



WASHINGTON WATER SERVICE

P.O. Box 336
Gig Harbor, WA 98335 Tel: (877) 408-4060

UW-230236

VIA E-FILING

Ms. Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Received
Records Management
Apr 10, 2023

Re: Washington Water Company – Sheet No. 3; Sheet No. 30 Schedule No. 1; Sheet No. 30.1 Schedule No. 1.1; Sheet No. 31 No. Schedule 2; Sheet No. 31.1 Schedule No. 2.1; Sheet No. 31.2 Schedule 2.1; Sheet No. 33 Schedule No. 4

Dear Ms. Maxwell,

The purpose of this filing is to seek a general rate increase on behalf of Washington Water’s legacy operations and East Pierce. The following will provide background and a discussion of the requested rate increase.

Background

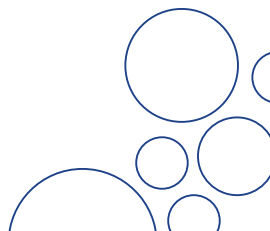
The East Pierce system was acquired by Washington Water Service Company (“Washington Water”) in 2020, with Commission approval being given in Docket UW-200091 and the tariff revision being filed in Docket UW-200464. East Pierce serves approximately 18,600 residential and non-residential customers on 28 water systems in Pierce County and Kitsap County. Washington Water Service provides water service to approximately 18,000 customers served on 197 water systems located in eight counties. As a condition of the acquisition, the Company committed to filing this rate case within one year of closing. In addition, the Commission directed that the first rate filing post-closing propose a multi-step process that will gradually reduce the rate disparity between East Pierce and Washington Water to mitigate rate shock to East Pierce customers. In July of 2021, Washington Water filed general rate cases for its “Legacy” and East Pierce systems.¹ This filing included a proposed three-year phase-in for East Pierce rates to achieve revenues sufficient to cover the cost of service for the system. In February of 2022, Washington Water, UTC staff and Public Counsel settled on a single year increase for East Pierce, with the understanding that Washington Water would file another general rate case within twelve to eighteen months.

Discussion

The revenue increase in the last rate cases for East Pierce was effective in February of 2022². However, East Pierce still remains significantly below their cost of service. This

¹ See Docket No. 210560

² Revenues for Washington Water’s legacy system were held constant.





WASHINGTON WATER SERVICE

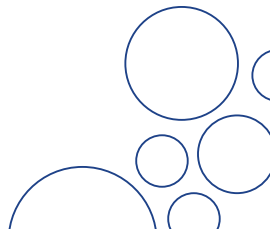
rate increase request reflects the needed expense and investment levels impacting each entity separately. Most of the expense adjustments are driven by capital improvements, a newly proposed conservation program, and increasing revenues in East Pierce to equal the actual cost to responsibly operate the system and deliver safe, clean water. Washington Water receives services from its parent company, California Water Group which includes management, financial, regulatory and HR services. The allocation of costs to both entities follows Staff's recommendations made in the last Washington Water rate case. The revenues and expenses associated with the Company's non-regulated operations have been removed from the requested cost of service.

As discussed above this rate filing reflects the multi-step rate increase agreed to pay by the Company during the acquisition proceeding. The proposed gradual increase for East Pierce will be accomplished over a period of two years until the full revenue requirement is being recovered. The entire proposed Legacy Washington Water's increase will be implemented in one year. Table 1 below provides the revenue increases and average monthly cost on a per customer basis with a 5/8" x 3/4" meter for East Pierce and Washington Water and Table 2 below provides the revenue increases for all services.

**TABLE 1
Proposed Revenue Impact**

	Proposed East Pierce Phase-In	
	Year 1	Year 2
	7/14/2023	7/14/2024
East Pierce Revenue Increase	\$ 1,426,666.70	\$ 1,617,113.14
Average Monthly Increase - 5/8" Residential	\$3.78	\$3.34
Flat Rate Increase	\$5.58	\$5.58
Ready to Serve Increase	\$2.46	\$0.82
	Proposed "Legacy" Washington Water Increase	
	Year 1	Year 2
	7/14/2023	
"Legacy" Washington Water Revenue Increase	\$577,273	-
Average Monthly Increase - 5/8" Residential	-\$0.44	-
Flat Rate Increase	\$2.52	-
Ready to Serve Increase	\$1.12	-

Even with the 2022 rate changes, East Pierce's current rates, both base and volumetric, remain significantly lower than Legacy Washington Water systems while their





WASHINGTON WATER SERVICE

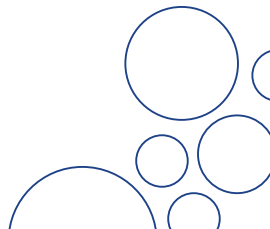
tier breakpoints are higher. For comparison, a 5/8” customer on the legacy Washington Water system using 6 Ccf would incur base charges totaling \$46.70. The same customer taking service under current East Pierce rates would incur base charges totaling \$24.80, or only 53% of the Legacy Washington Water bill. East Pierce revenues also require a significant increase to reach full recovery of its overall revenue requirement. Thus, as the Commission indicated in the acquisition filing that implementing a rate consolidation in one step is not feasible for East Pierce customers due to rate shock. The proposed multi-step increases will be implemented in conjunction with the removal of the summer tier for East Pierce and changes to the tier breaks for both East Pierce and Washington Water’s Legacy system with the objective of being in a position to fully consolidate rates in a future general rate case filing. This gradual approach allows the Company to mitigate the overall impacts and provides East Pierce customers time to adjust their usage in response to the proposed rates and rate structure.

