

Agenda Date: April 30, 2003
Item Number: A3

Docket: UW-030410
Company Name: Timberline Village Water Company, Inc.

Staff: Jim Ward, Revenue Requirements Specialist
John Cupp, Consumer Program Specialist

Recommendation:

Issue a Complaint and Order Suspending the Tariff Revisions filed by Timberline Village Water Company, Inc., in Docket UW-030410.

Background

On March 31, 2003, Timberline Village Water Company, Inc., (Timberline Village or Company) filed to revise its currently effective tariff. This filing includes a general rate case in the amount of \$53,651 (119%), including an increase in the connection charge, several new ancillary charges, and a new facilities charge of \$1,850. Timberline Village water system serves approximately 213 customers east of Packwood and is located in east Lewis County.

Timberline Village states the reason for the filing is to recover expenses that have increased since its last filing in 1994. The company, in its notice to customers, stated that the cost of management services to maintain the system, comply with regulations, and do the billing has increased about 77%.

The Commission received 29 letters opposed and two letters in favor of a necessary increase. Customers believe if the company has made investments to the water system, it should be allowed to recover a fair return on those investments. Many customers wrote to the commission to explain that they are part-time residents that only use their cabin a few times a year for recreational purposes. Customers stated the proposed increase is unreasonable. Some customers believe the water company owner is trying to recover its financial loss from the purchase of the company. Customers stated that the proposed rate design is to promote water conservation, however customers are not aware of misuse of water. Customers mention they do not water lawns or have excessive gardens in the area.

Customers are also concerned about the ready to serve proposal. Many customers have commented that they do not plan to request water at their vacant lot and therefore do not believe they should have to pay a ready to serve charge. The company responded to a

few customers and told them they could avoid the ready to serve charge if they sent the company a letter that indicated they never want water service on their vacant lot and asked the customers to supply specific lot and parcel number to the company and the Company would remove that lot from its ready-to-serve list. The Commission has received one customer service complaint and is waiting for details from the company. Three customers mentioned insufficient pressure, but did not follow up to questions from consumer affairs staff, or had not contacted the Company.

Discussion:

Since its last rate case in 1994, the Company reports that increased costs have occurred due to: new regulations requiring an update of Department of Health's Six-Year Water System Plan and annual operating permit fee; conducting more water chemistry monitoring tests; and providing annual water facility inventory updates. New federal regulations also require the preparation and publication of an annual Consumer Confidence Report and completion of sanitary surveys every five years on each well and pump house.

The Company is proposing changes that provide for what it terms "full recovery of costs" and to shift some of these increasing costs to those customers who actually cause them. For current customers, this means an increase in monthly charges, late charges for those who pay late, and Non-Sufficient Fund (NSF) check charges. For new customers, the Company proposes a new account setup charge, a higher service connection charge, and a new facilities charge.

The Company is requesting a facilities charge for new water service hookups in its service area. This charge will not affect existing customers. A facilities charge is normally used to offset capital expenses associated with additional costs to supply water to new houses in a water company's service area. This type of charge helps to equalize the benefit and cost to new connections to the water system. However, the Company currently has sufficient capacity to serve all prospective customers in the service area.

The Company proposes a ready to serve charge to apply to each vacant (unbuilt) lot that has a water line and service connection that is capable of providing water. A ready to serve charge would apply only to owners of vacant properties. If any current Timberline customer owns additional vacant property, that person is not a Timberline customer for the vacant property. This fee represents non-service related expenses, such as

depreciation, return, etc., and is a way to guarantee the water company will have sufficient capacity to provide water to the property on demand. A property owner may choose to not become a ready to serve customer. However, if that property owner later asks for water service, Timberline may not have sufficient capacity to provide water service. At the time a property owner requests service, the property owner will need to pay all applicable tariff charges.

The Company has completed the installation of a new booster pumping system to improve service pressure and reliability. During 2001 and 2002 the company installed replacement distribution system (isolation) valves at several strategic locations, installed a new 15 hp well pump in Well #1 as a result of a failure, and repaired major sections of the 8" distribution main.

In order to track water usage, to bill based on consumption and to encourage conservation the company plans to install water meters at all new connections and install meters for existing customers over a five year period as available.

The current and proposed rates are listed below.

<u>Item</u>	<u>Current</u>	<u>Proposed</u>
Base Flat Rate (Residence)	\$ 16.80	\$ 34.19
Ready To Serve Charge	NA	\$ 15.62
Metered Rate (Residence) Zero Allowance	NA	\$ 32.50
Excess Consumption		
Per 1 cubic foot up 400 cubic feet	NA	\$ 0.0120
Per 1 cubic foot over 400 cubic feet	NA	\$ 0.0175
State Public Utility Tax	NA	5.029%
Late Payment Fee	NA	\$ 3.50
New Account Setup Charge	NA	\$ 15.00
NSF Charge	NA	\$ 25.00
Connection Charge	\$250.00	\$ 550.00
Facilities Charge	NA	\$1,850.00

Conclusion:

Staff has concerns over the Company's inability to determine data for water production at the well head or water consumption at the customer's property. To establish a fair and equitable meter rate staff needs basic water usage information. This information becomes

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even more critical with the diverse customer base of this company. A small percentage of customers are full time residents. Most customers are part time residents (due to recreational location of Timberline Village) and the homeowners association (HOA) has two (2) swimming pools and a clubhouse.

Staff understands that all residents are part of the HOA and that only HOA members use the swimming pools and clubhouse. Staff believes the proposed rate structure may not appropriately charge those who use the water, for whatever purpose.

The Company has not yet demonstrated that the proposed rates are fair, just, and reasonable. Therefore, Staff recommends that the Commission Issue a Complaint and Order Suspending the Tariff Revisions filed by Timberline Village Water Company, Inc., in Docket UW-030410.