

Agenda Date: December 19, 2019  
Item Number: A2

**Docket:** UW-190845  
Company Name: Scenic Shores Community Association  
d/b/a Scenic Shores Water Company

Staff: Tiffany Van Meter, Regulatory Analyst  
John Cupp, Consumer Protection Staff

### **Recommendation**

Allow the tariff pages filed by Scenic Shores Community Association d/b/a Scenic Shores Water Company on October 9, 2019, as revised December 18, 2019, to become effective December 20, 2019, by operation of law.

### **Background**

On October 9, 2019, Scenic Shores Community Association d/b/a Scenic Shores Water Company (Scenic Shores or company) filed with the Washington Utilities and Transportation Commission (commission) tariff revisions that would generate approximately \$8,155 (25 percent) additional annual revenue. The company serves 248 total customers of which only 44 customers are regulated by the commission in Thurston County.

The water system is owned by Scenic Shores Community Association (a homeowner's association, HOA) and serves both HOA members and customers outside of the association. WAC 480-110-255 (2)(f) states the commission does not regulate homeowners' associations unless they provide water service to one hundred or more nonmembers, or charge nonmembers more than five hundred fifty-seven dollars average annual revenue per non-member. In 2009, the company met this threshold with 44 customers receiving water without membership in the HOA, so the HOA water system service became regulated by the commission.

After review, commission staff (staff) noted the proposed rates in the customer notice would not generate the additional annual revenue requested by the company, and also that the additional annual revenue requested was excessive.

Since the water system is owned by the HOA and serves both HOA members and regulated water customers, staff's review was focused on the cost to provide water service only to the regulated customers and ensured separation of HOA expenses from water system expenses. Staff's next step was to allocate the common cost of water service between the HOA members and the regulated customers.

Staff determined that the company's books and records supported a lower requirement of \$6,910 (20.86 percent) additional annual revenue. Staff and the company have agreed to a revised rate design that would generate the additional \$6,910 of revenue.

The company's last rate increase which provided \$6,805 of additional annual revenue became effective December 20, 2012.

## **Customer Comments**

On October 5, 2019, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may submit comments by going to [www.utc.wa.gov](http://www.utc.wa.gov) and clicking “Submit a Comment.” Staff received a petition representing about 18 households. Staff also received individual comments from 12 customers, including six who had also signed the petition. All comments express opposition to the proposed increase.

## **General Comments**

The primary concern is that customers of regulated service believe they are paying more than their share of the overall costs because their rate increase is at a higher percentage than the increase to HOA members. Customers mentioned several costs they believe should not be recovered from non-HOA customers, including:

- A lawsuit concerning a HOA member who had goats on their property.
- A “Trash Daze” event that only HOA members can participate in.
- Generators that were given to the company.
- The costs of repairing water mains inside the HOA area.

## **Staff Response**

Staff informed customers 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. Customers were also told that commission staff performs a thorough review of rate filings to ensure all rates and fees are appropriate. Staff explained that rates are set so that customers of regulated service will only pay for costs associated with service provided to them, and not for water service to HOA members. Staff sent a letter to all commenters, explaining why recommended rates are higher than the proposed rates shown on the customer notice.

Staff held a customer outreach meeting on November 20, 2019, at 6:00 p.m. to address all of the customer concerns listed on the petition. Staff explained the commission process for setting rates and that allocations were also involved since the water system served both HOA members and regulated customers. Six customers attended, two of which were from the same household. Additional customer concerns were received after the outreach meeting and a second outreach meeting was offered but not accepted by the customer. Staff’s review had already excluded the issues mentioned by customers, but staff did conduct a further review of expenses brought up by customers to ensure the appropriateness of the costs.

**Rate Comparison**

| <b>Monthly Rate</b> | <b>Current Rate</b> | <b>Company Proposed Rate</b> | <b>Staff Revised Rate</b> | <b>Percentage Rate Increase</b> |
|---------------------|---------------------|------------------------------|---------------------------|---------------------------------|
| Base Charge*        | \$ 46.75            | \$54.08                      | \$ 54.50                  | 16.6%                           |
| Block 1             | \$ 1.15**           | \$1.65**                     | \$ 2.00**                 | 74%                             |
| Block 2             | \$ 2.80**           | \$1.75**                     | \$ 3.00**                 | 7%                              |
| Block 3             | \$ 2.80**           | \$3.00**                     | \$ 4.00**                 |                                 |
|                     |                     |                              |                           |                                 |
| Usage Blocks        | Current             | Proposed                     | Revised                   |                                 |
| Block 1             | 0-1,000             | 0-700                        | 0-700                     |                                 |
| Block 2             | >1,000              | 701-1,000                    | 701-1,000                 |                                 |
| Block 3             |                     | >1,000                       | >1,000                    |                                 |

\* For 1-inch connection; other base rates available in tariff.  
 \*\* Per 100 cubic feet

**Average Residential Monthly Bill Comparison**

**Average Monthly Usage – 1,082 cubic ft/month**

| <b>Monthly Rate</b>        | <b>Current Rate</b> | <b>Company Proposed Rate</b> | <b>Staff Revised Rate</b> | <b>Percentage Increase</b> |
|----------------------------|---------------------|------------------------------|---------------------------|----------------------------|
| 1 Inch Base Charge *       | \$ 46.75            | 54.08                        | \$ 54.50                  | 16.6%                      |
| 1,082 cubic ft/month usage | \$ 13.80            | 19.26                        | \$ 26.68                  | 93.3%                      |
| Total Average Monthly Bill | \$ 60.55            | 73.34                        | \$ 70.78                  | 16.9%                      |

\*Other meter sizes available in the tariff.

**Conclusion**

Commission staff has completed its review of the company’s supporting financial documents, books, and records. Staff’s review shows that the revised rates are reasonable and required as part of the company’s operations. The customers’ comments do not change staff’s opinion that the company’s financial information supports the revised revenue requirement, and therefore the rates and charges are fair, just, reasonable, and sufficient.

Therefore Staff recommends the Commission allow the tariff pages filed by Scenic Shores Water Company on October 9, 2019, as revised on December 18, 2019, to become effective December 20, 2019, by operation of law.