

Agenda Date: August 29, 2019
Item Number: A3

Docket: UW-190599
Company Name: Point Fosdick Water Co., Inc.

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

Recommendation

Take no action, thereby allowing the tariff WN U-2 filed by Point Fosdick Water Co., Inc., on July 15, 2019, as revised on August 23, 2019, to become effective September 1, 2019, by operation of law.

Discussion

On July 15, 2019, Point Fosdick Water Co., Inc. (Point Fosdick or company) filed with the Washington Utilities and Transportation Commission (commission) a general rate increase. The proposed increase would generate approximately \$62,735 (52.8 percent) additional annual revenue.

The reason for the increase is to respond to the increased operating costs, which are primarily due to service contract increases for operational work by a third-party contractor. The company serves approximately 257 residential customers on three water systems in Pierce County. The company's last general rate increase was effective January 1, 2004, for \$17,439 (18 percent) additional annual revenue.

Staff reviewed the filing and documents provided by the company finding an annual revenue increase of \$27,731 (23.4 percent) is required. The driving factor reducing the revenue requirement was an adjustment to wages due to Point Fosdick using a satellite management agency for all operations, except legal and minor company accounting, per contract agreement.

After reviewing the rate case and discussions with the company, staff and company agreed to replace the tariff WN U-1 with WN U-2, modernizing and expanding the information and rules to meet current regulatory requirements, especially cross-connection control.

The proposed filing would only change the usage rate charges, leaving usage blocks at current levels. Based on current customer usage information, the current usage block structure is excessive and does not promote conservation efforts. Staff revised the usage block structure and price per 100 cubic feet using customer summer and winter averages in line with general practice.

Meter Rate Schedule

| Monthly Rate | Current Rate * | Proposed Rate * | Revised Rate* |
|--------------------------------------------|-----------------------|------------------------|----------------------|
| Current base rate 3/4-inch meter ** | \$20.80 | \$35.43 | \$27.00 |
| Usage Block 1 0 – 600 Cubic Feet | \$1.35 | \$1.95 | \$1.80 |
| Usage Block 1/2 601 – 1,100 Cubic Feet | \$1.35 | \$1.95 | \$2.30 |
| Usage Block 2 1,101 – 1,300 Cubic Feet | \$1.90 | \$2.50 | \$2.30 |
| Usage Block 2/3 1,301 – 3,499 Cubic Feet | \$1.90 | \$2.50 | \$3.35 |
| Usage Block 3 over 3,500 Cubic Feet | \$3.35 | \$3.35 | \$3.35 |
| Flat Rate | \$37.20 | \$51.83 | \$47.87 |
| Ready-To-Serve | \$0.00 | \$0.00 | \$27.00 |

*Rates are per 100 cubic feet of usage.

** Other meter size usage blocks are found in the tariff.

Monthly Residential Bill Comparison

| Monthly Average 931 Cubic Feet | Current Rate | Proposed Rate | Revised Rate |
|---------------------------------------|---------------------|----------------------|---------------------|
| 3/4-Inch Metered Service Base | \$20.80 | \$35.43 | \$27.00 |
| 0 – 600 Cubic Feet (600 CF) | \$8.10 | \$11.70 | \$10.80 |
| 600 – 1,100 Cubic Feet (331 CF) | \$4.47 | \$6.45 | \$7.60 |
| Water Bill Total | \$33.37 | \$53.58 | \$45.40 |
| Increase From Current Rates | | \$20.21 60.6% | \$12.03 36.1% |

The company has no additional surcharges, fees, or rates affecting standard customer usage bills.

Customer Comments

On July 11, 2019, 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 nine consumer comments opposed to the rate increase.

General Comments

All commenters stated that the requested increase amount is excessive and that they have never seen improvements to their water system.

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.

One customer on the Point Fosdick water system mentioned he has experienced brown water. Staff contacted the customer and was told the issue had been reported to the company, but not to the Department of Health (DOH). Staff provided a number for the customer to call DOH.

The satellite management agency told staff it has had eight to ten brown water calls in the past few months on the Point Fosdick water system. Customers were advised to run an outside tap to help clear the water line. The system manager said they respond and flush the water mains usually within a couple hours, and if a call comes in after business hours flushing will be done the next business day.

DOH says it has had no complaints from Point Fosdick customers since 2001. Staff asked, and the DOH engineer said he believes the system management agency's response is sufficient.

Conclusion

Commission staff has completed its review of the company's supporting financial documents, books, and records. Staff has been able to determine that the revised operating expenses are reasonable and required as part of the company's operation. The company's revised financial information does support the revenue requirement and the revised rates and charges.

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