

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	DOCKET NO. UW-011576
	)	
Complainant,	)	FIRST SUPPLEMENTAL ORDER
	)	
v.	)	
	)	ORDER APPROVING
MEADOWS WATER SYSTEM, LLC,	)	SETTLEMENT AGREEMENT
	)	
Respondent.	)	
	)	
.....	)	

*Synopsis: The Commission approves the parties’ settlement agreement as a reasonable resolution of Meadows Water System’s request for a rate increase. The result will be 17 percent increase in annual rates.*

- 1     **Proceedings:** Docket No. UW-011576 is a complaint filed by the Commission challenging Meadows Water System, LLC’s (hereinafter referred to as “Meadows” or “the Company”) proposed tariff revision requesting a general rate increase. A prehearing conference on the complaint took place March 21, 2002 before Administrative Law Judge Theodora M. Mace. On April 15, 2002, the parties presented a settlement agreement to the Commission and the record was closed.
- 2     **Appearances.** Nicholas Adams and Stephen Harrington, pro se, Olympia, co-managers appeared for Meadows. Mary M. Tennyson, Senior Assistant Attorney General for Commission Staff.
- 3     **Commission.** The Commission rejects the proposed tariff revision filed by Meadows on November 27, 2001, and approves and adopts the parties’ settlement agreement as a full and final resolution of the issues in Docket No. UW-011576. The Commission incorporates the parties’ settlement agreement by reference and makes it a part of this Order. *Appendix A, below.* The Commission authorizes and requires Meadows to make any compliance filings required to effectuate the terms of the settlement agreement.
- 4     **Background.** On November 27, 2001, Meadows filed proposed tariff revisions to increase its rates by an additional \$58,000 (23%) annually. This increase would have resulted in an addition of \$7.38 per customer per month. Meadows proposed the tariff increase in order to complete the installation of new electronic water meters to

serve its customers. The company currently serves approximately 790 customers north of Olympia, in Thurston County, Washington. The owners of Meadows have formed an affiliated, non-regulated entity, Utility Management Services, LLC (UMS) to provide management and operational services to six regulated and unregulated water companies, including Meadows.

5 The Commission suspended the operation of the proposed tariff revisions on December 28, 2001.

6 Since the March 21, 2002 prehearing conference, the Company and Staff have engaged in settlement negotiations that resulted in their placing a settlement agreement on the record on April 15, 2002.

7 **Brief Description of Settlement Agreement.** The settlement agreement calls for: (1) an increase in the company's revenue requirement of \$43,000 annually, plus associated taxes; (2) the amount of the revenue requirement to be allocated according to various operations of the company as outlined on Exhibit A to the settlement agreement; (3) revenues to be recovered from customers as outlined on Exhibit B to the settlement agreement; (4) \$32,033 of management expense of \$90,000 in management fees paid to UMS to be allocated to Meadows, plus 25% of the allocated amount for benefits, as shown on Exhibit A, lines 21-22; (5) Meadows to provide detailed daily time sheets for all Meadows and UMS employees; and (6) Meadows to confirm in writing that its retirement and medical plans are effective prior to rates becoming effective and that retirement and medical plans for UMS will be maintained

8 **Discussion and Decision.** During the settlement hearing, WUTC staff member James Ward testified about the settlement agreement. Mr. Ward explained that Meadows has basically two classes of customers, residential and "larger users" that are for the most part commercial. Residential users and those other users with a 3/4-inch meter (no customers on this meter at this time) would now be charged a base amount of \$19.60 per month, an increase from \$15.75 per month.

9 The new usage fee for all customers would be \$1.10 per 100 cubic feet (up from \$0.90 per 100 cubic feet) for usage from 0 to 1000 cubic feet and \$1.35 per 100 cubic feet (up from \$1.20 per 100 cubic feet) for usage above 1000 cubic feet.

10 Mr. Ward also stated that only approximately \$32,000 of the overall \$90,000 management cost paid to UMS for management of the six water utilities would be allocated to Meadows under the terms of the agreement. Mr. Ward also testified that the reduced revenue increase contained in the settlement as well as other terms of the agreement would promote the public interest. Representatives of Meadows also supported adoption of the settlement agreement.

11 The proposed settlement agreement would mitigate the rate effect that would have occurred had the company's original tariff been adopted while still providing adequate funds for the Company to move forward with its plan to install new meters. Furthermore, the agreed upon allocation of management expense resulting from the use of UMS management services, as well as the agreement of Meadows to provide more detailed time sheets for employees of both Meadows and UMS, will help to alleviate concerns about fair cost allocations among the regulated and non-regulated companies served by UMS.

12 On balance, we conclude that the settlement agreement constitutes a fair and reasonable resolution of the issues in this case. We find and conclude that our approval and adoption of the settlement agreement is in the public interest.

### **FINDINGS OF FACT**

13 The Commission now makes the following summary findings of fact:

- 14 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington having jurisdiction over the rates and charges of water companies such as Meadows Water System, LLC pursuant to RCW 80.01.040.
- 15 (2) Meadows filed on November 27, 2001, proposed tariff revisions that the Commission suspended on December 28, 2001, on the basis that it had not been shown that the filed tariff revisions were fair, just and reasonable.
- 16 (3) The existing rates of Meadows Water System LLC are insufficient to provide reasonable and adequate service to its customers.
- 17 (4) The agreed upon revenue increase of \$43,000 annually plus associated taxes will allow the company to complete the installation of new meters for its approximately 790 customers.
- 18 (5) The rates contained in the settlement agreement will allow a fair apportionment of management costs to Meadows.
- 19 (6) The record-keeping requirements established in the settlement agreements will assist in fairly allocating expenses among regulated and non-regulated entities managed by UMS.

### **CONCLUSIONS OF LAW**

20 The Commission now makes the following summary conclusions of law:

- 21 (1) The Washington Utilities and Transportation has jurisdiction over the parties  
and subject matter of this proceeding.
- 22 (2) The rates proposed by tariff revisions filed by Meadows on November 27,  
2001, and subsequently suspended by the Commission, are not fair, just or  
reasonable and should be rejected.
- 23 (3) The existing rates for water service provided by Meadows are insufficient to  
yield reasonable compensation for the service rendered.
- 24 (4) The settlement agreement entered into by the parties, which is attached to this  
Order and incorporated by reference, should be approved and adopted by the  
Commission as a reasonable resolution of the issues presented in this docket.
- 25 (5) The Commission should retain jurisdiction over the subject matters and the  
parties to this proceeding to effectuate the terms of this Order.

**ORDER**

- 26 (1) The Commission rejects the proposed tariff revisions filed by Meadows on  
November 27, 2001.
- 27 (2) The Commission approves and adopts the settlement agreement filed by the  
parties and admitted into the record on April 15, 2002. The settlement  
agreement is attached to this Order and incorporated by this reference.
- 28 (3) The Commission retains jurisdiction over the subject matter and the parties to  
effectuate the provisions of this Order.

Dated at Olympia, Washington, and effective this \_\_th day of April, 2002.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner

**NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).**