

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	DOCKET UW-072431
	)	
WASHINGTON WATER SERVICE	)	ORDER 01
COMPANY,	)	
	)	
Petitioner,	)	
	)	
For An Accounting Order To Defer	)	ORDER GRANTING ACCOUNTING
Severe Weather Expenditures	)	PETITION
.....	)	

**BACKGROUND**

- 1 On December 24, 2007, Washington Water Service Company (Washington Water Service or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under WAC 480-07-370(1)(b) authorizing WWS to defer all costs related to damages caused by a powerful windstorm on December 14, 2006. The Company incurred \$63,886.10 in labor and materials costs to maintain water service to approximately 250 water systems using portable generators during the windstorm. The Company’s last rate increase became effective on September 28, 2006. The Company’s 2006 Annual Report shows \$6,503,151 gross revenue, \$294,543 net income, \$757,712.30 (10 percent) return, and \$7,577,123 rate base.
- 2 The Company’s last general rate case, Docket UW-060761, became effective September 28, 2006. The Commission allowed rates to become effective that were projected to generate \$520,909 return on equity. The Company’s 2006 Annual Report shows \$294,543 return on equity. The requested \$63,886 deferral is 12.3 percent of the Company’s authorized equity return and 17.8 percent of the Company’s reported 2006 equity return if the Company had not incurred the costs related to the windstorm.
- 3 Washington Water Service does not normally plan for severe weather incidents that exceed the Company’s normal expenditures, such as the windstorm on December 14, 2006, because these severe weather incidents occur only very infrequently, every eight to ten years. The last severe weather incident occurred in 1996.
- 4 The Company requests deferral of the costs related to the windstorm on December 14, 2006, to account number 186.3; “Other Regulatory Assets.”

5 The Commission has established certain criteria for approval of accounting petitions based on previous accounting orders within the energy industry, such as materiality and frequency. This petition conforms to these criteria.

### FINDINGS AND CONCLUSIONS

- 6 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 7 (2) WWS is a water company and a public service company subject to Commission jurisdiction.
- 8 (3) WAC 480-07-370(1)(b) allows companies to file petitions, including that for which WWS seeks approval.
- 9 (4) Staff has reviewed the petition in Docket UW-072431, including related work papers.
- 10 (5) Staff believes the proposed accounting order WWS requests is reasonable and should be granted, subject to the following conditions:
- a) Costs that are deferred will be reduced by any insurance proceeds or payments from other responsible parties received by the Company with respect to such costs.
  - b) Costs eligible for deferred accounting treatment will include only those costs shown on work papers reviewed by Staff and related to Docket UW-072431 (i.e. “Storm Labor and Vendor Amount”). The breakdown of deferred windstorm related costs is as follows: windstorm overtime labor expenses of \$28,778.43, third party vendor expenses of \$22,277.01, and fuel expenses of \$12,830.66.
  - c) Net deferred costs are the total expenditures, as defined in condition item (b), less any recoveries from third parties and/or insurance proceeds.

- d) Any net deferred costs existing at the time of the Company's next general rate case will be subject to review, and net deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes.
- e) Amortization of net deferred costs will be a five-year period commencing on the effective date of the Company's next general rate case, tentatively scheduled for 2009.
- f) Any deferred costs will be included in a separate account labeled 186.3; "Other Regulatory Assets" in future rate proceedings.

11 (6) This matter came before the Commission at its regularly scheduled meeting on May 15, 2008.

12 (7) After reviewing WWS's petition filed in Docket UW-072431 on December 24, 2007, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be granted for the following reasons:

- a. There is a significant timing difference between the Company incurring the expenditures and recovering the expenditures from customers. Most deferral accounting petitions in which expenditures are deferred and recovered from rate payers will most likely be recovered at a later date. No deferred costs have been passed on to rate payers since the Company last filed for general rates in 2005 and incurred these costs in late 2006.
- b. The prudence determination of any amount of proposed recovery from rate payers will take place in a general rate case.
- c. The Department of Health WAC 246-290-420 requires that water service be maintained at all times to prevent health and safety risks to customers.

## O R D E R

### THE COMMISSION ORDERS:

13 (1) Washington Water Service Company's request for an Accounting Order to defer costs related to the windstorm of December 14, 2006, is granted.

- 14 (2) This authorization is subject to conditions (a) through (f) set forth in paragraph 10 of this Order.
- 15 (3) 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. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 16 (4) The Commission retains jurisdiction over the subject matter and Washington Water Service Company to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective May 15, 2008.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner