

Agenda Date: May 27, 2016  
Item Number: A2

**Docket:** UW-160437  
Company Name: Desert Canyon Utility Co.

Staff: Greg Hammond, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendation**

Allow the tariff pages filed by Desert Canyon Utility Co. on April 25, 2016, and revised on May 11, 2016, to become effective June 1, 2016, by operation of law.

### **Background**

On April 25, 2016, Desert Canyon Utility Co. (Desert Canyon or company) filed with the Utilities and Transportation Commission (commission) a tariff revision that would generate approximately \$65,500 (180.5 percent) additional annual revenue. The company serves 91 domestic and 3 irrigation customers in Douglas County. The company's initial tariff became effective on March 6, 2006. The company has not filed a rate case since its initial tariff filing made 23 years ago.

The company has undergone dramatic changes since its initial tariff filing. General inflation alone has caused the company's expenses to grow, with no corresponding increase to rates. Also, a nitrate treatment plant installed in 2009 for domestic customers has gone unrecovered in rates since its construction. In addition to general rising costs, irrigation customers have been reorganized demanding rate design changes, and the company recently had a change in ownership. All of these factors contributed to the need for the company to file for increased rates.

Staff found in its review that the company's requested revenue requirement and proposed rate structure result in rates that are fair, just, reasonable, and sufficient.

### **Customer Comments**

On April 30, 2016 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 [jcupp@utc.wa.gov](mailto:jcupp@utc.wa.gov) with questions or concerns. Staff received 16 consumer comments, all opposed to the proposed rate increase.

### **General Comments**

- Twelve customers stated the amount the company requested is excessive. Most stated they are not opposed to a modest increase, however, the company is unreasonable in its efforts to make up for 23 years of increased costs all at once. Several customers are opposed to any increase in rates.

**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.

- Two consumers suggested the commission require the company to send a new notice to customers and delay the effective date in this filing. They believe the notice the company sent on April 30 is incorrect. According to one customer’s calculations based on the rate table in the notice, his bill for June and July 2015 would have been over \$14,000.

**Staff Response**

Staff explained it does not intend to request an extension of the effective date. The rate table in the notices states the rates are “per cubic foot.” The rates will actually be charged per 100 cubic feet. Staff assisted the customer in calculating his bill for June and July, based on usage billed per 100 cubic feet. Under the proposed rates that bill would have been close to \$524. Staff would likely recommend a new notice if customers would end up paying more than the notice indicated.

Several customers declined to comment on the company’s proposed rate increase after staff helped determine how they would be affected by the increase.

- A customer stated a third party owns the remaining undeveloped lots, and is charging a \$10,000 Facilities Charge when selling the lots. The company’s Facilities Charge is \$2,600.

**Staff Response**

Staff explained that the commission does not have jurisdiction over the lot owner’s real estate transactions.

**Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Base Charge *	\$ 18.00	\$ 30.00
Block 1: 0 - 600 cubic feet	\$ 1.12	\$ 1.50
Block 2: 601 - 1,200 cubic feet	\$ 1.12	\$ 3.40
Block 3 >1,200 cubic feet	\$ 1.12	\$ 3.40
Irrigation – Tier 1	Contract Rate	\$ 25.00**
Irrigation – Tier II	Contract Rate	\$ 37.50**

\* For 1 inch connection; other base rates available in tariff.

\*\* Per acre of land for irrigation

**Average Monthly Bill Comparison**

<b>Monthly Rate (819 cubic feet)</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Base Charge *	\$ 18.00	\$ 30.00
Block 1 Usage (600 cu/ft)	\$ 6.72	\$ 9.00
Block 2 Usage (219 cu/ft)	<u>\$ 2.45</u>	<u>\$ 7.45</u>
Total Average Monthly Bill	\$ 27.17	\$ 46.45
Increase from Current Rates		\$ 19.28      71%

\* For 1 inch connection; other base rates available in tariff.

**Recommendation**

Commission staff has completed its review of the company's supporting financial documents, books, and records. The company's financial information supports the proposed revenue requirement as revised, and the resulting rates and charges are fair, just, reasonable, and sufficient.

Therefore staff recommends the commission allow the tariff pages filed by Desert Canyon Utility Co. on April 25, 2016, and revised on May 11, 2016, to become effective June 1, 2016, by operation of law.