

Agenda Date: December 30, 2010
Item Number: A7

Docket: UW-101685
Company Name: Lakeland Village Water Company, Inc.

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

Recommendation

Allow the revised rates filed by Lakeland Village Water Company, Inc., on December 21, 2010, in Docket UW-101685 to become effective January 1, 2011, by operation of law.

Discussion

On October 12, 2010, Lakeland Village Water Company, Inc. (Lakeland or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$76,626 (34.5 percent) in additional annual revenue. The stated effective date is January 1, 2011. The proposed rates were prompted by increases in wages, health insurance, and rent costs. The company serves 820 customers near Allyn in Mason County. The company's last general rate increase became effective May 1, 2003.

Staff's review of the company's filing found that the proposed rates would generate excessive revenue. Staff and the company agreed to a revised revenue requirement of \$38,940 (17.5 percent) in additional annual revenue and lower revised rates. On December 21, 2010, the company filed revised rates at staff recommended levels.

Staff examined the operating expenses of the company, devoting particular attention to transactions and contracts with affiliated companies Anderson and Sons and Lakeland Village Golf Course. Staff found that the company had not made regulatory adjustments for contributions-in-aid-of-construction (CIAC) assets on the company's balance sheet and that purchased power costs had been excessive during the test year due to problems related to a new well placed into service in 2009. Staff also reclassified a utility tax expense that the company had incorrectly reported in its electronic expense filing with the commission.

Staff's revised rate design differs from the company's original proposal to customers because it incorporates smaller usage blocks as well as an inclining-block rate structure to promote water conservation. The company's proposed rate structure included a declining-block rate structure. Additionally, staff worked with the company to design a rate structure including ¾-inch meters, which are the standard for the company, rather than the current structure which sets rates for meter sizes "1 inch or less" (as described in the current tariff).

A customer using 904 cubic feet (the calculated company-wide monthly average water usage) of water per month would pay \$3.07 (13.5 percent) more per month using the revised rates instead

of \$9.34 (41 percent) more using the rates proposed by the company (see “Average Bill Comparison” table below).

Customer Comments

On September 30, 2010, the company notified its customers of the proposed rate increases by mail. Four customer comments have been received to date. All customers oppose the proposed increase. Please note that customers often address several issues of concern within one comment. Therefore, subtotals may not equal the number of comments submitted.

Consumer Protection staff has advised customers that they may access company documents about 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.

Business Practices

- One customer believes the rate payers should not have to pay for all the testing, employee wages and benefits, and business costs.

Staff Response

These are operating expenses which the company is allowed to recover.

- One customer believes the company employs no full-time employees.

Staff Response

The company employs one full-time and three part-time employees.

- One customer believes the company charges the customers for water used on the golf course.

Staff Response

The golf course is not a customer of the water company. It has its own irrigation well and pays all associated operating costs for the operation of the golf course, including power costs related to the golf course's well.

General Comment

- Two customers believe the increase is excessive due to current economic conditions.

Staff Response

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 investment.

Rate Comparison

Monthly Rate	Current Rate	Company Proposed	Staff Revised
Base Rate, ¾- inch meter	\$13.75	\$12.25	\$11.00
0-500 CF, per 100 CCF	\$1.00	\$2.00	\$ 1.60
501-1000 CF, per CCF	\$1.00	\$2.45	\$ 1.70
1,001 – 1200 CF, per CCF	\$1.00	\$2.45	\$ 2.00
1,201 CF and above, per CCF	\$1.00	\$1.70	\$ 2.00
Base Rate, 1-inch meter	\$13.75	\$10.75	\$18.37
0-500 CF, per CCF	\$1.00	\$2.00	\$1.60
501 – 835 CF, per CCF	\$1.00	\$2.45	\$1.60
836 -1000 CF, per CCF	\$1.00	\$2.45	\$1.70
1001 - 1200 CF, per CCF	\$1.00	\$2.45	\$1.70
1201 - 1670 CF, per CCF	\$1.00	\$1.70	\$1.70
1670 CF and above, per CCF	\$1.00	\$1.70	\$2.00

Average Bill Comparison

Average Monthly Usage 904 cubic feet	Current Rate	Company Proposed	Staff Revised
Base Rate (¾-inch meter, zero allowance)	\$13.75	\$12.25	\$11.00
0 - 500 Cubic Feet	\$ 5.00	\$10.00	\$ 8.00
501 – 904 Cubic Feet	\$ 4.03	\$ 9.87	\$ 6.85
Average Water Bill Total	\$22.78	\$32.12	\$25.85
Increase from Current Rate		41.0%	13.5%

Commission staff has completed its review of the company’s supporting financial documents, books and records. Staff’s review shows that the operating expenses are reasonable and required as part of the company’s operation. The company’s financial information supports the revised revenue requirement and charges are fair, just, reasonable, and sufficient.

Conclusion

Allow the revised rates filed by Lakeland Village Water Company, Inc., on December 21, 2010, in Docket UW-101685 to become effective January 1, 2011.