TABLE 2
Proposed Revenue Impact by Service

Revenue Category	Current	Year 1			Year 2		
		Proposed	Increase - \$	Increase - %	Proposed	Increase - \$	Increase - %
<i>"Legacy" WWS</i>							
Metered Sales	\$ 13,770,098	\$ 14,343,058	\$ 572,960	4.2%	\$ 14,343,058	\$ -	0.0%
Unmetered Sales	6,536	6,808	272	4.2%	6,808	-	0.0%
Other Revenue*	129,457	133,498	4,041	3.1%	133,498	-	0.0%
Total Regulated Revenue	\$ 13,906,091	\$ 14,483,364	\$ 577,273	4.2%	\$ 14,483,364	\$ -	0.0%
<i>East Pierce</i>							
Metered Sales	\$ 8,548,044	\$ 9,917,226	\$ 1,369,182	16.0%	\$ 11,476,801	\$ 1,559,575	15.7%
Unmetered Sales	1,238	1,450	212	17.1%	1,662	212	14.6%
Other Revenue*	517,718	574,990	57,273	11.1%	632,316	57,326	10.0%
Total Regulated Revenue	\$ 9,066,999	\$ 10,493,666	\$ 1,426,667	15.7%	\$ 12,110,779	\$ 1,617,113	15.4%

* Includes ready-to-serve, fire protection/irrigation, and other income

This filing affects all water systems operated by the Company, including Public Water System Identification Numbers 52976B, 64144N, 03658C, 01695Q, 01826P, 010276, 172419, 01463N, 22751W, 367917, 36802J, 04896P, 056404, 071646, 26071R, 029534, 52801U, AA316G, 66936L, 81357L, 01016D, 01363J, 013642, 016290, 01862N, 03314W, 108086, 55631J, 11887T, 11914K, 14001T, 002533, 63381B, 47431C, 138554, 27091B, 35363W, 04863C, 15999F, 37654N, 07675L, 03014, 30049R, 03463T, 17100L, 18650L, 10340E, 02845R, 02348N, 24163J, 07167Q, 63918X, 152961, 109911, 04613U, 04614B, 39944X, 362419, 362332, 00561P, AD392P, AA608G, 01625X, 29810X, 05086F, 31001N, 08359U, 018868, 086766, 10440K, 33677F, 33695Y, 33969M, AA260K,





WASHINGTON WATER SERVICE

AA440J, AA498F, AA718E, 343754, 01425N, 05664P, 06705V, 36274L, 03591N, 572146, 216250, 36782F, 02860P, 43065E, 021174, 22572N, 552100, 44965N, 011069, 46658P, 471249, 25994X, 022368, 05954U, 05957C, AA771E, AA772J, AA7739, AA774E, 02075H, 48030D, 00045L, 57464Q, AA208E, 50075J, 472480, 017843, 11695R, 17690K, 01621V, 527407, 551750, 54740B, 552501, AB470J, AB471F, AB472C, AB474H, 06839U, 63215F, 133014, 00587A, 01333R, 29921U, 657451, 66146U, 66215N, 01095Y, 66637Q, 66727L, 63210W, 68065U, 705505, 70760N, 054736, 04323P, 14730Y, 285511, 71610A, 71727A, AA131P, 727765, 036252, 73975Y, 74130C, 74270J, 74364F, 09490D, 05081W, 03961D, 74743Y, 02244F, 751541, 644149, 03317E, 76633P, 76658T, 204815, 473843, 78618W, 79275E, 31527X, 239116, 08586A, 013262, 03687M, 83424J, 84618N, 84683W, 848980, 862506, 44231X, 91470N, 01018E, 438871, 202767, 17127Q, 59991Q, 967287, 010234, AC228E, 049451, 03160V, 05980, 08760Y, 30321, 45061H, 20003L, 36176H, 29345M, 77147E, 35336N, 50225H, 06081Y, 59588K, 63479B, 67397Y, 700007, 70001Q, 72975W, 73620P, 743716, 19601W, 77960C, 23651U, 25707W, 42931P, 82844H, and 353545.

Attached you will find the above referenced tariff pages, the proposed notice to customers and work papers as required by WAC 480-07-530.

If there are any questions concerning this filing, please do not hesitate to contact me.

Yours Truly,

Matt Brown, P.E.
General Manager, WWS

