

Regulations Definitions

The purpose of this document is for regulated water utility companies and their customers to have a better understanding of the terminology used within the regulatory process related to the 'Water Section' of the 'Regulatory Services Division'. In addition to this document are five important sources of key terms:

1. Revised Code of Washington (RCW), Title 80.
2. Washington Administrative Code (WAC), Title 480.
3. Utilities and Transportation Commission's 'Generic Water Tariff'.
4. National Association of Regulatory Utility Commissioners (NARUC), 'Uniform System of Accounts for Water Utilities (1996)'.
5. American Water Works Association (AWWA) 'Manual of Water Supply Practices – Principles of Water Rates, Fees, and Charges'.

A

Accounting System – A systematic collection of records used by a business to provide the factual measure of its assets, liabilities, net worth, revenues, expenses and earnings. Usually proscribed for utilities by regulatory authority in the interest of uniformity and accuracy.

Accrual Basis – The basis of accounting under which revenues are recorded when earned and expenditures are recorded when they become liabilities for benefits received, notwithstanding that receipt of the revenue or payments of the expenditure may take place, in whole or in part, in another accounting period.

Acquisition Adjustment – The difference between the price paid to acquire a facility or a system and the depreciated original cost of the facility or system. Contributions included in the transfer will affect the recorded adjustment.

Affiliated Interest – A business or personal entity that is not independent with respect to a company due (usually) to common ownership. Affiliate is legally defined in RCW 80.16.010. Transactions between companies and affiliates are scrutinized to prevent excess profits and to determine if the transactions are reasonable and/or prudent.

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Amortization – *The gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized. In other words, to spread a non-recurring expenditure over a period of years to avoid distortion or unfair impact on any one year.*

Ancillary Charges – *A separate charge for ancillary services that is not included in costs for general water service. Often, in providing water service, the utility must perform these ancillary services, which benefit only the individual customer using the services and have no system wide benefit.*

Annualized – *The process of adjusting a utility company's annual historical information to reflect a full 12-month period for known changes reasonably expected to continue into the future.*

Asset – *Property (plant, equipment, land) or property rights of a business reported in the balance sheet.*

Availability Charge (Ready-To-Serve) – *A limited-use charge made by a water utility to a property owner between the time when water service is made available to the property and the time when the property connects to the utility's facilities and starts using the service. This is to recover capital-related costs and other ongoing costs incurred by a utility when constructing facilities for the potential customer. When used, the charge is normally part of the utility's general water rate structure. It is made only between the time service is first available to a potential customer and the time service actually goes into effect. Thereafter, the normal water-rate structure takes over and the availability charge is terminated. Charge assessed by the water utility when:*

- *The water utility has the ability to provide water service;*
- *The water utility has committed to provide water service; and*
- *There is an installed service connection at the customer's property.*

Average Investment – *The average of net investment at the beginning and end of the test year. Average investment is the total on which a utility company is entitled to receive a return on. Term is similar to Rate Base.*

Average Service Life – *Used in determine depreciation, the average expected life of an asset that does not have adequate history to determine.*

B

Balance Sheet – *Accounting records showing at any time the assets, liabilities and net worth of a business.*

Base Allowance – *An amount of water included with the base rate.*

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Base Cost – Costs that tend to vary with the total quantity of water used and operation under average load conditions. Costs included are operation and maintenance expenses of supply, treatment, pumping, and transmission and distribution facilities, and capital costs related to plant investment associated with serving customers at a constant, or average, annual rate of use (100 percent load factor).

Base-Extra Capacity – The method of cost allocation in which the costs of service are classified to the functional cost components of base, extra capacity, and customer costs.

Base Rate – A set (typically minimum) amount charged each billing period for any of the classes of utility services provided to a customer.

