

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

NORTHWEST WATER SERVICES,
LLC,

Requesting Extension for Compliance
with Order 01

DOCKET UW-191063

ORDER 02

DENYING PETITION, IN PART;
GRANTING PETITION, IN PART

BACKGROUND

- 1 On April 24, 2020, Northwest Water Services, LLC, (Northwest Water or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition to extend the deadline for the Company to file proof of financing for, or installation of, water treatment for the Silver Lake Water system (Petition) imposed by Order 01 in this Docket (Order 01).
- 2 Northwest Water serves 437 customers on systems in Skagit, Snohomish, and Island Counties. The utility's water systems are Skagit River Colony (ID # 592443), Bacus Road #1 (ID # 64327Y), Blanchard Knob (ID # AC712E), Rolf Bruun (ID # 08915H), Lake Alyson (ID # 50691R), Tjetland (ID # 17475C), Cedarhearth (ID # 96889D), and Silver Lake Water (ID # 79245N).
- 3 Northwest Water filed a general rate case in Docket UW-190798, which became effective November 1, 2019. The rates were in part based on a large pro forma adjustment for a water treatment system to be installed on the Silver Lake Water system. The treatment plant asset pro forma adjustment was \$274,213.45, to be depreciated over a 10-year life. Commission staff (Staff) agreed to the pro forma adjustment to satisfy requirements for a bank loan to the Company to pay for the treatment plant and installation. The resulting total revenue requirement approved in Docket UW-190798 was \$305,495.
- 4 On December 31, 2019, Northwest Water filed with the Commission an application for sale and transfer of 50 percent membership to Mr. Kelly Wynn pursuant to the provisions of RCW 80.12. The Commission approved the sale and transfer in Order 01 subject to the

condition that the Company secure the bank loan, show proof of installation of the treatment plant, or file tariff revisions reducing rates for the cost of the water treatment asset within 90 days.

5 The Company's Petition states that, due to the COVID-19 pandemic, the installation has not been executed, and will not be in the foreseeable future. The Company requests an extension to fulfill the requirements imposed by Order 01 until April 30, 2021.

6 Commission staff (Staff) reviewed the Petition and determined that the Company's request is unreasonable and contrary to the public interest. The Company did not provide any explanation for not obtaining the loan or installing the treatment asset, and failed to explain how either on these obligations has been affected by the pandemic. While the Governor has restricted some businesses, water companies and plumbers were determined to be essential businesses, and thus were not subject to closure.¹ Staff met with the Company on May 13, 2020, and discussed the Company's progress related to installation of the treatment plant. The Company stated it has restarted loan discussions with Savi Bank and expects to have the loan secured no later than September 1, 2020. The Company also stated that "as soon as Phase 1 restrictions are lifted" it will start construction, and that construction can be done concurrent with the loan process. The Company estimates that it can finish the project no later than October 1, 2020. The Company sold some property not required to provide water service, and therefore has additional capital to move forward with the installation of the treatment plant. Accordingly, Staff recommends the Commission grant Northwest Water an extension until September 1, 2020, to comply with Order 01, and also that it require the Company to update Staff on the installation of the treatment plant by August 1, 2020.

7 If the Company fails to comply with the Order by that date, Staff expects the Company to file tariff revisions to remove the cost of the treatment plant from rates, and credit/refund to customers the monthly amount that has been collected since these rates went into effect on November 1, 2019.

¹ Jay Inslee, "Proclamation by the Governor Amending and Extending Emergency Proclamations 20-05, 20-23, 20-23.1, 20.23.2, and 20-23.3 Ratepayer Assistance and preservation of Essential Services," May 5, 2020.

DISCUSSION AND DECISION

8 We agree with Staff's recommendation and assessment of the Petition. The Company claims that the COVID-19 Pandemic is preventing it from moving forward, but provided no further explanation of how this impacted the Company's ability to install the water treatment system, the cost of which has been, and continues to be, collected in rates. We acknowledge that the COVID-19 pandemic has created a unique situation that increasingly requires us to decide between outcomes that are less than ideal. In these circumstances, however, we find that granting the Company's Petition for a 12-month extension is contrary to the public interest because it would require the Company's customers to continue to pay rates that have no corresponding benefit. We therefore deny the Company's Petition in part and grant the Company's Petition in part for the reasons discussed below.

