

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

LOWPER, INCORPORATED,

Respondent.

DOCKET UW-110892

DECLARATION OF JIM WARD

JIM WARD, under penalty of perjury under the laws of the State of Washington, declares as follows:

1. I am employed by the Washington Utilities and Transportation Commission (Commission) as a regulatory analyst. I have been employed at the Commission for 21 years. As a regulatory analyst, my responsibilities include preparing timely and accurate analysis of tariff filings, contracts, petitions and other filings. As part of those duties, I review documents filed by water utilities to determine if the rates and charges provided in the tariff are fair, just, reasonable and sufficient with regard to Washington State statutes and rules. I was assigned to this proceeding to investigate the rates and charges of Lowerper, Incorporated, (“Lowerper” or “Company”).
2. On May 13, 2011, Lowerper filed with the Utilities and Transportation Commission (Commission) an initial tariff and supporting financial information. The Company serves seven customers on a water system located near Sequim in Clallam County. The Commission accepted the initial tariff effective May 14, 2011, in Docket UW-110871.
3. Staff’s initial review of the Company’s financial information in Docket UW-110871 indicated that the Company’s current charges and rates might generate more revenue than the Company requires to pay reasonable operating expenses and earn a reasonable return. To facilitate Staff’s investigation of Lowerper’s rates, the Commission opened an investigative docket under UW-110892.
4. On May 17, 2011, I issued data requests to Lowerper seeking additional information regarding the initial tariff filing charges and rates. Lowerper did not respond.

5. On June 14, 2011, the Commission issued a Complaint Against Rates to determine whether Lowerper's current rates and charges provide the Company with an excessive return, and to determine whether Lowerper should be required to file a revised tariff reducing rates.
6. My investigation into Lowerper's rates included reviewing the Company's revenues generated from its seven customers and the expenses that were incurred to provide water service to the customers. In addition, I reviewed the current assets and depreciation that the Company listed in response to Staff data requests. I issued five sets of data requests to Lowerper to clarify information provided by the Company and to obtain documentation supporting the Company's assertions. Based on my review of these various documents and applying ratemaking principles, I concluded that Lowerper's operational expenses are reasonable and that the Company's rates and charges, as assessed by the Company, do not generate an excessive return.
7. As part of the review, I noted that Lowerper charges and collects a utility tax pursuant to its tariff. Specifically, Lowerper's tariff contains an "Excise Tax" of ".05029 percent." For the test period, January 1, 2010, to December 31, 2010, the utility tax amount collected from each customer averaged \$4.91 per month. Based on data request responses I received from Lowerper, I concluded that the amounts collected as utility tax were not recorded as an expense or paid to any taxing authority. When questioned further about the utility tax, the Company noted in a data request response that its billing system automatically bills utility tax and indicated that Lowerper was exempt from the tax. Further analysis revealed that Lowerper charged more than the rate published in its tariff for the utility tax. Lowerper charged each customer 5.029 percent (.05029), instead of the published tariff rate of .05029 percent (or .0005029).
8. Lowerper provided Staff with a draft revised tariff, titled Schedule No. 2, Metered Rate Service, which I have examined and which is attached to the settlement agreement. The utility tax has been removed from the tariff. In addition, each rate (the Base Rate, the Master Meter Charge, and the Usage rate) has been increased by 5.029 percent, resulting in a revenue-neutral rate change to the Company and customers. Due to the revenue neutral aspect of the rate design change and the re-apportionment of the utility tax, this revised rate design change does not generate an excessive return.
9. I support the settlement and recommend that the Commission approve the draft revised tariff attached to the settlement agreement.

DATED this 30th day of NOVEMBER 2011, at Olympia, Washington.



JIM WARD