

Agenda Date: April 26, 2006  
Item Number: A3

**Dockets:** UW-060352 (UW-060192)  
Company Name: Gold Beach Water Company, Inc.

Staff: Jim Ward, Regulatory Analyst

**Recommendation**

Issue a Complaint and Order Suspending the Tariff Revision filed by Gold Beach Water Company, Inc., in Docket UW-060352.

**Discussion**

On March 3, 2006, Gold Beach Water Company, Inc., (Gold Beach Water or company) filed a general rate increase of \$8,479 (14.5 percent) additional revenue per year. The company serves 184 customers in the central part of Vashon Island located in King County. The company states the reason for filing is to help cover increased operational cost and capital improvement expenses, and encourage water conservation. The company's proposed rate design decreases the amount of water allowed in the basic meter charge from 800 cubic feet to 500 cubic feet. The company's last general rate increase was July of 1998.

At the March 15, 2006, open meeting, the commission heard this matter to take public comment. No one appeared to comment.

The commission has received one customer comment on this filing. This customer recommends no change to the usage allowance and a rate schedule slightly different from what the company originally proposed. The customers were notified of this increase in a mailing on March 7, 2006. The current, company proposed, and staff recommended rates are provided below:

	Current Rate	Company Proposed Rate	Staff Recommended Rate
Monthly Base Rate	\$26.16 (includes first 800 cf of usage)	\$30.00 (includes first 500 cf of usage)	\$26.25 (Zero allowance)
800-3,000 cf	\$0.32 per 100 cf		
500-2,500 cf		\$0.50 per 100 cf	
Over 3,000 cf	\$0.58 per 100 cf		
Under 2,500 cf			\$0.50 per 100 cf
Over 2,500 cf		\$1.00 per 100 cf	\$1.00 per 100 cf

cf = cubic feet (1 cubic foot = 7.48 gallons of water)

### Rate Design

Staff's review of the company's books and records shows that the company has justified it needs \$8,479 of additional revenue. The only issue remaining between the company and staff is the rate design. The company proposed a rate design that includes 500 cubic feet in the base charge. Staff recommends a rate design that has no water in the base charge.

Rate designs that include an amount of water in the base charge require some low volume users to subsidize high volume users. The company's proposed rate design includes the cost of 500 cubic feet of water in the base charge. Some customers do not use 500 cubic feet of water each month. Those customers subsidize higher volume users.

Zero allowance rate designs ensure fairness and promote water conservation, even at the lowest usage levels. Customers pay only for the water they use. Using the company provided water usage data for 2005, staff's recommended zero allowance rate design would generate \$8,479 in additional revenue, the amount the company requested.

Staff disagrees with the company's proposed rate design. The company asked for an additional \$8,479 annually, or \$3.84 per month per customer. The company's proposed rate design increased the base charge by \$3.84 (\$30.00 minus \$26.16), decreased the usage allowance included in the base charge from 800 cubic feet to 500 cubic feet, increased the first rate block from \$0.32 to \$0.50 per 100 cubic feet, and increased the second rate block from \$0.58 to \$1.00 per 100 cubic feet. The proposed rate design will generate about \$3,190 more than the requested \$8,479 increase.

To monitor the effect of a new rate design, staff proposes that the company provide a summary report of water consumed in each usage block and revenue generated by each charge. This report would be due within 30 days of each billing period between May 1, 2006, and April 30, 2007. Also, the company should be required to report, no later than June 1, 2007, the status of the revised rate design – its effect on water consumption – as shown in the company's usage records, by billing period, for the period May 1, 2006 through April 30, 2007.

### Conclusion

The company has demonstrated that it needs additional revenue. However, the company and staff do not agree on the rate design to generate the needed revenue. Staff believes a zero allowance rate design is fair and reasonable to all customers and does not require low volume users to subsidize high volume users. Staff also believes that the company's proposed rate design will generate excessive revenues.

Therefore, staff recommends that the commission issue a Complaint and Order Suspending the Tariff Revision filed by Gold Beach Water Company, Inc., in Docket UW-060352.