

PLVC re OWSI Exemption from Submitting  
Regulated and Nonregulated Financial Information

The Port Ludlow Village Council (PLVC) and its Utilities Committee have been reviewing the current Olympic Water and Sewer, Inc. (OWSI) general rate increase in the form of a surcharge and have not taken a position on it due to lack of information from both OWSI and the UTC. Support for clean water, and therefore for whatever project is necessary to provide clean water, is a given. Our concern, which has been raised with both entities, is that since OWSI is comprised of two utilities, water and sewer, it is reasonable for the ratepayers to have transparent information about the financial condition of the entire company, not just the regulated water portion, and about how shared costs are allocated (i) between the regulated water utility and the unregulated sewer utility and (ii) between the company and its parent and affiliated companies, including Port Ludlow Associates, LLC ("PLA").

This rate case, UW-190160, is fashioned as a surcharge, but it is by no means a small or ancillary project to the water company. OWSI has water assets of \$3.5M, before depreciation, as indicated in their 2017 Annual Report. This single project involves some \$2.2M, or an increase in the capital in this business by almost 60%. It also uses a very long time payment of 20 years which for the majority of the ratepayers outlives either their life or their occupation of the residence, and probably both.

I do understand the concept of not unnecessarily burdening the water company with collecting and preparing voluminous Work Paper data required in WAC 480-07-530(4) since the application in hand is a single project and funding mechanism. However, subsection 480-07-530(4)(h) simply requires the applicant to give a "schedule showing separation of revenues and expenses between regulated and nonregulated operations." I do not think that requirement is overly burdensome or would require the submission of voluminous records. There are good reasons why that kind of information is required by the regulations applicable to a rate increase request of this magnitude and duration. Those good reasons should not be lightly disregarded by cavalierly exempting OWSI from compliance with that regulatory requirement.

The community would like to be comfortable that OWSI is dealing fairly and above-board with the ratepayers, and with the transparency normally required by the applicable regulations. After being turned down by OWSI for this limited information, I have researched the UTC records going back to when the contaminated well was discovered in 2009. Since that time, I can find two rate filings, Nos. 101543 and 110436.

After not finding the regulated/nonregulated information in the online records for No. 101543, filed in 2010, I submitted a public records request for the information. The response I received states "According to staff, a work paper was not needed because separation of regulated/non-regulated expenses and revenues are not within the scope of the filing." However, on December 16, 2010, the staff memo related to this specific docket, indicates company and staff have restated financial information "to more appropriately match the costs for operations of the company." And also indicated a review had been undertaken of allocation methods and costs of OWSI's related companies, namely the sewer portion and Port Ludlow Associates, the parent company. How can such conclusions be made, then or now, without appropriate work papers?

For the subsequent rate increase request, No. 110436, the contaminated well surcharge, a waiver for work papers was granted due to “not being relevant and would be burdensome to produce which would not be in the public interest.” That surcharge was different in that it involved far more limited dollars, only \$57,124, and lasted just over three years as a payback period.

As I said in PLVC’s filing, we do not have sufficient information to make a conclusion on whether OWSI’s present surcharge request is fair and reasonable for both the company and its ratepayers. To make that determination we need the information required by subsection (h) of the applicable regulation. The last time the financials were reviewed, apparently, was in December 2010, but the details of that review are not available. It is exactly the “public interest” that needs to be considered here, and the public would like to understand its utilities.

I request two additional conditions for the Commission’s ruling on OWSI’s present request:

1. That OWSI must comply with WAC 480-07-530(4)(h) and provide that information for the years 2014-2018 as soon as possible, but no later than May 10; and
2. That the application be suspended until the May 30 UTC Open Meeting to provide time for review of (i) OWSI’s 2018 Annual Report, which is due to be filed by May 1, 2019, and (ii) the information required by WAC 480-07-530(4)(h).

The requested surcharge is for a major capital investment, involving a lengthy 20-year payback period. The ratepayers, as well as the Commission, should have an opportunity to review appropriate financial information about the utility before any determination is made about whether the proposed very substantial rate increase is fair and reasonable.

Thank you, Bill Dean  
PLVC President