

Agenda Date: January 31, 2008
Item Number: A1

Docket: UW-071771
Company Name: Harrison-Ray Water Company, Inc.

Staff: Chris Mickelson, Regulatory Analyst
Dennis Shutler, Consumer Affairs Specialist

Recommendations

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Harrison-Ray Water Company, Inc.
2. Approve the staff recommended second revised rates as filed by Harrison-Ray Water Company, Inc., on January 11, 2008, to become effective February 1, 2008, on a permanent basis.
3. Require the company to refund to customers the difference between the temporary rates and the permanent rates, and report to the commission when it has completed giving refunds.

Discussion

On August 29, 2007, Harrison-Ray Water Company, Inc., (Harrison-Ray or the company) filed with the Washington Utilities and Transportation Commission (commission) revisions to its currently effective Tariff WN U-02 that would generate \$65,000 (36 percent) in additional revenue per year. Harrison-Ray serves 208 regulated customers in Burbank located in Walla Walla County. The proposed revisions are prompted by increases in labor, benefits, fuel expenses, and new capital plant costs. Harrison-Ray's last general rate increase became effective July 1, 1999.

Harrison-Ray also filed to update tariff language and adjust ancillary charges for reconnection, disconnection, late payment, account setup, NSF checks, and water availability letters. In addition, Harrison-Ray adds cross-connection control language and charges. All customers are on metered connections. The proposed rate design removes the 500 cubic feet usage allowance in the base charge and adds a third usage block to encourage conservation.

Staff's review of Harrison-Ray's operations revealed that the company's proposed rates were excessive. On September 20, 2007, the company submitted revised rates at staff's recommended levels that would generate \$59,035 (35 percent) additional revenue per year. On September 26, 2007, the commission entered a Complaint and Order Suspending the Tariff Revisions to allow customers the opportunity to comment on the revised rates before determining whether the revisions are fair, just, reasonable, and sufficient. The commission allowed the revised rates to go into effect on a temporary basis on October 1, 2007, subject to refund. On January 11, 2008, the company submitted second revised rates to become permanent, due to a difference in the number of customers used for first revised rate design.

Customer Comments

Harrison-Ray notified its customers of its original request for a rate increase by mail on August 30, 2007. On September 26, 2007, Consumer Affairs staff sent every customer who commented on Harrison-Ray's filing a letter advising them of staff's recommended first revised rates (temporary rates). The commission received 156 comments on this filing during and after the initial investigation. Staff continued its investigation and on December 12, 2007, attended a public meeting with Harrison-Ray and its customers in Burbank, Washington. Approximately 90 customers from the Burbank system attended the public meeting held at Columbia Middle School in Burbank and commented on the proposed rate increase. Summarizing both comments sent to the commission and comments received by staff at the public meeting, customers are most concerned about:

The Size of the Increase – Although staff understands the customers' concerns regarding the amount of the increase, staff has explained that it does not explicitly consider the amount of the increase in preparing recommendations. Staff's goal is to recommend the "right" rates that will allow the company to recover reasonable operating expenses and provide an opportunity to earn a reasonable return on investment.

Poor Water Quality – Customers commented about poor water quality on the Burbank system. Harrison-Ray informed staff that the water contained sulfur early last year before a new disinfection system went online. The Department of Health (DOH) has primary jurisdiction over water quality. Staff consulted with DOH on the quality of water for the Harrison-Ray water system. DOH states the water system has a "green" rating, which indicates that the water system is in substantial compliance with all DOH requirements. The commission did not receive customer comments on this issue prior to the rate case.

Poor Company Service, Inadequate Billing Information, and Identification of Water Meters – According to customers, the company's reading of meters appears to be sporadic and not routinely done every 30 days. Additionally, information contained on the utility bills was lacking in detail and clarity. Customers' water meters were unidentifiable or their location was inaccessible, i.e., having two meters next to one another without identification to indicate which meter belongs to which customer or having meters located on a neighbor's property. Consumer Affairs staff worked with the company to ensure that the company complies with commission rules and regulations. The commission did not receive customer comments on these issues prior to the rate case.

Company's Day-to-Day Operations – The customers commented about how the company reads meters, such as the company hiring day-labor; billing format, i.e., via a postcard or full size paper; and type or location of the company's office, for instance, home office, street address, or PO Box. Each company is responsible to operate as best meets its needs. Staff reviews the cost of these day-to-day activities during rate cases. Consumer Affairs staff worked with the company to ensure the company is in compliance with commission rules and

regulations. The commission did not receive customer comments on this issue prior to the rate case.

