



WASHINGTON WATER SERVICE

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UW-250186

Received
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Mar 17, 2025

VIA E-FILING

Mr. Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Washington Water Service Company – Sheet 30.2 Schedule No 1.2; Sheet 31.3 Schedule No. 2.2

Dear Mr. Killip,

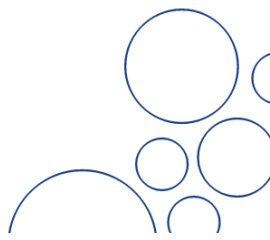
The purpose of this filing is to seek a general rate increase on behalf of the Stroh's Water Company, Inc. ("Stroh's") water system, which Washington Water Service Company ("Washington Water" or "Company") acquired. The following will provide background and a discussion of the requested rate increase.

I. Background

Washington Water purchased Stroh's in 2023. The Washington Utilities and Transportation Commission ("Commission") approved the acquisition in Docket UW-220614.¹ Washington Water provides water service to approximately 38,400 customers served on 219 water systems located in eight counties. The Stroh's system run by Washington Water serves approximately 830 residential and non-residential customers in Pierce County. In the prior acquisition of Stroh's, the Company adopted the effective Stroh's rates, which the Commission had previously approved. Washington Water has not sought to change rates for customers connected to the Stroh's system since the Company purchased Stroh's. As demonstrated in the workpapers accompanying this filing, the revenue requirement for the Stroh's system has increased 213 percent. However, in this filing the Company is willing to collect revenues through a two-phase change in rates for its Stroh's customers at a level that would not achieve its revenue requirement but would make the impact easier on its customers. This proposal would result in a 30 percent increase in revenues effective May 1, 2025 ("Phase I") and another 30 percent increase effective May 1, 2026 ("Phase II"). These requested increases will reduce the disparity between the rates paid by customers connected to Stroh's and the rates for other Company customers receiving service through other systems.

The rate change requested in this case is driven by the continued increase in costs to operate the system. Because rates were approved and first implemented many years ago, costs incurred to provide service to Stroh's customers today have exceeded the revenues collected

¹ *In the Matter of the Application of Stroh's Water Co., Inc. for the Sale and Transfer of Assets to Wash. Water Serv. Co.*, Docket UW-220614, Order 01 (Dec. 22, 2022).





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from customers. Further, when the Company took over the system, there was a need for investment in the system to “fix it,” or bring it up to a safe and reliable level. Washington Water has made further investments in the system since that time to improve water quality and reliability. Those investments come with capital costs, such as depreciation and taxes, that are not yet included in current rates. Washington Water has also incurred costs for testing and mitigation of per and polyfluoroalkyl substances (“PFAS”), for which the Commission authorized deferred accounting treatment. In the PFAS Section below, the Company requests approval of these costs and the opportunity to recover the PFAS-related expenses incurred for the Stroh’s system in a filing.

II. Revenue Requirement

As demonstrated in the workpapers included in this filing, Washington Water’s revenue requirement for operating the Stroh’s system is \$915,441. Recovery of this revenue requirement would require increasing the rates charged to Stroh’s customers by approximately 213 percent compared to currently effective Stroh’s rates.

The revenue requirement supported by the attached workpapers is due in part to the dated revenue requirement included in current rates. When Washington Water acquired Stroh’s, the revenue Stroh’s received from customers was not sufficient to recover all costs of providing service.² Washington Water adopted Stroh’s rates without any changes. Since Stroh’s last general rate case, the costs of providing service have increased due to capital investments and increased operating expenses. Washington Water quantifies these increased costs in this filing.

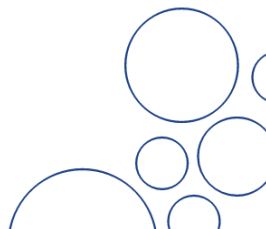
Washington Water receives services from its parent company, California Water Group, which includes management, financial, regulatory and human resources services. The allocation of costs to both entities follows Staff’s recommendations made in the last Washington Water rate case. The revenues and expenses associated with the Company’s non-regulated operations have been removed from the requested cost of service.

III. PFAS

In Docket UW-230645, the Commission granted the Company’s request for deferred accounting authority for PFAS-related costs, including expenses, capital, and carrying costs.³ The Commission approved deferred accounting for costs incurred between January 1, 2023 and December 31, 2026.

² In the year prior to the Company’s acquisition, Stroh’s experienced a net loss of approximately \$36,436. Docket UW-220614, Application, Exhibit 1 at 8.

³ *In the Matter of the Petition of Wash. Water Serv. Co. for an Accounting Order Authorizing Deferred Accounting Treatment for Testing and Mitigation of Per and Polyfluoroalkyl (PFAS) Substances*, Docket UW-230645, Order 01 at ¶ 4 (Sept. 14, 2023).





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In this filing, Washington Water is requesting a determination from the Commission as to the total amount of PFAS-related costs incurred for the Stroh's system through the end of the Test Year, December 31, 2024. Information relating to these deferred costs, which total \$28,969, can be found in the workpapers submitted along with this application. Washington Water is also seeking a determination that the amounts incurred are reasonable, prudent, and are recoverable in a future filing. The Company may also seek to recover additional PFAS costs in a future filing as expense, capital and carrying costs are incurred.

Washington Water does not seek recovery of any PFAS-related costs or any return on deferred costs in proposed rates in this case, in part to minimize rate shock.

IV. Rate Design

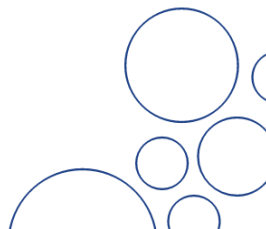
After review of the revenue requirement calculated using 2024 actual results, the Company has determined that an increase that would allow the Company to capture the entirety of the increased costs of service may cause rate shock to the 830 customers of the Stroh's system. To mitigate potential rate shock, the Company is seeking to increase rates by approximately 30 percent in each of two phases. While this may leave the Company with revenues that do not fully recover expenses, the Company feels this reasonably balances the Company's interest in cost recovery and in mitigating customer impacts.

The Company proposes a 30 percent increase to rates on May 1, 2025, and a second 30 percent rate increase one year later on May 1, 2026. Washington Water provides the following example of impacts to a median household to summarize the proposed rate increase:

The median bill usage for the Company's most populous customer class is 540 cubic feet. Under current rates, the median household experiences a bill of \$18.01. Because Washington Water did not modify the rates Stroh's charged at the time of the Company's acquisition of the Stroh's system, and has not increased rates since the acquisition, this \$18.01 estimated bill is far below the rates charged to customers connected to other systems of East Pierce and "Legacy" Washington Water. Increasing rates for the Stroh's system by approximately 30 percent in 2025 and 2026 would result in a monthly median bill of \$23.24 under Phase I rates and \$29.28 under Phase II rates. The Stroh's monthly bill would then be comparable to what East Pierce customers pay today.

In this scenario, fixed monthly meter charges for customers taking service from 5/8" and 3/4" meters will be \$20.54 in Phase I and \$23.88 in Phase II. This represents an increase of \$2.79 over the current monthly fixed charge of \$17.75 in Phase I and a further increase of \$3.34 between Phase I and Phase II.

The Non-Meter Rate, found in the tariffs on Sheet No. 30.2 Schedule 1.2, would increase from \$19.00 per month to \$23.24 per month in 2025 and \$29.28 in 2026. These





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charges mimic what an average residential customer would pay per month and are still below the rates charged to both East Pierce and the Legacy Washington Water customers.

In this filing, the Company is moving Stroh's rates from a single-tier structure with an allowance of 500 cubic feet to a three-tier increasing block structure with no allowance. Using a multiple-tier structure promotes conservation as higher usage customers will pay more on a per-gallon or per-cubic-foot basis as their consumption increases. This new structure also better aligns Stroh's with the Company's other rate structures across the Washington Water footprint.

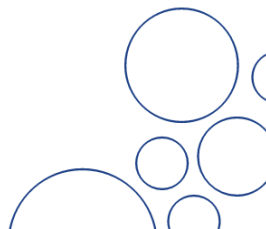
V. Proposed Revenue Impact Tables

This filing affects the Stroh's system (Water System Identification Number 846703). As discussed above, this filing reflects a multi-step rate increase. While the revenues generated by these rates will not entirely recover the requested revenue requirement, the requested rate increase will result in rates that more closely reflect the cost of service for the Stroh's system. The proposed gradual increase for Stroh's will be accomplished over a period of two years, at which time the Company may request another rate change. Table 1 below provides the revenue increases and median cost on a per bill basis with a 3/4" meter for Stroh's. Even with the 2025 rate changes, Stroh's current rates, both base and volumetric, will remain lower than the East Pierce and Legacy Washington Water Systems.

TABLE 1

	Proposed Stroh's Phase-In	
	Phase 1	Phase II
	Est. May 1, 2025	Est. May 1, 2026
Stroh's Revenue Increase	\$88,923	\$116,848
Median Monthly Change - 3/4" Residential	5.23	6.04
Flat Rate Change	2.79	3.34
Non-Metered Rate Change	4.24	6.04

Table 2 below provides the revenue increases designed for this rate change for all services.





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TABLE 2

Revenue Category	Current Rate Revenue	Phase I Rates			Phase II Rates		
		Revenue	Increase - \$	Increase - %	Revenue	Increase - \$	Increase - %
Stroh's Water System							
Metered Sales	\$ 292,083	\$ 381,006	\$ 88,923	30%	\$ 497,854	\$ 116,848	31%
Unmetered Sales	-	-	-	0%	-	-	0%
Other Revenues	1,102	1,102	-	0%	1,102	-	0%
Total Regulated Revenues	\$ 293,184	\$ 382,108	\$ 88,923	30%	\$ 498,956	\$ 116,848	31%

VI. Conclusion

Washington Water respectfully requests that the Commission approve this rate change and the two-phase approach to recovery as proposed. Washington Water requests a rate effective date of May 1, 2025, for the increase requested in this filing. This would allow more than 30 days for Commission Staff and interested parties to produce inquiries, if needed, and to address the Company's request at an Open Meeting in April.

This filing affects all customers that Washington Water serves by connection to the Stroh's system.

Along with this cover letter, the Company is attaching new tariff pages for Sheet No. 30.2 Schedule No. 1.2 and Sheet No. 31.3 Schedule No. 2.2, the Customer Notice that will be sent out to all affected customers 30 days prior to any rate change, and the workpapers supporting this filing as required by WAC 480-07-530.

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

Yours truly,

Matt Brown
General Manager
Washington Water Service Company

