

Agenda Date: March 28, 2019  
Item Number: A4

**Docket:** UW-181055 (UW-161155-2018)  
Company Name: Iliad Water Company, LLC

Staff: Jim Ward, Regulatory Analyst  
Tiffany Van Meter, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendations**

1. Allow the Tariff Revisions filed by Iliad Water Company, LLC, on October, 1, 2018, in Docket UW-181055, as revised on March 25, 2019, to become effective April 1, 2019.
2. Issue an Order approving the request for Monthly Surcharge to apply to Parkwood water system for 2015 treatment plant improvements, to become effective April 1, 2019.

### **Discussion**

On December 2, 2018, a new docket number was issued for this filing. The new docket number is UW-181055 and replaces UW-161155.

On October 1, 2018, Iliad Water Company, LLC (Iliad Water or company) filed tariff revisions that would generate approximately \$293,258 (41.7 percent) in additional annual revenue and implement single-tariff pricing across multiple company-owned water systems serving different locations.

The company filed in compliance with Order 02 in UW-161155, which became effective April 1, 2017, granting \$161,036 (44 percent) additional annual revenue. The company extended the effective date of this filing on December 12, 2018, January 17, 2019, and again on February 25, 2019, for a new proposed effective date of April 1, 2019.

On March 25, 2019, the company filed tariff revisions at the agreed revenue requirements and rates. The tariff revisions filed would generate approximately \$154,065 (21.9 percent) of additional annual revenue.

The company's last rate change was effective July 1, 2018, for recovery of water rate increases from the City of Monroe and Clallam County Public Utility District. This increase resulted in approximately \$24,000 (3.9 percent) additional revenue. The company serves approximately 900 customers on 23 water systems located in Clallam, Kitsap, Snohomish, Pierce, King, Island, Jefferson, and Lincoln County.

In the 2016 filing, Docket UW-161155, the water company filed for general rates on 10 water systems, applying single tariff pricing, but in a gradual process according to a rate plan approved by the commission. Since that filing the company subsequently added 13 previously non-regulated water systems to its tariff with the rates in effect on those systems at that time. The

current filing was required in Order 02 to bring all rates for all systems to parity under single tariff pricing. Additionally, the company is seeking an increase in annual revenue due to increases in operating costs and addressing tax issues due to the Tax Cuts and Jobs Act of 2017.

On January 11, 2019, the company refiled part of their rate case by providing an updated asset listing and depreciation schedule, CIAC funds received, and amortization along with a request to include, in this rate case, the annual purchased water cost increases from the City of Monroe and City of Everett, that would be effective January 1, 2019.

The company also proposes, as part of this filing, to recognize and place in the company’s tariff three ‘System Improvement Charge’ for the Parkwood, Alderlake, and Skyview water systems. The assessment charges are outlined and summarized below under Schedule A.

**Monthly Rate Comparison**

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Ready to Serve	\$40.00	\$61.76	\$46.00
Base Rate, (Sunwood)	\$35.00	\$61.76	\$46.00
Base Rate, (18 water systems)	\$40.00	\$61.76	\$46.00
Base Rate, (4 water systems)	\$44.00	\$61.76	\$46.00
0 to 800 CF*, Per CCF**	\$2.28	\$2.28	\$4.05
801 To 1,500 CF, Per CCF	\$4.28	\$4.28	\$5.30
>1,501 CF, Per CCF	\$5.75	\$5.75	\$6.00

\* CF – Cubic Feet, \*\* CCF - 100 Cubic Feet  
 Other rates available in tariff.

**Monthly Residential Bill Comparison**

Monthly Average 775 Cubic Feet	Current Rate	Proposed Rate	Revised Rate
Base Rate, 5/8–Inch Meter	\$40.00	\$61.76	\$46.00
775 CF	\$17.66	\$17.66	\$31.37
Water Bill Total	<b>\$57.66</b>	<b>\$79.42</b>	<b>\$77.37</b>
Increase From Current Rates -		\$21.76 37.7%	\$19.71 34.2%

**Schedule A**  
**System Improvement Charges**

Water System	Amount (one-time)	Monthly	Expiration Date	Revised
Parkwood	\$7,760.00	\$86.14	November 1, 2028	<b>\$86.14</b>
Alderlake	\$3,386.22	\$21.27	May 25, 2028	N/A
Skyview	\$5,155.47	\$64.83	October 31, 2021	N/A

Staff has reviewed the System Improvement Charges and found that the Parkwood surcharge should be allowed to continue as a surcharge noted separately in the company's tariff. This surcharge would apply to only 10 customers out of 30 on the Parkwood water system. Originally the customers on the Parkwood water system were given the choice of a one-time payment of \$7,760 or the monthly rate of \$86.14. Many of the Parkwood water system customers (20 of the 30 customers) chose to make the one-time payment of \$7,760. This assessment was implemented by the company for improvements made in 2015 and paid by customers prior to regulation. Including the remaining balance of the assessment in regular rates would be harmful to those customers who have already paid the assessment in full, and provide an unwarranted benefit to those customers who chose to pay installments.

Staff believes that allowing the installment customers (10) to continue paying for their share of the plant by surcharge is more reasonable, since this water treatment improvement plant only benefits the Parkwood water system. Therefore the remaining balance of the assessment was removed from the rate calculation and instead those 10 customers on the Parkwood system will continue to pay installments until the surcharge expires on November 1, 2028, or upon collection of \$232,800, whichever occurs first. Repayment of the company's Parkwood Treatment obligations relies on two revenue sources: Monthly surcharges paid by current and future customers; and Funds previously collected from Parkwood customers through one-time assessments of \$7,760 and monthly assessments of \$86.14 totaling \$176,132.02.

Customers on the other two systems chose to make installment payments and so the remaining balance of those assessments was included in the monthly rate calculation. Those assessments are effectively terminated with the implementation of the new rates on April 1, 2019.

Under WAC 480-110-455 Water Company Funding Mechanism, (4) (c) the company will be required to:

... report for each tariffed surcharge or facilities charge the following information to the commission within sixty days of the end of the calendar quarter:

- (i) Beginning balance;
- (ii) Amounts received, detailed by source;
- (iii) Amounts spent, detailed by project or expense;
- (iv) Ending balance;
- (v) Reconciliation of bank balance to general ledger.

### **Customer Comments**

On October 01, 2018, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or [john.cupp@utc.wa.gov](mailto:john.cupp@utc.wa.gov) with questions or concerns. Commission staff (staff) received 49 consumer comments, all opposed to the proposed rate increase.

### **General Comments**

- The majority of the customers who commented believe the amount of increase requested is excessive, and the rates are already very high. Many are concerned with the frequency at which the company has requested increases. Customers on several of the company's water systems feel it is unfair for them to pay higher rates because the cost of water on other systems is higher or costs more to maintain. Some customers believe the company is being mismanaged if it suffered the loss it claimed in its customer notice.

### **Staff Response**

Staff informed customers that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Customers were also told that commission staff performs a thorough review of rate filings to ensure all rates and fees are appropriate. Staff explained the potential benefits of all customers paying the same rates and sharing costs with other systems. Regarding the company's claim about losing money, staff explained that its investigation into the company's rate request is ongoing.

### **Conclusion**

Commission staff has completed its review of the company's supporting financial documents, books and records. The company's financial information provided supports the requested revised revenue requirement and the revised rates and charges. Staff finds that the revised rates are fair, just, reasonable, and sufficient.

### **Recommendations**

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