

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITES AND TRANSPORTATION COMMISSION,)	
)	
Complainant,)	DOCKET UW-011576
)	
vs.)	SETTLEMENT AGREEMENT
)	
Meadows Water System, LLC,)	
)	
Respondent.)	
.....)	

BACKGROUND AND FACTS

- 1 On November 27, 2001, Meadows Water System, LLC (Meadows Water or Company) filed proposed tariff revisions to increase the rates charged to customers. The stated effective date of the proposed new rates was January 1, 2002. The proposed general rates were designed to produce an additional \$58,000 (23 percent) annually, or \$7.38 per customer per month. The requested increase is to reflect the completed installation of 800 new electronic water meters in July of 2001. The Company serves approximately 790 customers north of Olympia, in Thurston County. The Commission, by Order dated December 28, 2001, suspended the operation of the proposed tariff revisions pending a hearing concerning such changes and the justness and reasonableness thereof.
- 2 A Prehearing Conference was held on March 21, 2002. At that time, a procedural schedule for the case was agreed on, and the parties requested that the Commission provide assistance to them in mediating a negotiated resolution to the case. The Company and Commission Staff have met and conferred, and have agreed to resolve the case without necessity of a contested case hearing.
- 3 The owners of Meadows Water System, LLC have formed an affiliated, non-regulated entity to provide management and operational services to both regulated and non-regulated companies. Utility Management Services, LLC (UMS) provides certified operators for several affiliated, regulated water companies and other non-

affiliated, non-regulated water companies. By using UMS, Meadows Water System, LLC is able to operate with efficiencies. However, UMS cost allocations between the various affiliated and non-affiliated water companies and regulated water companies is a matter of concern to staff and a record keeping constraint.

TERMS OF AGREEMENT

4 The terms of the settlement agreement are as follows:

5 Staff and Meadows Water System, LLC agree to the following:

- a. The total effect of the tariff revisions will be to increase the Company's revenue requirement by \$43,000 annually, plus associated taxes.
- b. The Company and Staff agree that the specific amounts shown on the results of operations, Exhibit A to this Settlement Agreement, will be used to allocate the revenues from specific cost elements, in order to achieve this additional revenue requirement.
- c. The Company and Staff agree that the rate design, as shown on Exhibit B to this Settlement Agreement, will be used to recover the revenues from specific customers in order to achieve this additional revenue requirement.
- d. The Company and Staff agree to total management compensation being allocated to all regulated water utilities. While previous cases included amounts for management compensation at both the UMS and the regulated company level, in this case we evaluated management compensation considering all regulated companies and then allocated a portion to Meadows Water System, LLC, based on the number of customers. For the purpose of settling this case, parties agree to \$90,000 total management plus 25 percent benefits.

6 Meadows Water System, LLC owners agree to the following:

- a. Maintain detailed daily time sheets for all Meadows Water System, LLC and all Utility Management Services, LLC employees.
- b. Confirm in writing that the company's Retirement Plan is effective prior to the rates becoming effective and that the retirement plan for all Utility Management Services, LLC employees will be maintained.

- c. Confirm in writing that the company's Medical Plan is effective prior to the rates becoming effective and that the medical plan for all Utility Management Services, LLC employees will be maintained.
- d. After collection of timesheet and other data for a period of one year of operations, Utility Management Services, LLC will reevaluate the cost allocation methods used for all Utility Management Services, LLC expenses. A report of this cost allocation review will be submitted to Commission staff within 30 days of the end of one-year data collection and review.

7 Staff may request that the Commission assess the costs of Staff's investigation on the Company. In the event such request is made, and granted by the Commission, Staff agrees that it is appropriate to allow the Company to recover those costs in rates.

8 The parties agree to pursue presentation of this Settlement Agreement in order to allow the revised rates to become effective on May 1, 2002. All parties agree that the agreements reached in resolution of this case, the adjustments allowed in this case, and the filing in this case do not constitute precedent for these companies or any other company in terms of methodology or allowance of adjustments. By entering into this Settlement Agreement, neither the Company nor Commission Staff intends the items agreed upon to be binding on either party in future proceedings. If this settlement agreement is rejected by the Commission, each party reserves the right to take different positions at hearing.

DATED this ____ day of April 2002.

CHRISTINE O. GREGOIRE
Attorney General

MARY M. TENNYSON
Sr. Assistant Attorney General
Counsel for Commission Staff

STEPHEN L. HARRINGTON
Co-Manager for Respondent
Meadows Water System, LLC.