

Orcas Highlands Association  
P.O. Box 474  
Eastsound, WA 98245-0474

September 11, 2014

Steven King, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
PO Box 47250  
Olympia, WA 98504-7250

RECEIVED  
RECORDS MANAGEMENT  
2014 SEP 12 PM 1:32  
STATE OF WASHINGTON  
UTIL. AND TRANSPORTATION  
COMMISSION

RE: Washington Water Service Company Application for Rate Increase, UW-143116

Dear Mr. King,

The Orcas Highlands Association (OHA) received on August 8, 2014, notification of a request to the WUTC for a rate increase by Washington Water Service Company (WWSC). The filing purports to increase annual revenue 15.99% over 2013 revenue. The OHA is provided water as a bulk customer through a 2" meter and delivers the water to 110 OHA customers through individual ¾" meters. As a consequence, the OHA will have an increase of 24.4% over existing rates due to how the water is delivered and billed to the OHA. Rates of other local water customers\* also served by WWSC and billed through individual ¾" meters will have an increase of 15.1% as noted in the WWSC filing. The OHA asks that the WUTC Staff and Commissioners consider this disparity when the review of the WWSC request occurs.

It is the understanding of the OHA that both WUTC and WWSC refer to guidance provided by the American Water Works Association (AWWA) in the rate-setting process to establish a minimum threshold or base level of cost or demand for service, against which the costs or demands of larger customers can be measured. The principal parameter used for this purpose is the size of the customer water meter. In the WWSC filing the base level meter size is ¾" and is used to establish the existing and proposed rates.

The common method apparently used by WWSC to compute the rates for larger meters as compared to the ¾" meter is the equivalent meter capacity ratio. This ratio is used to estimate the potential capacity or demand requirements for customers on the basis of the size of the water meter. Please refer to table below.

Residential Service - Proposed Rates

Meter Size	Base Rate	1st Block (cubic feet)	1st Usage Rate <sup>1</sup>	2nd Block (cubic feet)	2nd Usage Rate <sup>1</sup>	3rd Block (cubic feet)	3rd Usage Rate <sup>1</sup>
¾-inch <sup>2</sup>	\$21.00	0-600	\$3.40	601-1,600	\$4.40	Over 1,600	\$5.50
2-inch	\$111.99	0-3,200	\$3.40	3,201-8,528	\$4.40	Over 8,528	\$5.50

<sup>1</sup> - Based on per 100 cubic feet or fraction thereof. <sup>2</sup> - or smaller

\*Rosario and Vusario

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As can be seen in the table above, the equivalent meter capacity ratio established by the AWWA for the 2" meter is 5.33 times that of the ¾" meter. This can be shown in both the *Base Rate* ( $5.33 \times \$21.00 = \$111.99$ ) and the *1<sup>st</sup> Block* ( $0-600 \times 5.33 = 0-3,200$ ). This ratio is used to also establish the 2<sup>nd</sup> and 3<sup>rd</sup> usage blocks in the table. This equivalent meter capacity ratio is important when considering the information to follow.

The AWWA also establishes the maximum safe operating capacity for meters of various sizes. The AWWA notes that the use of such ratios for larger meters may or may not provide a true indication of the potential demand requirements of the larger meters. The current OHA water storage capacity of 125,000 gallons is used to distribute water to all of the customers in the Highlands. Water to the tanks is provided as necessary and is pumped infrequently and for relatively short durations. Given this requirement, the equivalent meter capacity ratio would create a demand of only 5.33 concurrent ¾" customers for demand and capacity.

OHA residential customers are provided water through individual ¾" meters. Due to the way that the 2" meter usage blocks are determined, most of the water billed to the OHA is included in the 3<sup>rd</sup> block and thus the 3<sup>rd</sup> usage rate applies. The most recent WWSC monthly billing to the OHA was for 133050 cubic feet. This would be an average monthly water usage of 1209 cubic feet per OHA residential customer. Due to the current and proposed rate structure, 124517 cubic feet (93.6%) were billed in the 3<sup>rd</sup> block and thus had the 3<sup>rd</sup> usage rate applied to OHA customers. Had the OHA residential customers been billed at the ¾" rate, the 2<sup>nd</sup> block (601CF-1,600CF) would not have been exceeded.

Current WWSC 2" meter monthly rate for 110 OHA residential customers at 1000CF:

Base Rate: \$102.13

1<sup>st</sup> Block:  $3200CF(\$2.95/100CF) = \$94.40$

2<sup>nd</sup> Block:  $5332CF(\$3.60/100CF) = \$191.95$

3<sup>rd</sup> Block:  $101467CF(\$4.40/100CF) = \$4464.55$  Total: \$4853.03

Proposed WWSC 2" meter monthly rate for 110 OHA residential customers at 1000CF:

Base Rate: \$111.99

1<sup>st</sup> Block:  $3200CF(\$3.40/100CF) = \$108.80$

2<sup>nd</sup> Block:  $5328CF(\$4.40/100CF) = \$234.43$

3<sup>rd</sup> Block:  $101472CF(\$5.50/100CF) = \$5580.96$  Total: \$6036.18

This represents a rate increase to the OHA of **24.4%**, far exceeding the 15.1% increase represented in the WWSC filing example for a ¾" residential customer.

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With two other local water systems consisting of like residential properties served by ¾" meters, we find it inequitable and unjustifiable that the OHA is charged at a higher rate because of the 2" equivalent meter capacity ratio. We ask that the WUTC Staff and Commissioners consider this disparity when the review of the WWSC request for a rate increase occurs.

We also ask that the WUTC grant WWSC an exception so that the Orcas Highlands Association residential customers may be billed at \$5.05 for the 3<sup>rd</sup> Usage Rate instead of the proposed \$5.50. This lower rate would still provide WWSC with a 15% rate increase for water provided to the OHA, equal to the proposed rate increase to our residential neighbors served by ¾" meters.

We would also note that WWSC has provided their customers with little data to support a 15.99% annual revenue increase as requested. The cost reductions that are cited total only \$94,000 annually and account for only 1% of their annual budget.

The OHA would very much appreciate the consideration of the WUTC Staff and Commissioners when making the decision for the requested rate increase by WWSC.

Thank you,

Orcas Highlands Association Board of Directors