

Agenda Date: April 14, 2022
Item Number: A1

Docket: UW-220157
Company: Camano Hills Water Company

Staff: Ben Sharbono, Regulatory Services
John Cupp, Consumer Protection

Recommendation

Take no action, allowing tariff revisions and rates filed by Camano Hills Water Company on March 8, 2022, as revised on April 5, 2022, to take effect on April 15, 2022, by operation of law.

Discussion

On March 8, 2022, Camano Hills Water Company (Camano Hills or Company) filed a general rate case with the Washington Utilities and Transportation Commission (Commission). The Company is seeking to increase annual revenues by \$106,405 (50.2 percent). The filing is due to increases employee costs, contract expenses, and other general operating expenses. The Company serves approximately 215 residential and commercial customers in Island County. The Company's last general rate increase became effective April 1, 2015.

The Company provided Commission staff (Staff) with financial statements and supporting documents showing increases in wages, materials, and supplies, and indicating the contract operator company rates were increasing 15 percent.

The submission included an increase in expense for officer salary. Staff's comparison of wages to the prior rate case found the Company increased wages for officers \$20,000 and was requesting to include a 5 percent increase in wages. Staff asked the Company to provide the job duties for all employees and contractors. Based on the information received, Staff does not believe a salary increase is justifiable. The Company had previously handled its own operations. Most operations are now handled by contract operators. Staff reduced the wages to the amount previously approved and corrected payroll taxes to reflect the adjustment.

Staff reviewed the calculation for contractual operations expenses. The Company hired King Water Company to provide water management and billing services. King Water Company increased its rates to Camano Hills starting February 1, 2022. Staff found the Company's pro forma adjustment combine the expense and pro forma increase, causing a double recognition of the expense. Staff adjusted the pro forma to reflect only the increasing costs.

Staff's other adjustments corrected categorization of information and removed inflation increases.

After analysis and adjustments made to employee wages, taxes and depreciation expense Staff found the Company's initial requested increase of \$106,405 in annual revenue was overstated.

Staff and the Company agreed to a revised additional annual revenue amount of \$11,087 (5.4 percent).

Rate Comparison

The proposed effective date of the tariff filing is April 15, 2022.

Staff’s review noted the Company’s usage blocks were significantly higher than average usage. Usage blocks are generally set using the customers’ winter average usage to set Usage Block 1’s volume. Likewise, customers’ summer average usage is used to set the Usage Block 2’s volume. Block 3 is anything over the average summer usage. This rate design is used to encourage conservation of resources and set rates to recover the cost of the system from cost causers. As such, Staff found the increase in revenue could be accomplished by adjusting the usage blocks to comply with this practice, while not affecting the rates themselves.

The below tables show the current, company-proposed, and staff-revised water rates and volumes for a standard 3/4-inch meter. The full list of rates is in the Company’s tariff.

Monthly Rates	Current Rate	Proposed Rate	Revised Rate	Difference Revised to Current	
Base Rate	\$30.00	\$47.00	\$30.00	\$0.00	0%
0 – 950 cu. ft. per 100 cu. ft.	\$3.50				
0 – 500 cu. ft. per 100 cu. ft.		\$6.00			
0 – 550 cu. ft. per 100 cu. ft.			\$3.50	\$0.00	0%
951 – 2,200 cu. ft. per 100 cu. ft.	\$4.55				
501 – 1,000 cu. ft. per 100 cu. ft.		\$7.00			
551 – 1,200 cu. ft. per 100 cu. ft.			\$4.55	\$0.00	0%
Over 2,201 cu. ft. per 100 cu. ft.	\$7.75				
Over 1,001 cu. ft. per 100 cu. ft.		\$10.00			
Over 1,201 cu. ft. per 100 cu. ft.			\$7.75	\$0.00	0%

One cu. ft. = approximately 7.48 gallons of water
(cu. ft. = cubic feet)

Monthly Residential Bill Comparison

Bill Impact Monthly Average 897 Cu. Ft.	Current Rate	Proposed Rate	Revised Rate
3/4-Inch Metered Service Base Rate	\$30.00	\$35.60	\$30.00
Current Usage Block 1 – 0-950 cu. ft.	\$31.38		
Proposed Usage Block 1 – 0-500 cu. ft.		\$31.50	
Revised Usage Block 1 – 0-550 cu. ft.			\$19.25
Current Usage Block 2 – 951-2,200 cu. ft.	\$0.00		
Proposed Usage Block 2 – 501-1,000 cu. ft.		\$10.82	
Revised Usage Block 2 – 551 – 1,200 cu. ft.			\$15.77
Current Usage Block 3 – Over 2,201 cu. ft.	\$0.00		
Proposed Usage Block 3 – Over 1,001 cu. ft.		\$0.00	
Revised Usage Block 3 – Over 1,201 cu. ft.			\$0.00
Total Average Bill	\$61.38	\$77.92	\$65.02
Increase from Current Rates		26.9%	5.9%

Ancillary Charge Comparison

Below is a table showing the Company's current, proposed, and revised Ancillary charges:

Ancillary Charges Effective 4/15/2022	Current Rate	Proposed Rate	Revised Rate	Difference Revised to Current	
Disconnection Visit Charge	\$0.00	\$25.00	\$25.00	\$25.00	N/A
Reconnection Visit Charge	\$30.00	\$50.00	\$50.00	\$20.00	66.7%
Service Visit Charge per hour	\$25.00	\$65.00	\$65.00	\$40.00	260%
Late Payment (Minimum)*	\$2.00	\$6.00	\$6.00	\$4.00	300%
NSF Charge (per check)	\$30.00	\$35.00	\$12.00	(\$18.00)	-60%
Water Availability Letter Charge	\$10.00	\$50.00	\$50.00	\$40.00	500%
Backflow Assembly Inspection	\$0.00	T&M**	T&M**	N/A	N/A
Seasonal Turn off/on (per visit)	\$0.00	\$25.00	\$25.00	\$25.00	N/A
Damage and Repair (Rule 28)	\$0.00	T&M**	T&M**	N/A	N/A

*The late payment charge is a minimum of \$6.00 or 2% of the delinquent balance monthly, whichever is greater.

**Time and Materials

Customer Comments

On March 10, 2022, 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 that they may contact John Cupp at 1-888-333-9882 or comments@utc.wa.gov with questions or concerns. Staff received four comments and all commenters believe the amount requested is excessive and three commenters note the amount far exceeds the rate of inflation.

Staff Response

State law requires rates to be fair, just, reasonable, and sufficient to allow the Company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Commission Staff performs a thorough review of rate filings to ensure that all rates and fees are appropriate. Staff explained that rates are based on actual costs, and not on inflation.

Conclusion

Commission staff has completed its review of the Company's supporting financial documents, books, and records. Staff was able to determine the Company's financial information supports the revised revenue requirement and the revised rates are fair, just, reasonable, and sufficient.

Recommendation

Take no action, allowing tariff revisions and rates filed by Camano Hills Water Company on March 8, 2022, as revised on April 5, 2022, to take effect on April 15, 2022, by operation of law.