Beginning, End of Year Adjustment (BEOY) – This adjustment averages the rate base to determine a typical average test period cost to provide service. Averaging provides a stable approach to setting annual revenues. This annual revenue translates into monthly rates and eases rate shock. Averaging supports single-tariff pricing and helps assure equal rates for service provided. BEOY rate base matches the averaging of revenues and expenses for the test period.

C

Capacity – The water utility's ability to have the resources available to meet the water service needs of its customers. Capacity is the combination of plant- and service- related activities required to provide the amount of service required by the customer. The plant facilities required are a composite of all types of facilities needed to provide service. It represents the ability of the water industry to meet the quantity, quality, peak loads, and other service needs of the various customers or classes of customers served by the utility.

Capital – Physical facilities (plant, machinery, equipment, etc.) used to produce a service.

Capital Expenditures – Expenditures that result in the acquisition of or addition of fixed assets.

Capitalized Lease – Per Financial Accounting Standards Board Statement 13, the accounting treatment of a lease agreement as if the asset had been purchased.

Capital Structure – An analysis, generally expressed as a percentage, of the total investment of a company that is funded by interest bearing debt and/or equity.

Commission – An agency of government composed of appointed officials charged with specified duties, functions and responsibilities and supporting staff.

Commodity Costs (Variable Costs) – Costs that tend to vary with the quantity of water produced, including the costs of chemicals, a large part of power costs, and other elements that follow, or change almost directly with, the amount of water produced. Purchased water costs, if the water

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is purchased on a unit volume basis without minimum charges or any associated demand charges, may also be considered as commodity costs.

Connection Charge (Hook-Up Charge) – *A charge made by the utility to recover the cost of connecting the customer's service line to the utility's facilities. This charge often is considered as contribution of capital by the customer or other entity applying for service. This charge normally covers the cost of main tap, connection line, meter box and setter up to the customer's property line or point of use.*

Construction Work in Progress (CWIP) – *The utility's investment in facilities under construction, but not yet dedicated to service.*

Contract – *An agreement between the water utility and a customer who requires an amount of the total capacity of the utility. The agreement fixes the terms and conditions under which the water utility provides service to the customer. Since contracts usually are at different rates than regulated tariffs, contracts must be analyzed and approved separately from tariffs.*

Contribution in Aid of Construction – *Any money, services, or property received by a water utility from any person or governmental agency that is provided to offset the acquisition, improvement, or construction costs at no cost to the utility with no obligation to repay.*

Cost Allocation – *The procedure for classifying or assigning the costs of service to functional cost components for subsequent distribution to respective customer classes.*

Cost of Capital – *A utility's cost of capital is the weighted sum of the costs of component parts of the capital structure (that is, debt, preferred equity, and common equity) weighted by their respective proportions in the capital structure.*

Cost of Service – *The operating and capital costs incurred in meeting various aspects of providing water service, such as customer billing costs, demand-related costs, and variable costs.*

Curb Stop – *A shut-off valve attached to a water service line from a water main to a customer's premises, which may be operated by a valve key to start or stop flow in the water-supply lines of a building. Also called a curb cock.*

Customer – *Anyone who has paid water company fees and/or has an application for service; or anyone whose service connection is installed and is currently paying a ready-to-serve charge; or anyone who is actually receiving water service from the company.*

Customer Class – *The grouping of customers into homogeneous classes. Typically, water utility customers may be classified on a broad category of customer service: residential, commercial, or contract. Some water systems have individual customers (large users) with unique water-use characteristics, service requirements, or other factors that set them apart from other general customer classes and thus may require a separate class designation.*

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Customer Costs – Costs directly associated with serving customers, irrespective of the amount of water use. Such costs generally include meter reading, billing, accounting, and collecting expense, and maintenance and capital costs related to meters and associated services.

Customer Count – Information or data on the number of customers in each service class and tariff charge. This data is incorporated into the price-out model.

Customer Notice – Requirement of company to mail notices to customers at the time of a tariff filing disclosing proposed higher rates. Customers are then given the opportunity to give written comment to the Commission and/or company.

