



SERVICE DATE

JUN 10 1999

STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 753-6423 • TTY (360) 586-8203

June 4, 1999

**NOTICE OF OPPORTUNITY TO SUBMIT WRITTEN
COMMENTS ON PROPOSED RULES
(July 14, 1999)**

AND

**NOTICE OF PROPOSED RULE ADOPTION HEARING
(July 28, 1999)**

RE: Investor Owned Water Companies
Notice of Proposed Rulemaking (CR-102)
Docket No. UW-980082

TO ALL INTERESTED PERSONS:

On June 2, 1999, the Commission filed with the Code Reviser a notice of proposed rulemaking (CR-102) relating to Investor Owned Water Companies. The proposal would repeal the existing rules, reorganize and rewrite the current rules, and reorganize and add new sections incorporating existing policies in rule.

Attached to this letter are copies of the CR-102, the rule text, and the Small Business Economic Impact Statement. Please respond with your suggestions, comments or questions in regard to the attached suggested rules or any part of this letter no later than **July 14, 1999**. Please submit your comments to: Secretary, Washington Utilities and Transportation Commission, P.O. Box 47250, Olympia, Washington 98504-7250, (360) 664-1160, or e-mail <records@wutc.wa.gov>. Please include Docket No. UW-980082 in your communication.

The public hearing for adoption of the proposed rules will be held at **9:30 a.m., on WEDNESDAY, JULY 28, 1999**, at the Commission's open meeting. This public



Docket No. UW-980082
June 4, 1999
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hearing will be held in the Commission's Hearing Room, Second Floor, Chandler Plaza,
1300 S. Evergreen Park Drive S.W., Olympia, Washington.

Questions regarding this rulemaking docket may be addressed to Danny Kermode, at
the above address, (360) 664-1253, or e-mail at <dkermode@wutc.wa.gov>.

Sincerely,

A handwritten signature in cursive script that reads "Carole J. Washburn". The signature is written in black ink and has a long, sweeping horizontal line extending to the right.

CAROLE J. WASHBURN
Secretary

Enclosures



PROPOSED RULE MAKING
(RCW 34.05.320) SERVICE DATE

CR-102 (7/10/97)

Do NOT use for expedites adoption

Agency: WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION JUN 10 1999

Original Notice

Preproposal State of Inquiry was filed as WSR 98-05-056; or
 Expedited Adoption--Proposed Rule Making notice was filed as WSR _____; or
 Proposal is exempt under RCW 34.05.310(4).

Supplemental Notice to WSR 98-05-056

Continuance of WSR

(a) Title of rule: (Describe Subject) Revising rules relating to Investor Owned Water Companies Commission Docket No. UW-980082

Purpose: To implement the requirements of Executive Order 97-02, requiring agencies to review significant rules for Need; Effectiveness and Efficiency; Clarity; Intent and statutory Authority; Cost and Fairness. The proposal would repeal the existing rules, reorganize and rewrite the substance of the text for compliance with Executive Order 97-02, and promulgate new sections incorporating the redrafted provisions. In addition, the proposal, adds provisions to set existing policies in rules, adds a provisions to set existing policies in rules, adds a provision requiring refunds for poor water quality, updates definitions, and deletes obsolete provisions.

Other Identifying Information: The original CR-102 was withdrawn to allow additional time for study and revision in light of stakeholder comments.

(b) Statutory authority for adoption: RCW 80.01.040 and RCW 80.04.160

Statute being implemented:

(c) Summary: See section (j) below, Reasons supporting proposal:

(d) Name of Agency Personnel Responsible for:	Office Location	Telephone
1. Drafting Danny P. Kermod	1300 S. Evergreen Park Drive S.W., Olympia, WA. 98504	360-664-1253
2. Implementation...Carole J. Washburn, Secretary, 1300 S. Evergreen Park Drive S.W., Olympia, WA 98504		360-664-1174
3. Enforcement.....Carole J. Washburn, Secretary, 1300 S. Evergreen Park Drive S.W., Olympia, WA 98504		360-664-1174

(e) Name of proponent (person or organization) Washington Utilities and Transportation Commission

Private
 Public
 Governmental

(f) Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters: None

(g) Is rule necessary because of:

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	If yes, ATTACH COPY OF TEXT
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	Citation:
State Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

(h) HEARING LOCATION:
 Commission Hearing Room
 Second Floor, Chandler Plaza
 1300 S. Evergreen Park Drive S.W.
 Olympia, WA 98504
 Date: JULY 28, 1999 Time:9:30 AM
 Assistance for persons with disabilities: Contact Pat Valentine-Hazard by July 26, 1999
 TDD (360) 586-8203 or (360) 664-1133

Submit written comments to: Carole J. Washburn, Secretary, P.O. Box 47250, Olympia, WA 98504 or E-Mail to <records@wutc.wa.gov>. Please include Docket No. UW-980082 in your communication.
 FAX (360) 586-1150 By (date) JULY 14, 1999

DATE OF INTENDED ADOPTION:
 JULY 28, 1999

NAME (TYPE OR PRINT)
 CAROLE J. WASHBURN

SIGNATURE

TITLE
 SECRETARY

DATE
 MAY 26, 1999

STATE CODE REVISER USE ONLY

9.42

99-12-112

APR 26 1999

(j) Short explanation of rule, its purpose, and anticipated effects:

These rules address how the Washington Utilities and Transportation Commission regulates the rates and operations of investor owned water companies. This review is in compliance with Executive Order 97-02 and reviews the chapter for clarity, intent and statutory authority, need effectiveness and efficiency, coordination, cost and fairness. The proposal would reorganize and redraft the rules to comply with Executive Order 97-02. The proposal would incorporate and formalize policies, would eliminate obsolete rules, and it would add some substantive provisions as set out below.

Does proposal change existing rules? YES NO If yes, describe changes:

The proposal would repeal existing rules and substitute reorganized and redrafted rules.

The proposed substantive changes to rule text include the following:

- (1) Deleting and adding definitions as needed.
- (2) Expanding companies' requirements to provide customer notice for tariff filings
- (3) Adding requirements identifying information that companies must supply when making general rate change filings
- (4) Adding provisions to codify existing policies or clarify requirements relating to the following topics:
 - a. When and how water companies may use funding mechanisms such as facilities charges;
 - b. Requirements relating to adopted and initial tariff filings, and
 - c. Clarifying when companies are jurisdictional by incorporating policy statement UW-930006 in WAC 480-110-255 and withdrawing the policy statement. In addition, the rule increases revenue threshold for water company jurisdiction from \$418 to \$429 pursuant to specific legislative authority in RCW 80.04.010.
- (5) adding a provision that sets out when a water company may be required to refund changes due to water quality, and how to calculate the amount of the refund. and
- (6) separating rules relating to company and customer responsibilities.

(k) Has a small business economic impact statement been prepared under chapter 19.85 RCW?

Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by writing to:

Washington Utilities and Transportation Commission; Records Center; 1300 S. Evergreen Pk. Dr. SW;
Olympia, WA 98504

telephoning: (360) 664-1234

faxing: (360) 586-1150

No. Explain why no statement was prepared.

(l) Does RCW 34.05.328 apply to this rule adoption?

YES NO

Please explain: RCW 34.05.328 does not apply to WUTC.

NEW SECTION

WAC 480-110-205 Application of rules. These rules apply to any water company that distributes, sells, or supplies water, and that meets requirements for commission regulation or jurisdiction under RCW 80.04.010 and WAC 480-110-255. This includes investor-owned water companies that meet the jurisdictional threshold of serving one hundred or more customers or receive average revenue of four hundred twenty-nine dollars or more per customer per year.

NEW SECTION

WAC 480-110-215 Exemptions from rules. (1) The commission may grant an exemption of any rule in this chapter, when doing so is consistent with the public interest, the purposes underlying regulation, and applicable statutes.

(2) To request a rule exemption, a person must file with the commission a written request identifying the rule for which an exemption is sought and giving a full explanation of the reason the exemption is requested.

(3) The commission will assign the request a docket number, if needed, and schedule the request for consideration at one of its regularly scheduled open meetings or, if appropriate under chapter 34.05 RCW, in an adjudication. The commission will notify the person requesting the exemption, and other interested persons, of the date the commission will consider the request.

(4) The commission will enter an order granting or denying the request or setting it for hearing, pursuant to chapter 480-09 WAC.

NEW SECTION

WAC 480-110-225 Saving clause. The commission may impose additional or different requirements on any water company in response to a complaint or on its own motion. These rules do not relieve any water company from any of its duties and obligations under the laws of the state of Washington.

NEW SECTION

WAC 480-110-235 Definition of control. (1) For purposes of determining commission jurisdiction over a water company as defined in RCW 80.04.010, "control" means the water system operator or manager has discretion over the property or finances or operations of a water company which is normally exercised by an owner. Factors indicating control include, but are not limited to, whether the operator or manager:

(a) May authorize the purchase or sale of all or part of the water system or its water rights;

(b) May authorize capital additions or improvements to the system;

(c) May accept contributed plant;

(d) May authorize the expenditure or acquisition of funds which encumber any asset of the company;

(e) May authorize the expenditure of funds for nonwater company purposes;

(f) Receives compensation of a type or amount having no reasonable relationship to the work performed or to be performed.

(2) Control will not include management by a satellite agency as defined in chapter 70.116 RCW if the satellite agency is not an owner of the water company.

NEW SECTION

WAC 480-110-245 Glossary. "Applicant" means any person, partnership, firm, corporation, municipality, cooperative organization, governmental agency, etc., that has completed a water company's application for water service.

"Commission" means the Washington utilities and transportation commission.

"Contributions in aid of construction" means any money, services or property received by a water company to fund capital investments at no cost to the company with no obligation to repay.

"Customer" means:

- Anyone who has paid water company fees and/or has an accepted application for service; or

- Anyone whose service connection is installed and is currently paying a ready-to-serve charge; or

- Anyone who is actually receiving water service from the company.

"Extension" means the water mains and equipment necessary to extend the company's transmission and distribution infrastructure. An extension may also be called a distribution extension, a main extension, or a line extension.

"Facilities charge" means a one-time fee that a new customer must pay before the company will connect the customer's property to

the water system.

"Initial tariff" means:

- The tariff filed by a water company when it first becomes subject to the jurisdiction of the commission; or
- The tariff filed by a water company that was formerly subject to commission jurisdiction, and has once again become jurisdictional. But does not mean a tariff filed to add a newly acquired system or company to the tariff of a currently jurisdictional company.

"Jurisdictional customer" means anyone who is actually receiving water service.

"Potential customer" means anyone to whom the water company has:

- Given a letter agreeing to provide service; and
- The letter is currently enforceable and has not expired by its own terms; and
- The property is not yet receiving any type of service.

"Primary contaminants" means substances that, when present in drinking water at levels exceeding designated maximum contaminant levels (MCL), may adversely affect the health of consumers. These MCLs are established as water quality "primary standards" and are based on chronic, nonacute, or acute human health effects.

"Rate increase filing" means any filing by the company that would:

- Increase gross annual revenues of the company from activities regulated by the commission;
- Restructure tariffs so that one class of customer would provide more gross revenue than under the prior tariff structure. The term does not mean filings designed only to recover governmentally imposed taxes or periodic rate adjustments that have been authorized by commission order.

"Ready-to-serve charge" means the charge assessed by the water company when:

- The water company has the ability to provide water service;
 - The water company has committed to provide water service;
- and
- There is an installed service connection at the customer's property.

"Reconnect charge" means the charge specified in the company's tariff for restoring water service that has been disconnected:

- At the customer's request; or
- For nonpayment; or
- For failure to comply with the company's rules.

"Service area" means the geographic area to which the company intends to provide water service using current plant.

"Service connection" means the pipes, valves, and fittings between the water company's distribution system and the customer's service line.

"Standby charge" means a charge imposed by some unregulated companies for having transmission and distribution infrastructure installed but without the current ability to provide water. Also sometimes referred to as a system readiness fee.

"Surcharge" means a monthly charge or fee paid to the water

company for plant or expenses. The surcharge is in addition to regular monthly service fees and typically has an expiration date or dollar limit and is subject to specific accounting requirements.

"Water company" or "company" means any corporation, company, association, joint stock association, partnership or person, their lessees, trustees or receivers appointed by any court whatever, owning, controlling, operating or managing any water plant within the state of Washington for the purpose of furnishing water service to the public for hire and subject to the jurisdiction of the commission. This does not include management by a satellite agency as defined in chapter 70.116 RCW if the satellite agency is not an owner of the water company.

"Water system" means all plant, equipment, and other assets used to provide water service for a specific location.

NEW SECTION

WAC 480-110-255 Jurisdiction. (1) The commission only regulates investor-owned water companies:

(a) That own, operate, control, or manage one or more water systems; except that control or management does not include management by a satellite management agency as defined in chapter 70.116 RCW if the satellite management agency is not an owner of the water company.

(b) Meet jurisdictional thresholds of one hundred or more customers, or receive average revenue of four hundred twenty-nine dollars per customer per year.

If a water company serves customers	and receives average annual revenue per customer	commission regulation
99 or less	less than \$429	No
99 or less	\$429 or more	Yes
100 or more	less than \$429	Yes
100 or more	\$429 or more	Yes

(c) The commission does not regulate the following providers of water service:

- (i) Cities, towns, or counties.
- (ii) Public utility districts.
- (iii) Water districts.
- (iv) Local improvement districts.

(v) Homeowner associations, cooperatives and mutual corporations, or similar entities that provide service only to their owners or members.

(vi) Homeowner associations, cooperatives and mutual corporations, or similar entities that provide service to

nonmembers unless they serve one hundred or more nonmembers, or charge nonmembers more than four hundred twenty-nine dollars average annual revenue per nonmember.

(vii) Facilities such as mobile-home parks, apartment buildings, and office buildings where the facility owner passes through to tenants only the cost the facility owner pays for water the facility receives, plus reasonable third-party costs for reading meters, billing, and collecting. The owner may use a flat-rate approach or use submeters to apportion the cost of water to individual tenants.

(2) To determine jurisdiction, the commission considers only those customers receiving water. The commission does not consider customers who do not receive water, such as customers who have paid:

- (a) Water-availability letter fees.
- (b) Standby charges.
- (c) System readiness fees.
- (d) Ready-to-serve charges.

(3) To calculate the average annual revenue per customer, the commission considers only the charges that water-receiving customers pay on a monthly basis, other than contributions in aid of construction. For example, this includes money paid for flat-rate service or the metered base-charge and all usage charges.

(a) The commission does not include charges paid by customers who do not receive water, such as:

- (i) Water availability letter fees.
- (ii) Standby charges.
- (iii) System readiness fees.
- (iv) Ready-to-serve charges.

(b) The commission does not consider contributions in aid of construction in determining jurisdiction. Such contributions can be money, services or property. Payments can be made in a lump sum or financed over time. Examples of contributions in aid of construction include payments for:

- (i) Connection to system.
- (ii) Meter installation.
- (iii) System buy-in.
- (iv) Facilities charges.
- (v) Assessments for capital plant and equipment.

(4) The following example shows how to calculate the average annual revenue per customer for two hypothetical customers. The data for each customer are provided at the end of the example:

- (a) Select the most recent twelve consecutive months.

Example: February 1999 through January 2000.

(b) For each customer who received water service during the twelve-month period, add the amount the customer paid to the water company for items other than contribution in aid of construction items.

Example: Customer A paid \$340.
Customer B paid \$283.

(c) For each customer who received water service during the twelve-month period, add the number of months the customer received water service.

Example: Customer A received water service for twelve months.
Customer B received water service for nine months.

(d) Total the amount paid by customers during the twelve-month period.

Example:

	<u>Paid to Water Company During the Twelve-Month Period</u>
Customer A	\$340
Customer B	+ \$283
	<hr/>
Total Paid During Twelve- Month Period	\$623

(e) Total the number of months each customer received water service.

Example:

	<u>Number of Months Received Water Service During the Twelve-Month Period</u>
Customer A	12
Customer B	+ 9
	<hr/>
Total Months Received Water Service During the Twelve-Month Period	21

(f) Calculate the "Average Monthly Revenue Per Customer": Divide the "Total Paid During the Twelve-Month Period" by the "Total Months Received Water Service During the Twelve-Month Period."

Example:

Total Paid During the Twelve-Month Period	\$623
Total Months Received Water Service During the Twelve-Month Period	÷ <hr/> 21

Average Monthly Revenue Per Customer \$29.67

(g) Calculate the "Average Annual Revenue Per Customer": Multiply the "Average Monthly Revenue Per Customer" times 12 months.

(A) Average Monthly Revenue Per Customer \$29.67
 Months in a Year x 12

(B) Average Annual Revenue Per Customer \$356.04

DATA USED IN THE EXAMPLE
 TO CALCULATE
 AVERAGE ANNUAL REVENUE PER CUSTOMER

Example--
 Customer A

	<u>Standby Charge</u>	<u>Ready to Serve Charge</u>	<u>Connection Charge</u>	<u>Facilities Charge</u>	<u>Meter Base Charge</u>	<u>Meter Usage Charge</u>	
<u>Receive Water Service</u>	No	No	Yes	Yes	Yes	Yes	
<u>Contribution in Aid of Construction</u>	No	No	Yes	Yes	No	No	
<u>Year</u>							<u>Total Paid</u>
1997					\$20	\$4	\$24
1997					\$20	\$5	\$25
1997					\$20	\$2	\$22
1997					\$25	\$5	\$30
1997					\$25	\$6	\$31
1997					\$25	\$12	\$37
1997					\$25	\$6	\$31
1997					\$25	\$4	\$29
1997					\$25	\$4	\$29
1997					\$25	\$3	\$28
1997					\$25	\$2	\$27
1998					\$25	\$2	\$27
	\$0	\$0	\$0	\$0	\$285	\$55	\$340

Number of months service

12

Not Receiving Water	\$0
Receiving Water - Contribution in Aid of Construction	\$0
Receiving Water - Other than Contribution in Aid of Construction	\$340
Total customer paid during period	\$340

DATA USED IN THE EXAMPLE
TO CALCULATE
AVERAGE ANNUAL REVENUE PER CUSTOMER

**Example--
Customer B**

	<u>Standby Charge</u>	<u>Ready to Serve Charge</u>	<u>Connection Charge</u>	<u>Facilities Charge</u>	<u>Meter Base Charge</u>	<u>Meter Usage Charge</u>		
<u>Receive Water Service</u>	No	No	Yes	Yes	Yes	Yes		
<u>Contribution in Aid of Construction</u>	No	No	Yes	Yes	No	No		
<u>Year</u>							<u>Total Paid</u>	
1997	February	\$7					\$7	
1997	March	\$7					\$7	
1997	April		\$12				\$12	
1997	May		\$300	\$4,500	\$25	\$5	\$4,830	
1997	June				\$25	\$4	\$29	
1997	July				\$25	\$3	\$28	
1997	August				\$25	\$12	\$37	
1997	September				\$25	\$10	\$35	
1997	October				\$25	\$15	\$40	
1997	November				\$25	\$5	\$30	
1997	December				\$25	\$2	\$27	
1998	January				\$25	\$2	\$27	
		\$14	\$12	\$300	\$4,500	\$225	\$58	\$5,109

Number of months service

9

Not Receiving Water	\$26
Receiving Water - Contributions in Aid of Construction	\$4,800
Receiving Water - Other than Contribution in Aid of Construction	\$283
Total customer paid during period	\$5,109

(h) To ensure all customers are treated equitably, the commission will impute the same rates to any customers receiving free or reduced service that apply to other customers receiving comparable service on the same system.

NEW SECTION

WAC 480-110-265 Tariffs. Tariffs filed by a water company must conform to the rules of this section and chapter 480-80 WAC Utilities General--Tariffs, unless the commission has authorized in writing deviation from the rules.

NEW SECTION

WAC 480-110-275 Accounting, and reporting requirements, and regulatory fees. (1) Water companies must use the uniform system of accounts (USOA) published by the National Association of Regulatory Utility Commissioners (NARUC). The USOA sets out the accounting requirements for class A, B, and C water companies.

Water companies are classified by revenues.

<u>Class</u>	<u>Annual Gross Operating Revenue</u>
A	\$1,000,000 or more
B	\$200,000 to \$999,999
C	Less than \$200,000

(2) A water company may use the accounting requirements for a higher class if it chooses.

(3) The commission will distribute an annual report form that each water company must complete and file with the commission for the prior calendar year. The annual report must be filed, and the company's regulatory fee paid, no later than May 1 of each year.

(4) A written request for the extension of the time for filing the annual report can be made prior to May 1. The commission will not grant an extension of time for payment of regulatory fees.

NEW SECTION

WAC 480-110-285 Securities, affiliated interest, transfer of property. (1) Before a water company issues stock, securities, or other evidence of indebtedness, the company must comply with the requirements of chapter 80.08 RCW and chapter 480-146 WAC.

(2) Before a water company enters into a contract or arrangement with an affiliated interest, the company must file a

copy or summary of the contract or arrangement with the commission in accordance with chapter 80.16 RCW and chapter 480-146 WAC.

(3) Before selling, leasing, or assigning any of its property or facilities, or before acquiring property or facilities of another public utility, a water company must obtain an authorizing order from the commission in accordance with chapter 80.12 RCW and 480-143 WAC.

NEW SECTION

WAC 480-110-295 Adopted and initial tariffs. A water company must file revisions to its filed tariff within thirty days of its acquisition of new service area, whether by acquisition of another regulated water company or by acquiring one or more previously unregulated water systems.

(1) **Adopted tariffs - when a regulated company acquires another regulated company.** Any regulated water company acquiring a regulated water company must adopt the latter's tariff. An adoption form must be completed and filed with the commission by the acquiring water company within thirty days of the acquisition. The commission will supply an adoption form upon request.

(2) **Incorporate into existing tariff - when a regulated water company acquires a nonregulated company.**

(a) When a regulated water company acquires a nonregulated water company or water system, the acquiring water company must file a separate tariff page indicating the name of the newly acquired company or system with the rates and charges that were in existence before the acquisition.

(b) If the acquired nonregulated company or water system was previously subject to commission jurisdiction, the acquiring water company must file a separate tariff page indicating the name of the newly acquired company or system with the rates and charges in effect for the acquired company at the time the acquired company was removed from regulation.

(c) No other rates and charges may apply to the customers on the newly acquired system except those specifically shown on the new tariff page unless the company obtains the commission's approval to charge a different rate.

(3) **Initial tariffs - when a company becomes jurisdictional.**

(a) An initial tariff must be filed in a standard tariff format. The commission will provide illustrations of the standard format upon request.

(b) The tariff must be accompanied by a cover letter describing the filing as an initial tariff.

(c) Customers must be notified before the commission receives the filing.

(d) The filing must be accompanied by supporting financial data justifying the proposed rates. See WAC 480-09-337, Filing

requirements--General rate increases water companies.

(4) **Initial tariffs - a company that was previously subject to commission jurisdiction.** If a company or water system that was previously subject to commission jurisdiction and once again becomes jurisdictional, the company must file a tariff with the rates and charges in effect at the time the company was last removed from regulation.

NEW SECTION

WAC 480-110-305 Access to premises. Authorized personnel of a water company have the right to enter a customer's property during reasonable hours to perform meter reading, maintenance, testing, installation or removal of the company's property. Customers may ask to see the identification of the water company personnel before allowing entry to the customer's property.

NEW SECTION

WAC 480-110-315 Availability of information. (1) A water company must notify its customers of its regular business hours, telephone number, mailing address and a twenty-four hour emergency telephone, pager, voice messaging, fax machine or mobile phone number, at least once a year.

(2) A water company must advise the commission and its customers of any change in address or telephone number(s) at least ten days prior to the effective date.

(3) The water company must develop procedures for prompt response to reported failures or emergencies. A company representative must respond to the customer who reported the service failure or emergency within twenty-four hours of the report.

(4) When a nonemergency customer call is received, a water company must return the customer's call within two business days.

(5) A water company must acknowledge and respond to a customer's written inquiry within two weeks of receiving the letter.

(6) The water company must provide a copy of the commission's consumer brochure to each new applicant for service, and once a year notify its current customers of the availability of the brochure and how to obtain a copy.

(7) The water company must make the following information available for review by customers:

(a) A copy of the water rules, chapter 480-110 WAC.

(b) A copy of the company's current rates and regulations (tariff).

(c) A copy of the consumer brochure published by the commission.

NEW SECTION

WAC 480-110-325 Application for service. (1) The water company must obtain applications for service in writing, on company-supplied forms. The completed application form must:

(a) Include both the company's and the applicant's name, address and telephone number;

(b) Show the date the person applied for service;

(c) Comply with the water company's filed tariffs;

(d) Clearly state the type of service requested. (Examples: Residential or commercial, flat-rated or metered service, a letter to provide service, ready to serve, etc.);

(e) Include a property lot description, street number, or other sufficient description of location for service;

(f) Include a complete list and description of all applicable charges. (Examples: Account set-up, service connection, facilities charge, line extension, etc.);

(g) Include the date by which a customer can expect service;

(h) Include the application expiration date, if any;

(i) Include signatures of the potential customer and a company representative.

(2) After completing the application, the water company must:

(a) Provide the applicant with a copy of the completed form;

(b) Keep a copy of the completed application in the company's business office for no less than three years after the expiration date or the denial-of-service date;

(c) Inform the applicant within ten days of the company's intention to provide service or deny service. If service is denied, the company must tell the applicant the reason service is being denied and advise the applicant of the commission's toll-free number.(1-800-562-6150) for appealing the decision.

NEW SECTION

WAC 480-110-335 Establishment of credit and deposits. (1) **Establishment of credit - residential.** A company must not collect a security deposit if an applicant for residential water service can establish satisfactory credit by any one of the following factors:

(a) Prior service with the water company within the prior twelve months and:

(i) At least twelve consecutive months with no more than one delinquency notice; and

(ii) The service was not disconnected for nonpayment.

(b) Prior residential water service with another water company, as demonstrated in (a) of this subsection, for which references may be quickly and easily checked. The water company may request that the reference be in writing from the previous water company;

(c) Full-time consecutive employment during the prior twelve months with no more than two employers, and the applicant is currently employed or has a regular source of income;

(d) Ownership of a legal interest in the premises being served;

(e) Furnishing a satisfactory guarantor responsible for payment of water service bills in the event of disconnection or default by the customer, in a specified amount, not to exceed the amount of the cash deposit required;

(f) Producing, in person at the water company's business office, two major credit cards, or other credit references, that the company can quickly and easily check that demonstrate a satisfactory payment history.

(2) **Establishment of credit - nonresidential.** An applicant for nonresidential water service may be required to demonstrate that it is a satisfactory credit risk by reasonable means appropriate under the circumstances.

(3) **Deposit requirements.** A deposit may be required when:

(a) The applicant has failed to establish a satisfactory credit history as outlined in subsections (1) or (2) of this section;

(b) During the prior twelve months, the applicant's service from another water company has been disconnected for failure to pay amounts owing when due;

(c) There is an unpaid, overdue balance owing for similar service from the water company to which application is being made or from any other water company;

(d) Two or more delinquency notices have been served upon the applicant by any water company during the prior twelve months;

(e) The application is for the initiation or continuation of service to a residence where a prior customer still lives and owes a past due bill to the water company.

(4) **Amount of deposit.** Required deposits for a customer or location must not exceed:

(a) Two-twelfths of the estimated annual billings for that customer or location for companies billing monthly;

(b) Three-twelfths of estimated annual billings for companies billing bimonthly;

(c) Four-twelfths of estimated annual billings for companies billing trimonthly.

(5) **Transfer of deposit.** When a customer moves to a new address within the water company's service territory, the deposit

must be transferable, less any outstanding past-due balance owing from the old address.

(6) **Interest on deposits.** Interest on deposits collected from applicants or customers must:

(a) Accrue at the rate calculated as a simple average of the effective interest rate for new issues of one-year treasury bills, computed from December 1 of each year, continuing through November 30 of the following year. The commission will advise the water company each year of the specific rate by mail.

(b) Earn the calculated interest rate during January 1 through December 31 of the subsequent year.

(c) Be computed from the time of deposit to the time of refund or total application of the deposit and must be compounded annually.

(7) **Extended payment arrangement of deposits.** When an applicant or customer is required to pay a deposit but is unable to pay the entire deposit in advance of connection or continuation of service, the applicant or customer must be allowed to pay fifty percent of the deposit prior to service, with the remaining balance payable in equal amounts over the next two months.

(8) **Cash payments.** When payment is made in person and in cash, a receipt must be furnished to each applicant or customer for the amount paid.

(9) **Refund of deposits.** Deposits plus accrued interest must be refunded when there has been satisfactory payment or upon termination of service.

(a) Satisfactory payment - when a customer has paid for service for twelve consecutive months in a prompt and satisfactory manner as evidenced by the following:

(i) The water company has not initiated disconnection proceedings against the customer; and

(ii) No more than two notices of delinquency have been made to the customer by the water company.

(b) Termination of service - upon termination of service, the utility must return to the customer the amount then on deposit plus accrued interest, less any amounts due the utility by the customer.

(10) **Refund of deposits.** Any deposit, plus accrued interest, must be refunded to the customer in accordance with the preference indicated by the customer at the time of deposit or as modified on a later date using one of the following methods:

(a) In the form of a check issued and mailed to the customer no later than fifteen days following completion of twelve months of satisfactory payment as described above; or

(b) Applied to the customer's account for service beginning in the 13th month.

(11) **Additional deposit.** Nothing in this rule prevents the requirement of a larger deposit or a new deposit when conditions warrant. Should a larger or new deposit be required, the reasons must be specified in writing to the customer. Any requirement for a new or larger deposit must comply with the standards set forth in this rule.

NEW SECTION

WAC 480-110-345 Refusal of service. (1) A water company must not refuse or discontinue service to an applicant or customer when there are unpaid bills from a prior customer at the same premises unless the company believes, based on objective evidence, that the applicant is acting on behalf of the prior customer with the intent to avoid payment.

(2) A water company cannot permanently deny service to an applicant or customer because of a prior obligation to the company. A prior obligation is the dollar amount that has been billed to a customer but left unpaid at the time of disconnection of service for nonpayment.

(3) The water company may refuse to connect an applicant for service, or refuse to increase service to a customer, when one or more of the following conditions exist:

(a) The service will adversely affect service being provided to other customers;

(b) The applicant or customer has not complied with state, county, or municipal codes or regulations concerning the approved design of the facilities;

(c) In the company's judgment, the applicant's or customer's installation of piping or equipment is hazardous, or of such design that satisfactory service cannot be provided;

(d) The applicant or customer has not installed on its premises required protective devices necessary to protect the company's property or that of its other customers;

(e) The company is unable to secure all necessary rights of way, easements, approvals, and permits;

(f) Furnishing the water is contrary to the provisions of the company's approved water system plan; or

(g) The location to be served is located outside of the company's service area.

NEW SECTION

WAC 480-110-355 Discontinuance of service. (1) Service may be disconnected either by customer direction or by company action:

(a) **Customer-directed** - Customers wanting to discontinue service must notify the water company. The company must disconnect the service as requested by the customer. If the customer fails to request disconnection of service the customer will be responsible to continue paying for water service at the company's tariff rate until the company becomes aware that the customer vacated the property.

(b) **Company directed: Notice requirements** - After properly notifying the customer, as explained in subsection (3) of this section, the water company may discontinue service to its customers

for:

- (i) Unpaid bills;
- (ii) Water use for purposes or properties other than those specified in the customer's application for service;
- (iii) Willful waste of water through improper or defective piping, equipment, or otherwise;
- (iv) Piping or equipment that does not meet the company's standards or fails to comply with other applicable codes and regulations;
- (v) Tampering with the company's property;
- (vi) Vacating the premises;
- (vii) Nonpayment of any proper charges, including deposit, as provided in the company's tariff;
- (viii) Refusing to allow access as required in WAC 480-110-305;
- (ix) Violating rules, service agreements, or effective tariffs, including violation of outdoor watering instructions given to customers in order to curtail water use during time of shortage;
- (x) Use of equipment that detrimentally affects the company's service to its other customers.

(c) **Service obtained by fraud: No notice required before termination** - A water company may terminate service without notice when it discovers that a customer has obtained service fraudulently. Examples of fraud include: When service is connected without the company's knowledge, when service is obtained by fraudulent means or representations, or when service is used to provide service to other persons who are required to obtain their own service.

(i) **First offense:** The company may disconnect service immediately and without prior notice when it discovers fraud, unless the customer immediately pays:

- (A) The tariff rate for service that the company estimates was taken fraudulently; plus
- (B) All company costs resulting from the fraudulent use; plus
- (C) Any applicable required deposit.

(ii) **Second offense:** The company may disconnect service immediately and without prior notice when it discovers further fraud. The company may refuse to reconnect service to a customer who has been disconnected for further fraud.

(iii) **Commission review:** A customer may ask the commission to review any company determination of fraud through an informal or formal complaint. The company has the burden of proving that fraud occurred. However, this rule does not relieve any person who has committed fraud from civil or criminal responsibility.

(2) **Medical emergencies** - When a water company has cause to disconnect or has disconnected a residential service, it must postpone disconnection of service or must reinstate service for a grace period of five business days after receiving either verbal or written notification of the existence of a medical emergency. In cases of actual emergencies when service is reinstated, payment of a reconnection charge and/or deposit shall not be required prior to reinstatement of service.

(a) The company may require that the customer, within five business days, submit written certification from a qualified medical professional stating that the disconnection of water service would significantly endanger the physical health of a resident of the household. "Qualified medical professional" means a licensed physician, nurse practitioner, or physician's assistant authorized to diagnose and treat the medical condition without supervision of a physician. Nothing in this section precludes a company from accepting other forms of certification, but the maximum the company can require is written certification. If the company requires written certification, it may require that the certification include some or all of the following information:

- (i) Residence location;
- (ii) An explanation of how the physical health of the person will be endangered by disconnection of local service;
- (iii) A statement of how long the condition is expected to last; and
- (iv) The title, signature and telephone number of the person certifying the condition.

(b) A medical emergency does not excuse a customer from paying delinquent and ongoing charges. The company may require that the customer do the following within the five business day grace period: Pay a minimum of twenty-five percent of the delinquent balance and enter into an agreement to pay the remaining delinquent balance within ninety days and to pay subsequent bills when due. Nothing in this section precludes the company from agreeing to an alternate payment plan, but the company may not require the customer to pay more than this subsection prescribes. The company must send a notice to the customer confirming the payment arrangements within two business days.

(c) If within the five-day grace period the customer fails to provide an acceptable payment arrangement, the company may disconnect service without further notice.

(d) If the customer fails to abide by the terms of the payment agreement the company may disconnect service without further notice.

(e) The medical certification is valid only for the length of time the health endangerment is certified to exist but no longer than six months unless renewed.

