

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

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

OLYMPIC WATER AND SEWER, INC.,

Respondent.

DOCKET UW-230132

ORDER 02

DISMISSING COMPLAINT, LIFTING
SUSPENSION, AND ALLOWING
TARIFF REVISIONS TO BECOME
EFFECTIVE

BACKGROUND

- 1 On February 24, 2023, Olympic Water & Sewer, Inc., (Olympic Water or Company), filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that, as originally filed, would have generated approximately \$187,015 (23.3 percent) additional annual revenue. The Company was previously ordered to file a general rate case in Docket UW-190160 with an effective date no later than May 1, 2023. The Company's last general rate increase was effective on June 21, 2021. The Company provides water service to approximately 1,740 customers in Jefferson County near Port Ludlow.
- 2 On April 4, 2023, the Company filed revised tariff pages.
- 3 On April 12, 2023, the Company filed a motion for continuance to extend the effective date of the general rate case to June 19, 2023.
- 4 On June 9, 2023, the Port Ludlow Village Council (PLVC) filed a Petition to Intervene, requesting to participate in the proceeding. In the Petition to Intervene, PLVC stated that it is a non-profit corporation whose purpose is to promote and protect the interest of the Port Ludlow community. PLVC stated that it is concerned about the allocation of shared costs between the Company's water utility operations and its unregulated wastewater utility operations, as well as cost allocations between the Company and its other affiliates.
- 5 This matter came before the Commission at its regularly scheduled open meeting on June 15, 2023. Commission Staff (Staff) indicated that it had reviewed the Company's documentation and recommended that the Commission take no action, allowing the tariffs to become effective by operation of law. The Company's proposed tariff revisions

provided an effective date of June 19, 2023. The Commission also heard comments at the open meeting from the Company and the Public Counsel Unit of the Washington Attorney General's Office (Public Counsel), as well as PLVC.

- 6 On June 16, 2023, the Commission entered Order 01, Complaint and Order Suspending Tariff Revisions, Allowing Rates on a Temporary Basis Subject to Refund, and Granting PLVC's Petition to Intervene (Order 01). Order 01 found that the Company had not yet demonstrated that the tariff revisions would result in rates that are fair, just, reasonable, and sufficient and stated that the Commission would institute an investigation of the Company's books, accounts, practices, activities, property, and operations.
- 7 Staff maintains its recommendation that the Company's tariff revisions should be allowed to take effect. Staff explains that it completed its investigation of the Company's books and operations and responded to 27 data requests sent by PLVC. Staff concluded that the rates proposed by the Company in its original filing of February 24, 2023, are fair, just, reasonable, and sufficient and now recommends the Commission dismiss the Complaint and Order issued June 16, 2023, and allow the tariff pages filed by Olympic Water and Sewer, Inc., on February 24, 2023, to become permanent on December 8, 2023.
- 8 This matter came back before the Commission at its regularly scheduled open meeting on December 7, 2023. The Commission again heard comments from Staff, Public Counsel, and PLVC.
- 9 At the open meeting, Staff clarified that it recommended allowing the revised tariff pages, as filed by the Company on April 4, 2023, to take effect.
- 10 The Company explained that it participated in discovery and meetings with both Staff and PLVC to establish the need for the rate increase. The Company noted that Public Counsel changed its recommendation to approve the rate increase. The Company requested that the Commission allow the interim rates allowed by Order 01 to become permanent.
- 11 In response to questions from the Commission, Olympic Water noted that it did not request a higher rate increase, which was arguably justified, because this possibility was discovered only after it began the rate case process. With regards to water quality concerns, the Company noted that water treatment processes caused some level of discoloration due to historical deposits of manganese. Olympic Water explained that it had flushed the system on more than one occasion and that it had communicated with customers regarding these issues. The Company was considering further actions to

address manganese, although some of these treatments may be costly or difficult to arrange.

- 12 Public Counsel clarified that it took “no position” on the proposed rates and that it understood this had the effect of allowing the interim rates to become effective. Public Counsel noted that it did not have sufficient resources to conduct the necessary analysis to support the rate filing. Public Counsel also raised concern that further disputes may lead to excessive costs. Public Counsel recommended that the Commission order Staff to take additional steps to evaluate and verify future Company filings over the next five years. Public Counsel also recommended that the Commission revisit its approach for reviewing water rate cases in a policy docket. Public Counsel argues that it remains unclear whether errors in the Company’s original filing were carried through into Staff’s analysis.
- 13 The Commission also heard comments from PLVC. David Jurca noted that the parties conferred subsequent to Order 01, but this did not result in additional substantive evidence that satisfied the Company’s burden of proof. Jurca questioned whether Staff sufficiently considered issues, such as the allocation of expenses between Olympic Water and its parent company and the allocation of expenses between regulated and unregulated lines of business. Jurca also questioned the validity of underlying figures used by the Company. Jurca requested that the Commission decline to make the interim rates permanent and that it order Staff to conduct a more thorough investigation. Jurca requested that Staff investigate a loan payment to the Department of Health and other tax anomalies. Jurca recommended further Staff investigation rather than an adjudication. The Commission also heard comments from PLVC member Allan Keesler who questioned the Company’s annual reports, interest accrued on certain items, and other items. Keesler acknowledged that the Company was working hard to address water quality issues and that he had only received discolored water on limited occasions.
- 14 In response to these concerns, Staff submitted that it addressed the concerns noted by PLVC, such as the approximately \$21,000 loan payment which was removed from the Company’s expenses, and that these issues are discussed in Staff’s memo filed to the docket. Staff also adjusted amounts noted for income taxes, and Staff evaluated the allocation of employee time between regulated and non-regulated lines of business. Staff noted that the Company provided its general ledgers, which included an invoice from the Department of Health. Staff submitted that differences between normal GAAP accounting practices and regulatory accounting may have caused confusion in this case for the customers. Staff further explained its review process, noting that if the Company

had falsified its general ledger that this would generally be discovered by the earlier third-party audit.

DISCUSSION

15 The Commission agrees with Staff that Olympic Water has demonstrated that its tariff sheets filed on February 24, 2023, as revised on April 4, 2023, are fair, just, reasonable, and sufficient and should be allowed to become effective on a permanent basis.

FINDINGS AND CONCLUSIONS

- 16 (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.¹
- 17 (2) Olympic Water is a water company and a public service company subject to Commission jurisdiction.
- 18 (3) This matter came before the Commission at its regularly scheduled meeting on December 7, 2023.
- 19 (4) The tariff revisions presently under suspension are fair, just, reasonable, and sufficient because the Company has supported the necessary revenue. Additional time has been provided to ensure Commission Staff adequately reviewed the filing and responded to customer concerns.
- 20 (5) After reviewing the tariff revisions Olympic Water filed in Docket UW-230132 and giving due consideration, the Commission finds it is consistent with the public interest to dismiss the Complaint and Order Suspending Tariff Revisions in Docket UW-230132, dated June 16, 2023, and allow the tariff revisions filed on February 24, 202 and subsequently revised on April 4, 2023, to become effective on December 8, 2023.

¹ RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16, and RCW 80.28.

ORDER

THE COMMISSION ORDERS:

- 21 (1) The Complaint and Order Suspending Tariff Revisions in Docket UW-230132, entered on June 16, 2023, is dismissed.
- 22 (2) The tariff revisions Olympic Water & Sewer, Inc., filed in this docket on February 24, 2023, and subsequently revised on April 4, 2023, shall become effective on December 8, 2023.

DATED at Lacey, Washington, and effective December 8, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner