

Agenda Date: August 30, 2018

Item Number: A3

Docket: UW-180464
Company: Burton Water Company, Inc.

Staff: Cristina Steward, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff revisions filed by Burton Water Company, Inc., on May 25, 2018, as revised on August 20, 2018, to become effective September 1, 2018, by operation of law.

Discussion

On May 25, 2018, Burton Water Company, Inc. (Burton or company), filed with the Washington Utilities and Transportation Commission (commission) a proposed general rate increase that would generate approximately \$85,400 (or 33.8 percent) in additional annual revenue. The company serves approximately 400 customers on Vashon Island in King County. The company's last rate increase was filed in 2015 and generated \$46,554 in additional annual revenue.

The company's originally requested rate increase was based on pro forma adjustments including an estimated right of way fee imposed by King County, estimates of infrastructure improvements recommended by the Department of Health, and a wage increase. Upon staff's review of the company's supporting documentation, staff found issues with the company's adjustments.

Because the King County fee is being challenged in a lawsuit brought by multiple utility companies, and an outcome has not yet been determined, staff recommended handling this cost increase in a separate filing, when the amount is known and measurable. The company agreed and this adjustment was removed from the filing. Staff requested signed contracts for the improvements recommended by the Department of Health, and when provided, staff found the supported cost to be lower than the cost originally submitted. Staff did not find the company supported a wage increase and did not allow a wage modification.

The company agreed with staff's adjustments and on August 20, 2018, submitted revised tariff pages at the agreed upon rates, resulting in a revised increase of approximately \$40,300 (or 16 percent) additional annual revenue.

Customer Comments

On May 25, 2018, 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

john.cupp@utc.wa.gov with questions or concerns. Staff received three consumer comments regarding the proposed rate increase; two opposed to the rate increase and one undecided.

Comments

- One customer believes the proposed increase is excessive since the company raised its rates three years ago. Another had questions about the proposed rate structure and company salaries.

Staff Response

- Staff explained to customers that the company’s request was being thoroughly investigated; and the most recent rates, the rate structure, and company employee salaries are part of the investigation.

Rate Impact

The rate comparison table below reflects the current, proposed and agreed upon revised rates and usage blocks. A customer using the calculated company-wide average monthly water usage of 587 cubic feet per month would pay \$7.07, or 15.8 percent more per month using the revised rates as shown in the average bill comparison tables below.

Rate Comparison

| Monthly Rate | Current Rate | Proposed Rate | Revised Rate | Percent Increase |
|---|--------------|---------------|--------------|------------------|
| Ready-to-Serve | \$29.75 | \$39.65 | \$34.00 | 14.2% |
| Base Rate (3/4 Inch Meter) ¹ | \$29.75 | \$39.65 | \$34.00 | 14.2% |
| Usage Block 0 – 1,000 Cubic Feet ^{1,2} | \$2.57 | \$4.07 | N/A | N/A |
| Usage Block 0 – 900 Cubic Feet ^{1,2} | N/A | N/A | \$3.05 | 18.6% |
| Usage Block 1,001 – 1,700 Cubic Feet ^{1,2} | \$4.75 | \$4.75 | N/A | N/A |
| Usage Block 900 – 1,700 Cubic Feet ^{1,2} | N/A | N/A | \$5.40 | 13.6% |
| Over 1,700 Cubic Feet ^{1,2} | \$6.00 | \$6.00 | N/A | N/A |
| Over 1,700 Cubic Feet ^{1,2} | N/A | N/A | \$6.10 | 1.6% |

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 587 Cubic Feet³ | Current Rate | Proposed Rate | Revised Rate |
|---|---------------------|----------------------|---------------------|
| Base Rate (3/4 Inch Meter) | \$29.75 | \$39.65 | \$34.00 |
| 0 – 587 Cubic Feet | \$15.08 | \$23.88 | \$17.90 |
| Average Monthly Bill | \$44.83 | \$63.53 | \$51.90 |
| Increase From Current Rates | | \$18.70 (or 41.7%) | \$7.07 (or 15.8%) |

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

Conclusion

Commission staff completed its review of the company's supporting documentation, financial documents, books, and records and found the company's originally proposed revenue increase to be excessive. However, the company and staff have agreed to a lower revenue requirement which results in rates that are fair, just, reasonable and sufficient.

Staff recommends the commission take no action, thereby allowing the rates filed by Burton Water Company, Inc. on May 25, 2018, as revised on August 20, 2018, to become effective on September 1, 2018, by operation of law.