

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

WASHINGTON UTILITIES AND)	DOCKET UW-102034
TRANSPORTATION COMMISSION,)	
)	ORDER 02
Complainant,)	
)	
v.)	
)	
COUNTRY MEADOWS E. WATER)	ORDER DISMISSING COMPLAINT
SYSTEM #2,)	AND ORDER SUSPENDING TARIFF
)	REVISIONS; ALLOWING TARIFF
Respondent.)	REVISIONS
.....)	

BACKGROUND

- 1 On December 20, 2010, Country Meadows E. Water System #2 (Country Meadows or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-1, designated as Tariff WN U-2. The stated effective date is February 1, 2011.
- 2 The proposed rates are prompted by increases in operating costs such as chemicals, testing, and electrical power. Country Meadows also filed to update tariff language and adjust ancillary charges for reconnection, disconnection, service visit, late payment, account setup, non-sufficient funds (NSF) check, and water availability letter. In addition, Country Meadows adds cross-connection control language and charges. Fourteen customers are metered and two customers are unmetered. The Company plans to install the two remaining meters by June 1, 2011.
- 3 All customers are currently charged a flat rate. The proposed rate design helps encourage conservation by moving from an unmetered rate to meter usage rates and blocks, adding upsize meter rates and blocks, adding a ready-to-serve charge, and increasing unmetered charges.
- 4 The Company and Staff agreed to a revised revenue requirement of \$4,732 or 80.9 percent. On January 13, 2011, the company filed revised rates at Staff recommended levels.
- 5 On January 27, 2011, the Commission entered a Complaint and Order Suspending Tariff Revisions pending an investigation to determine whether the revisions are fair, just,

reasonable and sufficient. This action was prompted by additional inquiries about the water system related to what testing is required, ownership of the water system, and whether to allow the Company to outsource operations to a satellite management agency (SMA).

- 6 Country Meadows is required to employ a certified operator to carry out operational functions, due to the water system being classified as a “Group A Community” in accordance with Department of Health (DOH) regulations in WAC 246-292. WAC 246-292-020 defines who must have a certified operator, and WAC 246-292-050 details the minimum certification requirements for the various tasks involved in a small water system.
- 7 WAC 246-290-300 requires testing for Group A water systems for Volatile Organic Chemical (VOC), Inorganic Chemical (IOC), Synthetic Organic Compound (SOC), Radiological (Radium + Alpha), Nitrate, Lead and Copper, and Coliform. The frequency varies for all required testing, from monthly to twice every ten years. Staff made adjustments to the Company’s records to normalize the testing cost within the test period.
- 8 Country Meadows was originally owned by Frank L. Naccarato through the legal name of Horizons West Development, Inc. Due to financial difficulties, the Country Meadows water system and some additional parcel lots were transferred to Olympic Coast Investment, Inc. (Olympic), which is a partnership between Robert W. Hoss and John Hoss. The two parcels where Country Meadows water system’s wells and pump houses are located are owned by Frontier Bank, Trustee for Robert W. Hoss IRA (Frontier IRA). Staff was informed that Olympic and Frontier IRA are consolidating all of the Country Meadows water system’s assets into its own legal entity. Presently there are no higher levels of ownership and there is no owner’s compensation imbedded within the rates, other than return on investment.
- 9 Country Meadows originally hired Helen’s Pumps & Filters, Inc. (Helen’s Pumps) to run the Country Meadows water system at a rate of \$320 per month. However, Helen’s Pumps was not a certified operator, nor did Helen’s Pumps perform regular testing, paperwork, or keep certification’s current in accordance with DOH requirements. Therefore, the Company transferred operations to a certified SMA, Northwest Water Systems (NWS), to run the Country Meadows water system.

- 10 NWS provides multiple services such as, operation and management of water systems, performing quality monitoring, scheduled maintenance, meter readings, 24-hour standby, phone support, water testing, water bills (with postage), collections, preparing annual consumer confidence reports, recordkeeping, minor repairs (under \$500), flushes, providing a cross control program, preventative maintenance, and analyzing laboratory tests. NWS took over operations for Country Meadows on March 22, 2010, and charges \$315 per month.
- 11 Staff made several adjustments to the water systems books and records, such as, removing property taxes pertaining to Frontier IRA and increasing rate case cost. Staff and the Company agreed to a second revised revenue requirement of \$4,766 (81.4 percent) in additional annual revenue. However, the Company chose not to file second revised rates for the additional \$34 in annual revenue. The Company filed revised tariff pages on March 15, 2011, to correct the Company's name on the tariff filing to Country Meadows E. Water System #2.
- 12 The Company bills bi-monthly. A customer using 27,809 gallons (the calculated company-wide annual average water usage) of water per bi-monthly billing period would pay \$35.77 (51.3 percent) more per bill using the revised rates instead of \$61.27 (88.0 percent) more using the original rates proposed by the Company.
- 13 Staff has completed its audit and determined that the Company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient. Staff recommends that the Commission dismiss the Complaint and Order Suspending the Tariff Revisions and approve Staff recommended revised rates filed by Country Meadows E. Water System #2 on March 15, 2011, to become effective April 1, 2011, on a permanent basis.

FINDINGS AND CONCLUSIONS

- 14 (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, rules, 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.*

- 15 (2) Country Meadows is a water company and a public service company subject to Commission jurisdiction.
- 16 (3) This matter came before the Commission at its regularly scheduled meeting on March 24, 2011.
- 17 (4) The tariff revisions presently under suspension are fair, just, reasonable and sufficient because Country Meadows E. Water System #2 has demonstrated, as stated above in the background portion of this Order, that they require additional revenues and have filed revised rates at Staff's recommended levels.
- 18 (5) After reviewing the tariff revisions Country Meadows filed in Docket UW-102034 and giving due consideration, the Commission finds it is consistent with the public interest to dismiss the Complaint and Order Suspending Tariff Revisions in Docket UW-102034, dated January 27, 2011, and allow the tariff revisions to Tariff WN U-2 to become effective on April 1, 2011.

ORDER

THE COMMISSION ORDERS:

- 19 (1) The Complaint and Order Suspending Tariff Revisions in Docket UW-102034, entered on January 27, 2011, is dismissed.
- 20 (2) The tariff revisions Country Meadows E. Water System #2 filed in this docket on March 15, 2011, shall become effective on April 1, 2011.

DATED at Olympia, Washington, and effective March 24, 2011.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PHILIP B. JONES, Commissioner