

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AMERICAN WATER RESOURCES,
INC.,

Respondent.

DOCKET NO. UW-031284 &
DOCKET NO. UW-010961
(consolidated)

SETTLEMENT AGREEMENT
RELATED TO CERTAIN ISSUES

1 All Parties in this proceeding enter this Settlement Agreement to partially resolve
the issues in the above consolidated docket.

I. PARTIES

2 1.1 The Parties to this Agreement are the Staff of the Washington Utilities and
Transportation Commission and American Water Resources, Inc (AWR or Company).

II. BACKGROUND

3 2.1 On December 18, 2001, the Commission entered an Order Approving
Settlement Agreement¹ (Order), which incorporated the terms of a settlement
agreement between AWR and Commission Staff in Docket No. UW-010961. The Order

¹ *WUTC v. American Water Resources, Inc.*, Docket No. UW-010961, Order Approving Settlement Agreement (Dec. 18, 2001).

approved an increase to AWR's annual revenue requirement above the test year level by \$89,250.00 (11.27%), or \$3.47 per customer per month. That amount was added to the monthly base rate each customer pays. The increase was granted to allow the Company to hire the additional employees it asserted it needed and to cover specified costs associated with increasing its employee base.

4 2.2 The Order required AWR to deposit \$4.40 per month from each customer payment received into a separate account named the "Docket 010961 Account." The Commission limited the purposes for which AWR could spend the Docket 010961 Account money to those purposes set forth in the Settlement Agreement and Order.

5 2.3 To assure that the funds were separated and spent on the intended purposes, Paragraph 19 of the Order set forth the following terms:

- AWR must set aside \$4.40 from each monthly payment received, starting with the billing period after the rates are in effect.
- AWR must separate and maintain this money in a separate account titled "Docket 010961 Account."
- AWR must use the money in the Docket 010961 Account to cover only those expenses for employees hired in addition to existing employee positions, the related benefits, payroll tax, and transportation expense, and outside business consulting that exceed the monthly average spent during the test period. The monthly averages were calculated as \$17,447.00 for Salary, \$2,787.00 for Transportation, \$4,662.00 for Payroll Tax and Benefits, and \$917.00

for Business Consulting.

- AWR was prohibited from using the Docket 010961 Account for expenses due to changes in position of existing employees or expense increases for existing employee positions.
- If AWR obtained vehicles to be used by two additional field employees, the Company was required to obtain those vehicles by lease or purchase from an independent company, one with no ties to either AWR or AWR's owner and president, Mr. Virgil Fox.

6 2.4 The Order required that AWR file quarterly reports regarding the funds in the Docket 010961 Account. The reports were to show the amounts required to be deposited, the amounts actually deposited, and budget variance reports. AWR has complied with the quarterly report requirement.

7 2.5 Since the Commission entered its Order in December 2001, the number of customers served by the company has decreased from 1,876 to 1,471 due to the sale of one of the Company's water systems. AWR will not likely need the level of additional employees anticipated by the Order or incur additional expenses at the levels Order anticipated Order.

III. AGREEMENT TERMS

8 3.1 The Parties agree that American Water Resources, Inc. (AWR) will file tariff revisions with the Commission to reduce the base metered rates and flat rate by \$4.40, as follows:

	<u>CURRENT</u>	<u>EFFECTIVE*</u> <u>OCTOBER 1, 2003</u>
Minimum Monthly Charge		
Metered: 3/4" or 5/8" service	\$ 21.17	\$ 16.77
1" service	\$ 33.55	\$ 29.15
1 1/2" service	\$ 63.45	\$ 59.05
2" service	\$ 99.47	\$ 95.07
4" service	\$ 303.75	\$ 299.35
Flat Rate:	\$ 37.47	\$ 33.07

The tariff will have an effective date of October 1, 2003.

9 3.2 The Parties agree that the Commission should cancel the set-aside requirement implemented in the Order Accepting Settlement in Docket No. UW-010961 because AWR will likely not incur the expenses for which the set-aside was required at the levels anticipated by the Order. The set-aside requirement should be canceled effective October 1, 2003, releasing AWR from being required to set aside \$4.40 from each customer payment for services rendered starting October 1, 2003.

