

Agenda Date: October 27, 2011  
Item Number: A6

**Docket:** UW-111789  
Company Name: Washington Water Service Company

Staff: Jim Ward, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Washington Water Service Company on October 11, 2011.

### **Discussion**

On October 11, 2011, Washington Water Service Company (Washington Water or company), filed with the Utilities and Transportation Commission (commission) a general rate case filing that would generate \$1,738,796 (21.8 percent) additional annual revenue. The filing is prompted by the company not receiving the revenue expected from the last rate increase, increased operating costs, and additional capital investment. The company serves 15,820 residential customers on 197 water systems located in eight counties. The proposed effective date is November 10, 2011. The company's last general rate increase was July 30, 2009.

The filing also proposes to create a Water Revenue Adjustment Mechanism (WRAM) to track revenue, create a Modified Cost Balancing Account (MCBA) to track expenses for purchased water and purchased power, and establish a deferred accounting methodology to automatically true-up rates annually. The company's proposal can be considered a full decoupling mechanism.

Using the proposed rates, a residential customer using 1,000 cubic feet of water (the company average) would pay \$9.32 (21.8 percent) more than the current rates (see "Average Bill Comparison" table below). Current and proposed rates are shown below for the general rate increase. Orcas Island water system customers will no longer pay an Island Fee, which applies to only them.

**Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Ready to Serve Service	\$17.43	\$19.95
Base Rate 3/4 Inch Service <sup>1</sup>	\$17.43	\$19.95
Usage 0 - 600 cubic feet <sup>2</sup>	\$2.38	\$2.95
Usage 600 – 653 cubic feet <sup>2</sup>	\$2.38	\$3.60
Usage 654 – 1,600 cubic feet <sup>2</sup>	\$2.84	\$3.60
Usage 1,600 – 2,056 cubic feet <sup>2</sup>	\$2.84	\$4.85
Usage over 2,056 cubic feet <sup>2</sup>	\$3.22	\$4.85
Non-Metered Service	\$44.67	\$52.05
Water System Facilities Charge	\$2,272	\$3,100

1 - Other upsize meter rates are also changed and available in the proposed tariff.

2 - Based on per 100 cubic feet or fraction thereof.

**Average Bill Comparison**  
**Except Orcas Island Water System**

<b>Average Residential (1,000 cubic feet)</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
3/4 inch Residential	\$42.73	\$52.05
Change from current rate	\$9.32	21.8%

**Average Bill Comparison**  
**Orcas Island Water System**

<b>Average Residential (1,000 cubic feet)</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
3/4 inch Residential	\$42.73	\$52.05
Island Fee	\$9.00	N/A
Total Bill	\$51.73	\$52.05
Change from current rate	\$.32	.6%

Commission staff has not completed its review of the company's supporting financial documents, books and records. The company responded electronically to outstanding data requests on October 18, 2011, and staff has not yet completed our review. Therefore, the company has not yet demonstrated that the proposed rates are fair, just, reasonable and sufficient.

**Customer Comments**

On October 7, 2011, the company notified its customers of the proposed rate increase by mail. Eighty-six comments have been received to date; all are opposed to the proposed increase. Customers were notified that they may access documents pertinent to this rate case on the commission's website, and that they may contact John Cupp at 1-888-333-WUTC (9882) or [jcupp@utc.wa.gov](mailto:jcupp@utc.wa.gov) with questions or concerns.

### **Filing Documents and Methodology**

- Seven customers oppose the Water Revenue Adjustment Mechanism and the Water Cost Balancing Account.

#### **Staff Response**

Staff is in the process of reviewing these items.

### **Service Quality**

- Two customers on separate systems said they don't believe they should have to pay more when the quality of the water is poor.

#### **Staff Response**

Staff discussed the two water quality issues with the company. The company has approved plans from the Department of Health for installation of a system to treat a manganese and iron problem on one of the water systems. The company is in the process of securing permits to start the job. The company also opened a service order to look into the other customer's issue. Staff informed both customers of the company's plans, and explained that the Department of Health oversees water quality issues.

### **General Comments**

- Fourteen customers said they should not have to pay more because the company did not receive the revenue it expected from its last rate increase.

#### **Staff Response**

Customers were advised that the proposed increase is not to make up for a shortfall from the most recent rate increase. The company is seeking to bring revenue up to a rate which will cover its costs and provide a reasonable return on its investment.

- Three customers mentioned that this company's rates are higher than those of nearby water providers.

#### **Staff Response**

Staff does not compare the rates of neighboring water suppliers when setting rates. Regulatory staff will review the filing to ensure that all rates and fees are appropriate.

- Six customers mentioned that the company put in a system in a development that failed. They all said that they should not have to pay for the system.

#### **Staff Response**

The company said that most of the improvements to the Lacamas system were paid using facilities charges assessed to new customers, and not through general rates. Staff will review this issue as well as all plant costs in the rate setting process.

- In 62 comments, customers said the amount of the proposed increase was too drastic. Forty-eight customers mentioned the hardship the increase will create because of the condition of the economy. Thirteen customers mentioned the frequency of the company's requests for increases; and in 35 comments customers said the company should tighten its belt and cut costs rather than raise rates.

**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. Regulatory staff will review the filing to ensure that all rates and fees are appropriate.

**Conclusion**

Issue a Complaint and Order Suspending the tariff revisions filed by Washington Water Service Company on October 11, 2011.