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BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND	)Docket No. UW-021667
TRANSPORTATION COMMISSION,	)Volume II
Complainant,	)Pages 10-21
	)
v.	)
	)
THOMAS WATER SERVICE, INC.,	)
Respondent.	)
_____	)

A hearing in the above matter was held on May 19, 2003, at 6:08 p.m., at Arlington High School, 600 East First Street, Arlington, Washington, before Administrative Law Judge KAREN CAILLE.

The parties were present as follows:

THOMAS WATER SERVICE, INC., by Richard Finnigan, Attorney at Law, 2405 Evergreen Park Drive, S.W., Suite B-3, Olympia, Washington 98502.

THE COMMISSION, by Mary M. Tennyson, Senior Assistant Attorney General, 1300 Evergreen Park Drive, S.W., P.O. Box 40128, Olympia, Washington 98504-0128.

Barbara L. Nelson, CCR  
Court Reporter

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EXHIBIT:

MARKED:

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Joint Exhibit 1

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Joint Exhibit 2

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Joint Exhibit 3

(Public comments to be submitted.)

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0012

1                   JUDGE CAILLE: Good evening, everyone. We  
2 are here today for a hearing on a settlement in  
3 Docket Number UW-021667. This is the Washington  
4 Utilities and Transportation Commission versus Thomas  
5 Water Service. This is a general rate filing by  
6 Thomas Water requesting an annual increase in  
7 revenues of approximately \$49,000, or 100 percent.

8                   My name is Karen Caille, and I am the  
9 presiding Administrative Law Judge in this  
10 proceeding. Today is May the 19th, 2003, and we are  
11 convened in the auditorium of Arlington High School,  
12 in Arlington, Washington.

13                   On May 8th, 2003, the parties filed a  
14 proposed settlement agreement that, if approved,  
15 would resolve all issues in this proceeding. The  
16 proposal would increase rates to produce a revenue  
17 increase of \$11,000, or 20 percent.

18                   The purpose of today's hearing will be to  
19 explore the terms and conditions of the proposed  
20 settlement and in order to determine whether the  
21 proposal is consistent with the public interest and  
22 whether the proposed rates appear to be fair, just  
23 and reasonable.

24                   So at this point, I will ask the parties to  
25 enter their appearances.

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1 MS. TENNYSON: Mary Tennyson, Senior  
2 Assistant Attorney General, for Commission Staff.

3 MR. FINNIGAN: Richard Finnigan, on behalf  
4 of Thomas Water.

5 JUDGE CAILLE: Great. Thank you. Let the  
6 record reflect there are no other appearances. And  
7 at this time, I will swear in Mr. Ward.

8 MS. TENNYSON: Just, for the record, I  
9 would like to -- Staff and the Company have agreed we  
10 will present Mr. Ward as a witness to discuss the  
11 settlement and Mr. Hathaway for the Company. Mr.  
12 Ward will provide a narrative description of the  
13 terms, and then we can also ask Mr. Hathaway the  
14 Company's agreement with it.

15 JUDGE CAILLE: All right.  
16 Whereupon,

17 JIM WARD,  
18 having been first duly sworn by Judge Caille, was  
19 called as a witness herein and testified as follows:

20 JUDGE CAILLE: Thank you. You may proceed,  
21 Mr. Ward.

22 THE WITNESS: My name is Jim Ward, W-a-r-d.  
23 My business address is 1300 Evergreen Park Drive,  
24 Olympia, Washington, 98507. Business phone number is  
25 360-664-11 -- 1250. Excuse me.

0014

1           JUDGE CAILLE: All right. It's my  
2 understanding that you -- that Staff and the Company  
3 have reached an agreement, and you will be the person  
4 who is going to set out the terms and conditions of  
5 that, explain the terms and conditions of that  
6 agreement?

7           THE WITNESS: Yes, I am.

8           JUDGE CAILLE: Will you please proceed.

9           THE WITNESS: Essentially, what we have for  
10 you as a settlement agreement is an agreement between  
11 Staff and Company for a revenue increase of  
12 approximately \$11,000 per year.

