

Agenda Date: May 14, 2015
Item Number: A1

Docket: UW-150537
Company Name: Burton Water Company, Inc.

Staff: Melissa Cheesman, Regulatory Analyst
Jim Ward, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Take no action, allowing the rates filed by Burton Water Company, Inc. on March 30, 2015, as revised on May 7, 2015, to become effective on May 15, 2015, by operation of law.

Discussion

On March 30, 2015, Burton Water Company, Inc. (Burton Water or company), filed a tariff revision to its currently effective tariff that would generate \$60,191 (27.1 percent) in additional annual revenue. The stated effective date was May 1, 2015. The company serves 415 customers on Vashon Island, in King County. Its last general rate increase was February 26, 2011.

According to the company the filing was prompted by increased costs related to wages, water testing and regulatory compliance, along with increased power costs. The company proposes to increase base meter charges, usage rates and its ready-to-serve charge. On April 17, 2015, the company filed to extend the effective date from May 1, 2015, to May 15, 2015.

Staff's analysis of the company's financial information showed the company's proposed revenue requirement was excessive. Staff's analysis indicated that employee compensation was overstated resulting in a Staff restatement to reflect average market compensation for like employee duties. However, Staff's pro forma adjustment to wages also included a Cost-of-living Adjustment of 1.7 percent.

Staff and the company have agreed to a lower revenue requirement than originally filed. On May 7, 2015, Burton Water filed substitute pages reflecting revised rates which will produce \$46,554 (22 percent) of additional annual revenue. It is Staff's opinion that the revised rates, as filed by the company, are fair, just, reasonable and sufficient and will allow the company to earn a fair return on its investment.

Customer Comments

On March 31, 2015, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or jcupp@utc.wa.gov with questions or concerns. Staff received two comments, both in opposition to the proposed rate increase.

General Comments

A customer commented that the rates are already too high urging the commission to set rates that are fair to customers. Customers also feel the amount of the increase is excessive.

Staff Response

The customer was advised 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. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Rate Impact

The rate comparison table below reflects the current, proposed and revised rates requested by the company. A customer using the calculated company-wide average monthly water usage of 611 cubic feet of water per month would pay \$9.02, or 24.8 percent more per month using the revised rates as shown in the average bill comparison table below.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Ready-to-Serve	\$25.25	\$31.43	\$29.75
Base Rate (3/4 Inch Meter) ¹	\$25.25	\$31.43	\$29.75
Usage Block 0 – 1,000 Cubic Feet ^{1,2}	\$1.83	\$3.63	\$2.57
Usage Block 1,001 – 1,700 Cubic Feet ^{1,2}	\$4.71	\$4.71	\$4.75
Over 1,700 Cubic Feet ^{1,2}	\$6.00	\$6.00	\$6.00

1 – Based on ¾-inch meter classification, see company’s tariff for upsize meter classifications, usage blocks and rates.

2 – Based on “per 100 cubic feet”.

Average Bill Comparison

Average Monthly Usage 611 Cubic Feet ³	Current Rate	Proposed Rate	Revised Rate
Base Rate (3/4 Inch Meter)	\$25.25	\$31.43	\$29.75
0 - 611 Cubic Feet	\$11.18	\$22.18	\$15.70
Average Monthly Bill	\$36.43	\$53.61	\$45.45
Increase From Current Rates		\$17.18 (or 47.2 percent)	\$9.02 (or 24.8 percent)

3 – Based on a company-wide average customer annual water usage.

Commission staff has completed its review of the company's supporting financial documents, books, and records and have found that the proposed revenue requirement was excessive. However, the company and staff have agreed to a lower revenue requirement which, in Staff's opinion result in rates that are fair, just, reasonable and sufficient and will allow the company to earn a fair return on its investment. The customer's comments were considered in staff's review.

Conclusion

Staff recommends that the commission take no action, allowing the rates filed by Burton Water Company, Inc. on March 30, 2015, as revised on May 7, 2015, to become effective on May 15, 2015, by operation of law.