

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	DOCKET UW-080562
)	
Complainant,)	ORDER 02
)	
v.)	
)	ORDER CONTINUING THE
ROCHE HARBOR WATER SYSTEM,)	SUSPENSION OF PROPOSED
)	TARIFF; AND APPROVING REVISED
Respondent.)	RATES ON A TEMPORARY BASIS,
)	SUBJECT TO REFUND
.....)	

BACKGROUND

- 1 On March 31, 2008, Roche Harbor Water System (Roche Harbor) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-1 designated as Seventh Revised Sheet No. W-1 canceling Sixth Revised Sheet No. W-1; and Fourth Revised Sheet No. W-2 canceling Third Revised Sheet No. W-2. The stated effective date was May 1, 2008. The Company proposed to increase rates that would generate \$154,960 (50 percent) in additional revenue per year. The Company proposed to increase general rates for water service that would generate \$123,460 (80 percent of \$154,960). The proposed increased general rates for water service are prompted by higher costs for gasoline, water testing and an additional employee. The Company also proposed to start a capital upgrade reserve fund of \$31,500 (20 percent of \$154,960), but withdrew that proposal on May 22, 2008. Roche Harbor serves 525 customers on San Juan Island located in San Juan County.
- 2 The proposed filing would increase charges and rates for service by approximately \$154,960, or 50 percent. Because those increases might injuriously affect the rights and interests of the public and Roche Harbor had not demonstrated that the increases would result in rates that are fair, just, reasonable and sufficient, the Commission suspended the tariff filing on April 30, 2008. The Commission’s order stated it may hold public hearings, if necessary, to determine whether the proposed increases are fair, just, reasonable and sufficient.
- 3 Roche Harbor notified its customers of the original proposed increase by mail on March 28, 2008. The Company’s notice advised customers that they could make

comments at the Commission's April 10, 2008, open meeting. No customers commented at that time. The Commission has received eleven customer comments on this filing. All comments are opposed to Roche Harbor's proposed increase. Customers are most concerned about:

The Amount of the Increase –Although Staff understands the customer's concerns regarding the amount of the increase, Staff does not explicitly consider the amount of the increase in preparing recommendations. Staff's goal is to recommend the "right" rates that will allow the company to recover reasonable operating expenses and provide an opportunity to earn a reasonable return on investment.

Water Quality – The Department of Health (DOH) has primary jurisdiction over water quality. Staff consulted with DOH on the quality of water provided by the company. DOH states the water system is in substantial compliance with all DOH requirements.

- 4 Staff reviewed Roche Harbor's books, records and supporting documents and concluded Roche Harbor has a revenue deficiency of \$70,530 or 22.9 percent.
- 5 Staff prepared a revised rate design to generate the lower revenue requirement. Staff's rate design lowers all usage charges.
- 6 Roche Harbor agreed to the lower revenue requirement and on May 22, 2008, filed revised rates at the Staff's recommended levels. Staff believes the proposed revised rates are fair, just, reasonable and sufficient based on Roche Harbor's supporting documentation.
- 7 Customers deserve to know about, and comment on, the proposed revised rates. The Commission should consider all information, including any additional customer comments on the revised rates, in deciding whether to conduct an evidentiary hearing on the revised rates. Therefore, the Commission finds Roche Harbor has not yet demonstrated the revised rates are fair, just, reasonable and sufficient.
- 8 The Commission continues to suspend the tariff revisions Roche Harbor Water System filed on March 31, 2008.

9 The Commission accepts the revised rates as temporary rates and approves those revised rates to become effective on June 1, 2008, on a temporary basis, subject to refund. The Commission may hold public hearings to determine whether the proposed changes are fair, just, reasonable and sufficient.

FINDINGS AND CONCLUSIONS

- 10 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies.
RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.
- 11 (2) Roche Harbor is a water company and a public service company subject to Commission jurisdiction.
- 12 (3) At its April 30, 2008, open meeting, the Commission entered a Complaint and Order Suspending Tariff Revisions, suspending the tariff revisions Roche Harbor filed on March 31, 2008.
- 13 (4) The Company's revised tariff revisions in this matter came before the Commission at its regularly scheduled meeting on May 28, 2008.
- 14 (5) The revised tariff revisions Roche Harbor filed on May 22, 2008, would increase charges and rates for service Roche Harbor provides, and might injuriously affect the rights and interest of the public.
- 15 (6) Although Roche Harbor has not yet demonstrated that the tariff revisions would ultimately result in rates that are fair, just, reasonable and sufficient, the Commission finds it reasonable, based on Staff's analysis, to approve the revised rates to become effective June 1, 2008, on a temporary basis, subject to refund.
- 16 (7) In order to carry out the duties imposed upon the Commission by law, and as authorized in RCW 80.04.130 and RCW 80.04.220, the Commission finds it necessary to investigate this tariff filing, which may involve an investigation of

Roche Harbor's books, accounts, practices and activities, to make a valuation or appraisal of Roche Harbor's property and to investigate and appraise various phases of Roche Harbor's operations.

- 17 (8) As required by RCW 80.04.130 (4), Roche Harbor bears the burden of proof to show that the proposed increases are fair, just, reasonable and sufficient. Nothing in this Order is intended to limit the issues as to the fairness, justness, reasonableness and sufficiency of the proposed increases.
- 18 (9) In addition, the Commission invokes the rights, remedies and procedures contained in the reparations statute, RCW 80.04.220, to the extent the Commission finds that any rate subject to this investigation is excessive or exorbitant.
- 19 (10) Roche Harbor may be required to pay the expenses reasonably attributable and allocable to such an investigation, consistent with RCW 80.20.

ORDER

THE COMMISSION ORDERS:

- 20 (1) The tariff revisions Roche Harbor Water System filed on March 31, 2008, remain suspended.
- 21 (2) The revised tariff revisions Roche Harbor Water System filed on May 22, 2008, shall become effective on June 1, 2008, on a temporary basis, subject to refund if the Commission determines that different rates will be fair, just, reasonable and sufficient.
- 22 (3) The Commission will hold hearings at such times and places as may be required.
- 23 (4) Roche Harbor Water System must not change or alter the tariffs filed in this docket during the suspension period, unless authorized by the Commission.
- 24 (5) The Commission will institute an investigation of Roche Harbor Water System's books, accounts, practices, activities, property and operations as described above.

- 25 (6) Roche Harbor Water System shall pay the expenses reasonably attributable and allocable to the Commission's investigation, consistent with RCW 80.20.

DATED at Olympia, Washington, and effective May 28, 2008.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner