

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

SUMMIT VIEW WATER
WORKS, LLC

Respondent.

DOCKET UW-180801

ORDER 01

ALLOWING REVISED RATES TO
BECOME EFFECTIVE SUBJECT TO
CONDITIONS

BACKGROUND

- 1 On September 17, 2018, Summit View Water Works, LLC (Summit View or Company) filed with the Washington Utilities and Transportation Commission (Commission) proposed tariff revisions that would increase its domestic and irrigation water rates.
- 2 The Company serves 327 domestic water customers and 563 irrigation customers near Kennewick in Benton County, Washington. Summit View came under Commission regulation in 2006, and has not had a rate increase since its initial tariff was filed.
- 3 The requested tariff revision was prompted by increased operating costs and investment in water plant. The Company expanded its operations from 129 domestic water customers in 2006 to 411 customers in 2018, including 84 ready-to-serve customers.
- 4 Commission staff (Staff) reviewed the Company's filing and found that the Company's practice of allocating certain shared costs between customer classes was inappropriate. The Company serves both domestic water and irrigation customers. While most costs are booked directly to the customer class that causes the cost, approximately 20 percent of expenses are shared between irrigation and domestic customers. The Company has traditionally allocated these costs on a 50 percent sharing basis. Staff recommended that the shared expenses be allocated based on the ratio of directly-allocated expenses. Although this allocation approach increases the costs assigned to irrigation customers to a

greater extent than the Company originally proposed, Staff asserts this approach more appropriately distributes the costs and brings the classes closer to cost parity.

5 On October 12, 2018, the Company filed revised tariff pages adopting Staff's recommended allocation approach Staff. Under the revised rate request, a domestic customer using an average of 656 cubic feet of water per month would pay \$16.02, or 34.4 percent, more each month. On a yearly basis, an irrigation customer with an average acreage of 0.72 would pay \$220.18, or 53 percent more each year.

6 Staff has reviewed the Company's financial documents, prior filings, and asset invoices. Staff believes that the rates filed by the Company on September 17, 2018, as revised on October 12, 2018, are fair, just, reasonable, and sufficient.

7 The Commission received comments from numerous domestic water customers who expressed concern about the sharp 34.4 percent rate increase. Staff also presented the Commission with a proposed rate design for the Company's requested rate relief, which would phase-in the rate increase to domestic water customers over three years: the first year would implement 55 percent of the total increase, the second year would implement an additional 22 percent; and the third year would implement the remaining portion of the rate increase.

8 This matter came before the Commission at its regularly scheduled meeting on October 19, 2018. At the open meeting, the Company indicated that, while it preferred the Commission approve the requested rate increase without Staff's proposed phase-in rate design, it was amenable to the rate design that Staff calculated.

DISCUSSION AND DECISION

9 The request for increased rates presented in this docket presents us with a difficult dilemma. The Company has demonstrated that it has experienced increased costs and made necessary investments that justify an increase in rates, rates that would be just and sufficient for the Company. However, as the Company has not requested an increase in rates in the 12 years since it came under Commission regulation, the resulting increase in rates is significant and could result in rate shock for customers. Under our guiding statutes, we must establish rates that are fair, just, reasonable and sufficient for both the Company and its customers.

10 We are keenly aware of the impact the proposed 34.4 percent increase would have on domestic water customers. One of our primary concerns when considering requested rate increases is whether the increase will result in "rate shock" to customers. In addressing

such concerns in prior matters, the Commission has implemented rate changes gradually in order to avoid shock to ratepayers, as well as to companies.

- 11 Concern about rate shock to the domestic water customers of Summit View is warranted in this case. An immediate 34.4 percent increase to the rates of these ratepayers is inconsistent with the Commission's long-standing consideration of gradualism in rates.
- 12 Staff has developed a reasonable approach to rate design that will address customer concerns about sudden, significant rate increases by gradually introducing the rate increase to the domestic water customers over the next three years, while also providing the Company with the rate relief it needs.
- 13 We find that immediately implementing the entire 34.4 percent increase to domestic water customers is not fair, just, or reasonable. Staff recommends that the Commission phase in the rate increase to domestic water customers through recovery of a 55 percent share of the increase during the first year, followed by an increase of approximately 22 percent in each of the following two years to account for the remaining 45 percent share. Staff's recommendation to phase in the rate increase will result in rates that are fair, just and reasonable to domestic water customers, and yet will be fair and sufficient for the Company to fully recover its costs.
- 14 Accordingly, we find that the rates for domestic water customers filed by the Company on September 17, 2018, as revised on October 12, 2018, and subject to the three year phase-in of the rates discussed above and set out in Attachment A to this Order, are fair, just, reasonable, and sufficient and should be allowed to become effective November 1, 2018. Further, the rates for irrigation customers filed by the Company on September 17, 2018, as revised on October 12, 2018, are fair, just, reasonable, and sufficient and should be allowed to become effective on January 1, 2019, by operation of law.

FINDINGS AND CONCLUSIONS

- 15 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies.
- 16 (2) Summit View is a water company and a public service company subject to Commission jurisdiction.

- 17 (3) This matter came before the Commission at its regularly scheduled meeting on October 19, 2018.
- 18 (4) After reviewing the revised tariff revision Summit View filed in Docket UW-180801 and giving due consideration, the Commission finds it is consistent with the public interest to allow the rates filed by the Company on September 17, 2018, as revised on October 12, 2018, to become effective November 1, 2018, for domestic water customers subject to the condition set out in paragraph 14, above, and on January 1, 2019, for irrigation customers, by operation of law.

ORDER

THE COMMISSION ORDERS:

- 19 (1) The tariff revisions filed in this docket by Summit View Water Works, LLC on September 17, 2018, as revised on October 12, 2018, shall become effective November 1, 2018, for domestic water customers subject to the condition that the rates charged to domestic water customers be phased-in over the next three years as outlined in Attachment A to this Order, and on January 1, 2019, for irrigation customers, by operation of law.
- 20 (2) The Commission retains jurisdiction to effectuate the terms of this Order.

DATED at Olympia, Washington, and effective October 22, 2018.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner