

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION
COMMISSION,

Complainant,

Vs.

THOMAS WATER SERVICE, INC.

Respondent

DOCKET UW-021667

SETTLEMENT AGREEMENT

BACKGROUND AND FACTS

1 On December 17, 2002, Thomas Water Service, Inc., (Thomas Water or Company) filed to increase its rates. Thomas Water serves approximately 67 customers along with an equestrian area north of Arlington, in Snohomish County.

2 The Company originally proposed an annual increase of \$49,010 (100%). The Company states that the increase is to help recover the expenses of Satellite Management services and capital cost recovery with return.

3 On January 29, 2003, the Commission heard this item and customer comments. The Commission took no action at that meeting, as the Company extended the effective date of the general rate filing to March 1, 2003. Subsequent to that meeting Commission Staff, Company representatives and Customers met to discuss the issues. Staff explained the Commission processes of rate setting, facilitated questions between the Customers and the Company, and answered questions about regulation.

4 Thomas Water received its last rate increase in January 1999. At that time, Thomas Water notified its customers that the rate represented approximately one-half of what the Company thought it could justify. The Company said it elected not to recover the cost of capital improvements the owners made to bring the water system into compliance with the requirements of the Washington State Department of Health and did not include a return on those investments.

5 According to its 1998 water system plan, Thomas Water owned two water systems: Meadow Ridge (67 customers) and Meadowbrook (14 customers), and the plan anticipated developing Ironwood Ranch (not developed, potential 143 customers). Since then, the Meadowbrook water system was sold to the customers (Docket No. UW-991327). Independent of Thomas Water and not subject to Commission jurisdiction, the Lockwood Foundation turned over the partially developed Ironwood Ranch (now called Kackman Creek) and the water system to the homeowner's association. Thomas Water now consists only of the Meadow Ridge water system.

6 On Staff's recommendation, the company filed for a surcharge to separate the water system plan cost in a monthly surcharge to expire in May 2004. The initial water system plan included the three water systems then owned by Thomas Water. Since that time, two of the water systems have been transferred to the homeowners of those water systems. The costs associated with the water system plan have been removed from this rate case.

7 On February 28, 2003, Thomas Water filed for a surcharge (Docket No. UW-030276) to recover the costs of the portion of the water system plan (WSP) attributable to the Meadow Ridge water system, the only remaining water system operated by Thomas Water. The WSP was required by the Washington State Department of Health and was completed in 1998. This filing proposed an annual increase of \$9,316 (19%), in the form of a surcharge effective April 1, 2003. The Company stated that the increase was to help recover the capital cost of the WSP plus Department of Revenue excise tax. This cost is recoverable over the useful life of the WSP, which is normally six years. Since the WSP was approved in May 1998, the useful life ends in May 2004, which will recover \$10,868.54 (including tax). The surcharge rate of \$11.59 per customer, per month, will expire May 31, 2004, or upon recovery of \$10,868.54 (including tax), whichever occurs first. This filing was approved by Commission Order dated March 26, 2003.

8 The Commission received a petition with 52 signatures and seven letters stating opposition to the increase. Customers stated the proposed increase is exorbitant and should not be allowed. Customers believe the Company has not operated prudently and it could look for more efficient methods to reduce costs. Customers state the financial contract for a certified water operator and meter reader (Snohomish County PUD); billing agent and consultant (Washington Water Service); and engineer, legal and accounting (Cheryl Henry & Assoc.) are extremely high. Customers are paying \$25.80 per month per customer for these services. Customers believe the Company contracted with the easiest and, perhaps, the most expensive service providers for their contracted services.

9 On February 26, 2003, the Commission suspended the filing. A prehearing conference was held on April 11, 2003. Since that time, Staff and the Company have negotiated a lower amount for the proposed increase, resulting in the rates listed below:

<u>Monthly Rate</u>	<u>Current</u>	<u>Proposed</u>	<u>Revised</u>
3/4 inch meter with zero allowance	\$ 40.00	\$ 62.50	\$47.00
Zero to 800 cubic feet, per 100 cubic feet	\$ 2.25	\$ 6.50	\$ 2.75
Over 800 cubic feet, per 100 cubic feet	\$ 3.25	\$ 8.60	\$ 4.35

TERMS OF AGREEMENT

- 10 1. Company and Staff agree to the revised rates detailed above and in paragraph 2 below. With these rates, the average customer bill for water service will be \$85.66 per month: \$74.07 per month for the base rate and usage, plus the \$11.59 surcharge referenced in paragraph 7 above. These rates will result in an increase in the Company's gross revenue of approximately \$11,000 per year.
- 11 2. Rate design: The base rate for metered service with a 3/4 inch meter will be set at \$47.00 per month, with no usage included. Rates for the first 800 cubic feet of water used per month will be set at \$2.75 per 100 cubic feet. For water usage in excess of 800 cubic feet per month, the rate will be \$4.35 per 100 cubic feet. Average usage is 917 cubic feet per month, and monthly bills will average \$74.07 per month, plus the \$11.59 surcharge, for a total of \$85.66.
- 12 3. The parties acknowledge that the procedural schedule for this case will be cancelled and that this Settlement Agreement will be scheduled for presentation to the Administrative Law Judge or the Commission. In addition, a public hearing will be scheduled, to inform interested members of the public of this Agreement. The parties intend that this matter will be resolved in order for the new rates to be effective on June 1, 2003.
- 13 4. The water rights and affiliated interest concerns raised in this case are considered resolved for the purposes of this case. Staff further agrees that, based upon the information Staff has at this time, it will not raise the affiliated transaction/water right issues and will not seek a complaint for those issues alone.
- 14 5. The parties agree that this settlement agreement shall in no way affect the authority of the Commission over rates, service, accounts, valuations, estimates, or

determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs or any valuation of property claimed or asserted.

- 15 6. The parties agree to support this settlement agreement before the Commission, whether at an Open Meeting or separately scheduled time, by testimony if necessary.

DATED this 8th day of May, 2003.

MARY M. TENNYSON
Sr. Assistant Attorney General
Counsel for Commission Staff

RICHARD A. FINNIGAN
Attorney for
Thomas Water Service, Inc.