

Agenda Date: September 22, 2016  
Item Number: A4

**Docket:** UW-161035  
Company Name: H&R Waterworks, Inc.

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

### **Recommendation**

Allow the tariff pages filed by H&R Waterworks, Inc., on August 29, 2016, and revised on September 13, 2016, to become effective October 15, 2016, by operation of law.

### **Background**

On August 29, 2016, H&R Waterworks, Inc. (H&R Waterworks or company) filed with the Utilities and Transportation Commission (commission) a tariff revision adding rule 21 which implements a Water Budget program for water use and conservation. The program establishes water usage budgets for each customer in a service area where water usage threatens to exceed the company's water rights. Flow restrictors would be installed for customers exceeding their budgeted usage amounts by more than 50 percent per billing period. The company serves 4,115 customers on various systems in Thurston, Mason, Kitsap, Pierce, Lewis, and King Counties.

Over the last several years, the company has experienced increased water usage on several water systems.<sup>1</sup> In June and July of 2015, the company conducted a series of five community water use efficiency workshops with customers to address water usage and ways to achieve water use efficiency. The last several years have been relatively dry which has led to additional water use. To address excessive water use, the company has issued general requests for water use reduction, and in several cases issued mandatory water use restrictions, all after the usage occurred. Such mandates, in conjunction with high water bills due to greater water use, were not enough to deter some customers, and usage approached, or exceeded, the limits of water rights as issued by Department of Ecology. In addition, the company held four Town Hall informational meetings with customers in early July of 2016 to review the water use budget concept and their individual water use history. In addition, the company held a meeting with Home Owner Association leaders as well with the Reserve neighborhood water systems on this same subject.

Department of Ecology sets several limits on water withdrawal from wells. One is the instantaneous amount of water being used as measured in gallons per minutes. The company has designed and sized pumps and pipes to limit this amount of water withdrawal. The other limit is the annual amount of water that is withdrawn from the well. This limit is normally based on acre feet of water withdrawn. An acre-foot is defined as the volume of one acre of surface area to a depth of one foot and equals 325,853 gallons. This amount can be exceeded if customers continue to use water over a longer period of time such as an unseasonably dry summer.

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1) Countrywood and Summerwood, Talcott Ridge, Riverwood and Conifer.

The company claims that with the workshops, restrictions, and the tariffed, three tier increasing block rate structure, conservation both inside and outside the home has not been enough to prevent the company from exceeding its water rights. Working with existing rules and practices, the company believes the next step is to provide a tool for customers to use to prevent excessive water use before it occurs. The tool the company believes will best serve customers and the company to remain within assigned water rights is the Monthly Water Budget program.

A water budget for each customer is established by a review of two components. The first component is an 'Indoor Budget' and is based on the number of household occupants. The initial occupant count is three, and uses a default of 800 cubic feet per month. The company does have an 'Indoor Water Budget Adjustment Application'<sup>2</sup> to apply for a different occupant count or special situations. The second component is an 'Outdoor Budget' and is based on average rainfall, irrigation consumption, and lot size.

The Indoor and Outdoor budgets are combined for each customer for a monthly Water Budget. This monthly amount is stated on each customer's monthly water bill. During the month customers can compare the budget amount to their meter readings to determine how well they are doing in relation to their monthly Water Budget.

Customers who exceed their monthly Water Budget by 50 percent will be provided notice that a flow restrictor will be installed (within 24 hours) to limit the amount of water the customer can use. Flow restrictors will limit the amount of water available to 3 gallons per minute. Restoration of normal meter service by the company will occur (during normal business hours and within 24 hours) after the customer has provided a signed Application to Restore Normal Meter Service<sup>3</sup>. A \$25 service visit charge will apply to have Normal Meter Service re-established.

Staff examined the company's proposed tariff and water budget program. Water budgets are not new. The degree of company review, customer oriented data, and communication of severe consequences is, however, a new issue for this commission. The company has incurred considerable expenses for software upgrades and employee time to determine the best approach to dealing with water overuse by some customers. The Water Budget Program proposed by H&R Waterworks should reduce excessive water usage and not overburden the customers.

The company has implemented the Water Budget Program on five water systems in Thurston County and reported that for the summer of 2016, the affected water systems have dramatically decreased water consumption and no customers have exceeded their budget and been placed on flow restrictions. The savings of water over the previous year was 1,227,101 gallons for July and 592,625 gallons for August.

On September 9, 2016, the company and staff met to discuss the tariff updates and agreed to the filing as it stands now. Staff does have an opinion about the requirement that a customer's account be "current" before a flow restrictor will be removed. Staff believes account status and

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2) Attachment 1 is a copy of the company Indoor Water Budget Adjustment Application.

3) Attachment 2 is the company Application to Restore Normal Meter Service.

water budgets should be independent of each other. There is a process to deal with past due accounts and a process for water budgets. Staff does not believe there should be any overlap between the two separate situations. The status of an account should have no bearing on the installation or removal of a flow restrictor. In turn, a customer must make payments according to the rules that apply to payments, and a flow restrictor should not excuse a customer from making a timely payment.

### **Customer Comments**

On September 13, 2016, the company notified its customers by mail of the proposed rule 21 and commission review. Customers were notified that this item would appear on the September 22, 2016, open meeting agenda and 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 [jcupp@utc.wa.gov](mailto:jcupp@utc.wa.gov) with questions or concerns. Staff has not received and comments from customers about the tariff revision due to the short notice period. The customers were notice about the Water Budgets several months ago and the company has adjusted the effective to allow for 30 days' notice and to cover a second open meeting date of October 6, 2016, as needed.

The monthly rates are shown below for reference and do not affect the Water Budget program and proposed.

### **Rates**

<b>Monthly Rate</b>	<b>Current Rate</b>
Base Charge 3/4 inch meter*	\$ 20.33
Block 1: 0 – 700 cubic feet	1.36**
Block 2: 701 – 2,000 cubic feet	2.31**
Block 3 over 2,000 cubic feet	2.81**

\*other meter sizes available in the tariff

\*\*per 100 cubic feet

Commission staff has completed its review of the company's filing, supporting financial documents, books, and records. Staff's review shows, and the company agreed to revisions to the tariff filing and proposed water budgeting program.

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