D

Debt – An obligation resulting from the borrowing of money or from the purchase of goods and services.

Debt Capital – Capital invested in the water company whose source is debt as evidenced by a loan or security note.

Debt Service – The amount of money necessary to pay interest and principal requirements for a given or series of years.

Declining-Block Rates – A schedule of rates applicable to blocks of increasing usage in which the usage in each succeeding block is charged at a lower unit rate than in the previous blocks. Generally, each successive block rate is applicable to a greater volume of water delivery than the preceding block(s).

Dedicated Capacity – The portion of the water utility's total capacity that is set aside, or dedicated, for use by an individual large-use customer or group (class) of customers whose total use is a significant part of the utility's total capacity requirement.

Demand Costs – Costs associated with providing facilities to meet demands placed on the system by customers. They include capital-related costs associated with those facilities plus related operation and maintenance expenses.

Depreciation – The loss in service value not restored by current maintenance as applied to depreciable plant facilities. Depreciation is incurred in connection with the utilization or prospective retirement of plant facilities in the course of providing service. In other words, to spread a non-recurring expenditure over a period of years to avoid distortion or unfair impact on any one year.

Depreciation Expense – Is the recovery of the service value of the asset, on a uniform basis over the average service life of that asset, which is normally determined on an annual basis.

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Depreciation Rate – *The annual rate at which capital facilities are depreciated, based on the estimated loss in value of the facilities, not restored by current maintenance, that occurs in the property due to wear and tear, decay, inadequacy, and obsolescence. It provides for the recovery of a utility’s capital investment over the anticipated useful life of the depreciable assets.*

Debt to Equity Ratio – *A measure of the utility plant cost funded by debt sources and/or funded by investors.*

Depreciation Expense Reserve – *The paper account that represents the accumulation of yearly allowances for depreciation expense. The reserve is viewed as an asset and indicates that funds are (in theory) being set aside or have been recovered.*

Department of Ecology (DOE) – *Either State or Local County, is responsible to issue permits for ground water withdrawal.*

Department of Health (DOH) – *Either State or Local County, regulates water quality and quantity issues.*

E

Economies of Scale – *A condition that exist when the unit or average cost of general water service decreases with the expansion of the water system capacity and/or customer count. The unit cost of providing multiple services are less than if they were provided by separate utilities.*

Equity – *The net worth of a business, consisting of capital stock, capital (or paid in) surplus, earned surplus or (retained earnings), and, occasionally, certain net worth reserves. Capital invested in the water company by the owner, reflected by common stock or an ownership interest.*

Equivalent Residential Unit (ERU) – *The means of relating large-use customers to a base customer, typically a single-family unit or other small-use customer unit, such as a 5/8-inch meter customer. It represents a composite of all elements use differences between the base customer and the large-use customers to be served. Typically, it is expressed as a ratio of the base customer unit.*

Extension – *The water mains and equipment necessary to extend the company’s transmission and distribution infrastructure. An extension may also be called a distribution extension, a main extension, or a line extension.*

F

Facilities Charge – *Those facilities, or a portion of those facilities, that have been identified as being required for new customer growth. The cost of the facilities will be recovered in total or in part through a one-time fee that a new customer must pay, consistent with WAC 480-110-455, before the company will connect the customer’s property to the water system.*

Filing Requirements – *Defines the minimum amount of information a utility must submit with a request for general rate increase.*

Financial Viability – *The ability of a water utility to provide water service within the guidelines of Department of Health and meeting the standards of quantity and quality. Cash flow to debt.*

Factors considered are positive or negative annual earnings, positive or negative retained earnings, financial ratios (debt/equity, price/earnings, earnings/customer, earnings/total assets, and capital asset ratio).

Fire Protection Charge – *Charges made to recover the cost of providing both public and private fire protection service to the communities served by the utility.*

Firm Service – *Dependable service in the amounts and at times as desired by the customer.*

Future Capacity – *The capacity for services somewhat in excess of immediate requirements that is built into a utility in anticipation of increased demand for service resulting from higher uses by existing customers or from growth in the service area.*

G

Generic Water Tariff (Tariff) – *A published collection of rate schedules, terms of service, and conditions for use of water service.*

Gross Receipts Tax – *Payments made to a government entity based on the gross revenues received by the water utility from its water services.*

H

Historical Cost – *The initial cost to the person who holds the property and is placed in service.*

Historical Cost Recovery – *Approach used where the original cost of plant is used for rate base calculations. Rate base is recovered through depreciation expense over the useful life of the asset. Rate base is the amount of cost used in determining the financial return on investment.*

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Historical Test Year – Use of a past 12-month period (usually the immediately preceding period) utility financial data to evaluate a proposed tariff revision.

I

Income Statement – Records of the business showing the flow of funds (revenues and expenses) in the business over a period (normally one year).

Initial Tariff – The tariff filed by a water utility when it first becomes subject to the jurisdiction of the commission; or the tariff filed by a water utility that was formerly subject to commission jurisdiction, and has once again become jurisdictional. It does not mean a tariff filed to add a newly acquired system or company to the tariff of a currently jurisdictional company.

Inverted Block Rates – A schedule of rates applicable to blocks of increasing usage in which the usage in each succeeding block is charged at a higher unit rate than in the previous blocks. Generally, each successive block rate may be applicable to a greater volume of water delivery than the preceding block(s).

Investor Owned Water Utility – A utility owned by an individual, partnership, corporation, or other qualified entity with the equity provided by shareholders and operated by investors to serve the public.

J

Jurisdictional Company – Company that meets jurisdictional thresholds of one hundred or more customers, or receive average revenue of four hundred seventy-one dollars per customer per year. Note: WAC 480-110-255 provides guidance.

Jurisdictional Customer – Anyone who is actually receiving water service from a jurisdictional company.

L

Less than Statutory Notice (LSN) – Statutory Notice refers to the state law requiring all tariff revisions be filed at least 30 days in advance of the requested effective date. However, a company may petition for a waiver of Statutory Notice if they believe urgent circumstances exist.

M

Marginal Cost Rates – Rates based on the cost of providing the next unit of production.

Marginal Tax Rate – *The tax rate that applies to the last dollar of income earned or received during the year.*

Master Metering – *The use of one bulk meter for multiple tenants or customers.*

Minimum Bill – *A minimum charge to a customer during the applicable period of time, which is typically the base rate.*

Multi-Family – *Residential complexes with multiple units. Various agencies have different thresholds of how many units constitute a multi-family complex. Note: Utility tariffs consider multi-family accounts to be single class such as residential for purposes of designing rate structures.*

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National Association of Regulatory Utility Commissioners (NARUC) – *Is an association representing the State public service commissioners who regulate essential utility services, such as electricity, gas, telecommunications, water, and transportation, throughout the country. As regulators, our members are charged with protecting the public and ensuring that rates charged by regulated utilities are fair, just, and reasonable.*

Net Salvage Value – *Means the salvage value of property retired less the cost of removal.*

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O
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Operating Expenses – *Expenses related to maintaining day-to-day utility functions, including operation and maintenance expenses, taxes, and depreciation costs, but does not include capital cost or interest cost. Operating cost is recovered from customers on a current basis, as opposed to capitalized costs that are recovered over its useful life.*

Original Cost – *Is the cost incurred by the first entity when plant is dedicated to public service). Original cost and historic cost are the same when property has not changed ownership. Under regulatory theory, when utility property of an operating system changes ownership, the original cost carries forward and is maintained by the new owner, although the purchase price (that is, historic cost to the new owner) may be somewhat different.*

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Plant in Service – *Utility property used and useful in providing utility water service.*

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Profit – After tax return on investment. Earnings available for common stock after paying all expenses and interest on debt, as defined as gross operating revenues minus operating expenses, minus depreciation, minus taxes, equals allowed rate of return to generate excess earnings.

Price-Out – An analysis of historical usage data to determine charges that make up a category of revenue. A price-out is used to measure the pro forma impact of rate changes on gross revenue.

Primary Contaminants – Department of Health substances that, when present in drinking water at levels exceeding designated maximum contaminant levels (MCL), may adversely affect the health of consumers. These MCLs are established as water quality "primary standards" and are based on chronic, nonacute, or acute human health effects.

Pro Forma Adjustments – Any adjustment to the company income statement or balance sheet that gives effect to a known and measurable change in revenue or expense that is not mitigated by other factors. Also known as Return on Regulatory Operations (ROR).

Pro Forma Income Statement (PFIS) – Company income statement modified to reflect staff restating and pro forma adjustments. Pro forma levels are then further adjusted to reflect the impact of rate revisions proposed by the company and/or staff.

Property Retired – As applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.

Public Utility – A business enterprise rendering a service considered essential to the public and, as such, subject to regulation in the public interest, usually by statutory law.

Public Water System – As defined in Department of Health's WAC 246-290-020, any system excluding a system serving only one single-family residence, providing piped water for human consumption.

Purveyor – An agency or subdivision of the state or a municipal corporation, firm, company, mutual or cooperative association, institution, partnership, or person or other entity owning or operating a public water system.

R

Rate Base – Rate base is the original cost of a utility's plant in service (UPIS) used in determining an authorized return on investment and recovery of capital cost through expenses. The return on investment is based on the rate base of a utility and the authorized weighted cost of capital for that utility.

Defined by the mathematical equation below:

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1. *Utility's Plant in Service – Straight-Line Depreciation = Book Assets*
 - a. *Book Assets – Contributions in Aid of Construction = Regulatory Book Assets*
 - i. *Regulatory Book Assets +/- Acquisition Adjustments & Non-Used and Useful = Regulatory Rate Base*

Rate Blocks – *Elements of a schedule of charges for specific usages within certain defined volume and/or demand boundaries (amount of water in gallons or cubic feet at a set price).*

Rate Design – *The process of distributing revenue requirement deficiency among various classes of customers.*

Rate Increase Filing – *Any filing by the company that would:*

1. *Increase gross annual revenues of the company from activities regulated by the commission; or*
2. *Restructure tariffs so that one class of customer would provide more gross revenue than under the prior tariff structure. The term does not mean filings designed only to recover governmentally imposed taxes or periodic rate adjustments that have been authorized by commission order.*

Rate-Making Process – *The process of developing and establishing rates and charges. The process is comprised of four phases:*

1. *Determination of appropriate and reasonable costs.*
2. *Allocation of costs to the functional components of the cost of service.*
3. *Distribution of the function costs of service to customer classes.*
4. *Development and design of a schedule of rates and charges to recover cost of service. Also known as revenue requirement.*

Rate of Return – *The return earned or allowed to be earned by a utility enterprise, calculated as a percentage of its rate base.*

Rate Schedule – *Schedule of the rates and charges for services provided by the utility to the various customer classes and customers and approved by the regulatory Commission.*

Raw Water – *Water that is obtained directly from the supply sources, such as wells, reservoirs, rivers, etc., that has not been treated to produce potable water.*

Ready-To-Serve (RTS) – *A limited-use charge made by a water utility to a property owner between the time when water service is made available to the property and the time when the property connects to the utility's facilities and starts using the service. This is to recover capital-related*

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costs and other ongoing costs incurred by a utility when constructing facilities for the potential customer. When used, the charge is normally part of the utility's general water rate structure. It is made only between the time service is first available to a potential customer and the time service actually goes into effect. Thereafter, the normal water-rate structure takes over and the availability charge is terminated. Charge assessed by the water utility when:

- *The water utility has the ability to provide water service;*
- *The water utility has committed to provide water service; and*
- *There is an installed service connection at the customer's property.*

