

Agenda Date: June 11, 2015
Item Number: A2

Docket: UW-150604
Company Name: The Oak Park Water Company, Inc.

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

Recommendation

Allow the rates filed by The Oak Park Water Company, Inc., on April 13, 2015, and revised on May 26, 2015, to become effective June 22, 2015, by operation of law.

Discussion

On April 13, 2015, The Oak Park Water Company, Inc., (Oak Park or company) filed with the Utilities and Transportation Commission (commission) a general rate case that would generate \$27,240 (23.5 percent) additional annual revenue. The company serves about 215 customers near Shelton in Mason County. The company's last general rate increase for operating expenses was August 15, 2002.

The company is requesting to increase base meter charges and decrease usage blocks. The company notes the filing is due to increased costs of operation for such things as water testing, labor, meter replacement, leak detection and utility expenses.

On May 5, 2015, the company filed to extend the effective date from May 22, 2015, to June 22, 2015. On May 26, 2015, the company filed revised rates at staff recommended levels. While the usage rates have not changed, the usage levels associated with each usage block have been decreased to reflect normal customer usage patterns promoting water use reduction.

Staff's analysis of the company's financial information showed that the company's proposed revenue requirement was excessive. Staff and the company have agreed to a lower revenue requirement of \$8,646 (7.9 percent) additional annual revenue. The substantial reduction in revenue requirement is driven by the company's misclassification of plant assets and contributions-in-aid-of-construction (CIAC) related to construction of a water tower, which resulted in a decrease in its return on equity. The company also significantly overstated employee payroll taxes in error.

Customer Comments

On April 10, 2015, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may access documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or

jcupp@utc.wa.gov with questions or concerns. Staff received three consumer comments, all opposed to the proposed rate increase

General Comments

- Three customers stated general opposition to the amount of the proposed rate increase. Two of the customers state that the company is not providing service to fire hydrants in the community and an increase should not be allowed until the hydrants are operable.

Staff Response

Staff informed the customers that the County Fire Marshal has not required the company to provide working fire hydrants, and that the water system would need substantial upgrades to provide fire flow.

The customers were advised that state law requires rates to be fair, just, reasonable and sufficient allowing the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Regulatory staff reviews filings to ensure all rates and fees are appropriate.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Flat Rate Service	\$34.40	\$44.40	\$43.29
Ready-to-Serve	\$6.40	\$10.00	\$10.00
Base Rate, 3/4-inch meter	\$28.25	\$38.25	\$31.75
0 – 1,500 CF*, per CCF**	\$1.20	NA	NA
1,500 – 2,500 CF, per CCF	\$1.70	NA	NA
2,500 and over, per CCF	\$2.20	NA	NA
0 – 1,000 CF, per CCF	NA	\$1.20	\$1.20
1,000 – 2,000 CF, per CCF	NA	\$1.70	\$1.70
2,001 and over, per CCF	NA	\$2.20	\$2.20

* CF – Cubic Feet ** CCF - 100 Cubic Feet

Monthly Bill Comparison

Monthly	Current Rate	Proposed Rate	Revised Rate
3/4 -Inch Metered Service Base	\$28.25	\$38.25	\$31.75
Average Usage – 962 Cubic Feet	\$11.54	\$11.54	\$11.54
2009 Tank Replacement*	\$4.00	\$4.00	\$4.00
Water Bill Total	\$43.79	\$53.79	47.29
Increase from Current Rate		\$10.00 22.8%	\$3.50 7.99%

*2009 Tank Replacement Surcharge to expire August 1, 2019 or upon the collection of \$204,000.

Ancillary Charges	Current Rate	Proposed Rate	Revised Rate
NSF Check charge	\$10.00	\$25.00	\$17.00
Reconnection	\$25.00	\$35.00	\$25.00
Reconnection (after hours)	\$40.00	\$50.00	\$40.00
Disconnection Visit	\$20.00	\$30.00	\$20.00

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the operating 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.

Conclusion

Allow the rates filed by The Oak Park Water Company, Inc., on April 13, 2015, and revised on May 26, 2015, to become effective June 22, 2015, by operation of law.