

Agenda Date: June 25, 2009
Item Number: A2

Docket: UW-090733
Company Name: Washington Water Service Company

Staff: Chris Mickelson, Regulatory Analyst
Dennis Shutler, Consumer Protection Staff

Recommendation

Issue a Complaint and Order Suspending the Tariff Revisions filed by Washington Water Service Company.

Discussion

On May 12, 2009, Washington Water Service Company, (Washington Water or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$1,874,923 (25.7 percent) in additional annual revenue. The company serves about 15,766 customers on 172 water systems. The systems are located in eight counties in western Washington: Clallam, Jefferson, Pierce, San Juan, Thurston, Kitsap, King and Mason counties.

The proposed rates are prompted by increases in operating and administrative cost such as payroll and benefits, insurance, property taxes and water testing fees since the last rate increase. The company's last general rate increase became effective on September 28, 2006.

The company's filing brings all of its newly acquired systems under the same rate structure (single-tariff pricing); except for water systems operating on Orcas Island, which will have the same rate structure plus an "Island Fee". The company is seeking to add a new rate that will apply to only water systems operating on Orcas Island to offset higher operating costs associated with transportation, the higher chemical cost for the water treatment plant, and the higher cost of labor required to have certified staff available 24 hours a day (7 days a week) in compliance with Washington State Department of Health (DOH) regulations.

The company is seeking to add an ancillary charge, which is a credit card convenience fee. The credit card convenience fee is for credit card transactions for telephone payments; however, the company will continue to offer its auto-payment processing for free.

Customer Comments

On May 12, 2009, the company notified its customers of the rate increase by mail. The commission has received 74 customer comments on this filing; all are opposed to the proposed increase. Please note: Customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff advises customers that they may access company documents pertinent to this rate case at www.utc.wa.gov, and www.utc.wa.gov/water and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

Filing Documents and Methodology Comments

- Eight customers said they should not have to pay for improvements on systems other than the system serving them.

Staff Response

Customers were advised single tariff pricing distributes rate base, system upgrades, operating and maintenance costs, and improvements for the entire water company equally across all customers on all systems, and all systems will require capital improvements sooner or later.

- One customer asked whether there is a standard time period for a company to recuperate capital expenditures.

Staff Response

Staff contacted this customer and explained that most parts of the system infrastructure have a specified life span. There is no standard time period for the entire system as a whole.

- One customer asked why rates for large meters are not included in the increased base rate.

Staff Response

The company filed for a general rate case, which adjusts rates for all meter sizes.

- Four customers believe the Island Fee is excessive. The Island Fee is intended to offset the higher costs of operations, chemicals and labor necessary to treat the surface water on the island.
- One customer believes the chemical and labor costs are directly related to consumption, and should be included within the usage rates.

Staff Response

Staff's goal is to recommend the "right" rates that will allow the company to recover reasonable operating expenses and provide an opportunity to earn a reasonable return on investment. The "right" rates play a vital part in ensuring that the company can operate the water system efficiently and meet safe drinking water standards.

- One customer asked how the requested increase is allocated to transportation costs, property taxes and employee costs.
- One customer asked whether transportation costs associated with 172 water systems in eight counties have increased.

Staff Response

Staff has not completed its review of the company's supporting financial documents, books and records; therefore, staff cannot respond on these matters until after staff has concluded its review.

- One customer asked whether the company has filed an appeal for a property tax reduction.

Staff Response

Each company is responsible to operate as best meets its needs. Staff reviews the cost of these day-to-day activities during rate cases.

Service Quality Comments

- One customer said his water has an unpleasant odor, even though it dissipates after the water runs for a minute.

Staff Response

Staff discussed the issue with the customer and offered to open a complaint. The company also discussed the issue with the customer, who decided to work with the company to resolve the issue.

- One customer said the backup power generator failed on his water system during a power outage.

Staff Response

Staff contacted this customer who decided not to pursue the issue at this time.

- One customer said that public notices were not issued until long after bacteria was found in the water.

Staff Response

Staff contacted this customer and offered to open a complaint. This customer decided to not pursue the issue at this time.

Business Practice Comments

- One customer believes the company bills for longer periods in the summer than in the winter, causing a customer's usage/charges to fall into a higher rate block.

Staff Response

Staff contacted this customer and offered to open a complaint. This customer faxed staff the billings in question and staff will determine whether the billings are in compliance.

- One customer believes the company is taking advantage of its customers by charging a fee to pay over the telephone by credit card, while two customers support the credit card payment fee.

Staff Response

Staff contacted this customer to explain the purpose of the new fee. The company also talked to this customer and explained that the fee offsets the cost the company incurs by a third party vendor who handles the payments over the phone.

General Comment

- Forty-two customers believe the amount of the increase is excessive due to the drastic increase in rates, increased costs of living, high existing rates, and current economic conditions.

Staff Response

Customers were advised that state law requires rates to be fair and reasonable for customers, and sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

- Eight customers believe a smaller increase would be more reasonable, similar to the Consumer Price Index.

Staff Response

Customers were advised that state law requires rates to be fair and reasonable for customers, but sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

- One customer said that he believes the company should offer discounted rates for senior citizens.

Staff Response

Staff contacted this customer and explained that the state statute does not allow for senior discounts at this time.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate
Island Fee (¾-inch meter) ¹ (applies only to systems operated on Orcas Island)	N/A	\$37.75
Flat Rate (Unmetered)	\$35.00	\$40.00
Ready-to-Serve (RTS) ²	\$15.00	\$22.15
Base Rate (¾-inch meter) ^{1,2}	\$18.21	\$22.15
0 – 400 Cubic Feet ¹	\$1.65	\$2.10
401 – 1,400 Cubic Feet ¹	\$1.75	\$2.30
Over 1,400 Cubic Feet ¹	\$1.90	\$2.75

¹ = Based on ¾-inch meter classification, see company's tariff for upsize meter classification, usage blocks and rates.

² = Based on ¾-inch meter classification, see company's tariff for specific water systems going to single-tariff pricing.

Ancillary Charges	Current Rate	Proposed Rate
Credit Card Convenience Fee	N/A	\$1.25

Average Bill Comparison

Average Monthly Usage 1,005 cubic feet	Current Rate	Proposed Rate
Base Rate (¾-inch meter)	\$18.21	\$22.15
0 – 400 Cubic Feet	\$6.60	\$8.40
401 – 1,005 Cubic Feet	\$10.59	\$13.92
Average Monthly Bill	\$35.40	\$44.47
		25.6%

Commission staff has not completed its review of the company's supporting financial documents, books and records. Therefore, the company has not demonstrated that the proposed rates are fair, just, reasonable and sufficient.

Conclusion

Issue a Complaint and Order Suspending the Tariff Revisions filed by Washington Water Service Company.