

Agenda Date: May 28, 2008  
Item Number: A1

**Docket:** UW-080562  
Company Name: Roche Harbor Water System

Staff: Jim Ward, Regulatory Analyst  
Dennis Shutler, Consumer Affairs Specialist

### **Recommendation**

1. Continue the Complaint and Order Suspending the Tariff Revisions filed by Roche Harbor Water System; and
2. Allow temporary rates at the staff recommended revised rates to become effective June 1, 2008, on a temporary basis, subject to refund.

### **Discussion**

On March 31, 2008, Roche Harbor Water System (Roche Harbor or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$154,960 (50 percent) in additional revenue per year. The company proposes to increase general rates for water service that would generate \$123,460 (80 percent of \$154,960). The proposed increased general rates for water service are prompted by higher costs for gasoline, water testing and an additional employee. The company also proposed to start a capital upgrade reserve fund of \$31,500 (20 percent of \$154,960), but withdrew that proposal May 22, 2008. Roche Harbor serves 525 customers on San Juan Island located in San Juan County. All customers receive metered service. Roche Harbor's last general rate increase became effective May 18, 2006. The commission suspended this filing at its April 30, 2008, open meeting.

The company notified its customers of this rate increase by mail on March 28, 2008. The company's notice advised customers that they could make comments at the commission's April 10, 2008, open meeting. No customers commented at that time. The commission has received eleven customer comments on this filing as of May 22, 2008. Customers are most concerned about:

The Amount of the Increase –Although staff understands the customer's concerns regarding the amount of the increase, we do not explicitly consider the amount of the increase in preparing recommendations. Staff's goal is to recommend the "right" rates that will allow the company to recover reasonable operating expenses and provide an opportunity to earn a reasonable return on investment.

Water Quality – The Department of Health (DOH) has primary jurisdiction over water quality. Staff consulted with DOH on the quality of water provided by the company. DOH states the water system is in substantial compliance with all DOH requirements.

Staff's review of the company's operations revealed that the company's proposed rates were excessive. Staff and the company have agreed to a revised revenue requirement of \$70,530 (22.9 percent) additional revenue per year, and a revised rate design. On May 22, 2008, the company filed revised rates at the staff recommended level and withdrew its proposal for monthly rates earmarked for a capital upgrade reserve fund.

**Rate Comparison**

<b>Monthly Rate</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
Base Charge 5/8 inch	\$25.00	\$30.00	\$30.00
0 – 5,000 Gallons	\$1.80 per 1,000 Gallons	\$3.50 per 1,000 Gallons	\$2.75 per 1,000 Gallons
5,001-10,000 Gallons	\$5.10 per 1,000 Gallons	\$7.50 per 1,000 Gallons	\$6.70 per 1,000 Gallons
> 10,000 Gallons	\$7.90 per 1,000 Gallons	\$10.50 per 1,000 Gallons	\$8.75 per 1,000 Gallons
Capital Upgrade Reserve	N/A	\$5.00	N/A
Base Charge 1 inch	\$41.75	\$50.10	\$50.10
Base Charge 1 1/2 inch	\$83.25	\$99.90	\$99.90
Base Charge 2 inch	\$133.25	\$159.90	\$159.90
Base Charge 3 inch	\$250.00	\$300.00	\$300.00
Base Charge 4 inch	\$417.00	\$501.00	\$501.00

**Average Customer Charge Comparison**

<b>Average Monthly Usage 4,956 Gallons</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Revised Rate</b>
Base Charge	\$25.00	\$30.00	\$30.00
4,956 gallons	\$8.92	\$17.35	\$13.63
Capital Upgrade Reserve	N/A	\$5.00	N/A
Capital Plant Surcharge	\$8.42	\$8.42	\$8.42
Average Monthly Bill	\$42.34	\$60.77	\$52.05

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the expenses are reasonable and required as part of the company's operations. The company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable and sufficient.

### **Conclusion**

Although the company filed revised rates at lower levels, customers have not yet been advised that staff and the company have agreed to revised rates and, as such, have not had the opportunity to comment on the revised rates. Customers deserve to know about, and comment on, the revised rates. The commission should consider all information, including any additional customer comments on the revised rates, in deciding whether to approve the revised rates on a permanent basis. Therefore, staff recommends the commission:

1. Continue the Complaint and Order Suspending the Tariff Revisions filed by Roche Harbor Water System; and
2. Allow temporary rates at the staff recommended revised rates to become effective June 1, 2008, on a temporary basis, subject to refund.