

Agenda Date: February 28, 2018
Item Number: A1

Docket: UW-171223
Company Name: Northwest Water Services, LLC

Staff: Tiffany Van Meter, Regulatory Analyst
Cristina Steward, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Allow the tariff pages filed by Northwest Water Services, LLC, on December 29, 2017, to become effective March 1, 2018, by operation of law.

Background

On December 29, 2017, Northwest Water Services (Northwest or company) filed with the Utilities and Transportation Commission (commission) a tariff revision that would generate approximately \$24,000 (24.5 percent) additional annual revenue. The company serves 214 customers on various water systems in Snohomish, Skagit, and Island Counties.

The company has recently purchased multiple water systems where rates have not been addressed since 2007. These systems include Lake Alyson, Tjetland, and Bacus Road. These systems, purchased in 2017, bring with them an additional 162 customers. The company is applying single tariff pricing to take advantage of economies of scale.

Staff examined the company's affiliated interest transactions in detail and all other financial and usage data and supporting records. Staff has determined that the company has supported the requested revenue requirement and proposed rate structure.

Customer Comments

On December 29, 2017, the company notified its customers by mail of the proposed rate increase. Customers were notified that 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 john.cupp@utc.wa.gov with questions or concerns. Staff received comments from two customers, both opposed to the rate increase.

- The customers believe the amount of the proposed increase is excessive, and it is unfair to allow a company to recover money it has lost over the past 10 years.

Staff's Response

Staff explained the company has not increased its rates for 10 years, and the current rate increase request was investigated based on what it costs to operate today. The company estimated it costs 32 percent more to operate today than it did 10 years ago. Staff provided a brief description of the investigation performed in rate cases.

Rate Comparison

| Monthly Rate | Current Rate | Proposed Rate | Percentage Rate Increase |
|---------------|--------------|---------------|--------------------------|
| Base Charge * | \$ 30.00 | \$ 35.00 | 16.6% |
| Block 1 | \$ 1.50** | \$ 1.50** | 0% |
| Block 2 | \$ 2.00** | \$ 2.50** | 25% |
| Block 3 | \$ 2.50** | \$ 3.50** | 40% |
| | | | |
| Usage Blocks | Current | Proposed | |
| Block 1 | 0-7,500 | 0-5,000 | |
| Block 2 | 7,501-11,999 | 5,001-10,000 | |
| Block 3 | >11,999 | >10,000 | |

* For 3/4-inch connection; other base rates available in tariff.
 ** Per 1,000 gallons

Average Residential Monthly Bill Comparison

Average Monthly Usage – 10,000 gallons/month

| Monthly Rate | Current Rate | Proposed Rate | Percentage Increase |
|--|-----------------|-----------------|---------------------|
| Base Charge * | \$ 30.00 | \$ 35.00 | 16.6% |
| 10,000 gallons/month usage | \$ <u>19.35</u> | \$ <u>29.31</u> | 51.5% |
| Total Average Monthly Bill | \$ 49.35 | \$ 64.31 | 30.3% |
| | | | |
| Flat Rate Service | \$42.00 | \$45.00 | 7.1% |
| | | | |
| Skagit River Colony (Flat Rate per customer) | \$20.00 | \$45.00 | 125% |
| | | | |

Conclusion

Commission staff has completed its review of the company's supporting financial documents, books, and records. Staff's review shows that the proposed rates are reasonable and required as part of the company's operations. The customers' comments do not change staff's opinion that the company's financial information supports the revenue requirement, and the rates and charges are fair, just, reasonable, and sufficient.

Therefore Staff recommends the Commission allow the tariff pages filed by Northwest Water Services, LLC, on December 29, 2017, to become effective March 1, 2018, by operation of law.