

February 24, 2023

Amanda Maxwell, Executive Director
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Subject: Olympic Water and Sewer Inc. Rate Increase

Dear Executive Director,
Olympic Water and Sewer Inc. (OWSI) is required to file for general rate increase with an effective date of April 17, 2023. We have included the following items to fully support our filing. OWSI's Public water system identification number is 68700L.

- 1) **Cover Letter.**
- 2) **Tariff.** The proposed updated tariff pages with a proposal effective date of April 17, 2023.
- 3) **Customer Notice.** A copy of the notice to be mailed to customers on March 15, 2023.
- 4) **Work Papers:** UTC general rate case workbook

Rate Increase Justification

As directed in DOCKET UW-190160 ORDER 01 8. (h) April 11, 2019, Within one year after the project is completed and on-line, the Company must file a general rate case. This would allow the Company to recover its portion of the project through general rates, and would enable the Commission to analyze the Company's books, records, and allocations between its affiliates.

OWSI asked for and was granted an extension so as to use calendar year 2022 expenses as the test year for the general rate case. The data indicates that current rates resulted in a net operating income loss of \$185,791 in 2022. OWSI is proposing an increase to revenue of 23.3% through rates proposed later in this cover letter.

OWSI has experienced an increased demand in chemical usage and manpower due to the filtration and chlorination project that was expected. Those are not the only expenses realized in the test year of 2022. Increased repair and maintenance due to an aging infrastructure that has resulted in failure of galvanized water service lines and fittings has become more prominent over the last year. Replacement, rehabilitation, and addition to existing production wells has been addressed over the last year as looking towards the future growth and efficiency of existing wells has become a priority. Retaining operators has resulted in increased wages in a difficult time to find qualified staffing. Finally inflation is affecting OWSI. In 2022 there were multiple increases in cost to chlorine and other chemicals that OWSI was not subject to purchasing at the quantities that are now required with chlorination required of the distribution system.

Base Rate, and Usage Rates,

OWSI proposes a base rate increase from current \$19.25 to \$22.50 per month for customers that utilize 3/4 x 5/8 inch meters. The proposed change in this base rate will increase annual base rate revenue from \$433,960 to \$470,595. That is an increase of 8.4% or \$36,635 annually. The average customer will see an increase of from \$231 to \$270 or \$39.00 per year. This is an increase of 4.57% of total revenue.

The current revenue are based on 2022 actuals. The proposed rates are calculated using 2022 usage data.

Currently block #1 has a usage range of 0-1000 cubic feet (cu.ft.) at a cost of \$2.27 each 100 cu ft. The proposed block #1 has a range of 0-1000 and a cost of \$3.57 for each 100 cu.ft. consumed. The effect on this proposed block would be an estimated increase in revenue from \$246,685 to \$340,141. The increase is 11.65% of total revenue or \$93,455 annually. The average customer will see a cost increase in this block of \$53.10 annually or \$4.42 monthly.

The block #2 tier has a usage range of 1,001 to 1,800 cu. ft. The current cost is \$3.40 for each 100 cu. ft. consumed. The proposed increase in cost is to \$5.00 each 100 cu.ft. consumed in this range. The effect on this block would be an increase in revenue from \$49,588 to \$76,047. The increase of \$26,458 is an increase of total revenue of 3.30%.

Block #3 usage range is 1801 cu.ft. and above. The current cost per 100 cu.ft. is block 3 is \$4.40. The proposed increase to block #3 is to \$6.00 per 100 cu. ft. The proposed increase is designed to encourage water conservation. This is a proposed increase of 42.20% or \$30,468 in this block. Block 3 is only responsible for 10% of the total annual revenue. The increase of block #3 equals 3.80% of total revenue.

Summary,

The result of the rate adjustment would be an additional \$187,015 annually to total revenue of 2022. This rate design will take revenue to \$989,447 for an increase of 23.31%. The General Rate case worksheet provided supports this increase. This increase will enable OWSI to continue to meet our goal of providing safe reliable drinking water to our customers.

Please call me at 360-437-2101 if you have any questions. The OWSI email address is 'owsi@portludlowassociates.com'.

Sincerely,

Diana Smeland
President
Olympic Water and Sewer Inc.