

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKET NO. UW-042132
TRANSPORTATION COMMISSION,)	
)	ORDER NO. 04
Complainant,)	
)	
V)	ORDER APPROVING
)	SETTLEMENT, DISMISSING
ROCHE HARBOR WATER SYSTEM,)	PROCEEDING, AND ALLOWING
)	TARIFF, AS AMENDED, TO GO
Respondent.)	INTO EFFECT
.....)	

1 **Synopsis:** *The Commission accepts and adopts the settlement agreement between Roche Harbor Water System and Commission Staff as a full resolution of the issues in this proceeding. Accordingly, the Commission dismisses the proceeding and allows the amended tariff revisions to go into effect.*

2 **Proceeding:** This matter concerns tariff revisions filed by Roche Harbor Water System (Roche Harbor Water or the company) establishing an improvement charge¹ of \$3,000 to new customers requiring ¾ inch connections. The proposed tariff provides that the facilities charge graduates upward depending on the size of the customer’s connection. The Commission suspended the tariff revisions pending hearing to determine whether the charges were fair, just and reasonable.

3 **Parties:** Richard A. Finnigan, attorney, Olympia, WA, represent Roche Harbor Water System (Roche Harbor Water). Lisa Gafken, Assistant Attorney General, Olympia, WA, represent the staff of the Washington Utilities and Transportation Commission (Commission Staff).

¹ Roche Harbor identified the proposed new charge as an “improvement charge” but this order will refer to the charge as a “facilities charge,” consistent with the definition of a facilities charge in WAC 480-110-245 and WAC 480-110-455(3).

I. MEMORANDUM

- 4 **Background.** Roche Harbor Water serves a portion of San Juan Island and is owned by Roche Harbor Resort (Resort).² Roche Harbor Resort is the largest customer of Roche Harbor Water, although the water company also serves other non-resort customers. Between eighty and ninety percent of future new capacity on the water company system is expected to serve Roche Harbor Resort. It is expected that 55 non-resort customers will connect to the water company in the future, but up to 527 resort-related connections will occur.
- 5 On December 6, 2004, Roche Harbor Water filed a new tariff establishing a facilities charge for a standard $\frac{3}{4}$ -inch connection of \$3,000. Roche Harbor Water proposed that new customers would pay the new facilities charge of \$3,000, in addition to a \$1,500 service connection charge and the current \$3,500 facilities charge. Thus, each new customer with a $\frac{3}{4}$ -inch connection would pay a total of \$8,000 to connect to Roche Harbor Water.
- 6 The purpose of the new facilities charge was to establish a way for Roche Harbor Resort to shoulder the burden of paying for the cost of expansion of the water company, since the Resort was the primary cause of the required expansion.³ Rather than having the Resort provide a direct capital investment for expansion of facilities, and causing customers to pay a return on that investment in their monthly rates, Roche Harbor Water and Roche Harbor Resort chose the facilities charge as a means of providing funds for system expansion. Imposition of the facilities charge would not increase monthly recurring rates for non-Resort customers of the water company, and thus, according to the companies, would place the burden of expansion on the Resort and not on current customers.

² Direct Testimony of David W. Gibbs (Gibbs testimony), filed June 7, 2005, at 1.

³ See Gibbs testimony.

7 The Commission suspended Roche Harbor's tariff revision on December 29, 2004 to determine whether the proposed facilities charge was fair, just, reasonable, and sufficient.

8 **Settlement.** The chief difference between the settlement agreement and the proposed tariff revision is that the settlement agreement⁴ consolidates the proposed facilities charge of \$3,000 with the current facilities charge of \$3,500, making the charge \$6,500 for a standard ¾ inch connection. The new facilities charge is also a graduated charge that increases with larger connections. Under the settlement each new customer would still have to pay the \$1,500 service connection charge. The total amount for a new connection would remain \$8,000 under the settlement, as it was in the proposed tariff.

9 The settlement agreement also provides a map of the Roche Harbor Resort that shows where the resort expects to expand. The parties agree that the Resort will pay both the \$6,500 facilities charge and the \$1,500 service connection charge for all new ¾ inch connections within the Resort, or within the expected expansion area for the Resort, as shown on the map. Even if the Resort sells property within the Resort or the expansion area, the Resort will pay all charges for any new connection.

10 In addition, under the settlement, all non-resort new customers will pay the \$6,500 facilities charge and the \$1,500 service connection charge for ¾ inch connections.

⁴ The settlement agreement is attached to this order and incorporated by reference. The description of the settlement agreement provided in this section of the order is intended only as a summary. The attached settlement agreement governs the terms of the settlement and speaks for itself.

- 11 According to the settlement agreement, Roche Harbor Water will provide quarterly reports accounting for amounts received from the facilities charges and for amounts spent on facilities improvements.
- 12 The parties propose that the new tariff provision will be effective August 22, 2005.
- 13 The parties stipulated to the admission into the record of Roche Harbor's direct testimony, filed June 7, 2005, and provided a statement of their view that the settlement agreement satisfies their interests and serves the public interest.
- Commission Staff states that the settlement fairly resolves the facilities charge issue contested by the parties. Staff is satisfied that the revised facilities charge allows Roche Harbor Resort to fund the growth of Roche Harbor Water by allowing the Resort to pay a cash contribution in aid of construction for each resort connection to Roche Harbor Water. In this way, current and future non-Resort customers of Roche Harbor Water will not be charged the cost of growth due to Resort expansion.
 - Roche Harbor states that the community of Roche Harbor supports the agreed upon facilities charge because it will keep monthly recurring rates low and will require the resort to pay for water system growth related to Resort expansion. Because the Resort is not providing an "investment" in the water system, no return on the investment is required, eliminating the need for water company customers to pay a return on the investment through the monthly recurring charge for service.

- 14 The parties ask the Commission to approve the settlement terms, dismiss the proceeding, and allow the amended tariff revisions to go into effect.

II. DISCUSSION AND DECISION

- 15 The Commission is charged with regulating in the public interest water companies that fall within its jurisdiction.⁵ A water company's rates must be fair, just, reasonable, and sufficient.⁶ In addition, the Commission encourages settlement of contested matters and may approve a settlement if it is found to be in the public interest.⁷

- 16 The Commission finds that the settlement agreement entered into by the parties would serve the public interest and that the facilities charge proposed by the settlement is fair, just, reasonable and sufficient. The facilities charge will provide the Roche Harbor Resort a means of funding the expansion of the Roche Harbor Water System that is caused by Resort growth, without burdening current customers, or future non-Resort customers, with extra monthly charges. In addition, the settlement provides that all new customers of Roche Harbor Water, most of whom will be part of the Resort, will be required to pay the same charges to connect to the water system.

III. FINDINGS OF FACT

- 17 Having discussed above all aspects of our decision, and having made general findings, the Commission now makes the following summary findings of fact.

⁵ RCW 80.01.040.

⁶ RCW 80.28.010; RCW 80.28.020.

⁷ WAC 480-07-730; WAC 480-07-730; see also, chapter 80.04 RCW; chapter 80.28 RCW; chapter 480-110 WAC.

- 18 (1) The Washington Utilities and Transportation Commission (Commission) is an agency of the State of Washington with statutory authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including water companies.
- 19 (2) Roche Harbor is a water company subject to regulation by the Commission pursuant to RCW 80.01.040(3) and RCW 80.04.010.
- 20 (3) On December 6, 2004, Roche Harbor filed with the Commission tariff revisions establishing a facilities charge to be imposed on customers seeking a standard $\frac{3}{4}$ inch water system, graduated with increases in connection size.
- 21 (4) On December 29, 2004, the Commission suspended the tariff revisions pending hearing to determine whether the proposed increases are fair, just and reasonable.
- 22 (5) On July 20, 2005, Commission Staff and Roche Harbor filed with the Commission a settlement agreement that resolves the issues in this proceeding.
- 23 (6) The parties' settlement agreement is attached to this Order and incorporated by reference.
- 24 (7) The terms of the settlement provide for a revised facilities charge that is fair, just, reasonable, and sufficient.

IV. CONCLUSIONS OF LAW

25 Having discussed above in detail all aspects of this decision, and having stated
general findings and conclusions, the Commission now makes the following
summary conclusions of law.

26 (1) The Washington Utilities and Transportation Commission has jurisdiction
over the subject matter of and the parties to, this proceeding.

27 (2) Roche Harbor Water is a public service company as defined in RCW
80.04.010.

28 (3) The settlement agreement filed by the parties on July 20, 2005, attached to
this Order and incorporated by reference, fully and fairly resolve the
issues in this proceeding, is consistent with the public interest, and should
be approved and adopted by the Commission.

29 (5) The Commission should dismiss the proceeding and allow the amended
tariff revisions to go into effect.

30 (6) The Commission should retain jurisdiction over the subject matter of and
the parties to this proceeding to effectuate the provisions of this Order.

V. ORDER

31 (1) The settlement agreement attached to this Order and incorporated by
reference is approved and adopted.

32 (2) The proceeding in Docket No. UW-042132 is dismissed.

- 33 (3) The tariff, as amended by the settlement agreement, will be effective on
August 22, 2005.
- 34 (4) The Commission retains jurisdiction over the subject matter and the
parties to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this 3rd day of August, 2005.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner

NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-07-870.