

Agenda Date: March 29, 2017
Item Number: A3

Docket: UW-170133
Company Name: Southgate Water System

Staff: Jim Ward, Regulatory Analyst
John Cupp, Regulatory Analyst, Consumer Protection

Recommendation

Issue a Complaint and Order Suspending the Tariff Revisions filed on March 1, 2017, by Southgate Water Systems, Inc., in Docket UW-170133.

Discussion

On March 1, 2017, Southgate Water Systems, Inc. (Southgate Water or company), filed with the Utilities and Transportation Commission (commission) a tariff revision that would add a monthly surcharge. The proposed surcharge would be used to fund a reserve account for future pump repairs and would expire upon the collection of \$55,000 plus taxes. The revenue impact of this filing will be an annual increase of \$20,000 (25.8 percent). The company serves 101 customers near Kennewick in Benton County. The proposed effective date is April 1, 2017. The company's last rate increase was effective on April 1, 2009.

The company has stated that it is requesting this surcharge to provide funds for future well and pump repairs that have been an ongoing problem encountered by the company. Southgate Water notes that it has already taken on substantial debt related to these problems and projects and that the company will not have any borrowing capacity for future problems. Therefore, this surcharge is sought by the company.

Since 2001 the company has made several repairs that would be considered capital improvements to both Wells No. 1 and 2.

Rate Comparison

Staff's analysis of the company's financial information to support the proposed surcharge has not been completed. After preliminary review, the surcharge could run for a period of up to three and a half years to accumulate the funds the company is seeking.

Monthly Rate	Current Rate	Proposed Rate
Well Repair Surcharge	NA	\$16.50 *

* Surcharge expires upon collection of \$55,000 plus state and federal taxes.

Customer Comments

On February 27, 2017, the company notified its customers by mail of the proposed tariff revision. Customers were notified that they may access relevant documents about this tariff revision on the commission's website, and that they may contact Rachel Stark at 1-888-333-9882 or rstark@utc.wa.gov with questions or concerns. Staff received one consumer comment opposed to the proposed rate increase.

General Comments

One customer believes the company needs to better manage repairs and believes the customers should not have to pay for the high expenses caused by company mismanagement.

Staff Response

The customer was 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 its investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Conclusion

Commission staff has not completed its review of the company's supporting financial documents, books, and records and therefore has not yet determined whether the proposed charge is supported or appropriate.

Staff recommends that the commission issue a Complaint and Order Suspending the Tariff Revisions filed on March 1, 2017, by Southgate Water Systems, Inc. in Docket UW-170133.