13           Staff would like to point out at this point  
14 that this does not include the surcharge. The  
15 surcharge was previously approved February 28th,  
16 2003. That surcharge was for \$11.59, and is due to  
17 expire May 31st, 2004. This is a general rate case  
18 that will apply to rates until the company files to  
19 change it.

20           What we agreed on was that \$11,000, or  
21 approximately 22 percent annual increase. The rates  
22 to achieve this are \$47 for the basic charge, with  
23 zero allowance. From zero to 800 cubic feet, the  
24 charge would be \$2.75 per 100 cubic feet. Greater  
25 than 800 cubic feet, the charge would be \$4.35.

0015

1           The Company and Staff came to this \$11,000  
2   annual increase through adjustments, which are  
3   provided in a handout that Staff has made available  
4   to the customers. There was one item in there that  
5   did need to be clarified, that part of the  
6   adjustments the company made would result in  
7   bi-monthly billing to the customers. This would  
8   allow a savings to the customers. However, they  
9   would receive a water bill every two months instead  
10  of once a month.

11           MS. TENNYSON: Mr. Ward, this document you  
12  referred to is the one called Thomas Water Service,  
13  Inc. Discussion on Settlement, May 19th, 2003?

14           THE WITNESS: Yes, it is. It's a two-page  
15  document with an attachment spreadsheet.

16           MS. TENNYSON: Your Honor, we would like to  
17  make that an exhibit, so it's available for the  
18  Commissioners on their review and for your review.

19           JUDGE CAILLE: Actually, I also wanted to  
20  make the settlement agreement an exhibit, as well, so  
21  --

22           MS. TENNYSON: Certainly. That should come  
23  first, I believe.

24           JUDGE CAILLE: So let's mark the settlement  
25  agreement between Staff and the Company as Joint

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1 Exhibit Number 1. And is this second one a joint  
2 exhibit, as well?

3 MS. TENNYSON: Yes, it is.

4 JUDGE CAILLE: The handout that has been  
5 provided at this hearing will be marked Joint Exhibit  
6 Number 2. Is there any objection? Then those are  
7 admitted into the record.

8 THE WITNESS: At this point, that's the  
9 basic settlement that has been arrived at by Staff  
10 and the Company. Staff is available for questions,  
11 if you have any.

12

13 E X A M I N A T I O N

14 BY JUDGE CAILLE:

15 Q. I have a couple of questions, Mr. Ward.  
16 And these are just pretty much clarification. So  
17 what was the average customer bill under the original  
18 filing for the rate increase?

19 A. Currently, the customers are paying  
20 approximately \$62 per month, on average. The  
21 proposed filing would have brought that up to  
22 approximately \$120 on average.

23 Q. Okay. You answered my other question about  
24 62. And this -- the proposed settlement will be  
25 what? What will be the average customer bill for

0017

1 that?

2 A. Average customer bill for this water  
3 system, using approximately 917 cubic feet per month,  
4 will be approximately \$74 for the average water bill.  
5 I would like to add, plus the \$11.59 surcharge,  
6 which, as I pointed out earlier, is due to expire May  
7 31st, 2004. So until May 31st, 2004, the average  
8 bill should be approximately \$85.66.

9 Q. All right. And this \$11.59 surcharge  
10 relates to the water -- was it the water plan? And  
11 it's my understanding, from what I've read, that that  
12 portion is only the portion that applies to these  
13 customers. It's not a portion that applies to the  
14 two other --

15 A. Right. Let me add some history there.

16 Q. Yes, if you will.

17 A. Approximately five years ago, Thomas Water  
18 did do a water system plan. The cost of that plan at  
19 that time did include three water systems. One of  
20 the water systems, the Meadowbrook system, was  
21 subsequently sold to the customers of that system.  
22 The now Kackman Creek water system was subsequently  
23 sold to those water customers. What is left is the  
24 Meadow Ridge water system being the only water system  
25 under the name of Thomas Water Service.



