

SERVICE DATE

JAN - 5 1996

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION,	)	DOCKET NO. UW-950174
	)	
Complainant,	)	FIRST SUPPLEMENTAL ORDER
	)	APPROVING SETTLEMENT
v.	)	AGREEMENT; REQUIRING
	)	SERVICE INVESTIGATION;
WASHINGTON WATER SUPPLY, INC.)	)	REJECTING TARIFF FILING;
d/b/a WHIDBEY WEST,	)	AUTHORIZING REILING
	)	
Respondent.	)	
	)	
.....	)	

SUMMARY

PROCEEDINGS: Washington Water Supply, Inc., d/b/a Whidbey West ("Whidbey") filed certain tariff revisions with the Commission on February 13, 1995. The tariff revisions were designed to effect a general increase in its rates for water service in this state by approximately \$60,943. On March 8, 1995, the Commission suspended the tariff revisions pending hearings on the justness and reasonableness of the rates requested in the filing.

On October 6, 1995, the parties to the proceeding filed a proposed Settlement Agreement. The Settlement Agreement would resolve all tariff issues in this proceeding. It would increase revenues by \$22,155. The parties agreed that if the Settlement Agreement were accepted they would waive the requirement for an initial order in this case.

HEARINGS: The Commission held a hearing on October 24, 1995, at Oak Harbor, Washington. The hearing included presentation of the Settlement Agreement by the parties, and testimony on the rate increase request by members of the public. The hearing was held before administrative law judge Marjorie R. Schaer of the Commission. The Commission gave proper notice to all interested parties.

PARTIES: Whidbey was represented by Richard A. Finnigan, attorney, Tacoma, and John Poppe, President. The staff of the Washington Utilities and Transportation Commission ("Commission Staff") was represented by Ann E. Rendahl, Assistant Attorney General, Olympia.

COMMISSION: The Commission accepts the settlement agreement. It authorizes Whidbey to refile tariffs to reflect a revenue requirement of \$47,864, an increase of \$22,155. The Commission Staff shall investigate problems with water quality and service, and shall follow-up as necessary to ensure compliance with Commission statutes and rules.

**MEMORANDUM**

**I. PROCEDURAL HISTORY**

Whidbey filed certain tariff revisions with the Commission on February 13, 1995, requesting increases in the metered and flat rates for water service. The tariff revisions were designed to effect a general increase in its rates for water service in this state by approximately \$60,943, obtained by an increase in the monthly flat rate from \$11.00 to \$43.25, and an increase in monthly metered rates from \$7.00 for the first 1,000 gallons to \$40.25 for the first 500 cubic feet.

On March 8, 1995, the Commission suspended the tariff revisions pending hearings on the justness and reasonableness of the rates requested in the filing. On August 31, 1995, the Commission entered an Order Setting Prefiling Dates and Notice of Hearing, setting a hearing October 23, 1995 in Olympia.

On October 6, 1995, the parties filed a proposed Settlement Agreement. The Settlement Agreement would resolve all tariff issues in this proceeding. It would increase revenues by \$22,155. The parties agreed that if the Settlement Agreement were accepted they would waive the requirement for an initial order in this case. The parties requested that a single hearing be held on October 24, 1995, in Oak Harbor, Washington.

The Commission held a hearing on October 24, 1995, in Oak Harbor. The hearing included presentation of the Settlement Agreement by the parties, and testimony on the rate increase request by members of the public.

**II. THE SETTLEMENT AGREEMENT**

The Settlement Agreement was filed with the Commission on October 6, 1995, and was presented for the Commission's consideration at the October 24, 1995 hearing. It is admitted as Exhibit 1 in this proceeding. The Settlement Agreement states that it was reached for purposes of this case only, and that it does not establish precedent for any future proceeding. The case is submitted for decision based on the "Results of Operations for Ratemaking Purposes" dated October 6, 1995; this document is attached to the agreement and designated "Attachment A".

The Settlement Agreement provides:

Operating Revenues shall be increased \$22,155 over the proforma amount before proposed rates, for a total of \$47,864 on an annual basis.

The calculated fair rate of return is 12.09 percent.

The cost of preparing a comprehensive water system plan will be recovered in a separate filing.

The Operating and Management costs reflected in Attachment A represent an amount sufficient to compensate Whidbey for the costs of operating and managing the water system.

Rate case legal costs shall be \$2,450, and shall be amortized over three years.

No costs of managing the system prior to ownership are allowable as operating expenses, but \$1,634 will be allowed as start-up costs as a rate base item, depreciable over four years.

The monthly rate for unmetered service will be \$25.00. The base rate for metered service will be \$22.30 for the first 500 cubic feet, and \$1.25 for each additional cubic foot per month.

The parties agree that if the Settlement Agreement is accepted they waive the requirement of an initial order which would otherwise be required in this case.

Review of Attachment A discloses:

If no rate increase is granted Whidbey will lose \$16,674 before interest costs are paid (Column G, NOI line). This amount would be 54 percent of the company's total investment (Column G or I, Net Rate Base).

The 12.09 rate of return will give Whidbey the opportunity to earn \$3,716, if the settlement rate increase is approved (Column E, NOI line). Whidbey must pay any interest costs it owes out of this amount.

The company lost \$10,656 during the test year (Column E, NOI line). This is a pre-interest figure; if interest was paid the loss was greater.

The two greatest cost increases are for water testing, which more than doubled, and administration, which increased roughly 50 percent.

The parties recommend that the Commission adopt the Settlement Agreement in its entirety.

Counsel for the Commission Staff explained that the Settlement Agreement does not contain rates to pay for a water system plan because the company has not presented a specific plan for how it will spend the money. The Commission Staff stated that it is important to complete such a study, and has provided for a special filing once an adequate plan is presented. The Commission Staff believes that the rates provided in the Settlement

Agreement are fair, just and reasonable. The Commission Staff presented three witnesses in support of the Settlement Agreement.

Daniel Sherry, a Revenue Requirements Specialist with the Commission, testified regarding rate design. He affirmed that it is the policy of the Commission to encourage universal metering.

Derek Pell and Richard Rodriguez testified regarding the role of the state Department of Health Drinking Water Office. Mr. Pell is the district engineer who works with Island County. His office determines the approval status of Whidbey as regards state drinking water requirements. His office also works with the Island County Health Department. The county requires that adequate water system facilities be available before it will issue building permits. On April 15, 1992, Mr. Pell's predecessor wrote a letter to the previous owner of Whidbey indicating that the Department of Health did not know what the system adequacy of the Whidbey system was and recommending that Island County not issue any further building permits. The letter advised that, to remove the moratorium, several studies had to be made to determine the capability of the system to serve. Those items included (1) monitoring daily water use, (2) collecting and analyzing water samples from the source for chloride and conductivity, (3) preparing an operation and maintenance manual, and (4) preparing an engineering report to evaluate the total system source storage and distribution capacity and adequacy relative to both drinking water regulations and salt water intrusion concerns. Since then the Department of Health has asked Whidbey to submit a water system plan.

Mr. Rodriguez is a planner with the Department of Health drinking water division. He administers the water system planning program. He met with Mr. John Poppe, owner of Whidbey, in January of 1995 to discuss the content of a water system plan not just for Whidbey, but for all of the systems owned by Mr. Poppe. His recollection of the meeting is that Mr. Poppe made a commitment to complete the document by sometime in the summer of 1995; to his knowledge the document had not been completed at the time of the October 24, 1995 hearing in this matter.

From the Department of Health's perspective, the next course of action will be to execute a bilateral compliance agreement. This will be a written agreement between the Department of Health and Whidbey and will specify dates when the water system plan will be due. Mr. Pell and Mr. Rodriguez agreed to send a notice to all of the interested parties in this proceeding when the bilateral compliance agreement is signed, and to include in the notice a listing of the relevant dates included in the agreement.

Mr. John Poppe testified in support of the Settlement Agreement on behalf of Whidbey. Mr. Poppe is the President of Whidbey. His company is studying two issues in order to lift the Department of Health moratorium. One is salt water intrusion. The second is system capacity. Mr. Poppe admitted that he is two years late in pursuing these issues. He stated that his primary goal is to provide good, clean water to his customers, and that the

brown and yellow "stuff" that is in the water right now needs treatment. He stated: "The time line is to go ahead, increase the rates to cover the cost of managing the system and getting it going and then install the water softeners to clean up the water . . ." (Transcript, page 26). He also testified that the water system plan will take two years to come out in a finalized state. Finally, Mr. Poppe indicated that he expects to make a filing to recover the costs of the water system plan in early 1996.

**III. PUBLIC TESTIMONY**

Approximately 100 people attended, and 17 witnesses testified in the public portion of the hearing. The testimony reflected concerns with water quality, service quality, lack of meters for all customers, lack of water supply, and failure by the company to follow through on commitments to address these problems.

Marilyn Ward Bovey testified that the bylaws of her neighborhood association provide that the Department of Health is to analyze the water quarterly, and that all costs and expenses associated with the testing are to be borne by the water company. The bylaws provide that if the water does not meet standards, the company shall immediately, at its sole cost and expense, make any adjustments, repairs, installation or improvements recommended to bring the purity of the water up to standard.

Carolyn Cliff testified on behalf of RKP Enterprises, Inc., a local property developer which seeks to develop property it owns in Whidbey's service territory. She noted that the water system has been under a Department of Health moratorium since April of 1992, and that Whidbey has failed to meet written commitments to prepare an engineering study. She testified that Whidbey had promised in a letter from the company that the engineering study would be complete by September 1993. She asked that the Commission deny any rate relief to Whidbey until such time as a solid plan for the engineering study is in place.

David Womelsdorf expressed a concern shared by several other witnesses that the company's prior bills were in dollars per gallon, while the new rates are given in dollars per cubic foot. He believes this change is deceptive, and designed to prevent customers from comparing old rates to new rates. Paul Gillon, Jr. testified that the company's meters measure in gallons and expressed concern that the conversion needed to calculate the bill presented opportunities for mistakes or fraud. Mr. Gillon wants Whidbey to adopt conservation rates that increase exponentially for those who waste water. He believes that the alternatives are running out of water or paying for desalinization. He also expressed concern that a rate increase of the magnitude sought did not include the cost of an engineering study. He seeks a definite plan for what future costs are going to be. Al Jackson echoed this concern.

Charles Murphy was concerned that 103 customers are on meters and 47 are unmetered. He would like all customers to be metered. His family purchases drinking water. The water he purchases from Whidbey has "rotted out" his water heater. It has poor pressure and smells bad. He would like to see developers pay the increased costs of an engineering study designed to increase the capacity of the system. Vern Pederson shares this concern; he does not want to pay increased utility costs in order to increase development in his neighborhood. Ray Bouza's family also purchases drinking water.

Diane Daves has been on the Whidbey system for eight years in two locations. The second time she hooked-up she was charged \$2,000; she learned during this proceeding that the tariff rate for hook-up is only \$300. She is concerned that, due to salt water intrusion, the system is down to only two wells.

Leslie F. Damman owns a home in Whidbey's service territory. His daughter owns the lot next to him. Because of the moratorium, she has not been able to build on her lot; her property is now worth only 50 percent of what she paid for it. He also expressed concern that Whidbey's office phone is answered by a machine rather than in person.

Mike Gleason is a homeowner and president of the Evondown Community Association. He is concerned about water quality, integrity of the aquifer, and the rate increase. The water stinks, and he has received notices for eight years that either bacteria invaded the water system or that iron, manganese or some other health hazard was present. Dave Eitner also complained that the water his family receives is brown and smelly. He is concerned about the company's rate structure. He noted that a couple of new babies in the family have increased his family's usage, but lowered the impact of the rate increase from 75 percent to 66 percent.

Robert Tull complained that Mr. Poppe has acknowledged problems in the past but has not made improvements. He echoed concerns that water quality is poor, and expressed concerns about unscheduled shutdowns of the water. He stated that an agreement made with Mr. Poppe a couple of years ago to provide advance warning of shutdowns is no longer being honored by the company.

John Meehan testified that his wife has been sick quite a few times with intestinal problems, and that the most likely source of her problems is the water that she drinks.

Gerald Pitsch is in favor of this rate increase if the Commission will see to it that the money is spent for a water plan that will tell what the aquifer holds and the condition of the wells.

**IV. COMMISSION DISCUSSION**

This case presents a difficult challenge. The Settlement Agreement and Attachment A thereto only address the financial question of whether Whidbey needs rate relief. A clear showing of need for a rate increase is made. The testimony of Commission Staff, company and public witnesses address almost exclusively the poor water quality and service provided by Whidbey. These show a lack of company follow-through in solving serious problems. Because the case was presented as a proposed settlement, the parties did not supply briefs to assist the Commission in addressing these issues.

**A. THE SETTLEMENT AGREEMENT SHOULD BE ACCEPTED**

RCW 80.28.010 provides, in relevant part, as follows:

(1) All charges made, demanded or received by any . . . water company for . . . water, or any service rendered or to be rendered in connection therewith, shall be just, fair, reasonable and sufficient.

Similarly, RCW 80.28.020 provides:

Whenever the Commission shall find, after a hearing had upon its own motion, or upon complaint, . . .that such rates or charges are insufficient to yield a reasonable compensation for the services rendered, the commission shall determine the just, reasonable, or sufficient rates, charges . . . to be thereafter observed and in force, and shall fix the same by order.

The Whidbey system is currently being operated at a significant loss. Upon review of the proposed settlement and the record in this matter, the Commission is satisfied that the increase sought is fair, just, and reasonable. The Commission Staff and the company are to be commended for reaching a consensus on the rate increase request. The Commission approves the Settlement Agreement.

Having determined that the rate increase request should be granted does not conclude our inquiry, however.

**B. SERVICE AND WATER QUALITY COMPLAINTS SHOULD BE INVESTIGATED**

Commitments made by Mr. Poppe and the representatives of the Department of Health should be monitored by the Commission Staff. The Department of Health has agreed to enter into a bilateral compliance agreement with Whidbey. This written agreement will specify dates when the water system plan will be due. Mr. Pell and Mr. Rodriguez also agreed to send a notice to all of the interested parties in this proceeding when the bilateral

compliance agreement is signed, and to include in the notice a listing of the relevant dates included in the agreement. The Commission Staff should ensure that a list of interested parties is provided to the Department of Health, and should monitor the progress of the compliance agreement.

Mr. Poppe agreed to improve the quality of the water provided by Whidbey. He also indicated that he expects to make a filing to recover the costs of the water system plan in early 1996. The Commission Staff should monitor his compliance with these commitments.

If there is not significant, consistent progress toward solving the problems of this system, the Commission Staff should consider bringing a complaint against Whidbey. Whidbey's customers also have the opportunity to pursue a formal complaint against the company, if their legitimate concerns are not adequately addressed. RCW 80.28.030 provides:

Whenever the commission shall find, after such hearing, that . . . the purity, quality, volume, and pressure of water, supplied by any . . . water company, . . . is insufficient, impure, inadequate or inefficient, it shall order such improvement in . . . the storage, distribution or supply of water, . . . as will in its judgment be efficient, adequate, just and reasonable. Failure of a water company to comply with state board of health standards adopted under RCW 43.20.050(2)(a) . . . for purity, volume, and pressure shall be prima facie evidence that the water supplied is insufficient, impure, inadequate, or inefficient . . . In the event that a water company fails to comply with an order of the commission in a timely fashion, the commission may request that the department petition the court to place the company in receivership.

Similarly, RCW 80.28.040 provides:

Whenever the commission shall find, after hearing, that any rules, regulations, measurements or the standard thereof, practices, acts or services of any such . . . water company are unjust, unreasonable, improper, insufficient, inefficient, or inadequate, or that any service which may be reasonably demanded is not furnished, the commission shall fix the reasonable rules, regulations, measurements or the standard thereof, practices, acts or service to be thereafter furnished, imposed, observed and followed, and shall fix the same by order or rule. In ordering improvements to the service of any water company, the commission shall consult and coordinate with the department.



The Commission determined in a recent proceeding that it is appropriate for it to request the Department of Health to petition the court to place a company into receivership when that company fails to comply with a Commission order to improve its service. Marine View Heights Homeowners' Association v. Marine View Heights, Inc., Docket No. UW-940325 (September 1995). The Marine View Heights case began with a formal complaint filed by the homeowners' association. The Commission ordered several service improvements, and required a follow-up hearing within 60 days of the final order in which the company bore the burden of proving that the improvements had been made. The company failed to meet this burden and the Commission followed through and requested a receivership.

Although the record in this matter contains examples of the company's failure to meet commitments, and of water quality and service problems, the testimony is not specific enough to allow the Commission to order improvements. Rather, the Commission will instruct the Commission Staff to investigate problems with water quality and service, and follow-up as necessary to ensure compliance with Commission statutes and rules. Commission Staff should report the results of its investigation within six months of this order.

#### IV. SUMMARY

The Commission authorizes Whidbey to refile tariffs to reflect a revenue requirement of \$47,864. The Commission Staff shall investigate problems with water quality and service, and shall follow-up as necessary to ensure compliance with Commission statutes and rules.

#### FINDINGS OF FACT

1. The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of public service companies, including water companies.
2. Washington Water Supply, Inc., d/b/a Whidbey West ("Whidbey"), respondent, is engaged in the business of furnishing water service within the state of Washington as a public service company.
3. On February 13, 1995, Whidbey filed revisions to its currently effective Tariff WN U-2. The filing would have increased revenues approximately \$60,943, obtained by an increase in the monthly flat rate from \$11.00 to \$43.25, and an increase in monthly metered rates from \$7.00 for the first 1,000 gallons to \$40.25 for the first 500 cubic feet.

4. On March 8, 1995, the Commission suspended the proposed tariff revisions and commenced this proceeding to determine whether the revision would result in rates that were fair, just reasonable, and sufficient.

5. On October 6, 1995, the parties filed a proposed Settlement Agreement. The Settlement Agreement would resolve all tariff issues in this proceeding. It would increase revenues by \$22,155. The parties agreed that if the Settlement Agreement were accepted they would waive the requirement for an initial order in this case. The Commission finds that the rates provided by the settlement agreement are fair, just, and reasonable.

6. The parties waived an initial order in this matter.

**CONCLUSIONS OF LAW**

1. The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of this proceeding and the parties thereto.

2. The tariff revisions now under suspension should be rejected. The company should be authorized to refile tariff revisions prepared in accordance with this order. Tariff revisions prepared in accordance with this order will result in rates that are fair, just, reasonable, and sufficient.

