

Agenda Date: August 14, 2008  
Item Number: A3

**Docket:** UW-081259  
Company Name: Fircroft, Inc.

Staff: Jim Ward, Regulatory Analyst  
Dennis Shutler, Consumer Protection Staff

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Fircroft, Inc.

### **Discussion**

On July 7, 2008, Fircroft, Inc., (Fircroft or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$4,788 (21 percent) in additional revenue per year. The company serves 14 residential customers and two master meter customers, serving a total of 52 customers, near East Sound on Orcas Island, located in San Juan County. The proposed rates are prompted by cost increases in supplies, electrical power, labor, and increased maintenance and repairs for aging plant. All customers receive metered service. The company's last general rate increase became effective in 2000, prior to becoming regulated.

On July 3, 2008, the company notified its customers of the rate increase by mail. The commission has received two customer comments on this filing as of August 11, 2008. The two customer comments received after the July 31, 2008, open meeting and staff's response are summarized below.

- **Customer Comment** – The customer asserts that repairs and upgrades may be excessive for a one year period and may need to be capitalized. The customer has requested additional information from the company and has been referred to the commission filing.

**Staff's response** –A regulated company has the right to recover reasonable costs (other than fines and penalties). Staff conducts its own independent audit of the company's financial records, which results in staff making various restating adjustments and proforma adjustments to the financial records. Staff reviews one year of information (test period) to determine appropriate costs. Staff's audit takes into account capital structure (debt vs. equity), interest synchronization adjustments, net-to-gross conversion factors, revenue requirement calculations and other factors. Information received by staff and staff's results of the review are posted to the commission's web site.

- **Customer Comment** – It is inappropriate to distribute these additional costs to customers with no water usage. This rate increase will have the customer paying more for ready to serve than a basic customer using under 1,000 gallons per month.

**Staff's response** –The company incurs costs (plant, billing, etc.) even if a customer uses no water. Ready to serve customers are no different than active customers who use no water

during a billing period. Both should pay the same Base Charge. The rate design does recover operating costs through usage rates, with the usage cost increasing as the amount of water used increases.

Current and proposed rates are shown below.

**Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Base Rate (under 1,000 gallons used), zero usage.	\$25.00	\$30.00
Base Rate (over 1,000 gallons used) zero usage.	\$30.00	\$38.00
0 – 4,000 gallons	\$1.00 per 1,000 Gallons	\$1.30 per 1,000 Gallons
4,001 – 10,000 gallons	\$3.00 per 1,000 Gallons	\$4.00 per 1,000 Gallons
10,001 – 20,000 gallons	\$7.00 per 1,000 Gallons	\$9.00 per 1,000 Gallons
Over 20,000 gallons	\$10.00 per 1,000 Gallons	\$13.00 per 1,000 Gallons
Beach Haven Master Meter - Usage Rate	\$10.00 per 1,000 Gallons	\$13.00 per 1,000 Gallons
Sunset Ranch Master Meter - Usage Rate	\$8.00 per 1,000 Gallons	\$13.00 per 1,000 Gallons
	Other Charges	
Inactive Membership (Ready To Serve)	\$15.00	\$32.00
Late Payment	2 % unpaid	\$25.00
NSF Check	\$25.00	\$30.00
Bulk Water	\$20.00 per 1,000 Gallons	\$25.00 per 1,000 Gallons

**Average Customer Charge Comparison**

<b>Average Monthly Usage 4,713 Gallons</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Base Meter Charge	\$25.00	\$30.00
4,000 Gallons	\$4.00	\$5.20
713 Gallons	\$2.14	\$2.85
Average Monthly Bill	\$31.14	\$38.05
		(22%)

Commission staff has not yet completed its review of Fircroft's supporting financial documents, books and records.

**Conclusion**

Therefore, staff recommends the commission issue a Complaint and Order Suspending the Tariff Revisions filed by Fircroft, Inc.