

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	DOCKET UW-191063
NORTHWEST WATER SERVICES, LLC,	ORDER 03
Requesting Extension for Compliance to Order 01 Docket UW-191063	GRANTING PETITION

BACKGROUND

- 1 On September 1, 2020, Northwest Water Services, LLC, (Northwest Water, or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition to extend the deadline for the Company to file proof of financing for, or installation of, water treatment for the Silver Lake Water system.¹
- 2 Northwest Water serves 437 customers on systems in Skagit, Snohomish, and Island Counties. The utility's water systems are Skagit River Colony (DOH ID # 592443), Bacus Road #1 (ID # 64327Y), Blanchard Knob (ID # AC712E), Rolf Bruun (ID # 08915H), Lake Alyson (ID # 50691R), Tjetland (ID # 17475C), Cedarhearth (ID # 96889D), and Silver Lake Water (ID # 79245N).
- 3 Northwest Water filed a general rate case in Docket UW-190798, which became effective November 1, 2019. The rates were in part based on a large Pro Forma adjustment for a water treatment system to be installed on the Silver Lake Water system. The treatment plant asset Pro Forma adjustment was \$274,213.45 and to be depreciated over a 10-year life. The resulting total revenue requirement in UW-190798 was \$305,495. When Staff removes the Pro Forma adjustment from the same model the total revenue requirement is \$258,875, a difference of \$46,620, which translates to approximately \$8.89 per month per customer. Staff agreed to the Pro Forma adjustment to satisfy requirements for a bank loan to the Company to pay for the treatment plant and installation.
- 4 On December 31, 2019, Northwest Water filed with the Commission an application for sale and transfer of 50 percent membership to Mr. Kelly Wynn pursuant to the provisions

¹ Docket UW-191063 Order 01 issued February 6, 2020, and Order 02 issued May 21, 2020.

of RCW 80.12. The Commission approved the sale and transfer in Order 01 in this docket. Conditional upon the approval of the sale and transfer, the Company was granted 90 days to secure the bank loan, show proof of installation of the treatment plant, or file tariff revisions reducing rates for the cost of the water treatment asset.

- 5 On May 21, 2020, the Company's petition to extend the date for compliance to April 2021 was denied. The Commission issued Order 02 granting an extension to secure financing to September 1, 2020. If the Company was unable to comply, Order 02 required the Company to file tariff revisions with reduced rates and to refund customers the money already collected.
- 6 The Company's September 1, 2020, petition does not state a date for which the Company is requesting an extension. Commission staff (Staff) contacted the Company and concluded that an extension to October 1, 2020, for the Company to finalize financing and October 30, 2020, to file reduced tariff rates per Order 01 and Order 02 are adequate.
- 7 Staff believes an extension is in the best interest of the public and Northwest Water. The Company has complied with the Commission requirement to file progress reports with Staff. These reports show that the Company had filed for financing by June 11, 2020. At the same time the Company started procuring the electrical components and treatment plant. On August 5, 2020, the financial institution issued a Letter of Approval, which listed October 1, 2020, as the estimated date for the first payment. Staff believes that finalizing the loan is Northwest Water's final step, but that process is largely outside of Northwest Water's control. Staff understands the Company has provided everything required for financing to the financial institution and, having done its part, is waiting for approval. Understanding this and acknowledging the financial institution estimated the first loan payment to be due on October 1, 2020, Staff believes it reasonable that the Commission grant an extension for the Company to finalize financing by October 1, 2020, and extend the requirement to file reduced tariff rates if financing is not finalized or the treatment plant is not installed by October 30, 2020.
- 8 Staff allowed the Pro Forma adjustment in rates in good faith and is aware that the Company is continuing to collect money for an asset that is not currently used and useful. While Northwest Water is addressing this issue, Staff recommends the Commission maintain that the Company will reduce rates and refund customers if the treatment plant financing is not completed. The Commission should Order Northwest Water to file by October 30, 2020, tariff pages with reduced rates that remove the water system treatment asset from rate base, the loan from the Company's balance sheet, and further require the

Company to refund to its customers the amount the Company over collected for the water system treatment assets since rates became effective November 1, 2019. Below are tables that compare Northwest Water’s current tariff rates and Staff’s recalculated rates, and the refund amount due to each customer.

