

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

In the Matter of the Request of)	DOCKET NO. UW-040651
)	
CANTERWOOD WATER)	ORDER NO. 01
COMPANY, INC.)	
)	
)	
For a Revision of its Inverted Rate)	ORDER AUTHORIZING
Structure)	ACCOUNTING TREATMENT
.....)	

I. BACKGROUND

- 1 On April 7, 2004, Canterwood Water Company, Inc. (Canterwood or Company) filed tariff sheets with this Commission. The filing seeks Commission approval of a restructured, inverted metered rate. The Company represents that the filing is revenue-neutral, and it proposes certain tariff adjustments to achieve revenue neutrality.
- 2 Canterwood provides water service to approximately 600 customers in Pierce County. Its customers are located on a single system. The Company has in the past experienced very high water usage in summer months and desires to meet Department of Health objectives and Company objectives in curtailing water usage consistent with water conservation goals.

II. MEMORANDUM

- 3 In its filing, the Company proposes the following:
- Revenue generated by the inverted rate structure will be compared to the corresponding billing period from the year 2002 (base period). Any additional revenues, less additional power costs above the corresponding

power cost in the base period, above the amount for the corresponding month from the base period (Excess Revenues) would be accounted for as Contribution in Aid of Construction (CIAC).

- The Company proposes that all CIAC received under this filing will be recorded in a separate CIAC sub-account.
- To account for fluctuations between months because of weather variances and other causes, The filing requested the ability to true up the amounts received on a quarterly and annual basis. Commission Staff however recommends a monthly true up as an alternative. The CIAC amount would be trued up monthly as compared to the corresponding base period month. Each month, any Excess Revenue will be added to an escrow account whereas any reduction of revenue below the base month will be removed from a escrow account with the corresponding entry to CIAC.

Example: In month one there is additional revenue of \$1,000 over the base month and in the next two months there is a net negative amount in each month of \$200, In month one, \$1,000 would be added to the escrow account. Whereas each of the following months the Company would be allowed to remove \$200 from the escrow account with the corresponding entry to CIAC.

Month one -	\$1,000
Month two -	<\$200>
<u>Month three -</u>	<u><\$200></u>
Net CIAC	\$600 remaining in escrow

- Any net positive CIAC amounts following true up will be used only for capital improvements.

- After eighteen months of data is gathered, the Company will file an adjustment to rates to reflect rates which will not increase or decrease revenues above the base period.
- A final true up for all periods prior to the revised rates going into effect shall be accomplished, with any net positive amount used only for capital improvements.
- All true ups shall be done by comparing revenues received to the corresponding revenues received for the corresponding base period, adjusted only for increased power costs above and beyond the power costs contained in the base period.

4 The Company agrees that it will deposit the Excess Revenue monthly into an independent commercial escrow account by the end of the month in which the payment is due. In addition, the Company will receive written approval from the Commission Secretary before any disbursements of funds for the escrow account excluding true up disbursement amounts.

III. FINDINGS

- 5 (1) Canterwood is a water company and is a public service company subject to the jurisdiction of the Commission.
- 6 (2) On April 7, 2004, Canterwood filed a set of proposed tariff revisions seeking approval of a revised inverted rate structure and accounting for the funds generated by that revised structure.
- 7 (3) The accounting treatment proposed for the funds is to treat any net positive balance compared to the base period of the corresponding billing period(s) for the year 2002 as Contributions in Aid of Construction to be used only for capital improvements for water source or supply.

- 8 (4) The filing requested the ability to true up the amounts received on a quarterly and annual basis. Commission Staff recommends a monthly true up as an alternative.
- 9 (5) The Company also proposed to re-file rates to ensure its inverted rate structure was revenue neutral based upon data gathered over eighteen months of billing under the new inverted rate structure.
- 10 (6) The accounting treatment and Staff-recommended true up mechanisms are reasonable and should be approved.
- 11 (7) Taking into account the size of this Company and the need to protect the customers and the Company during the course of this proposed interim inverted rate structure, the Company should be required to file a report with the Commission Staff on a quarterly basis showing the detail of revenues received and pumping costs compared to the base period revenues and pumping costs. This report should be submitted to Commission Staff within thirty days of the date of the end of the quarter. For purposes of this reporting, the quarter shall be treated as every three months following the effective date of the tariff filing in this docket.
- 12 (8) All funds deposited will be considered a regulatory liability until spent. If the CIAC sub-account has a positive balance, the excess funds remaining unspent by December 31, 2006, will be refunded to all customers prorata within the next billing cycle. If the CIAC sub-account has a negative balance no recovery is authorized by this order.

IV. ORDER

THE COMMISSION ORDERS:

- 13 (1) The requested accounting treatment contained in the Company's filing of
April 7, 2004, with the modifications suggested by Staff, is authorized as
described above in paragraph 3 of this Order.
- 14 (2) The Company shall file reports with Commission Staff as described in
paragraph 11 of this Order.
- 15 (3) The Company shall file a revised tariff by January 31, 2005.
- 16 (4) Nothing in this Order shall be construed to waive or otherwise impair the
jurisdiction of the Commission over the rates, services, accounts and practices
of Canterwood.
- 17 (5) The Commission retains jurisdiction to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this 26th day of May, 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner