

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

FRAGARIA LANDING WATER CO.,  
INC.,

Respondent.

DOCKET NO. UW-060662

SETTLEMENT AGREEMENT

The Parties, defined below, enter into the following Settlement Agreement to resolve all issues raised in this docket.

**I. PARTIES**

1.1 The Parties to this Settlement Agreement are the Staff of the Washington Utilities and Transportation Commission (Staff) and Fragaría Landing Water Co., Inc. (Fragaria or Company), collectively, "the Parties."

**II. BACKGROUND**

2.1 On December 29, 2005, Fragaría filed its initial tariff with the Commission to become effective January 1, 2006. Commission Staff conducted an informal investigation of the Company's rates. On April 12, 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.

2.2 Following a prehearing conference on May 31, 2006, the Company provided financial information and water usage data pursuant to Staff's data requests. Staff reviewed and analyzed the information provided by the Company, and discussions and settlement negotiations ensued. The Parties subsequently agreed to a resolution of all issues in this docket.

2.3 The Parties therefore adopt the following Settlement Agreement, which the Parties have entered into voluntarily, to resolve matters in dispute between them in order to avoid the time and expense of a hearing, and to expedite the orderly disposition of this proceeding. The Parties submit this Settlement Agreement to the Commission and request that the Commission adopt the Settlement Agreement as presented.

2.4 The intent behind the Settlement Agreement as proposed is to replace the current rate design with a new, inverted rate design that includes no water in the base rate while including three inverted rate tiers for water usage. The current rate design provides a base rate of \$32.85 that includes 750 cubic feet of water. All water usage above 750 cubic feet is charged at a single tier rate of \$3.00 per hundred cubic feet.

2.5 Assuming the same usage patterns in the test year, the proposed new rate design provides rates that will allow the Company to achieve approximately the same total revenue as experienced in the test year.

### **III. SPECIFIC TERMS**

3.1 The Parties agree that the Company's revenue for the test year for the Fragaria water system was \$45,241.

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

Base Rate: \$25.00 - includes no water allowance

Water Usage (in cubic feet)    Rate per 100 cubic feet.

|                |        |
|----------------|--------|
| 0 to 750       | \$1.40 |
| 751 to 4,000   | \$2.70 |
| 4,001 and over | \$3.20 |

3.3 The Parties agree that a balancing account for recognizing the effects of the new rate design on the Company's total revenue should be established for a period of 12 months starting with the first month in which the new rate design is effective.

3.4 For each month of the one-year period established in Paragraph 3.3, the Company will compute the total revenue for the month, on an accrual basis, and compare the amount to the historical amount billed in the same month in the test year.

3.5 If the revenue for the month is greater than the revenue in the corresponding test-year month on a per customer basis (this is to recognize that the number of customers may be higher or lower than the number of customers in the corresponding month in the test year), the Company will record the difference (amount of difference per customer multiplied by the number of customers billed) in the balancing account as a regulatory liability for over-collection.

3.6 If the revenue for the month is less than the revenue in the corresponding test-year month on a per customer basis (this is to recognize that the number of customers may be higher or lower than the numbers of customers in the corresponding month in the test year), the Company will record the difference (amount of difference per customer

multiplied by the number of customers billed) in the balancing account as a regulatory asset for under-collection.

3.7 At the end of the one-year period established in Paragraph 3.3, if the balancing account amount reflects a regulatory asset balance, the Company will recover the under-recovered amount over a one-year period by surcharge, to be filed with the Commission.

3.8 If, at the end of the one-year period established in Paragraph 3.3, there is a regulatory liability, the over-collection will be refunded through a bill credit, pro rata, to Fragaria water system customers by April 30, 2008. The Company agrees that it will also file a report to the Commission summarizing its actions pursuant to this requirement, by April 30, 2008. Failure to file this report will be subject to a monetary penalty. Any refund will be to the customer of record at the time of the bill credit.

3.9 The Company agrees that it will file a monthly report with the Commission in the form of Attachment A. The Company must file the report before the end of the month following the reporting billing period (e.g., the report for the May billing period must be filed by June 30).

3.10 The Company agrees that it will file revised tariff sheets with the Commission, reflecting the above rate design within 10 days following the date the Settlement Agreement is approved by the Commission, and the revised rate design will become effective the first day of the month following the filing date.

3.11 The Company agrees to file a tariff reflecting its Hunt Community water system's current flat-rate within 10 days following the date the Settlement Agreement is approved by the Commission.