3. The Commission concludes that the Commission Staff should investigate problems with water quality and service, and follow-up as necessary to ensure compliance with Commission statutes and rules.

4. An initial order may properly be omitted in this matter.

On the basis of the foregoing findings of fact and conclusions of law, the Commission makes and enters the following order.

**ORDER**

**THE COMMISSION ORDERS:**

1. The tariff revisions filed by respondent on February 15, 1995, now under suspension in Docket No. UW-950174, are rejected in their entirety. The Settlement Agreement submitted by the parties in Exhibit 1, is approved and adopted in its entirety. It is attached to this order as "Appendix A" and incorporated by this reference. Respondent is authorized to file revisions in a form consistent with the Settlement Agreement.

2. The filing authorized herein must bear an effective date which allows the Commission at least five complete working days following the date of the Commission's receipt thereof to consider it.

3. The tariff revisions shall bear the notation on each sheet, "By Authority of the Washington Utilities and Transportation Commission in Docket No. UW-950174".

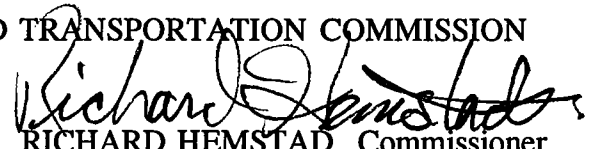
4. Notice of the filing authorized herein shall be posted at the business office of respondent in the territory affected on or before the date of filing with the Commission. The notice shall state that the filing is to become effective on the date inserted as the effective date, pursuant to the above authorization, and the notice shall advise that a copy of the filing is available for public inspection at such office. This notice shall remain posted until the Commission has acted on the filing.

5. The Commission Staff shall investigate problems with water quality and service in Whidbey's system, and follow-up as necessary to ensure compliance with Commission statutes and rules.

6. Jurisdiction is retained by the Commission to effectuate the provisions of this order.

DATED at Olympia, Washington, and effective this 5<sup>th</sup> day of January 1996.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

  
RICHARD HEMSTAD, Commissioner

  
WILLIAM R. GILLIS, Commissioner

**NOTICE TO PARTIES:**

**This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-09-820(1).**

## **APPENDIX "A"**

<b>WUTC</b>		
DOCKET NO. <u>UW 950174</u>		
EXHIBIT # <u>1</u>		
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
 )  
Complainant, )  
 )  
vs. )  
 )  
WASHINGTON WATER SUPPLY, )  
INC., d/b/a WHIDBEY WEST )  
 )  
Respondent. )  
\_\_\_\_\_ )

DOCKET NO. UW-950174

SETTLEMENT AGREEMENT

I. RECITALS

WHEREAS:

1. Washington Water Supply, Inc., d/b/a Whidbey West ("Whidbey West", or "Company") filed tariff revisions on February 13, 1995, requesting increases in the metered and flat rates for water service.

2. Whidbey West represented in its filing that the tariff revisions would result in an annual increase in revenues of approximately \$60,943, representing an increase in the monthly flat rate from \$11.00 to \$43.25, and monthly metered rates from \$7.00 for the first 1,000 gallons to \$40.25 for the first 500 cubic feet.

3. The Washington Utilities and Transportation Commission ("Commission") filed a complaint and Order on March 8, 1995, suspending the tariff revisions filed by Whidbey West, alleging that the Company's proposed rates and tariffs might be unjust, unfair, or unreasonable.

4. The Commission issued an Order Setting Prefiling Dates and Notice of Hearing on August 31, 1995, setting a hearing for October 23, 1995 in Olympia.

5. Commission Staff has conducted an investigation and audit of the Company's books and records.

6. Commission Staff and Whidbey West have met to discuss the Company's proposal and the results of Staff's audit.

7. Commission Staff and Whidbey West desire to settle this case without time consuming and costly litigation.

8. Commission Staff and Whidbey West enter into and request the Commission to accept the following Settlement Agreement.

## II. AGREEMENT

IT IS HEREBY STIPULATED AND AGREED BY AND BETWEEN THE UNDERSIGNED AS FOLLOWS:

9. Limitation on Agreement. Except as otherwise specifically stated, this settlement agreement is reached for purposes of this case only. Nothing contained herein shall be construed to bind any future act of the Commission, limit any future filing by the Company, or limit the rights of Commission Staff or Company in any future rate proceeding.

10. Summary of Agreement. This case shall be submitted for decision by the Commission based on the "Results of Operations for Ratemaking Purposes" dated October 6, 1995, a copy of which is attached as Attachment A. Important details of major elements of revenue requirements aspects of the settlement proposal are

described in paragraphs 11 - 18 below.

11. Operating Revenues. Operating Revenues shall be increased \$22,155 over the proforma amount before proposed rates to a total of \$47,864 on an annual basis.

12. Rate of Return. The calculated fair rate of return shall be 12.09 percent.

OPERATING EXPENSES

13. Comprehensive Water System Plan Costs. With the exception of certain costs described below, the Company has agreed to seek to recover the cost of preparing a comprehensive water system plan in a separate filing with the Commission. The State Department of Health ("Department") has required the Company to prepare a comprehensive water system plan. To date during 1995, the Company has paid \$961 for the services of an outside consultants relating to the required water system plan. This amount, to be recovered over a six year period, results in a \$160 increase in the depreciation account.

14. Operating and Management Costs. For purposes of this settlement, the Company and Commission Staff agree that the operating expenses reflected in Attachment A represent an amount sufficient to compensate the Company for the costs of operating and managing the water system.

15. Rate Case Costs. The parties agree that for purposes of this settlement, rate case legal costs shall be \$2450, amortized over three years.

16. Previous Year Operation/Maintenance. The parties agree that for purposes of this settlement, no costs incurred by the owners of Whidbey West in managing the system prior to ownership are allowable for ratemaking purposes as operating expenses, but \$1634 of these costs are startup costs and allowable as a ratebase item, depreciated over a four year period.

17. Rate Design. The monthly rate for flat, or unmetered, service will be \$25.00, while the base rate for metered service will be \$22.30 per month for the first 500 cubic feet, and \$1.25 for each additional 100 cubic feet consumed per month. These proposed rates are set forth in the proposed revised tariff set forth as Attachment B. The Company agrees to file these proposed tariff revisions within five days of approval of this Agreement by the Commission or at such earlier date as indicated in any Commission Order accepting this Agreement.

18. Request for Acceptance of Agreement. The parties request that the Commission issue an order adopting this Settlement Agreement. If this Agreement is not accepted in its entirety, it will be withdrawn and shall be without force and effect and it may not be used by any party for any purpose in any rate proceeding involving the Company.

19. Waiver of Initial Order. The parties agree that if this Agreement is accepted they all waive the requirement of an initial order which otherwise would be required in this case.



20. Signature by Facsimile. The parties agree that this Agreement may be signed in counterpart and signatures submitted by facsimile.

STIPULATED AND AGREED TO This 6<sup>th</sup> day of October, 1995.

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION STAFF

By Ann E. Rendahl  
ANN E. RENDAHL  
Assistant Attorney General

VANDEBERG JOHNSON & GANDARA

By \_\_\_\_\_  
RICHARD A. FINNIGAN  
Attorneys for Whidbey West


20. Signature by Facsimile. The parties agree that this Agreement may be signed in counterpart and signatures submitted by facsimile.

STIPULATED AND AGREED TO This \_\_\_ day of October, 1995.

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION STAFF

By \_\_\_\_\_  
ANN E. RENDAHL  
Assistant Attorney General

VANDEBERG JOHNSON & GANDARA

By  \_\_\_\_\_  
RICHARD A. FINNIGAN  
Attorneys for Whidbey West

ATTACHMENT A

ACCOUNT GROUP	WHIDBEY WEST WATER SYSTEM RESULTS OF OPERATIONS FOR RATE MAKING PURPOSES For The 12 Months Ended December 31, 1994									
	(A) ORIGINAL COMPANY PROPOSED RATES	(B)	(C)	(D)	(E=C+D)	(F)	(G=E+F)	(H)	(I)	(I)
OPERATING REVENUES:										
Non Metered	\$ 24,393	\$ 7,167	\$ 0	\$ 0	\$ 7,167	\$ 0	\$ 7,167	\$ 6,933	\$ 14,100	
Metered	62,655	18,542	0	0	18,542	0	18,542	15,222	33,764	
TOTAL OPERATING REVENUES	87,048	25,709	0	0	25,709	0	25,709	22,155	47,864	
OPERATING EXPENSES:										
Administration	4,699	4,699	0	0	4,699	2,256	6,955	0	6,955	
Accounting - Inside	9,116	9,116	0	0	9,116	0	9,116	0	9,116	
Outside Professional Services	2,363	2,363	0	0	2,363	837	3,200	0	3,200	
Accounting - Outside	1,778	1,778	0	0	1,778	0	1,778	0	1,778	
Plumbing Repair	572	572	0	0	572	0	572	0	572	
Electrical Repair	(215)	(215)	0	0	(215)	0	(215)	0	(215)	
Legal	340	340	0	0	340	0	340	0	340	
Equipment Repair	6,320	1,320	0	0	1,320	0	1,320	0	1,320	
Grounds Repair	1,484	484	0	0	484	0	484	0	484	
Depreciation	944	670	408	0	1,078	272	1,350	0	1,350	
Water Tests	1,666	1,466	0	0	1,466	1,680	3,146	0	3,146	
Electric Power	3,090	3,090	0	0	3,090	0	3,090	0	3,090	
Excise Tax	4,352	1,293	0	0	1,293	0	1,293	0	1,293	
Rate Case Costs	2,321	0	0	0	0	817	817	1,114	2,407	
Rent - Office Facilities	1,066	1,066	0	0	1,066	0	1,066	0	1,066	
Telephone	1,751	1,751	0	0	1,751	0	1,751	0	1,751	
Transportation	1,886	1,886	0	0	1,886	109	1,995	0	1,995	
Insurance	1,651	1,651	0	0	1,651	0	1,651	0	1,651	
Office Supplies	1,712	762	0	0	762	0	762	0	762	
Postage	758	758	0	0	758	47	805	0	805	
Customer Relations	123	123	0	0	123	0	123	0	123	
Shop Supplies	243	243	0	0	243	0	243	0	243	
Bank Charges & Fees	183	0	183	0	183	0	183	0	183	
Property Taxes	249	249	0	0	249	0	249	0	249	
Licenses/Permits	309	309	0	0	309	0	309	0	309	
Previous Year Operation/Maintenance	8,758	8,758	(8,758)	0	0	0	0	0	0	
Federal Income Tax	0	0	0	0	0	0	0	651	655	
Capital Expenditures	16,376	0	0	0	0	0	0	0	0	
Engineering Expenditures	16,100	0	0	0	0	0	0	0	0	
Structural/Instrument Repair	5,150	0	0	0	0	0	0	0	0	
Interest	715	0	0	0	0	0	0	0	0	
TOTAL OPERATING EXPENSES	95,860	44,532	(8,167)	0	36,365	6,018	42,383	1,765	44,148	
NET OPERATING INCOME	(8,812)	(18,823)	8,167	0	(10,656)	(6,018)	(16,674)	20,390	3,716	
RATE BASE(Beginning/End of Year Average)	0	27,589	1,634	0	29,223	2,865	32,088	0	32,088	
UTILITY PLANT	0	670	408	0	1,078	272	1,350	0	1,350	
LESS: ACCUMULATED DEPRECIATION	0	0	0	0	0	0	0	0	0	
CONTRIBUTIONS IN AID OF CONSTRUCTION	0	0	0	0	0	0	0	0	0	
NET RATE BASE	0	26,919	1,226	0	28,145	2,593	30,738	0	30,738	
RATE OF RETURN	0.00%	-69.92%			-37.86%		-54.25%		12.09%	

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ACCOUNT GROUP	RA-1 BANK CHARGES AND FEES	OWNERSHIP TRANSITION OPERATING EXPENSES	TOTAL RESTATING ADJUSTMENTS
(A)	(B)	(C)	(H)
<b>OPERATING REVENUES:</b>			
Non Metered	\$ 0	\$ 0	\$ 0
Metered	0	0	0
<b>TOTAL OPERATING REVENUES</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENSES:</b>			
Administration	0	0	0
Accounting - Inside	0	0	0
Outside Professional Services	0	0	0
Accounting - Outside	0	0	0
Plumbing Repair	0	0	0
Electrical Repair	0	0	0
Legal	0	0	0
Equipment Repair	0	0	0
Grounds Repair	0	0	0
Depreciation	0	408	408
Water Tests	0	0	0
Electric Power	0	0	0
Excise Tax	0	0	0
Rate Case Costs	0	0	0
Rent - Office Facilities	0	0	0
Telephone	0	0	0
Transportation	0	0	0
Insurance	0	0	0
Office Supplies	0	0	0
Postage	0	0	0
Customer Relations	0	0	0
Shop Supplies	0	0	0
Bank Charges & Fees	183	0	183
Property Taxes	0	0	0
Licenses/Permits	0	0	0
Previous Year Operation/Maintenance	0	(8,758)	(8,758)
Federal Income Tax	0	0	0
Capital Expenditures	0	0	0
Engineering Expenditures	0	0	0
Structural/Instrument Repair	0	0	0
Interest	0	0	0
<b>TOTAL OPERATING EXPENSES</b>	<b>183</b>	<b>(8,350)</b>	<b>(8,167)</b>
<b>NET OPERATING INCOME</b>	<b>(183)</b>	<b>8,350</b>	<b>8,167</b>
<b>RATE BASE(Beginning/End of Year Average)</b>			
UTILITY PLANT	\$ 0	\$ 1,634	\$ 1,634
LESS: ACCUMULATED DEPRECIATION	0	408	408
CONTRIBUTIONS IN AID OF CONSTRUCTION	0	0	0
<b>NET RATE BASE</b>	<b>\$ 0</b>	<b>\$ 1,226</b>	<b>\$ 1,226</b>

ACCOUNT GROUP	(A)	P-1 VOC & SOC WATER TESTS	P-2 SANDY BUBBLES WELL HEAD METER	P-3 EVEN'DOWN WELL HEAD METER	P-4 METER BOXES	P-5 OPERATIONAL EXPENSES	P-6 RATE CASE LEGAL COSTS	P-7 WATER SYSTEM PLAN	TOTAL PROFORMA ADJUSTMENTS
OPERATING REVENUES:	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(H)	(H)
Non Metered	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Metered	0	0	0	0	0	0	0	0	0
TOTAL OPERATING REVENUES	0	0	0	0	0	0	0	0	0
OPERATING EXPENSES:									
Administration	0	0	0	0	0	0	0	0	0
Accounting - Inside	0	0	0	0	0	2,256	0	0	2,256
Outside Professional Services	0	0	0	0	0	0	0	0	0
Accounting - Outside	0	0	0	0	0	837	0	0	837
Plumbing Repair	0	0	0	0	0	0	0	0	0
Electrical Repair	0	0	0	0	0	0	0	0	0
Legal	0	0	0	0	0	0	0	0	0
Equipment Repair	0	0	0	0	0	0	0	0	0
Grounds Repair	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
Water Tests	0	53	53	6	0	0	0	160	272
Electric Power	1,680	0	0	0	0	0	0	0	1,680
Excise Tax	0	0	0	0	0	0	0	0	0
Rate Case Costs	0	0	0	0	0	0	817	0	817
Rent - Office Facilities	0	0	0	0	0	0	0	0	0
Telephone	0	0	0	0	0	0	0	0	0
Transportation	0	0	0	0	0	0	0	0	0
Insurance	0	0	0	0	0	109	0	0	109
Office Supplies	0	0	0	0	0	0	0	0	0
Postage	0	0	0	0	0	0	0	0	0
Customer Relations	0	0	0	0	0	47	0	0	47
Shop Supplies	0	0	0	0	0	0	0	0	0
Bank Charges & Fees	0	0	0	0	0	0	0	0	0
Property Taxes	0	0	0	0	0	0	0	0	0
Licenses/Permits	0	0	0	0	0	0	0	0	0
Previous Year Operation/Maintenance	0	0	0	0	0	0	0	0	0
Federal Income Tax	0	0	0	0	0	0	0	0	0
Capital Expenditures	0	0	0	0	0	0	0	0	0
Engineering Expenditures	0	0	0	0	0	0	0	0	0
Structural/Instrument Repair	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENSES	1,680	53	53	6	3,249	817	0	160	6,018
NET OPERATING INCOME	(1,680)	(53)	(53)	(6)	(3,249)	(817)	0	(160)	(6,018)
RATE BASE(Beginning/End of Year Average)	\$ 0	\$ 802	\$ 802	\$ 300	\$ 0	\$ 0	\$ 0	\$ 961	\$ 2,865
UTILITY PLANT	0	53	53	6	0	0	0	160	272
LESS: ACCUMULATED DEPRECIATION	0	0	0	0	0	0	0	0	0
CONTRIBUTIONS IN AID OF CONSTRUCTION	0	0	0	0	0	0	0	0	0
NET RATE BASE	\$ 0	\$ 749	\$ 749	\$ 294	\$ 0	\$ 0	\$ 0	\$ 801	\$ 2,593

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WN U-2

ATTACHMENT B

FIRST REVISED SHEET NO. 21  
CANCELING  
ORIGINAL SHEET NO. 21

WHIDBEY WEST

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SCHEDULE NO. 1

METERED RATE SERVICE

AVAILABLE:

To primary residential structures.

APPLICABLE:

To water service for any purpose.

MONTHLY RATE:

\$22.30 Minimum for first 500 cubic feet  
\$ 1.25 per 100 cubic feet thereafter

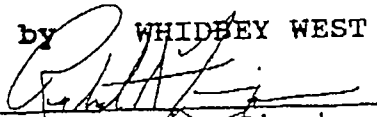
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Issued October 6, 1995

Effective

Issued by WHIDBEY WEST

By   
Richard A. Finnigan

Title Attorney

WN U-2

FIRST REVISED SHEET NO. 22  
CANCELING  
ORIGINAL SHEET NO. 22

WHIDBEY WEST

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SCHEDULE NO. 2

UNMETERED RATE SERVICE

AVAILABLE:

To primary residential structures which have not been metered by the company.

(T)  
(T)

APPLICABLE:

To water service for any purpose.

RATE:

PER MONTH:

\$25.00

(I)  
(D)  
  
(D)  
(D)

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Issued October 6, 1995

Effective

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By Richard A. Finnigan  
Richard A. Finnigan

Title Attorney