Current Rates							
Meter	Base	Block 1		Block 2		Block 3	
Size	Rate	Usage (Max)	Rate	Usage (Max)	Rate	Usage (Min)	Rate
3/4	\$43.00	5,000	\$1.74	10,000	\$3.21	10,001	\$5.35
1	\$71.67	8,333	\$1.74	16,667	\$3.21	16,668	\$5.35
RTS	\$43.00						
Staff Proposed Rates							
Meter	Base	Block 1		Block 2		Block 3	
Size	Rate	Usage (Max)	Rate	Usage (Max)	Rate	Usage (Min)	Rate
3/4	\$36.00	5,000	\$1.50	10,000	\$2.50	10,001	\$5.00
1	\$60.00	8,333	\$1.50	16,667	\$2.50	16,668	\$5.00
RTS	\$36.00						
Amount to refund per customer							
Current Revenue Requirement						\$	305,495
Staff Proposed Revenue Requirement						\$	258,875
Difference						\$	46,620
Monthly Difference						\$	3,885
Number of Customers							437
Amount per customer per month						\$	8.89

- 9 Staff recommends the refunds of \$8.89 per customer per month should be paid back over 12 months, which is the same period over which it was collected. Staff proposes that the Company be allowed to make monthly cash refunds, a single refund, or bill credits as long as all credits are used before the end of the 12-month refund period, and unused credits are refunded in cash.

DISCUSSION AND DECISION

10 We agree with Staff's assessment of the circumstances. Northwest Water made a good faith effort to address Order 01 and Order 02 by pursuing financing, procuring assets for this project, and providing updates to Staff regarding the Company's progress. We believe the public interest would be best served by granting an extension of time to allow the Company to finalize financing for the treatment plant.

11 Accordingly, we grant Northwest Water's Petition to extend the date to comply with Order 01 and Order 02 issued in docket UW-191063 and require the Company to file tariff revisions in accordance with the Staff recommendations discussed above.

FINDINGS AND CONCLUSIONS

12 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts and affiliated interests of public service companies, including water companies.

13 (2) Northwest Water is engaged in the business of providing water services within the state of Washington and is a public service company subject to Commission jurisdiction.

14 (3) WAC 480-07-370(1)(b) allows companies to file petitions, including the Petition filed by Northwest Water in this docket.

15 (4) This matter came before the Commission at its regularly scheduled open meeting on September 24, 2020.

16 (5) Staff has reviewed Northwest Water's Petition and recommends that it be granted.

17 (6) After reviewing Northwest Water's Petition filed in Docket UW-191063 on September 1, 2020, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition should be granted and that Northwest Water should be ordered to file tariff pages reflecting lower rates at the Staff recommended level and refund their customers the calculated amount in the event that financing is not finalized or the treatment plant is not installed by October 30, 2020.

ORDER

THE COMMISSION ORDERS:

- 18 (1) Northwest Water Services, LLC's Petition seeking authorization to extend the
date to comply with Docket UW-191063 Order 01 and Order 02 is granted.
- 19 (2) Northwest Water Services, LLC, must provide proof of financing or installation
of the treatment plant by October 30, 2020, or file tariff revisions at the Staff
proposed rates discussed above with by October 30, 2020.
- 20 (3) Northwest Water Services, LLC, must file tariff revisions at Staff proposed rates
that credit customers at the Staff proposed refund amount. The credit or refund
shall be for the value of \$106.68 (12 months X \$8.89) per customer and given to
the customers within 12 months of the effective date of the tariff filed no later
than October 31, 2020, with an effective date of November 1, 2020.
- 21 (4) The Commission retains jurisdiction over the subject matter and Northwest Water
Services, LLC, to effectuate the provisions of this Order.
- 22 The Commissioners, having determined this Order to be consistent with the public
interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective September 24, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON
Executive Director and Secretary