

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

WILDWOOD WATER COMPANY LLC,

Petitioner,

Seeking to Amend Surcharge for Cost
Recovery of Emergency Pump Replacement

DOCKET UW-210833

ORDER 02

APPROVING AMENDED
SURCHARGE SUBJECT TO
CONDITIONS

BACKGROUND

- 1 On April 20, 2022, Wildwood Water Company LLC (Wildwood or Company) filed with the Washington Utilities and Transportation Commission (Commission) a Petition to amend the surcharge for cost recovery of emergency pump replacement approved in Order 01 of this docket to recover 100 percent of the expense plus applicable charges. The proposed amendment to the surcharge increases annual revenue by approximately \$1,170 (1.0 percent). The Company serves 229 customers in Island County. The Company's last general rate increase, which resulted in \$4,100 additional annual revenue, became effective on April 30, 2020.
- 2 In December 2021, the Commission issued Order 01, Approving Surcharge Subject to Conditions (Order 01) in this docket. Order 01 approved the recovery of 70 percent of a \$49,849 cost incurred when the Company made emergency repairs to replace two failed well pumps over a period of 3 years.
- 3 Since Order 01 was entered, the Company found a lender to cover the immediate expense payable to its contractor for the repairs. The Company received a loan at a 10 percent interest rate, payable over 5 years. The Company began making payments on the loan in March 2022, leaving 57 more payments.
- 4 Commission Staff (Staff) reviewed the loan documents provided by the Company which show a principal of \$49,849.50, origination costs of \$1,681.00, and interest over the life of the loan of \$13,822.33. Staff noted that the Company had failed to include the taxes and fees it is required to pay on gross revenues in its Petition, and added \$3,411.42 for applicable taxes and fees. The total resulting revenue requirement over the life of the loan

is \$68,764.25. After accounting for the surcharge revenue charged to customers from January to May 2022 under Order 01, the remaining balance to collect is \$63,646.10.

- 5 The Company is seeking to increase the amount of the surcharge paid by customers to 100 percent of the total loan costs. Based on the increase of the customer portion and the addition of required taxes and fees, Staff found the initial request for \$4.79 per customer per month was inadequate. Staff calculated a revised monthly surcharge payment per customer of \$4.88, an increase of \$0.41 (9.2 percent) over the surcharge rate authorized in Order 01. The Company sent a second notice to customers advising them of the change.
- 6 Staff completed its review of the information and believes that the surcharge rate is fair, just, reasonable, and sufficient. The use of a loan to repay the vendor for services is necessary as the Company does not have the capital to pay for the repairs that were needed to maintain water service. Staff also believes the change in the customer portion would not unduly burden customers.
- 7 Staff recommends the Commission authorize the surcharge amendment subject to the following conditions:
- (a) The surcharge must apply to all water customers served by Wildwood. The surcharge must expire on February 28, 2027, or upon recovery of \$63,646.10 for principal, interest, and revenue sensitive items, whichever occurs first.
 - (b) In the event of partial payment made by a customer, funds must first be applied to the surcharge before being applied to other charges billed.
 - (c) Funds received from the surcharge, including interest earned on the funds while held in a reserve account, must be treated as contributions-in-aid-of-construction.
 - (d) Surcharge funds collected, and interest earned upon funds, must be held in a separate reserve account by Wildwood for the benefit of customers. Such funds do not become the property of the Company or Company owners and may not be disbursed, alienated, attached, or otherwise encumbered by the Company or its owners. In the event of a sale or transfer of Wildwood, the trust obligations established in WAC Chapter 480-110 regarding any unspent surcharge funds must be transferred to the new owners of the Company.

- (e) Wildwood must report the following information to the Commission within 60 days of the end of each calendar quarter per WAC 480-110-455(4):
 - i.Beginning balance;
 - ii.Amounts received, detailed by source;
 - iii.Amounts spent, detailed by expense;
 - iv.Ending balance; and,
 - v.Reconciliation of the bank balance to general ledger.
- (f) Wildwood must immediately deposit all monthly payments received and related to the surcharge in the same separate reserve account specified in condition (c), above.
- (g) Excess funds held in the reserve account will be remitted quarterly toward the payment of the debt. "Excess funds" means money accumulated in the reserve account in excess of payments due during the quarter to Wildwood.

DISCUSSION

8 We agree that Order 01 should be amended to allow the Company to recover from customers the actual amount of the loan, including interest, taxes, and fees. Because the Company secured financing to pay its vendor in full, Wildwood is able to ensure the vendor is repaid while minimally increasing the monthly cost to customers by extending the collection period.

9 We also agree the conditions set forth in paragraph 7, carried over from Order 01, are reasonable and prudent, or otherwise required by rule. The conditions proposed by Staff should continue to be required to ensure the surcharge is used to pay off the debt in an efficient manner. We find the amended surcharge is fair, just, reasonable, and sufficient. Accordingly, we approve the proposed amended tariff revisions subject to the conditions set out in paragraph 7, above.

FINDINGS AND CONCLUSIONS

- 10 (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.

- 11 (2) Wildwood is a water company and a public service company subject to
Commission jurisdiction.
- 12 (3) This matter came before the Commission at its regularly scheduled meeting on
May 26, 2022.
- 13 (4) WAC 480-110-455 allows companies to file surcharge tariffs. No company may
collect a surcharge or facilities charge except by Commission order or approval.
- 14 (5) WAC 480-07-505(2)(b) allows for emergency rate increases a company request on
short notice due to causes beyond the Company's control to not initiate a general
rate case.
- 15 (6) The increase in rates due to the replacement of failed pumps that are critical to
providing water to the afflicted water systems constitutes an emergency under
WAC 480-07-505(2)(b), and a general rate case therefore is not required to
implement the requested surcharge.
- 16 (7) The Commission has reviewed the tariff revisions Wildwood filed in this Docket,
including supporting documentation.
- 17 (8) The surcharge tariff in this Docket will recover the cost of the loan used to pay for
emergency repairs to the water system necessary to provide service.
- 18 (9) After reviewing Wildwood's tariff revision filed in Docket UW-210833 on April
20, 2022, as revised on May 6, 2022, and giving due consideration to all relevant
matters and for good cause shown, the Commission finds the proposed surcharge is
fair, just, reasonable, and sufficient and should be approved, subject to conditions
(a) through (g) set forth in paragraph 7 of this Order.

ORDER

THE COMMISSION ORDERS:

- 19 (1) Wildwood Water Company LLC's surcharge filed on April 20, 2022, and revised
on May 6, 2022, is approved to become effective on June 1, 2022, subject to
conditions (a) through (g) set forth in paragraph 7 of this Order.

- 20 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. This Order shall not be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 21 (3) The Commission retains jurisdiction over the subject matter and Wildwood Water Company LLC to effectuate the provisions of this Order.

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 May 26, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL
Executive Director and Secretary