

Agenda Date: July 10, 2008
Item Number: A2

Docket: UW-081226
Company Name: Suncadia Water Company, LLC

Staff: Jim Ward, Regulatory Analyst
Dennis Shutler, Consumer Affairs Specialist

Recommendation

Take no action on this filing at this time to allow for customer comments.

Discussion

On July 3, 2008, Suncadia Water Company, LLC (Suncadia or company) filed with the Utilities and Transportation Commission (commission) tariff revisions that would generate \$603,141 (499 percent) in additional revenue per year. All customers receive metered service. This is the company's first general rate increase since becoming regulated on May 15, 2008.

Today's presentation allows customers or other parties to make comments to the commission. No action is required by the commission. Staff will make its recommendation to the commission at the open meeting on July 31, 2008.

On May 15, 2008, Suncadia filed with the commission its first tariff for water service, which became effective July 1, 2008. Suncadia serves 125 mixed-use customers in a planned community consisting of single family homes, multi-family condominiums, a restaurant, a lodge and two golf courses. The water system is located near Cle Elum in Kittitas County.

Suncadia charges customers a flat rate for water service, but will change to metered rates with this proposed tariff. The company estimated that the proposed metered rates would generate \$603,141 (499 percent) in additional revenue per year. The company stated that it filed the proposed metered rates because of increased demands on the water system and Suncadia's need to file "full cost recovery" rates to allow the water company to become self-supporting. Along with this general rate case filing, the company has requested a waiver from WAC 480-110-375 (3). This requested waiver would permit the company to estimate consumption charges during the winter months when meter reading is not feasible.

On May 15, 2008, the company notified its customers of its initial tariff and a filing for general rates. The commission has received four customer comments as of July 7, 2008. The commenting customers believe the proposed change is excessive and offers an inappropriate rate design, misrepresents rate comparisons to other cities, and is not clear on the allocation of capital costs.

- **Customer Comment** – It is inappropriate to distribute these additional costs to customers with ready to serve connections or who currently have little or no water usage. This rate increase is excessive when there is no water usage and no expense to the utility. Increases in

operating costs and maintenance should be distributed to the users of the system, proportionate to their water usage, with the greatest burden on the highest consumers, to encourage water conservation.

Staff's response –The company incurs costs (plant, billing, etc.) even if a customer uses no water. Ready to serve customers are no different than active customers who use no water during a billing period. Both pay the same Base Charge. The rate design does recover operating costs through usage rates, with the usage cost increasing as the amount of water used increases.

- **Customer Comment** – Suncadia cites other cities as the benchmark for its costs, metered rates and increase in revenues. These water systems will have extensive infrastructure upgrades to accommodate growth and will be more expensive than a newly developed water system such as Suncadia.

Staff's response –The company incurs costs (plant, operating, etc.) for providing water service. These costs are recovered by the capacity of service available (meter size) and the amount of water used. Charges for larger meter sizes help recover part of the water system capacity cost and ensure accurate measurement of the amount of water delivered. Meter size is important in rate design because it takes into account the flow capacity of different meter sizes in the water system compared to a normal residential one-inch meter. Part of the base rate is used to allocate the water system's costs according to meter capacity. The design for rates is based on the company's revenue requirement, allocated to all customers. The company uses the customer usage data to determine the winter, summer and annual averages. The company used those averages to design usage blocks and rates. The first usage block normally allows a customer that uses an average amount of water to not exceed the first block during winter months. The second block is set for summer usage. If a third block is used, it is set to recover higher than normal costs from those customers using the highest amount of water.

- **Customer Comment** – How is Suncadia allocating the fixed cost incurred in building the Suncadia development?

Staff's response – Only costs associated with the water system are considered. The company incurred costs for water rights, pumping, storage and distribution. The developer contributed a portion of the costs to the water company, which are called Contributions in Aid of Construction and not allowed in rates. Part of the remaining cost is recovered by the base meter charges and part by the usage rates. Suncadia allocated capital cost for plant based on the number of customers in each class of water service.

On June 6, 2008, Suncadia filed substitute tariff pages to reflect its initial tariff and not a general rate increase. Suncadia also notified its customers that after its initial tariff became effective

July 1, 2008, it would refile the change to metered rates it originally proposed, as well as a general rate increase, with a proposed effective date of August 1, 2008. Current and proposed rates are shown below.

Rate Comparison

Ancillary Charge	Current Rate	Proposed Rate
Reconnection	N/A	\$40.00 per hour
Service Visit	N/A	\$30.00
Late Payment	N/A	2 % or \$5.00
Account Set-up	N/A	\$30.00
NSF Charge	N/A	\$10.00
Hydrant Meter Deposit	N/A	\$500.00
Repair / Damage	N/A	\$40.00 per hour

Monthly Rate	Current Rate	Proposed Rate
	Residential	
Ready To Serve	\$10.00	\$10.00
Un-metered Service	\$35.00	N/A
Base Charge 1 inch Meter	N/A	\$43.86
Residential Usage 0 – 7,000 Gallons	N/A	\$1.59 per 1,000 Gallons
7,001 – 14,000 gallons	N/A	\$3.18 per 1,000 Gallons
>14,000 Gallons	N/A	\$6.36 per 1,000 Gallons
	Non Residential	
Base Charge 2 inch Meter	N/A	\$140.35
Base Charge 3 inch Meter	N/A	\$280.70
Base Charge 4 inch Meter	N/A	\$438.60
Non- residential – all usage	N/A	\$2.54 per 1,000 Gallons
	Suncadia Lodge	
Restaurant Facilities 88.4 ERU *	N/A	\$3,877.22
Restaurant Fire Protection	N/A	\$69.16
Multi-family (per unit)	N/A	\$26.32
Multi-family Fire Protection (per unit)	N/A	\$.47
Non-residential – all usage	N/A	\$2.54 per 1,000 Gallons
	Fire Protection	
Fire Protection Fee 1 inch	N/A	\$5.43

Fire Protection Fee 2 inch	N/A	\$17.38
Fire Protection Fee 4 inch	N/A	\$54.30
Fire Protection Fee 6 inch	N/A	\$108.60
	Potable Irrigation	
Base Charge 1.5 inch Meter	N/A	\$80.28
Base Charge 2 inch Meter	N/A	\$128.45
Base Charge 3 inch Meter	N/A	\$256.90
Potable Irrigation – all usage	N/A	\$2.54 per 1,000 Gallons
	Golf Course Irrigation	
Base Charge 12 Inch Meter Non-Potable Irrigation	N/A	\$3,220.77
Non-Potable Irrigation – all usage	N/A	\$.36 per 1,000 Gallons

*ERU means Equivalent Residential Unit

Average Customer Charge Comparison

Average Monthly Usage 8,871 Gallons	Current Rate	Proposed Rate
Flat Rate	\$35.00	NA
Base Meter Charge	N/A	\$43.86
Fire Protection Charge	N/A	\$5.43
7,000 Gallons	N/A	\$11.13
1,871 Gallons	N/A	\$5.95
Average Monthly Bill	\$35.00	\$66.31

Commission staff has not yet completed its review of Suncadia’s supporting financial documents, books and records.

Conclusion

Take no action on this filing at this time to allow for customer comments.