9 We are sensitive to the fact that rates can contribute to the financial hardship some customers are facing due to the economic uncertainties created by the COVID-19 pandemic. The Company's Petition does not allay our concerns. First, we have no basis to determine when economic conditions will improve, and the Petition would keep rates higher for customers without any corresponding benefit for 12 months. In fact, it is possible that conditions may continue to deteriorate. Second, allowing rates to remain in effect will not result in guaranteed financing for the water system treatment asset. However, the Company states that it is in the process of securing capital by selling property and obtaining loans to install the treatment plant, and that the capital will be secured by September 1, 2020. We therefore find that granting the Company's Petition for extension, in part, until September 1, 2020, will best serve the public interest. If the Company has not secured the required capital by that date, or has not otherwise begun installing the treatment plant, the initial conditions of Order 01 in this docket will apply and the Company must file tariff revisions removing the plant from rate base and refunding over collected amounts to customers.

10 Accordingly, our partial denial of the Petition does not prevent the Company from seeking future rate recovery if and when the water system treatment is installed and providing benefits to customers.

11 We thus deny Northwest Water's Petition in part to extend the date by which the Company must comply with the conditions in Order 01 for 12 months, and instead grant the Company an extension until September 1, 2020. We further require Northwest Water to file with Staff a progress report by August 1, 2020.

FINDINGS AND CONCLUSIONS

- 12 (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.
- 13 (2) Northwest Water is engaged in the business of providing water services within the state of Washington and is a public service company subject to Commission jurisdiction.
- 14 (3) WAC 480-07-370(1)(b) allows companies to file petitions, including the Petition filed by Northwest Water in this Docket.
- 15 (4) This matter came before the Commission at its regularly scheduled open meeting on May 21, 2020.
- 16 (5) Staff has reviewed Northwest Water's Petition and recommends that it be denied in part, and granted in part.
- 17 (6) The relief requested in the Company's Petition would result in higher rates to customers who are not receiving any corresponding benefits during a time when economic conditions remain unstable, or may decline further for the foreseeable future.
- 18 (7) After reviewing Northwest Water's Petition filed in Docket UW-191063 on April 24, 2020, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition for an extension to comply with the terms of Order 01 should be denied as it relates to the 12-month timeframe, but that it should be granted, in part, to provide an extension until September 1, 2020, for the Company to comply with the conditions set out in Order 01.
- 19 (8) The Company must file a report with Staff detailing its progress by August 1, 2020.
- 20 (9) If the Company has not complied with the requirements of Order 01 by September 1, 2020, Northwest Water must file tariff revisions no later than September 30, 2020, that reflect lower rates at Staff-recommended levels and refund to customers the amounts the Company has over collected.

ORDER

THE COMMISSION ORDERS:

- 21 (1) Northwest Water Services, LLC's Petition seeking authorization to extend the date to comply with Order 01 until April 30, 2021, is denied, in part.
- 22 (2) Northwest Water Services, LLC, is granted an extension to September 1, 2020, to comply with the conditions set out in Order 01.
- 23 (3) Northwest Water Services, LLC, must submit a progress report to Staff by August 1, 2020.
- 24 (4) If Northwest Water Services, LLC, is unable to comply with the conditions imposed by Order 01 by September 1, 2020, Northwest Water Services, LLC, must file tariff revisions by September 30, 2020, that remove the treatment asset from rates and credit customers for the funds Northwest Water Services, LLC, has received for the treatment plant since November 1, 2019.
- 25 (5) The Commission retains jurisdiction over the subject matter and Northwest Water Services, LLC, to effectuate the provisions of this Order.
- 26 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 May 21, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON
Executive Director and Secretary