

Agenda Date: September 24, 2014  
Item Number: A3

Docket: UW-143116  
Company Name: Washington Water Service Company

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

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Washington Water Service Company on August 13, 2014.

### **Discussion**

On August 13, 2014, Washington Water Service Company (Washington Water Service or company), filed a proposed rate increase that generates \$1,501,610 (15.9 percent) additional annual revenue. The filing is prompted by increases in transportation expense, property taxes and employee costs, and \$2.6 million investment in new plant. The company provides water service to approximately 16,450 customers on 196 water systems located in eight counties. The proposed effective date is September 25, 2014. The company's last general rate change was February 1, 2012.

Staff has reviewed the filing and notes the company has reduced cost in several areas. Decreases in costs for compensation, customer billing, use of electronic notices and extending vehicle service lives before replacement have helped to limit the amount of the increase. However, Department of Health fees, property taxes and additional capital investment in plant have increased.

The company has not responded to staff's data requests. Therefore, the company has not yet demonstrated it needs additional revenue and has not demonstrated the proposed rates are fair, just, reasonable and sufficient.

### **Customer Comments**

On July 31, 2014, the company notified its customers by mail of the proposed rate increase. The customers were notified they may access relevant documents about this case on the commission's website, and may contact John Cupp at 1-888-333-9882 or [jcupp@utc.wa.gov](mailto:jcupp@utc.wa.gov) with questions or concerns. Staff received 47 consumer comments regarding the proposed rate increase; 46 opposed to the rate increase and one undecided.

### **Service Quality**

- Two customers on two different systems expressed concerns about their water. One mentioned low water pressure. In both cases staff asked the company to explain the situation and share the company's response history in each case.

### Staff Response

In both cases, manganese was the issue, though in neither case was it considered a health risk. Staff looked at Department of Health data for both systems and found that there are no compliance activities or restrictions on either system.

- A customer commented that the company failed to forewarn customers when it flushed pipes. He also is concerned that he does not see the company test its backup generator.

The company explained that it sends customer notices and posts sandwich boards prior to flushing the system. The generator on this customer's system has an automatic start that exercises the system every week. Propane levels and run time meters are read monthly to verify that the generator was started.

### General Comments

- The amount of the increase was the main concern for 18 commenters, and many of them think the company raises its rates too frequently, and that the company should do more to keep its costs down. Staff received comments from several low income customers who are concerned about being able to pay higher rates.

### Staff Response

The customers were advised that 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. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

- Orcas Highlands Association states that the proposed rates will result in a 24.4 percent increase in its monthly bill because they are served by a two-inch meter.

Staff sets rates according to meter-size ratios set by the American Water Works Association. According to AWWA standards, a 2-inch meter has a flow capacity of 5.33 times that of a 3/4-inch meter. The commission does not regulate the rates Orcas Highlands Association charges its members.

### Rate Comparison

Monthly Rate	Current Rate	Proposed Rate
Non-Metered Rate	\$48.15	\$54.19
Ready To Serve	\$19.15	\$21.00
Base Rate, 3/4-Inch Meter <sup>1</sup>	\$19.15	\$21.00
0 – 600 CF <sup>2</sup> , Per CCF <sup>3</sup>	\$2.95	\$3.40
601 – 1,600 CF, Per CCF	\$3.60	\$4.40
Over 1,600 CF, Per CCF	\$4.40	\$5.50

1 – Based on 3/4-inch meter classification, see company's tariff for upsize meter classifications, usage blocks and rates.  
2 - CF – Cubic Feet, 3 - CCF - 100 Cubic Feet.

**Monthly Residential Bill Comparison**

<b>Monthly Average 825 Cubic Feet</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
3/4-Inch Metered Base	\$19.15	\$21.00
600 Cubic Feet	\$17.70	\$20.40
225 Cubic Feet	\$8.10	\$9.90
Water Bill Total	\$44.95	\$51.30
Increase From Current Rates		\$6.35 14.1%

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