funds to creditors monthly to pay off related debts.

(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 provide documentation to the Commission showing debts are fully paid at the end of the two-year period.

## DISCUSSION

7 We agree with Staff that the loan from the bank was an appropriate funding option for the Company and its customers. In addition, the conditions Staff proposes are reasonable and should be required to ensure the surcharge is collected and repaid in a transparent manner. The surcharge will recover from customers 70 percent of costs already incurred for emergency equipment replacement and provides customers with the option of paying one lump sum or making 24 monthly installments. We thus find that the proposed surcharge is fair, just, reasonable, and sufficient.

8 We also agree with Staff the rate increase caused by the replacement of the failed pump screens constitutes an emergency rate increase under WAC 480-07-505(2)(b) and qualifies as a “special expense” for extraordinary maintenance expenses under WAC 480-110-455(2)(iii). Accordingly, we approve the proposed tariff revisions subject to the conditions set out in paragraph 6, 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) East Side 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 June 27, 2024.
- 12 (4) WAC 480-110-455 allows companies to file surcharge tariffs, including those for special expenses. No company may collect a surcharge, or facilities charge except by Commission order or approval.
- 13 (5) The increase in rates due to the emergency replacement of a failed screens on the irrigation pump critical to providing water to the system constitutes an emergency under WAC 480-07-505(2)(b), and a general rate case is not required to implement the surcharge requested.

- 14 (6) The Commission has reviewed the tariff revisions East Side’s filed in Docket UW-240294, including related documentation.
- 15 (7) The surcharge tariff in this Docket will recover costs of making emergency repairs to the water system necessary to provide continued water service.
- 16 (8) After reviewing East Side’s tariff revisions filed in Docket UW-240294 on April 26, 2024, 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 (e) set forth in paragraph 6 of this Order.

**ORDER**

**THE COMMISSION ORDERS:**

- 17 (1) East Side Improvement Co., Inc., surcharge filed on April 26, 2024, is approved to become effective on July 1, 2024, subject to following conditions:
- (a) The surcharge must apply to all water customers served by East Side Improvement Co., Inc., and expire on May 31, 2026, or upon recovery of \$28,177.89 whichever comes first.
  - (b) East Side Improvement Co., Inc., must treat funds received from the surcharge, including interest earned on the funds, as contributions-in-aid-of-construction.
  - (c) East Side Improvement Co., Inc., will remit funds received from the Surcharge funds to creditors monthly to pay off related debts.
  - (d) East Side Improvement 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,

(e) Reconciliation of the bank balance to general ledger. East Side Improvement Co., Inc., must provide documentation to the Commission showing debts are fully paid at the end of the six-month period.

18 (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.

19 (3) The Commission retains jurisdiction over the subject matter and East Side Improvement Co., Inc., to effectuate the provisions of this Order.

20 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 June 28, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner