

Agenda Date: February 25, 2011
Item Number: A2

Docket: UW-110220
Company Name: Summit View Water Works, LLC

Staff: Amy White, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Issue a Complaint and Order Suspending the tariff revision filed by Summit View Water Works, LLC, on January 27, 2011.

Discussion

On January 27, 2011, Summit View Water Works, LLC (Summit View or company), filed a tariff revision to its currently effective tariff that would generate \$19,118 (33.5 percent) in additional annual revenue for its irrigation water service. The stated effective date is March 1, 2011. The company stated the filing is prompted by costs for company operations exceeding company revenues. The company proposed increases for its irrigation service which eliminated the existing flat rate and added a new outlet fee and a per-acre charge. The company serves 94 metered domestic residential customers near Kennewick in Benton County. Additionally, the company currently serves 88 unmetered irrigation customers which includes 65 customers who also have metered domestic residential service and 23 additional unmetered irrigation customers on parcels where Summit View does not provide domestic residential service.

The company first became regulated on February 1, 2006, and has not yet completed a rate case filing for either its domestic residential business or its irrigation service, although two general rate filings were made and withdrawn in 2009. The first was a filing regarding the irrigation service while the second was a general rate case related to both the domestic residential service and the irrigation service.

The cases were withdrawn when staff discovered that all water production plant assets were owned by two affiliated companies, Candy Mountain LLC (Candy Mountain) and Tri-City Development Corporation (TCDC), which are owned and operated by the same principals as Summit View. In 2010, Candy Mountain and TCDC transferred assets, valued at \$1,073,284, used by the domestic water system and the irrigation water system to Summit View. Summit View signed promissory notes at six percent interest totaling \$1,073,284 due to Candy Mountain or TCDC.

The company currently has another filing before the commission in Docket UW-110107, suspended, that seeks to finance the construction of a new well with \$230,000 in contributions-in-aid-of-construction (CIAC). The Company proposes to collect the funds from current customers using a new \$11.60 monthly surcharge and from future customers using a new \$1,000 facilities charge.

The following table summarizes the rate base and debt positions of the company:

	Total Company	Domestic Water	Irrigation
Plant Assets	\$1,073,284	\$503,860	\$569,424
Less: Accumulated Depreciation	(\$66, 170)	(\$ 35,138)	(\$ 31,034)
Less: Net CIAC	(\$114,720)	(\$114,720)	\$ 0
Net Plant Assets – Rate Base	\$892,392	\$354,002	\$538,390
Debt:			
Note To Candy Mountain (Affiliate)	\$499,115		
Note To Tri-City Development Corp. (Affiliate)	\$574,169		
Operating Loans From Partners (Affiliate)	\$10,000		
Total Debt	\$1,083,284		
Owner’s Equity 12/31/09 (End Of Test Year)	\$ 35,482		
Owner’s Equity 1/26/11 (Filing Date)	\$ 20,194		

The company currently charges all customers the same flat rate annually for irrigation service, which operates from April through October each year. The irrigation system does not have meters so water usage data is not available. The company does not plan to meter the irrigation system because irrigation water, being untreated, contains debris and sediment that damages meters and makes metering impractical and expensive. Staff’s research showed that a per-acre charge appears to be common among public Eastern Washington irrigation districts.

During the initial stages of the Summit View development, lot sizes were roughly the same, so one charge for all customers appeared fair. With the development of new plats served by the irrigation system, customers can choose among developments with 0.5-acre, 2.5-acre or 5-acre lots. In the absence of meters, the company feels that lot size is a good proxy for water usage data since it is likely that customers with larger lots will use more irrigation water in amounts proportionate to their lot size. Staff acknowledges that this may be a more fair approach than a flat rate for all customers, regardless of lot size, but argues that it is impossible to know whether any customer has developed an entire lot due to issues such as steep topography or whether a customer is growing water-intensive vegetation such as grass or grapevines.

The following is a comparison of the company’s current and proposed irrigation rates:

Rate	Annual Charge	
	Current	Proposed
Irrigation Rates, Each Connection Or Customer Annually	\$400	NA
Irrigation Rates, Each Connection Or Customer Monthly	\$34	NA
Base Outlet Fee, Per Connection Or Customer Annually	NA	\$250
Per-Acre Charge, Each Connection Or Customer Annually	NA	\$300

Rate Comparison

Lot Size	Annual Charge		Percent Change
	Current	Proposed	
0.5 Acre	\$ 400.00	\$ 400.00	0 %
2.5 Acres	\$ 400.00	\$1,000.00	250%
5.0 Acres	\$ 400.00	\$1,750.00	437.5%

Customer Comments

On January 28, the company notified its customers of the proposed irrigation rate increase by mail. One comment has been received to date, opposed to the increase in irrigation rates. Staff advised the customers that he may access company documents filed in this case at www.utc.wa.gov/water, and that he may contact John Cupp at 1-888-333-WUTC (9882) with questions or concerns.

General

- Customer says this is a drastic rate increase and it will create a hardship for irrigation customers.

Staff Response

Consumer Protection staff informed the customer that analysis of the request is at a preliminary stage and we do not have enough information yet from the company to determine appropriate rates.

Staff received responses to data requests on February 14, 2011, and has not yet completed its review of information received. Therefore, the company has not demonstrated the need for the additional revenue and has not demonstrated the proposed rates are fair, just, reasonable and sufficient.

Conclusion

Issue a Complaint and Order Suspending the tariff revisions filed by Summit View Water Works, LLC, on January 27, 2011.