10 3.3 The Parties agree that AWR will credit its customers those funds required to be deposited into the Docket 010961 Account, but not used for the purposes for which they were collected. The funds subject to the credit obligation are funds collected for services rendered between August 13, 2003, to October 1, 2003. For the 19 days in August (August 13 to August 31), the amount to be credited to customers is \$2.70. For the 30 days in September, the amount to be credited to customers is \$4.40. The total amount to be credited is \$7.10.

11 3.4 This Agreement does not affect the Company's obligation, under the Order Accepting Settlement, to deposit funds into the Docket 010961 Account for

services rendered during August 2003 and September 2003. The Parties agree that Company may use the funds it deposits for services rendered during August 2003 and September 2003 to offset the amount used for the credit.

12 3.5 Because the credit includes payments for services rendered during two months, the Parties agree that the credit may be provided to customers over a period of two months, October 2003 and November 2003.

13 3.6 The Parties agree that this Agreement does not resolve all the issues in the current consolidated docket. The issues that remain include whether a further rate adjustment is required and the treatment of the money required to be in the Docket 010961 Account not subject to the credit obligation.

14 3.7 The parties agree that this Agreement resolves the motion Commission Staff made at the September 9, 2003 prehearing conference requesting the Commission impose a credit or refund obligation regarding the \$4.40 set-aside amount. As such, Staff withdraws the motion pursuant to the Commission's adoption of this Agreement.

IV. GENERAL TERMS

15 4.1 The Parties agree that this Settlement Agreement partially resolves the contested issues between them in this proceeding. Parties understand that this Settlement Agreement is not binding on the Commission unless the Commission adopts the Agreement.

16 4.2 The Parties have entered into this Agreement voluntarily to lessen the expense, inconvenience, and uncertainty, and delay of litigation.

4.3 The Parties agree to cooperate in submitting this Agreement promptly to

the Commission for adoption. The Parties agree to support adoption of this Agreement in proceedings before the Commission through testimony or briefing. No party to this Agreement or its agents, employees, consultants, or attorneys will engage in advocacy contrary to the Commission's adoption of this Agreement.

17 4.4 Nothing in this Agreement shall limit or bar a party's ability to pursue legal enforcement of the terms of the Agreement. Should legal enforcement be necessary, the party against whom action is taken will be liable for costs to the moving party, if such action is successful.

18 4.5 The Parties recognize that this Agreement represents a compromise of the positions the Parties may otherwise assert in this proceeding. As such, conduct, statements, and documents disclosed during negotiations of this Agreement shall not be admissible as evidence in this or any other proceeding, except in any proceeding to enforce the terms of this Agreement.

19 4.6 This Agreement shall not be construed against either party because it was a drafter of the Agreement.

20 4.7 The Parties have negotiated this Agreement as an integrated document to be effective upon execution. This Agreement supersedes all prior oral and written agreements on issues addressed herein.


21 4.8 The Parties may execute this Agreement in counterparts and as executed shall constitute one agreement. Copies sent by facsimile are effective as original documents.

22 4.9 The Parties shall take all actions necessary and appropriate to carry out

this Agreement.

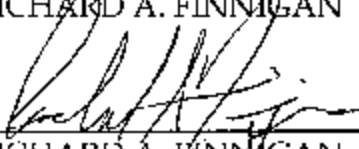
23 4.10 In the event that the Commission rejects all or any portion of this Agreement, each party reserves the right to withdraw from this Agreement by written notice to the other party and the Commission. Written notice must be served within 10 days. In such event, neither party will be bound or prejudiced by the terms of this Agreement, and either party shall be entitled to seek reconsideration of the Order rejecting all or part of the Agreement.

CHRISTINE O. GREGOIRE
Attorney General



LISA WATSON
Assistant Attorney General
Counsel for the Washington
Utilities and Transportation
Commission (360) 664-1186
Date Signed: Sept. 26, 2003

LAW OFFICES OF
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Date signed: Sept. 26, 2003