

Agenda Date: November 26, 2003
Item Number: A2

Docket: UW-031671
Company Name: Tall Timber Water Systems, LLC

Staff: Jim Ward, Regulatory Analyst

Recommendation:

Issue a Complaint and Order Suspending the Tariff Revisions filed by Tall Timber Water Systems, LLC, in Docket UW-031671.

Discussion:

On October 14, 2003, Tall Timber Water Systems, LLC, (Company) filed to revise its tariff to reflect a general rate increase, restructure rate design, add ancillary charges and update its service area. The filing would generate an additional \$97,902 (38%) annually. The company serves approximately 765 active customers on 81 water systems in Mason, Thurston, Lewis and Kitsap counties. The Company received its last general rate increase in 1996.

The Company stated it is filing to increase rates to generate additional revenue due to changes in liability insurance, electrical power, and operational costs due to services provided by Utility Management Services. The Company states it has also experienced increased costs in general maintenance due to aging infrastructure and increases water quality requirements. To help offset some cost the company has also filed to add several ancillary charges.

The tariff revision also removes the 400 cubic feet allowance and implements a zero allowance rate design with three blocks of rates. This rate design encourages conservation and ensures that low end users would only pay for the actual water used. Currently the Company has about 268 flat rate customers and intends to meter all customers within the next several years.

The Commission received 31 comments opposing the rate increase, including a letter from a homeowners association consisting of 40 homes. Several customers noted that the company did not provide sufficient documentation to support the rate increase. Most of the customers commented that the increase of over 30% was extremely high, especially for people living on fixed incomes. Some customers conveyed that their

water quality is poor and the pressure is low, which will not be resolved with the rate increase. Commission staff is investigating these concerns. Customers also noted that the comparison in the company notice, regarding other water system rates, was misleading and irrelevant, and the new rates will not encourage conservation, but would be punitive to the current users. A few customers mentioned that the company's costs are high because of poor office management, inadequate customer service, and disorganized fieldwork. Customers noted that it's unfair that the company picks up the water systems for little, or nothing, then expects the ratepayers to pay for all repairs and upgrades. Another customer commented that the rate increase is unfair to the recreational user. The proposed increase would result in an average increase of \$10.50 per month to each customer. The current and proposed rates are provided below:

<u>Monthly Rate</u>	<u>Current</u>	<u>Proposed</u>
Flat Rate Service	\$ 32.00	\$ 42.50
Metered Rate Service	\$ 28.50	\$ 30.47
Per 1 cubic foot up to 766 cu ft	Included	\$ 0.0157
Per 1 cubic foot 766 to 5,000 cu. ft.	\$ 0.01	\$ 0.0195
Per 1 cubic foot over 5,000 cu. ft.	\$ 0.01	\$ 0.0225
<u>Ancillary Charges:</u>	<u>Current</u>	<u>Proposed</u>
Late Payment Charge	N/A	\$ 3.50
New Account Setup Charge	N/A	\$ 15.00
NSF Check Charge	N/A	\$ 15.00
Ready To Serve Charge	\$ 8.52	\$ 9.27
State Public Utility Tax	N/A	5.0209%

Additionally, all customers pay a basic treatment surcharge of \$5.60 per month that will expire on or before December 31, 2006 and the customers of Cedar Shores water system located in Thurston County pay an additional \$13.25 per month that will expire in 2011.

Conclusion

The Company has not yet demonstrated that the proposed rates are fair, just, and reasonable. Therefore, Staff recommends that the Commission Issue a Complaint and Order Suspending the Tariff Revisions filed by Tall Timber Water Systems, LLC, in Docket UW-031671.