

Agenda Date: June 24, 2021  
Item Number: A3

**Docket:** UW-210260  
Company Name: Tatoosh Water Company

Staff: Jim Ward, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendation:**

Take no action allowing the tariff pages filed by Tatoosh Water Company on April 19, 2021, as revised on June 11, 2021, to become effective July 1, 2021, in Docket UW-210260, by operation of law.

### **Discussion**

On April 19, 2021, Tatoosh Water Company (Tatoosh Water or Company), filed a general rate increase that would generate \$43,200 (40.5 percent) additional annual revenue. Tatoosh Water is seeking this increase to help cover increased expenses such as contract operations, repairs, maintenance, and insurance. The current tariff rates were part of the initial tariff filed in 2017 when the Company became regulated. The Company claims the current rates do not cover expenses and the Company expense deficits have been paid for by the owners of Tatoosh Water Company.

Tatoosh Water serves approximately 141 customers on one water systems located near Arlington on the border of Snohomish and Skagit County. Tatoosh Water first become regulated on June 1, 2017, and this is the first general rate case to be filed with the commission.

After review and adjustments Commission staff (Staff) and the Company have agreed on a lower revenue requirement of an additional \$20,769 (19 percent) annually. The Company has filed revised rates to reflect the revised revenue.

### **General Rate Review**

The Tatoosh water system was initially installed in the beginning of 1975 and a second well was installed in 1979. Most of the water system has been fully depreciated. Repairs and maintenance appear high for a company of this size and future replacements may be more in order to ensure water service continues. As part of the Company's operations prior to regulation in 2017, the Company charged new customers a service connection charge (cost varied by installation) and a facilities charge of \$6,500. Both service connection charges and facilities charges are considered CIAC (Contributions in Aid of Construction). At the current facilities charge of \$6,500 and 141 customers, the Company has received CIAC funds to essentially reduce plant rate base to near zero. To allow the Company to continue to apply the facilities charge, Staff has reviewed the history of the number of new service connections. Over the last several years the Company has grown by about 2 customers per year. With the collection of 2 facilities charges each year (\$13,000), and no dedicated improvements, Staff has reduced the operating repairs account by \$13,000 annually. The Company has noted that a water system plan has been submitted to the Department of Health and that improvements and upgrades are part of the plan.

In addition to an increase in general rates, the Company was seeking to start a Capital Plant Surcharge to pay for the improvements and upgrades reportedly listed in the DOH water system plan. The monthly rate for the surcharge will be \$33.18 to run for 30 months. The surcharge would generate an annual increase of \$56,140 (52.8 percent) for a total collection of \$142,320. Cost includes engineering, construction, and State sales tax.

The surcharge will specifically be used to replace two aging Pressure Reducing Valve (PRV) vaults that are used to reduce water system pressure due to elevation heights. The PRV vaults are at the end of their life cycle and proposed surcharge funds generated would pay for 100 percent of the project costs.

After review of the surcharge requirements in WAC 480-110-455 Funding Mechanisms, the requested surcharge did not meet the criteria for Staff review. On May 19, 2021, the Company withdrew the surcharge by letter.

The Company will be implementing a 3 block rate design as shown below to help with conversation efforts.

**Monthly Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
Ready to Serve	\$38.23	\$40.00	\$40.00
Un-Metered	\$38.23	\$40.00	\$40.00
Base Rate 3/4 inch meter	\$38.23	\$40.00	\$40.00
Allowance in Cubic Feet	450	NA	NA
Over 450 Cu Ft, Per 100 Cu Ft	\$1.50	NA	NA
0 to 600 Cu Ft, Per Cu Ft	NA	\$1.30	\$1.20
601 To 1,200 Cu Ft, Per Cu Ft	NA	\$3.05	\$2.25
Over 1,201 Cu Ft, Per Cu Ft	NA	\$4.05	\$3.25
Capital Plant Surcharge	NA	\$33.18*	\$33.18*

Notes: cu ft = cubic feet 100 cu ft = approximately 750 gallons

Other rates available in tariff.

\*Withdrawn May 19, 2021.

**Average Customer Bill Comparison\***

<b>Average Monthly Usage 1,172 Cubic Feet</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
Base Charge, 3/4-Inch Meter	\$38.23	\$40.00	\$40.00
Allowance 450 Cu Ft	\$ 0.00	NA	NA
Usage 722 Cu Ft	\$10.82	NA	NA
Block 1 Usage 600 Cu Ft	NA	\$ 7.80	\$ 7.20
Block 2 Usage 572 Cu Ft	NA	\$17.43	\$12.86
<b>Average Monthly Bill</b>	<b>\$49.05</b>	<b>\$65.23</b>	<b>\$60.06</b>
Increase From Current Rates -		\$16.18 33%	\$11.01 22.4%

\*All rates above subject to State Excise tax in the amount of 5.029 percent.

### **Tariff Review**

Staff has reviewed the Company's tariff and found several areas needing to be revised. The up-size meters, with up-size base meter charges did not have up-size usage blocks based on the meter size factor. This was part of the initial tariff and was overlooked at that time. Additionally, several sections of language has changed to reflect current practices. Two ancillary charges were also revised to align the Disconnection Visit charge with the Service Visit charge and to remove a 20 percent markup on time and material repairs.

### **Customer Comments**

On April 7, 2021, the Company notified its customers by mail of the proposed rate increase. Staff received no comments.

### **Conclusions**

Staff has completed its review of the Company's supporting financial documents, books, and records. Staff's review shows that the revised expenses are reasonable and required as part of the Company's operations. 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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