

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

SUNCADIA WATER COMPANY, LLC

Petition for an Accounting Order
Authorizing Deferred Accounting
Treatment of Costs Associated with the
Destruction of Its Office Building from a
Severe Weather Event and Resulting Fire

DOCKET NO. UW-_____

PETITION

I. INTRODUCTION

1 Pursuant to WAC 480-07-370(3)(b), Suncadia Water Company, LLC (“Suncadia Water” or the “Company”) files this petition (“Petition”) with the Washington Utilities and Transportation Commission (the “Commission”) seeking an accounting order to allow the use of deferred accounting, from the date of this Petition forward, for costs associated with the destruction of its office building from a severe weather event and resulting fire. As described more fully below, Suncadia Water anticipates that the destruction of its office building will result in costs that the Company seeks to defer for subsequent rate-making treatment.

II. NAME OF PETITIONER

2 Suncadia Water is a water company and public service company doing business in the State of Washington and is subject to the jurisdiction of the Commission regarding rates, service, and accounting practices. Before this incident, the Company’s principal place of business was 4244 Bullfrog Road, Cle Elum, Washington 98922. Until new office space is identified,

please use the address in Section III (Communications) as the Company's principal place of business.

III. COMMUNICATIONS

3 Communications regarding this Petition should be addressed to:

NW Natural
e-Filing for Regulatory Affairs
250 SW Taylor Street
Portland, Oregon 97204
Telephone: (503) 610-7330
Fax: (503) 220-2579
Email: eFiling@nwnatural.com

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Jeremy Aird
Director of Accounting and Finance
NW Natural Water
250 SW Taylor Street
Portland, Oregon 97204
Phone: (503) 539-3967
Email: Jeremy.Aird@nwnatural.com

4 In addition, Suncadia Water respectfully requests that all data requests be addressed to:

e-Filing for Regulatory Affairs
eFiling@nwnatural.com

IV. SUPPORT FOR PETITION

A. Legal Authority

5 The Commission is vested by statute with the authority to regulate, among other things, the rates and accounts of public service companies, including water companies.¹ WAC 480-07-370(3)(b) allows public service companies to file petitions, including petitions for deferred

¹ RCW 80.01.040, RCW 80.04.160, RCW 80.28.020; *see also In the Matter of the Petition of Washington Water Service Company, Petitioner, For An Accounting Order To Defer Severe Weather Expenditures*, Docket UW-072431, Order 01 (May 15, 2008).

accounting.² The Commission grants petitions for deferred accounting where “good cause” is shown.³

B. Background

6 On Thursday, January 6, 2022, during a period of extreme snowfall in the Kittitas County region, snow slid off the roof of Suncadia Water’s leased office building at 4244 Bullfrog Road, Cle Elum, Washington. An initial account indicates that the fallen snow damaged above-ground natural gas facilities next to the office building, resulting in a three-alarm fire that ultimately destroyed the office building and all of its contents.⁴ Fortunately, nobody was in the building at the time and there were no injuries reported. Costs are being incurred to replace the destroyed contents and establish space for another office,⁵ to ensure the Company will continue providing water service that is safe, adequate and efficient, and in all respects just and reasonable.⁶

C. Reasons for Deferral

7 Due to the unpredictable and unprecedented nature of this event, these costs are not currently recovered in rates, outside normal business risk, and, accordingly, Suncadia Water requests to recover these costs through deferred accounting. If this Application is approved, Suncadia Water will seek amortization of deferred amounts in a future Commission proceeding. In the absence of a deferral, Suncadia Water would be required to bear all the costs of replacing the

² See UW-072431, Order 01 ¶ 8.

³ UW-072431, Order 01 ¶ 12.

⁴ https://www.dailyrecordnews.com/news/thursday-blaze-at-upper-county-building-extinguished-by-multiple-departments/article_359a3a4c-0a80-578a-b871-9f9b696aa2d9.html (last visited February 6, 2022).

⁵ Costs also may be incurred related to potential claims arising from this incident.

⁶ Furthermore, the Department of Health WAC 246-290-420 requires that water service be maintained at all times to prevent health and safety risks to customers.

destroyed contents, establishing space for another office and resolving potential claims that are not otherwise captured in customer rates.⁷

D. Estimate of Amounts

8 At the time of filing this Petition, Suncadia Water still is in the process of developing estimated costs. Estimated costs may include the direct costs of replacing the destroyed contents of the office building and establishing space for another office, and other costs related to this event that the Company is not able to predict at this time (e.g., costs related to potential claims arising from this incident). On February 2, 2022, and updated February 7, 2022, Suncadia Water submitted a claim to the insurer identifying a preliminary inventory of contents lost in the fire equal to \$194,105.38, as well as itemized receipts to date of \$17,057.60.⁸ This situation is evolving and the Company will provide further detail when additional estimates become available. Suncadia Water is documenting and tracking all costs known to be incurred by the event described in this Petition.

E. Proposed Accounting

9 Beginning on February 9, 2022, Suncadia Water proposes to accrue costs, plus interest at the published FERC rate, by recording a deferral in Account 186, for later inclusion in customer rates. In the absence of approval of deferred accounting, Suncadia Water would record costs associated with the destruction of its office building in several accounts affecting the Company's income statement and balance sheet.

⁷ Suncadia Water's current rates became effective more than five (5) years ago (Docket UW-160379). On January 20, 2022, Suncadia Water filed a general rate case that the Commission has docketed as UW-220052. The pending rate case does not include any direct or indirect costs associated with this event in the base year or test year revenue requirement.

⁸ This property insurance claim has a \$50,000.00 deductible.

F. Conditions

10 Consistent with the conditions that the Commission placed on the water utility in the above-cited Docket UW-072431, Suncadia Water is amenable to the Commission granting this Petition subject to the following conditions:

- a. Costs that are deferred will be reduced by any insurance proceeds or payments from other responsible parties received by the Company with respect to such costs.
- b. Costs eligible for deferred accounting treatment will include only those costs shown on work papers reviewed by Staff and related to this docketed proceeding.
- c. Net deferred costs are the total expenditures, as defined in condition item (b), less any recoveries from third parties and/or insurance proceeds.
- d. Any net deferred costs existing at the time of the Company's pending or next general rate case will be subject to review, and net deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes.
- e. Amortization of net deferred costs will be over a pre-determined period commencing on the effective date of the Company's pending or next general rate case.
- f. Any deferred costs will be included in a separate sub-account of 186; "Miscellaneous Deferred Debits" in subsequent documents filed in the pending rate proceeding and in future rate proceedings.

V. RELIEF REQUESTED

11 Suncadia Water requests authorization to defer the costs associated with the destruction of its office building, as described above, with interest at the published FERC rate, for later cost recovery.

12 WHEREFORE, good cause exists for the authorization requested in this Petition and the Company respectfully requests that the Commission enter an order approving deferred accounting treatment for the costs associated with the destruction of its office building as described in this Petition.

Dated this 9th day of February 2022.

Respectfully Submitted,

SUNCADIA WATER COMPANY, LLC

/s/ Eric W. Nelsen

NW NATURAL

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Senior Regulatory Attorney

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Portland, Oregon 97204

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