

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of)	
American Water Resources, Inc.)	DOCKET UW-991392
for an Order Approving Tariff Revisions.)	
)	ORDER APPROVING
)	TARIFF REVISIONS
)	
.....)	

MEMORANDUM

On September 7, 1999, American Water Resources, Inc., (American Water) filed tariff revisions with the Commission designated as:

- Fifth Revision of Sheet No. 17
Canceling
Fourth Revision of Sheet No. 17,

- Fifth Revision of Sheet No. 17.1
Canceling
Fourth Revision of Sheet No. 17.1,

- Fifth Revision of Sheet No. 17.2
Canceling
Fourth Revision of Sheet No. 17.2,

- Fourth Revision of Sheet No. 18
Canceling
Third Revision of Sheet No. 18, and

- Third Revision of Sheet No. 18.1
Canceling
Second Revision of Sheet No. 18.1.

On September 7, 1999, American Water Resources, Inc., (American Water) filed for general rates in the amount of approximately \$145,987 (20 percent) of additional revenue per year. Under the company's original proposal, the average customer would see an increase of approximately \$7.06 per month (\$84.72 annual.) On November 12, 1999, American Water filed revised rates in the amount of approximately \$87,503 (12 percent) of additional revenue per year. On November 15, 1999, American Water filed revised rates in the amount of approximately \$78,679 (11 percent) of additional revenue per year. The company serves approximately 1,859 customers in Pierce, Mason, Thurston, Lewis, Kitsap, and Grays Harbor counties.

The Commission first heard this item October 27, 1999, in a special two part, evening meeting. The customers' concerns expressed in both the public meeting and open meeting centered around the lack of service/response from American Water. Water quality problems have resulted in customer distrust of the company. The Department of Health has issued orders requiring upgrades and compliance with water quality health standards. Additionally, customers do not believe it is in their or the company's best interest to allow American Water to continue purchasing water systems needing large amounts of repairs and capital investments.

The Commission has received an additional 48 letters (originally 20) and one petition with 68 signatures opposed to the company's proposal. Customers stated that their water bills have continued to increase since American Water purchased its water systems. Some customers stated that their water systems have been under a boil water notice for months and they have been purchasing bottled water. Customers believe the company should not receive another rate increase until the company can provide water that is drinkable. The Commission has opened 24 consumer complaints. Of those complaints, 22 are quality of service complaints relating to high chlorine, pH and copper levels as well as being mandated to boil water. These complaints continue to be investigated. In addition, the Commission has received one billing complaint and one line extension complaint both of which have been resolved.

Staff and American Water met subsequent to the October 27, 1999, open meeting to discuss several issues in this rate filing. Those discussions resulted in some changes to staff's proposal.

Staff maintains its original position to:

- Include future period expenses for computer software, employees, materials & supplies and repairs & maintenance.
- Not allow future plant in rate base that has not been paid for or installed.
- Reduce officer compensation to \$24,000 per year.
- Set employee compensation at the full level of \$235,115 the company requested to provide staffing.
- Require the company to file for approval of any water system purchase.

In addition, staff now recommends the Commission:

- Include "out-of-test-year" expenses of used and useful plant (Granite treatment system) in rate base that was installed subsequent to the test year.
- Use 12.60% for a return on equity, instead of 9.71% as originally proposed, as an incentive for the company to obtain additional equity investment.
- Use 9.48% for a return on debt, instead of 10.34%.
- Require monthly reports on staffing and future period expenses.

To help resolve these issues and to move forward, American Water and staff, agree the company will:

- (1) not purchase any additional water systems without first obtaining prior approval from the Commission for the earlier of a period of one year or until the next rate case.
- (2) maintain annual expense levels during the future rate period as follows;
 - (a) minimum of \$235,115 in wages for financial manager, field and office personnel,
 - (b) maximum of \$24,000 for officer compensation,
 - (c) \$66,661 benefits, payroll taxes, and vehicles commensurate with the personnel in items (a) and (b), and
 - (d) minimum of \$25,835 for materials & supplies and repairs & maintenance.
- (3) file monthly reports on staffing, materials & supplies and repairs & maintenance expenses to demonstrate compliance with this agreement for a period of one year or until the next rate case.

FINDINGS

THE COMMISSION FINDS:

- 1. American Water Resources, Inc., a Washington business, is a public service company subject to the jurisdiction of this Commission under the provisions of Title 80 RCW.
- 2. As to form, the application herein, meets the requirements of Title 80 RCW and the rules and regulations of the Commission adopted pursuant thereto.
- 3. It appears, upon investigation, that the tariff revisions and agreements between staff and company are reasonable and consistent with the public interest and should therefore be approved.

ORDER

THE COMMISSION ORDERS:

- 1. Subject to the conditions of this order, it is hereby authorized that the filing herein filed September 7, 1999, with revised tariff sheets November 15, 1999, will become effective November 16, 1999.

2. This order shall in no way affect the authority of this Commission over rates, service, or accounts, evaluations, estimates, or determination of cost or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted.

3. The company has agreed it will not purchase any additional water systems without first obtaining prior approval from the Commission for the earlier of a period of one year or until the next rate case.

4. The company will maintain annual expense levels during the future rate period as follows;

(a) minimum of \$235,115 in wages for financial manager, field and office personnel,

(b) maximum of \$24,000 for officer compensation,

(c) \$66,661 benefits, payroll taxes, and vehicles commensurate with the personnel in items (a) and (b), and

(d) minimum of \$25,835 for materials & supplies and repairs & maintenance.

5. The company will file monthly reports on staffing, materials & supplies and repairs & maintenance expenses to demonstrate compliance with this agreement for a period of one year or until the next rate case.

DATED at Olympia, Washington, and effective this 15th day of November, 1999.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner