

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKET NO. UW-041181
TRANSPORTATION COMMISSION,)	
)	ORDER NO. 04
Complainant,)	
)	ORDER APPROVING AND
v.)	ADOPTING SETTLEMENT
)	AGREEMENT AND DISMISSING
MARBELLO WATER COMPANY,)	COMPLAINT
)	
Respondent.)	
.....)	

Synopsis: The Commission approves and adopts the settlement agreement and dismisses the complaint.

- 1 **NATURE OF PROCEEDING.** Docket No. UW-041181 is a proceeding to investigate Marbello’s requested rate increase, filed on June 28, 2004 and suspended by the Washington Utilities and Transportation Commission (Commission) at its open meeting on July 28, 2004.

- 2 **APPEARANCES.** Richard Finnigan, attorney, Olympia, Washington, represents Marbello. Jonathan Thompson, Assistant Attorney General, Olympia, Washington, represents the Commission’s regulatory staff (“Commission Staff” or “Staff”).¹

¹ In formal proceedings, such as this case, the Commission’s regulatory staff functions as an independent party with the same rights, privileges, and responsibilities as any other party to the proceeding. There is an “*ex parte* wall” separating the Commissioners, the presiding Administrative Law Judge, and the Commissioners’ policy and accounting advisors from all parties, including Staff. RCW 34.05.455.

- 3 **BACKGROUND.** Marbello first became subject to the Commission's regulation in Docket No. UW-040366, a special proceeding convened by the Commission pursuant to RCW 80.04.015 to determine whether the company fell under the Commission's jurisdiction under Chapter 80.28RCW and WAC 480-110-295.² The initial complaint in Docket No. UW-040366 also challenged whether Marbello's existing rates were fair, just, and reasonable.
- 4 In the initial complaint proceeding, Marbello and Commission Staff stipulated to the Commission's jurisdiction and to Marbello's filing a tariff and supporting financial documentation.³ Marbello subsequently filed the tariff required pursuant to its agreement with Staff. Then, on June 28, 2004 Marbello filed a revision to its initial tariff, requesting approximately \$8,000 (10.5%) increase in its annual revenue. The Commission assigned the rate increase request Docket No. UW-041181 and suspended the filing at its July 28, 2004 Open Meeting.
- 5 Docket No. UW-041181 was later consolidated with the initial complaint.⁴ Subsequently, Staff withdrew the initial complaint, recommending adoption of Marbello's initial rates as fair, just reasonable and sufficient. The Commission dismissed the initial complaint and classification proceeding but retained jurisdiction over the instant rate increase proceeding.⁵
- 6 **SETTLEMENT.** On October 15, 2004, the parties filed a settlement agreement resolving all issues in the rate increase docket. The settlement agreement provides:

² In Docket No. UW-040366, Order No. 02, March 30, 2004, the Commission accepted the stipulation of the parties and found that Marbello is subject to Commission jurisdiction. In that order the Commission directed Marbello to file an initial tariff and supporting financial data. Marbello filed its initial tariff on March 31, 2004 and the supporting data on April 21, 2004.

³ *Docket No. UW-040366*, Order No. 3, March 30, 2004.

⁴ *Docket Nos. UW-040366 and UW-041181*, Order Nos. 05 and 02, August 10, 2004.

⁵ *Id.*, Order Nos. 07 and 03, October 12, 2004.

- An overall revenue requirement increase for Marbello operations of \$74,297 without regard to any specified adjustments to revenue, expense, rate base items, cost of capital components or capital structure. Settlement at 1.
- A redesign of the Company's rates permitting collection of a monthly base rate of \$30 per customer per month and a usage charge of \$2.30 per 100 cubic feet. Settlement at 2.

7 A copy of the settlement agreement is attached to this Order as Appendix A and incorporated by reference herein.⁶

8 Accompanying the settlement was the supporting testimony of Commission Staff witness Danny P. Kermode. Mr. Kermode is a Certified Public Accountant and has been a regulatory analyst for the Commission since 1998. Mr. Kermode explained that when Marbello filed its request for a rate increase on June 28, 2004, the company was requesting an increase of \$7,700 in annual revenue based on a test year ended December 31, 2003, the same test year relied on to support the company's initial rates.

9 As a result of negotiations, Mr. Kermode states that the parties have agreed on a revenue increase of \$723, resulting in a new revenue requirement of \$74,297, a 1% increase over test year levels. He further states that the rate design agreed to in the settlement is intended to reduce the company's commodity charge (usage charge for water consumed) by 43% and to eliminate the 750 cubic feet water allowance currently included in the base rate.

10 Mr. Kermode indicated the reason for the rate design change was to improve the stability of the company's stream of income by moving collection of revenues largely to the base monthly rate, as opposed to obtaining most income from a

⁶ On October 27, 2004, the parties agreed to waive entry of an initial order in this proceeding.

usage charge, the revenue from which fluctuates seasonally and with changes in the economy. Mr. Kermode also pointed out that the settlement commodity rate is equal to the actual cost the company pays for its water plus a percentage allowance for water loss due to line breaks.

11 Both parties have waived entry of an initial order in this proceeding.

12 **DISCUSSION AND DECISION.** The Commission is persuaded that adopting the proposed settlement agreement and dismissing the complaint will serve the public interest. Resolution of this matter will allow Marbello to achieve a more stable stream of income and will thus promote the company's continued ability to provide water service to its customers.

ORDER

13 THE COMMISSION ORDERS that the proposed settlement agreement, attached hereto and incorporated by reference herein is approved and adopted and that the complaint against Marbello is dismissed.

DATED at Olympia, Washington and effective this 10th day of November, 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, CommissioneR

NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04200 and WAC 480-07-870.