

Agenda Date: January 15, 2009
Item Number: A3

Docket: UW-082113
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.

Background

On November 21, 2008, Deer Meadows Water Company, Incorporated, (Deer Meadows or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$215,307 (172 percent) in annual revenue. The company serves 351 customers, including a restaurant/motel and a golf course, northwest of Davenport in Lincoln County. The proposed rates are prompted by increases in supplies, power, laboratory fees and maintenance expenses. The proposed effective date for the filing is January 20, 2009.

Deer Meadows' initial tariff filing with the commission became effective November 1, 2007. The company states that its last general rate increase was approximately five years ago. The company proposes to change residential rates from a one-block rate design with 5,000 gallon usage allowance to a zero allowance, three-block rate design to encourage conservation. Currently, the company charges \$500 to serve both the restaurant/motel and the golf course. The company proposes separate rates for the restaurant/motel and the golf course, using a zero allowance, three-block rate design.

On November 22, 2008, the company notified its customers of the rate increase by mail. The commission has received numerous customer comments on this filing as of January 6, 2009. The commission also heard comments on the filing at its December 23, 2008, open meeting. All customers are opposed to the increase. A summary of the written comments were attached to the December 23, 2008, memorandum. Since December 23, 2008, the commission has received an additional 14 comments. A summary of the customers' comments and staff's responses is provided in Attachment A.

On January 8, 2009, staff participated in a customer meeting by conference call. About 12 customers participated along with staff of Belsby Engineering and commission staff. The meeting agenda included an explanation of the commission's regulatory process, regulatory principles and rate-setting methodology. Since staff has not yet completed its audit, staff was not able to respond to some of the customers' specific questions on specific issues. Staff has provided an overview of the comments with its Attachment A to this memorandum.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate
Residential		
Ready To Serve	N/A	\$54.50
Base Rate (3/4 Inch Meter, 5,000 Gallon Allowance)	\$28.00	N/A
Base Rate (3/4 Inch Meter, Zero Allowance)	N/A	\$54.50
0 - 5,000 Gallons, Per 1,000 Gallons	N/A	\$1.05
5,001 - 10,000 Gallons, Per 1,000 Gallons	\$0.35	\$1.90
Over 10,000 Gallons, Per 1,000 Gallons	\$0.35	\$3.20
Restaurant/Motel		
Base Rate (4 Inch Meter, Included With Golf Course)	N/A	N/A
Base Rate (4 Inch Meter, Zero Allowance)	N/A	\$115.00
0 - 10,000 Gallons Per 1,000 Gallons	N/A	\$0.30
10,001 - 50,000 Gallons Per 1,000 Gallons	N/A	\$0.75
Over 50,000 Gallons Per 1,000 Gallons	N/A	\$1.50
Golf Course		
Base Rate (6 Inch Meter, Flat Rate)	\$500.00	N/A
Base Rate (6 Inch Meter, Zero Allowance)	N/A	\$500.00
0 – 1,000,000 Gallons Per 1,000 Gallons	N/A	\$0.100
1,000,001 – 5,000,000 Gallons Per 1,000 Gallons	NA	\$0.325
Over 5,000,000 Gallons Per 1,000 Gallons	NA	\$0.410

Average Monthly Bill Comparison, Residential Customers

During staff's review of the filing and customer usage data, staff has determined that the average residential customer uses 5,645 gallons per month. Staff previously noted 9,907 gallons as the estimated average usage.

	Current Rate	Proposed Rate
Base Meter Charge (3/4 inch meter)	\$28.00	\$54.50
5,000 Gallons usage	\$0.00	\$5.25
645Gallons usage	\$.23	\$1.23
Average Monthly Bill	\$28.23	\$60.98
Increase From Current Rates		(116%)

Commission staff has sent the company several data requests to clarify issues and answer outstanding questions. The company has not answered those data requests. As a result staff has not yet completed its review of Deer Meadow's supporting financial documents, books and records. The company has not demonstrated that it requires additional revenue and the proposed rates are fair, just, reasonable and sufficient.

Conclusion

Therefore, staff recommends the commission issue a Complaint and Order Suspending the Tariff Revisions filed by Deer Meadows Water Company, Incorporated.