

Agenda Date: April 30, 2008  
Item Number: A3

**Docket:** UW-080562  
Company Name: Roche Harbor Water System

Staff: Jim Ward, Regulatory Analyst  
Dennis Shutler, Consumer Affairs Specialist

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Roche Harbor Water System.

### **Discussion**

On March 31, 2008, Roche Harbor Water System (Roche Harbor or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$154,960 (50 percent) in additional revenue per year. The company proposes to increase general rates for water service that would generate \$123,460 (80 percent of \$154,960). The proposed increased general rates for water service are prompted by higher costs for gasoline, water testing and an additional employee. The company also proposes to start a capital upgrade reserve fund of \$31,500 (20 percent of \$154,960). Roche Harbor serves 525 customers on San Juan Island located in San Juan County.

This proposal starts a \$5.00 per month capital upgrade reserve fund. The company calls this a Distribution System Maintenance Charge and will use the money to pay for replacements of portions of the company's distribution system. Customer payments would be treated as contributions in aid of construction. Expenditures would only take place if approved by a newly created Consumer Board, consisting of five consumer representatives from various portions of the water system. This is the first time a company has proposed this type of capital financing, to staff's knowledge.

The company notified its customers of this rate increase by mail on March 28, 2008. Roche Harbor's last general rate increase became effective May 18, 2006. All customers receive metered service. The commission has received seven customer comments on this filing as of April 21, 2008. Customers are most concerned about:

The Amount of the Increase –Although staff understands the customer's concerns regarding the amount of the increase, we do 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 reasonable operating expenses and provide an opportunity to earn a reasonable return on investment.

Water Quality – The Department of Health (DOH) has primary jurisdiction over water quality. Staff consulted with DOH on the quality of water provided by the company. DOH states the water system is in substantial compliance with all DOH requirements.

**Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Base Charge 5/8 inch	\$25.00	\$30.00
0 – 5,000 Gallons	\$1.80 per 1,000 Gallons	\$3.50 per 1,000 Gallons
5,001-10,000 Gallons	\$5.10 per 1,000 Gallons	\$7.50 per 1,000 Gallons
> 10,000 Gallons	\$7.90 per 1,000 Gallons	\$10.50 per 1,000 Gallons
Maintenance Charge	N/A	\$5.00
Base Charge 1 inch	\$41.75	\$50.10
Base Charge 1 1/2 inch	\$83.25	\$99.90
Base Charge 2 inch	\$133.25	\$159.90
Base Charge 3 inch	\$250.00	\$300.00
Base Charge 4 inch	\$417.00	\$501.00

**Average Customer Charge Comparison**

<b>Average Monthly Usage 4,956 Gallons</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Base Charge	\$25.00	\$30.00
4,956 gallons	\$8.92	\$17.35
Maintenance Charge	N/A	\$5.00
Capital Plant Surcharge	\$8.42	\$8.42
Average Monthly Bill	\$42.34	\$60.77

Commission staff has not completed its review of the company's supporting financial documents, books and records.

**Conclusion**

Therefore, staff recommends the commission issue a Complaint and Order Suspending the Tariff Revisions filed by Roche Harbor Water System.