

Agenda Date: January 15, 2015
Item Number: A4

Docket: UW-143116
Company Name: Washington Water Service Company

Staff: Amy White, Regulatory Analyst
Jim Ward, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Washington Water Service Company on August 14, 2014;
2. Allow the revised rates filed January 7 and 9, 2015, to become effective February 1, 2015.
3. Grant an exemption to WAC 480-110-425, Water company customer notice requirements, and;
4. Require the company to notify customers of the revised rate increase in the customers' bills issued after February 1, 2015.

Discussion

On August 14, 2014, Washington Water Service Company (WWSC or company) filed tariff revisions with the Utilities and Transportation Commission (commission) that would generate approximately \$1.5 million (15.9 percent) additional annual revenue. The proposed general rate increase would offset operational expenses such as transportation costs, property taxes, employee costs, and to recover depreciation and return related to approximately \$2.2 million in new investments in capital plant. The company provides water service to approximately 16,400 customers on 198 systems in Clallam, Jefferson, King, Kitsap, Mason, Pierce, San Juan and Thurston Counties. The company's last rate increase became effective on February 1, 2012.

On September 24, 2014, the commission issued an order suspending this filing for further review. Staff has completed its review of the company's supporting books and records and determined that the company's books and records support an increase of approximately \$1.66 million (17.5 percent) additional annual revenue. Staff also found that the company's proposed rate design would have generated approximately \$52,000 less than the requested additional \$1.5 million annual revenue.

Staff and the company agreed to the revised revenue requirement and a revised rate design. WWSC filed revised tariff rates on January 7 and 9, 2015. The revised rate design increases the base rate and the usage charges for the first and second blocks. The average customer's bill, using 825 cubic feet, is \$1.16 per month more than the original rates proposed by the company which were noticed to customers. Because the initial notice to customers stated that the commission may set rates higher or lower than those included in the notice, the relatively small

cost difference between the company's proposed rates and staff's revised rates, the additional cost of requiring a second notice to customers, and that delaying the rate increase by another thirty days would be extremely injurious to the company, staff recommends that the commission, on its own motion, grant an exemption to WAC 480-110-425, Water company customer notice requirements, and require the company to notify customers of the revised rates in the next customer bill. The company has agreed to send another notice as part of the next customer bill. Due to programming requirements, the company requests the revised rates become effective February 1, 2015.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Ready to Serve	\$19.15	\$21.00	\$21.75
Base Rate, 3/4-Inch Meter ¹	\$19.15	\$21.00	\$21.75
0-600 CF ² , Per CCF ³	\$2.95	\$3.40	\$3.50
601-1,600 CF, Per CCF	\$3.60	\$4.40	\$4.45
Over 1,600 CF, Per CCF	\$4.40	\$5.50	\$5.50

Monthly Residential Bill Comparison

Monthly Average 825 Cubic Feet	Current Rate	Proposed Rate	Revised Rate
3/4-Inch Metered Base	\$19.15	\$21.00	\$21.75
825 Cubic Feet	\$25.80	\$30.30	\$30.71
Water Bill Total	\$44.95	\$51.30	\$52.46
Increase From Current Rates		\$ 6.35	\$ 7.51
Percent Increase From Current Rates		14.1%	16.7%

Orcas Highlands Master Meter Monthly Average 69,828 Cubic Feet 117 Customers Served	Current Rate	Proposed Rate	Revised Rate
2-Inch Metered Base	\$102.13	\$111.99	\$116.00
69,828 Cubic Feet	\$2,983.34	\$3,714.64	\$3,718.91
Water Bill Total	\$3,085.47	\$3,826.63	\$3,834.26
Overall Increase From Current Rates		\$741.16	\$749.44
Per Customer Increase from Current Rates		\$6.34	\$6.41
Percent Increase From Current Rates		24.0%	24.3%

Customer Comments

On July 31, the company notified its customers by mail of the proposed rate increase. The customers were notified they may access relevant documents about this case on the commission's website, and may contact John Cupp at 1-888-333-9882 or jcupp@utc.wa.gov with questions or concerns. Staff received 49 consumer comments regarding the proposed rate increase; 48 opposed to the rate increase and one undecided.

Service Quality

- Two customers on two different systems expressed concerns about their water. One mentioned low water pressure. In both cases staff asked the company to explain the situation and share the company's response history in each case.

Staff Response

In both cases, manganese was the issue, though in neither case was it considered a health risk. Staff looked at Department of Health data for both systems and found that there are no compliance activities or restrictions on either system.

- A customer commented that the company failed to forewarn customers when it flushed pipes. He also is concerned that he does not see the company test its backup generator.

The company explained that it sends customer notices and posts sandwich boards prior to flushing the system. The generator on this customer's system has an automatic start that exercises the system every week. Propane levels and run time meters are read monthly to verify that the generator was started.

- Orcas Highlands Association states that the proposed rates will result in a 24.4 percent increase in rates to its members because they are served by a two-inch meter.

Staff sets rates according to meter-size ratios set by the American Water Works Association. According to AWWA standards, a two-inch meter has a capacity of 5.33 times that of a 3/4-inch meter. The commission does not regulate the rates Orcas Highlands Association charges its members.

General Comments

- The increase amount was the main concern for 18 commenters, and many of them think the company raises its rates too frequently, and that the company should do more to keep its costs down. Staff received comments from several low income customers who are concerned about being able to pay higher rates.

Staff Response

The customers were advised that state law requires rates to be fair, just, reasonable and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Recommendation

The customers' comments do not change staff's opinion that the company's books and records support the revised revenue requirement and the revised rates are fair, just reasonable and sufficient. Staff recommends that the commission:

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