

Agenda Date: April 14, 2022
Item Number: E1

Docket: UW-190160
Company: Olympic Water and Sewer, Inc.

Staff: Ben Sharbono, Regulatory Services
John Cupp, Consumer Protection

Recommendation

Issue an order approving the revision to the cost recovery surcharge filed by Olympic Water and Sewer, Inc. on March 4, 2022, to become effective April 19, 2022, subject to conditions.

Discussion

On March 4, 2022, Olympic Water and Sewer, Inc. (Olympic Water or Company) submitted a compliance filing to the Utilities and Transportation Commission (Commission). The Company is submitting this filing in compliance with Order 01 of this Docket and is seeking to decrease annual revenue by approximately \$32,000 (-4.0 percent). The Company is seeking to reduce the surcharge rate because the financed project was completed under budget. The Company serves approximately 1,750 customers in Jefferson County. The original surcharge became effective April 24, 2019. The Company's last general rate case became effective September 15, 2014.

In 2019, Olympic Water was granted a Cost Recovery Surcharge to recover 70 percent of a water treatment plant project cost. The original amount included in the surcharge was \$2,014,214, including principal, interest, and excise taxes and regulatory fees, to repay a low interest loan from the Drinking Water State Revolving Fund (SRF).

The Company's original estimated loan from the SRF for the water treatment plant construction was \$2,209,707. The Company completed construction of the plant having spent \$1,881,421. Additionally, completing the project under budget caused the loan interest rate to decrease to 1 percent.

The surcharge to customers revised loan principal is \$1,316,995. After including interest and revenue sensitive taxes and fees, the total collectible through the surcharge is \$1,558,526. Since the surcharge was originally granted, the Company has collected \$277,670, leaving \$1,280,856 remaining to collect.

Commission staff's (Staff) calculation determined the rate of \$3.54 per customer was justified. The Company acknowledges the calculated rate is higher than its request but opts to round the rate down to \$3.50. The Company explained the rate was selected both to simplify the rate for billing and it expects customer growth will make its lower rate more realistic.

Staff has reviewed the Company's supporting financial documents and the expected terms and conditions of the surcharge filing. Staff concludes that the proposed surcharge is fair, just, reasonable, and sufficient.

Staff and the Company recommend the Commission approve the surcharge subject to the following conditions:

- a) The surcharge applies to all water customers served by the Company. The surcharge expires on June 20, 2038, or upon recovery of \$1,558,526 for principal, interest, and taxes, whichever occurs first.
- b) Funds received from the surcharge, including interest earned on the funds while held in a SRF loan reserve account, must be treated as contributions-in-aid-of-construction.
- c) Surcharge funds collected and interest earned upon such funds must be held in a separate SRF loan reserve account by the Company 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 the Company, the trust obligations established in Chapter 480-110 WAC regarding any unspent surcharge funds must be transferred to the new owners of the Company.
- d) The Company 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 project or expense;
 - iv. Ending balance;
 - v. Reconciliation of bank balance to general ledger.
- e) The Company must immediately deposit all monthly payments received and related to the surcharge in the same separate reserve account specified in condition (c) above.
- f) Excess funds held in the SRF loan reserve account will be remitted annually, at the time of the annual loan payment, to be applied to the principal of the loan. "Excess funds" means money accumulated in the reserve account in excess of 10 percent of the SRF loan payment for the following year.
- g) The Company must file a general rate case to become effective no later than May 1, 2023, which will allow the Company to recover its portion of the project and expenses associated with the operation of the treatment plant through general rates and will enable the Commission to evaluate the Company's books, records, and allocations between its affiliates.

Customer Comments

As this filing is a rate reduction, no public notice was required, and no public comment was received.

Conclusion

Commission staff has completed its review of the Company's supporting financial documents, books, and records. Staff has determined the Company's financial information supports the revised revenue requirement or charges.

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