

Agenda Date: October 30, 2014
Item Number: A8

Docket: UW-141114
Company Name: Aquarius Utilities, LLC

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

Recommendations

1. Dismiss the Complaint and Order Suspending the Tariff Revision filed by Aquarius Utilities, LLC in Docket UW-141114 on May 20, 2014, and;
2. Allow the revised rates and tariff revision filed by Aquarius Utilities, LLC on May 20, 2014, as revised October 16, 2014, to become effective November 1, 2014.

Discussion

On May 20, 2014, Aquarius Utilities, LLC (Aquarius or company) filed a proposed general rate increase that would generate \$72,630 (15.9 percent) additional annual revenue. The proposed general rate increase would offset expenses to repair and maintain water system operations and recover additional capital costs for filtration. Aquarius also proposed increases to several ancillary charges. The proposed effective date was June 20, 2014. The company provides water service to approximately 900 residential customers on 4 water systems in Kitsap, Mason, and Clallam Counties. The company's last rate change was effective October 13, 2009.

On June 12, 2014, the commission issued an order suspending this filing for further review. Staff determined that the company's books and records supported an increase of \$73,473 (16 percent) additional annual revenue. After review, staff found the company's proposed rate design would generate insufficient revenue.

Staff and the company agreed to the revised revenue requirement and a revised rate design. Aquarius filed revised tariff rates on October 16, 2014. The revised rate design increases the base rate, lowers the usage charge for block one, and increases the usage charge for block two. The average customer's bill using 668 cubic feet water consumption and the revised rates is twenty-one cents (\$0.21) per month more than the original rates proposed by the company and noticed to customers. Staff feels that requiring a separate notice to the customers is not economically efficient due to the small size of the difference between the company's proposed rates and staff's revised rates. The company has agreed to send a notice to the customers about the increase in the next customer bill.

Customer Comments

On April 18, 2014, the company notified its customers by mail of the proposed rate increase. The 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 jcupp@utc.wa.gov with questions or concerns. Staff received five consumer comments, all opposed to the rate increase.

General Comments

- One commenter believes rates should be comparable with rates of other companies, and that the company's costs should be verified. Customers believe the company's rates for usage are already too high.

Staff Response

The customers were advised 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. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

- A customer commented that the company has co-mingled the costs of daily operations with costs of its SRF loan projects; that the company has not filed its Water System Plan with DOH; and the company wants to raise rates to meet the goals of the Washington Water Use Efficiency Plan.

Staff Response

Staff was able to separate capital and operational costs in its investigation into the company's request. Staff does not consider the company's filing of its Water System Plan when working on a rate case. To meet the goals of the Washington Water Use Efficiency Plan, it is necessary to raise rates.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Ready to Serve	\$15.73	\$19.09	\$19.25
Base Rate, 3/4-Inch Meter ¹	\$15.73	\$19.09	\$19.25
0 – 461 CF ² , Per CCF ³	\$4.92	\$5.92	\$5.90
462 – 1,125 CF, Per CCF	\$6.13	\$6.13	\$6.20
Over 1,125 CF, Per CCF	\$7.50	\$7.50	\$7.50

1 – Based on 3/4-inch meter classification, see company's tariff for upsize meter classifications, usage blocks and rates.
2 - CF – Cubic Feet, 3 - CCF - 100 Cubic Feet.

Monthly Residential Bill Comparison

Monthly Average 668 Cubic Feet	Current Rate	Proposed Rate	Revised Rate
3/4-Inch Metered Base	\$15.73	\$19.09	\$19.25
668 Cubic Feet	\$35.37	\$39.98	\$40.03
Water Bill Total	\$51.10	\$59.07	\$59.28
Increase From Current Rates		\$7.97 15.6%	\$8.18 16%

Ancillary Charge	Current Rate	Proposed Rate
Reconnection Charge	\$35.00	\$50.00
Disconnection Charge	\$29.00	\$50.00
Credit Card Processing Fee	\$0.75	\$1.00

Conclusion

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the expenses are reasonable and required as part of the company's operation. The customers' comments do not change staff's opinion that the company's financial information supports the proposed revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

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