



WASHINGTON WATER SERVICE

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VIA E-FILING

July 15, 2021

Mr. Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

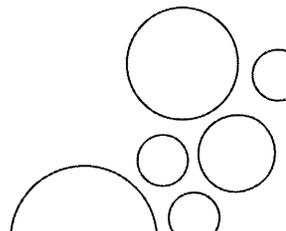
Re: Washington Water Company – Tariff Sheet No. 3; Sheet No. 20; Sheet No. 21; Sheet No. 22; Sheet No. 25; Sheet No. 27; Sheet No. 28 Schedule 1; Schedule No. 28.1 Schedule 1.1; Sheet No. 29 Schedule 2; Sheet No. 29.1 Schedule 2.1; Sheet No. 29.2 Schedule 2.1; Sheet 29.3 Schedule 2.1; Sheet 29.4 Schedule 2.1; Sheet 30.1 Schedule 3.1; Sheet No. 43

Dear Mr. Johnson,

The purpose of this filing is to seek a general rate increase on behalf of Washington Water's legacy operations and former operating areas of Rainier View Water Company, Inc. For this and future rate filings, the Company will refer to the former Rainier properties as "East Pierce". The following will provide background and a discussion of the requested rate increase.

Background

The East Pierce system was acquired by Washington Water Service Company ("Washington Water" or "Company") in 2020. Commission approval was given in Docket UW-200091 and the tariff revision was filed in Docket UW-200464 upon close of sale. East Pierce serves approximately 18,500 residential and non-residential customers on 26 water systems in Pierce County and on two water systems in Kitsap County. Washington Water Service provides water service to approximately 18,000 customers served on 197 water systems located in eight counties. As a condition of the acquisition, the Company committed to filing this rate case within one year of closing. The acquisition was completed on June 1, 2020. In addition, the Commission directed that the first rate filing post-closing propose a multi-step process to gradually reduce the rate disparity between East Pierce and Washington Water and mitigate rate shock to East Pierce customers. On May 12, 2021, Washington Water filed a request for a 90-day extension of time to file its rate case in order to balance the complexities of consolidating East Pierce with Washington Water as ordered in Docket UW-200091. The request was granted on June 3, 2021 and allowed the Company to file on or before September 1, 2021.



Discussion

The revenue increases in the last rate cases for Washington Water¹ and East Pierce² were effective December, 2018, and September, 2019, respectively. This rate request reflects the needed expense and investment levels impacting each entity separately. Most of the expense adjustments are driven by the annualization of East Piece expenses incurred during the seven months under Washington Water’s operation. Washington Water receives services from its parent company, California Water Service Group which includes management, financial, regulatory and human resource services. The allocation of costs to both entities follows Staff’s recommendations made in the last Washington Water rate case. The revenues and expenses associated with the Company’s non-regulated operations have been removed from the requested cost of service.

As discussed above, this rate filing reflects the multi-step rate increase, or rate plan, the Company agreed to develop as a condition of acquiring East Pierce. The proposed gradual increase for East Pierce will be accomplished over a period of three years until the full revenue requirement is reached. The entire proposed decrease for Washington Water will be implemented in one year. Table 1 below provides the revenue impacts and average monthly cost on a per customer basis for East Pierce and Washington Water.

TABLE 1
Proposed Revenue Impact

	Proposed East Pierce Phase-In		
	Year 1 10/15/2021	Year 2 10/15/2022	Year 3 10/15/2023
East Pierce Revenue Increase	\$ 1,198,133	\$ 1,250,419	\$ 1,292,516
Average Monthly Increase - 5/8" Residential	4.66	4.60	4.64
	Proposed WWSC Rate Change		
	Year 1 10/15/2021	Year 2	Year 3
Washington Water Revenue Decrease	(\$625,101)	-	-
Average Monthly Decrease - 5/8" Residential	(1.33)	-	-

East Pierce’s current rates, both base and volumetric, are significantly lower than Washington Water systems while their tier breakpoints are higher. For comparison, a 5/8” customer on the legacy Washington Water system using 7 Ccf would incur charges totaling \$51.65. The same customer taking service under current East Pierce rates would incur charges totaling \$22.98, or only 44% of the legacy Washington Water bill. East Pierce revenues also require a significant increase to reach full recovery of its overall revenue requirement. Thus, as the Commission indicated in the acquisition filing, implementing a rate consolidation in one step is not feasible for East Pierce customers due to rate shock.

In tandem with spreading the revenue recovery over three years instead of one, this proposal implements rate design changes to better align the tier breaks for East Pierce with those

¹ See Docket No. 180592

² See Docket No. 190447

of Washington Water and position East Pierce for full integration in the next rate case. This gradual approach allows the Company to mitigate the overall bill impacts and gives East Pierce customers time to adjust their usage in response to the proposed rates and rate structure.

As described above, the East Pierce rate structure is significantly different than the legacy Washington Water system. One consequence of the lower rates and less conservation-oriented tier breakpoints of East Pierce is a significantly higher average usage per customer. The Company expects that as each phase of the rate plan is implemented and East Pierce rates move closer to Washington Water's, customer usage levels in East Pierce will correspondingly decline. Rather than set rates for each future phase in this proceeding, the Company proposes to file limited scope rate filings or updates for the final two phases. These filings will reflect rates that rely on target revenue requirements or increases and rate design parameters, as established in this rate proceeding, updated for the latest customer growth and usage impacts. These simplified phase updates will minimize the impact on Commission Staff and Company resources. In addition, future rate phase increases will be limited to only the revenue requirement established in this proceeding and exclude rate impacts driven by future inflationary pressure, capital improvements, and rate case expenses.

TABLE 2
Proposed Revenue Impact by Service

Revenue Category	Current	Year 1			Year 2			Year 3		
		Proposed	Increase - \$	Increase - %	Proposed	Increase - \$	Increase - %	Proposed	Increase - \$	Increase - %
<i>Legacy WWSC</i>										
Metered Sales	\$ 13,272,833	\$ 12,648,041	\$ (624,793)	-4.7%	\$ 12,648,041	\$ -	0.0%	\$ 12,648,041	\$ -	0.0%
Unmetered Sales	6,536	6,228	(308)	-4.7%	6,228	-	0.0%	6,228	-	0.0%
Other Revenue*	148,832	148,832	-	0.0%	148,832	-	0.0%	148,832	-	0.0%
Total Regulated Revenue	\$ 13,428,201	\$ 12,803,101	\$ (625,101)	-4.7%	\$ 12,803,101	\$ -	0.0%	\$ 12,803,101	\$ -	0.0%
<i>East Pierce</i>										
Metered Sales	\$ 6,968,410	\$ 8,166,211	\$ 1,197,801	17.2%	\$ 9,416,357	\$ 1,250,146	15.3%	\$ 10,708,755	\$ 1,292,398	13.7%
Unmetered Sales	1,229	1,562	332	27.0%	1,835	273	17.5%	1,953	119	6.5%
Other Revenue*	390,917	390,917	-	0.0%	390,917	-	0.0%	390,917	-	0.0%
Total Regulated Revenue	\$ 7,360,556	\$ 8,558,690	\$ 1,198,133	16.3%	\$ 9,809,109	\$ 1,250,419	14.6%	\$ 11,101,625	\$ 1,292,516	13.2%
<i>Consolidated WWSC</i>										
Metered Sales	\$ 20,241,244	\$ 20,814,252	\$ 573,008	2.8%	\$ 22,064,398	\$ 1,250,146	6.0%	\$ 23,356,795	\$ 1,292,398	5.9%
Unmetered Sales	7,765	7,790	25	0.3%	8,063	273	3.5%	8,182	119	1.5%
Other Revenue*	539,749	539,749	-	0.0%	539,749	-	0.0%	539,749	-	0.0%
Total Regulated Revenue	\$ 20,788,758	\$ 21,361,791	\$ 573,033	2.8%	\$ 22,612,210	\$ 1,250,419	5.9%	\$ 23,904,726	\$ 1,292,516	5.7%

*Includes ready-to-serve, fire protection/irrigation, and other income

The 9.14% rate of return requested for both systems is based on the capital structure of the consolidated utility.

This filing affects all water systems operated by the Company, including Public Water System Identification Numbers 52976B, 64144N, 03658C, 01695Q, 01826P, 010276, 172419, 01463N, 22751W, 367917, 36802J, 04896P, 056404, 071646, 26071R, 029534, 52801U, AA316G, 66936L, 81357L, 01016D, 01363J, 013642, 016290, 01862N, 03314W, 108086, 55631J, 11887T, 11914K, 14001T, 002533, 63381B, 47431C, 138554, 27091B, 35363W, 04863C, 15999F, 37654N, 07675L, 30049R, 03463T, 17100L, 18650L, 10340E, 02845R, 02348N, 24163J, 07167Q, 63918X, 152961, 109911, 04613U, 04614B, 39944X, 362419, 362332, 00561P, AD392P, AA608G, 01625X, 29810X, 05086F, 31001N, 08359U, 018868, 086766,

10440K, 33677F, 33695Y, 33969M, AA260K, AA440J, AA498F, AA718E, 343754, 01425N, 05664P, 06705V, 36274L, 03591N, 572146, 216250, 36782F, 02860P, 43065E, 021174, 22572N, 552100, 44965N, 011069, 46658P, 471249, 25994X, 022368, 05954U, 05957C, AA771E, AA772J, AA7739, AA774E, 02075H, 48030D, 00045L, 57464Q, AA208E, 50075J, 472480, 017843, 11695R, 17690K, 01621V, 527407, 551750, 54740B, 552501, AB470J, AB471F, AB472C, AB474H, 06839U, 63215F, 133014, 00587A, 01333R, 29921U, 657451, 66146U, 66215N, 01095Y, 66637Q, 66727L, 63210W, 68065U, 705505, 70760N, 054736, 04323P, 14730Y, 285511, 71610A, 71727A, AA131P, 727765, 036252, 73975Y, 74130C, 74270J, 74364F, 09490D, 05081W, 03961D, 74743Y, 02244F, 751541, 644149, 03317E, 76633P, 76658T, 204815, 473843, 78618W, 79275E, 31527X, 239116, 08586A, 013262, 03687M, 83424J, 84618N, 84683W, 848980, 862506, 44231X, 91470N, 01018E, 438871, 202767, 17127Q, 59991Q, 967287, 010234, AC228E, 049451, 03160V, 08760Y, 30321, 45061H, 36176H, 29345M, 77147E, 35336N, 50225H, 06081Y, 59588K, 63479B, 67397Y, 700007, 70001Q, 72975W, 73620P, 743716, 19601W, 77960C, 23651U, 25707W, 42931P, 82844H, and 353545.

Attached you will find the above referenced tariff pages, the proposed notice to customers, financials for the period ending December 31, 2020, and work papers as required by WAC 480-07-530.

If there are any questions concerning this filing, please do not hesitate to contact me.

Yours Truly,



Matthew Brown, P.E.
General Manager, WWS