

Agenda Date: July 31, 2008
Item Number: A1

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

Staff: Jim Ward, Regulatory Analyst
Dennis Shutler, Consumer Protection Staff

Recommendation

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Roche Harbor Water System; and
2. Allow temporary rates to become effective on August 1, 2008, on a permanent basis.

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 have generated \$154,960 (50 percent) in additional revenue per year. The company proposed to increase general rates for water service that would have generated \$123,460 (80 percent of \$154,960). The proposed increased general rates for water service were 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 company notified its customers of the rate increase by mail on March 28, 2008. The company's notice advised customers that they could comment at the commission's April 10, 2008, open meeting. No customers commented at that time.

The commission found that the company had not demonstrated that the proposed rates were fair, just, reasonable and sufficient, and suspended this filing at its April 30, 2008, open meeting.

Staff completed its review and the company agreed to a lower revenue requirement of \$70,530 (22.9 percent) additional revenue per year. On May 22, 2008, the company filed a revised rate design at the staff recommended level.

The commission received eleven written customer comments on this filing prior to the May 28, 2008, open meeting. Staff's memorandum, dated May 28, 2008, summarized, and responded to, those customers' comments.

To allow customers the opportunity to comment on the revised rate design before determining whether the revised rates are fair, just, reasonable, and sufficient, the commission, on May 28,

2008, continued the Complaint and Order Suspending Tariff Revisions and allowed the revised rates to go into effect on June 1, 2008, on a temporary basis, subject to refund.

On May 29, 2008, commission staff sent every customer who commented on the filing a letter advising them of staff’s recommended revised rates. The commission received two additional customer comments that asked for clarification of the rate design and the water system expansion.

- **Customer Comment** – The water company expanded its water system to create more connections. The prior expansion of the system created the need for the water rates to increase, which helped pay for the new and expanded water company. The company is now proposing an additional charge each month for capital plant. The customer claims the new connections went to the “village project’ that Roche Harbor Resort owns. No work or maintenance is being done for lines already in existence and in need of repair.

Staff’s Response – Roche Harbor originally proposed a \$5.00 per month surcharge to fund capital plant replacements. After discussion with commission staff and review of the current facilities charges, the company withdrew that proposed charge.

Although staff understands the customers’ concerns regarding the number of new water connections, we do not explicitly consider how the company allocates or who purchases new connections, in preparing our recommendations. The company and the Department of Health, determine what capital projects or maintenance will be performed. Customers with new water connections pay the company’s facilities charges and connection charges to offset the capital costs and provide funds for upgrades directly benefiting the new customer. Capital plant, maintenance and operating costs that benefit current customers are recovered through monthly rates and charges to current customers.

The current, proposed and revised rates are provided below.

Average Customer Charge Comparison

Average Monthly Usage 4,956 Gallons	Current Rate	Proposed Rate	Revised Rate
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
			(16.8%)

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
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

Conclusion

Staff's review of the additional information and customer comments does not change our conclusion 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. Therefore, staff recommends the commission:

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Roche Harbor Water System; and
2. Allow temporary rates to become effective on August 1, 2008, on a permanent basis.