

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

WASHINGTON UTILITIES AND)	DOCKET UW-080631
TRANSPORTATION COMMISSION,)	
)	ORDER 02
Complainant,)	
)	
v.)	
)	ORDER DISMISSING COMPLAINT
H&R WATERWORKS, INC.,)	AND ORDER SUSPENDING TARIFF
)	REVISIONS; ALLOWING TARIFF
Respondent.)	REVISIONS
.....)	

BACKGROUND

- 1 On April 14, 2008, H&R Waterworks, Inc., (H&R or Company), filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-2, designated as First Revision Sheet No. 2 canceling Original Sheet No. 2; First Revision Sheet No. 13 canceling Original Sheet No. 13; First Revision Sheet No. 14 canceling Original Sheet No. 14; First Revision Sheet No. 16 canceling Original Sheet No. 16; Revised Sheet No. 17 canceling Original Sheet No. 17; Revised Sheet No. 17.1 canceling Original Sheet No. 17.1; Revised Sheet No. 21 canceling Original Sheet No. 21; and First Revision Sheet No. 22 canceling Original Sheet No. 22; and canceling Original Sheet No. 17.2. The stated effective date was June 1, 2008.
- 2 The Company proposed an increase in its general rates for \$225,839 (14.2 percent) of additional revenue per year. The Company serves 3,602 customers located in Thurston, Mason, Lewis, and Pierce counties. The Company’s proposed increase in rates was prompted by higher costs for labor, benefits, fuel, insurance and new plant (pumps and pipes). The Company’s last general rate increase became effective on October 1, 2005.
- 3 Staff reviewed the Company’s books, records and supporting documents and concluded the Company has a revenue deficiency of \$106,803 (6.7 percent). The Company agreed to the lower revenue requirement and Staff’s recommended revised rate design. On May 21, 2008, the Company filed revised rates at Staff’s recommended levels. Staff believes the proposed revised rates are fair, just, reasonable and sufficient, based on the Company’s supporting documentation.

- 4 The Company notified its customers of the original increase by mail on March 31, 2008. The notice advised customers that the Commission would take customer comments at its May 15, 2008, open meeting. No customers commented at that time. The Commission received 24 customer comments, which staff summarized and responded to in its May 28, 2008, memorandum.
- 5 On May 28, 2008, the Commission entered a Complaint and Order Suspending Tariff Revisions and allowed temporary revised rates to go into effect on June 1, 2008, on less than statutory notice, subject to refund; to allow customers the opportunity to comment on the revised rate design before determining whether the proposed revisions are fair, just, reasonable and sufficient.
- 6 On May 28, 2008, Consumer Protection Staff sent all customers, who previously commented on the Company's filing, a letter advising them of Staff's recommended revised rates. The Commission received 12 additional comments that raised a new issue. Customers asked about the application of the Company's two different flat rates. Staff explained in its November 13, 2008, memorandum that the two flat rates are calculated based on the Company's revenue requirement allocated to all customers as well as historical water usage data. The \$27.90 flat rate is based on the historical winter average usage for all customers, which staff believes is a reasonable estimate of indoor-only water usage, and will apply to apartment units only. The \$36.85 flat rate is based on the historical annual average rate for all customers, which staff believes is a reasonable estimate of both indoor and outdoor water usage, and will apply to all other flat rate customers (condominium units, multi-family units, and single family units). The Company filed revised tariff pages on November 5, 2008, to clarify that the \$27.90 flat rate applies only to units in an apartment building and the \$36.85 flat rate applies to all other flat rate customers.
- 7 To ensure that a customer will pay only for the amount of water it uses, any customer may, for a refundable fee of \$156.25, request that the Company install a meter. The Company will reimburse the customer, by bill credit, at least ten percent of the meter and installation charge each month until fully paid. The Company agreed to send all multi-family building flat rate customers a notice advising them of the application of the two different rates and instructions on how to ask the Company to install a meter.

- 8 The Company serves 774 flat rate customers. The Department of Health's rules require the Company to meter all services by January 22, 2017. The Company has prepared a work plan that will meter all customers by the end of 2011. In calendar year 2008, the Company has metered 79 customers with an additional 30 expected by year's end. Other jurisdictions set flat rates based upon the size of the service pipe (a method that is not available for the services at issue here), square feet of indoor living area and / or lot size, number of people occupying a residential unit, seasonal flat rates, and number of water delivery devices (e.g. toilets, sinks, hose bibs, etc.).
- 9 Considering alternate methods of assessing flat rates, and that the Company has a work plan to meter all customers by 2011, and any customer may request the Company to install a meter, and the Company has agreed to notify flat rate customers of the application of the flat rates and that the customer may request the Company to install a meter, Staff concluded that the method used by the Company to distinguish between apartment units and all other flat rate customers is reasonable.
- 10 The additional customer comments do not provide any new information that causes Staff to change its opinion that the Company's books and records support the revised revenue requirement and the revised, temporary rates are fair, just, reasonable and sufficient.

FINDINGS AND CONCLUSIONS

- 11 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 12 (2) H&R is a water company and a public service company subject to Commission jurisdiction.
- 13 (3) This matter came before the Commission at its regularly scheduled meeting on November 13, 2008.
- 14 (4) The Company's proposed method of distinguishing between flat rates for apartment units and all other customers, together with the Company's work plan

to meter all flat rate customers by 2011, and the Company's agreement to notify all multi-family building flat rate customers of the application of the two different rates and instructions on how to ask the Company to install a meter, is reasonable.

- 15 (5) The tariff revisions presently under suspension are fair, just, reasonable and sufficient because the Company's books, records and supporting documents demonstrate that H&R has a revenue deficiency of \$106,803 (6.7 percent).
- 16 (6) After reviewing the tariff revisions H&R filed in Docket UW-080631 and giving due consideration, the Commission finds it is consistent with the public interest to dismiss the Complaint and Order Suspending Tariff Revisions in Docket UW-080631, dated June 1, 2008, and allow the revised tariff revisions to Tariff WN U-2 filed on May 21, 2008, and November 5, 2008, to become effective on December 1, 2008, on a permanent basis.

ORDER

THE COMMISSION ORDERS:

- 17 (1) The Complaint and Order Suspending Tariff Revisions in Docket UW-080631, entered on June 1, 2008, is dismissed.
- 18 (2) The tariff revisions H&R Waterworks, Inc., filed in this docket on May 21, 2008, and November 5, 2008, shall become effective on December 1, 2008, on a permanent basis.
- 19 (3) The Company is required to notify all multi-family building flat rate customers of the distinction between the two flat rate classes, along with instructions on how to request installation of a meter.

DATED at Olympia, Washington, and effective November 13, 2008.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner