



December 23, 2022

Amanda Maxwell
 Executive Director and Secretary
 Washington Utilities and Transportation Commission
 1300 South Evergreen Park Drive SW
 Olympia, WA 98504-7250

Re: Third Revised Sheet No. 23 Canceling Second Sheet No. 23 – Schedule No. 5
 Original Sheet No. 23.1 – Schedule No. 5.1

Dear Ms. Maxwell,

Attached you will find the above-referenced tariff pages. This filing aims to establish facilities charges for all water systems, except Lowper and Suddenview, totaling \$6,500 for parcels not currently connected to a water system, conditioned as written in the suggested tariff language. The company proposes to maintain the pass-through facilities charges for Lowper and Suddenview from Clallam and Snohomish County PUDs, adding a \$2,500 facility charge related to those intertie supplies.

This filing will not generate additional revenue for the company as it is considered Contribution in Aid of Construction (CIAC); therefore, the company is not submitting depreciation schedules, proforma adjustments, and other materials, excluding those referenced in the letter, as required by WAC 480-07-530 and requests a waiver of that rule to the extent necessary. The collection of CIAC will be amortized consistent with the current schedules maintained by the company. Furthermore, the facility charge is assessed upon request and is less predictable than other fees for proforma analysis purposes. As of December 23, 2022, the company provided notice to all parcels within the Sunny Hills system boundary and to consumers with pending or approved water availability requests, not currently paying recurring charges to the company.

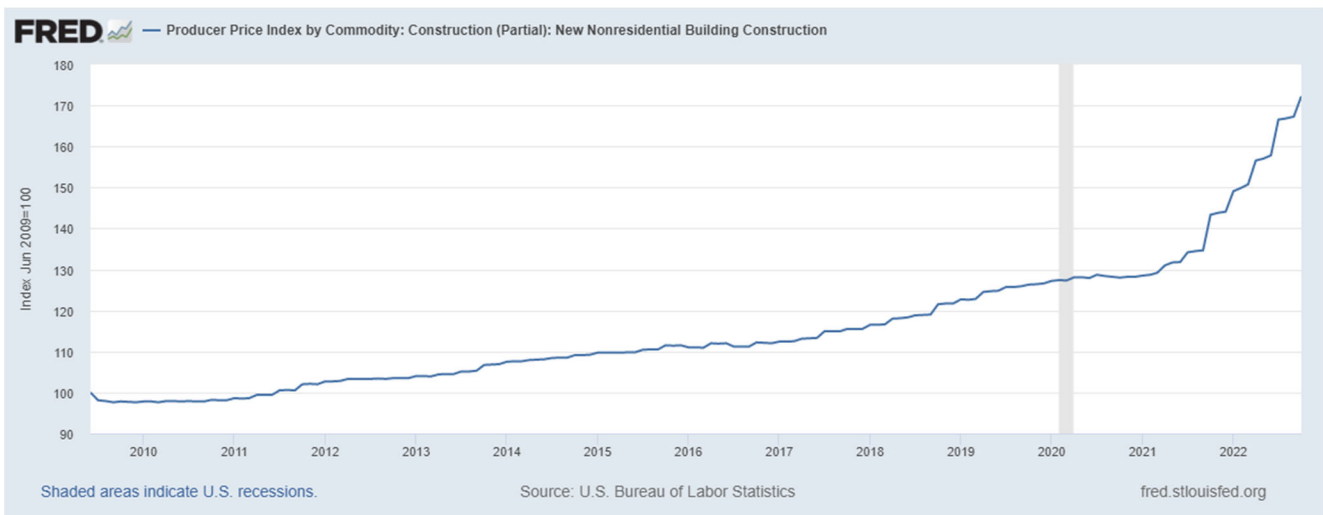
Historically, these water systems assessed new parcel fees consistent with what is considered a facilities charge. Most connected parcels paid facility charge equivalent fees ranging from \$500 to upwards of \$6,000. UTC staff completed a thorough review of the Iliad Water Company LLC CIAC in 2018 and concluded the same. Iliad Water Company LLC was the predecessor to Blue Rock Water Company LLC. Today, Blue Rock Water's tariff does not have facilities charges for most water systems. It is inequitable to existing customers as the burden of upgrades, absent these fees, shifts to those that have already paid them and consistently pay base rate fees that contribute to investment. Adding a \$6,500 facility charge for parcels that are not presently connected would provide the company with the capital necessary to accommodate new requests without burdening existing customers with infrastructure upgrades resulting from new service connections. Most of these systems are decades old and require upgrades to pumps, storage, or controls to accommodate new customers. The facilities charge would benefit all customers while equitably allocating the costs of improvements to those that create the cost.

Blue Rock Water conducted a cursory review of equivalent regulated systems to determine that facility charges ranged from \$2,500 to \$6,500. In several instances, tariff rate schedules for the lower values were updated several years ago. Given this year's historically high inflation and interest rate hikes, the cost of capital and investment will be higher in future years. Furthermore, the rate of increase in



Western Washington is higher than the national average used in this analysis. The former water

companies assessed facilities fees ranging from a low of \$500 to a high of \$6,000 in the 1980s and 1990s during the project's construction phase. Most were from \$2,150 to \$3,850 (see attached table). Inflation adjusting the median \$3,000 from 2009 to 2022 would result in an equivalent cost of \$5,167 based on the Producer Price Index by Commodity: Construction (Partial): New Nonresidential Building Construction released by FRED as of November 15, 2022 (see chart below). The rate was 172.22 (base 2009 = 100). While most data series exclude bases from the 1980s and 1990s, it is evident that the inflation adjusting \$3,000 over an additional two decades would have significantly increased the present-day cost over that span. However, based on the maximum observed rate of \$6,500, Blue Rock Water elected to stay within the highest observable rate in existing tariffs as of the review date.



BRWCO is reinvesting between 5 to 10% of its current base rate to make system improvements – updating older equipment and investing in technology that improves water quality and service reliability, increases technology, or mitigates the cost of maintaining systems. That means BRWCO's 905 customers typically contribute an average of \$85 toward infrastructure improvements annually. However, as new parcel owners express interest in accessing the various water systems, the Washington Department of Health requires BRWCO to engage an engineer to upgrade well pumps, storage tanks, controls, booster pumps, and the like to eliminate system constraints, before allowing for additional capacity to service new connections. These investments may result in less benefit to current consumers but considerable value to parcel owners interested in developing lots. Parcel owners are interested in accessing the following BRWCO systems: 85 Acres, Alderlake, Aqua Hills, Northwest, Fragaria, and Sunny Hills. These connections may necessitate well pumps, booster pumps, storage, or control improvements. For example, Department of Health is mandating booster pump and potential storage upgrades for Sunny Hills and Fragaria's proposed line extensions.

BRWCO seeks approval of the facilities charge to permit the company to continue to invest in infrastructure that benefits all consumers rather than burdening current consumers with costs incurred to expand systems to accommodate new requests or parcel owners that opted out of a ready-to-serve connection years ago. By comparison, a well would cost a parcel owner between \$3,750 and \$15,300



BLUE ROCK
Water Co.

– a figure quoted by the State of California Central Valley Flood Protection Board (<http://cvfpcb.ca.gov/wp-content/uploads/2020/11/8b.-EIS-Attachment-Well-Drilling-Costs.pdf>) and reused by other sites. The link indicates a 4” diameter well dug 200 feet would cost \$7,100 in 2020 – that is typical of the width and depth of consumer wells. Further, in some regions, exempt wells may not be available.

To provide context, the cost of a 12,500 gallon concrete water tank would cost an estimated \$11,000 according to National Storage Tank (<https://www.nationalstoragetank.com/blog/cracked-cement-tanks-versus-steel-tanks/>) – which may be undersized based on Department of Health requirements to increase storage. Grundfos booster pumps can range from \$10,000 to \$15,000 per each. A typical Gould or Grundfos 60gpm well pump can cost between \$3,500 and \$4,700. These products are specified for BRWCO systems. While a guide, the websites inform the water company of potential material costs related to expansion for a few customers. In addition to these costs, would be labor necessary to install and construct new equipment. For these reasons, BRWCO would request that the Commission consider this rate increase to avoid diverting funds away from ongoing improvement to expand capacity.

Mr. Jason Dorland has the authority to issue tariff pages on behalf of the company, and the undersigned has the authority to file those tariff pages on behalf of the company.

The company respectfully requests that the Commission approve the filed revised tariff sheets. If you have any questions concerning this matter, please get in touch with the undersigned.

Sincerely,

Sara Dorland

Finance Manager

Cc: Jason Dorland (via email)

Encl: Proposed Third Revised Sheet No. 23 Canceling Second Sheet No. 23 – Schedule No. 5
Proposed Original Sheet No. 23.1 – Schedule No. 5.1
Table of Water System Historical Initial Assessment Rates
Customer notice letter