Revised Code of Washington (RCW) – *The codification of laws passed by the Washington State legislature. Laws relating to Utility and Transportation companies are in Titles 80 and 81.*

Reconnect Charge – *Charge specified in the company's tariff for restoring water service that has been disconnected:*

- *At the customer's request; or*
- *For nonpayment; or*
- *For failure to comply with the company's rules.*

Regulatory Fee – *Annual fees charged by the Commission to all regulated companies to fund the agency's general budget. The statutory maximum fee is 2% of annual revenue, although the Commission generally assesses annual fees at less than the maximum.*

Regulatory Lag – *The time intervening between the initiation of a proceeding before a Commission and the effective date of the final decision or disposition of the case.*

Residential Customer – *For billing purposes: single family dwellings, duplexes, apartments, mobile's homes, condominiums where service is billed directly to each residential unit or (where required by local ordinance) similar service to small multi-family complexes where service is billed to the property owner or manager. Larger multi-family units are considered Commercial accounts for billing purposes.*

Restating Adjustment – *Any adjustment to the income statement or balance sheet to reflect a change in the test year results. Restating adjustments fall into three categories: Reclassifications, Accounting Adjustments and Rate making Adjustments. Reclassifications move dollars from one account to another and with no effect on net income. Accounting Adjustments are necessary if the income statement does not properly apply basic accounting principles, such as an out of period expense posted in the test year. Rate Making Adjustments modify the records of the company to reflect proper rate making theory, such as removing expenses that were incurred by the company, but are not in the interest of rate payers (e.g. lobbying expenses).*

Results of Operations – A format used by staff to summarize the accounting information gathered from a rate investigation. Includes pro forma income statement, detail of restating and pro forma adjustments, and may include separations between different operations.

Retained Earnings – Earnings of a corporation kept by it for use in the business and thus not distributed to stockholders as dividends. Retained earnings are an important source of capital funds and are shown as surplus or re-invested earnings in the net worth section of a balance sheet.

Return on Investment – A ratio that measures the average cost of financing average investment net of federal taxes. Calculated as: $(\text{Operating Income} - \text{Federal Tax}) / (\text{Average Investment})$.

Revenue Requirement – That amount a utility must collect to pay expenses and provide an opportunity for fair return to investors. Rate base is one component of rates for cost recovery to provide services. Another component is the cost to provide operations and delivery of water service.

Revenue Sensitive Items – Expenses that varies depending on gross revenue. The most common revenue sensitive items are state and city business and occupation taxes, bad debt expense, and the WUTC regulatory fee.

S

Salvage Value – The amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

Seasonal Excess-Use Charges – Charges for usage above pre-established levels, typically used during periods of peak use relative to use during off-peak periods.

Seasonal Rates – Rates based on the cost of service variations with respect to system seasonal requirements. For example, higher rates may be charged during the summer months when a system peak occurs, which requires facilities not needed to meet lower winter loads.

Secondary Contaminants – Department of Health substances that, when present in drinking water at levels exceeding designated maximum contaminant levels (MCL), are considered to have an aesthetic effect such as taste, color or staining of plumbing fixtures after extended use.

Service Area – Geographic area to which the company intends to provide water service using current plant.

Service Charge – A fixed charge usually designed to recover customer costs.

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Service Connection – *That portion of the service line from the utility’s water main to and including the curb stop at or adjacent to the street line or the customer’s property line. It includes other valves or fittings that the utility may require at or between the main and the curb stop but does not include the curb box.*

Service Life – *The period between the time of installation of utility plant and the time of its retirement or sale.*

Service Line – *The pipe and all appurtenances that run between the utility’s water main and the customer’s place of use—including fire lines.*

Service Value – *The difference between the original cost and the net salvage value of utility plant.*

Standby Charge – *Charge imposed by some unregulated companies for having transmission and distribution infrastructure installed but without the current ability to provide water. It is also sometimes referred to as a system-readiness fee. The Commission does not authorize this type of charge for regulated water companies.*

