

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

COUGAR RIDGE WATER SYSTEM,

Respondent.

DOCKET NO. UW-040367

DECLARATION OF
JAMES A. WARD IN SUPPORT
OF COMMISSION STAFF'S
MOTION FOR SUMMARY
DETERMINATION

JAMES A. WARD, declares:

1. I am a Regulatory Analyst assigned to the Solid Waste and Water Section for the Washington State Utilities and Transportation Commission (WUTC).

I am over 18 years of age, am competent to testify to the matters set forth below and I have personal knowledge of those matters.

2. I have been employed by the WUTC since August 1989. I graduated from Saint Martin's College in Lacey, Washington, with a Bachelor of Arts in Accounting and Finance in 1989. I also have a Master's degree in Human Resource Management from Chapman College, received in 1995. While employed at the

Commission, I have received training at the Tenth Annual Western Utility Rate Seminar in 1991, co-sponsored by the California Public Service Commission, the Division of Continuing Education, University of Utah, and the National Association of Regulatory Utility Commissioners (NARUC) Water Committee. In 1990, I became certified by the Department of Health as a Water Distribution Manager I. In August 2000, I completed the Financial Management: Cost of Service Rate-Making class sponsored by American Water Works Association. In June 2003, I completed the Utility Finance & Accounting Seminar presented by Financial Accounting Institute.

3. In my capacity as a Regulatory Analyst, I review initial and subsequent tariffs filed by jurisdictional water companies. I review the tariffs and filings to determine the appropriate revenues and expenses used by the water company in setting rates and charges for services. This review is pursuant to title 80 RCW and, more specifically, WAC 480-80 and 480-110.

4. As part of these duties, I regularly review company-provided historical data and industry information to determine appropriate cost-based rates for monthly water service and appropriate charges for other costs including service connection charges for initial connection to a water system by the customer.

5. WAC 480-110-445(3) states “[a] water company may assess a service connection charge, if named in its tariff, to recover the cost of the service connection.” Subsection (5) goes on to state that the company may install the service

connection at the customer's property line. WAC 480-110-245 (Glossary) defines a service connection as "the pipes, valves, and fittings between the water company's distribution system and the customer's service line." WAC 480-110-445 (Service connection and customer service lines) also addresses service connections and the related subject of line extensions, which are normally handled by an extension contract. These Commission rules are consistent with the American Water Works Association's (AWWA) manual *Principles of Water Rates, Fees, and Charges*, which defines "connection charge" as "[a] charge made by the utility to recover the cost of connecting the customer's service line to the utility's facilities. This charge often is considered as contribution of capital by the customer or other agency applying for the service." The Commission's rules on connection charges are also consistent with the National Association of Regulatory Utility Commissioners' (NARUC) Uniform System of Accounts (USOA) for water utilities. Under the USOA section on water utility plant, service connections are listed as account # 333 Services. Under section (A) it notes, "This account shall include the cost installed of service pipes and accessories leading to the customers premises." Under section (B) it notes, "A complete service begins with the connection on the main and extends to but does not include the connection with the customer's meter. A stub service extends from the main to the property line or the curb stop (curb stop cock)." Thus, the cost that a connection charge is supposed to recover is the cost of labor and materials to tap

into the water main, install a service line to the customer's property line, and, if a meter is used, to install a meter setter, a meter box and a stub out.

6. Each water company's cost for a service connection is different, but not significantly. I have found the average connection charge for those water companies whose charges were reviewed by staff to be \$383 per connection (for those companies that do not expressly include taxes in this charge) and \$417 for those that do include taxes. The highest outlying charge is \$913. Initial tariffs filed by water companies present a different case, because Staff does not make a cost determination for those filings. Initial tariffs are filed at the time of jurisdiction and normally contain rates and charges that the company was charging prior to regulation. For initial tariffs, the average charge proposed by water companies has been \$1,815 per connection. While these charges may be higher than cost, they are at least equitable, because the same amount has been charged to all customers. I derived these averages from a review of regulated company tariffs and I have attached my worksheet as an exhibit to this declaration.

7. Based on these averages and my knowledge of the usual costs associated with making a new connection from a water main running along a street to the customer's property line, I believe that \$3,000 probably greatly exceeds the correct charge for Cougar Ridge Water System to recover its cost for an installed service connection.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Dated this _____ day of June 2004, at Olympia, Washington.

James A. Ward