

Agenda Date: May 31, 2017  
Item Number: A3

**Docket:** UW-170311  
Company Name: Southgate Water System, Inc.

Staff: Jim Ward, Regulatory Analyst  
Rachel Stark, Regulatory Analyst, Consumer Protection

**Recommendation**

Take no action, thereby allowing the tariff pages filed by Southgate Water System, Inc in Docket UW-170311 to become effective June 1, 2017, by operation of law.

**Discussion**

On April 28, 2017, Southgate Water System, Inc. (Southgate Water or company), filed with the Utilities and Transportation Commission (commission) a tariff revision that would increase monthly water rates and revenues by approximately \$37,300 annually (52.6 percent). The filing would move customers from a two-block rate design to a three-block rate design for water usage to promote conservation efforts. The company serves 67 metered customers and 34 ready-to-serve customers near south Kennewick in Benton County. The proposed effective date is June 1, 2017. The company's last rate change was effective April 1, 2009.

The company has stated that the purpose of this filing is to seek rates that cover the company's operating costs. The filing also seeks faster depreciation lives to create a source of revenue to be used to fund repairs to the company's wells. While normally wells are facilities that have long lives and pumps usually last around 15 years, in the case of the water structure that provides service for the Southgate customers, there have been a number of recurring problems that have required the company to borrow substantial sums of money to enact repairs.

On March 1, 2017, the company had filed (Docket UW-170133) for a surcharge to add \$16.50 per month. On March 29, 2017, the surcharge filing was suspended. This filing will replace the surcharge filing which will then be withdrawn.

**Rate Comparison**

Monthly Rate	Current Rate	Proposed Rate
Meter Base	\$40.00	\$45.00
0 – 20,000 Gallons	\$1.00	\$1.60 *
20,001 – 40,000 Gallons	\$1.00	\$2.60 *
Over 40,000 Gallons	\$3.00	\$4.60 *
Ready to Serve	\$17.00	\$45.00

\* Usage per 1,000 gallons or portion thereof.

20,000 gallons equals 2,674 cubic feet, 40,000 gallons equals 5,348 cubic feet

### **Customer Comments**

On April 27, 2017, the company notified its customers by mail of the proposed tariff revision. Customers were notified that they may access relevant documents about this tariff revision on the commission's website, and that they may contact Rachel Stark at 1-888-333-9882 or [rstark@utc.wa.gov](mailto:rstark@utc.wa.gov) with questions or concerns. Staff received 10 consumer comments regarding the proposed rate increase; all 10 are opposed to the tariff revision.

### **General Comments**

Nine of the customers who commented believe the amount of the increase is excessive. Customers also believe the company needs to better manage repairs. They do not believe they should have to pay for the additional expenses due to mismanagement.

### **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 its investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

### **Conclusion**

Commission staff has completed its review of the company's supporting financial documents, books, and records. Staff finds the costs, expenses and charges are supported and appropriate.

### **Recommendation**

Staff recommends the commission take no action, thereby allowing the tariff pages filed by Southgate Water System, Inc in Docket UW-170311 to become effective June 1, 2017, by operation of law.