

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	DOCKET NO. UW-010961
)	
Complainant,)	
)	
v.)	
)	
AMERICAN WATER RESOURCES, INC.,)	ORDER APPROVING
)	SETTLEMENT AGREEMENT
Respondent.)	
.....)	

I. BACKGROUND

- 1 On July 3, 2001, American Water Resources, Inc., (AWRI or Company) filed proposed tariff revisions to increase the rates charged to customers. AWRI serves approximately 1,822 active customers in Lewis, Thurston, Pierce, and Grays Harbor counties. The stated effective date of the proposed new rates was August 5, 2001. The proposed general rates were designed to produce an additional \$227,647 (27.5%) annually, or \$10.37 per customer, per month. By Order dated July 25, 2001, the Commission suspended the proposed rate increase.
- 2 As part of the general rate increase request, AWRI also requested temporary rates, subject to refund, of an additional \$184,296 (22.3%) annually, or \$8.59 per customer, per month. By order dated October 31, 2001, the Commission suspended the proposed temporary rate increase.
- 3 A prehearing conference was held on October 15, 2001. At that time, the parties agreed upon a procedural schedule for the case and requested that the Commission provide assistance to them in mediating a negotiated resolution to the case. The Company and Commission Staff met and conferred, and agreed to propose a resolution of the case by settlement, without need for a full contested case hearing.
- 4 The parties presented the proposed settlement agreement to Administrative Law Judge C. Robert Wallis at a hearing convened for the purpose at Olympia at 6:30 p.m. on December 13, 2001. The parties agreed to waive an initial order and to present the matter directly to the Commission for final decision.

- 5 The Commission also convened a hearing to accept comments from members of the public on the proposed settlement agreement at 7:00 p.m. on December 13, 2001. Two members of the public attended, but offered no comment for the record at the hearing.

II. TERMS OF AGREEMENT

- 6 Under the terms of the settlement agreement, Staff and AWRI agreed to specific items and specific proforma adjustments. The Settlement Agreement is attached to this order as Appendix A and is incorporated into this order by this reference.
- 7 The parties agreed on proforma increases above the restated 2000 test period for the following expense categories, with safeguards to ensure that AWRI will segregate the additional funds and spend those funds only for the purposes intended:
- (a) Salary expense of \$279,364 (other than owner salary), which includes \$70,000 for two additional field staff persons and one additional office staff person.
 - (b) Transportation expense of \$43,116, which includes \$9,678 for transportation costs related to the two additional field staff.
 - (c) Payroll Tax and Benefits expense of \$75,841, which includes \$19,900 for the related payroll tax and benefits for the additional staff.
 - (d) Business consulting expense of \$14,847, which includes \$3,840 annually to pay for increases exceeding \$917.00 per month.

- 8 The total effect of the terms agreed to by the Company and Commission Staff will increase the Company's annual revenue requirement by \$89,250 (11.27%), or \$3.47 per customer, per month, above the test year level. This amount will be added to the base rate that each customer pays. The company will deposit the amount of \$4.40 per month from each customer payment received into a separate account. Funds from that account may be spent only for the additional expenses detailed in paragraph 7, above.

III. DISCUSSION AND DECISION

- 9 The Commission has reviewed the proposed settlement agreement and finds that it is fair, just, and reasonable. It provides for separate handling of certain funds, providing protections to ratepayers; it establishes calculations for certain expenses, such as depreciation, that may help to minimize future disagreements; it limits the rate increase to identified increases in costs; it strikes an appropriate balance between the protected interests; and it obviates the need for litigation whose result is uncertain and whose prosecution would divert parties' attention from company operations.

IV. FINDINGS OF FACT

- 10 The Commission is a regulatory body vested by law with the authority to regulate the rates, regulations, and practices of water companies.
- 11 American Water Resources, Inc., is a company engaged in the business of providing water service to customers within the state of Washington.
- 12 The settlement agreement proposed by the Company and Commission Staff provides the company the opportunity to recover expenses that are appropriate for its operations and to earn a rate of return on its investment that is appropriate for its business.
- 13 The proposed settlement provides adequate and appropriate protections to assure that funds are spent for the purposes intended.

V. CONCLUSIONS OF LAW

- 14 The Commission has jurisdiction over the respondent AWRI and over the subject matter of this proceeding.
- 15 The Commission should accept the proposed settlement agreement and adopt its terms as the Commission's order for purposes of this proceeding.
- 16 The rates, terms, and conditions established in this order result in rates for the respondent's water service that are fair, just, and reasonable.
- 17 The Commission accepts the proposed settlement agreement and adopts its terms as the Commission's order for purposes of this proceeding.

VI. ORDER

- 18 The Commission accepts the proposed settlement and adopts its terms as the Commission's order for purposes of this proceeding. The settlement agreement, which is Exhibit 1 in the record of this proceeding, is attached to this order as Appendix A.
- 19 (1) To assure that the funds discussed in paragraphs 7 and 8 above are separated and spent on the intended purposes, AWRI must:
- (a) Set aside \$4.40 from each monthly payment received, starting with the first billing period after the new rates are in effect.

- (b) Separate and maintain this money in a separate bank account titled “Docket 010961 Account.”
- (c) Use the money in this account to cover only those expenses for employees hired in addition to existing employee positions, the related benefits, payroll tax, and transportation expense, and outside business consulting that exceed the average monthly amount spent during the test period, calculated as follows:

Expense	Monthly Average
Salary	\$ 17,447
Transportation	2,787
Payroll Tax & Benefits	4,662
Business consulting	917

- (d) Not pay expenses for any change in position or increase in expenses for existing employee positions from the separate account.
 - (e) Obtain the vehicles to be used by the two additional field employees from an independent company, i.e., one with no ties to the Company, or to Mr. Fox, by purchase or lease.
- 20 (2) AWRI must prepare the monthly reports listed below, and file them with the Commission on a quarterly basis. Staff and the Company may agree to modify the reports to be provided. Any modification will be effective upon acceptance by the Commission by means of a letter from the Commission’s Executive Secretary in this docket.
- (a) Income Statement
 - (b) Balance Sheet
 - (c) Budget Variance, with explanations for variance
 - (d) “Docket 010961 Account” detail to include: \$4.40 per month per customer
 1. Bills sent out
 2. Aging report
 3. Notices of pending Disconnects
 4. Listing of actual Disconnects
 5. Funds transferred based on collections
 6. Expenditure per budget for personnel, transportation and business consulting
- 21 (3) The Company must file revised tariff sheets, with an effective date of December 15, 2001.
- 22 (4) The Company must file a new rate case by December 18, 2003.

DATED at Olympia, Washington, and effective this ____ day of December, 2001.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner