

Agenda Date: March 13, 2002
Item Number: 2C

Docket: UW-020168
Company Name: Washington Water Service Company

Staff: Danny Kermode, Regulatory Analysis
Penny Hansen, Public Involvement Coordinator

Recommendation:

Issue a Complaint and Order Suspending the Tariff Revisions filed by Washington Water Service Company in Docket UW-020168.

Discussion:

On February 11, 2002, Washington Water Service Company (Washington Water) filed for a general rate increase that would increase annual revenues by \$1,163,800 or 30.9%. Under the company's proposal, test year revenue of \$3,815,935 would be increased to \$4,925,201. Washington Water's most recent rate increase was in February, 2001. Washington Water serves approximately 13,000 customers in Pierce, Thurston, Kitsap, King, and Mason Counties.

The company is requesting the increase to recover costs associated with increases to general operating costs including electricity, supplies, taxes and insurance. The company is also requesting recovery of the costs related to its Water System Plans (WSPs). WSPs are comprehensive planning documents required by the Washington Department of Health, which address water conservation, water quality monitoring and emergency response among other things. The plans must detail ten years of planned capital improvements and upgrades to the company's water systems and the projected financing sources. WSPs must be prepared by a licensed engineer and must be prepared for each system owned by the company. In addition, payroll costs associated with increased service personnel and overall wage increases reflect roughly one-third of the requested rate increase.

The Commission received 97 letters opposed and one letter in favor of the proposed increase. Those opposed believe the proposed increase is excessive. Many customers stated they could support a smaller incremental increase consistent with the increase in the cost of living. Some Customers expressed frustration that even though they have conserved water, their water bills are increasing. Customers think the company should look for methods to absorb some of the operating costs, including the cost of the required Water System Plans, in order to reduce the size of the requested increase in rates. Customer comments also include concerns regarding copper being stripped out of the pipes by corrosive water and low water pressure. Staff is investigating these issues. In addition, one customer of the Harbor District inquired about the location of the generators for which a surcharge was approved. Staff investigated and found the company purchased 15 generators that are permanently installed on the various Harbor District water systems. Another 90 portable generators were purchased that can be delivered to systems that are affected by outages.

Washington Water is seeking to apply a uniform rate structure over its entire system. A sample of the current and proposed monthly rates are provided below:

Flat Rates

	<u>Current</u>	<u>Proposed</u>	<u>Percent</u>
Harbor District			
Residential	\$18.00	\$23.20	29% increase
South Sound District			
Residential	17.10	23.20	36% increase
Sunshine Acres & Rondelay Meadows			
Residential	26.00	23.20	12% decrease

Metered Rates

Harbor District

	<u>Current</u>	<u>Proposed</u>	<u>Percent</u>
Base Rate			
¾ Inch Meter	\$11.50	\$15.48	35%
Usage included	None	None	
Usage Charge			
0-400 Cubic ft	\$0.90	\$1.45	61%
401-1400 Cubic ft	1.08	1.55	44%
Over 1400 Cubic ft	1.16	1.80	55%
Bill for 1,200 cf of usage	\$23.74	\$33.68	42%

South Sound District

	<u>Current</u>	<u>Proposed</u>	<u>Percent</u>
Base Rate			
¾ Inch Meter	\$15.43	\$15.48	0.3%
Usage included	None	None	
Usage Charge			
0-400 Cubic ft	\$1.36	\$1.45	7%
401-1400 Cubic ft	1.36	1.55	14%
Over 1400 Cubic ft	1.36	1.80	32%
Safe Drinking Water Surcharge	1.00	-0-	
Bill for 1,200 cf of usage	\$32.75	\$33.68	2%

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Staff and the company are currently engaged in continuing discussions and agree on the need for further analysis before a final recommendation can be provided. However, Staff expects that this filing will be once again brought before this Commission at its next open meeting, which is March 27, 2002.

Staff recommends that the Commission issue a Complaint and Order Suspending the Tariff Revisions filed by Washington Water Service Company in Docket UW-020168.