

Agenda Date: January 13, 2011
Item Number: A1

Docket: UW-101718
Company Name: Burton Water Company, Inc.

Staff: Jim Ward, Regulatory Analyst
Dennis Shutler, Consumer Protection Staff

Recommendation

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Burton Water Company, Inc.
2. Approve staff recommended revised rates as filed by the company on January 3, 2011, to become effective January 21, 2011.
3. Grant the company's request, as permitted by WAC 480-80-122, to allow the revised rates and tariff revisions to become effective on January 21, 2011, on less than statutory notice.
4. Grant the company's request for an exemption from WAC 480-110-425, Customer Notice, to allow the company to notify customers of increases in the next billing cycle.

Background

On October 20, 2010, Burton Water Company, Inc. (Burton or company), filed a tariff revision to its currently effective tariff that would generate \$58,785 (38.2 percent) in additional annual revenue. The stated effective date is November 20, 2010. The company stated filing was prompted by revenues falling below the level projected in the last rate case, costs associated with replacing computers and billing software, and increased fees charged by regulatory agencies. The company proposed to increase only the base meter charges and the ready-to-serve charge. The company serves 415 customers on Vashon Island, in King County. The company's last general rate increase was February 1, 2010.

On November 10, 2010, the commission issued a complaint and order suspending the proposed tariff revisions filed by the company on October 20, 2010.

Staff's review shows a large portion of the rate increase resulted from additional investment in plant, which increased rate base by about \$23,300, increased depreciation \$4,623, increased interest by about \$12,200, and increased return on equity by about \$18,680. Expense increases included increased repair, materials and supplies of about \$4,900, increased amortization of rate case costs of about \$4,900, and increased federal and state taxes by about \$3,300.

After review and discussions, staff and the company agreed to a revised revenue requirement of \$50,162 (31.8 percent) in additional annual revenue and revised rates. On January 3, 2011, the company filed revised rates at staff recommended levels. Staff and the company agreed to a January 21, 2011, effective date to coincide with the company's normal billing cycle.

Staff's revised rate design is different from the company's proposed rate design the company filed with the commission and noticed to customers. The company proposed to increase only the base charge. Staff's revised rate design includes a small increase in the base meter charge and the ready-to-serve charge, and lowers the water usage blocks. This rate design shifts more revenue to water usage and helps to promote conservation.

A customer using 599 cubic feet of water per month (the calculated company-wide average monthly water usage) would pay \$3.66 (11.2 percent) more per month using the revised rates instead of \$11.80 (36.3 percent) more using the original rates proposed by the company (see "Average Bill Comparison" table below). The revised rates would result in some increases, as compared to the proposed rates. Customers using more than 1,200 cubic feet per month will pay more using the revised rates than they would have paid using the rates originally proposed by the company. The increases for monthly usage vary up to 57.3 percent greater than the original proposed rates.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Ready-to-Serve	\$21.59	\$33.39	\$25.25
Base Rate (3/4 Inch Meter) ¹	\$21.59	\$33.39	\$25.25
Usage Block 0 – 1,000 Cubic Feet ^{1,2}	\$1.83	\$1.83	\$1.83
Usage Block 1,000 – 1,700 Cubic Feet ^{1,2}	\$1.83	\$1.83	\$4.71
Over 1,700 Cubic Feet ^{1,2}	\$1.83	\$1.83	\$6.00
Usage Block 0 – 2,500 Cubic Feet ^{1,2}	\$1.83	\$1.83	NA
Usage Block 2,501 – 5,000 Cubic Feet ^{1,2}	\$4.71	\$4.71	NA
Over 5,000 Cubic Feet ^{1,2}	\$6.00	\$6.00	NA

1 – Based on 3/4-inch meter classification, see company's tariff for upsize meter classifications, usage blocks and rates.

2 – Based on "per 100 cubic feet".

Average Bill Comparison

Average Monthly Usage 599 Cubic Feet ³	Current Rate	Proposed Rate	Revised Rate
Base Rate (3/4 Inch Meter)	\$21.59	\$33.39	\$25.25
0 - 599 Cubic Feet	\$10.96	\$10.96	\$10.96
Average Monthly Bill	\$32.55	\$44.35	\$36.21
Increase From Current Rates		36.3 %	11.2 %

3 – Based on a company-wide average customer monthly water usage.

This increase in monthly bills would occur in high usage months which are typically summer (June through September). Staff reviewed the twelve-month test period usage data for all

customers and found that, on an annual basis, 310 customers would pay less using the revised rates and 105 customers would pay more using the revised rates. One customer would pay an additional \$533.55 (36 percent) for the year as compared to the rates proposed by the company. The following table summarizes the effect of the revised rates on customers who would pay more using the revised rates.

Summary of Revised Rate Increases Above the Company's Proposed Rates

Increase Range	No. of Customers	Additional Annual Cost	
		Min	Max
Up to 5%	11	\$1.73	\$15.84
5% - 10%	18	\$18.72	\$187.92
10% - 15%	28	\$37.73	\$94.42
15% - 20%	24	\$61.06	\$151.63
20% - 25%	7	\$112.66	\$207.35
25% - 30%	13	\$124.57	\$349.01
30% - 35%	3	\$131.81	\$241.12
36%	1	\$533.55	\$533.55
	105		

Discussion

Notice to Commission

The company requests the commission to allow, as permitted by WAC 480-80-122, the revised rates and tariff revisions filed on January 3, 2011, to become effective on January 21, 2011, on less than statutory notice.

Customer Notice Exemption

The company requests an exemption from WAC 480-110-425, which requires the company to notify customers thirty days prior to a rate increase taking effect. The company proposes to notify customers in the next billing cycle of the increases that will result from the commission approving staff recommended revised rates, which are different from what the company originally noticed to customers.

Customer Comments

On October 20, 2010, the company notified its customers of the proposed rate increase by mail. Two customer comments have been received to date. Both customers are opposed to the proposed increase. No new customer comments have been received since this filing was suspended on November 10, 2010.

Consumer Protection staff advised customers that they may access company documents pertinent to this rate case www.utc.wa.gov/water, and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

Conclusion

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

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