



April 22, 2021

Mark Johnson, Executive Director
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Subject: Olympic Water and Sewer Inc. Rate Increase

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Dear Executive Director,

Olympic Water and Sewer Inc. (OWSI) wishes to file for general rate increase with an effective date of June 21, 2021. We have included the following items to fully support our filing. OWSI's Public water system identification number is 68700L.

- 1) **Cover Letter.**
- 2) **Tariff.** The proposed tariff with a proposal effective date of June 21, 2021.
- 3) **Customer Notice.** A copy of the notice to be mailed to customers on May 21, 2021.
- 4) **Work Papers:** UTC general rate case workbook

Rate Increase Justification

Olympic Water and Sewer Inc. (OWSI) has analyzed current rates. The data shows that current rates provide a 2.7% rate of return. To cover the increased cost of doing business since the last rate adjustment OWSI is looking to increase the rate of return by 7.40%. It has been 12 years since OWSI has filed for a rate adjustment that was not a cost recovery surcharge. In 2014 OWSI petitioned for a surcharge to recover costs for a failed attempt to install a production well. That surcharge expired in October of 2017. In 2019 OWSI petitioned for a surcharge to fund the OWSI chlorination and filtration project. That surcharge is active and will be adjusted once the total construction costs are known. Anticipated completion date is in 2022. OWSI has determined that current base, usage, and connection rates are generating a low rate of return that does not provide the capital to reinvest in the water system. OWSI is also filing for the addition of several ancillary charges for services provided but not accounted for financially. Currently the only ancillary charges are for reconnection to water service after nonpayment and a nonsufficient funds check charge.

Base Rate, and Usage Rates,

OWSI proposes restructuring from the current 2 tier usage blocks to a three tier model. OWSI proposes a base rate increase from current \$18.25 to \$19.25 per month for customers that utilize $\frac{3}{4}$ x 5/8 inch meters. The proposed change in this base rate will increase annual revenue from \$368,638 to \$388,837. That is an increase of 3.0% or \$11,331 annually. The customer will see an increase of \$12.00 per year. This is an increase of 1.65% of total revenue.

The usage rates are as follows. Currently block #1 has a usage range of 0-1000 cubic feet (cu ft) at a cost of \$2.25 each 100 cu ft. The proposed block #1 has a range of 0-1000 and a cost of \$2.70 each 100 cu ft

consumed. The effect on this proposed block would be an increase in revenue from \$224,871 to \$259,392. The increase is 15.35% or \$34,521 annually. The average customer will see a cost increase in this block of \$20.15 annually or \$1.68 monthly. This block will increase total revenue by 5.03%.

The current block #2 has a usage range of 1001cu ft and above. The cost is \$3.35 each 100 cu ft consumed. The revenue of the block is \$80,922. The proposed range of block #2 is 1001 -1800 cu ft each month. The proposed cost is \$3.40 each 100 cu ft consumed in this range. The revenue in block #2 will go down as a result of adding another tier. For that reason we are combining block #2 and #3 together for comparison. Block #3 usage range is 1801 cu ft and above will capture many of the customers that are in the current block #2. The proposed cost per 100 cu ft in block 3 is \$4.40. Proposed blocks #2 and #3 revenues at \$40,067 and \$48,773 combined \$88,840 result in an increase of \$4,918 over the current block #2. This is a proposed increase of 5.86% in this block. The increase to the customer of the proposed increase would be \$2.87 annually or \$.24 monthly per customer. The increase of blocks #2 and #3 equals 0.72% of total revenue.

Connection Fee,

OWSI has analyzed the water connection fee. This fee has not been increased since 2008. Costs of construction and raising costs show that the fee is in need of an update. The current connection fee is \$250.00. Our analysis shows that the connection fee should be \$500.00. The increase of \$250.00 will generate \$3,000 additional revenue each year. That will be a 0.44% increase in total revenue.

Ancillary Charges,

OWSI is proposing ancillary charges to pay for services provided to our customers. The total increase in revenue from these charges combined is \$4,500 annually or 0.66% of total revenue.

The charges include:

	Proposed OWSI	Current OWSI
Reconnect charge (normal hours)	\$50	\$50
-After hours	\$85	\$50
Disconnect visit charge	\$20	0
Service visit charge	\$25	0
Late payment charge	2% unpaid / min \$1	0
Account setup w/ meter reading	\$15	0
NSF check charge	\$25	\$25
Water Avail Letter charge	\$15	0
Backflow inspection Visit	\$25.00/Hour prorated	0
Damage & Repairs	\$55 /hr	0
-Hourly labor (after hours)	\$75 /hr	0
Courtesy		
Disconnect	\$10	0
Reconnect charge	\$10	0

Summary,

The result of the rate adjustment would be an additional \$50,770 annually of the total revenue of 2020. This rate design will take revenue from \$686,299 to \$737,069 for an increase of 7.40%. The ancillary and connection fees would not affect every customer and will add another 1.1% of the total 2020 revenue or \$7,500 annually.

Please call me at 360-437-2101 if you have any questions. The OWSI email address is 'owsi@portludlowassociates.com'.

Sincerely,



Diana Smeland
President
Olympic Water and Sewer Inc.