

Agenda Date: September 27, 2006
Item Number: A3

Docket: UW-060761
Company Name: Washington Water Service Company

Staff: Danny Kermode, Regulatory Analysis

Recommendation

Dismiss the Complaint and Order Suspending the Tariff Revisions in Docket UW-060761 and allow the revisions to Washington Water's Tariff WN U-1, as revised, to become effective on September 28, 2006.

Background

On May 10, 2006, Washington Water Service Company (Washington Water) filed proposed rates that would increase its current revenue by approximately \$1,590,000; a 27.8% increase over current rates. The company's last general rate increase was in April of 2002. The company serves approximately 16,000 customers on 198 water systems. The systems are located in the seven counties in western Washington: Clallam, Jefferson, Pierce, Thurston, Kitsap, King and Mason counties.

Staff completed its investigation of the company's books and records and found that the company justified \$1,048,000 of its requested \$1,590,000 requested rate increase, an 18.3% increase in total revenue.

Washington Water has filed newly revised rates decreasing its original proposed rates to reflect staff's lower revenue requirement. Under the newly revised rates, the majority of Washington Water's customers using 1,000 cubic feet of water monthly would have a \$5.34 increase (17.8%) in their monthly water bill rather than the \$7.22 increase (24.1%) originally proposed by the company.

In addition, the company revised its original filing to bring substantially all of its newly acquired systems under the same rate structure. This revision is consistent with the commission's use of Single-Tariff Pricing and supported by staff. Staff has consistently supported Single-Tariff Pricing and has consistently recommended the commission use Single-Tariff Pricing to set rates.

Under Single-Tariff Pricing, some customers pay more and some customers pay less than rates set on a stand-alone cost basis. Since all systems will require capital improvements sooner or later, Single-Tariff Pricing distributes the risk of the individual water customer in much the same way as an insurance pool and diminishes the impact of major investments on the individual customer.

In 1997, the National Association of Water Companies reported that twenty-eight states use Single-Tariff Pricing. In September 1999, the U.S. Environmental Protection Agency and the National Association of Regulatory Utility Commissioners issued a joint publication titled "Consolidated Water Rates: Issues and Practices in Single-Tariff Pricing." The report states that only ten states regulate more than ten multi-system utilities and nine (including Washington) have approved Single-Tariff Pricing.

However, one water system has been excluded from single-tariff pricing, the Walter Walker water system. It was excluded because the company must buy wholesale water from the City of Snoqualmie to serve its customers. The proposed rates for that system includes the cost of the purchased water.

Of 63 customers commenting on the company's proposal, 59 are opposed. 44 of those opposed consider the amount the company proposes to increase its rates to be excessive, 13 mention that the rates are already too high, seven note that the company requests rate increases too frequently. Four customers contacted the commission with questions about the proposal and did not express support or opposition.

Eight comments cited poor customer service as the reason for opposition to the proposal. Most of the customer service comments were about water quality and quantity, and customers were referred to Department of Health.

Conclusion

Staff recommends that the Commission Dismiss the Complaint and Order Suspending the Tariff Revisions in Docket UW-060761 and allow the revisions to Washington Water's Tariff WN U-1, as newly revised, to become effective on September 28, 2006.

Attachment:
Comparison Tables of Current, Proposed and Revised Residential Rates (3/4 meter)

Washington Water General Rate (14,000 customers)
 Residential Rates

	Current Rate	Proposed Rate	Revised Rate
Base Rate – No water included in Base	\$15.04	\$18.28	\$18.18
For water used from – to		Charge per 100 cubic feet	
0– 400 cubic feet	1.40	1.75	1.65
401 – 1400 cubic feet	1.55	1.98	1.75
Over 1400 cubic feet	1.70	2.48	1.90
*Bill calculated on 1,000 cubic feet of consumption	\$29.94	\$ 37.16	\$ 35.28

Johanson System (40 Customers)
 Residential Rates

	Current Rate	Proposed Rate	Revised Rate
Base Rate – No water included in Base	\$20.50 500 cf	\$18.28 Zero water in base	\$18.18 Zero water in base
For water used from – to		Charge per 100 cubic feet	
0– 400 cubic feet	1.40	2.74	1.65
401 – 1400 cubic feet	1.55	3.00	1.75
Over 1400 cubic feet	1.55	3.00	1.90
*Bill calculated on 1,000 cubic feet of consumption	\$25.75	\$ 47.24	\$ 35.28

Gamble Bay Water Systems (148 Customers)
 Residential Rates

	Current Rate	Proposed Rate	Revised Rate
Base Rate – Water included in Base	\$26.00 400 cf	\$18.28 Zero water in base	\$18.18 Zero water in base
For water used from – to		Charge per 100 cubic feet	
0– 400 cubic feet	2.74	2.74	1.65
401 – 1400 cubic feet	3.00	3.00	1.75
Over 1400 cubic feet	3.00	3.00	1.90
*Bill calculated on 1,000 cubic feet of consumption	\$42.44	\$ 47.24	\$ 35.28

Cascade Highland Water System (27 customers)
 Residential Rates

	Current Rate	Proposed Rate	Revised Rate
Base Rate – Water included in Base	\$29.50 350 cf	\$18.28 No water in base	\$18.18 No water in base
For water used from – to		Charge per 100 cubic feet	
351-750 cubic feet	1.00		
751-1600 cubic feet	2.00		
Over 1600 cubic feet	4.00		
0– 400 cubic feet		1.75	1.65
401 – 1400 cubic feet		1.98	1.75
Over 1400 cubic feet		2.48	1.90
*Bill calculated on 1,000 cubic feet of consumption	\$38.50	\$ 37.16	\$ 35.28

Jason Lane Water System (9 Customers)
 Residential Rates

	Current Rate	Proposed Rate	Revised Rate
Base Rate – No water included in Base	\$20.50 500 cf	\$18.28 Zero water in base	\$18.18 Zero water in base
For water used Over 500 cubic feet	0.68	Charge per 100 cubic feet	
0– 400 cubic feet		2.74	1.65
401 – 1400 cubic feet		3.00	1.75
Over 1400 cubic feet		3.00	1.90
*Bill calculated on 1,000 cubic feet of consumption	\$21.08	\$ 37.16	\$ 35.28

Raft Island Water Systems (195 Customers)
 Residential Rates

	Current Rate	Proposed Rate	Revised Rate
Base Rate – Water included in Base	\$26.00 400 cf	\$18.28 Zero water in base	\$18.18 Zero water in base
For water used from – to		Charge per 100 cubic feet	
Over 400 cubic feet	1.25		
0– 400 cubic feet		2.74	1.65
401 – 1400 cubic feet		3.00	1.75
Over 1400 cubic feet		3.00	1.90
*Bill calculated on 1,000 cubic feet of consumption	\$32.20	\$ 37.16	\$ 35.28

Richardson Water System (4 Customers)
 Residential Rates

	Current Rate	Proposed Rate	Revised Rate
Base Rate – Water included in Base	\$25.00 Zero water in base	\$18.28 Zero water in base	\$18.18 Zero water in base
For water used from – to		Charge per 100 cubic feet	
Over 400 cubic feet	1.00		
0– 400 cubic feet		2.74	1.65
401 – 1400 cubic feet		3.00	1.75
Over 1400 cubic feet		3.00	1.90
*Bill calculated on 1,000 cubic feet of consumption	\$35.00	\$ 37.16	\$ 35.28

Walter Walker Water System (10 Customers)
 Residential Rates

	Current Rate	Proposed Rate	Revised Rate
Base Rate – Water included in Base	\$38.64 200 cf	\$45.64 Zero water in base	\$45.64 Zero water in base
		Charge per 100 cubic feet	
For water over 200 cf	3.75		
All water usage		3.75	3.75
*Bill calculated on 1,000 cubic feet of consumption	\$68.64	\$ 83.10	\$ 83.10