

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

WASHINGTON UTILITIES AND)	DOCKET UW-090733
TRANSPORTATION COMMISSION,)	
)	ORDER 02
Complainant,)	
)	
v.)	ORDER DISMISSING COMPLAINT
)	AND ORDER SUSPENDING TARIFF
WASHINGTON WATER SERVICE)	REVISIONS; ALLOWING TARIFF
COMPANY,)	REVISIONS, ON LESS THAN
)	STATUTORY NOTICE; GRANTING
Respondent.)	EXEMPTIONS FROM RULES
.....)	

BACKGROUND

- 1 On May 12, 2009, Washington Water Service Company (Washington Water or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-1; revisions to its Tariff WN U-2 (adopted from Rosario Utilities, LLC); and revisions to its Tariff WN U-1 (adopted from Sylvia Lake Water Supply, Inc.).
- 2 The Company serves about 15,766 customers on 172 water systems. The systems are located in eight counties in western Washington: Clallam, Jefferson, Pierce, San Juan, Thurston, Kitsap, King and Mason counties.
- 3 The proposed rates are prompted by increases in operating and administrative costs such as payroll and benefits, insurance, property taxes and water testing fees since the last rate increase. The Company’s last general rate increase became effective on September 28, 2006.
- 4 On June 25, 2009, the Commission entered a Complaint and Order Suspending Tariff Revisions pending an investigation to determine whether the revisions are fair, just, reasonable and sufficient.
- 5 After review and discussions, Staff and the Company agreed to a revised revenue requirement of \$1,206,924 (16.5 percent) in additional annual revenue and revised rates. On July 23, 2009, and July 27, 2009, the Company filed revised rates at Staff recommended levels.

- 6 A customer using 1,010 cubic feet (the calculated average water usage) of water per month would pay \$7.66 (21.6 percent) more per month using the revised rates instead of \$9.13 (25.6 percent) more using the original rates proposed by the Company.
- 7 The Company's filing brings all of its recently acquired systems under the same rate structure, known as single-tariff pricing. For the Rosario Water System (Rosario) located on Orcas Island, an "Island Fee" is added to the single-tariff pricing.
- 8 Under single-tariff pricing, customers on some water systems pay more and customers on some water systems pay less than what they would pay if the Commission set separate, stand-alone rates for each water system. Since all water systems will eventually require capital improvements, single-tariff pricing distributes the risk of the individual water system customers in much the same way as an insurance pool and diminishes the impact of major capital investments on the individual water system's customers.
- 9 Staff has consistently supported single-tariff pricing and, except for very unusual circumstances, has consistently recommended the Commission use single-tariff pricing to set rates. Staff believes Rosario is a unique circumstance that warrants an exception to the single-tariff pricing policy. Rosario is the only water system that requires a water treatment plant for its water surface source. Because of the water treatment plant, Washington Water must employ a Water Treatment Plant Operator 3 (WTPO 3) that is available on-call 24 hours a day, seven days a week, to comply with Washington State Department of Health (DOH) regulations in WAC 246-292. Because of Rosario's island location, the person can provide service to only Rosario. If Rosario was instead located on the mainland, the person would be available to cover other water systems and share the cost. The Company advises that, under normal circumstances, one on-call person can cover an average of five water systems.
- 10 The Company originally proposed to add a new flat "Island Fee" rate of \$37.75 per month to offset higher operating costs associated with the higher chemical cost for the water treatment plant and the higher cost of labor required to have highly certified Staff available 24 hours a day seven days a week in compliance with DOH regulations. Staff and the Company agreed to a revised "Island Fee" averaging \$0.23.
- 11 Staff and the Company agreed to a revised breakdown of the expenses included in the "Island Fee", shown in Table 1 of the Staff memorandum associated with this docket.

Staff and the Company agreed to remove all of the chemical costs for water treatment from the “Island Fee”, along with that portion of labor costs associated with normal allocated time for running a water system. Those costs are treated as common costs together with all other water systems in the single-tariff pricing rate structure. The required labor cost that exceeds the portion associated with normal allocated time for running a water system remains as the basis for the revised “Island Fee” that is applied to only Rosario customers.

- 12 Instead of a flat-rate charge for each individual customer proposed by the Company, Staff and the Company agreed to a revised “Island Fee” rate structure based on meter size that recovers the fee in usage charges.
- 13 A group of Rosario customers claim that the Company “overpaid” for water rights when the Company acquired Rosario Utilities, LLC. Staff does not agree with the customers’ premise that the Company “overpaid” in the amount of \$100,000 for water rights. Staff believes the documentation submitted by customers in Docket UW-070944 is flawed because the study was done using the mainland (not an island) and well water rights (not surface water rights). Staff’s review of the water right purchase in Docket UW-070944 concludes that the purchase and amount are reasonable. The general rate filing in this docket includes the \$100,000 the Company paid for the water rights as a capital expense in rate base. Regulatory principles average beginning of year assets and ending year assets. The result is that assets purchased during the test period are effectively divided in half (in this case, \$100,000 water rights would have only \$50,000 in rate base for this rate case). The full \$100,000 would be recognized as an asset in subsequent test periods. Due to economies of scale and the application of the single-tariff pricing principle, the impact to rates in this rate case is less than three cents per customer per month and in future rate cases will be less than five cents per customer per month.
- 14 The Company proposes to add an ancillary charge, which is a credit/debit card charge (formally known as a “credit card convenience fee”). The credit/debit card charge is for credit/debit card transactions for telephone payments; nonetheless, the Company will continue to offer its auto-payment processing for free. This is similar to the telephone industry’s practice in WAC 480-120-161 and WAC 480-120-162, which allows the Company to pass-through costs as long as a free option is available.
- 15 The Company requests an exemption from WAC 480-110-431, Tariffs, to allow the revised rates that result in increases above the level noticed to customers to become

effective on July 31, 2009, on less than statutory notice, and an exemption from WAC 480-110-425, Customer Notice, to allow the Company to notify customers of increases in the next billing cycle.

- 16 Washington Water notified its customers of the rate increase by mail, on May 12, 2009. The Commission received 81 customer comments on this filing; all are opposed to the proposed increase.
- 17 WAC 480-80-121 and WAC 480-110-431 require thirty days' notice to the Commission prior to the effective date of the tariff. The Company requests the Commission approve less than statutory notice as permitted by WAC 480-80-122, so that the tariff revisions become effective on July 31, 2009. The Company requests less than statutory notice because the revised rates result in some increases compared to the rates the Company originally proposed and sent notice to customers.
- 18 Under WAC 480-110-425, a water company must provide each affected customer a notice at least thirty days before the requested effective date of the proposed rate increase. Granting the Company less than statutory notice request also requires an exemption from WAC 480-110-425, regarding notice to customers. For the same reason(s) listed in seeking less than statutory notice, the Company seeks such an exemption from customer notice requirements. The Company proposes to notify customers on their next billing.

FINDINGS AND CONCLUSIONS

- 19 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 20 (2) Washington Water is a water company and a public service company subject to Commission jurisdiction.
- 21 (3) This matter came before the Commission at its regularly scheduled meeting on July 30, 2009.

- 22 (4) The tariff revisions presently under suspension are fair, just, reasonable and sufficient because Washington Water has demonstrated that they require additional revenue and have filed revised rates at Staff's recommended levels.
- 23 (5) After reviewing the tariff revisions Washington Water filed in Docket UW-090733 and giving due consideration, the Commission finds it is consistent with the public interest to dismiss the Complaint and Order Suspending Tariff Revisions in Docket UW-090733, dated June 25, 2009, and allow the tariff revisions Washington Water Service Company filed in this docket on May 12, 2009, for adopted tariffs for Rosario Utilities, LLC, and Sylvia Lake Water Supply, Inc.; and revised tariff revisions filed in this docket on July 23, 2009, and July 27, 2009, to become effective on July 31, 2009.
- 24 (6) Washington Water is subject to WAC 480-80-121 and WAC 480-110-431, which require water companies to file changes in any rate or charge with thirty days' notice. WAC 480-80-122 authorizes the Commission, for good cause shown, to allow changes in rates or charges without requiring thirty days' notice.
- 25 (7) WAC 480-110-425 requires water collection companies to provide customers with thirty days notice of a proposed rate increase. WAC 480-07-110 authorizes the Commission to grant an exemption from the provisions of any rule in WAC 480-110, if consistent with the public interest, the purposes underlying regulation and applicable statutes.

ORDER

THE COMMISSION ORDERS:

- 26 (1) The Complaint and Order Suspending Tariff Revisions in Docket UW-090733, entered on June 25, 2009, is dismissed.
- 27 (2) The tariff revisions Washington Water Service Company filed in this docket on May 12, 2009, for adopted tariffs for Rosario Utilities, LLC, and Sylvia Lake Water Supply, Inc.; and revised tariff revisions filed in this docket on July 23,

2009, and July 27, 2009, shall become effective on July 31, 2009, on less than statutory notice.

- 28 (3) After the effective date of this Order, Washington Water Service Company is granted an exemption from WAC 480-110-431, to allow the revised rates to become effective July 31, 2009, on less than statutory notice.
- 29 (4) After the effective date of this Order, Washington Water Service Company is granted an exemption from WAC 480-110-425, concerning customer notice requirements. Washington Water Service Company shall notify customers on their next billing.

DATED at Olympia, Washington, and effective July 30, 2009.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner