

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

SUMMIT VIEW WATER WORKS, LLC

Respondent.

DOCKET UW-110220

FULL SETTLEMENT  
AGREEMENT OF COMMISSION  
STAFF AND SUMMIT VIEW  
WATER WORKS, LLC

**I. INTRODUCTION**

*I* This Full Settlement Agreement is entered into pursuant to WAC 480-07-730(1) in order resolve all issues raised between the Parties related to the tariff filing of Summit View Water Works, LLC in this proceeding. This Full Settlement Agreement recommends an increase in annual revenues from irrigation service of \$15,518 and a rate design consisting of:

1. An outlet fee of \$215 per year prorated for new customers to reflect the actual number of days of service during the irrigation season; and
2. An irrigation fee of \$280 per acre per year, prorated to reflect the actual size of a customer's lot and, for new customers, the actual number of days of service during the irrigation season.

The Parties agree that these rates are just, fair, reasonable and sufficient and otherwise in the public interest, and should be accepted by the Commission.

2           The recommended increase in annual irrigation revenues and rate design are the  
identical proposals made by Staff in its response testimony in this docket.<sup>1</sup> The Parties  
understand this Full Settlement Agreement is subject to Commission approval.

## II. PARTIES

3           This Full Settlement Agreement is entered into between the Staff of the Washington  
Utilities and Transportation Commission (“Staff”) and Summit View Water Works, LLC  
 (“Company”) (collectively referred to hereinafter as the “Parties” or individually as a  
 “Party”). These Parties are the only participants in this docket.

## III. BACKGROUND

4           Summit View Water Works, LLC is a water company regulated by the Commission  
under RCW Title 80. It provides both domestic drinking water and irrigation water service  
near Kennewick, Washington in Benton County.

5           On January 27, 2011, the Company filed revisions to its currently effective Tariff  
WN U-1 that would increase annual revenues from irrigation service by \$19,118. The  
revisions also proposed to replace the current annual flat fee for irrigation service of \$400  
per customer with an annual outlet fee of \$250 per customer and an annual \$300 per acre  
charge.

6           The Commission suspended the operation of the tariff revisions by Order 01 on  
February 10, 2011. A Prehearing Conference was held on May 9, 2011. Protective Order  
03 was issued by the Commission on May 10, 2011. The Company filed its direct testimony  
and exhibits in support of the proposed tariff revisions on June 10, 2011.

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<sup>1</sup> The only exception is the Parties’ recommendation to prorate the charges for new customers for the actual days of service during the irrigation season. The Staff response case did not include this proposal.

7            On July 22, 2011, Staff filed its response testimony and exhibits. Staff's analysis showed that the Company's annual revenues from its irrigation operations should be increased \$15,518. To recover the Company's total revenue requirement from irrigation operations, Staff also proposed a rate design that would replace the current annual flat fee of \$400 per customer with an annual outlet fee of \$215 plus an irrigation fee of \$280 per acre per year, prorated to reflect the actual size of a customer's lot. Finally, Staff recommended that the Commission order the Company to implement employee time keeping procedures to address deficiencies Staff encountered during its examination.

8            Prior and subsequent to the filing of Staff's response testimony, the Parties engaged in settlement discussions. The Parties have reached a Full Settlement Agreement pursuant to WAC 480-07-730(1) and now wish to present their agreement for Commission approval. In the interests of expediting the orderly disposition of this docket, the Parties therefore adopt the following Full Settlement Agreement which is entered into by the Parties voluntarily to resolve matters regarding rates and charges for irrigation service.

9            The Parties understand that only Section IV of this Full Settlement Agreement is subject to Commission approval and hereby respectfully request that the Commission issue an order approving Section IV of this Full Settlement Agreement in its entirety. The Parties request that the Commission hear evidence concerning their Full Settlement Agreement during hearings scheduled to commence on August 26, 2011. The testimony and exhibits filed by Staff on July 22, 2011, provide the supporting documentation for the Full Settlement Agreement, as required by WAC 480-07-740(2).

#### **IV. AGREEMENT**

##### **A. Revenue Requirement**

10 The Parties agree to the Staff recommendation described above in paragraph 7 that the Company's annual revenues from irrigation service should be increased by \$15,518.

**B. Rate Design**

11 The Parties agree to the Staff recommendation described above in paragraph 7 in part that would replace the current annual flat fee for irrigation service of \$400 per customer with:

1. An outlet fee of \$215 per year prorated for new customers to reflect the actual number of days of service during the irrigation season; and
2. An irrigation fee of \$280 per acre per year, prorated to reflect the actual size of a customer's lot and, for new customers, the actual number of days of service during the irrigation season.

12 The Attachment to this Full Settlement Agreement is a tariff containing the rate design agreed to by the Parties.

**C. Tariff Effective Date**

13 The Parties agree that the rates and charges described above in paragraphs 11 and 12 should become effective on January 1, 2012.<sup>2</sup>

**D. Employee Time Keeping Practices**

14 Within 30 days of a Commission order adopting and approving this Full Settlement Agreement, the Company agrees to establish a record keeping system that will produce accurate records of employee time related to either its domestic or irrigation operation in order that accurate allocation of costs to each operation can be performed for ratemaking purposes. Prior to establishment of this time keeping system, the Company will advise Staff

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<sup>2</sup> The irrigation season runs from April 15<sup>th</sup> to October 15<sup>th</sup> each year. The Parties do not recommend that the agreed rates and charges apply to the limited irrigation season remaining in 2011.

of the details of the proposed system and will accommodate any reasonable concerns Staff may have with the Company's proposed system.

**E. Promissory Note for Asset Transfer**

15           Within 10 days of a Commission order adopting and approving this Full Settlement Agreement, the Company agrees that it will execute a promissory note to its affiliates, Tri-City Development Corporation and Candy Mountain LLC, in the amount of \$264,079. This is the amount determined at this time by Staff to represent assets transferred to the Company by these affiliates in a Purchase and Sale Agreement, dated September 23, 2010. See Exhibit No. \_\_ (AW-1T) at page 24, lines 22-23 and Exhibit No. \_\_ (AW-6), lines 4 and 5, column (e).

**F. Admission of Exhibits**

16           The Parties agree that the direct testimony and exhibits of Mr. Kirk Rathbun for the Company, and the response testimony and exhibits of Ms. Amy White for Staff, should all be admitted into evidence in this proceeding. The Parties agree to waive cross-examination of each other's witness at hearing on August 26, 2011, when this Full Settlement Agreement is presented to the Commission for approval.

**G. Waiver of Initial Order**

17           The Parties agree to waive entry of an initial order in this docket and recommend that the Commission enter a final order approving Section IV of this Full Settlement Agreement in its entirety.

**V. MISCELLANEOUS PROVISIONS**

18           The Parties agree to support the terms and conditions of this Full Settlement Agreement as a resolution of all issues regarding rates and charges for irrigation service and

other matters. Accordingly, the Parties recommend that the Commission adopt and approve Section IV of this Full Settlement Agreement in its entirety, including the Attachment.

19           The Parties shall cooperate in submitting this Full Settlement Agreement promptly to the Commission for approval of Section IV above, and shall cooperate in developing any additional supporting documentation as may be required by the Commission. The Parties agree to support the Full Settlement Agreement throughout this proceeding, provide witnesses to sponsor the Full Settlement Agreement at a Commission hearing on August 26, 2011, and recommend that the Commission issue a final order adopting Section IV of Full Settlement Agreement in its entirety.

20           In the event the Commission rejects Section IV of the Full Settlement Agreement, the provisions of WAC 480-07-750(2)(b) shall apply. In the event the Commission accepts Section IV of the Full Settlement Agreement upon conditions not proposed herein, each Party reserves the right, upon written notice to the Commission and all other parties to this proceeding within five (5) days of the Commission order, to withdraw from this Full Settlement Agreement. If either Party exercises its right of withdrawal, this Full Settlement Agreement shall be void and of no effect, and the Parties agree to cooperate in development of a procedural schedule that concludes this proceeding at the earliest possible date.

21           By executing this Full Settlement Agreement, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, accounting adjustments, or theories employed in arriving at the terms of this Full Settlement Agreement and except to the extent expressly set forth in this Full Settlement Agreement, no Party shall be deemed to have agreed that this Full Settlement Agreement is appropriate for resolving any issues in any other proceeding. No Party shall represent that any of the facts, principles, methods, or

theories employed by any Party in arriving at the terms of this Full Settlement Agreement are precedents in any other proceeding.

22           This Full Settlement Agreement may be executed in counterparts, through original and/or facsimile signature, and each signed counterpart shall constitute an original document.

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

SUMMIT VIEW WATER WORKS, LLC

ROBERT M. MCKENNA  
Attorney General

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ROBERT D. CEDARBAUM  
Assistant Attorney General  
Counsel for the Utilities and  
Transportation Commission Staff

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RICHARD A. FINNIGAN  
Attorney for Summit View Water Works, LLC

Dated: \_\_\_\_\_, 2011

Dated: \_\_\_\_\_, 2011