

Agenda Date: April 28, 2017  
Item Number: A3

Docket: UW-161290  
Company Name: Burton Water Company, Inc.

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

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Burton Water Company, Inc., in Docket UW-161290.

### **Discussion**

On December 15, 2016, Burton Water Company, Inc. (Burton Water or company), filed tariff revisions to clarify tariff rules and regulations, add new service tiers for both 1½-inch and 2-inch size meters, and update ancillary charges that would generate \$895 (58 percent) in additional annual miscellaneous revenue. The stated effective date is January 15, 2017. The company serves 415 customers on Vashon Island, in King County. Its last general rate increase was effective May 15, 2015.

### **Consumer Issues**

The company filed updates to numerous tariff rules. At this time staff has several unresolved concerns with the company's proposal.

1. *A single meter may serve a property with multiple uses such as apartments, businesses, or a combination of both (Rule 16). In such cases, each separate dwelling unit (as defined in King County Zoning Code 21A.06.345) or place of business using water will be charged a monthly ¾" base rate per Schedule 2 (Rule 16).*

**Staff's concerns:** Staff maintains that one meter equals one customer. The size of the meter determines the base charge to the customer based on American Water Works Association meter size factors and recognizes the Department of Health Equivalent Residential Units calculations. To allow a company to charge for units when no individual meters exist would be to endorse sub-metering bill calculations. Charging for water consumed and measured by a meter is fair and appropriate rate setting for regulated utilities. If a single meter does serve multiple entities, then a single customer may be designated. This may or may not be the property owner.

2. *The usage rate will be computed at the rate for one customer as per Schedule 2 (Rule 16).*

**Staff's Concern:** Under the company's proposal, the company would use the ¾" tiered usage rates, which are intended for separate use on individual customers, not multiple customers served off of the same meter, such as an apartment complex.

3. *Burton Water, at its sole discretion, may apply or remove a charge of 2/3 of the ¾" monthly base rate per Schedule 2 for each dwelling unit and each place of business using water (Rule 16).*

**Staff's concern:** to allow a water company 'sole discretion' to apply or remove a charge of 2/3 of a tariff rate is simply not fair and reasonable. Such an act could be interpreted as rate discrimination under RCW 80.28.100.

4. *The property owner will be the customer and will be responsible for all charges (Rule 3).*

**Staff's concerns:** The company proposes to require property owners to be the company customer in all cases and responsible for all charges. The proposal does not conform to Washington Administrative Code.

- WAC 480-110-245, Glossary, states a customer means: 'Anyone who has paid water company fees and/or has an accepted application for service; Anyone whose service connection is installed and is currently paying a ready-to-serve charge; or Anyone who is actually receiving water service from the company with the knowledge of the company.'
  - WAC 480-110-325, Application for Service, outlines sufficient information to determine the customer and responsible parties for water service and billing, the rule makes no mention of property owner or renter.
  - WAC 480-110-345, Refusal of Service, does not mention refusing service based on type of customer; residential, commercial, owner, or renter.
5. *Copy of bills will be provided to renters for an additional charge of \$5.00 per billing period.*

**Staff's concern:** Charging for any form of customer designation is arbitrary and might only be advised when no meter or measuring device is available to determine the amount of water consumed and sold to a customer or customers. However, Burton Water has metered its customers and all water sold is accounted for.

Staff believes that with meters and tariffed rate schedules, the company can sell water and recover cost and does not need to define who the customer may or may not be. If the company needs assurance of funds from providing service, the company can require deposits in accordance with WAC 480-110-335, Establishing Credits, and Deposits. Additional protection is provided to the company in WAC 480-110-355, Discontinuing of Service.

### **Customer Comments**

On December 9, 2016, the company notified its customers by mail of the proposed tariff rule changes and updating of ancillary charges. Rule language and charges were not part of the notice. Staff received no comments. Staff believes the customer notice did not meet WAC 480-110-425, Water company customer notice requirements, in that the notice did not contain current rates and charges along with proposed rates and charges.

### **Rate Concerns**

Staff's analysis of the company's financial information to support the proposed ancillary charges was excessive. Staff's analysis indicated that lower rates were justified by company answers to data request.

The rate comparison table below reflects the current and proposed charges requested by the company.

#### **Rate Comparison**

<b>Charge</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Renter -- Bill Copy	NA	\$5.00
Disconnection Visit	NA	\$50.00
Account Set-Up	\$20.00	\$50.00
Water Availability Letter	\$25.00	\$40.00
Separate Dwelling Unit (2/3)	NA	\$19.64
Collection Agency Fee	NA	35% of amount due

Commission staff has completed its review of the company's supporting financial documents, books, and records and have found that the proposed revenue generation from the ancillary charge increases is excessive.

### **Conclusion**

Staff recommends that the commission issue a Complaint and Order Suspending the Tariff Revisions filed by Burton Water Company Inc., in Docket UW-161290.