

Agenda Date: February 22, 2006
Item Number: A4

Docket **UW-040651**
Company Name: Canterwood Water Company, Inc.

Staff: Danny Kermode, Regulatory Analyst

Recommendation

Issue a Complaint and Order Suspending the Tariff Revision filed by Canterwood Water Company, Inc., in Docket UW-040651.

Discussion

On January 30, 2006, Canterwood Water Company, Inc., (Canterwood or Company) filed the second revision to Sheet No.22 of its tariff in conformity with the requirements in prior orders of the commission. The Company serves approximately 669 active customers in Gig Harbor. The Company received its last general rate increase in January 2002.

Background

On May 26, 2004, the commission issued an Accounting Order approving the Company's request to redesign its metered rates, sharply inverting the rate structure in an attempt to affect high water usage by its customers. In addition, the commission's order approved an accounting treatment for excess revenues received by the company that were over its 2002 revenue level in order to prevent the Company from reaping a windfall if the expected decrease in usage did not materialize. The commission's Accounting Order, as modified by Order 02, directed the Company to file a revenue-neutral revised tariff by December 31, 2005.

On November 29, 2005, Canterwood petitioned the commission to modify its order allowing it to file for increased rates rather than filing rates that were revenue-neutral. On December 28, 2005, the commission reaffirmed the requirement to file revenue-neutral revised rates but also allowed the company to file rates that would reflect any increased revenue it may seek. In addition, the commission allowed an extension of the filing date to January 31, 2006. On January 30, 2006, Canterwood filed the second revision to its tariff Sheet No.22 in conformity with the requirements in prior commission orders.

The tariff revision does not change the rates currently charged by the company for metered water service. However, it is important to note that the commission's current accounting order requires the Company to reclassify excess revenues over the company's 2002 revenue level from operating revenue to Contributions in Aid of Construction. Once the accounting order is discontinued, as the company intends, excess revenue would no longer be reclassified thereby increasing the return over the amount currently earned by its shareholders.

The commission staff is reviewing the books and records, and the accounting and customer usage data provided by the company. The commission has not received any comments from any of the Company's customers.

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 Revision filed by Canterwood Water Company, Inc., in Docket UW-040651.