0018

1                   Staff has looked at it and the Company has  
2 agreed to all the charges have been appropriately  
3 assessed to both the Meadowbrook customers and the  
4 Kackman Creek customers. What is presented in the  
5 \$11.59 is only the portion applicable to the Meadow  
6 Ridge water customers.

7           Q. Thank you. If you'll just bear with me a  
8 moment, let me see if I have any other questions. At  
9 paragraph six of the settlement agreement, Mr. Ward,  
10 just so I'm clear, what occurred was that, on Staff's  
11 recommendation, the company filed for this surcharge,  
12 I think you said it was in February? It was approved  
13 in February, February 28th.

14           A. It was approved, yes.

15           Q. And that was taken out of the rates as the  
16 rate case was filed, and that monthly surcharge will  
17 expire May 2004, you said?

18           A. May 31st, 2004, that surcharge will expire.  
19 Yes, it was Staff's recommendation to remove that  
20 from the general rates, which normally stay in effect  
21 until the company refiles. This separation allows  
22 the surcharge to remain in effect as long as the  
23 water system plan is in effect. The plan does have  
24 an expiration date of May 31st of 2004, and the  
25 surcharge has the same expiration date.

0019

1 Q. All right. Do you have any idea how much  
2 the changes in the billing will be saving the  
3 Company? Perhaps it's a Company question.

4 A. I do have the information that was provided  
5 by the Company. The Company consultant told me they  
6 would save approximately \$2,231 per year by going to  
7 a bi-monthly billing system. There would be less  
8 frequent meter reads, less frequent bills sent out.

9 JUDGE CAILLE: Thank you. All right. I  
10 have no further questions of you, Mr. Ward. Does the  
11 Company witness wish to state anything or -- I have  
12 no questions.

13 MR. FINNIGAN: You have no questions?

14 JUDGE CAILLE: No.

15 MR. FINNIGAN: No, Your Honor. We'll  
16 simply put on the record that the Company supports  
17 the settlement.

18 JUDGE CAILLE: All right. Now, at this  
19 point what will happen is that I will -- we will take  
20 this evidence back to the Commission, along with your  
21 statements that will be made later this evening, and  
22 the Commission will deliberate on this settlement.  
23 And what the Commission looks at, as I mentioned  
24 earlier, is whether this is in the public interest,  
25 whether the rates are fair, just and reasonable.

0020

1           The Company has asked for an order by -- or  
2 for the rates to take effect by June 1st. I think  
3 the Commission will try to meet that deadline,  
4 although the Commission has other matters, too. So  
5 I'm hoping that we will be able to reach -- they will  
6 be able to reach a decision by then. And what will  
7 happen is that an order will come out and it will  
8 inform all of you what the Commission's decision was.  
9 So at this point, if there's nothing further to come  
10 before the Commission --

11           MR. FINNIGAN: Your Honor, just to make  
12 sure that it's clear on the record, the Company is  
13 waiving the initial order.

14           JUDGE CAILLE: Oh, thank you, yes. I need  
15 that.

16           MR. FINNIGAN: I was looking to see if it's  
17 in the settlement agreement, and it's not.

18           JUDGE CAILLE: Yes. I will note for the  
19 record that Counsel for Thomas Water has indicated  
20 that the Company is waiving an initial order. That  
21 would be an order that would be coming from me. So  
22 instead, the order will come directly from the  
23 Commission. Is Staff in agreement with that?

24           MS. TENNYSON: Yes, we are.

25           JUDGE CAILLE: Thank you. Anything

0021

1 further? All right. Then this settlement hearing is  
2 concluded and is taken under advisement.

3           So at this point, ladies and gentlemen, I  
4 believe that the Company and Staff are available for  
5 you to ask questions. I am going to leave the room,  
6 and so perhaps you'll be a little freer in asking  
7 your questions without me here. And then, once  
8 you've gone through that period, we will have the  
9 public meeting, where the court reporter will take  
10 down each of your statements, if you wish to make a  
11 statement for the Commission. Thank you.

12           (Proceedings adjourned at 6:23 p.m.)

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