

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

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| In the Matter of the Petition of | DOCKET UW-191063 |
| NORTHWEST WATER SERVICES, LLC, | ORDER 04 |
| Requesting Extension for Compliance with Order 01 in Docket UW-191063 | GRANTING EXTENSION |

BACKGROUND

- 1 On October 28, 2020, Northwest Water Services, LLC, (Northwest Water or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition (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's last general rate increase, filed in Docket UW-190798, became effective on November 1, 2019. The rates were in part based on a large pro forma adjustment for a water treatment system scheduled to be installed on the Silver Lake Water system. The treatment plant asset pro forma adjustment was \$274,213.45, to be depreciated over a 10-year life. The resulting total revenue requirement was \$305,495. When Commission staff (Staff) removes the pro forma adjustment from the same model, the total revenue requirement is \$258,875, a difference of \$46,620, or \$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 Kelly Wynn pursuant to the provisions of

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

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 of compliance to April 2021, was denied. The Commission issued Order 02 granting an extension to secure financing until September 1, 2020. If the Company did not comply, Order 02 required the Company to file tariff revisions with reduced rates and to refund customers the money already collected.

6 On September 1, 2020, the Company filed a second petition to extend the compliance deadline until October 31, 2020. The Commission issued Order 03 granting an extension to secure financing to October 31, 2020. If the Company did not comply, Order 03 again required the Company to file tariff revisions with reduced rates and to refund customers the money already collected.

7 On October 28, 2020, the Company filed a third petition to extend the compliance deadline until November 30, 2020. Staff contacted the Company and concluded that an extension until December 31, 2020, for the Company to finalize financing and January 1, 2021, to file reduced tariff rates per Order 01 and Order 02 are adequate.

8 Staff believes an extension is in the best interest of the public and Company. The Company has complied with the Commission's requirement to file progress reports with Staff. These reports show the Company filed for financing by June 11, 2020, and prior to the entry of Order 03, the Company had provided all required documents to the financial institution funding the loan. At the same time the Company began procuring the electrical components and treatment plant. On October 2, 2020, the financial institution funding the loan sent an email announcement to its customers that Small Business Administration loans are processing slower than expected. The Company also reported to Staff that the contractor is waiting on some material to arrive before the modifications to the structure that will house the treatment plant can be completed.

9 The Company has already received the treatment plant, and it can be installed once the modifications to the structure are complete. Staff determined that finalizing the loan and completing building modifications are the only things left for the Company to do, but those processes are largely out of the Company's control. It appears, in fact, that the Company has done all that it is able to do at this juncture. Staff thus believes it is reasonable that the Commission grant an extension for the Company to finalize financing

and construction until December 31, 2020, and extend the requirement to file reduced tariff rates if financing is not finalized or the treatment plant installed to January 1, 2021.

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Staff recommended the Commission approve the pro forma adjustment and is aware that the Company is continuing to collect money for an asset that is not currently used and useful. While the Company 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 January 1, 2021, 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 |

- 11 Staff recommends the refunds of \$8.89 per customer per month should be paid back over 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 same period of time over which it was collected expires.

DISCUSSION AND DECISION

- 12 We agree with Staff's recommendations. The Company has made good faith efforts to comply with Order 01, Order 02, and Order 03 by pursuing financing and procuring assets for this project and keeping Staff up to date on the Company's progress. We believe the public interest would be best served by granting an extension to allow the Company to finalize financing for the treatment plant and placing the treatment plant in service to ultimately provide improved water service to ratepayers.
- 13 Accordingly, we grant Northwest Water's petition to extend the date by which the Company must place the Silver Lake water treatment system in service until December 31, 2020. If the Company is unable to meet this deadline, it must file tariff revisions to return the amount collected to recover the cost of the treatment system to its customers within 14 months, the same time period over which it was collected, by December 31, 2020, to become effective on January 1, 2021.

FINDINGS AND CONCLUSIONS

- 14 (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.
- 15 (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.
- 16 (3) WAC 480-07-370(1)(b) allows companies to file petitions, including the petition filed by Northwest Water in this docket.
- 17 (4) This matter came before the Commission at its regularly scheduled open meeting on November 13, 2020.
- 18 (5) Staff has reviewed Northwest Water's petition and recommends that it be granted.

- 19 (6) After reviewing Northwest Water’s petition filed in Docket UW-191063 on
October 28, 2020, and giving due consideration to all relevant matters and for
good cause shown, the Commission finds that the petition should be granted.

ORDER

THE COMMISSION ORDERS:

- 20 (1) Northwest Water Services, LLC’s petition seeking authorization to extend the
date to comply with Order 01, Order 02, and Order 03 in this Docket is granted.
- 21 (2) Northwest Water Services, LLC, must provide proof of financing or installation
of the Silver Lake water treatment plant by December 31, 2020, or file tariff
revisions at the Staff proposed rates discussed paragraphs 10-11 of this Order no
later than December 31, 2020, to become effective on January 1, 2020.
- 22 (3) Northwest Water Services, LLC, must file tariff revisions at Staff’s proposed rates
that credit customers at the Staff proposed refund amount. The credit or refund
shall be for the value of \$124.46 (14 months multiplied by \$8.89) per customer
and provided to customers within 14 months of the effective date of the tariff filed
no later than December 31, 2020, with an effective date of January 1, 2021.
- 23 (4) The Commission retains jurisdiction over the subject matter and Northwest Water
Services, LLC, to effectuate the provisions of this Order.
- 24 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 November 13, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON
Executive Director and Secretary