

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

FRAGARIA LANDING WATER  
COMPANY, INC.,

Respondent.

DOCKET NO. UW-060662

NARRATIVE SUPPORTING  
SETTLEMENT AGREEMENT

**I. INTRODUCTION**

1 This Narrative Supporting Settlement Agreement (Narrative) is filed pursuant to  
WAC 480-07-740(2)(a) on behalf of the signatories to the Settlement Agreement filed in this  
docket. This Narrative summarizes the terms of the Settlement Agreement, and it is not  
intended to modify any of the Settlement Agreement terms.

2 The signatories to the Settlement Agreement are Staff of the Washington Utilities  
and Transportation Commission (“Staff”) and Fragaria Landing Water Company, Inc.,  
(Fragaria or Company) (collectively, the “Parties”). Staff and Fragaria are the only parties  
in this docket.

3 Fragaria is made up of two water systems, the Fragaria Landing water system and the  
Hunt Community water system. The Hunt Community water system is currently flat-rated  
and the proposed rate design in this Settlement Agreement does not affect those customers.  
The Hunt Community water system rates are not reflected in the Company’s current tariff.

4           The Parties do not intend to file documentation supporting the Settlement Agreement in addition to the Settlement Agreement and this Narrative. The Parties are willing to provide additional supporting documents should the Commission deem such documents necessary or appropriate.

5           The Parties urge the Commission to schedule any proceedings that may be required to consider the Settlement Agreement as soon as practicable.

## II.     UNDERLYING DISPUTE

6           On December 29, 2005, Fragaria filed its initial tariff with the Commission to become effective January 1, 2006. The filed tariff includes a charge for water for its Fragaria water system customers of \$32.85 base charge that includes 750 cubic feet of water, plus a charge of \$3.00 per 100 cubic feet of water for all water consumed over 750 cubic feet. Commission Staff conducted an informal investigation of the rates. On May 10, 2006, upon Staff's recommendation, the Commission issued a Complaint against Rates and Charges challenging the reasonableness of the Company's schedule of rates and charges. Following a prehearing conference on May 31, 2006, the Company provided financial information and water usage data pursuant to data requests of Staff. Upon Staff's review and analysis of the provided data and information, discussions and settlement negotiations ensued. The parties subsequently agreed to a resolution of all issues in this docket.

### III. OVERVIEW OF SETTLEMENT AGREEMENT

7 The Settlement Agreement describes the terms of the Parties' agreement.

8 The Parties agree that the Company's rate design should be changed to:

Base Rate: \$25.00 - includes no water allowance

<u>Water Usage (in cubic feet)</u>	<u>Rate per 100 cubic feet</u>
0 to 750	\$1.40
751 to 4,000	\$2.70
4,001 and over	\$3.20 <sup>1</sup>

Note: Attachment 1 shows the effect of the rate design change on individual customers.  
Attachment 2 shows a graphical analysis of the effect of the change.

9 The Parties agree that the new proposed rate design may produce a material change in water revenues that could potentially harm either the Company or its customers. In order to avoid any long-term detrimental financial effects of a change in rate structure, the Parties agree that the Company will track its monthly revenues for a period of 12 months, starting with the first full month in which the new rate design is effective.<sup>2</sup>

10 Under the Settlement Agreement, the Company agrees to create a balancing account to track changes in revenues associated with the change in rate structure.<sup>3</sup> The Company agrees that each month it will compute the total revenue billed for the month and compare the amount to the historical amount billed in the same month in the test year. The difference will be recorded to the balancing account as either a regulatory asset for under-collection or regulatory liability for over-collection.<sup>4</sup>

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<sup>1</sup> Settlement Agreement ¶ 3.2

<sup>2</sup> Settlement Agreement ¶ 3.3

<sup>3</sup> Settlement Agreement ¶ 3.3

<sup>4</sup> Settlement Agreement ¶ 3.5 and ¶ 3.6

11 The Parties agree that if, at the end of the one-year period, there is a regulatory liability (over-collection) in the balancing account, Fragaria will refund the balance pro rata through a bill credit to the current Fragaria water system customers by April 30, 2008.<sup>5</sup> The Company will report the refund to the Commission.<sup>6</sup>

12 However, if at the end of the one-year period there is a regulatory asset (under-recovery), the Company will recover the amount over a one-year period by surcharge to be filed with the Commission.<sup>7</sup>

13 Further, the Company agrees that it will file a monthly report with the Commission that lists by account, the account number, usage, and amount billed for the month. The report must also include the test-year revenue amount used to compute the over-collection or under-collection and beginning and ending balances. The Company must file the report before the end of the month following the reporting billing period.<sup>8</sup>

14 Also, the Company agrees that it will file revised tariff sheets with the Commission reflecting the above design within 10 days following the date of approval of the Settlement Agreement by the Commission, and the revised rate design will become effective the first day of the month following the filing.<sup>9</sup>

15 The Company also agrees to file a tariff reflecting its Hunt Community water system's current flat rate within 10 days following the date of approval of the Settlement

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<sup>5</sup> Settlement Agreement ¶ 3.8

<sup>6</sup> Settlement Agreement ¶ 3.8

<sup>7</sup> Settlement Agreement ¶ 3.7

<sup>8</sup> Settlement Agreement ¶ 3.9

<sup>9</sup> Settlement Agreement ¶ 3.10

Agreement by the Commission.<sup>10</sup>

16           The Settlement Agreement will be effective on the date the Commission enters an order fully accepting the Settlement Agreement. In the event that the Commission rejects all or any portion of the Specific Terms of the Settlement Agreement or conditions approval of those terms on material revisions to its terms and conditions, each Party reserves the right to withdraw from the Settlement Agreement by written notice to the other Party and the Commission, which must be served within 10 days. In such event, neither Party will be bound or prejudiced by the terms of the Settlement Agreement, and both parties are entitled to seek reconsideration of the Order rejecting all or part of the Settlement Agreement.<sup>11</sup>

#### **IV. STATEMENT OF PARTIES' VIEW ABOUT WHY THE SETTLEMENT SATISFIES THEIR INTERESTS AND THE PUBLIC INTEREST**

17           WAC 480-07-740(a) requires that this Narrative include a "statement of parties' views about why the proposal satisfies both their interests and the public interest." Each Party has contributed the following separate statements:

##### **A. Statement by Commission Staff**

18           Commission Staff believes the Settlement Agreement filed in this docket is a fair resolution of the issues presented. The Settlement Agreement appropriately recognizes the need of a proper rate design for the Fragaria water system.

19           The Settlement Agreement provides a mechanism protecting the Company from significant under-collection due to the change in rate design, and a mechanism to prevent Fragaria from receiving a windfall. Fragaria is required to refund to the Fragaria water

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<sup>10</sup> Settlement Agreement ¶ 3.11

<sup>11</sup> Settlement Agreement ¶ 4.10

system customers any over-collection of revenues in excess of the revenues received for a 12 month period.<sup>12</sup>

20 In addition to requiring Fragaria to refund over-collected revenue, the Company is protected from a reduction in revenue caused by the proposed rate design change.<sup>13</sup>

21 The Settlement Agreement also advances the public interest by resolving this docket without the added expense and uncertainty associated with litigation. Staff recommends that the Commission accept the Settlement Agreement. Staff recommends the Commission address the Settlement Agreement as soon as practicable.

**B. Statement by Fragaria**

22 Fragaria supports the statement as set out by Commission Staff.

**V. SUMMARY OF LEGAL POINTS THAT BEAR ON THE SETTLEMENT**

23 Under WAC 480-07-730(1), parties may file a full settlement, which is a settlement entered into by all parties of a proceeding that resolves all issues presented. The Commission has discretion to accept such a settlement, impose conditions on its acceptance, or reject such a settlement. WAC 480-07-750. The Settlement Agreement filed in this case represents the entire agreement between the Parties. The Parties recommend that the Commission accept the Settlement Agreement in its entirety.