Standby Service – *Service provided occasionally under certain defined conditions, such as in the event of failure of the customer’s normal water supply system. Fire protection is another form of standby service.*

Straight-Line Method – *As applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life.*

Sub-Metering – *Method of charging multi customers behind/beyond a master meter. Typically done by the use of individual meters or some form of cost allocation (RUBS) based on multiple factors. (i.e., number of residences, square feet of unit)*

Surcharge – *Monthly charge or fee paid to the water company for plant or expenses. The surcharge is in addition to regular monthly service fees and typically has an expiration date or dollar limit and is subject to specific accounting requirements.*

T

Tariff – *A published collection of rate schedules, terms of service, and conditions for use of water service.*

Test Period – *The annualized period for which costs are to be analyzed and rates established, this is a historical period and used as a proxy for the future operating period. Also referred to as test year.*

Treated Water – *Water that has been obtained from supply sources and treated to produce potable water.*

U

Unit Cost – *The cost of producing a unit of a product or service. An example would be the cost of treating a thousand gallons of potable water for use by the water utility’s customers.*

Unit of Service – *An element of service for which a cost can be ascertained, such as thousand gallons, hundred cubic feet, monthly bill, etc.*

Uniform Volume Charge – *A single charge per unit of volume for all water used.*

Used and Useful – *A test for determining the admissibility of utility plant as a component of rate base. Plant must be in use (not under construction or standing idle awaiting abandonment) and useful (actively providing water service).*

User Charge – *The monthly, bimonthly, quarterly user charges made to the user of water service through the general water rate structures of the utility for the utility’s share of the cost of providing water service.*

Uniform System of Accounts Water Utilities – *Defines, by account, all revenues, expenses, income and balance sheet items that are found in the records of most water companies.*

Unmetered Rate (Flat Fee) – *A fixed charge for unmetered service, often simply based on the number of fixtures and water-using devices of the customer. Stated charge for utility service not based on metered quantity of service. Such a rate is used where service is provided on an unmetered basis. Typically, has no relationship to the cost of service to provided water service to the individual customer.*

Utility Plant Held for Future Use – *Cost of land or other property acquired by a utility for future service or not yet used to provide water service to current customers.*

Utility Approach – *The method of determining annual operating revenue requirements, which includes operation and maintenance expense, depreciation expense, and return on rate base.*

W

Washington Utilities and Transportation Commission (Commission) – *Regulates rates and consumer protection for investor-owned water companies that serve 100 or more customers, or charge customers more than \$471 per year on average.*

Washington Administrative Code (WAC) – *Codification of rules implemented by state agencies under specific authorities given by the legislature.*

Water Company – *Company means any corporation, company, association, joint stock association, partnership or person, their lessees, trustees or receivers appointed by any court whatever, owning, controlling, operating or managing any water plant within the state of Washington for the purpose of furnishing water service to the public for hire and subject to the jurisdiction of the commission. It does not include management by a satellite management agency as defined in chapter 70.116 RCW if the satellite agency is not an owner of the water company. Also called Water Utility.*

Water System – *All plant, equipment, and other assets used to provide water service for a specific location.*

Water Rights – *A term describing a permit granted under a Washington State Department of Ecology system regulating the appropriation and use of public ground or surface water. The permit/right establishes the priority, location, type, and amount of water use allowed to the permit holder.*

Wheeling Charge – *The charge made by a utility for transmission of water of another party through its system.*

Wholesale Service Customers – *Service in which water is sold to a customer (typically at a lower price) at one or more major points of delivery for resale within the wholesale customer's service area.*

Working Capital – *Cash, materials, supplies, and other similar current assets necessary in the operation of the enterprise. It is usually measured by the excess of current assets over the current liabilities, or sometimes as a percentage of annual operation and maintenance expense levels held in reserve by the company to pay current obligations such as payroll and other operating expenses.*