

Agenda Date: May 30, 2001
Item Number: 2G

Docket: UW-002051
Company Name: Tall Timber Water Systems, LLC

Staff: Jim Ward, Revenue Requirements Specialist
Penny Hansen, Public Involvement Coordinator

Recommendation:

Dismiss the Complaint and Order Suspending the Tariff Revisions by Tall Timber Water Systems, LLC, in Docket UW-002051, and approve the revised surcharge and require reporting, effective June 1, 2001.

Discussion:

On December 22, 2000, Tall Timber Water Systems, LLC, (Company) filed for a rate increase of \$4,468 (2 percent) of annual revenue. This rate increase is in the form of a surcharge applied to one water system owned by the Company. Cedar Shores water system serves 36 connections and is located off of Steamboat Island Road, east of Olympia, in Thurston County. The Company serves approximately 580 customers on 57 water systems, located in west Mason County, north Lewis County and south of Olympia, in Thurston County.

This filing is made to recover the cost of water treatment plant recently installed by the company. The water treatment is for two secondary contaminants, iron and manganese. The overall proposed cost for the improvements is approximately \$45,808.

In the original filing, the Commission received several customer letters and Staff attended a public meeting with the customers on January 3, 2001. Customers were concerned with the quality of the water and the lack of information and maintenance done by the Company since being purchased in 1997. Customers believe the water treatment capital cost should be spread among all customers of the Company and not applied only to them. Customers believe the company did not follow the procedures in its 1999 letter to the customers regarding treatment options. The customers were also not aware that the company interpreted the survey performed last year to be a “vote” approving the company to purchase, install and recover the cost of water treatment.

Subsequent to the original filing in November of last year for a general company wide treatment surcharge, Commission Staff, Company and customers met several times and agreed on a ballot to determine the appropriateness of the treatment surcharge for Cedar Shores only. This ballot was to allow customers the opportunity to vote for the treatment system cost recovery or to have the treatment system removed. The Commission Staff mailed ballots to all 36 customers. Out of 36 customers the Commission received 20 returned ballots, 17 ballots in favor of the surcharge of \$13.25 and 3 customers opposed. There have not been any further customer comments regarding this issue.

<u>Monthly Surcharge Rate</u>	<u>Current</u>	<u>Proposed</u>	<u>Revised</u>
Cedar Shores Capital Improvement	N/A	\$ 10.95	\$ 13.25

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The revised surcharge would be collected from Cedar Shores customers only. The Total cost for iron/manganese treatment is \$45,808. The monthly surcharge is based on current number of customers (36) and allows recovery over a 20-year period. This monthly surcharge includes principal, interest and state tax. New connections would pay a catch-up payment (based on time from surcharge starting to connection) and the monthly surcharge. New customer connections would reduce the life of the surcharge recovery period and the amount collected from each customer. Surcharge will expire in 20 years or sooner if the principal is repaid. A one-time payment of \$1,273 may be made in the first 90 days of the collection period to avoid interest cost.

Surcharge collection and administration are subject to the provisions of WAC 480-110-455, water company funding mechanisms and specifically WAC 480-110-455 (4), accounting and reporting requirements.

The Company has demonstrated that the revised surcharge is fair, just, and reasonable. Therefore, Staff recommends that the Commission Dismiss the Complaint and Order Suspending the Tariff Revisions by Tall Timber Water Systems, LLC, in Docket UW-002051, and approve the revised surcharge and require reporting effective June 1, 2001.