Agenda Date: November 10, 2010
Item Number: A2

Docket: UW-101718
Company Name: Burton Water Company, Inc.

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

## Recommendation

Issue a Complaint and Order Suspending the Tariff Revision filed by Burton Water Company, Inc., on October 20, 2010.

## Discussion

On October 20, 2010, Burton Water Company, Inc. (Burton Water or company), filed a tariff revision to its currently effective tariff that would generate $58,785 (38.2 percent) in additional annual revenue. The stated effective date is November 20, 2010. The filing was prompted by revenues falling below the level projected in the last rate case, costs associated with replacing computers and billing software, and increased fees charged by regulating agencies. The company proposes to increase base meter charges and the ready-to-serve charge. The company serves 415 customers on Vashon Island, in King County. The company's last general rate increase was February 1, 2010.

## Customer Comments

On October 20, 2010, the company notified its customers of the proposed rate increase by mail. Two customer comments have been received to date. Both customers are opposed to the proposed increase. Please note that customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff advised customers that they may access company documents pertinent to this rate case www.utc.wa.gov/water, and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

**General Comment**

- Two customers believe the amount of the increase is excessive because the company increased rates in February 2010.

  **Staff Response**
  Customers were advised that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on investment. There are no limitations to the frequency a company may submit tariff changes.

- One customer asked if the company has protested the claimed cost increases for Right-of-Way permits to King County. This customer believes the costs for King County right-of-way permits should be charged directly to new home builders and not spread out to all system customers.

  **Staff Response**
  Customer was advised that the company may choose to dispute the costs for right-of-way permits to King County. Depending on the company's need and use of a right-of-way permit, the costs may be charged directly to the applicable customer or spread out to all customers.

- One customer questioned the company's need for new computers and billing software.

  **Staff Response**
  Customer was advised that the company may determine when new computers or new billing software is necessary to perform the day to day business functions.

A customer using 599 cubic feet of water per month (the calculated company-wide average annual water usage) would pay $11.80 (36.3 percent) more per month using the proposed rates (see "Average Bill Comparison" table below).

**Rate Comparison**

| Monthly Rate | Current Rate | Proposed Rate |
|---|---|---|
| Ready-to-Serve | $21.59 | $33.39 |
| Base Rate (3/4 Inch Meter) [1] | $21.59 | $33.39 |
| Usage Block 0 – 2,500 Cubic Feet[1,2] | $1.83 | $1.83 |
| Usage Block 2,501 – 5,000 Cubic Feet[1,2] | $4.71 | $4.71 |
| Over 5,000 Cubic Feet[1,2] | $6.00 | $6.00 |

1 – Based on ¾-inch meter classification, see company's tariff for upsize meter classifications, usage blocks and rates.

2 – Based on "per 100 cubic feet".

**Average Bill Comparison**

| Average Monthly Usage 599 Cubic Feet[3] | Current Rate | Proposed Rate |
|---|---|---|
| Base Rate (3/4 Inch Meter) | $21.59 | $33.39 |
| 0 - 599 Cubic Feet | $10.96 | $10.96 |
| Average Monthly Bill | $32.55 | $44.35 |
| Increase From Current Rates | | 36.3 % |

3 – Based on a company-wide average customer annual water usage.

The company has not yet responded to staff's data requests. Therefore, the company has not yet demonstrated the need for the additional revenue and has not yet demonstrated the proposed rates are fair, just, reasonable and sufficient.

**Conclusion**

Issue a Complaint and Order Suspending the Tariff Revision filed by Burton Water Company, Inc., on October 20, 2010.