

Agenda Date: September 25, 2008  
Item Number: A5

**Docket:** UW-081450  
Company Name: Crescent Bar, Inc.

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

### **Recommendation**

1. Issue a Complaint and Order Suspending the Tariff Revisions filed by Crescent Bar, Inc.; and
2. Allow temporary rates at the staff recommended revised rates to become effective October 1, 2008, on a temporary basis, subject to refund.

### **Discussion**

On August 4, 2008, Crescent Bar, Inc., (Crescent Bar or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$20,248 (26.4 percent) in additional revenue per year. The company serves four condominium associations with 165 total units and two recreational vehicle (RV) park associations with 305 units at the Crescent Bar Resort near Quincy in Grant County.

Each association is master metered and there are no individual water use records. The proposed rates are prompted by increases in power, insurance, and maintenance expenses. The company notified the condominium and RV park associations by mail on July 28, 2008. Crescent Bar's last general rate filing became effective in June 2004.

The commission has received two comments from association presidents and twelve comments from individual residents of the associations on this filing. Summarizing the comments that customers sent to the commission, customers are most concerned about:

The Size of the Increase — Although staff understands the commenters' concerns regarding the amount of the increase, staff does not explicitly consider the amount of the increase in preparing recommendations. Staff's goal is to recommend the "right" rates that will allow the company to recover its operating expenses and earn a reasonable rate of return (profit).

Repeated rate increases — Commenters mentioned a \$180 fee assessed by the company for sewer upgrades. The commission does not regulate the sewer company. Staff has determined that the costs for and revenues from other services have no bearing on rates for water service.

A lack of notice to the individual residents — Individuals served by the associations commented that they did not receive notice directly from the company of the rate

increase. The company bills the condominium and RV associations and is paid by the associations. The company sent notice to each of the associations. Two commenters were presidents of their respective associations who had received the notice and commented as association leaders since the associations comprise the company's customers.

Costs for replacement of water lines under a new bridge to a campground — Several commenters who were not residents of the campground expressed concern about paying for an improvement for which they would receive no benefit. The commission uses "Single Tariff Pricing," in which risks and costs are distributed to all customers so all customers pay the same rate. Future improvements may benefit different customers and those who receive no direct benefit will again pay a share of those improvements.

Concerns about the size of the bridge costs — Crescent Bar submitted an income statement for the first quarter of its 2008 fiscal year. This income statement expensed all costs related to the water lines constructed under the bridge because the company's lease expires in 2012. Staff reclassified these expenses as a capital asset and assigned a 50-year life to the asset.

Excessive testing costs — One commenter stated water testing costs seemed excessive and mentioned a Department of Ecology order pertinent to Crescent Bar's wastewater management system. Staff researched the requirements of the order and excluded related costs.

Allocation of staff salaries to the water company — Several commenters questioned the allocation of employee expenses related to performing water, sewer, and resort operation functions. Staff reviewed the company's allocations of employee expenses and salary levels and agrees they are reasonable.

Staff's review of Crescent Bar's operations revealed that the company's proposed rates were excessive. Staff and the company have agreed to a revised revenue requirement of \$91,063 (13.5 percent) and a revised rate design.

#### **Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Revised Rates</b>
Condominium associations, per unit	\$13.58	\$17.17	\$15.68
RV Associations, per unit	\$13.58	\$17.17	\$15.68
Fire Protection Rate (condos only)	\$ 2.02	\$ 2.02	\$ 2.02

**Average Customer Charge Comparison**

<b>Per Resort Unit Cost</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rates</b>
Condominium Associations, Per Unit	\$13.58	\$17.17	\$15.68
Fire Protection Rate, Condominiums	\$ 2.02	\$ 2.02	\$ 2.02
Average Bill, Condominium Units	\$15.60	\$19.19	\$17.70
		23.0%	13.5%
RV Associations, Per Unit	\$13.58	\$17.17	\$15.68
		26.4%	15.5%

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

**Conclusion**

Although the company filed revised rates at lower levels, customers have not yet been advised that staff and the company have agreed to revised rates and, as such, have not had the opportunity to comment on the revised rates. Customers deserve to know about, and comment on, the revised rates. The commission should consider all information, including any additional customer comments on the revised rates, in deciding whether to approve the revised rates on a permanent basis. Therefore, staff recommends the commission:

1. Issue a Complaint and Order Suspending the Tariff Revisions filed by Crescent Bar, Inc.; and
2. Allow temporary rates at the staff recommended revised rates to become effective October 1, 2008, on a temporary basis, subject to refund.