

Agenda Date: October 19, 2018
Item Number: A6

Docket: UW-180801
Company: Summit View Water Works, LLC

Staff: Cristina Steward, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the rates filed by Summit View Water Works, LLC on September 17, 2018, as revised on October 12, 2018, to become effective November 1, 2018, for domestic water and January 1, 2019, for irrigation service by operation of law.

Discussion

On September 17, 2018, Summit View Water Works, LLC (Summit View or company) filed with the Washington Utilities and Transportation Commission (commission) to increase its domestic and irrigation water rates. The company serves 327 domestic water customers and 563 irrigation customers near Kennewick located in Benton County. Summit View came under regulation in 2006.

The rate increase is the result of increased operating costs and water plant. The company has expanded its operations from 129 domestic water customers in 2006 to 411 customers in 2018 which includes 84 ready-to-serve customers. To set rates, the company separates its costs between its domestic water and irrigation customers. Most costs are booked directly to each customer group but approximately 20 percent of expenses are shared between irrigation and domestic customers. The company has traditionally allocated costs on a 50 percent sharing basis whereas the commission staff (staff) allocated the shared expenses based on the ratio of the directly allocated expenses. Although this allocation approach increases the costs assigned to irrigation to a greater extent than was originally recognized in the company's original request, staff believes it is more appropriate than an arbitrary 50 percent distribution.

Staff has reviewed the company's financial documents, prior filings, and asset invoices. Staff has determined that the rates filed by the company on September 17, 2018, as revised on October 12, 2018, are fair, just, reasonable, and sufficient.

Customer Comments

The company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received four consumer comments regarding the proposed rate increase; all opposed to the domestic rate increase. One customer approves of the proposed increase in irrigation rates.

General Comments

- All four commenters feel the proposed increase in domestic water rates is excessive.

Staff Response

Staff informed customers that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Customers were also told that commission staff performs a thorough review of rate filings to ensure all rates and fees are appropriate.

Rate Impact

The rate comparison tables below reflect the current, proposed, and revised rates and usage blocks.

Rate Comparison Domestic

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Ready-to-Serve	\$20.00	\$44.00	\$44.00
Base Rate (3/4 Inch Meter)	\$40.00	\$44.00	\$44.00
Usage Block 0 – 2,000 Cubic Feet	\$1.00	N/A	N/A
Usage Block 0 – 500 Cubic Feet ¹	N/A	\$2.00	\$2.68
Usage Block 501 – 750 Cubic Feet	N/A	\$4.00	\$3.32
Over 750 Cubic Feet	N/A	\$5.50	\$3.32
Over 2,000 Cubic Feet	\$1.50	N/A	N/A

Rate Comparison Irrigation

Annual Rate	Current Rate	Proposed Rate	Revised Rate	Percent Increase
Base Rate	\$215.00	\$220.00	\$343.24	59.6%
Per Acre Rate	\$280.00	\$298.00	\$408.24	45.8%

A domestic customer using the calculated company-wide average monthly water usage of 656 cubic feet per month would pay \$16.02, or 34.4 percent more per month as shown in the table below.

Average Bill Comparison Domestic

Average Monthly Bill 656 Cubic Feet¹	Current Rate	Proposed Rate	Revised Rate
Base Rate (3/4 inch Meter)	\$40.00	\$44.00	\$44.00
0 – 656 Cubic Feet	\$6.56	\$16.24	\$18.58
Average Monthly Bill	\$46.56	\$60.24	\$62.58
Increase From Current Rates		\$13.68 (29.3%)	\$ 16.02 (34.4%)

An irrigation customer with an average acreage of 0.72 would pay \$220.18, or 53 percent more annually, as shown in the table below.

Average Bill Comparison Irrigation

Average Annual Acreage Fee 0.72 – Acres¹	Current Rate	Proposed Rate	Revised Rate
Base Rate (3/4 inch Meter)	\$215.00	\$220.00	\$343.24
Per 0.72 Acres	\$200.00	\$213.10	\$291.94
Average Annual Bill	\$415.00	\$443.10	\$635.18
Increase From Current Rates		\$28.10 (6.77%)	\$220.18 (53.0%)

¹ Based on a company-wide average customer annual water usage.

Conclusion

On September 17, 2018, Summit View Water Works, LLC filed with the Utilities and Transportation Commission requesting a general rate increase. Staff, working closely with the company, reviewed the filing and associated supporting documents. The company filed revised rates on October 9, 2018, which staff has determined are fair, just, reasonable, and sufficient.

Staff recommends the commission take no action, thereby allowing the rates filed by Summit View Water Works, LLC on September 17, 2018, as revised on October 12, 2018, to become effective November 1, 2018, for domestic water and January 1, 2019, for irrigation service, by operation of law.