

Agenda Date: April 30, 2003
Item Number: A5

Docket: UW-030428
Company Name: Lakeland Village Water Company, Inc.

Staff: Kim Dobyms, Regulatory Analyst
Jim Ward, Regulatory Analyst

Recommendation:

Allow the revised Tariff Revisions filed by Lakeland Village Water Company, Inc., in Docket No. UW-030428 to become effective May 1, 2003.

Grant an Exemption from Rule 480-110-425, Water Company Customer Notice Requirements.

Background:

On March 31, 2003, Lakeland Village Water Company, Inc., (Lakeland Village) filed to revise its currently effective tariff. This filing is a general rate case in the amount of \$22,000 (19%) annually. Lakeland Village water system serves approximately 519 customers west of Allyn and is located in Mason County.

Lakeland Village states the reason for the filing is to recover general operating expenses that have increased since its last filing in 1998. Specifically, the cost of water testing and reporting, power, fuel, postage, wages, and other associated business costs that have increased.

The Commission received two letters opposed to the filing. One letter requested information about the rate setting process. The other letter questioned the need for more revenue based on the company's growth in the last couple of years.

Discussion:

Staff has reviewed Lakeland Village's books and records and found it has justified the requested revenue requirement. As part of the general rate case the Company filed rates that included 500 cubic feet of water allowance in the base rate. However, staff believes a zero allowance base rate will provide for conservation by charging customers for only the water that they use. By use of a zero allowance base rate and one block of usage, the company is taking the first step towards an incentive metered rate design.

Staff's revised rates will result in higher water bills for customers that use 101 - 800 cubic feet of water. Customers who use less than 100 cubic feet or more than 800 cubic feet, will pay lower water bills than the company's proposed rate design. Staff has asked the company to keep more detailed records of consumption usage and patterns. With this information the company will be able to file next time to include a second block for higher usage at a higher rate, if needed.

WAC 480-110-425 requires water companies to provide 30 days advance notice to customers prior to a rate increase. To ensure customers are aware of this change and to accommodate the Company's request for additional revenue, an exemption of Commission rule is needed. Lakeland Village stated the reasons for requesting the exemption was it had notified customers of the proposed rate increase and its rate design. However, Staff negotiated a different rate design which customers can be informed about on the first bill after the rate goes into effect.

This revised rate design will generate the appropriate amount of revenue. Lakeland Village submitted revised tariff pages that incorporate the revised rates in the table below.

<u>Rates</u>	<u>Current</u>	<u>Proposed</u>	<u>Revised</u>
Base Flat Rate	\$ 19.00	\$ 24.00	\$ 22.50
Metered Rate, Includes 500 cubic feet	\$ 14.25	\$ 15.00	N/A
Metered Rate, Zero Allowance	N/A	N/A	\$ 13.75
Usage Per 100 Cubic Feet > 500 cubic feet	\$ 1.50	\$ 2.10	N/A
Usage Per 100 Cubic Feet, no minimum usage	N/A	N/A	\$ 1.00

Conclusion

Lakeland Village has demonstrated that the proposed rates are fair, just, and reasonable. Therefore, Staff recommends that the Commission allow the revised Tariff Revisions filed by Lakeland Village Water Company, Inc., in Docket No. UW-030428, to become effective May 1, 2003. Grant an Exemption from Rule 480-110-425, Water Company Customer Notice Requirements.

Attachment (1)