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<sup>12</sup> Settlement Agreement ¶ 3.8

<sup>13</sup> Settlement Agreement ¶ 3.7

**VI. CONCLUSION**

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The Parties strongly recommend that the Commission adopt the Settlement Agreement filed in this docket. The Settlement Agreement fully resolves the issues presented in this docket in a manner that is consistent with the public interest.

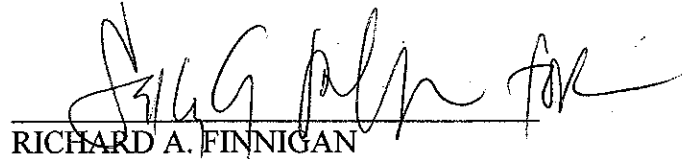
DATED this 26<sup>th</sup> day of January, 2007.

ROB MCKENNA  
Attorney General

LAW OFFICES OF  
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**For the Fragaria Landing water system  
 Change in Water Bill for Individual Customers**

Monthly Water Usage		Average Water Bill		Change	
Low (cf)	High (cf)	Current	Proposed	Dollar	Percent
(0)	100	\$ 32.85	\$ 25.70	-7.15	-21.8%
101	200	32.85	27.10	-5.75	-17.5%
201	300	32.85	28.50	-4.35	-13.2%
301	400	32.85	29.90	-2.95	-9.0%
401	500	32.85	31.30	-1.55	-4.7%
501	600	32.85	32.70	-0.15	-0.5%
601	700	32.85	34.10	1.25	3.8%
701	750	32.85	35.50	2.65	8.1%
751	800	32.85	38.20	5.35	16.3%
801	900	35.85	40.90	5.05	14.1%
901	1,000	38.85	43.60	4.75	12.2%
1,001	1,100	41.85	46.30	4.45	10.6%
1,101	1,200	44.85	49.00	4.15	9.3%
1,201	1,300	47.85	51.70	3.85	8.0%
1,301	1,400	50.85	54.40	3.55	7.0%
1,401	1,500	53.85	57.10	3.25	6.0%
1,501	1,600	56.85	59.80	2.95	5.2%
1,601	1,700	59.85	62.50	2.65	4.4%
1,701	1,800	62.85	65.20	2.35	3.7%
1,801	1,900	65.85	67.90	2.05	3.1%
1,901	2,000	68.85	70.60	1.75	2.5%
2,001	2,100	71.85	73.30	1.45	2.0%
2,101	2,200	74.85	76.00	1.15	1.5%
2,201	2,300	77.85	78.70	0.85	1.1%
2,301	2,400	80.85	81.40	0.55	0.7%
2,401	2,500	83.85	84.10	0.25	0.3%
2,501	2,600	86.85	86.80	-0.05	-0.1%
2,601	2,700	89.85	89.50	-0.35	-0.4%
2,701	2,800	92.85	92.20	-0.65	-0.7%
2,801	2,900	95.85	94.90	-0.95	-1.0%
2,901	3,000	98.85	97.60	-1.25	-1.3%
3,001	3,100	101.85	100.30	-1.55	-1.5%
3,101	3,200	104.85	103.00	-1.85	-1.8%
3,201	3,300	107.85	105.70	-2.15	-2.0%
3,301	3,400	110.85	108.40	-2.45	-2.2%
3,401	3,500	113.85	111.10	-2.75	-2.4%
3,501	3,600	116.85	113.80	-3.05	-2.6%
3,601	3,700	119.85	116.50	-3.35	-2.8%
3,701	3,800	122.85	119.20	-3.65	-3.0%
3,801	3,900	125.85	121.90	-3.95	-3.1%
3,901	4,000	128.85	124.60	-4.25	-3.3%
4,001	4,100	131.85	127.80	-4.05	-3.1%
4,101	4,200	134.85	131.00	-3.85	-2.9%
4,201	4,300	137.85	134.20	-3.65	-2.6%
4,301	4,400	140.85	137.40	-3.45	-2.4%
4,401	4,500	143.85	140.60	-3.25	-2.3%
4,501	4,600	146.85	143.80	-3.05	-2.1%
4,601	4,700	149.85	147.00	-2.85	-1.9%
4,701	4,800	152.85	150.20	-2.65	-1.7%
4,801	4,900	155.85	153.40	-2.45	-1.6%
4,901	5,000	158.85	156.60	-2.25	-1.4%
5,001	5,100	161.85	159.80	-2.05	-1.3%