#### IV. GENERAL TERMS

4.1 The Parties agree that this Settlement Agreement resolves the contested issues between them in this proceeding. The Parties understand that the specific terms of the Settlement Agreement do not apply unless the Commission approves them.

4.2 The Parties have entered into this Settlement Agreement voluntarily to avoid further expense, inconvenience, uncertainty, and delay of litigation.

4.3 The Parties agree that this Settlement Agreement is in the public interest and would result in rates that are fair, just, reasonable and sufficient.

4.4 The Parties agree to cooperate in submitting this Settlement Agreement promptly to the Commission for acceptance, in compliance with WAC 480-07-730. Each Party agrees to support this Settlement Agreement, including submitting written testimony, unless the obligation to submit such testimony is waived by the Commission. Each Party agrees to support this Settlement Agreement throughout this proceeding and recommend that the Commission issue an order adopting the settlement contained herein.

4.5 The Parties recognize that this Settlement Agreement represents a compromise of the positions the Parties may otherwise assert in this proceeding. As such, conduct, statements and documents disclosed during negotiations of this Settlement Agreement shall not be admissible as evidence in this or any other proceeding, except in any

proceeding to enforce the terms of this Settlement Agreement, or any Commission order adopting those terms. No Party shall be deemed to have agreed that this Settlement Agreement is precedent for any issues in any other proceeding, other than a proceeding for enforcement of this Settlement Agreement.

4.6 This Settlement Agreement shall not be construed against either Party because it was the drafter of the Settlement Agreement.

4.7 The Parties have negotiated this Settlement Agreement as an integrated resolution of the issues. This Settlement Agreement supersedes all prior oral and written agreements on issues addressed herein. The Parties recommend the Commission adopt this Settlement Agreement in its entirety.

4.8 The Parties may execute this Settlement Agreement in counterparts and, as executed, shall constitute one Settlement Agreement. Copies sent by facsimile are effective as original documents.

4.9 The Parties shall take all actions necessary and appropriate to carry out this Settlement Agreement.


4.10 In the event that the Commission rejects all or any portion of the Specific Terms of this Settlement Agreement or conditions approval of the Specific Terms on material revisions to its terms and conditions, each Party reserves the right to withdraw from this Settlement Agreement by written notice to the other Party and the Commission. Written notice must be served within 10 days. In such event, neither Party will be bound or prejudiced by the terms of this Settlement Agreement, and both Parties shall be entitled to

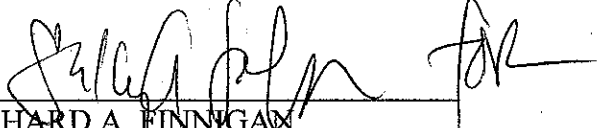
seek reconsideration of the Order rejecting all or part of the Settlement Agreement.

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

ROB MCKENNA  
Attorney General

LAW OFFICES OF  
RICHARD A. FINNIGAN

  
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RICHARD A. FINNIGAN  
Attorney at Law  
Counsel for Fragaria Landing Water  
Co., Inc.





**Fragaria Landing Water Company**  
**Schedule to Compute Changes in Balancing Account**  
 For customers of the Fragaria Landing water system

-EXAMPLE REPORT-

Line No.

1 Month March Total Usage 58,177 (Attach Billing Detail)  
 2  
 3  
 4 Beginning Balance 100 (Prior Report)

5 **Average Revenue Per Customer**

7 **Test-Year Month**

8 Revenue Billed in Test Year 3,050

10 Number of Test Year Bills 77

12 Average Revenue Per Customer 39.61 (line 8 / line 10)

15 **Report Month**

16 Revenue Billed 3,500 (Attach Billing Detail)

18 Number of Bills 79 (Attach Billing Detail)

20 Average Revenue Per Customer 44.30 (line 16 / line 18)

23 **Normalized Revenue**

25 Average Revenue Per Customer 44.30 (line 20)

26 Number of Test Year Bills 77 (line 10)

28 Customer Normalized Revenue 3,411 (line 25 \* line 26)

31 Test Year Revenue 3,050 (line 8)

32 Customer Normalized Revenue 3,411 (line 28)

33 Difference (361) (line 31- line 32)

Negative Balance  
 indicates a  
 Regulatory  
 Liability

36 Ending Balance (261) (line 4 + line 33)

Positive Balance  
 indicates a  
 Regulatory Asset

- ILLUSTRATIVE PURPOSES ONLY -