

Agenda Date: March 29, 2017
Item Number: A1

Docket: UW-161035
Company Name: H&R Waterworks, Inc.

Staff: Jim Ward, Regulatory Analyst
John Cupp, Consumer Protection
Andrew Roberts, Consumer Protection

Recommendation

Set for hearing that determines an appropriate water budget methodology and application.

Background

On August 29, 2016, H&R Waterworks, Inc. (H&R Waterworks or company) filed with the Utilities and Transportation Commission (commission) a tariff revision adding Rule 21 which implements a Water Budget program for water use and conservation. The program establishes water usage budgets for each customer in a service area where water usage threatens to exceed the company's water rights. Conservation rates would be implemented and flow restrictors would be installed for customers exceeding their budgeted usage amounts by more than 50 percent per billing period. The company serves 4,115 customers on various systems in Thurston, Mason, Kitsap, Pierce, Lewis, and King Counties.

On October 27, 2016, the commission suspended this filing pending further review. On December 30, 2016, the company filed to extend the effective date of Rule 21 until April 1, 2017.

This is a continuation from the October 27, 2016, open meeting, in which this filing adds Rule 21 to the company's tariff for the Water Budget program. Customers were present, made comments, and met with company and commission staff afterwards for a more in-depth discussion of the water budget program. Several key points were highlighted by customers and discussed at the meeting:

- Review of water right issues to include the company applying for more water rights.¹
- Lack of complete explanation on how the water budget program works.
- Provisions for charging the customers for excess water use.
- Provisions for roll-over water usage and one-time water usage overages.

¹ Staff has met with Department of Ecology (DOE) to discuss the water rights issues and the agency review process. DOE staff has mentioned that no additional water rights are available to the areas under the Water Budgets of Rule 21.

- Warning that the customer has exceeded the monthly water budget.
- Flow restrictor concerns and restoration of normal water service.
- Evolution of the water budget program and recent changes.
- Company tariff process for water budgeting.
- Annual water rights vs monthly water budget.

Since the company notice of September 13, 2016, and September 22, 2016, the company has revised the tariff filing for Rule 21. The company will not disconnect any customer under Rule 21 Budget Exceedance, and has removed reference to the requirement that customer bills must be current to have normal water service restored. The exceedance of their monthly Water Budget by 50 percent has been removed. No allowances or additions will be added to the monthly budget. After meeting with customers on September 22, 2016, and discussions with staff, the company has proposed several tariff language revisions and budget calculations.

On March 7, 2017, the company sent customers a revised tariff Rule 21 and announced a discussion by the commission at the March 29, 2017 open meeting for consideration. On March 20, 2017, the company and staff met to discuss revised tariff language.

History

Over the last several years, the company has experienced increased water usage on several water systems.² In June and July of 2015, the company conducted a series of five community water use efficiency workshops with customers to address water usage and ways to achieve water use efficiency. The last several years have been relatively dry which has led to additional water use. To address excessive water use, the company has issued general requests for water use reduction, and in several cases issued mandatory water use restrictions, all after the usage occurred. Such mandates, in conjunction with high water bills due to greater water use, were not enough to deter some customers, and usage approached, or exceeded, the limits of water rights as issued by Department of Ecology. In addition, the company held four Town Hall-style informational meetings with customers in early July of 2016 to review the water use budget concept and their individual water use history. In addition, the company held a meeting with Home Owner Association leaders as well with customers of the Reserve at Cooper Point. These neighborhood water system meetings were on this same subject of conservation.

Department of Ecology sets several limits on water withdrawal from wells. One is the instantaneous amount of water being used as measured in gallons per minute. The company has designed and sized pumps and pipes to limit this amount of water withdrawal. The other limit is the annual amount of water that is withdrawn from the well. This limit is normally based on acre

2) Countrywood, Riverwood, Conifer, and Summerwood (273), Talcott Ridge (46) and Reserve at Cooper Point (37).

feet of water withdrawn. An acre-foot is defined as the volume of one acre of surface area to a depth of one foot and equals 325,853 gallons. This amount can be exceeded if customers continue to use water over a longer period of time, such as an unseasonably dry summer.

The company claims that with the workshops, restrictions, and the tariffed, three tier increasing block rate structure, conservation both inside and outside the home has not been enough to prevent the company from exceeding its water rights. Working with existing rules and practices, the company believes the next step is to provide a tool for customers to use to prevent excessive water use before it occurs. The tool the company believes will best serve customers and the company to remain within assigned water rights is the Monthly Water Budget program.

The tariff monthly rates are shown below for reference.

Rates

Monthly Rate	Current Rate
Base Charge 3/4 inch meter*	\$ 20.33
Block 1: 0 – 700 cubic feet	1.36**
Block 2: 701 – 2,000 cubic feet	2.31**
Block 3 over 2,000 cubic feet	2.81**

*other meter sizes available in the tariff

**per 100 cubic feet

A water budget for each customer is established by a review of two components. The first component is an Essential or Indoor Budget and is based on the number of household occupants. The initial occupant count is three, and uses a default of 562 cubic feet per month. The company does have an Essential Water Budget Adjustment Application to apply for a different occupant count or special situations. The second component is a Non-Essential or Outdoor Budget and is based on remaining water after essential budgets, average rainfall, irrigation consumption, and lot size.

The Essential and Non-Essential budgets are combined for each customer to determine a monthly Water Budget amount. This monthly amount is stated on each customer's monthly water bill. During the month customers can compare the budget amount to their meter readings to determine how well they are doing in relation to their Monthly Water Budget.

The tariff language as revised and provided to customers and staff (not filed) provides notice that a conservation rate will be applied for May 1 through October 31 for water system with water right issues. The conservation rate increase the Block 3 rate in the current rate schedule from \$2.81 to \$5.00. All funds received as a result of the conservation rate will only be used to cover

costs of conservation equipment, system equipment, system modifications, software, rebate assistance if implemented, surveys, notices and other costs for this program and to obtain, where feasible, additional water rights to benefit affected water systems, which may also include, but is not limited to engineering, legal and fees of other consultants incurred in this process.

For the second and any subsequent water budget exceedances a flow restrictor will be installed (within 24 hours) to limit the amount of water the customer can use. Flow restrictors will limit the amount of water available to no less than 3 gallons per minute. Restoration of normal metered service by the company will occur (during normal business hours and within 24 hours) after the customer has provided a signed 'Application to Restore Normal Meter Service.' A \$25 service visit charge (to remove the flow restrictor) will apply to have Normal Meter Service re-established.

Staff examined the company's proposed tariff and water budget program. Water budgets are not new. The degree of company review, customer oriented data, and communication of severe consequences is, however, a new issue for this commission. The company has incurred considerable expenses for software upgrades and employee time to determine the best approach to dealing with water overuse by some customers. The company claims the Water Budget Program proposed should reduce excessive water usage and not overburden the customers.

Customer Comments

On September 13, 2016, the company notified its customers by mail of the proposed Rule 21 and commission review. Customers were notified that this item would appear on the September 22, 2016, open meeting agenda and 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 jcupp@utc.wa.gov with questions or concerns.

Staff received 15 comments from customers just prior to the open meeting of September 22, 2016. The customer notice about the tariff revision was short notice for that open meeting. The company has adjusted the effective date to allow for 30 days' notice and to cover a second open meeting date of October 6, 2016. On September 30, 2016, the company extended the effective date of the filing until November 1, 2016.

Since October 27, 2016, staff has received one additional comment, from a customer who is confused and concerned about water budgeting. On March 7, 2017, the company sent another notice to customers to explain several changes in Rule 21. Additionally, all customers who commented on the filing have been provided a full copy of the tariff proposed to better communicate Rule 21, noting its various revisions since the program was announced by the company.

Commission staff has reviewed each of the company's proposals and opposes the company's budget methodology but supports their current proposed conservation rate.

Recommendation

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