

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

OLYMPIC WATER AND SEWER, INC.,

Petitioner,

For Approval of a Surcharge for Cost
Recovery of Water Treatment Project

DOCKET UW-190160

ORDER 02

APPROVING SURCHARGE
SUBJECT TO CONDITIONS

BACKGROUND

- 1 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 submitted this filing to comply with the conditions set out in Order 01 in this Docket and to decrease annual revenue by approximately \$32,000 (-4.0 percent). The Company seeks 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 increase, by surcharge, was September 15, 2014, in the amount of \$52,124 (7.8 percent).
- 2 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).
- 3 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.
- 4 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.

5 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.

6 Staff has reviewed the Company's supporting financial documents. Staff believes the Company's proposed reduction to the current surcharge is fair, just, reasonable, and sufficient.

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

- (a) The surcharge must apply to all water customers served by the Company. The surcharge must expire 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 (CIAC).
- (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.

DISCUSSION

8 We agree with Staff and approve the proposed surcharge subject to the conditions that Staff recommends in paragraph 7, above. Because the principal balance of the loan has decreased substantially, the surcharge balance should similarly be revised to ensure that customers are charged appropriately. Accordingly, we conclude that revising the surcharge as proposed to accurately reflect the principal balance will result in rates that are fair, just, reasonable, and sufficient.

FINDINGS AND CONCLUSIONS

- 9 (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, securities, transfers of property, and affiliated interests of public service companies, including water companies.
- 10 (2) Olympic Water is a water Company and a public service Company subject to Commission jurisdiction.
- 11 (3) This matter came before the Commission at its regularly scheduled meeting on April 14, 2022.

- 12 (4) WAC 480-110-455 allows companies to file surcharge tariffs including that for which Olympic Water seeks approval. No Company may collect a surcharge or facilities charge except by Commission order or approval.
- 13 (5) The Commission has reviewed the tariff revisions Olympic Water filed in Docket UW-190160 including related documentation.
- 14 (6) After reviewing Olympic Water's tariff revisions filed in Docket UW-190160 on March 4, 2022, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the proposed surcharge is fair, just, reasonable, and sufficient and should be approved, subject to conditions set forth in paragraph 7 of this Order.

ORDER

THE COMMISSION ORDERS:

- 15 (1) Olympic Water and Sewer, Inc.'s surcharge filed on March 4, 2022, is approved to become effective April 19, 2022, subject to the conditions set forth in paragraph 7 of this Order.
- 16 (2) 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. This Order shall not be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 17 (3) The Commission retains jurisdiction over the subject matter and Olympic Water and Sewer, Inc., to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective April 14, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL
Executive Director and Secretary