System Average Usage

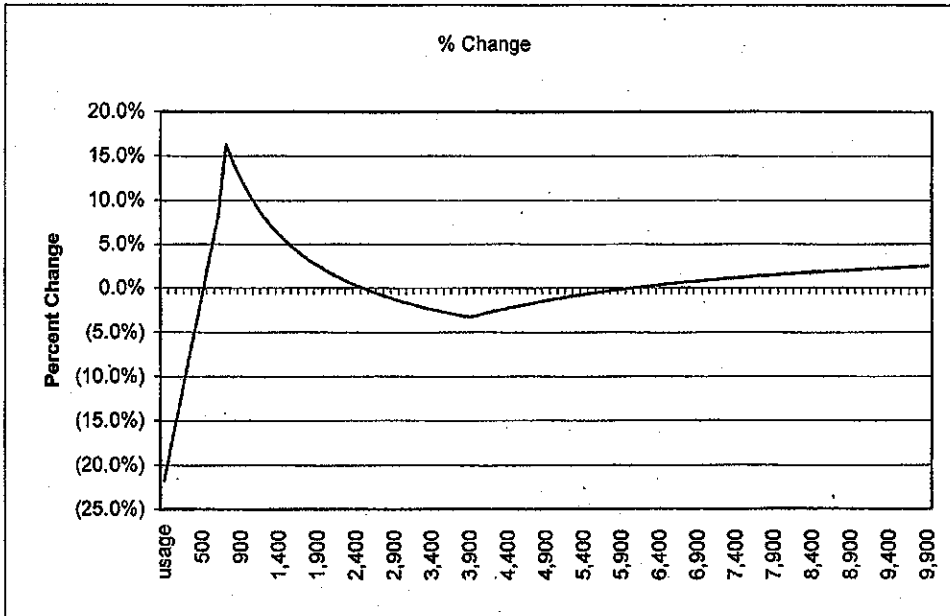


**For the Fragaria Landing water system  
 Change in Water Bill for Individual Customers**

Monthly Water Usage		Average Water Bill		Change	
Low (cf)	High (cf)	Current	Proposed	Dollar	Percent
5,101	5,200	164.85	163.00	-1.85	-1.1%
5,201	5,300	167.85	166.20	-1.65	-1.0%
5,301	5,400	170.85	169.40	-1.45	-0.8%
5,401	5,500	173.85	172.60	-1.25	-0.7%
5,501	5,600	176.85	175.80	-1.05	-0.6%
5,601	5,700	179.85	179.00	-0.85	-0.5%
5,701	5,800	182.85	182.20	-0.65	-0.4%
5,801	5,900	185.85	185.40	-0.45	-0.2%
5,901	6,000	188.85	188.60	-0.25	-0.1%
6,001	6,100	191.85	191.80	-0.05	-0.0%
6,101	6,200	194.85	195.00	0.15	0.1%
6,201	6,300	197.85	198.20	0.35	0.2%
6,301	6,400	200.85	201.40	0.55	0.3%
6,401	6,500	203.85	204.60	0.75	0.4%
6,501	6,600	206.85	207.80	0.95	0.5%
6,601	6,700	209.85	211.00	1.15	0.5%
6,701	6,800	212.85	214.20	1.35	0.6%
6,801	6,900	215.85	217.40	1.55	0.7%
6,901	7,000	218.85	220.60	1.75	0.8%
7,001	7,100	221.85	223.80	1.95	0.9%
7,101	7,200	224.85	227.00	2.15	1.0%
7,201	7,300	227.85	230.20	2.35	1.0%
7,301	7,400	230.85	233.40	2.55	1.1%
7,401	7,500	233.85	236.60	2.75	1.2%
7,501	7,600	236.85	239.80	2.95	1.2%
