

Agenda Date: February 26, 2009
Item Number: A3

Docket: UW-082264
Company Name: Southgate Water Company

Staff: Amy White, Regulatory Analyst
Dennis Shutler, Consumer Protection Staff

Recommendation

1. Issue a Complaint and Order Suspending the Tariff Revisions filed by Southgate Water Company; and
2. Allow temporary rates at the staff recommended revised rates to become effective March 1, 2009, on a temporary basis, subject to refund.

Discussion

On December 30, 2008, Southgate Water Company (Southgate or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$10,554 (27 percent) in additional revenue per year. The company serves 54 customers in Benton County, Washington. The proposed rates are prompted by increases in maintenance and repairs; utilities; water testing; meter reading, billing, legal, and accounting services; property and business taxes; and office supplies and postage. The company's last general rate increase became effective in April 2007.

On January 4, 2009, the company notified its customers of the rate increase by mail. One customer comment has been received to date. This customer opposes the rate increase.

Consumer Protection staff advised the customer that they may access company documents pertinent to this rate case at www.utc.wa.gov, and www.utc.wa.gov/water and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

General Comment

- The customer stressed concern about the frequency of recent rate increases; third increase since 2005.

Staff Response

Staff advised the customer that state law requires rates to be fair and reasonable for customers, but sufficient to allow the company the opportunity to recover operating expenses and earn a return on investment.

Staff has reviewed the company's supporting financial information and records, and found that the company has justified its need for an additional \$10,554 in revenues. The company's proposed rates included a 15,000 gallon usage allowance in the base charge and two usage

blocks. Staff proposed, and the company accepted, a revised rate design with a zero usage allowance in the base charge and three usage blocks, rather than two, to encourage water conservation. The company filed the revised rates on February 13, 2009 and sent a new notice to its customers on February 13, 2009. The revised rate structure generates the same overall revenue increase.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Base rate (3/4-inch meter) including 15,000 gallon allowance	\$37.50	\$50.00	NA
Base rate (3/4-inch meter) with zero use allowance	NA	NA	\$40.00
0 - 10,000 gallons, per 1,000 gallons	\$0.00	\$0.00	\$1.00
10,001 – 15,000 gallons, per 1,000 gallons	\$0.00	\$1.00	\$1.00
15,000 - 40,000 gallons, per 1,000 gallons	\$1.00	\$1.00	\$1.00
40,001 – 50,000 gallons, per 1,000 gallons	\$1.00	\$3.00	\$3.00
50,001 – 80,000 gallons, per 1,000 gallons	\$3.00	\$3.00	\$3.00
80,001 gallons and above	\$3.00	\$3.00	\$5.00

Average Bill Comparison

Average Monthly Usage 23,821 gallons	Current Rate	Proposed Rate	-Revised Rate
Base Rate (3/4-inch meter)	\$37.50	\$50.00	\$40.00
0-10,000 gallons	\$ 0.00	\$ 0.00	\$10.00
10,001 – 15,000 gallons	\$ 0.00	\$ 5.00	\$ 5.00
15,001 – 23,821 gallons	\$ 8.82	\$ 8.82	\$ 8.82
	\$46.32	\$63.82	\$63.82
			(37.8%)

Conclusion

Although the company has filed its revised rate structure, customers have had less than 30 days notice to review the revised rate structure to which staff and the company have agreed. Therefore, staff recommends the commission:

1. Issue a Complaint and Order Suspending the Tariff Revisions filed by Southgate Water Company; and
2. Allow temporary rates at the staff recommended revised rates to become effective March 1, 2009, on a temporary basis, subject to refund.