



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
OFFICE OF DRINKING WATER

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October 28, 2014

Mr. Steve King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington, 98504-7250

Dear Mr. King,

I am writing to provide comments on the Notice to Consider Adoption of Rules Relating to Water Companies, Docket UW-143295. My staff and I have developed responses to some of the seven questions posed in the Notice.

In response to the second question, we support the idea of establishing incentives in rule to encourage companies to make investments in their systems. Small water systems have to use a disproportionate percentage of their income on infrastructure repairs and replacement. A small system can get into financial trouble if they do not periodically assess and invest in their system's infrastructure. At this time, we do not have specific rule language to suggest for incentives.

We support your proposal in the third question to extend the 30 percent equity investment policy to general rate cases. This change would especially help smaller systems that may not be able to maintain funds for infrastructure needs. We also encourage you to consider requiring that the funds be set aside for infrastructure repairs or replacement.

We agree with the proposal in question four to require systems to maintain their reserve or surcharge funds in protected accounts or bonds.

In response to question seven, we encourage you to consider revising or removing the threshold of \$557 a year per customer. We believe that small water companies' greatest opportunity to invest in their business and understand the financial risks occur when the water system is first created. By revising the thresholds, more new companies will be protected from failure through the Board's regulations. The new companies will be better prepared to set appropriate rates and use their resources wisely.

We believe the rate threshold encourages some unregulated companies to artificially maintain charges below the threshold value. A small company can get into financial trouble if their charges do not adequately cover costs or help build a sufficient reserve account. We know that lowering or removing the thresholds could result in more work for your Commission. However, we believe some small systems may avert financial trouble if they are able to set rates without worry of falling into a new regulatory category.

In conclusion, we support your efforts to help more systems maintain their financial stability. As you know, we also try to help systems with financial issues through our technical assistance and rule development. We appreciate this opportunity to work with you on the rule making.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Clark Halvorson', with a long horizontal flourish extending to the right.

Clark Halvorson
Director