

Agenda Date: April 28, 2008
Item Number: A6

Docket: UW-160337
Company Name: Aquarius Utilities, LLC

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

Recommendation

Issue an order granting Aquarius Utilities, LLC's request for an increase in monthly surcharge rate and owner equity investment to service State Revolving Fund loans approved by the Public Works Board.

Background

On July 29, 2008, Aquarius Utilities, LLC (Aquarius or company), filed with the Utilities and Transportation Commission (commission) for a surcharge to service \$2,056,214 in Drinking Water State Revolving Fund (DWSRF) loans approved by the Public Works Board (PWB). Proceeds from the loans were used for capital improvement projects on each of the company's four water systems. The company's loan repayment proposal relied on three revenue sources: monthly surcharges paid by current and future customers, facilities charges paid by future customers and continuing equity investment by the owner. The original surcharge calculation used a customer growth that projected about 9 to 11 new customers each year. The added customers would provide monthly surcharge revenue and also facilities charge revenues which were to be applied to the loans. However, the company's collected revenues have been less than projected because the forecast of customer growth has not materialized. Therefore, to ensure that the company has sufficient revenue to service the loans, and because the revenue streams from the unknown future customers are not certain, the company has proposed to adjust the surcharge based on recent trends. The new filing has lowered the growth rate to about 1 to 2 customers per year based on recent trends.

On March 25, 2016, Aquarius filed with the commission an adjustment to the surcharge to increase the surcharge rate by \$1.70. The company stated that the original revenue sources for repayment were overly optimistic in that customer growth has not met projections. The surcharge increase as proposed would generate an additional \$19,200 (4.1 percent) annually. The company serves 930 customers located in Clallam, Kitsap and Mason counties. The company's last rate increase was effective November 1, 2014.

Aquarius and staff have determined a new rate design in which both the company and the customers will contribute toward the SRF loan repayments. As shown in the table below the customers will receive about a 16 percent increase in the monthly surcharge. The company will also provide additional owner equity of about 16 percent.

Surcharge Rate Schedule

Monthly Surcharge	Current	Proposed	Revised
May 1, 2016 – December 31, 2028*	\$8.70 per month	\$10.40	\$10.10
		\$1.70 19.5%	\$1.40 16.1%

* Or until the loans are paid in full, whichever occurs first.
 The surcharge is in addition to any monthly charges for water service.

Monthly Residential Bill Comparison*

Monthly Average 668 Cubic Feet	Current	Proposed	Revised
3/4-Inch Metered Base	\$19.25	\$19.25	\$19.25
668 Cubic Feet	\$40.03	\$40.03	\$40.03
Surcharge	\$8.70	\$10.40	\$10.10
Water Bill Total	\$67.98	\$69.68	\$69.38
Increase From Current Rates		\$1.70 2.5%	\$1.40 2%

*Based on general rate case UW-141114, Effective November 1, 2014.

Loan Background

The DWSRF loan program provides low-interest loans to water systems around the state for capital improvements that increase public health protection and compliance with drinking water regulations. The loan contracts are low interest (1.5 percent), 20-year loans approved by the PWB. The Department of Health (DOH) and the PWB jointly administer the DWSRF program. The DOH staff evaluates all loan applications and, using a scoring method designed to measure the health risk that each project will address, assigns points to each application. The applications are then ranked according to their scores.

Aquarius was able to receive the loans and build new storage tanks at each of its four water systems, and to improve or upgrade existing storage tanks, including miscellaneous improvements such as booster pump stations, additional water supply, electrical transfer switches and security system upgrades.

Diamond Point – added 70,500 gallon tank and booster pump station, repairs and upgrades to existing tanks and re-routing drain and overflow piping.

Island Lake – added 140,000 gallon tank and booster pump station with 4 pumps, repairs to existing tanks and install 60 KW standby electrical generator and automatic transfer switch to provide continuous operation of booster pump station.

Lynch Cove – added 75,000 gallon tank, replacement of existing tank vent, hatch and level gage and to activate 2 wells, while replacing outmoded electrical and control systems.

Agate West – added 65,000 gallon tank, re-drilled second well, installed transfer switching for portable electrical generator, added new booster pump station with isolation valves and upgraded security measures.

Customer Comments

On March 25, 2016, the company notified its customers by mail of the proposed rate increase. Customers were notified they may access relevant documents about this rate increase on the commission's website, and they may contact John Cupp at 1-888-333-9882 or jcupp@utc.wa.gov with questions or concerns. Staff received six consumer comments, all opposed to the proposed rate increase.

General Comments

- One customer wants the commission to wait on a decision until after his community has a meeting in May. A new church is being built, and costs of the adding water lines should be borne by the company.

Staff Response

Facilities charges from future development are being considered in the surcharge. Construction of new plant is not part of the surcharge for historical plant funded by SRF loans.

- A customer stated that the commission has never verified where the surcharge money has gone.

Staff Response

The Department of Health and Public Works Board reviews and authorizes loan expenditures.

- The commission should require the company to submit its Water System Plan before allowing the company to request a rate increase.

Staff Response

- Water System Plans are required by the Department of Health and do not have a bearing on the company's request.

Conclusion

Staff concludes that the company's financial information supports the proposed surcharge request and the proposed surcharge is fair, just, reasonable, and sufficient.

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