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BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

WASHINGTON UTILITES AND)Docket No. UW-011576
TRANSPORTATION COMMISSION,)Volume II
Complainant,)Pages 21-30
)
v.)
MEADOWS WATER SYSTEM, LLC,)
Respondent.)
_____)

A settlement hearing in the above matter was held on April 15, 2002, at 1:08 p.m., at 1300 Evergreen Park Drive, Southwest, Olympia, Washington, before Administrative Law Judge THEODORA MACE.

The parties were present as follows:

MEADOWS WATER SYSTEM, LLC, by Stephen Harrison and Nicholas Adams, Co-Managers, 3262 Capitol Boulevard, Suite B, Tumwater, Washington 98501.

THE COMMISSION, by Mary M. Tennyson, Senior Assistant Attorney General, 1400 Evergreen Park Drive, S.W., P.O. Box 40128, Olympia, Washington 98504-0128.

BARBARA L. NELSON, CCR
Court Reporter

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1 JUDGE MACE: Let's be on the record. We're
2 here today for a settlement hearing in Docket Number
3 UW-011576. This is Washington Utilities and
4 Transportation Commission against Meadows Water
5 System, L.L.C. The initial application in this case
6 called for tariff revisions proposed by Meadows
7 resulting in an increase in revenue of approximately
8 \$58,000, and today we're here to have presented the
9 settlement agreement with regard to the application
10 and the complaint.

11 My name is Theo Mace. I introduced myself
12 before at our prior hearing. And I'm going to ask
13 you now to introduce yourselves, not in the long form
14 that we used at the prior proceeding, but just to
15 state your name and who you represent. If you'd
16 begin, is it Mr. Harrington?

17 MR. HARRINGTON: My name is Steve
18 Harrington, representing Meadows Water System.

19 JUDGE MACE: Very well.

20 MR. ADAMS: My name is Nicholas Adams,
21 representing Meadows Water System.

22 JUDGE MACE: Thank you.

23 MS. TENNYSON: I'm Mary Tennyson, Senior
24 Assistant Attorney General, representing Commission
25 Staff, and with me is Jim Ward of Commission Staff.

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1 JUDGE MACE: Thank you. Now, I understand
2 the parties, as I indicated before, have arrived at a
3 settlement. Do you have a copy of the settlement
4 agreement that I can mark today?

5 MS. TENNYSON: Yes, we do.

6 JUDGE MACE: I'll mark that Exhibit 1. And
7 I guess at this point I would like to call on the
8 parties, either Staff or the Company, to present the
9 settlement agreement to the Commission, to make a
10 brief presentation about the terms of the settlement
11 agreement.

12 MS. TENNYSON: I can briefly describe it
13 and then turn to Mr. Ward for a little more
14 information on it.

15 JUDGE MACE: I'd like to swear Mr. Ward in
16 at that point so that we have testimony with regard
17 to the settlement agreement.

18 MS. TENNYSON: Okay.

19 JUDGE MACE: If that's acceptable to the
20 parties.

21 MS. TENNYSON: Fine. The settlement
22 agreement consists of three pages, plus two
23 attachments, and the first three pages contain the
24 terms of the agreement and incorporate by reference
25 the Exhibit A, which is a results of operations

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1 statement for Meadows Water System for the 12 months
2 ended June 30th, 2001, and a revenue and rate
3 calculation sheet that is -- the date in the bottom
4 right-hand corner is 4/3/02. I should note, although
5 it does say draft in the lower left-hand corner, this
6 is the agreement, the amounts that the parties agreed
7 on. And for details of the agreement, I would at
8 this point suggest we turn to Mr. Ward.

9 JUDGE MACE: All right. Mr. Ward, would
10 you stand and raise your right hand?
11 Whereupon,

12 JIM WARD,
13 having been first duly sworn by Judge Mace, testified
14 as follows:

15 JUDGE MACE: Please be seated.

16 MR. WARD: Jim Ward, W-a-r-d, representing
17 Commission Staff in the matter. The settlement that
18 you see before you is a settlement between the
19 Company and Staff. It adds approximately \$43,000 of
20 additional revenue per year to the company, plus
21 excise tax on top of that. Are there any questions?

22 JUDGE MACE: Yes, I have a couple of
23 questions. On page two of the settlement agreement,
24 under paragraph 5(c), it indicates that the revenues
25 will be recovered from specific customers in order to

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1 achieve the revenue requirement. Which specific
2 customers does that refer to?

3 MR. WARD: Essentially, Meadows Water
4 Company has two types of customers. They have the
5 residential customers, they also have larger than
6 residential customers. Typically, these are called
7 commercial customers. We use a meter size for those
8 customers. That revenue is specified on Exhibit B of
9 the settlement agreement. There is a rate schedule
10 page there in the middle of the page. It's not very
11 clear.

12 These are the rates that we would like the
13 company to file. In the case of the residential
14 customer, the meter base rate with zero allowance
15 will be \$19.60 per month. From zero to 1,000 cubic
16 feet, the rate will be \$1.10 per 100 cubic feet.
17 Anything larger than 1,000 cubic feet will be billed
18 at a rate of \$1.35 per 100 cubic feet.

19 Halfway down the page, there is a section
20 for larger than normal meters. For instance, the
21 one-inch meter size has a meter base rate of \$33.32.
22 This company currently has no customers under that
23 size. It does have an inch and a half meter. The
24 meter base rate for that customer will be \$64.68.
25 The usage rates be will be the same as above for the

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1 residential customers. That's what's being referred
2 to in paragraph 5(c).

3 JUDGE MACE: So that for these, in quotes,
4 commercial customers, the rate for usage from zero to

5 1,000 cubic feet will be \$1.10; is that right?
6 MR. WARD: Yes, it would be.
7 JUDGE MACE: Then 1,000 to 10,000 would be
8 \$1.35.

9 MR. WARD: Anything over 1,000 cubic feet.
10 JUDGE MACE: Very well. Then the other
11 question I have is I did not really fully understand
12 paragraph 5(d), and I'm wondering if you can
13 elaborate on that a little bit. It appears to me
14 that you're attempting to allocate management costs,
15 but I wanted to have you describe that in a little
16 bit more detail.

17 MR. WARD: That is exactly what we are
18 attempting to do here. The management of these five
19 -- or now six regulated water companies are under
20 common management. They are not under common
21 ownership. So what we did was we allocated \$90,000
22 for total management across the six regulated water
23 companies. Also included in that is a 25 percent
24 benefits of the 90,000. That is a direct cost that
25 we have allocated to each of the regulated water

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1 companies.

2 I can continue on with what was
3 specifically allocated for this water company under
4 that formula.

5 JUDGE MACE: Yes.

6 MR. WARD: Yes. Back to Exhibit A, it
7 would be under column S, as in Sam, line 20, salary
8 employees -- or salary officers, line 21, excuse me,
9 \$32,033 is the compensation allocated to this
10 company. Line 22, employee pensions and benefit,
11 \$8,008, which is 25 percent of line 21.

12 JUDGE MACE: Would it be your testimony
13 that it would be in the public interest for the
14 Commission to adopt this settlement?

15 MR. WARD: Yes, it would be my testimony.

16 JUDGE MACE: Does the company have any
17 questions?

18 MR. HARRINGTON: None.

19 JUDGE MACE: And the company adopts this
20 settlement -- or I guess adopts the settlement is not
21 quite the correct word.

22 MR. HARRINGTON: We know what you mean.

23 JUDGE MACE: You agree with the settlement
24 agreement?

25 MR. HARRINGTON: Yeah.

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1 JUDGE MACE: And you seek to have it
2 adopted by the Commission?

3 MR. HARRINGTON: Please.

4 JUDGE MACE: Ms. Tennyson, any questions?

5 MS. TENNYSON: No. We would ask for an
6 order of the Commission accepting the settlement
7 agreement dismissing the complaint that suspended the
8 tariff and allowing the revised tariff to go into
9 effect. The company either has or will file revised

10 tariff sheets, and I am not privy to actually whether
11 it's shown up in the Records Center.

12 MR. HARRINGTON: Not yet.

13 JUDGE MACE: Very well. I can't think of
14 anything else that we would need to address on the
15 record at this time. Do the parties have anything
16 further? I'll attempt to get that order prepared as
17 soon as I possibly can. I understand that you would
18 like to have the rate to be in effect as of May 1st;
19 is that correct?

20 MS. TENNYSON: That is correct.

21 MR. HARRINGTON: That's correct.

22 JUDGE MACE: I'll do the best I can to have
23 you be able to get to that point. Anything else?
24 Then the record is closed.

25 MR. ADAMS: Thank you.

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1 MS. TENNYSON: Thank you.

2 (Proceedings adjourned at 1:15 p.m.)

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