(3) **Required notice prior to disconnecting service** - Water companies must notify customers before disconnecting their service except in case of danger to life or property, fraudulent use, impairment of service, or violation of law. In all other cases, the company must not disconnect service until it has met the following requirements:

(a) The company must serve a written disconnection notice on the customer, either by mail, or, at the company's option, by personal delivery of the notice to the customer's address, attached to the primary door. Each disconnection notice must include:

- (i) A delinquent date that is no less than eight business days after the date of personal delivery or mailing if mailed from inside the state of Washington or a delinquent date that is no less

than eleven days if mailed from outside of the state of Washington; and

(ii) All pertinent information about the reason for the disconnection notice and how to correct the problem; and

(iii) The company's name, address, and telephone number by which a customer may contact the company to discuss the pending disconnection of service.

(b) In addition to (a) of this subsection, a second notice must be provided by one of the two options listed below:

(i) **Delivered notice** - The company must deliver a second notice to the customer and attach it to the customer's primary door. The notice must contain a deadline for compliance that is no less than twenty-four hours after the time of delivery that allows the customer until 5:00 p.m. of the following day to comply; or

(ii) **Mailed notice** - The company must mail a second notice, which must include a deadline for compliance that is no less than three business days after the date of mailing if mailed from within the state of Washington or six days if mailed outside the state of Washington.

(c) Disconnection notices must:

(i) Include detailed information pertinent to the situation; and

(ii) Include the company's name, address and telephone number by which the customer may contact the company to discuss the pending disconnection of service; and

(iii) Expire after ten business days from the first day that the company may disconnect service, unless other mutually agreed upon arrangements have been made and confirmed in writing by the company. If mutually accepted arrangements are not kept, the company may disconnect service without further notice.

(d) Except in case of danger to life or property, companies may not disconnect service on Saturdays, Sundays, legal holidays, or on any other day on which the company cannot reestablish service on the same or following day.

(e) A company employee dispatched to disconnect service must accept payment of a delinquent account at the service address if tendered in cash, but is not required to give change for cash tendered in excess of the amount due and owing. The company must credit any excess payment to the customer's account. When disconnection does not take place due to payment made by the customer, the company may assess a fee for the disconnection visit to the service address as provided in the company's tariff. The disconnection notice must describe the disconnection visit charge, the amount, and the circumstances under which the charge will be made.

(f) When service is provided through a master meter, or when the utility has reasonable grounds to believe service is to other than the customer of record, the company must undertake reasonable efforts to inform occupants of the service address of the impending disconnection. Upon request of one or more service users, where service is to other than the customer of record, a minimum period of five days must be allowed to permit the service users to arrange

for continued service.

(g) When service is provided to a hospital, medical clinic with resident patients, or nursing home, notice of pending disconnection must be provided to the director of the Washington department of health, and to the customer. Upon request to the company from the Washington department of health director or designee, an additional five business days must be allowed before disconnecting service to allow the department to take whatever steps are necessary to protect the interests of resident patients who are responsibilities of the Washington department of health.

(h) Service may not be disconnected while the customer is pursuing any remedy or appeal provided by these rules or while engaged in discussions with the company's representatives or with the commission. However, any amounts not in dispute must be paid when due and any conditions posing a danger to health, safety, or property must be corrected.

(4) **Payments at a payment agency** - Payment of any past due amounts to a designated payment agency of the water company constitutes payment when the customer informs the company of the payment and the company has verified the payment with the payment agency.

(5) **Reconnecting water service after disconnection** - The water company must restore disconnected service when the customer has paid, or the company has agreed to bill, any reconnection charge and:

- (a) The causes of disconnection are removed; or
- (b) The customer pays all proper charges; or
- (c) The customer pays any applicable deposit as provided for in the company tariff in accordance with WAC 480-110-335.

The commission may order reconnection pending resolution of any bona fide dispute between the company and the customer over the propriety of disconnection.

NEW SECTION

WAC 480-110-365 Service responsibilities. (1) **Customer responsibility** - Customers must notify the water company in writing prior to making a change in equipment or usage that will materially affect the service being provided by the company. The customer must:

- (a) Provide the company adequate time to install necessary additional facilities or supply; and
- (b) Pay an equitable share of the cost of necessary additional facilities, if any, as provided in the company's tariff or through a contract submitted to the commission for approval.

(2) **Water company responsibility** - Water companies must:

- (a) Install and maintain all equipment at appropriate locations necessary to operate the system;

(b) Install additional equipment as required by the commission in connection with performing special investigations; and

(c) Notify all affected customers when changes to the service will require customers to adjust their equipment.

(i) If the customer has been advised of the needed change prior to taking service, the company has no obligation to pay for any costs in connection with making required changes to the customer's equipment.

(ii) If the change in service is required by law, the company has no obligation to pay for any costs in connection with making required changes to the customer's equipment.

(iii) Otherwise when equipment must be adjusted to permit use under the changed conditions, the cost of any necessary adjustments must be equitably shared by the company and customer.

(3) **Maintenance** - Each water company must maintain its plant and system in a condition that enables it to furnish adequate service and meet its obligation under chapter 246-290 or 246-291 WAC, as applicable.

(4) **Quality of water** - Each water company must meet Washington department of health requirements under chapter 246-290 or 246-291 WAC, as applicable.

(5) **Protection of water supply** - Each water company must protect its sources of supply, as required by Washington department of health, WAC 246-290-135 or chapter 246-291 WAC, as applicable.

(6) **Operations and maintenance** - Each water company must comply with Washington department of health rules regarding operation and maintenance, as required under chapter 246-290 WAC and by good engineering practices.

(7) **Test records** - Each water company must:

(a) Keep a complete record of each test made for quality and service conditions as required under these rules. The records must contain complete information concerning the test, including such items as the commission may require;

(b) Provide the records to the commission staff upon request.

(8) **Interruption of service and service outages:**

(a) Water companies must make all reasonable efforts to avoid outage of service but are not insurers in the event of every emergency, acts of God, or similar event. When outages do occur, the company must make reasonable efforts to reestablish service with a minimum of delay.

(b) When making necessary repairs or changes to its facilities, a water company:

(i) May interrupt service for a period of time as reasonably necessary and in a manner that minimizes the inconvenience to the customers; and

(ii) Must attempt to do the work during working hours regularly maintained by the company.

(c) A water company may interrupt service without incurring any liability.

(9) **Notice of service interruptions** - Water companies must:

(a) Notify its customers of a scheduled interruption twenty-four hours in advance through newspapers, radio

announcements, or other means;

(b) Notify police and fire departments affected by the interruption individually;

(c) Keep a record of all interruptions of service affecting a substantial number of customers, including in such records:

(i) The location;

(ii) The date and time;

(iii) The duration; and

(iv) The cause of each interruption, if known.

(d) Provide copies of records to the commission staff, upon request.

NEW SECTION

WAC 480-110-375 Form of bills. (1) Customer bills must:

(a) Be issued at intervals not to exceed three months and identify if the water company is billing in arrears or advance;

(b) Show a reference to the applicable rate schedule;

(c) Identify and show each separate charge as a line item;

(d) Show the total amount of the bill;

(e) Include enough information that, together with tariff rates, the customer can calculate his or her bill (a copy of the tariff is available for review at company or from the commission upon request);

(f) Show the date the bill becomes delinquent if not paid. The minimum specified time after the bill's mailing date must be fifteen days, if mailed from within the state of Washington, or eighteen days if mailed from outside the state of Washington, after the bill's mailing date.

A customer may request to pay by a certain date that is not the normally designated payment date when showing good cause. Good cause may include, but is not limited to, adjustment of a billing cycle to parallel receipt of income. The preferred payment date must be prior to the next invoice date.

(g) Include the water company's business address and telephone number and/or emergency telephone number by which a customer may contact the company;

(h) If the customer is metered, include the current and previous meter readings, the current read date, and the number and kind of units consumed;

(i) Show taxes and any tax percentage rate that the taxes are computed from. Taxes must be totaled to show a total taxed amount. Upon request, the company must provide a detail of the computation of the tax amount. Taxes, as used here, represent municipal occupation, business and excise taxes that have been levied by a municipality against the company, and are being passed on to the customer as a part of the charge for water service; and

(j) Clearly identify when a bill has been estimated.

(2) Water companies may prorate bills for customers who have taken service for a fraction of the billing period. If the company does not have its method of prorating bills in its tariff, the company must prorate bills in the following manner:

(a) For flat rate service, the charge must be prorated on the basis of the proportionate part of the period during which service was rendered.

(b) For metered service the charge will be equal to:

(i) The applicable minimum charge as shown in the company's tariff must be prorated on the basis of the proportionate part of the period during which service was rendered; plus

(ii) Any water usage charge computed using rates and allowances shown in the company's tariff.

(3) The water company must include its method for estimating bills in its tariff. Estimating of bills is allowed for no more than two consecutive billing cycles.

(4) When a company has cause to back-bill a customer, the company must allow the customer payment arrangements, if requested, for the same number of months to pay equal to the cumulative total of months being back-billed. (Example: If the company is back-billing for a one-year period, the company must allow the customer twelve months of equal payments to pay the total amount of the back billing.) These payments will be in addition to current billings.

NEW SECTION

WAC 480-110-385 Water company responsibility for complaints and disputes. (1) If a water company receives a complaint or dispute from a customer or an applicant for service it must:

(a) Acknowledge the complaint;

(b) Investigate promptly;

(c) Report the results of the investigation to the complainant;

(d) Take corrective action, if warranted, as soon as appropriate under the circumstances;

(e) Inform the complainant that the decision may be appealed to a higher level representative at the company, if any;

(f) Inform the complainant, if still dissatisfied after speaking with the higher level representative, of the commission's availability for review of the complaint; and

(g) Provide the complainant with the commission's address and toll-free telephone number.

(2) Applicants, customers, or their representatives, may file with the commission:

(a) An informal complaint against the company as set forth in WAC 480-09-150; and/or

(b) A formal complaint against the company as set forth in WAC 480-09-500.

(3) When commission consumer affairs staff refers an informal complaint to the company, the company must:

(a) Investigate and report the results to the commission consumer affairs staff within two business days. The commission consumer affairs staff may grant an extension of time for responding to the complaint, if requested and warranted;

(b) Keep the commission consumer affairs staff informed of progress toward the solution and the final result.

(4) Each water company must keep a record of all complaints concerning service or rates for at least one year and, on request, make them readily available for commission review. The record must contain:

- (a) Complainant's name and address;
- (b) Date and nature of the complaint;
- (c) Action taken; and
- (d) Final result.

NEW SECTION

WAC 480-110-395 Water quality refunds. (1) Water companies may be required to refund water charges due to poor water quality only:

(a) Upon commission order resulting from a formal proceeding before the commission; and

(b) When there are violations of the Washington department of health water quality standards in WAC 246-290-310 (primary contaminants); and

(c) If the company does not take follow up steps outlined in WAC 246-290-320.

(2) The amount of the refund will be determined in a formal proceeding before the commission and is not recoverable through rates or charges.

NEW SECTION

WAC 480-110-405 Meter accuracy and water pressure complaints.

(1) When the water company receives a meter accuracy or water pressure complaint, it must perform a test and share the results with the customer. The test must be at no charge to the customer, except the water company may charge for any additional meter tests requested by the customer within a twelve-month period as provided in its tariff.

(2) The test must be performed within ten days of the complaint.

(3) The customer has the option to witness the test. Should the customer choose to witness the test, a mutually agreed time will be established. A continuously recording pressure gauge may be required for a period of up to one week based on customer complaints of low pressure.

(4) The meter or pressure test must be taken using industry standard methods and equipment.

(5) If a meter test reveals a meter error in excess of two percent water flow to the detriment of the customer, the company must repair or replace the meter at no cost to the customer. A refund for any over billing must be made to the customer.

(6) If the water company and customer cannot resolve a complaint, it may be appealed to the commission for resolution.

(7) The water company must keep a record of meter and pressure tests and have them available for inspection. The record must list the customer's name and address, type of complaint, resolution, and what test method was used.

(8) The water company must provide, at the commission's request, a description of the test procedures and equipment used to perform meter and pressure complaint tests.

NEW SECTION

WAC 480-110-415 Meters. (1) Water company rights and responsibilities:

(a) The water company must:

(i) Bear the cost of the meter and meter installation.

(ii) Install water meters that are in working order and accurately measure water flow.

(iii) Record meter serial numbers and identify location of installation.

(iv) Repair or replace a malfunctioning meter at its expense unless a customer causes the malfunction.

(b) The water company may:

(i) Install meters and charge the tariff meter rate after thirty days notice to affected customers.

(ii) Install any apparatus to detect fraud or waste without notifying the customer.

(2) Water customer rights and responsibilities:

(a) A customer may request that a standard residential meter as defined in the company's tariff be installed, provided that metered rates are in effect.

(b) When a customer requests a meter installation, the water company may charge the customer in advance for the meter cost and meter installation, if such charge is included in the company's tariff. The company must reimburse the customer, by bill credit, at least ten percent of the meter and installation charge each month until fully paid.

(c) The water company has thirty days from the date of request to install the meter.

(d) If the water company fails to install the meter within the time limit in (c) of this subsection, the customer must be charged only the meter minimum charge until the meter is installed.

(e) If a customer tampers with a meter, the customer will be liable to the company for any repair or replacement costs.

(f) If the customer requests assistance in reading a meter, the water company must provide information on how to read the meter.

NEW SECTION

WAC 480-110-425 Water company customer notice requirements.

(1) Draft customer notices must be submitted to the commission for review at least one week prior to the company's planned printing date for distribution.

(2) At a minimum, the water company must notify:

(a) Anyone who may be affected by the water company's proposal including customers and potential customers; and

(b) The public affairs section of the commission.

(3) Notice to customers must be provided thirty days prior to the requested effective date when a water company proposes:

(a) A change in rates;

(b) A change in services and/or conditions;

(c) A change in ownership or control of the operating company;

(d) A change in ownership by way of sale or transfer of assets (see chapter 480-143 WAC for content of notice);

(e) To institute a charge for a service that was formerly free;

(f) To eliminate or grandfather any service.

(4) Content of notice for rate change - The notice to customers must contain, at a minimum, the following:

IMPORTANT NOTICE

(a) Date

(b) (Insert water company name) has filed for approval from the Washington utilities and transportation commission to increase rates (insert total annual revenue). If approved, the rates will be effective on (insert effective date).

(c) (Clearly explain the reason for the proposal - be specific.)

Current Rates/Services	Proposed Rates	Percentage of Increase
\$	\$	%

(d) If you have questions about the proposed filing and how it will affect you, please call (insert company name & office

phone number). If you have questions about the rate making process, you may contact the Washington Utilities and Transportation Commission at the following address: WUTC, 1300 S. Evergreen Park Drive S.W., P.O. Box 47250, Olympia, WA 98504-7250; 1-800-562-6150 (toll-free) or by e-mail comments@wutc.wa.gov.

(e) If you would like to comment on this proposal, it is important for you to do so now. Comments must be submitted in writing or presented at the commission's open meeting to be considered as part of the formal record. The commission encourages your written comments, either supporting or opposing, regarding this proposal. All open meetings are held in Olympia, WA. If you would like to be added to the commission's mailing list to be notified of the open meeting date, please call the toll-free number listed above and leave your name and complete mailing address.

Sincerely,
Company Name/Representative

(5) Notice after commission action is permitted only when the commission approves an increase in federal, state, county or city-imposed taxes, fees or surcharges, and when credits are issued.

(a) At a minimum notice after commission action must include the effective date, a clear description of changes to rates or services resulting from the commission's decision, and a company contact number where customers may seek additional information.

(b) Any notice after commission action may be accomplished by a bill message, bill insert, printed in a company newsletter, or mailed separately to customers.

(c) The commission may require other notification to the public as it determines necessary.

NEW SECTION

WAC 480-110-435 Extension contracts. (1) Each water company must file, as a part of its tariff, an extension rule that states the conditions required by the company before it will extend its transmission and distribution infrastructure to provide water service to an applicant.

(2) Companies entering into any extension contract must:

(a) File the contract with the commission not less than thirty days before the proposed effective date of the contract.

(b) Conform the proposed contract to the applicable provisions of WAC 480-80-335.

(3) Extension contracts must include the documentation necessary to show that the proposed charges are fair, just,

reasonable, and sufficient.

(4) An extension may also be referred to as a distribution extension, a main extension, or a line extension.

NEW SECTION

WAC 480-110-445 Service connections and customer service lines. A service connection is the pipes, valves, and fittings between the water company's distribution system and the customer's service line. The customer's service line is the water line from the customer's points of usage to the water company's service connection.

(1) A service connection must not be longer than the total width of any public rights of ways or public utility easement running along or parallel to the water distribution system connection or the distance from the distribution main to the customer's property line, whichever is shorter. If a service connection is longer, it will be treated as an extension.

(2) Service connections may be installed when the system is originally built or at a later date, after the system is operational. A service connection charge may be based on the average installation cost for new service connections in subsection (3)(a) and (b) of this section. The service connection must be owned and maintained by the water company.

(3) A water company may assess a service connection charge, if named in its tariff, to recover the cost of the service connection:

(a) Installed by the water company during construction of the water system; or

(b) Installed after the distribution system had been buried and in service; or

(c) When the service connection has been previously removed for good cause and must be reinstalled to provide water service.

(4) A service connection charge must not be assessed if:

(a) The water company did not incur any cost to install the service connection (e.g., the service connection is a contribution in aid of construction);

(b) The water company is just installing a meter; or

(c) The water company is merely opening a valve to connect the company's distribution system to the customer's service line.

(5) The company may install the service connection to the property line, property corner, or to a location on the property mutually agreed upon. The company may install a meter or valve at any point along the service connection line or at a different mutually agreed location provided that in such event the property line will nevertheless be deemed the point of delivery.

(6) The customer's service line must be installed to provide easy access to the water company's distribution system. If there is doubt as to where the proper location should be, the customer

must consult with the water company and agree on a location.

(7) The water company may request that the trench be left open and customer's service line exposed in order to inspect the connection for potential problems. The water company must complete the inspection within two business days after notification that the trench is open.

NEW SECTION

WAC 480-110-455 Water company funding mechanisms. (1) Some water companies have insufficient funds to respond to emergencies, replace or upgrade failing infrastructure, or add plant to accommodate growth. Frequently, water companies cannot obtain financing through traditional capital markets. The purpose of a surcharge or a facilities charge is to provide the water company with a source of capital, provided by customers, to fund capital needs. No company may collect a surcharge or facilities charge except by commission order or approval.

(2) Surcharges.

(a) Surcharges are designed to fund three types of financing needs:

(i) Future water utility plant. This surcharge allows the company to collect money from current customers to fund a reserve in order to pay for future capital projects that are part of a long-range plan. The project must be approved by the department of health as a part of a long-range plan, or required by the department to assure compliance with federal or state drinking water regulations, or to perform construction or maintenance required by the department of ecology to secure safety to life and property under RCW 43.21A.064(2).

(ii) Current water utility plant. This surcharge is used to fund financing that pays for current plant improvements required by:

(A) Washington department of health order or letter to adequately serve current customers; or

(B) Required by department of ecology. This surcharge is tied to the repayment of the debt used for the financing of the required water utility plant.

(iii) Special expenses. This surcharge is used to pay for operating expenses that are independent and unique from normal operating expenses or that may be subject to large variations. This type of operating expense may need periodic reevaluation without the need of a general rate case. Examples of the use of this type of surcharge are: New or highly variable safe drinking water act testing and treatment expenses, extraordinary maintenance expenses, or temporary taxes.

(b) A surcharge may fund up to one hundred percent of the total cost of a project or expense.

(c) Funds received by surcharge, including any interest earned on the funds while being held in reserve, are contributions in aid of construction.

(d) When seeking approval of a surcharge the company must file:

- (i) A cover letter explaining the request;
- (ii) A tariff page, stating the amount of the surcharge and who must pay;
- (iii) Supporting justification for the charge; and
- (iv) If applicable, requests for capital surcharges must refer to the appropriate sections of the company's submitted comprehensive water system plan, or include a copy of the Washington department of health order or letter requiring plant improvements to adequately serve current customers.

(3) Facilities charges.

(a) Facilities charges are designed to fund two types of capital needs:

(i) Future water utility plant. This type of facilities charge allows the company to collect money from new customers to fund a reserve in order to pay a portion of future capital projects that are part of a long-range plan. The project must be in accordance with the company's submitted comprehensive water system plan or Washington department of health order or letter requiring plant improvements to adequately serve current customers, or utility plant that is required by department of ecology.

(ii) Current water utility plant. This type of facilities charge allows the company to collect money from new customers to be used to fund a reserve to partially finance current plant improvements required by Washington department of health order or letter to adequately serve current customers or required by department of ecology.

(b) A facilities charge may not fund one hundred percent of the total cost of qualifying projects. The water company must maintain an appropriate ratio of rate base to total plant.

(c) Funds received through a facilities charge, including any interest earned on the funds while being held in reserve, are contributions in aid of construction.

(d) A water company may impose a facilities charge by tariff or contract.

(e) When seeking approval of a facilities charge the company must file:

- (i) A cover letter explaining the request;
- (ii) A tariff page or signed contract, stating the amount of the charge and who must pay;
- (iii) Supporting justification for the charge;
- (iv) Requests for a facilities charge must refer to the appropriate sections of the company's submitted comprehensive water system plan, or include a copy of the Washington department of health order or letter requiring plant improvements to serve current or potential customers.

(4) **Accounting and reporting requirements.**

(a) Surcharge funds and facilities charge funds collected

pursuant to this rule, and interest earned upon such funds must be held in a separate account by the company for the benefit of customers. Such funds do not become the property of company owners and may not (except as authorized in (b) of this subsection), be disbursed, alienated, attached, or otherwise encumbered by the company or its owners. In the event of a sale or transfer of the company, the trust obligations established in this rule regarding any unspent surcharge or facilities charge funds are transferred to the new owner of the company.

(b) Funds may be used from the account only to the extent and for the purposes approved by the commission.

(i) At the discretion of the commission, disbursements from the account may become subject to prior approval by the commission either by order by the commission or by letter from the executive secretary.

(ii) The company may be required to file requests for disbursements.

Requests would provide sufficient detail to allow the determination that the requested disbursement is in compliance with the commission's order.

(c) The water company must report for each tariffed surcharge or facilities charge the following information to the commission within sixty days of the end of the calendar quarter:

- (i) Beginning balance;
- (ii) Amounts received, detailed by source;
- (iii) Amounts spent, detailed by project or expense;
- (iv) Ending balance;
- (v) Reconciliation of bank balance to general ledger.

NEW SECTION

WAC 480-110-465 Political information and political education activities. (1) The commission will not allow expenses for political information or political education activities for ratemaking purposes.

(2) Political information and political education activities include, but are not limited to:

(a) Encouraging support or opposition to ballot measures, legislation, candidates for an office, or current public office holders.

(b) Soliciting support for political action committees.

(c) Gathering data for political mailing lists.

(d) Soliciting political contributions or recruiting political volunteers.

NEW SECTION

WAC 480-110-475 Reports of accidents. Each water company must notify the commission within seventy-two hours after every accident resulting in death or serious injury to any person occurring in its plant or through contact with its facilities. At a minimum, the report must include the name of the injured person, time and place of the accident, and an explanation of the accident. The water company may notify the commission by phone, but must provide a written report within five business days.

NEW SECTION

WAC 480-110-485 Retention and preservation of records and reports. (1) The water company must retain all records and reports for three years unless otherwise specified in subsection (2) of this section. No records may be destroyed prior to the expiration of the time specified in subsection (2) of this section.

(2) The *Regulations to Govern the Preservation of Records of Electric, Gas and Water Companies*, published by the National Association of Regulatory Utility Commissioners is prescribed as the requirement for the state of Washington. This document is available at the commission branch of the Washington state library. The commission secretary will provide a copy of the document on request, subject to any charge, or it may be ordered directly from the National Association of Regulatory Utility Commissioners.

NEW SECTION

WAC 480-110-495 Maps. Each water company shall maintain a current map of each of its water systems showing the current service area. The company must provide the current maps to the commission for review within five business days of a request. The maps must contain enough detail to answer questions related to rates and charges and obligations to serve.

REPEALER

The following sections of the Washington Administrative Code are repealed:

WAC 480-110-011	Application of rules.
WAC 480-110-016	Saving clause.
WAC 480-110-018	Definition of control.
WAC 480-110-021	Glossary.
WAC 480-110-023	Average customer revenue jurisdictional threshold.
WAC 480-110-026	Tariffs.
WAC 480-110-028	Fire flow requirements.
WAC 480-110-031	Accounting.
WAC 480-110-032	Accounting--Political information and political education activities.
WAC 480-110-036	Finance--Securities, affiliated interests, transfer of property.
WAC 480-110-041	Availability of information.
WAC 480-110-046	Application for service.
WAC 480-110-051	Deposits.
WAC 480-110-056	Refusal of service.
WAC 480-110-061	Contract for service.
WAC 480-110-066	Distribution extensions--Service installations--Service connections.
WAC 480-110-071	Discontinuance of service.
WAC 480-110-076	Service responsibilities.
WAC 480-110-081	Service connections.
WAC 480-110-086	Meter location.
WAC 480-110-091	Access to premises.
WAC 480-110-096	Complaints and disputes.
WAC 480-110-101	Form of bills.
WAC 480-110-111	Refund for inaccurate metering.
WAC 480-110-116	Responsibility for delinquent accounts.
WAC 480-110-121	Meter charges and installation.
WAC 480-110-126	Meter readings.
WAC 480-110-131	Identification of meters.
WAC 480-110-136	Initial accuracy of meters.
WAC 480-110-141	Accuracy of meters.
WAC 480-110-146	Dispute as to accuracy of meters.
WAC 480-110-151	Complaint meter test.
WAC 480-110-156	Statement of test procedures.
WAC 480-110-161	Frequency of periodic tests.
WAC 480-110-166	Meter history records.
WAC 480-110-171	Reports of accidents.
WAC 480-110-176	Filing of records and reports and the preservation of records.

NEW SECTION

WAC 480-09-337 Filing requirements--General rate increases water companies. A rate increase filing for a water company must include at least the following information:

(1) Cover letter - each filing must include a cover letter. The letter must:

(a) Provide a description of the filing, and the requested action, in understandable terms;

(i) Technical terms are acceptable, but descriptions must use common terms so the public can easily understand the impact of the filing;

(ii) Acronyms, if used, must be defined before they are used in the text of the letter;

(b) State why the filing is being made, e.g., increased costs for water testing;

(i) Compliance filings required by prior commission action must include the docket number of the commission action and the name of that proceeding;

(ii) Rate change filings must describe each service that is impacted and the dollar and percentage change for each service as well as the net impact of all changes on the company's total regulated revenue;

(iii) Filings that only address changes to the text of the tariff must describe the general effect, and reasons for the changes;

(c) Requests for permission to change tariffs on less than statutory notice will be granted by the commission only when it deems the circumstances or conditions fully justify the lack of notice. A complete explanation with reasons for the request is required with a tariff revision less than statutory notice filing must include reasons that support less than statutory notice treatment;

(d) Failure to include required information in the cover letter could result in the filing being rejected.

(2) The proposed tariff with explanatory markings.

(3) Supporting work papers for the test period. The supporting work papers must include:

(a) A calculation of the revenue impact of proposed rates by each class affected;

(b) Balance sheet and statement of revenues and expenses;

(c) Depreciation schedule;

(d) If adjustments are proposed, the company must file:

(i) Schedule showing adjustments to the statement of revenues and expenses, including any restating adjustments and/or proforma adjustments including effect of proposed rates;

(ii) Work papers explaining both restating and proforma

adjustments;

(e) Usage statistics verifying test year revenues and proposed revenues;

(f) Public water system identification number assigned by Washington department of health for each system that the new rates will affect; and

(g) Schedule showing separation of revenues and expenses between regulated and nonregulated operations.

(4) A copy of the notice mailed to customers.

SMALL BUSINESS ECONOMIC IMPACT STATEMENT

FOR WASHINGTON REGULATED WATER UTILITIES

WUTC Docket UW-980082, the proposed repeal of WAC 480-110-026 through WAC 480-110-176 and the addition of new sections WAC 480-110-205 through WAC 480-110-495 and WAC 480-09-337.

BACKGROUND

The Washington Utilities and Transportation Commission (WUTC) is proposing changes to chapter 480-110 WAC - Water Companies and an addition to chapter 480-09 WAC Procedures. The WUTC is proposing the changes to the current rules in order to comply with the requirement to review all significant rules.

The WUTC had continuous involvement from the regulated water industry. Five stakeholder meetings were held to develop these proposed rules. In addition, a special meeting was held to focus on unique service area problems. Written comments have also been helpful to clarify the intent of the proposed rules and effects of the proposed rules on the industry.

SUMMARY OF PROPOSED CHANGES

The current proposal would, among other things:

- ◆ Revise current provisions into clear language,
- ◆ Codify WUTC policy on such issues as initial tariff filings, facility charges and service connections,
- ◆ Implement new rules regarding rate increase filings, and
- ◆ Adjust the jurisdictional revenue threshold and accounting thresholds for the effects of inflation.

Included is the recognition that using today's current technology, smaller water companies can maintain "electronic offices". The rules recognize with the prevalence

**SUMMARY OF
PROPOSED
CHANGES
(CONT)**

of fax machines, pagers, and cellular or other wireless phones, a small water company can maintain reasonable contact with its customers without maintaining a business location. This can reduce costs to the company and thus the ratepayer.

The proposed rules will also reduce the regulatory burdens required by mandated meter testing programs and the associated record keeping costs. In addition, the rules provide requirements for companies filing for new facilities charges, and surcharges. The rules also require that water bills be understandable.

**STAKEHOLDER
INVOLVEMENT**

Many of this statement's conclusions were developed by stakeholder participation including cost estimates from:

- ◆ Responses from a questionnaire sent to all of the investor owned water companies that are subject to WUTC regulation (see appendix 1), and
- ◆ Information provided by stakeholders at a Commission sponsored workshop.

Participating stakeholders included industry members, investor owned water company association representation, non-regulated water company owners, customers, attorneys and industry consultants.

This study and its conclusions are not the result of consensus, but rather are based upon consideration and analysis of the individual rules and the assessment of the information provided by the stakeholders. Based upon input from stakeholders, Staff modified the proposed rules to reduce costs while at the same time maintaining or increasing their effectiveness to obtain the desired results.

**INDUSTRY
SEGMENT
DISCUSSION
INDUSTRY**

The water supply industry in its broadest sense, includes all water distribution companies that provide water through pipes installed in the ground and which deliver water for domestic, commercial, and industrial use. The associated Standard Industrial Classification (SIC) industry number for water supply is 4941. The Washington Department of Revenue shows 481 taxpayers reporting under that SIC for

**INDUSTRY
SEGMENT
DISCUSSION
(CONT)**

1998 and 480 for 1997. The water suppliers reporting under SIC 4941, includes not only investor owned water companies but also homeowner associations, water co-ops, and water public utility districts.

These proposed rules will affect only those companies that fall under WUTC jurisdiction. Currently, the WUTC regulates approximately 70 water companies of the 481 companies reporting under SIC 4941 or 14.6% of the total reported industry.

RCW 19.85.020(l) defines a small business as any company with fifty or fewer employees. None of the WUTC regulated companies have more than 50 employees. Thus, it may be unique that all of the companies affected by these rules are classified as small businesses.

A characteristic of this industry is large asset investment relative to the revenue generated. Water companies are not labor intensive but rather capital intensive. Average employees for all WUTC regulated water companies is 2.5 employees, whereas the three largest water companies regulated by the WUTC have an average number of only 18.3 employees. Although all the companies are classified as small business for SBEIS purposes, the companies still range from a company that has 19 employees with seven office personnel to a very small company that has one part-time bookkeeper and a part-time water operator. Since the entire industry affected by the rules are small businesses, the statement will focus on overall cost reduction and mitigation.

**COSTS OF
COMPLIANCE**

Much of the language proposed in the new rules is simply a restatement of the current rules into plain language and thus there is no cost impact. The SBEIS does not examine the existing costs of compliance but only the changes in the cost of compliance as a result of proposed changes in the existing rules. The key cost categories are discussed below for each rule that imposes a new cost.

**PROFESSIONAL
SERVICES POSSIBLY
NEEDED FOR
COMPLIANCE**

To comply with new requirements some regulated water companies may need the assistance of:

- ◆ Legal Counsel to prepare applications for rate increases.
- ◆ A professional accountant to prepare proper financial information required in the minimum filing requirements for general rate increases.
- ◆ A computer consultant to reprogram, modify, or install computer billing software that is in compliance with the proposed rules.

Companies that have not used professionals such as legal counsel or a professional accountant prior to the implementation of the proposed rules may indicate a reliance by the company solely on the Commission staff for professional advice. For those companies, costs for legal and accounting may be offset, to some degree, by more timely information and rate adjustment requests. For other companies that currently use legal counsel and accounting professionals, much of the information required in these proposed rules has already been collected or are currently being collected. In all cases, better and more professionally run companies result in more timely regulatory action.

**Accounting, reporting
requirements, and
regulatory fees
WAC 480-110-275**

This rule increases the revenue thresholds that are used to classify water companies. Required accounting standards are determined by the company's revenue class level. For example, the current rule requires a company to use the system of accounts applicable to a Class B water utility when its operating revenues reach \$150,000. The proposed rules increase the threshold by \$50,000 to \$200,000 of operating income for Class B water utilities.

The change in the rule allows companies, that would have been required to follow a more complex accounting system, to continue to use the current accounting classification until sometime in the future.

**Accounting, reporting
requirements, and
regulatory fees**
WAC 480-110-275
(cont)

When a company reaches a revenue threshold, it is required to begin using the system of accounts required for that water utility class level. The costs of that conversion could include professional costs of an outside accountant to help in the required change over.

The change in the rule defers those conversion costs to a later period. By allowing the company to convert later than currently required, the company will recognize a cost savings. Quantitatively, it is difficult to compute an absolute value that accurately reflects the savings because of current differences in company revenues. However by using present value calculations and some general assumptions, the cost savings can be illustrated.

A present value model was developed reflecting the rule's impact on two hypothetical companies. We have assumed a revenue growth rate of 9%. This is the growth reflected in the SIC 4941 revenue data for the third quarter of 1997 compared to third quarter of 1998. The model also used a discount rate of 10.5% to recognize the cost of money.

Scenario 1 (see appendix 2) assumes that it would take a professional accountant four days to convert the accounting system from a class C system to class B system. At \$75 per hour, the cost would be \$2,400.

Under the current rules the company would be required to change its accounting system in the year 2002. The year 2000's present value for the \$2,400 cost is \$1,779. Under the proposed rules the company would be required to change in the year 2005, three years later. The present value of the future cost is \$1,318, or a \$460 savings.

Scenario 2 (see appendix 3) assumes a company with a higher revenue level and it is also assumes that it will take two weeks of professional assistance. At \$75 per hour, it would cost \$6,000 to convert the system. The current rules would require the change in year 2003, a present value of \$4,024. The proposed rules on the other hand would require the company to change in the year 2006. The present value of the \$6,000 is \$2,983 or a \$1,042 cost savings.

The above analyses illustrate that the change in the rule provides a cost decrease, the cost savings for each company will vary.

**Availability of
Information**
WAC 480-110-315

This proposed rule allows for an "Electronic Office." With current technology, (fax machines, pagers, and cellular phones), a small water company can maintain reasonable contact with its customers without requiring that the company maintain a physical office location.

The change in this rule will save the smaller water companies approximately \$2,000 to \$3,000 per year in office rent. These costs may be actual cost savings by the company or imputed savings. The imputed savings would be represented by the company's owner or manager no longer needing to designate a portion of a residence as the business office of the company.

The smaller companies may also save costs by no longer needing to hire part-time employees to staff the office while the owner-operator is outside working on the system. These savings could range from approximately \$5,356 for a half time employee at minimum wage to \$10,712 for a full time employee at minimum wage, plus related payroll taxes.

The proposed rule still requires twenty-four hour emergency telephone numbers and still requires prompt responses from the company for both emergency and non-emergency calls.

**Application for
service**
WAC 480-110-325

This rule requires the company to provide forms on which service applications would be made for water service. The rule requires specific information be included on the application form. Many companies may need to print new application forms to comply with this rule.

A phone survey of three Olympia printers provided estimates ranging from \$160 to \$290. Estimated costs include layout and design for 1,000, two-sided application forms. It has also been suggested that many companies have the ability to prepare a form on a computer and produce copies as they need them without the need for outside printing.

**Application for
service**
WAC 480-110-325
(cont)

The rule also requires certain date-sensitive information such as expected service date, along with the requirement that the applicant be informed of the company's intention to provide or deny service within ten days. It is expected that these requirements will force some companies to develop better record keeping procedures. It is expected that the overall cost impact will be minimal. In addition some costs may be offset by savings from future efficiencies in use of information that is contained in their records.

This rule also requires the company to collect information that the company may not currently collect. Therefore, this rule may also add to the time required of the company to assist the applicant in completing the application. The staff expects the time/cost impact will be minimal and that the costs may be offset by savings from future efficiencies in use of information that is contained in the records.

Form of Bills
WAC 480-110-375

The proposed Form of Bills rule requires a greater level of detail than under the current rule. This rule should have minimal effect on the very small company that either manually prepares bills or uses spreadsheet programs to produce bills. For companies that use computer billing software to bill their customers, the rule may require some companies to update their current billing software. In some cases, the rule may even require the company to purchase new billing software that has the ability to comply with the proposed provisions of the rule.

Staff does not expect costs to reprogram or update current billing packages to be greater than the cost of a new billing package with capacity to comply with the proposed rule. The overall costs would include the cost to transfer data and additional training. Costs of new billing packages run from \$2,000 to a high end cost of \$20,000 for mainframe systems. The cost of any system that a company has, normally reflects the size of the company. A larger company with more expensive billing software normally will have a greater ability to reprogram their software at a reasonable cost or no cost if the company is paying an annual fee. Whereas a smaller company may find it cheaper to buy new software.

Form of Bills
WAC 480-110-375
(CONT)

The new requirements may require a company to change its current and require a new bill format to be used, making the current bill stock obsolete. However it is assumed that the time required to convert from the old format to the new format would allow the company to use much of the current stock.

This study assumes that time costs associated with the conversion would be incurred normally during the day to day operations and that there would be no additional administrative costs. It is also assumed that additional workers would not be hired nor would there be an extraordinary amount of overtime required.

Computer consultants may be required to either update current billing packages or to install new programs. The costs of any consulting to update would be capped at the cost of a comparable new billing package. If the cost is related to a new package, the vendor normally includes a fixed amount of support in the cost of the package.

Meters
WAC 480-110-415

The proposed rules repeal the requirement that companies file with the Commission a statement of test procedures used by the company. The current WAC requires a statement to be reviewed and approved by the Commission. Among other things, the statement requires descriptions of equipment employed to determine water pressure and description of its testing and adjustment program of meters prior to installation.

The repeal of these requirements will save the costs of preparing the statement, the cost of filing with the commission and the cost of any subsequent updates.

The current rules also requires the company to maintain records that show information about each piece of testing equipment. The cost of the related record keeping will be eliminated. The current rules also prescribe a meter testing program along with mandated testing periods for each type of meter. These testing cycles range from two years to ten years. In addition, the current rules require the company to maintain long-term database on each meter in its service

Meters
WAC 480-110-415
(cont)

areas. The repeal of the required record keeping and mandated meter testing programs allows the company to approach meter maintenance and replacement in a manner that best fits each service area and the demands of each system. The repeal of the rules does not suggest that companies should not have a meter repair and maintenance program, it merely substitutes best industry practice for government mandate. The cost of the related record keeping will be eliminated.

**Water Company
Funding
Mechanisms**
WAC 480-110-455

This rule, as originally proposed, required that any money disbursed from money collected from a surcharge or facilities charge have prior Commission approval. Companies would have been required to file for approval for any disbursements by requesting either a Commission order or a letter from the executive secretary. Stakeholders felt that the costs associated with application for each disbursement would be burdensome and unnecessary. The stakeholders felt that this rule would cause additional costs such as the costs associated with any delay in approval of the disbursements such as late payment fees and interest on unpaid invoices. In addition, they felt that the applications for disbursement would be formal filings and could require the company to obtain the help of an attorney until such time as the company felt comfortable preparing and filing the application itself.

The rule has been rewritten to address those concerns. The approval for disbursement has been made optional at the discretion of the Commission. This removes costs imposed by the rule on companies that do not need special oversight by the Commission.

**Filing Requirements-
General Rate
Increase Water
Companies**
WAC 480-09-337

This proposed rule requires the company to prepare its rate case in an organized and systematic manner prior to filing with the Commission. Most of the data required by this rule have been submitted by the company at Staff's request after the case has been filed. The rule merely requires the company to compile the information before requesting new rates.

**Filing Requirements-
General Rate
Increase Water
Companies
WAC 480-09-337
(cont)**

The record keeping and time costs required by this rule relate to data that should already be maintained by management. The only data that may be in addition to data already collected in the normal course of business are usage statistics verifying test year revenues. The proposed rule may require companies to maintain data of customer usage. The Stakeholders expressed concern regarding the wording of the draft rules presented at the last stakeholder meeting. They felt that the wording implied a precision that would be either impossible to obtain or very costly. The rule has been reworded to allow a reasonable level of accuracy without a high cost.

The stakeholders also expressed concern of the costs of filing a general ledger or expanded checkbook as part of the minimum filing requirements. They felt it would be impractical and time consuming. After review of the draft rule it was decided that the costs to the companies outweighed the benefits of having the information available at the time of filing. It was agreed that the water section staff could request the information later or review the original documents at the company's office at a lower cost. Therefore these proposed rules do not include the requirement in order to mitigate costs to the industry.

The minimum filing requirements may require some companies to seek professional accounting assistance. The associated costs would be dependent on the degree the company used a consultant. If the company produces the supporting work papers in-house and If test year financials are filed, the current year-end financials that the company's regular accountant produces would not add substantially to the cost, if at all. However, If the company, uses a consultant to file proforma financial statements and produce the other required supporting work papers the cost could increase by \$500 to \$2,000. The cost difference would vary by company size and complexity of the operating company.

OTHER COSTS OF COMPLIANCE

Proposed rule *480-110-405-Meter accuracy and water pressure complaint*- proposes the use of a recording pressure gauge. Some stakeholders expressed their concerns regarding the cost of the recording device. Staff found that the devices range in cost from \$200 to \$275, plus the cost of charts which is \$12.50 for a box of 100 weekly charts (100 weeks).

There also have been discussions regarding the costs associated with updating filed tariffs with language and cites consistent with the proposed rules. The Commission maintains an electronic template that can be obtained by the affected companies at no charge. The template can be used by companies to update their tariffs. Companies may also hire a consultant to prepare and file a new tariff for them. Cost estimates range from \$75 to \$350.

REDUCTION OR MITIGATION OF COSTS IMPOSED BY RULES

As explained above, all the companies affected by these proposed rules are small businesses therefore there is no disproportionate impact of costs. The Commission reviewed methods to reduce the costs on the regulated water industry to mitigate the cost impact of the proposed rules.

The Commission eliminated substantive regulatory requirements including:

- ◆ The repeal of the requirement to file with the Commission updated service area maps each time the service area is extended.
- ◆ The removal of record keeping requirements for meter testing equipment, and meter histories.
- ◆ Discontinuance of mandated periodic meter testing programs.

As can be seen from the individual discussions of the cost impacts of the proposed rules, the economic impact of the total rewriting of these rules include a number of cost reductions as well as any costs imposed.

**REDUCTION OR
MITIGATION OF
COSTS IMPOSED BY
RULES
(cont)**

Any prudent increase in costs can be recovered from ratepayers though increased rates. The company would experience only a temporary cash flow reduction but should not experience a permanent decline in earnings.

Loss of revenue must be considered where demand is sensitive to price. When costs are passed on to the consumer in the form of higher prices, the consumer can go to a different supplier or change to substitute products. When the consumer changes buying habits due to increased prices, revenues decrease. However, in the water industry, water demand is relatively unresponsive to price. Economists refer to this as "price inelasticity."

Studies have shown that water usage is not materially affected by changes in price. Short of a major increase in water rates, the average consumer will continue to use basically the same amount of water as prior to the rate increase. There are a number of reasons cited including water having no close substitutes and for a consumer to materially affect their water bill the consumer must make major changes in life style or changes in hardware such as low flow devices, including changing landscaping.

It is expected that the proposed rules will not impose any new costs that would cause rates to increase to such a large degree as to cause revenue reduction.

HEARING LOCATION

The public hearing will commence on
Wednesday, July 28, 1999 at 9:30 A.M.
at the
WUTC's Main Hearing Room, #206, at the
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W., Olympia, WA.

**SUBMIT WRITTEN
COMMENTS TO:**

Ms. Carole Washburn, Executive Secretary
Washington Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

Written Comments should be timely filed by 5:00 P.M.
Wednesday, July 14, 1999

**DATE OF INTENDED
ADOPTION**

The intended date of adoption of these rules is:
Wednesday, July 28, 1999.

WRITTEN BY

Danny P. Kermode CPA
Revenue Requirements Specialist

Appendix 1

Notice of Request for Information

and

Survey responses



SERVICE DATE

JUL - 9 1998

STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 753-6423 • TTY (360) 586-8203

July 7, 1998

INVESTIGATION INTO WATER RULE AMENDMENTS

DOCKET NO. UW-980082

NOTICE OF REQUEST FOR INFORMATION
(JULY 22, 1998)

TO ALL INVESTOR OWNED WATER COMPANIES:

Washington's Regulatory Fairness Act is intended to focus an agency's attention on the economic impact of proposed rules on affected businesses, involve affected businesses in developing the rules, and minimize any disproportionate impact of rules on small businesses.

Before adopting rules that will impose more than minor costs on an industry, the Commission must analyze the compliance costs for both large and small businesses, involve the small businesses in developing the rules, take feasible steps to reduce the economic impact of the rule and prepare a Small Business Economic Impact Statement. A "small business" is any profit-making entity that has 50 or fewer employees.

The Commission sent you a copy of the draft rules on June 12, 1998. Now we ask that all Investor Owned Water Companies complete and return the enclosed questionnaire, by July 22, 1998, concerning the potential cost of implementing the draft rules.

The Commission appreciates your prompt consideration and response in this matter. We encourage your participation in the water rulemaking process. You can send written comments and attend scheduled stakeholder meetings. If you have any questions or comments, please contact Sondra Walsh at 360-664-1254.

Sincerely,

CAROLE J. WASHBURN
Secretary

Enclosure



QUESTIONNAIRE FOR INVESTOR OWNED WATER COMPANIES

(July 22, 1998 Discussion Draft Rules - Docket No. UW-980082)

1. Company Name: Frog Pond WATERS Company Contact: DAVE
 Telephone Number: (206) 524-5769
729-2301
2. How many full-time employees do you have: 1
3. How many part-time employees do you have: 2
4. How many connections do you currently serve: 490
5. How many authorized Department of Health water connections do you have: 494
6. Based on the discussion draft rules, mailed on June 12, approximately how much would it cost your company to comply with the following;

- Filing an Adopted or Initial Tariff \$ 2500
- Minimum Filing requirements - for example provide;
 - a General Ledger or expanded check book
 - Balance Sheet
 - Profit & Loss Statement
 - Usage Statistics
 - Depreciation Schedule \$ 500
- Tariff Filing for Facilities Charge \$ 1000
 - including the supporting documents

7. Complying with the discussion draft, would your operational cost:

Increase? ✓

Decrease? r

8. Would the costs be:

Substantial: \$1,001 or more _____

Moderate: \$101 To \$1,000 X

Minor: \$100 Or less _____

Thank you for your participation. If you have any questions, please contact Sondra Walsh at 360-664-1254. You may FAX your response to 360-586-1130.

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QUESTIONNAIRE FOR INVESTOR OWNED WATER COMPANIES

(July 22, 1998 Discussion Draft Rules - Docket No. UW-980082)

1. Company Name: Kala Point Utility Co Company Contact: Bill Lindeman
Telephone Number: 360 385-2866
2. How many full-time employees do you have: 1
3. How many part-time employees do you have: 1
4. How many connections do you currently serve: 447
5. How many authorized Department of Health water connections do you have: 617
6. Based on the discussion draft rules, mailed on June 12, approximately how much would it cost your company to comply with the following;

- Filing an Adopted or Initial Tariff \$ NA
- Minimum Filing requirements - for example provide;
 - a General Ledger or expanded check book
 - Balance Sheet
 - Profit & Loss Statement
 - Usage Statistics
 - Depreciation Schedule\$ Cost of Copying
- Tariff Filing for Facilities Charge \$ "
 - including the supporting documents

7. Complying with the discussion draft, would your operational cost:

Increase? _____ No Effect

Decrease? _____

8. Would the costs be:

Substantial: \$1,001 or more _____

Moderate: \$101 To \$1,000 _____

Minor: \$100 Or less ✓

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QUESTIONNAIRE FOR INVESTOR OWNED WATER COMPANIES

(July 22, 1998 Discussion Draft Rules - Docket No. UW-980082)

1. Company Name: Harrison-Ray Water Co. Company Contact: Tom Harris
Telephone Number: (509) 545-1908
2. How many full-time employees do you have: 2
3. How many part-time employees do you have: 1.5
4. How many connections do you currently serve: 350
5. How many authorized Department of Health water connections do you have: 720
6. Based on the discussion draft rules, mailed on June 12, approximately how much would it cost your company to comply with the following;

- Filing an Adopted or Initial Tariff \$ _____
 - Minimum Filing requirements - for example provide;
 - a General Ledger or expanded check book
 - Balance Sheet
 - Profit & Loss Statement
 - Usage Statistics
 - Depreciation Schedule \$ _____
 - Tariff Filing for Facilities Charge \$ _____
 - including the supporting documents
- } \$1,200

7. Complying with the discussion draft, would your operational cost:

Increase? _____

Decrease? _____

8. Would the costs be:

Substantial: \$1,001 or more _____

Moderate: \$101 To \$1,000 _____

Minor: \$100 Or less _____

Thank you for your participation. If you have any questions, please contact Sondra Walsh at 360-664-1254. You may FAX your response to 360-586-1130.

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QUESTIONNAIRE FOR INVESTOR OWNED WATER COMPANIES

(July 22, 1998 Discussion Draft Rules - Docket No. UW-980082)

1. Company Name: Rosario Utilities L.L.C. Company Contact: Chris Vierthaler
Telephone Number: 360-376-2700
2. How many full-time employees do you have: 2
3. How many part-time employees do you have: 0
4. How many connections do you currently serve: 257 ERU + Wholesale accounts
5. How many authorized Department of Health water connections do you have: 237 wholesale + retail connections, plus resort (appx. 109 ERU)
6. Based on the discussion draft rules, mailed on June 12, approximately how much would it cost your company to comply with the following;

- Filing an Adopted or Initial Tariff \$ 50-100
- Minimum Filing requirements - for example provide;
 - a General Ledger or expanded check book
 - Balance Sheet
 - Profit & Loss Statement
 - Usage Statistics
 - Depreciation Schedule \$ 50-100
- Tariff Filing for Facilities Charge
 - including the supporting documents \$ 200-300 or more

7. Complying with the discussion draft, would your operational cost:

Increase?

Decrease?

8. Would the costs be:

Substantial: \$1,001 or more

Moderate: \$101 To \$1,000

Minor: \$100 Or less

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QUESTIONNAIRE FOR INVESTOR OWNED WATER COMPANIES

(July 22, 1998 Discussion Draft Rules - Docket No. UW-980082)

1. Company Name: CROWN WEST REALTY, L.L.C. Company Contact: BRYAN KELLER
Telephone Number: (509) 924-1720
2. How many full-time employees do you have: 16
3. How many part-time employees do you have: N/A
4. How many connections do you currently serve: 175
5. How many authorized Department of Health water connections do you have: 175
6. Based on the discussion draft rules, mailed on June 12, approximately how much would it cost your company to comply with the following:
 - Filing an Adopted or Initial Tariff \$ 1,000
 - Minimum Filing requirements - for example provide;
 - a General Ledger or expanded check book
 - Balance Sheet
 - Profit & Loss Statement
 - Usage Statistics
 - Depreciation Schedule \$ 500
 - Tariff Filing for Facilities Charge \$ 200
 - including the supporting documents

7. Complying with the discussion draft, would your operational cost:

Increase? YES

Decrease? _____

8. Would the costs be:

Substantial: \$1,001 or more 1,700

Moderate: \$101 To \$1,000 _____

Minor: \$100 Or less _____

Thank you for your participation. If you have any questions, please contact Sondra Walsh at 360-664-1254. You may FAX your response to 360-586-1130.

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QUESTIONNAIRE FOR INVESTOR OWNED WATER COMPANIES

(July 22, 1998 Discussion Draft Rules - Docket No. UW-980082)

1. Company Name: South Bainbridge Water System Inc Company Contact: Kathy
Telephone Number: 342-4299
(206)
2. How many full-time employees do you have: 2
3. How many part-time employees do you have: 1
4. How many connections do you currently serve: 975
5. How many authorized Department of Health water connections do you have: 1027
6. Based on the discussion draft rules, mailed on June 12, approximately how much would it cost your company to comply with the following;

- Filing an Adopted or Initial Tariff \$ _____
- Minimum Filing requirements - for example provide;
 - a General Ledger or expanded check book
 - Balance Sheet
 - Profit & Loss Statement
 - Usage Statistics
 - Depreciation Schedule\$ 4000⁰⁰ - 5000⁰⁰
- Tariff Filing for Facilities Charge \$ _____
 - including the supporting documents

7. Complying with the discussion draft, would your operational cost:

Increase? _____

Decrease? _____

8. Would the costs be:

Substantial: \$1,001 or more _____

Moderate: \$101 To \$1,000 _____

Minor: \$100 Or less _____

Thank you for your participation. If you have any questions, please contact Sondra Walsh at 360-664-1254. You may FAX your response to 360-586-1130.

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QUESTIONNAIRE FOR INVESTOR OWNED WATER COMPANIES

(July 22, 1998 Discussion Draft Rules - Docket No. UW-980082)

1. Company Name: South Sound Utility Co Inc Company Contact: Cathy Thorne
Telephone Number: 491-3760
2. How many full-time employees do you have: 9
3. How many part-time employees do you have: 0
4. How many connections do you currently serve: 2350
5. How many authorized Department of Health water connections do you have: 3120
6. Based on the discussion draft rules, mailed on June 12, approximately how much would it cost your company to comply with the following;

- Filing an Adopted or Initial Tariff \$ 700.00
- Minimum Filing requirements - for example provide;
 - a General Ledger or expanded check book
 - Balance Sheet
 - Profit & Loss Statement
 - Usage Statistics
 - Depreciation Schedule \$ 600.00
- Tariff Filing for Facilities Charge \$ 120.00
 - including the supporting documents

7. Complying with the discussion draft, would your operational cost:

Increase? X

Decrease? _____

8. Would the costs be:

Substantial: \$1,001 or more _____

Moderate: \$101 To \$1,000 _____

Minor: \$100 Or less X

Thank you for your participation. If you have any questions, please contact Sondra Walsh at 360-664-1254. You may FAX your response to 360-586-1130.

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QUESTIONNAIRE FOR INVESTOR OWNED WATER COMPANIES

(July 22, 1998 Discussion Draft Rules - Docket No. UW-980082)

1. Company Name: SEA VIEW WATER Co. Company Contact: HUBERT MCGEEAN
Telephone Number: (360) 675-3459
2. How many full-time employees do you have: 0
3. How many ~~part-time employees~~ independent contractors do you have: 3
4. How many connections do you currently serve: 190
5. How many authorized Department of Health water connections do you have: 210
6. Based on the discussion draft rules, mailed on June 12, approximately how much would it cost your company to comply with the following;

- Filing an Adopted or Initial Tariff \$ 200
- Minimum Filing requirements - for example provide;
 - a General Ledger or expanded check book
 - Balance Sheet
 - Profit & Loss Statement
 - Usage Statistics
 - Depreciation Schedule \$ 400
- Tariff Filing for Facilities Charge \$ 200
 - including the supporting documents

7. Complying with the discussion draft, would your operational cost:

Increase? X

Decrease? _____

8. Would the costs be:

Substantial: \$1,001 or more _____

Moderate: \$101 To \$1,000 X

Minor: \$100 Or less _____

Thank you for your participation. If you have any questions, please contact Sondra Walsh at 360-664-1254. You may FAX your response to 360-586-1130.

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Appendix 2 and 3

Illustration of Cost Savings

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Present Value Techniques

Illustration of Cost Savings using Present Value Techniques

Proposed rule WAC 480-110-275

Scenario 1

General Assumptions

Revenue Growth Rate	9%
Cost of money	10.5%

Scenario 1 assumes that it would take a professional accountant four days to convert the accounting system from a class C system to a class B system. At \$75 per hour the cost would be \$2,400.

	Year	Revenue Level	Current	Proposed
	2000	130,000		
	2001	141,700		
Current Revenue Theshold Level		150,000		
	2002	154,453	\$ 2,400	
	2003	168,354		
	2004	183,506		
Proposed Revenue Threshold Level		200,000		
	2005	200,021		\$ 2,400
	2006	218,023		
Present Value			\$ 1,779	\$ 1,318
				\$460 Savings

Under the current rules the company would be required to change its accounting system in the year 2002. The year 2000's present value for a \$2,400 cost is \$1,779. Under the proposed rules the company would be required to convert it accounting in the year 2005, present value of the future cost is \$1,318. The net savings is \$460.

Illustration of Cost Savings using Present Value Techniques

Proposed rule WAC 480-110-275

Scenario 2

General Assumptions

Revenue Growth Rate	9%
Cost of money	10.5%

Scenario 2 assumes that it would take a professional accountant two weeks to convert the accounting system from a class B system to a class A system. At \$75 per hour the cost would be \$6,000.

	Revenue	Current	Proposed
<u>Year</u>	<u>Level</u>		
2000	600,000		
2001	654,000		
2002	712,860		
Current Revenue Theshold Level	750,000		
2003	777,017	\$ 6,000	
2004	846,949		
2005	923,174		
Proposed Revenue Threshold Level	100,000		
2006	1,006,260		\$ 6,000
Present Value		\$ 4,024	\$ 2,983
			\$1,042 Savings

Under the current rules the company would be required to change its accounting system in the year 2003. The year 2000's present value for a \$6,000 cost is \$4,024. Under the proposed rules the company would be required to convert it accounting in the year 2006, present value of the future cost is \$2,983. The net savings is \$1,042.