

Agenda Date: July 31, 2008  
Item Number: A2

**Docket:** UW-081226  
Company Name: Suncadia Water Company, LLC

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

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Suncadia Water Company, LLC.

### **Discussion**

On July 3, 2008, Suncadia Water Company, LLC (Suncadia or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$603,141 (499 percent) in additional revenue per year. All customers receive un-metered service. This is the company's first general rate increase since becoming regulated on May 15, 2008. Suncadia serves 125 mixed-use customers in a planned community consisting of single family homes, multi-family condominiums, a restaurant, a lodge and two golf courses. The water system is located near Cle Elum in Kittitas County.

Suncadia charges customers a flat rate for water service, but will change to metered rates with this proposed tariff. The company stated that it filed the proposed metered rates because of increased demands on the water system and Suncadia's need to file "full cost recovery" rates to allow the water company to become self-supporting. Along with this general rate case filing, the company has requested an exemption from WAC 480-110-375 (3) to allow the company to estimate consumption charges during the winter months when meter reading is not feasible.

The company notified its customers of its initial tariff and general rate filing by mail on May 15, 2008. The company subsequently filed new tariff pages that removed the rate increase. The company sent a second notice on July 2, 2008, advising customers that they could comment on the general rate filing at the commission's July 10, 2008, open meeting. No customers commented at that time. The commission received seven customer comments as of the July 10, 2008, open meeting. Staff's memorandum, dated July 10, 2008, summarized, and responded to, those comments.

On July 11, 2008, commission staff sent every customer who commented on the filing a letter advising them of the filing's status. One customer again responded to the rate increase. The responding customer continues to oppose the rate increase and believes the rate of return is too high.

- **Customer Comment** – The customer does not support Suncadia LLC's rate increase. In addition, with the artificial rise in inflation due to oil prices and the current "reasonable rate

of return” the commission uses, the customer believes the rate of return used is too high and is encouraging Suncadia LLC to distort the existing asset value.

**Staff’s response** – Only costs associated with the water system are considered. The company incurred costs for operating expense and capital plant to provide service. Staff uses 12 percent for equity return, which the commission set in a previously litigated rate case. Debt return is based on actual, third party interest. Affiliated interest return is imputed at 200 basis points above prime. Staff calculates a weighted cost of all capital and applies that to the company’s rate base. Staff’s goal is to recommend the “right” rates that will allow the company to recover reasonable operating expenses and provide an opportunity to earn a reasonable return on investment.

Current and proposed rates are shown below.

**Rate Comparison**

<b>Ancillary Charge</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Reconnection	N/A	\$40.00 per hour
Service Visit	N/A	\$30.00
Late Payment	N/A	2 % or \$5.00
Account Set-up	N/A	\$30.00
NSF Charge	N/A	\$10.00
Hydrant Meter Deposit	N/A	\$500.00
Repair / Damage	N/A	\$40.00 per hour

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
	Residential	
Ready To Serve	\$10.00	\$10.00
Un-metered Service	\$35.00	N/A
Base Charge 1 inch Meter	N/A	\$43.86
Residential Usage 0 – 7,000 Gallons	N/A	\$1.59 per 1,000 Gallons
7,001 – 14,000 gallons	N/A	\$3.18 per 1,000 Gallons
<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
>14,000 Gallons	N/A	\$6.36 per 1,000 Gallons
	Non- Residential	
Base Charge 2 inch Meter	N/A	\$140.35
Base Charge 3 inch Meter	N/A	\$280.70
Base Charge 4 inch Meter	N/A	\$438.60
Non-residential – all usage	N/A	\$2.54 per 1,000 Gallons
	Suncadia Lodge	

Restaurant Facilities 88.4 ERU *	N/A	\$3,877.22
Restaurant Fire Protection	N/A	\$69.16
Multi-family (per unit)	N/A	\$26.32
Multi-family Fire Protection (per unit)	N/A	\$.47
Non-residential – all usage	N/A	\$2.54 per 1,000 Gallons
	Fire Protection	
Fire Protection Fee 1 inch	N/A	\$5.43
Fire Protection Fee 2 inch	N/A	\$17.38
Fire Protection Fee 4 inch	N/A	\$54.30
Fire Protection Fee 6 inch	N/A	\$108.60
	Potable Irrigation	
Base Charge 1.5 inch Meter	N/A	\$80.28
Base Charge 2 inch Meter	N/A	\$128.45
Base Charge 3 inch Meter	N/A	\$256.90
Potable Irrigation – all usage	N/A	\$2.54 per 1,000 Gallons
	Golf Course Irrigation	
Base Charge 12 Inch Meter Non-Potable Irrigation	N/A	\$3,220.77
Non-Potable Irrigation – all usage	N/A	\$.36 per 1,000 Gallons

\*ERU means Equivalent Residential Unit

**Average Customer Charge Comparison**

<b>Average Monthly Usage 8,871 Gallons</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Flat Rate	\$35.00	NA
Base Meter Charge	N/A	\$43.86
Fire Protection Charge	N/A	\$5.43
7,000 Gallons	N/A	\$11.13
1,871 Gallons	N/A	\$5.95
Average Monthly Bill	\$35.00	\$66.31
		(89.5%)

Commission staff has not yet completed its review of Suncadia’s supporting financial documents, books and records.

**Conclusion**

Therefore, staff recommends the commission issue a Complaint and Order Suspending the Tariff Revisions filed by Suncadia Water Company, LLC.