7,601	7,700	239.85	243.00	3.15	1.3%
7,701	7,800	242.85	246.20	3.35	1.4%
7,801	7,900	245.85	249.40	3.55	1.4%
7,901	8,000	248.85	252.60	3.75	1.5%
8,001	8,100	251.85	255.80	3.95	1.6%
8,101	8,200	254.85	259.00	4.15	1.6%
8,201	8,300	257.85	262.20	4.35	1.7%
8,301	8,400	260.85	265.40	4.55	1.7%
8,401	8,500	263.85	268.60	4.75	1.8%
8,501	8,600	266.85	271.80	4.95	1.9%
8,601	8,700	269.85	275.00	5.15	1.9%
8,701	8,800	272.85	278.20	5.35	2.0%
8,801	8,900	275.85	281.40	5.55	2.0%
8,901	9,000	278.85	284.60	5.75	2.1%
9,001	9,100	281.85	287.80	5.95	2.1%
9,101	9,200	284.85	291.00	6.15	2.2%
9,201	9,300	287.85	294.20	6.35	2.2%
9,301	9,400	290.85	297.40	6.55	2.3%
9,401	9,500	293.85	300.60	6.75	2.3%
9,501	9,600	296.85	303.80	6.95	2.3%
9,601	9,700	299.85	307.00	7.15	2.4%
9,701	9,800	302.85	310.20	7.35	2.4%
9,801	9,900	305.85	313.40	7.55	2.5%
9,901	10,000	308.85	316.60	7.75	2.5%

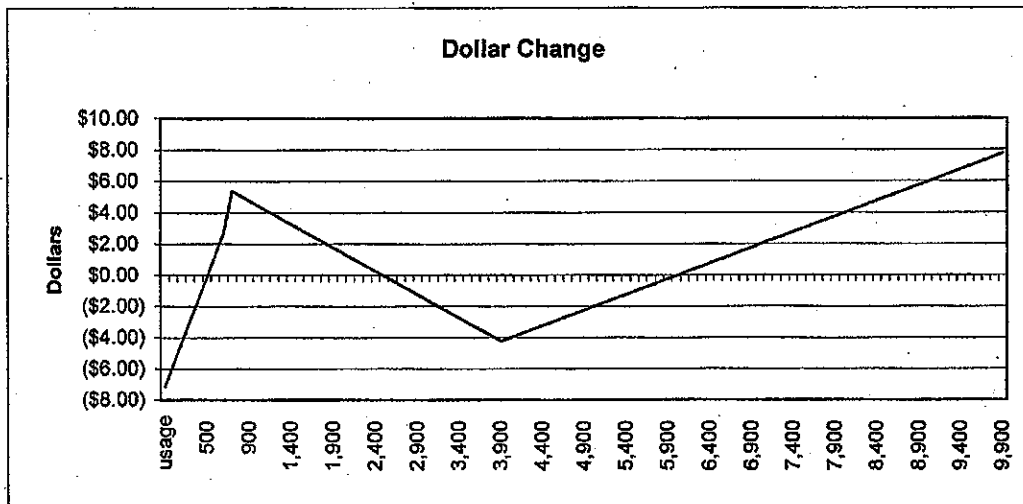
For the Fragaria Land water system

Percent Change in Customer Bill up to 10,000 cubic feet



Percent	
Largest Increase	16.29%
Largest Decrease	-21.77%

Dollar Change in Customer Bill up to 10,000 cubic feet



Dollars	
Largest Increase	\$ 7.75
Largest Decrease	\$ (7.15)