

Agenda Date: March 26, 2009  
Item Number: A4

**Docket:** UW-082264  
Company Name: Southgate Water Company

Staff: Amy White, Regulatory Analyst  
Dennis Shutler, Consumer Protection Staff

### **Recommendation**

1. Rescind the portion of Order 01 approving revised rates on a temporary basis.
2. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Southgate Water Company; and
3. Allow the revised rates to become effective April 1, 2009, on a permanent basis.

### **Discussion**

On December 30, 2008, Southgate Water Company (Southgate or company), filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$10,554 (27 percent) in additional annual revenue. The company serves 54 customers in Benton County, Washington. The proposed rates were prompted by increases in maintenance and repairs; utilities; water testing; meter reading, billing, legal, and accounting services; property and business taxes; and office supplies and postage. The company's last general rate increase became effective in April 2007.

Staff's review of Southgate's supporting financial information and records showed that the company demonstrated its need for an additional \$10,554 in revenue. The company's proposed rate design included a 10,000 gallon water use allowance in the base charge. Staff proposed, and the company accepted, a revised rate design with a zero use allowance in the base charge and two usage rate blocks to encourage water conservation. The revised rate structure generates the same overall increase in company revenue. On February 13, 2009, the company sent a new notice to its customers advising them of the revised rate design.

The company agreed to file a revised tariff page by February 13, 2009. Believing the proposed revised rates to be fair, just, reasonable and sufficient based on Southgate's supporting documentation, and believing the substitute tariff page was appropriately filed, staff recommended at the February 26, 2009, open meeting, that the commission issue a complaint and order suspending the company's tariff revision and approving revised rates on a temporary basis, subject to refund. The commission did so, and on February 26, 2009, entered Order 01, Complaint and Order Suspending Tariff; Approving Revised Rates on a Temporary Basis, Subject to Refund. While the company claims that it did mail the revised tariff page to the commission and the company did submit the revised tariff page to staff via e-mail, the commission's Records Center did not receive the revised tariff page.

On March 18, 2009, staff discovered that the commission never received the company's February 13, 2009, filing. The company immediately prepared and submitted a substitute filing including the revised tariff page via fax to the commission's Records Center on March 19, 2009.

Because the substitute tariff page was not formally filed with the commission on February 13, 2009, Order 01 erroneously approved revised rates on a temporary basis, subject to refund, and the commission should rescind that portion of Order 01. The company bills its customers in arrears, has not billed its customers using the temporary rates erroneously approved, and has agreed not to bill or collect charges based on the temporary rates approved in Order 01.

### **Customer Comments**

Nineteen customer comments have been received to date; 17 opposed and one in favor of the proposed increase. On March 9, 2009, staff notified seven Interested Persons of the revised rates. There have been no comments made regarding the revised rates. Please note: Customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff advised customers that they may access company documents pertinent to this rate case at [www.utc.wa.gov](http://www.utc.wa.gov), and [www.utc.wa.gov/water](http://www.utc.wa.gov/water) and that they may contact Dennis Shutler at 1-888-333-9882 with questions or concerns.

### **Filing Documents and Methodology Comments**

- Eleven customers questioned the information and documentation provided by the company to substantiate its rate increase.

#### **Staff Response**

Staff has reviewed the company's supporting financial information and records, and found that the company has justified its need for an additional \$10,554 in revenues.

- Eleven customers mentioned the proposed rates are excessive when compared to those of the surrounding cities.

#### **Staff Response**

Staff advised the customers that rates are based on each company's specific needs. Rates for one company may be higher or lower than rates for another company.

### **General Comment**

- Thirteen customers believe the amount of the increase is excessive, mentioning the drastic increase in rates, increased costs of living, high current rates, and current economic conditions as the basis for their opposition. Customers believe a smaller rate increase would be more reasonable. Four customers stressed concern with the frequency of recent rate increases; the third increase since 2005.

**Staff Response**

Customers were advised state law requires rates to be fair and reasonable for customers, but sufficient to allow the company the opportunity to recover operating expenses and earn a return on investment.

**Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
Base rate (3/4-inch meter) including 15,000 gallon allowance	\$37.50	NA	NA
Base rate (3/4-inch meter) including 10,000 gallon allowance	NA	\$50.00	NA
Base rate (3/4-inch meter) with zero use allowance	NA	NA	\$40.00
0 - 10,000 gallons, per 1,000 gallons	\$0.00	\$0.00	\$1.00
10,001 - 40,000 gallons, per 1,000 gallons	\$0.00	\$1.00	\$1.00
40,001 gallons and above	\$3.00	\$3.00	\$3.00

**Average Bill Comparison**

<b>Average Monthly Usage 23,821 gallons</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
Base Rate (3/4-inch meter)	\$37.50	\$50.00	\$40.00
0-10,000 gallons	\$ 0.00	\$ 0.00	\$10.00
10,001 – 15,000 gallons	\$ 0.00	\$ 5.00	\$ 5.00
15,001 – 23,821 gallons	\$ 8.82	\$ 8.82	\$ 8.82
	\$46.32	\$63.82	\$63.82
		(37.8%)	(37.8%)

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 operations. The company's financial information supports the requested revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

**Conclusion**

1. Rescind the portion of Order 01 approving revised rates on a temporary basis.
2. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Southgate Water Company; and
3. Allow the revised rates to become effective April 1, 2009, on a permanent basis.