Number of Customers (Customer Count) – Customers are concerned that the company has provided service but not billed some customers, such as a trailer park with seasonal tenants. After reviewing the company's records and conducting a site visit, staff found the number of customers at year end to be 208. Staff included in its first revised (temporary) rate design a customer count of 205. Based on this revised customer count, individual customer bills would be reduced with the recalculated customer count by \$0.87 per month. Staff's second revised (permanent) rate design reduces the base customer charge by \$0.87. The commission did not receive customer comments on this issue prior to the rate case.

Following staff's determination that permanent rates should be lower than those approved as temporary rates, due to the difference in customer count used in staff's first revised rate design and staff's second revised rate design, Harrison-Ray filed revised rates on January 11, 2008, at staff's second revised rate levels, requesting the rates become permanent effective February 1, 2008.

Due to the difference in staff's first revised rates that the commission allowed to become effective on October 1, 2007, on a temporary basis, subject to refund, and staff's second revised rates that staff recommends become effective on a permanent basis, staff determined that customers are due a refund. The monthly difference in base rates is \$0.87 for ¾-inch meter customers and \$4.64 for 2-inch meter customers. The temporary rates were collected for four months, resulting in a total difference of \$3.48 for ¾-inch meter customers and \$18.55 for 2-inch meter customers. Staff has worked with Harrison-Ray to provide a refund by bill credit of these respective amounts. The company intends to reflect the bill credit in its March billing which will reflect February's water usage, and has agreed to report to the commission when the refunds are completed.

On January 11, 2008, Consumer Affairs staff sent all customers who previously commented on Harrison-Ray's filing a letter advising them of the staff's recommended second revised rates. No customers have commented on the second revised rates.

Rate Comparison

Monthly Rate	Current Rate (Previous)	Proposed Rate (Company)	First Revised Rate (Temporary)	Second Revised Rate (Permanent)
Base Rate (¾-inch meter)	\$27.50 ¹	\$33.50 ²	\$26.72 ³	\$25.85 ⁴
0 – 500 cu ft ⁵	\$0.00	\$0.60	\$0.88	\$0.88
501 – 1,500 cu ft	\$0.50	\$0.60	\$0.88	\$0.88
1,501 – 2,500 cu ft	\$0.50	\$1.00	\$0.88	\$0.88
2,501 – 4,000 cu ft	\$0.50	\$1.00	\$1.08	\$1.08
4,001 – 5,000 cu ft	\$0.50	\$1.50	\$1.08	\$1.08
5,001 – 6,500 cu ft	\$0.70	\$1.50	\$1.08	\$1.08
Over 6,500 cu ft	\$0.70	\$1.50	\$1.33	\$1.33
Base Rate (2-inch meter)	\$146.58	\$178.56	\$142.42	\$137.78
0 – 500 cu ft	\$0.00	\$0.60	\$0.88	\$0.88
501 – 5,000 cu ft	\$0.50	\$0.60	\$0.88	\$0.88
5,001 – 7,995 cu ft	\$0.70	\$0.60	\$0.88	\$0.88
7,996 – 13,325 cu ft	\$0.70	\$1.00	\$1.08	\$1.08
13,326 – 21,320 cu ft	\$0.70	\$1.00	\$1.08	\$1.08
21,321 – 34,645 cu ft	\$0.70	\$1.00	\$1.08	\$1.08
Over 34,645 cu ft	\$0.70	\$1.50	\$1.33	\$1.33

Ancillary Charge	Current Rate (Previous)	Proposed Rate (Company)	Revised Rate (Temporary)	Revised Rate (Permanent)
Reconnection Charge	\$50.00	\$25.00	\$25.00	\$25.00
Disconnection Charge	\$0.00	\$25.00	\$25.00	\$25.00
NSF Check	\$10.00	\$25.00	\$5.00	\$5.00
Service Visit Charge	\$0.00	\$25.00	\$25.00	\$25.00
Late Payment	\$0.00	2% or min \$2.50	2% or min \$2.50	2% or min \$2.50
Account Setup	\$0.00	\$15.00	\$15.00	\$15.00
Water Availability Letter	\$0.00	\$20.00	\$20.00	\$20.00
Service Connection Charge	\$0.00	\$600.00	\$600.00	\$600.00

¹ 500 cubic feet allowance included in base rate.

² 0 cubic feet allowance included in base rate.

³ 0 cubic feet allowance included in base rate.

⁴ 0 cubic feet allowance included in base rate.

⁵ cu ft = cubic feet (1 cubic foot = 7.48 gallons of water), all usage rates are per 100 cubic feet of water used.

Commission staff has completed reviewing customer comments, along with the company's supporting financial documents, books and records. In addition, staff visited the water system and found the equipment installed to be necessary and prudent. Staff concludes the second revised rates are justified by the company's records and are fair, just, and reasonable.

Conclusion

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