

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND)	DOCKET NO. UW-051444
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	
)	NARRATIVE SUPPORTING
v.)	SETTLEMENT AGREEMENT
)	
KAYAK ESTATES WATER, LLC,)	
)	
Respondent.)	
_____)	

I. PRELIMINARY MATTERS

1 This Narrative Supporting Settlement Agreement (Narrative) is filed pursuant to
WAC 480-07-740(2)(a) on behalf of both Kayak Estates Water, LLC, (Kayak) and the Staff
of the Utilities and Transportation Commission (Staff) (collectively, the “Parties”). Both
Parties have signed the Settlement Agreement (Agreement), which is attached as Exhibit 1
to this Narrative.

2 This Narrative summarizes the Agreement. It is not intended to modify any terms of
the Agreement.

3 Because this matter is a straightforward rate increase, with no party opposition to
settlement, the Parties believe it is appropriate for the Commission to consider the settlement

in camera on a paper record rather than hold a public hearing.¹ Should the Commission wish to schedule a hearing, the Parties are prepared, in keeping with WAC 480-07-740(2)(b), to present one or more witnesses each to testify in support of the proposal and answer questions concerning the settlement agreement's details, and its costs and benefits. In addition, both counsel are available to respond to any questions regarding the proposed settlement.

4 The Parties do not intend to file documentation supporting the Agreement, with the exception of the Agreement itself and this Narrative. If the Commission requires supporting documents beyond the Agreement, Narrative, and the direct and responsive testimony with their exhibits already on file in this docket, the Parties will provide documentation as needed.

5 The Parties request a streamlined review of the proposed settlement because Kayak, with no objection from Staff, would like the new rates to be effective as of May 1, 2005. To that end, the Parties waive entry of an initial order, and ask that the Commission enter only a final order in this docket.

II. SCOPE OF THE UNDERLYING DISPUTE

6 The underlying dispute concerns the tariff revision filed by Kayak on September 26, 2005. Staff did not have sufficient information to evaluate whether the tariff revisions

¹ Snohomish County PUD, an organization interested in purchasing Kayak, contacted Staff on April 12, 2006, and expressed its desire that the Commission not go forward with this settlement pending the potential sale of Kayak to Snohomish County PUD. It is not clear that this organization opposes the terms of the settlement as such. Snohomish County PUD has not intervened in this proceeding and, thus, is not a party with protected rights under WAC 480-07-740 to cross-examine witnesses supporting the proposal, argue in opposition to the proposal, or present evidence against the proposal or for a preferred result. As Staff informed Snohomish County PUD, the PUD is free to write a letter to the Commission expressing its views.

would result in rates that are fair, just, and reasonable. Consequently, the Commission filed a complaint and order suspending Kayak's tariff revisions and ordering a staff investigation of Kayak.

7 The accounting documentation provided to Staff failed to account for amortization of contributions in aid of construction and raised other issues that Staff addressed in its response testimony. Following settlement discussions and additional exchanges of information and calculations, the Parties negotiated a resolution of the issues and entered into the Settlement Agreement.

III. DESCRIPTION OF PROPOSED SETTLEMENT

8 The settlement resolves all issues in the dispute and agrees to a general rate increase and to the rate design as set out by Kayak in its initial tariff filing of September 26, 2005. The terms of the settlement provide that base rates would increase from \$17.00 per month to \$22.75 per month; and for rates based on usage, the rate for use of 0 to 1,000 cubic feet would increase from \$0.75 per 100 cubic feet to \$.95 per 100 cubic feet. Rates for usage over 1,000 cubic feet would remain unchanged.

9 The rates proposed produce an increase in revenue of \$31,561 over test year revenues of \$126,225, which represents a 23.34% increase in total revenue. Regarding rate of return on rate base, the proposed rates generate a 9.19% return.

10 In the agreement, the Parties set the amount of accumulated amortization of contributions in aid of construction (CIAC) at \$324,150 as of the end of the test year and set the CIAC amortization period at 39 years. The accumulated amortization amount combined with the amortization period effect a composite amortization rate of 2.56% and are set not

only for this rate increase but for any future tariff revisions filed by Kayak. Finally, any future contributions in aid of construction that are not tied to specific plant will be amortized over the average useful life of all plant in service.

11 Finally, regarding the meter reading expense, the Parties have agreed that Kayak may file, and Staff will not oppose, a separate tariff for a surcharge to recover the cost of the daily well-head meter read performed during the months it is required by the Department of Health. Kayak has also agreed that it will notify the Commission if Department of Health discontinues the daily well-head meter read requirement and that it will withdraw the surcharge tariff.

IV. STATEMENT OF PARTIES' INTERESTS AND THE PUBLIC INTEREST

12 As stated in the Settlement Agreement, the settlement represents a compromise of the positions of the two Parties. The Parties find it is in their best interests to avoid the expense, inconvenience, uncertainty, and delay necessitated by ongoing adversarial proceedings. Likewise, it is in the public interest that this dispute conclude without the further expenditure of public and company resources on litigation.

13 In response to Kayak's proposed tariff revision, the Commission received 17 comments from customers opposed to the rate increase. For the most part, the comments addressed water quality and quantity issues and complaints about company response time to make repairs or respond to complaints. Department of Health rules do not require the company to remedy the water quality issues raised by the customers because the water, although of poor quality, does not pose a health risk (that is, the complaints concern what are called secondary contaminants, which means that they do not pose a known health risk).

Regarding water quantity, the company has addressed the problem of low water pressure by installing additional pumping equipment and, in accordance with the Department of Health daily well-head meter reading requirement, by more closely monitoring the water source.

14 Customers filed three complaints between 2000 and 2004 regarding company response time to make repairs or respond to complaints. One complaint file showed that the company had responded within 24 hours, and no violations were issued on the others. Because the customer complaints that the Commission has on file regarding company response time did not demonstrate a pattern or practice of poor service, because the water pressure problems have been addressed, and because the water quality issue is not one that the Department of Health requires water companies remedy, customer opposition as stated in the comments does not outweigh the public interest in resolving this dispute according to the terms of the Agreement.

V. LEGAL POINTS THAT BEAR ON PROPOSED SETTLEMENT

15 In WAC 480-07-700, the Commission expresses its support for parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest. The Parties have resolved all of the issues in dispute between them, and their resolution complies with Commission rules and, as explained above, is consistent with the public interest.

VI. CONCLUSION

16 Because the Parties have negotiated a resolution of all of the issues in this dispute and because the settlement is in the public interest, both Parties request that the Commission approve the attached Settlement Agreement.

DATED this 13th day of April, 2006, at Olympia, Washington.

Respectfully submitted,

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

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