

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION
COMMISSION,

Complainant, v.

GOLD BEACH WATER
COMPANY, INC.,

Respondent.

DOCKET UW-220206

ORDER 01

ALLOWING RATES FOR 3/4-INCH
METERED CUSTOMERS TO GO
INTO EFFECT JULY 1, 2022,
SUBJECT TO CONDITIONS

BACKGROUND

- 1 On March 22, 2022, Gold Beach Water Company, Inc., (Gold Beach or Company) filed a general rate case with the Washington Utilities and Transportation Commission (Commission) that, as originally filed, would have generated approximately \$16,487 over three (3) phases in one year. Phase one (1), with a proposed effective date of May 1, 2022, would generate approximately \$5,734 (6.7 percent), phase two (2) would generate approximately \$5,385 (6.3 percent) and phase three (3) would generate approximately \$5,368 (6.3 percent). The proposed general rate increase was requested because revenues from the current tariff are insufficient to cover operational costs. The Company provides services to approximately 205 customers on Vashon Island, in King County. The Company's last general rate increase became effective on July 1, 2014.
- 2 Gold Beach provided notice to its customers of the proposed rate increase that same day, March 22, 2022. Staff received two comments, both opposed to the rate increase.
- 3 On April 8, 2022, Gold Beach extended the effective date of its proposed tariff revisions from May 1, 2022, to July 1, 2022. The Company indicated that it would notify customers of the changes to rates by letter on April 18, 2022.
- 4 On June 29, 2022, Gold Beach submitted revised tariff pages following its consultation with Commission staff (Staff).
- 5 After reviewing Gold Beach's filing, Staff proposed adjustments to the Company's payroll and additional general operating expenses. Staff also proposed removing a State Revolving Fund (SRF) loan from the rate case, because the loan is funded by a continuing surcharge. The SRF loan was needed to help fix the Company's main tank in 2008. The Company ultimately agreed to these adjustments.

6 Staff submits that it agrees with the Company on a total revised revenue increase of \$13,358 (13.4 percent), spread over three phases. Staff submits that it reviewed all the documents and books provided by the Company, and staff believes that the revised revenue increase results in rates that are fair, just, reasonable, and sufficient. In its memorandum, filed in this Docket, Staff therefore recommends that the Commission take no action and allow the revised tariff sheets to go into effect by operation of law.

7 The Public Counsel Unit of the Attorney General's Office (Public Counsel) filed written comments in this Docket. Public Counsel first recommends that the Commission limit any rate increase to 13.6 percent. Public Counsel generally supported Staff's proposed adjustments to the Company's filing.

8 Public Counsel also recommends that the Commission clarify the Company's disconnection and reconnection practices. Noting that the Company's tariff language regarding the Reconnection Visit Charge is "confusing," Public Counsel raises concern that customers may be overcharged. The Commission should address this issue for other water companies as well. Public Counsel also raises broader concerns with disconnection and reconnection charges, suggesting that the Commission address these issues in its ongoing rulemaking in Docket U-210880.

9 Finally, Public Counsel notes that the Company requests a 12.0 percent return on equity. Because the Commission has not directly addressed the proper return on equity for water companies since 2001, Public Counsel recommends that the Commission further evaluate this issue.

10 At its regular June 30, 2022, open meeting, the Commission heard additional comments from Staff and Public Counsel. Staff revised its recommendation to issue an order allowing the revised tariff sheets for 3/4-inch customers to take effect as of July 1, 2022. Staff recommends that the Commission modify its application of WAC 480-80-111(1)(b), pursuant to WAC 480-07-110, for these same customers. Staff explains that the revised tariff sheets submitted by the Company on June 29, 2022, are expected to generate lower revenue. Although certain rate blocks increased, there were offsetting rate decreases. Staff therefore recommends that the Commission modify its application of WAC 480-80-111(1)(b) to consider the June 29, 2022, revised tariff sheets for 3/4-inch customers as substitute tariff sheets, which take effect as of July 1, 2022.

11 Staff also recommended that the Commission issue an order directing the Company to

file substitute tariff pages removing the 1-inch metered rates and subsequently refile proposed tariff revisions containing the 1-inch metered rates to afford customers the required notice period for the 1-inch metered rate increase. Staff notes that there are currently 38 customers with 1-inch metered connections who have been historically charged for a ¾-inch meter. 1-inch meters provide the customers with more flow and better pressure than that of a ¾-inch meter. Staff observes that these customers are receiving the benefit of having a higher flow rate, but they have not been charged accurately. Because the Company's revised tariff sheets, filed on June 29, 2022, resulted in higher charges for 1-inch metered customers, Staff recommends that the proposed rate increase take effect only after 30-days notice to customers.

- 12 Finally, Staff recommends that the Commission issue an order requiring the Company to work with Staff and Public Counsel to clarify tariff language regarding disconnection and reconnection fees. The Company should file its revised tariff sheets with clarified language for disconnection practices with the Commission within 30 days.
- 13 Public Counsel also provided comments, discussing many of the concerns raised in its written comments in this Docket. Public Counsel noted that it agreed with Staff's recommendation as presented at the open meeting.

DISCUSSION

- 14 The Commission agrees with Staff's recommendation as presented at the June 30, 2022, open meeting and finds that Gold Beach's revised revenue requirement results in rates that are fair, just, reasonable, and sufficient. These revised rates should be approved subject to certain conditions, which we discuss below.
- 15 As Staff observes, the Company's revised tariff sheets filed on June 29, 2022, raise concerns that customers may not have received sufficient notice of the proposed rate increases. We address this issue in terms of the two customer classes at issue: the ¾-inch metered customers and the 1-inch metered customers.
- 16 With respect to the ¾-inch metered customers, we agree that the revised tariff sheets filed on June 29, 2022, should be considered substitute tariff pages that may take effect on July 1, 2022. Pursuant to WAC 480-80-111(1)(b), a utility may file substitute tariff sheets within a pending tariff filing if the change does not increase the rates contained in the pending tariff sheet. The Commission may grant an exemption or modification of its rules when consistent with the public interest, the purposes underlying regulation,

and applicable statutes.¹ Because the Company’s tariff sheets filed on June 29, 2022, result in lower revenue from the ¾-inch metered customers, it is consistent with the public interest and the purposes underlying regulation to consider these revised tariff sheets to be “substitute tariff sheets.” The Company’s revised tariff sheets for ¾-inch metered customers may take effect without additional notice, beyond what has already been provided by the Company.

17 We do not have the same assurance for 1-inch metered customers. The revised tariff sheets filed on June 29, 2022, would result in higher rates for this customer class without required customer notice. It is therefore necessary to delay any rate increase for these customers to provide appropriate notice.

18 Finally, we agree with Staff’s recommendation to require the Company to work with Staff and Public Counsel, clarifying its tariff language regarding disconnection and reconnection fees. Commission rules distinguish between disconnection fees and reconnection fees. A disconnection fee allows the utility to recoup its costs for what was, ultimately, an unnecessary visit to the customer’s residence. Pursuant to WAC 480-110-355(3)(e), “[w]hen disconnection does not take place due to payment made by the customer, the company may assess a fee for the disconnection visit to the service address as provided in the company’s tariff.” A “reconnection charge” applies in a different circumstance, when the utility is reconnecting a customer who was actually disconnected from service.² We share Staff’s and Public Counsel’s concern that the Company’s tariffs are ambiguous and that a “disconnection fee” cannot generally be assessed against a customer who is seeking reconnection. We therefore require Gold Beach to file revised tariff sheets within 30 days of the entry of this order, reflecting our finding on this issue.

FINDINGS AND CONCLUSIONS

19 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts and affiliated interests of public service companies, including water companies.

20 (2) Gold Beach is a water company and a public service company subject to

¹ WAC 480-07-110(1). *See also* WAC 480-110-215 (providing that the Commission may grant an exemption from any of the rules in WAC chapter 480-110).

² WAC 480-110-355(5).

Commission jurisdiction.

- 21 (3) This matter came before the Commission at its regularly scheduled meeting on June 30, 2022.
- 22 (4) Gold Beach has demonstrated that the revised revenue requirement results in rates that are fair, just, reasonable, and sufficient.
- 23 (5) The revised revenue requirement and resulting rates for ¾-inch metered customers should be allowed to go into effect by operation of law on July 1, 2022, subject to the conditions set forth in paragraphs 16-18 of this Order.

ORDER

THE COMMISSION ORDERS:

- 24 (1) The tariff revisions for ¾-inch metered customers filed by Gold Beach Water Company, Inc., in this docket on March 22, 2022, and revised on June 29, 2022, shall become effective by operation of law on July 1, 2022, subject to the conditions in paragraphs 25-26 below.
- 25 (2) Gold Beach Water Company, Inc., shall file revised tariff pages removing the 1-inch metered rates and subsequently refile a further revised tariff sheet including the 1-inch rates in order to afford customers proper notice of the 1-inch metered rate increase.
- 26 (3) Gold Beach Water Company, Inc., is required to work with Commission Staff and Public Counsel on revised tariff language regarding its disconnection and reconnection fees, and Gold Beach Water Company, Inc., is required to file revised tariff sheets reflecting these discussions within 30 days of the entry of this Order.
- 27 (4) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it.

DATED at Lacey Washington, and effective July 1, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner