

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	DOCKET UW-080631
)	
Complainant,)	ORDER 01
)	
v.)	
)	COMPLAINT AND ORDER
H & R WATERWORKS, INC.,)	SUSPENDING TARIFF; APPROVING
)	REVISED RATES ON A TEMPORARY
Respondent.)	BASIS, SUBJECT TO REFUND, ON
)	LESS THAN STATUTORY NOTICE
.....)	

BACKGROUND

- 1 On April 14, 2008, H & R Waterworks, Inc., (H & R) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-2 an increase in its general rates for \$225,839 (14.2 percent) of additional revenue per year. H & R serves 3,602 customers in Thurston, Mason, Lewis, and Pierce counties. The Company’s proposed increase in rates is prompted by higher costs for labor, benefits, fuel, insurance and new plant (pumps and pipes). The Company’s last general rate increase became effective on October 1, 2005.
- 2 H & R notified its customers of the original increase by mail on March 31, 2008. The notice advised customers that the Commission would take customer comments at its May 15, 2008, open meeting. No customers commented at that time. The Commission received 24 customer comments on this filing, all opposed to H & R’s proposed increase. The following statements summarize the customers’ comments: (1) the requested rate increase is out of proportion to area wages and inflation, excessive when the Company had a rate increase two years ago, and unjust to retired citizens living on limited and fixed incomes, (2) the reasons the Company stated in its notice to customers for changing the water usage blocks do not justify the lowering of usage blocks, (3) the Company should not be allowed to specify who customers can hire to perform annual backflow prevention assembly testing, and (4) the amount of the increase should be based on usage, not the size of the customer’s water meter.
- 3 Staff provided responses to the customer comments in its memorandum. Staff explained that (1) the Staff does not explicitly consider the amount of the increase, but recommends

rates that will allow the Company to recover reasonable operating expenses and provide the opportunity to earn a reasonable return on investment, (2) Staff developed the revised rate design using historical customer usage data, (3) Staff believes the Company's requirement that customers use an approved company to test backflow prevention assemblies is reasonable, and (4) the base charge, which does not include any water usage, increases in proportion to the meter size to reflect the potential capacity demand on the water system and that all water usage is charged at the same rate, with the usage blocks adjusted in proportion to the meter size.

4 Staff reviewed H & R's books, records and supporting documents and concluded H & R has a revenue deficiency of \$106,803 or 6.7 percent.

5 Staff prepared a revised rate design to generate the lower revenue requirement. Staff's rate design differs from H & R's proposed rate design. The revised rate design adds a third usage block, increases usage amounts in each usage block, adds separate rate schedules for meters that are larger than three fourths of an inch, increases the flat rate for unmetered apartments, decreases the rate for the base charge and increases the rate for ready-to-serve customers.

6 H & R agreed to the lower revenue requirement and on May 21, 2008, filed revised rates at the Staff's recommended levels. Staff believes the proposed revised rates are fair, just, reasonable and sufficient, based on H & R's supporting documentation.

7 RCW 80.28.060 and WAC 480-80-121 require tariff changes to be filed with the Commission thirty days prior to the effective date. The tariff sheets bear an issue date of April 11, 2008, and an effective date of June 1, 2008. This date recognizes the required 30-day statutory notice. The Company requests, however, less than statutory notice as permitted by WAC 480-80-122, so that the revised tariff revisions become effective on June 1, 2008. The Company requests less than statutory notice because the revised rate design and rates agreed on between the Company and the Commission's Staff are significantly different from what the Company originally notified customers.

8 WAC 480-110-425 requires notice to customers or publication of the increase sought in this filing. Granting the Company's less than statutory notice request also requires an exemption from WAC 480-110-425. For the same reason the Company identified for

seeking less than statutory notice, the Company seeks an exemption from the customer notice requirements.

9 Customers deserve to know about, and comment on, the proposed revised rates. The Commission should consider all information, including any additional customer comments on the revised rates, in deciding whether to conduct an evidentiary hearing on the revised rates. Therefore, the Commission finds H & R has not yet demonstrated the revised rates are fair, just, reasonable and sufficient.

10 The Commission accepts the revised rates as temporary rates and approves those revised rates to become effective on June 1, 2008, on less than statutory notice, on a temporary basis, subject to refund. The Commission may hold public hearings to determine whether the proposed changes are fair, just, reasonable and sufficient.

FINDINGS AND CONCLUSIONS

11 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies.
RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.

12 (2) H & R is a water company and a public service company subject to Commission jurisdiction.

13 (3) This matter came before the Commission at its regularly scheduled meeting on May 28, 2008.

14 (4) The tariff revisions H & R filed on May 21, 2008, would increase charges and rates for service H & R provides, and might injuriously affect the rights and interest of the public.

15 (5) H & R is subject to RCW 80.28.060 and WAC 480-80-121, which require water companies to file changes in any rate or charges with thirty days' notice. For good cause shown, however, the Commission may allow changes without

requiring thirty days notice by order specifying the changes to be made and the time when it shall take effect. *RCW 80.28.060 and WAC 480-80-122.*

- 16 (6) Under WAC 480-110-215, the Commission may grant an exemption from the provisions of any rule in WAC 480-110, if consistent with the public interest, the purposes underlying regulation and applicable statutes. *See also* WAC 480-07-110.
- 17 (7) Staff has reviewed H & R's request in Docket UW-080631 and recommends the Commission grant the Company's request for less than statutory notice. Staff further recommends the Commission grant an exemption from WAC 480-110-425.
- 18 (8) Although H & R has not yet demonstrated that the tariff revisions would ultimately result in rates that are fair, just, reasonable and sufficient, the Commission finds it reasonable, based on Staff's analysis, to approve the revised rates to become effective June 1, 2008, on less than statutory notice, on a temporary basis, subject to refund.
- 19 (9) In order to carry out the duties imposed upon the Commission by law, and as authorized in RCW 80.04.130 and RCW 80.04.220, the Commission finds it necessary to investigate this tariff filing, which may involve an investigation of H & R's books, accounts, practices and activities, to make a valuation or appraisal of H & R's property and to investigate and appraise various phases of H & R's operations.
- 20 (10) As required by RCW 80.04.130 (4), H & R bears the burden of proof to show that the proposed increases are fair, just, reasonable and sufficient. Nothing in this Order is intended to limit the issues as to the fairness, justness, reasonableness and sufficiency of the proposed increases.
- 21 (11) In addition, the Commission invokes the rights, remedies and procedures contained in the reparations statute, RCW 80.04.220, to the extent the Commission finds that any rate subject to this investigation is excessive or exorbitant.

- 22 (12) H & R may be required to pay the expenses reasonably attributable and allocable
to such an investigation, consistent with RCW 80.20.

ORDER

THE COMMISSION ORDERS:

- 23 (1) The tariff revisions H & R Waterworks, Inc., filed on April 14, 2008, are
suspended.
- 24 (2) After the effective date of this Order, H & R Waterworks, Inc., is granted an
exemption from WAC 480-110-425, which requires a 30-day notice to customers
of proposed changes to increase charges or restrict access in service.
- 25 (3) The revised tariff H & R Waterworks, Inc., filed on May 21, 2008, shall become
effective on June 1, 2008, on less than statutory notice, on a temporary basis,
subject to refund if the Commission determines that different rates will be fair,
just, reasonable and sufficient.
- 26 (4) The Commission will hold hearings at such times and places as may be required.
- 27 (5) H & R Waterworks, Inc., must not change or alter the tariffs filed in this docket
during the suspension period, unless authorized by the Commission.
- 28 (6) The Commission will institute an investigation of H & R Waterworks, Inc.'s
books, accounts, practices, activities, property and operations as described above.
- 29 (7) H & R Waterworks, Inc., shall pay the expenses reasonably attributable and
allocable to the Commission's investigation, consistent with RCW 80.20.

DATED at Olympia, Washington, and effective May 28, 2008.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner