

Agenda Date: December 13, 2012
Item Number: A3

Docket: UW-121523
Company Name: Scenic Shores Water Company

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

Recommendation

Issue an Order to:

1. Dismiss the Complaint and Order Suspending the Tariff Revision filed by Scenic Shores Water Company in Docket UW-121523 dated October 11, 2012.
2. Allow the revised rates and tariff revision filed by Scenic Shores Water Company on November 28, 2012, to become effective December 20, 2012.
3. Require Scenic Shores Water Company to file, no later than February 1, 2014, copies of bills sent to water customers receiving regulated service to demonstrate that the company is in compliance with its tariff that will become effective December 20, 2013.

Discussion

On September 17, 2012, Scenic Shores Water Company (Scenic Shores or company) filed with the Utilities and Transportation Commission (commission) tariff revision that would increase rates and generate \$8,341 (33 percent) additional annual revenue. The company is a homeowners' association that operates a water system located near Lake Lawrence in Thurston County. The company provides non-regulated water service to 201 members and regulated water service to 35 non-members. The proposed effective date was October 20, 2012. The company's last rate increase was effective on April 20, 2010.

On October 11, 2012, the commission issued an order suspending this filing for further review. After review, staff found the proposed rates would generate excessive revenues. Staff determined that the company's books and records supported a lower revenue requirement of \$6,805 (27 percent) additional annual revenue. Staff and the company have agreed to a revised rate design that would generate the additional \$6,805 revenue. All revised rates are equal to, or less than the company's original proposed rates.

The current rate design includes a base rate, a "flat rate allowance" block for up to 1,000 cubic feet, and a "usage" block for more than 1,000 cubic feet. The company has historically charged the full "allowance" block rate of \$9.00 for any amount of water used in the first block. Staff believes this rate design and billing practice does not promote conservation.

The revised rate design proposes to shift the company's tariff to a pay-as-you-use, conservation oriented rate design in two steps. Step one, effective December 20, 2012, would decrease the

“flat rate allowance” block from 1,000 cubic feet to 500 cubic feet and add a new usage block for 501 cubic feet to 1,000 cubic feet and a rate of \$1.15 per 100 cubic feet. Step two, effective December 20, 2013, would eliminate the 500 cubic foot “flat rate allowance” block and expand the first usage block to zero to 1,000 cubic feet. This would allow customers to pay-as-they-use for all water received.

The current and revised rate designs are shown below:

	Base	Allowance	Allowance	Usage Block		Usage Block	
	Rate	(cu.ft)*	Charge	(cu.ft)	Rate*	(cu.ft)	Rate**
<u>Current Rates</u>							
	\$42.50	0 - 1,000	\$9.00	NA	NA	Over 1,000	\$0.020
<u>Table 1: Effective December 20, 2012 Through December 19, 2013</u>							
	\$46.75	0-500	\$5.75	501-1,000	\$1.15 per 100 cubic feet	Over 1,000	\$0.028
<u>Table 2: Effective December 20, 2013</u>							
	\$46.75	0	0	0 - 1,000	\$1.15 per 100 cubic feet	Over 1,000	\$0.028
	<u>*Or portion thereof</u>						
	<u>** Per cubic foot of usage</u>						

To ensure the company implements the rate changes scheduled to become effective December 20, 2013, staff recommends that the commission require the company to make a compliance filing no later than February 1, 2014, demonstrating the company has implemented the final rate design.

Customer Comments

On September 15, 2012, the company notified its customers of the proposed rate increase by mail. Staff received four consumer comments, all of which opposed the proposed rate increase. Customers were notified that they may access documents about this rate increase on the commission’s website, and that they may contact John Cupp at 1-888-333-WUTC (9882) or jcupp@utc.wa.gov with questions or concerns.

Business Practices

- One customer stated that the company has monopolized its back flow testing, and that the company trespasses on her property.

Staff Response

Staff is working with this customer to get more information about these issues.

General Comments

- Three customers said they believe it is unfair to be charged more for water than customers of the same company who are members of the homeowners association.

Staff Response

Due to the larger lot sizes and elevations of the regulated customers, larger meters have been installed. According to industry standards, a one-inch meter has the capacity to carry 1.67 times the water a 3/4-inch meter can carry. Larger meters are assigned higher base charges according to the larger meter's higher capacity to carry water. The increase in the base rate for the larger meters is based on upsize meter factors applied to the company's base charge for its 3/4 inch meter customers.

- The developer who sold homes to customers outside the homeowners association donated two generators to the water company. Two of these customers stated that they paid for the generators and they should be compensated if the generators are used to benefit homeowner's association members.

Staff Response

The cost of the generators and the developer's contribution to that cost are considered in a rate case. Staff removed contributed cost from the overall cost of providing service, and it is not included in the rates charged to customers.

Current, proposed and revised rates are shown below:

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate Effective December 20, 2012, Through December 19, 2013	Revised Rate Effective December 20, 2013
Base Rate (1-inch)	\$42.50	\$46.75	\$46.75	\$46.75
0 – 1,000 Cubic Feet*	\$9.00	\$11.50	NA	NA
0 – 500 Cubic Feet	NA	NA	\$5.75 *	\$1.15 **
500 – 1,000 Cubic Feet **	NA	NA	\$1.15	\$1.15
Over 1,000 Cubic Feet **	\$2.00	\$2.80	\$2.80	\$2.80
Public Utility Tax	NA	5.029%	5.029%	5.029%

*No proration, flat charge for any amount of water used.

**Per 100 Cubic Feet, or portion thereof.

Using the calculated average usage of 950 cubic feet of water per month, a regulated customer would pay \$9.08 (17.6 percent) more than the current rates (see “Average Bill Comparison” table below). Current, proposed and revised average bills are shown below for comparison.

Average Bill Comparison

Average Monthly Usage 950 Cubic Feet	Current Rate	Proposed Rate	Revised Rate Until December 19, 2013	Revised Rate After December 20, 2013
Base Rate (1-inch)	\$42.50	\$46.75	\$46.75	\$46.75
0 – 1000 Cubic Feet	\$9.00 *	\$11.50 *		
0 – 500 Cubic Feet			\$5.75 *	
501 – 950 Cubic Feet			\$5.18 **	\$10.93 **
Subtotal	\$51.50	\$58.25	\$57.68	\$57.68
Public Utility Tax (5.029%)	NA	\$2.93	\$2.90	\$2.90
Average Monthly Bill	\$51.50	\$61.18	\$60.58	\$60.58
Increase From Current Rates		\$9.68	\$9.08	\$9.08
		18.8%	17.6%	17.6%

*No proration, flat charge for any amount of water used.

**Per 100 Cubic Feet, or portion thereof.

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 revised revenue requirement and revised rates and charges are fair, just, reasonable, and sufficient.

Staff recommends that the commission issue an Order to:

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