

Agenda Date: October 27, 2016  
Item Number: A11

**Docket:** UW-161035  
Company Name: H&R Waterworks, Inc.

Staff: Jim Ward, Regulatory Analyst  
John Cupp, Consumer Protection  
Andrew Roberts, Consumer Protection

### **Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by H&R Waterworks, Inc., on August 29, 2016.

### **Background**

On August 29, 2016, H&R Waterworks, Inc. (H&R Waterworks or company) filed with the Utilities and Transportation Commission (commission) a tariff revision adding Rule 21 which implements a Water Budget program for water use and conservation. The program establishes water usage budgets for each customer in a service area where water usage threatens to exceed the company's water rights. Conservation rates would be implemented and flow restrictors would be installed for customers exceeding their budgeted usage amounts by more than 50 percent per billing period. The company serves 4,115 customers on various systems in Thurston, Mason, Kitsap, Pierce, Lewis, and King Counties.

This is a continuation from the September 22, 2016, open meeting, in which this filing adds Rule 21 to the company's tariff for the Water Budget program. Customers were present, commented, and met with company and commission staff afterwards for a more in-depth discussion of the water budget program. Several key points were highlighted by customers and discussed at the meeting:

- Review of water right issues to include the company applying for more water rights.
- Lack of complete explanation on how the water budget program works.
- Provisions for charging the customers for excess water use.
- Provisions for roll-over water usage and one-time water usage overages.
- Warning that the customer has exceeded the monthly water budget.
- Flow restrictor concerns and restoration of normal water service.
- Evolution of the water budget program and recent changes.
- Company tariff process for water budgeting.
- Annual water rights vs monthly water budget.

Since September 22, 2016, the company has revised the tariff filing for Rule 21. The company has removed reference to the requirement that customer bills must be current to have normal water service restored. After meeting with customers on September 22 and discussions with the company, staff is proposing a change to the tariff so that a first time water budget exceedance invokes a conservation rate of \$5.00 per 100 cubic feet of water use over 2,000 cubic feet as a

first step to promote conservation and provide a warning to customers. The conservation rate would remain in effect for the remainder of the calendar year as shown below. The second and subsequent exceedances of the monthly water budget would trigger the installation of a flow restrictor to limit water usage.

### History

Over the last several years, the company has experienced increased water usage on several water systems.<sup>1</sup> In June and July of 2015, the company conducted a series of five community water use efficiency workshops with customers to address water usage and ways to achieve water use efficiency. The last several years have been relatively dry which has led to additional water use. To address excessive water use, the company has issued general requests for water use reduction, and in several cases issued mandatory water use restrictions, all after the usage occurred. Such mandates, in conjunction with high water bills due to greater water use, were not enough to deter some customers, and usage approached, or exceeded, the limits of water rights as issued by Department of Ecology. In addition, the company held four Town Hall informational meetings with customers in early July of 2016 to review the water use budget concept and their individual water use history. In addition, the company held a meeting with Home Owner Association leaders as well as with customers of the Reserve at Cooper Point. These neighborhood water system meetings were on this same subject of conservation.

Department of Ecology sets several limits on water withdrawal from wells. One is the instantaneous amount of water being used as measured in gallons per minute. The company has designed and sized pumps and pipes to limit this amount of water withdrawal. The other limit is the annual amount of water that is withdrawn from the well. This limit is normally based on acre feet of water withdrawn. An acre-foot is defined as the volume of one acre of surface area to a depth of one foot and equals 325,853 gallons. This amount can be exceeded if customers continue to use water over a longer period of time, such as an unseasonably dry summer.

The company claims that with the workshops, restrictions, and the tariffed, three tier increasing block rate structure, conservation both inside and outside the home has not been enough to prevent the system from exceeding its water rights. Working with existing rules and practices, the company believes the next step is to provide a tool for customers to use to prevent excessive water use before water rights are exceeded. The tool the company believes will best serve customers and the company to remain within assigned water rights is the Monthly Water Budget program.

A water budget for each customer is established by a review of two components. The first component is an 'Indoor Budget' and is based on the number of household occupants. The initial occupant count is three, and uses a default of 800 cubic feet per month. The company does have an 'Indoor Water Budget Adjustment Application' to apply for a different occupant count or

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1) Countrywood, Riverwood, Conifer, and Summerwood (273), Talcott Ridge (46) and Reserve at Cooper Point (37).

special situations. The second component is an 'Outdoor Budget' and is based on average rainfall, irrigation consumption, and lot size.

The Indoor and Outdoor budgets are combined for each customer to determine a monthly Water Budget amount. This monthly amount is stated on each customer's monthly water bill. During the month customers can compare the budget amount to their meter readings to determine how well they are doing in relation to their Monthly Water Budget.

Customers who exceed their monthly Water Budget by 50 percent the first time each calendar year will be provided notice that the conservation rate will be applied to that billing period, and for any subsequent water budget exceedance a flow restrictor will be installed (within 24 hours) to limit the amount of water the customer can use. The conservation rate would remain in place for that customer until the following January. Flow restrictors will limit the amount of water available to 3 gallons per minute. Restoration of normal meter service by the company will occur (during normal business hours and within 24 hours) after the customer has provided a signed 'Application to Restore Normal Meter Service.' A \$25 service visit charge will apply to have Normal Meter Service re-established.

Staff examined the company's proposed tariff and water budget program. Water budgets are not new. The degree of company review, customer oriented data, and communication of severe consequences is, however, a new issue for this commission. The company has incurred considerable expenses for software upgrades and employee time to determine the best approach to dealing with water overuse by some customers. The Water Budget Program proposed by H&R Waterworks should reduce excessive water usage and not overburden the customers.

The company has implemented the Water Budget Program on five water systems in Thurston County and reported that for the summer of 2016, the affected water systems have dramatically decreased water consumption and no customers have exceeded their budget and been placed on conservation rates or flow restrictions. The savings of water over the previous year was 1,227,101 gallons for July and 592,625 gallons for August.

### **Customer Comments**

On September 13, 2016, the company notified its customers by mail of the proposed Rule 21 and commission review. Customers were notified that this item would appear on the September 22, 2016, open meeting agenda and that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or [jcupp@utc.wa.gov](mailto:jcupp@utc.wa.gov) with questions or concerns.

Staff received 15 comments from customers just prior to the open meeting of September 22, 2016. The customer notice about the tariff revision was short notice for that open meeting. The company has adjusted the effective date to allow for 30 days' notice and to cover a second open meeting date of October 6, 2016. On September 30, 2016, the company extended the effective date of the filing until November 1, 2016.

Since September 22, 2016, staff has received 10 additional comments. Due to the lack of time and several changes in Rule 21, staff is requesting that all customers on the affected water systems be provided an update to the tariff filing. Additionally, all customers who commented on the filing would be provided a full copy of the tariff proposed to better communicate Rule 21, noting its various revisions since the program was announced by the company.

The tariff monthly rates are shown below for reference.

**Rates**

Monthly Rate	Current Rate
Base Charge 3/4 inch meter*	\$ 20.33
Block 1: 0 – 700 cubic feet	1.36**
Block 2: 701 – 2,000 cubic feet	2.31**
Block 3 over 2,000 cubic feet	2.81**

\*other meter sizes available in the tariff  
 \*\*per 100 cubic feet

**Update**

After the meeting with customers and additional review, a revised Rule 21 tariff was proposed by staff. As part of the revised tariff for the Water Budget program, a conservation rate was added. After the first time a monthly water budget is exceeded and for the remaining calendar year, any water a customer uses exceeding 2,000 cubic feet per month would be charged at the conservation rate. This rate would remain in effect for that customer for the remainder of that year and would be removed January 1 of the following year. The conservation rate proposed is:

**Conservation Rate**

Monthly Rate	Current Rate	Proposed Rate
Block 3 over 2,000 cubic feet	\$2.81**	\$5.00**
Difference		\$2.19 78%

\*\*per 100 cubic feet

All excess funds received as a result of the conservation rate (funds received above \$2.81 rate) will only be used to obtain additional water rights on the affected water systems.

Commission staff requests the company send a new notice to all customers (356 count) on the affected water systems that better outlines the revised Rule 21. The notice to all customers would need to be reviewed by the commission’s Consumer Protection section and should be no longer than two pages or one piece of paper.

Commission staff will provide a copy of the full revised tariff and staff memo to customers (25 count) who have commented on this filing including the customers who were present at the September 22, 2016, Open Meeting and who have provided contact information to commission staff.

Commission staff has not completed its review of the company's filing, supporting financial documents, books, and records. Staff has outstanding data requests for information to support its review. Since staff has not completed its review, therefore the company has not supported the tariff filing as being just and reasonable.

**Recommendation**

Issue a Complaint and Order Suspending the Tariff Revisions filed by H&R Waterworks, Inc., on August 29, 2016.