

Agenda Date: June 14, 2006
Item Number: A2

Dockets: UW-060352 (UW-060192)
Company Name: Gold Beach Water Company, Inc.

Staff: Jim Ward, Regulatory Analyst

Recommendation

Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Gold Beach Water Company, Inc., in Docket UW-060352 and allow the revised rates to become effective July 1, 2006.

Background:

On March 3, 2006, Gold Beach Water Company, Inc., (Gold Beach Water or company) filed a general rate increase of \$11,674 (19.9 percent) additional revenue per year. On June 7, 2006, the company filed revised rates. The revised filing would produce about \$10,000 (17 percent) of additional revenue per year. The company serves 184 customers in the central part of Vashon Island located in King County. The company states the reason for the filing is to help cover increased operational cost and capital improvement expenses, and encourage water conservation. The company's proposed rate design decreases the amount of water allowed in the base meter charge from 800 cubic feet to 500 cubic feet. The last general rate increase was July of 1998.

At the March 15, 2006, open meeting, the commission heard this matter to take public comment. No one appeared to comment.

The commission received one customer comment that recommended no change to the usage allowance and a rate schedule slightly different from what the company originally proposed.

On April 26, 2006, the commission suspended the filing for additional review. Staff recommended suspension because (1) the company proposed 500 cubic feet of water included in the base charge and staff proposed a zero allowance rate design, and (2) the company proposed rate design generated too much revenue.

The current, proposed and revised rates are:

	<u>Current Rates</u>	<u>Proposed Company</u>	<u>Revised Company</u>
Monthly Base Charge	\$26.16 (with 800 cf of usage)	\$30.00 (with 500 cf of usage)	\$29.00 (with 500 cf of usage)
800-3,000 cf	\$0.32 per 100 cf		
500-2,500 cf		\$0.50 per 100 cf	\$0.50 per 100 cf
Over 3,000 cf	\$0.58 per 100 cf		
Over 2,500 cf		\$1.00 per 100 cf	\$1.00 per 100 cf

cf = cubic feet (1 cubic foot = 7.48 gallons of water)

Discussion:

Staff's review of the company's books and records shows that the company has justified it needs \$10,000 of additional revenue. Staff and the company have agreed to revised rates.

The company proposed a revised rate design that includes 500 cubic feet in the base charge. Staff continues to support a rate design that has no water (zero allowance) in the base charge. Zero allowance rate designs ensure fairness and promotes water conservation, even at the lowest usage levels. Customers pay only for the water they use. The following table compares the company's revised rate design (500 cubic feet in the base charge) and the staff recommended rate design (zero usage in the base charge):

Usage (in cubic feet)	Revised Company	Staff	Difference (Staff – Revised Company)
Base Charge	\$29.00	\$26.50	(\$2.50)
100	\$29.00	\$27.00	(\$2.00)
200	\$29.00	\$27.50	(\$1.50)
300	\$29.00	\$28.00	(\$1.00)
400	\$29.00	\$28.50	(\$0.50)
500	\$29.00	\$29.00	\$0.00
600	\$29.50	\$29.50	\$0.00

During the 2005 test period, the company issued 1,104 bills, 183 (16%) of which showed less than 500 cubic feet usage.

More than half of the current regulated water companies have zero allowance rate designs. Of the remaining companies without zero allowance, almost half still use the initial tariff filed when the company became jurisdictional. The other companies have not filed for rates in over five years.

Staff has consistently encouraged companies to file zero allowance rate designs. Companies have filed zero allowance rates, even though they did not like the zero allowance rate design and do not believe it is appropriate for small water companies. Although the commission consistently supported zero allowance rate designs, there is no rule or written policy statement requiring companies to file zero allowance rates.

The sole remaining issue with the Gold Beach Water revised rate design is the amount of water included in the base charge – none or 500 cubic feet. Zero allowance rate design is an industry-wide issue. Staff recommends that the commission consider whether to enforce a zero rate design policy and, if so, the commission should enforce that policy by rule, not through litigation with individual companies.

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Conclusion:

The company has demonstrated that it needs additional revenue. The company and staff have agreed that the revised rate design would generate the needed revenue.

Therefore, staff recommends that the commission Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Gold Beach Water Company, Inc., in Docket UW-060352 and allow the revised rates to become effective July 1, 2006.

Attachment