

Agenda Date: May 13, 2010
Item Number: A5

Docket: UW-100642
Company Name: Deer Meadows Water Company, Incorporated

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

Recommendation

Issue a Complaint and Order Suspending the Tariff Revisions filed by Deer Meadows Water Company, Incorporated on April 20, 2010 and April 27, 2010.

Discussion

On April 20, 2010, Deer Meadows Water Company, Incorporated, (Deer Meadows or company), filed tariff revisions to its currently effective tariff that would generate \$114,234 (80 percent) in additional annual revenue. The proposed effective date is May 21, 2010. On April 27, 2010, the company submitted replacement sheets that corrected grammatical errors on the tariff sheets filed on April 20, 2010. The filing also establishes a new Non-Sufficient Fund (NSF) check charge of \$25.00, establishes a new site visit charge of \$75.00, and increases the reconnection charge from \$25.00 to \$75.00. The filing was prompted by increases in property tax, power, payroll and other costs, and the loss of two major commercial customers that closed their businesses.

The company serves 353 customers: 203 residential customers and 150 ready-to-use residential customers on a single water system located northwest of Davenport in Lincoln County. The company's last rate increase was effective in March 2009.

Customer Comments

On April 19, 2010, the company notified its customers of the proposed rate increase by mail. Thirty-three customer comments have been received to date. All customers oppose the proposed increase. Please note that customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

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

General Comment

- Nineteen customers believe the proposed rates are excessive. Two customers believe a smaller rate increase would be acceptable. Twelve customers believe high costs for water caused the golf course and motel to go out of business.

Staff Response

Customers were advised that state law requires rates to be fair and reasonable, and sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

A customer using 8,277 gallons of water per month (the calculated company-wide average water usage) would pay \$26.96 (89.7 percent) more per month using the proposed rates than using the current rates (see “Average Bill Comparison” table below).

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate
Ready to Serve	\$26.25	\$48.25
Base Rate (3/4 inch meter)	\$26.25	\$48.25
Usage Per 1,000 Gallons	\$.46	\$1.06
NSF Check Charge	NA	\$25.00
Service Visit Charge	NA	\$75.00
Reconnection Charge	\$25.00	\$75.00

Average Bill Comparison

Average Monthly Usage (8,277 Gallons Estimate)	Current Rate	Proposed Rate
Base Rate (3/4 inch meter)	\$26.25	\$48.25
0 - 8,277 Gallons	\$3.81	\$8.77
Average Monthly Bill	\$30.06	\$57.02
Increase From Current Rates		89.7 %

The company has not yet responded to staff’s data requests. Therefore, the company has not justified the need for the rate increase and has not yet demonstrated the proposed rates are fair, just, reasonable and sufficient.

Conclusion

Issue a Complaint and Order Suspending the Tariff Revisions filed by Deer Meadows Water Company, Incorporated on April 20, 2010, and April 27, 2010.