

Agenda Date: May 26, 2004
Item Number: A1

Docket: UW-040651
Company Name: Canterwood Water Company, Inc.

Staff: Danny Kermode, Regulatory Analyst

Recommendation:

Issue a Complaint and Order Suspending the Tariff Revisions filed by Canterwood Water Company, Inc., in Docket UW-040651.

Discussion:

On April 7, 2004, Canterwood Water Company, Inc., (Canterwood or Company) filed to change several charges and to implement new charges. The Company serves approximately 600 residential customers in Pierce County near Gig Harbor.

The filing clarifies the company's rules on discontinuance of service, broadens the rules on Cross Connection Control with includes new charges for premises inspections and adds a new rule on unauthorized use of service. The Company has increased its ancillary charges to reflect an increase in its contracted labor costs.

The most significant portion of the filing is the Company's proposal to restructure its inverted rates to affect water consumption of its high usage customers. The Company proposes an increase in the commodity charge for usage over 4,000 cubic feet by \$2.00 (133 percent) per 100 cubic feet. Based upon historical usage data and assuming no elasticity, the average water bill will increase 76 percent, however, some customers may see increases up to 127 percent. The proposed change in its rate structure would produce a 25% increase, again assuming no elasticity, or approximately \$66,000 of additional revenue over current revenue levels. (See Appendix A for a summary of the proposed changes.)

The Company expects that with the significant increase in the commodity charge, water usage will decrease. However, Staff believes it is not clear to what degree, if any, customer water usage will change. Customers have discussed their concerns that the Company may have a windfall if the proposed rates become effective and water usage is not reduced to the degree the company expects or if there is a reduction, the reduction will be short-lived. In response to customer and Staff concerns, the Company recently offered a proposal that would track revenues generated by the new rate structure on a monthly basis. It is proposed that amount exceeding 2002 revenue levels would be placed into an escrow account that would be used to increase source and supply capacities of the water system. Any excess funds would be considered Contributions in Aid of Construction and would be used in the benefit of the rate payer by increasing the company's capacity to provide water. Staff has not had sufficient time to review the proposal and its proposed accounting.

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Therefore, Staff recommends that the Commission issue a Complaint and Order Suspending the
Tariff Revisions filed by Canterwood Water Company, Inc., in Docket UW-040651.

- Appendix A -

<u>Metered Rate Service</u>	<u>Current</u>	<u>Monthly Meter Rate Proposed</u>	<u>Monthly Meter Rate Change</u>	<u>Proposed Change</u>	<u>Percent Change</u>
<u>Base Rate - zero allowance:</u>					
3/4 inch meter Existing	\$ 16.70	\$ 16.50	(0.20)		(1.2%) decr.
1 inch meter	\$ 28.39	\$ 28.05	(0.34)		(1.2%) decr
1.5 inch meter	\$ 55.11	\$ 54.45	(0.66)		(1.2%) decr
2 inch meter	\$ 88.51	\$ 87.45	(1.06)		(1.2%) decr
3 inch meter	\$ 167.00	\$ 165.00	(2.00)		(1.2%) decr
<u>Usage Rate (per 100 cubic feet)</u>					
0 to 1,000 cubic feet	\$ 0.75	\$ 0.75	(0.00)		0%.
1,001 to 1,500 cubic feet	\$ 1.00	\$ 0.75	(0.25)		(25%) decr
1,501 to 2,000 cubic feet	\$ 1.00	\$ 1.25	0.25		25%. incr.
2001 to 4,000 cubic feet	\$ 1.25	\$ 1.25	(0.00)		0%.
Over 4,000 cubic feet	\$ 1.50	\$ 3.50	2.00		133%. incr.
(Average usage: 2,399 cubic feet/mo.)					

<u>Ancillary Charges</u>	<u>Current</u>	<u>Proposed</u>
Reconnection	\$ 35.00	\$ 42.50
Disconnect Visit	\$ 35.00	\$ 42.50
Service Visit	\$ 30.00	\$ 53.50
Certificate of Water Availability	\$ 70.00	\$ 210.00*
*Includes cost of required fire hydrant flow test.		
Cross Connection Control Inspection	\$ 0.00	\$ 85.00 per hour