

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

H&R WATERWORKS, INC.,

Respondent.

DOCKET UW-170216

ORDER 01

ORDER APPROVING  
CONSERVATION RATE TARIFF

**BACKGROUND**

- 1 On March 31, 2017, H&R Waterworks, Inc. (H&R Waterworks or Company) filed with the Washington Utilities and Transportation Commission (Commission) a revision to its currently effective Tariff WN U-2, designated as Original Sheet No. 17.2. The stated effective date is May 1, 2017. On May 25, 2017, the Company filed revised rates at customer-proposed levels.
- 2 The Department of Ecology (DOE) sets several limits on water withdrawal from wells, including instantaneous amounts of water use measured in gallons per minute. The Company has designed and sized pumps and pipes to limit its water withdrawal. DOE also limits the annual amount of water that is withdrawn from the well, which is normally based on acre-feet of water withdrawn. An acre-foot is defined as the volume of one acre of surface area to a depth of one foot, and equals 325,853 gallons.
- 3 Over the last several years, the Company has experienced increased water usage on several of its water systems. In June and July of 2015 and several times in 2016, the Company conducted a series of community water use efficiency workshops with its customers to address water use and conservation. To address water overuse, the Company discussed monthly water usage data and has issued general requests for water use reduction. In several cases, the Company issued mandatory water use restrictions after the water system had exceeded available water rights. Such mandates, in conjunction with high water bills (as a result of greater water use), were not enough to deter overuse. Accordingly, the systems approached – and some exceeded – the water rights as issued by DOE. Working with existing rules and practices, the Company proposes to implement

a conservation rate for excessive water use, which will allow customers to monitor usage before overuse occurs.

4 The proposed conservation rate would increase third block usage rates from \$2.81 per 100 cubic feet for usage exceeding 2,000 cubic feet to \$4.00 per 100 cubic feet for usage between 2,000 and 3,000 cubic feet. The proposed revisions would also add a fourth block rate for usage exceeding 3,000 cubic feet at \$6.00 per 100 cubic feet.

5 On March 31, 2017, H&R Waterworks notified its customers of the proposed conservation rate by mail. The Commission received 20 consumer comments prior to May 11, 2017, all opposed to the proposed rate increase.

6 At the open meeting of May 11, 2017, customers provided additional comments related to the following topics:

- a. Communication from the Company,
- b. Alternative methods of conservation,
- c. Whether the costs of conservation should be borne by the Company, and
- d. Possibly implementing a fourth usage block.

7 Commission staff (Staff) reviewed the Company's proposed tariff and conservation rate. Staff notes that water conservation rates are relatively common, and that other companies have successfully used conservation rates to reduce overall water usage during high-use seasons. Staff finds that the proposed conservation rate tariff is reasonable, and recommends the Commission approve the Company's proposed tariff revision subject to the following conditions:

- (a) The conservation rate, Schedule No. 3 C, will apply to all customers on water systems served by the Company that have exceeded, or are within 5 percent of exceeding, the applicable water rights for that water system.
- (b) Funds received from the conservation rate, Schedule No. 3 C, including interest earned on the funds while held in a separate reserve account, will be treated as contributions in aid of construction. Funds collected may only be used for the items listed below, and will be applied in the following order:

- i. Hiring of non-Company consultant(s), including groundwater, legal, and engineering consultants, to provide conservation program review, advice, and expert analysis, including billing software updates and customer education and advice. The Company must provide a report on final recommendations to the commission within 60 days of retaining its consultant(s).
  - ii. Billing software upgrades to develop individual customer water use data with “rollover” provisions and additional rate blocks.
  - iii. Water system equipment, modifications, staffing, notices, and customer surveys.
  - iv. Where feasible, efforts to obtain additional water rights to benefit affected water systems.
- (c) Conservation rate funds collected and interest earned upon such funds must be held in a separate reserve account by the Company for the benefit of customers. Such funds do not become the property of the Company or Company owners and may not be disbursed, alienated, attached, or otherwise encumbered by the Company or its owners. In the event of a sale or transfer of the Company, the trust obligations established in WAC 480-110 regarding any unspent conservation rate funds will be transferred to the Company’s new owner.
- (d) The Company must report the following information to the Commission within 60 days of the end of each calendar quarter:
  - i. Beginning balance;
  - ii. Amounts received, detailed by water system source;
  - iii. Amounts spent, detailed by project, contract, or expense;
  - iv. Ending balance;
  - v. Reconciliation of bank balance to general ledger.

- (e) The Company will immediately deposit all monthly funds received and related to the conservation rate in the same separate reserve account specified in condition (c) above.
- (f) Prior to executing contracts or expending funds for the conservation-related items identified above, the Company will provide copies of proposals or contracts and consult with Commission Staff as to appropriateness of the proposal. All proposals or contracts will identify who will perform the work, the scope of work, and all estimated costs.
- (g) The conservation rates will expire with the billing that includes all consumption through October 31, 2019. At that time, the Company may file a request to reinstate the conservation rate. The Company may propose and file any other conservation plan at any time.
- (h) Excess funds held in the separate account will be distributed equally, by billing credit, at the end of three (3) years (October 31, 2019) to the customers on the systems from whom the funds were collected.

### DISCUSSION

8 We agree with Staff's recommendation and approve the Company's proposed tariff revision subject to the conditions set out in paragraph 7, above. We find that the proposed conservation rate is fair, just, and reasonable, and will provide a method for encouraging water conservation to prevent the Company's systems from exceeding their water rights.

9 We also encourage the Company to undertake efforts to improve communication with its customers, many of whom have repeatedly expressed frustration about receiving inconsistent and unreliable information from the Company. While we cannot expressly order the Company to communicate effectively with its customers, we expect that the specific conditions outlined above will facilitate transparency and create a level of accountability that will increase customer trust and satisfaction.

**FINDINGS AND CONCLUSIONS**

- 10 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies.
- 11 (2) H&R Waterworks, Inc. is a water company and a public service company subject to Commission jurisdiction.
- 12 (3) This conservation matter came before the Commission at its regularly scheduled meetings on September 22, 2016, October 27, 2016, March 29, 2017, May 11, 2017, and May 31, 2017.
- 13 (4) H&R Waterworks, Inc. filed a conservation rate tariff for conservation-related issues and expenses.
- 14 (5) The proposed conservation rate tariff is reasonable and should be approved, subject to the conditions set out in paragraph 7, above.

**O R D E R**

**THE COMMISSION ORDERS:**

- 14 (1) H&R Waterworks, Inc.'s Conservation Rate Tariff is approved subject to conditions (a) through (h) set forth in paragraph 7 of this Order.
- 15 (2) This Order should not be construed as Commission approval of any estimate or determination of costs, or any valuation of property claimed or asserted.
- 16 (3) The Commission retains jurisdiction over the subject matter and H&R Waterworks, Inc. to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective May 31, 2017.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner