

Agenda Date: May 26, 2011  
Item Number: A4

**Docket:** UW-110917  
Company Name: Suncadia Water Company, LLC

Staff: Jim Ward, Regulatory Analyst  
Pam Smith, Consumer Protection Staff

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Suncadia Water Company, LLC, on March 25, 2011.

### **Discussion**

On March 25, 2011, Suncadia Water Company, LLC (Suncadia or company) filed with the Utilities and Transportation Commission (commission) a general rate case filing that would generate \$159,341 (22.1 percent) additional annual revenue. The company also requests recovery of \$7,168 (less than 1 percent) as a true-up of water usage resulting from deferred accounting treatment approved in the company's last general rate case in Docket UW-081226. The company's last general rate case became effective December 1, 2008. The company serves 1,154 customers (327 metered, 827 ready to serve) near Cle Elum, in Kittitas County.

Order 02 in Docket UW-081226, ordered Suncadia to file a general rate case when actual customer usage data is available for a twelve month period, but no later than May 1, 2010. On April 30, 2010, Suncadia filed with the commission a petition seeking an extension of time until June 1, 2010, to file the required general rate case because key members of its accounting staff had other complex projects delayed or prolonged, which affected its ability to complete the general rate case. Prior to commission action on the petition, the company requested an additional extension. On May 28, 2010, Suncadia filed with the commission another petition seeking an additional extension of time until July 1, 2010, to file the required general rate case because key members of its accounting staff have not completed the complex task of preparing the general rate filing. The commission granted Suncadia's requests for an extension of time until July 1, 2010. Suncadia did not meet any of the filing deadlines. The stated effective date of the current rate case is June 1, 2011.

### **General Rate Increase**

Suncadia came under commission regulation on May 15, 2008. In July of 2008, Suncadia filed its first general rate case. That rate case established meter rate base charges (based on size of meter) and one usage rate of all water consumed. Customers recommended a multiple rate block design, but staff did not believe that the company had sufficient data to justify a multiple rate block design at that time. Customers and commission staff questioned the company's record keeping and water usage data. Since that time the company has recorded more water usage data and used employee time-sheets to help minimize allocations.

This rate case introduces multiple rate blocks and inverted rates for water usage to help promote conservation. The proposed filing also eliminates special irrigation rates, and treats service to the lodge the same as other metered customers, instead of making allocations based on equivalent

residential units (ERUs). Consistent with the last rate case, the proposal does not address water provided to the golf courses because they are served by a separate water system.

**Customer Comments**

On April 11, 2011, the company notified its customers of the proposed rate increase by mail. Three customer comments have been received to date. All oppose the increase. Consumer Protection staff advised the customers that they may access company documents pertinent to this rate case at [www.utc.wa.gov/water](http://www.utc.wa.gov/water), and that they may contact Pam Smith at 1-888-333-WUTC (9882) with questions or concerns.

**General Comments**

- The three customers believe the monthly ready to serve charge increase is too high. Two believe the fee is an unfair burden; one would like the fee abolished.
  
- **Staff Response**  
 The customers were advised that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Current and proposed rates are shown below for the general rate increase.

**Rate Comparison**

	<b>Current Rate</b>	<b>Proposed Rate</b>
<b>Base Charge</b>		
Ready to serve	\$19.85	\$25.41
Base 1-inch Meter	\$41.79	\$42.00
Base 1 1/2-inch Meter	N/A	\$84.00
Base 2-inch Meter	\$133.79	\$134.40
Base 3-inch Meter	\$250.74	\$252.00
Base 4-inch Meter	\$417.90	\$420.00
<b>Fire Protection</b>		
Fire Protection Fee 1-inch	\$5.43	\$3.91
Fire Protection Fee 2-inch	\$17.38	\$12.50
Fire Protection Fee 3-inch	N/A	\$23.44
Fire Protection Fee 4-inch	\$54.30	\$39.06
Fire Protection Fee 6-inch	\$107.00	\$78.13
Fire Protection Fee 8-inch	\$171.20	\$125.00
	<b>Current Rate</b>	<b>Proposed Rate</b>
<b>Consumption</b>		
Usage 0 – 9,000 <sup>1,2</sup> Gallons	\$2.25	\$2.75
Usage 9,001 – 32,000 <sup>1,2</sup> Gallons	\$2.25	\$5.25

Usage over 32,000 <sup>1,2</sup> Gallons	\$2.25	\$6.00
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1 – Based on 1-inch meter classification, see company’s tariff for upsize meter classification, usage blocks and rates.

2 – Based on “per 1,000 gallons”.

**Average Customer Charge Comparison**

<b>Average 1-inch Monthly Usage 8,530 Gallons</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Base Meter Charge	\$41.79	\$42.00
8,530 Gallons	\$19.19	\$23.46
Average Monthly Bill	\$60.98	\$65.46
		7.3%

**Water Usage True-up**

In the 2008 rate case, Suncadia proposed to use 2007 water purchased from Cle Elum to calculate the usage charge for all potable water customers. Many customers believed this data was not representative of usage amounts. The company proposed, and the commission approved, a true-up methodology, as set forth in Attachment D of staff’s memo dated November 8, 2009, in Docket UW-081226:

“After reading meters for a period of twelve months, Suncadia Water will reconcile the difference between projected water usage and actual water usage for both the potable water system and the irrigation water system. An amount due or refund will be calculated the following month for the reconciled “true-up” amount. If there is a refund or amount due, the adjustment will be spread over the following twelve months unless the customer or company elects to pay it all at once.”

The company has now reconciled the usage data and provided a true-up accounting of water usage and revenue generated. The company has determined that it under collected revenues based on the actual usage. The company is now seeking to recover a total of \$7,168.61 due from rate payers. Current and proposed rates are shown below for the water usage true-up rates.

**Rate Comparison**

<b>Monthly Rate *</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
1-inch meter	NA	\$0.81
2-inch meter	NA	\$5.10
3-inch meter	NA	\$11.06
4-inch meter	NA	\$34.63

\*This charge expires after collection of \$7,186.61 or after the expiration date of May 31, 2012.

Staff received responses to data requests on May 13, 2011, and has not yet completed its review of the information received. Therefore, the company has not demonstrated the need for the additional revenue and has not demonstrated the proposed rates are fair, just, reasonable and sufficient.

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**Conclusion**

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