

Agenda Date: October 28, 2010  
Item Number: A9

**Dockets:** UW-101300  
Company Name: Pattison Water Company, Inc.

Staff: Christopher Mickelson, Regulatory Analyst  
Dennis Shutler, Consumer Protection Staff

### **Recommendation**

Take no action, allowing the revised rates filed by Pattison Water Company, Inc. on October 20, 2010, in Docket UW-101300 to become effective November 1, 2010, by operation of law.

### **Discussion**

On July 27, 2010, Pattison Water Company, Inc., (Pattison or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$85,000 (15.9 percent) in additional annual revenue. The company serves 1,454 water customers in Thurston County. The proposed rates are prompted by additional purchased assets put into service and increases in operating and administrative costs such as insurance, payroll and benefits since the last rate increase. The company's last general rate increase became effective on January 1, 2007.

Staff's analysis shows the company did not correctly recognize a beginning-and-end-of-year adjustment to assets purchased during the test period, made a partial pro forma asset adjustment without recognition of offsetting funds received in the form of contributions-in-aid-of-construction, and used an incorrect weighted average cost of capital structure to calculate the weighted cost of debt, pro forma interest expense, and the operating income requirement.

Staff and the company agreed to a revised revenue requirement of \$9,258 (1.7 percent) in additional annual revenue and revised rates. On October 20, 2010, the company filed revised rates at staff recommended levels.

Staff's revised rate design is different from the company's original proposal to customers. Staff's revised rate design adjusts the water usage blocks, adds upsize meter usage blocks, adjusts usage rates in each usage block, decreases the rate for the base charge, and increased the unmetered charge. Except for the flat rate, for which the company has no customers, the revised rates result in lower total charges as compared to the original proposed rates.

A customer using 983 cubic feet (the calculated company-wide average water usage) of water per month would pay \$3.46 (12.8 percent) more per month using the revised rates instead of \$5.91 (21.9 percent) more using the original rates proposed by the company (see "Average Bill Comparison" table below).

**Customer Comments**

On July 27, 2010, the company notified its customers of the proposed rate increase by mail. The commission received no customer comments on this filing.

**Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
Flat Rate (Unmetered) <sup>1,2</sup>	\$20.43	\$23.67	\$32.42
Base Rate (5/8-inch meter) <sup>1</sup>	\$16.35	\$18.15	\$12.75
0 – 500 Cubic Feet <sup>1,3</sup>	\$1.00	\$1.25	\$1.68
501 – 600 Cubic Feet <sup>1,3</sup>	\$1.20	\$1.75	\$1.68
601 – 2,000 Cubic Feet <sup>1,3</sup>	\$1.20	\$1.75	\$1.98
2,001 – 2,220 Cubic Feet <sup>1,3</sup>	\$1.80	\$3.00	\$1.98
2,221 – 4,000 Cubic Feet <sup>1,3</sup>	\$1.80	\$3.00	\$2.66
Over 4,000 Cubic Feet <sup>1,3</sup>	\$3.00	\$3.00	\$2.66

<sup>1</sup> – Based on 5/8-inch meter classification, see company’s tariff for upsized meter classification, usage blocks and rates.

<sup>2</sup> – No customers are in this tariff classification.

<sup>3</sup> – Based on “per 100 cubic feet”.

**Average Bill Comparison**

<b>Average Monthly Usage 983 cubic feet<sup>4</sup></b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
Base Rate (5/8-inch meter)	\$16.35	\$18.15	\$12.75
0 – 500 Cubic Feet	\$5.00	\$6.25	\$8.40
501 – 600 Cubic Feet	\$1.00	\$1.75	\$1.68
601 – 983 Cubic Feet	\$4.58	\$6.69	\$7.56
Average Monthly Bill	\$26.93	\$32.84	\$30.39
Increase from Current Rate		21.9%	12.8%

<sup>4</sup> – Based on a company-wide average customer water usage.

**Conclusion**

Commission staff has completed its review of the company’s supporting financial documents, books and records. Staff’s review shows that the expenses are reasonable and required as part of the company’s operation. The company’s financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

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