

Agenda Date: April 25, 2019
Item Number: A9

Docket: UW-181055
Company Name: Iliad Water Company, LLC

Staff: Jim Ward, Regulatory Analyst
Tiffany Van Meter, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendations

1. Allow the Tariff Revisions filed by Iliad Water Company, LLC, on October, 1, 2018, in Docket UW-181055, as revised on March 25, 2019, and April 17, 2019, to become effective May 1, 2019.
2. Issue an Order approving the request for a Monthly Surcharge to apply to Parkwood water system for 2015 treatment plant improvements, to become effective May 1, 2019.

Discussion

This presentation is a continuation of the March 28, 2019, open meeting. On March 28, 2019, the commission heard this item and several customers. Customers from the Sunwood Graham water system were concerned about rate shock since their base charge was moving from \$35 per month to a proposed \$61.76, which was revised March 25, 2019, to a parity rate of \$46 for a base charge. The customers believed this increase of \$11 per month on the base charge was too much.

As a result of the comments from the customers and remarks of the commissioners, the company was willing to extend the effective date of the tariff revision until May 1, 2019. This additional time would allow the company and commission staff (staff) to provide alternatives.

On October 1, 2018, Iliad Water Company, LLC (Iliad Water or company) filed tariff revisions that would generate approximately \$244,527 (34.01 percent) in additional annual revenue and implement single-tariff pricing across multiple company-owned water systems serving different locations.

On March 25, 2019, the company filed tariff revisions at the agreed revenue requirements and rates. The tariff revisions filed would generate approximately \$154,065 (21.9 percent) of additional annual revenue. One goal of this filing would be to bring all customers to a parity rate as outlined in the company's 2016 filing, Docket UW-161155.

Since the April 25, 2019, open meeting the company and commission staff have agreed on a revenue-neutral six month phase-in of the parity base rate to the customers of Sunwood Graham water system. Sunwood Graham customers currently pay a \$35 base charge per month. This amount would increase by \$5 to a \$40 base charge per month (\$6.00 below the parity base charge) on May 1, 2019. To offset the uncollected revenue from Sunwood Graham, the customers of all other water systems would incur a base charge of \$47 per month (\$1.00 above the parity base charge).

Rate Plan Monthly Rate Comparison
Effective May 1, 2019

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Ready to Serve	\$40.00	\$61.76	\$46.00
Base Rate, (Sunwood)	\$35.00	\$61.76	\$40.00
Base Rate, (18 water systems)	\$40.00	\$61.76	\$47.00
Base Rate, (4 water systems)	\$44.00	\$61.76	\$47.00
0 to 800 CF*, Per CCF**	\$2.28	\$2.28	\$4.05
801 To 1,500 CF, Per CCF	\$4.28	\$4.28	\$5.30
>1,501 CF, Per CCF	\$5.75	\$5.75	\$6.00

* CF – Cubic Feet,

** CCF - 100 Cubic Feet

Other rates available in tariff.

Rate Plan Monthly Rate Parity Comparison
Effective November 1, 2019

Monthly Rate	May 1, 2019 Rate	November 1, 2019 Rate
Base Rate, (Sunwood)	\$40.00	\$46.00
Base Rate, (22 water systems)	\$47.00	\$46.00

22 Water System Rate Plan
Monthly Residential Bill Comparison

Monthly Average 775 Cubic Feet	Current Rate	Proposed Rate	22 System Revised Rate	Sunwood Revised Rate
Base Rate, 5/8-Inch Meter	\$40.00	\$61.76	\$47.00	\$40.00
775 CF	\$17.67	\$17.67	\$31.38	\$31.38
Water Bill Total	\$57.67	\$79.43	\$78.38	\$71.38
Increase From Current Rates -		\$21.76 7.7%	\$20.71 35.9%	\$13.71 23.7%

The company also proposes, as part of this filing, to recognize and place in the company's tariff three 'System Improvement Charge' for the Parkwood, Alderlake, and Skyview water systems. The assessment charges are outlined and summarized below under Schedule A.

Schedule A
System Improvement Charges

Water System	Amount (one-time)	Monthly	Expiration Date	Revised
Parkwood	\$7,760.00	\$86.14	November 1, 2028	\$86.14
Alderlake	\$3,386.22	\$21.27	May 25, 2028	N/A
Skyview	\$5,155.47	\$64.83	October 31, 2021	N/A

Staff has reviewed the System Improvement Charges and found that the Parkwood surcharge should be allowed to continue as a surcharge noted separately in the company's tariff. This surcharge would apply to only 10 customers out of 30 on the Parkwood water system. Originally the customers on the Parkwood water system were given the choice of a one-time assessment of \$7,760 or the monthly rate of \$86.14. Many of the Parkwood water system customers (20 of the 30 customers) chose to make the one-time payment of \$7,760. This assessment was implemented by the company for improvements made in 2015 and paid by customers prior to regulation. Including the remaining balance of the assessment in regular rates would be harmful to those customers who have already paid the assessment in full, and provide an unwarranted benefit to those customers who chose to pay installments.

Staff believes that allowing the installment customers (10) to continue paying for their share of the plant by surcharge, since this water treatment improvement plant only benefits the Parkwood water system is appropriate. Therefore the remaining balance of the assessment was removed from the rate case calculation and instead those 10 customers on the Parkwood system will continue to pay installments until the surcharge expires on November 1, 2028, or upon collection of \$232,800, whichever occurs first. Repayment of the company's Parkwood Treatment obligations relies on two revenue sources: Monthly surcharges paid by current and future customers; and funds previously collected from Parkwood customers through one-time assessments of \$7,760 and monthly assessments of \$86.14 totaling \$176,132.02.

Customers on the other two systems chose to make installment payments and so the remaining balance of those assessments was included in the rate case calculation. Those assessments are effectively terminated with the implementation of the new rates on May 1, 2019.

Under WAC 480-110-455 Water Company Funding Mechanism, (4) (c) the company will be required to:

Report for each tariffed surcharge or facilities charge the following information to the commission within sixty days of the end of the calendar quarter:

- (i) Beginning balance;
- (ii) Amounts received, detailed by source;
- (iii) Amounts spent, detailed by project or expense;
- (iv) Ending balance;
- (v) Reconciliation of bank balance to general ledger.

Customer Comments

On October 01, 2018, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Commission staff received 49 consumer comments, all opposed to the proposed rate increase.

General Comments

- At the March 28, 2019, open meeting, two customers on the Sunwood Graham water system commented about their water quality. They were given John Cupp's phone number

to call for help. Neither customer called Mr. Cupp, and he called the customer whose number he had. The customer said she had not called the company or Department of Health (DOH) about water quality in the past few years. Staff provided the customer with a name and number for a DOH person to contact for water issues in Pierce County.

The company contacted staff and said it has not received any water quality complaints in the past year, and provided test results and other information showing that the water it provides to Sunwood Graham water system is in compliance with DOH requirements. Staff contacted DOH, and confirmed what the company said.

- The majority of the customers who commented believe the amount of increase requested is excessive, and the rates are already very high. Many are concerned with the frequency at which the company has requested increases. Customers on several of the company's water systems feel it is unfair for them to pay higher rates because the cost of water on other systems is higher or costs more to maintain. Some customers believe the company is being miss-managed if it suffered the loss it claimed in its customer notice.

Staff Response

Staff informed customers that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Customers were also told that commission staff performs a thorough review of rate filings to ensure all rates and fees are appropriate. Staff explained the potential benefits of all customers paying the same rates and sharing costs with other systems. Regarding the company's claim about losing money, staff explained that its investigation into the company's rate request is ongoing.

Conclusion

Commission staff has completed its review of the company's supporting financial documents, books and records. The company's financial information provided supports the requested revised revenue requirement and the revised rates and charges. Staff finds that the revised rates are fair, just, reasonable, and sufficient.

Staff and company have agreed to a revenue neutral rate change that would allow the Sunwood Graham customers to come to parity in two (2) steps. This two-step process would be over a six month period.

Recommendations

1. Allow the Tariff Revisions filed by Iliad Water Company, LLC, on October, 1, 2018, in Docket UW-181055, as revised on March 25, 2019, and April 17, 2019, to become effective May 1, 2019.
2. Issue an Order approving the request for a Monthly Surcharge to apply to Parkwood water system for 2015 treatment plant improvements, to become effective May 1, 2019.