

April 2, 2004

Patrick C. Roe, President
MacKaye Harbor Water Company
P.O. Box 372
Lopez Island, Washington 98261

RE: Petition for Amendment of WAC 480-110-255 to increase the maximum average annual revenue per customer for non-regulated water systems, Docket No. UW-040375

Dear Mr. Roe,

On February 6, 2004, MacKaye Harbor Water Company (MacKaye) filed a petition requesting that the Commission amend WAC 480-110-255, Jurisdiction, to increase the maximum average annual revenue per customer for non-regulated water systems.

The petition states that MacKaye serves fifty-five water connections on the south end of Lopez Island in San Juan. MacKaye currently charges the maximum allowable amount of \$429 per customer per year, which places the company outside the Commission's jurisdiction.

MacKaye requests that the Commission increase the jurisdictional threshold for non-regulated water systems from \$429 to \$480. In support of its request, MacKaye relates its inability to set aside sufficient reserves at the current threshold to maintain its 20-year-old system. In addition, MacKaye cites RCW 80.04.010, which allows the Commission to increase annually by rule the jurisdictional threshold to reflect the rate of inflation as determined by the implicit price deflator of the U. S. Department of Commerce. MacKaye notes that the \$429 threshold has been in effect at least since 1999. In further support of its proposed increase to \$480, MacKaye cites the Bureau of Labor Statistics consumer price index for the western region which increased by 13.26 percent between January 1999 and December 2003.

The Commission observes that the standard used by MacKaye to calculate the proposed increase in jurisdictional threshold to \$480 is not the standard set forth in the statute. MacKaye used the Bureau of Labor Statistics consumer price index for the western region to arrive at its proposal. RCW 80.04.010 requires the Commission use the implicit price deflator of the U.S. Department of Commerce.

Accordingly, on March 31, 2004, during its regularly scheduled open meeting, the Commission rejected MacKaye's petition and declined to file its \$480 proposal as a proposed amendment to WAC 480-110-255. While it may be appropriate to raise the jurisdictional threshold, the Commission must use the standard set forth in RCW 80.04.010. Moreover, the Commission believes that it should seek input from other interested persons before proposing any amendment to WAC 480-110-255. The Commission has therefore directed the Executive Secretary to file a preproposal statement of inquiry (CR-101) with the Code Reviser which gives notice that the Commission will begin considering the amendment of the jurisdictional threshold for water companies set forth in WAC 480-110-255.

Sincerely,

CAROLE J. WASHBURN
Executive Secretary