

Agenda Date: December 14, 2017  
Item Number: A1

**Docket:** UW-171106  
Company Name: Thunder Ridge Water Co., Inc.

Staff: Greg Hammond, Regulatory Analyst  
John Cupp, Consumer Protection

### **Recommendation**

Take no action, thereby allowing the tariff pages filed by Thunder Ridge Water Co., Inc. on November 3, 2017, and revised on December 5, 2017, to become effective December 15, 2017, by operation of law.

### **Discussion**

On November 3, 2017, Thunder Ridge Water Co., Inc. (Thunder Ridge or company), filed with the Utilities and Transportation Commission (commission) a tariff revision that would increase monthly water rates and revenues by approximately \$37,500 annually (77.2 percent). Staff and the company have agreed on a lower increase of approximately \$14,500 (29.9 percent) in annual revenue. The company serves 132 customers on Camano Island, in Island County. The proposed effective date is December 15, 2017. The company has not increased its rates since its initial tariff was filed with the commission in 2007.

This rate increase is mainly prompted by investment in metering infrastructure and the additional costs associated with meter reading, which is now required by the Washington State Department of Health. Additionally, the company has seen growth in its operating expenses, including electricity, testing, and maintenance expenses.

Under the company's current rate structure, the usage allowance and usage block rates were set extremely high, with the usage allowance (10,000 gallons) being almost double the average customer's monthly usage (5,394 gallons). This meant the vast majority of customers paid only the base rate in the past. The revised rates bring the usage blocks down to be more in line with the actual usage data reported by the company. This will help to encourage conservation and will spread the costs more appropriately to the higher users.

The difference in revenue requirements from the initially proposed to the revised rates is primarily due to the recognition of Contributions in Aid of Construction (CIAC), in the form of facilities charges received from customers. This CIAC offsets the company's rate base, resulting in a lower revenue requirement than what was initially requested.

A comparison of the current, company proposed, and staff revised rates, as well as a customer bill comparison are shown below.

**Rate Comparison**

		<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Revised Rates</b>
<b>Usage Allowance</b>		10,000 gal.	0 gal.	0 gal.
<b>Base Rate</b>		\$30.00	\$35.00	\$32.00
<b>Block 1</b>	Usage	10,001 - 15,000 gal.	0 - 3,800 gal.	0 - 3,800 gal.
	Rate Per 1,000 gal.	\$2.80	\$3.80	\$1.00
<b>Block 2</b>	Usage	15,001 - 22,500 gal.	3,801 - 7,000 gal.	3,801 - 7,000 gal.
	Rate Per 1,000 gal.	\$3.20	\$4.40	\$2.50
<b>Block 3</b>	Usage	Over 22,500 gal.	Over 7,000 gal.	Over 7,000 gal.
	Rate Per 1,000 gal.	\$3.60	\$5.00	\$4.00

**Monthly Bill Comparison**

<b>Average Customer Bill (Average Usage of 5,349 Gal.)</b>			
	<b>Base Rate</b>	<b>Usage Charges</b>	<b>Total Bill</b>
<b>Current Rates</b>	\$ 30.00	\$ -	\$ 30.00
<b>Proposed Rates</b>	\$ 35.00	\$ 19.23	\$ 54.23
<b>Revised Rates</b>	\$ 32.00	\$ 8.23	\$ 40.23

**Comment Summary**

On Oct. 27, 2017, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received 11 consumer comments, all opposed to the proposed rate increase.

**General Comments**

- Nearly all 11 commenters expressed concern that the proposed rates are excessive. Four of the commenters said the company serves many fixed-income customers on Camano Island.

**Staff Response**

The customers were 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 meet this standard.

**Service Quality**

- Two commenters also expressed concern that there is no backup pump, and the system is not capable of operating up to capacity.

**Staff Response**

Staff explained it is aware the system needs some improvements, and is working with the company on these issues; including how to fund the project. These improvements are not addressed in this rate case.

**Filing Documents and Methodology**

- Three customers mentioned the usage blocks show high rates for small usage allowances. Two customers feel the base rate is too high.

**Staff Response**

Regulatory staff reviews filings to ensure that all rates and fees fit the fair, just, and reasonable standard.

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