

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION
COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

DEER MEADOWS WATER COMPANY,
INCORPORATED,

Respondent.

DOCKET UW-100642

SETTLEMENT AGREEMENT

1 As described below, all parties to this docket, i.e., Deer Meadows Water Company, Incorporated (“Deer Meadows” or “the Company”) and Staff of the Washington Utilities and Transportation Commission (“Staff”) have reached an agreed resolution of issues in this docket, subject to Commission approval. Consequently, this Settlement Agreement (“Agreement”) is being filed with the Commission as a “full settlement” pursuant to WAC 480-07-730(1). The Agreement consists of this document, entitled “Settlement Agreement,” and Appendix A attached hereto.

2 The Parties understand that this Agreement is not binding on the Commission or any Party unless and until the Commission approves it.¹

I. PARTIES

3 This Agreement is entered into by the Company and Staff. These are all the parties to this docket.

¹ The exception is that prior to the Commission’s approval of the Agreement, the Parties agree to support the Agreement before the Commission. ¶ 17, *infra*.

II. BACKGROUND

4 On April 20, 2010, Deer Meadows filed with the Washington Utilities and
Transportation Commission (“Commission”) revisions to its currently effective Tariff WN-
U1, designed to effect a general rate increase for water service.² On April 27, 2010, the
Company submitted replacement sheets that corrected grammatical errors on the tariff sheets
filed on April 20, 2010. In the filing, the Company requested an annual revenue increase of
\$114,234, or approximately 80 percent. The rate filing also included revised charges for
items other than charges for water consumption, namely, a new Non-Sufficient Fund (NSF)
check charge, a new service visit charge, and an increased reconnection charge.

5 By complaint and order dated May 13, 2010, the Commission suspended the effect
of these tariff changes.³

6 By notice dated July 15, 2010, the Commission scheduled a prehearing conference
for August 2, 2010 and appointed Administrative Law Judge (ALJ) Patricia Clark to hear the
matter.⁴

7 The Commission held a prehearing conference on August 2, 2010, which, among
other things, set a procedural schedule.⁵

8 The Staff investigated the Company’s filings in detail and engaged in further
discovery. The Parties reached an agreement in principle, which, if approved by the
Commission, would resolve all of the issues in this docket. The Parties wish to present their

² The Company designated the new tariff sheets as: Second Revision of Sheet No. 22 Canceling First Revision of Sheet No. 22; First Revision of Sheet No. 23 Canceling Original Sheet No. 23; and First Revision of Sheet No. 45 Cancelling Original Sheet No. 45. The stated effective date is May 21, 2010.

³ *Washington Utilities and Transportation Commission v. Deer Meadows Water Company, Incorporated*, Docket UW-100642, Order 01, Complaint and Order Suspending Tariff Revisions (May 13, 2010).

⁴ *Washington Utilities and Transportation Commission v. Deer Meadows Water Company, Incorporated*, Docket UW-100642, Notice of Prehearing Conference (July 15, 2010).

⁵ *Washington Utilities and Transportation Commission v. Deer Meadows Water Company, Incorporated*, Docket UW-100642, Order 02, Prehearing Conference Order Establishing Procedural Schedule and Scheduling Hearing (August 3, 2010).

agreement for the Commission's consideration. The Parties therefore adopt the following Agreement, which is entered into by the Parties voluntarily to resolve matters in dispute among them in the interest of expediting the orderly disposition of this proceeding.

III. AGREEMENT

A. Revenue Increase and Rate Effective Date

9 The Parties agree that Deer Meadows shall be authorized to implement rate changes designed to increase its annual revenues from Deer Meadows customers by \$11,227 (or 7.8 percent) on test year revenues of \$144,759. The Parties agree that the agreed rate changes identified herein will be effective the 20th day of the month after the Commission approves the Agreement. The suspension period in the docket ends on March 21, 2011.

10 The current, proposed and revised settlement rates are shown below for comparison purposes.

B. Rate Spread and Rate Design for Revenue Increase

11 The Parties agree that the agreed revenue increase will be implemented as follows:

For customers served by a ready-to-serve charge:

Monthly rate \$24.00

For Customers Served by a 3/4 Inch Meter

Usage per 1,000 Gallons	Current Rate	Proposed Rate	Settlement Rate
Base Charge	\$26.25	\$48.25	\$24.00
0 – 4,600 Gallons	\$0.46	\$1.06	\$0.50
4,601 – 15,840 Gallons	\$0.46	\$1.06	\$1.00
Over 15,840 Gallons	\$0.46	\$1.06	\$1.60

For Customers Served by a 4 Inch Meter

Usage per 1,000 Gallons	Current Rate	Proposed Rate	Settlement Rate
Base Charge	\$438.38	\$438.38	\$400.80
0 – 76,820 Gallons	\$0.46	\$1.06	\$0.50
76,820 – 264,528 Gallons	\$0.46	\$1.06	\$1.00
Over 264,528 Gallons	\$0.46	\$1.06	\$1.60

The effects of these rates for residential customers are shown in the table below.

Average Bill Comparison for 3/4 Inch Meter

Average Monthly Usage 15,300 Gallons	Current Rate	Proposed Rate	Settlement Rate
Base Rate (3/4 inch meter)	\$26.25	\$48.25	\$24.00
4,600 gallons	\$ 2.10	\$ 4.88	\$ 2.30
10,700 gallons	\$ 4.92	\$11.34	\$10.70
Average Monthly Bill	\$33.27	\$64.47	\$37.00
Increase From Current Rates			11.2 %

12 The Company's current and proposed tariff includes rates for a 6 inch meter connection specifically for a golf course. The golf course is no longer a customer. Accordingly, tariff sheets implementing the revised rate spread and rate design in this Agreement will not include the golf course 6 inch meter connection.

13 Appendix A to this Agreement contains the tariff sheets that implement this rate spread and rate design for the general rate increase.

C. Miscellaneous Charges Originally Proposed in Docket UW-100642

14 The parties agree that the rate changes will not include the new Non-Sufficient Fund (NSF) check charge, new site visit charge, and the increased reconnection charge proposed in the tariff sheets originally filed in this docket. Original Sheet 45 will remain in effect.

D. Authorized Return on Rate Base

15 The Parties agree that, if needed for reporting and/or accounting purposes, the Company may use an overall return of 9.8 percent, and an authorized return on equity of 12 percent.

E. Discovery and Procedural Schedule

16 The Parties agree to suspend all discovery in this proceeding pending filing and consideration of this Agreement. In the event the case resumes, the Parties agree to work cooperatively to develop a new schedule taking into consideration the delay associated with this Agreement.

F. General Provisions

17 The Parties agree that this Agreement is in the public interest and would produce rates for the Company that are fair, just, reasonable, and sufficient. The Parties agree to support this Agreement as a settlement of all contested issues in this proceeding. The Parties further agree that this Agreement, upon its approval by the Commission, resolves and concludes this docket. The Parties understand that this Agreement is not binding on the Commission or any Party unless and until it is approved.

18 The Parties agree that this Agreement represents a compromise in the positions of the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Agreement shall not be admissible as evidence in this or any other proceeding.

19

The Parties agree this Agreement represents the entire agreement of the Parties, and it supersedes any and all prior oral or written understandings or agreements related to this docket or this Agreement, if any, and no such prior understanding, agreement or representation shall be relied upon by any Party. Parties have negotiated this Agreement as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Agreement in its entirety.

20

The Parties shall cooperate in submitting this Agreement promptly to the Commission for acceptance, and cooperate in supporting this Agreement throughout the Commission's consideration of this Agreement. In particular, each Party shall cooperate in filing supporting testimony, as described in WAC 480-07-740 (2) (a) and (b). The Parties agree to support the Agreement throughout the Commission's consideration of this Agreement, and abide by the procedures determined by the Commission for its review of this Agreement. If necessary, each Party will provide witnesses to sponsor and support this Agreement at a Commission hearing. If the Commission decides to hold such a hearing, each Party will recommend that the Commission issue an order adopting the Agreement. In the event the Commission rejects this Agreement, the provisions of WAC 480-07-750 (2) (a) shall apply. In the event the Commission accepts the Agreement upon conditions not proposed herein, the provisions of WAC 480-07-750(2) (b) shall apply. In the event the Commission accepts the Agreement upon conditions not proposed herein, or approves resolution of this proceeding through provisions that are different than recommended in this Agreement, each Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the Commission's order, to state its rejection of the conditions. If any Party rejects a proposed new condition, the Parties will:

(1) request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case pursuant to WAC 480-07-750(2) (a); and, (2) cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing briefs.

21 In the event the Commission determines that it will reject the Agreement or accept the Agreement upon conditions not proposed herein, the Parties request that the Commission issue an order as soon as possible so that the Parties may promptly invoke the provisions of WAC 480-07-750.

22 The Parties enter into this Agreement to avoid further expense, inconvenience, uncertainty, and delay. By executing this Agreement, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Agreement, nor shall any Party be deemed to have agreed that any provision of this Agreement is appropriate for resolving issues in any other proceeding, except to the extent expressly set forth in the Agreement.

23 This Agreement may be executed in counterparts and each signed counterpart shall constitute an original document. A Party may authorize another Party to sign on the first Party's behalf. A signed signature page that is faxed or emailed is acceptable as an original signature page signed by that Party.

24 This Agreement is the product of negotiation and no part shall be construed against any Party on the basis that it was the drafter.

25 Each Party agrees to provide all other Parties the right to review in advance of publication any and all announcements or news releases that any other Party intends to make

about the Agreement (with the right of review to include a reasonable opportunity to request changes to the text of such announcements). Each Party also agrees to include in any news release or announcement a statement to the effect that the Commission Staff's recommendation to approve the Agreement is not binding on the Commission itself.

26 The effective date of this Agreement is the date of the Commission order approving it, subject to the procedures described in paragraph 17 above.

27 This AGREEMENT is entered into by each Party as of the date entered below.

DATED: SEPTEMBER 14, 2010

**Deer Meadows Water Company,
Incorporated**

**Staff of the Washington Utilities and
Transportation Commission**

By _____
Richard A. Finnigan
Attorney

By Michael A. Fassio
Michael A. Fassio
Assistant Attorney General

Date: _____

Date: 9/14/2010

about the Agreement (with the right of review to include a reasonable opportunity to request changes to the text of such announcements). Each Party also agrees to include in any news release or announcement a statement to the effect that the Commission Staff's recommendation to approve the Agreement is not binding on the Commission itself.

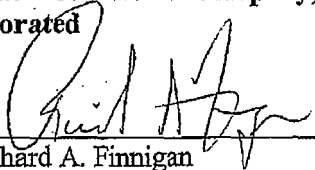
26 The effective date of this Agreement is the date of the Commission order approving it, subject to the procedures described in paragraph 17 above.

27 This AGREEMENT is entered into by each Party as of the date entered below.

DATED:

**Deer Meadows Water Company,
Incorporated**

**Staff of the Washington Utilities and
Transportation Commission**

By 
Richard A. Finnigan
Attorney

By _____
Michael A. Fassio
Assistant Attorney General

Date: 9 / 13 / 2010

Date: _____

Appendix A

WN U-1

**SECOND REVISION OF SHEET NO. 22
CANCELING FIRST REVISION OF SHEET NO. 22**

DEER MEADOWS WATER COMPANY, INCORPORATED

**SCHEDULE NO. 2
METERED RATE SERVICE**

Available

Within the limits of all Water Service Areas and at utility's option and capability to maintain Department of Health standards of quantity and quality.

Applicable

Applicable to domestic residential customers served by the utility on a metered basis.

Conditions

The charge for this service is not subject to cancellation or reduction for seasonal or temporary periods, unless seasonal rates apply per this tariff. This charge will be the monthly minimum bill for this class of service.

Rates

<u>Meter Size</u>	<u>Base Rate</u>	<u>1st* Block</u>	<u>1st** Block</u>	<u>2nd* Block</u>	<u>2nd** Block</u>	<u>3rd* Block</u>	<u>3rd** Block</u>
3/4 Inch	\$24.00	0 - 4,600	\$0.50	4,601 - 15,840	\$1.00	Over 15,840	\$1.60
4 Inch	\$400.80	0 - 76,820	\$0.50	76,820 - 264,528	\$1.00	Over 264,528	\$1.60

(T)
(D)
(N)

(N)

(D)

* Usage is stated in gallons.
** Rate is per 1,000 gallons.

Issued: _____, 2010 **Effective:** _____, 2010

Issued by: Deer Meadows Water Company, Incorporated

By: Richard A. Finnigan **Title:** Attorney

WN U-1

**FIRST REVISION OF SHEET NO. 23
CANCELING ORIGINAL SHEET NO. 23**

DEER MEADOWS WATER COMPANY, INCORPORATED

**SCHEDULE NO. 3
READY TO SERVE SERVICE**

Available

Within the limits of all Water Service Areas and at utility's option and capability to maintain Department of Health standards of quantity and quality.

Applicable

To any property owner who has completed and signed a Water Service Application, paid all applicable fees required for meter service connection, and had Water Service Application accepted in writing by the utility, and for whom the utility has installed the direct connection from the water system to the applicant's property line. Applicable to domestic residential customers, where meters have not yet been installed.

Conditions

The charge for this service is not subject to cancellation or reduction for seasonal or temporary periods, unless seasonal rates apply per this tariff. This charge will be the monthly minimum bill for this class of service. At the time water service begins, the customer shall be transferred to Schedule 2, Metered Service.

Monthly Rates

Each connection or customer \$24.00 (R)

Note: The Ready to Serve charge may be discontinued upon receiving written request from the customer or for non-payment of the Ready to Serve charge. Termination of the charge will allow the utility to remove the service line and/or connection. This disconnection or removal will allow the utility to make that available service capacity to supply other connections on the water system.

After a service line and/or connection has been removed for discontinued service, future service to the property will require a new application for service, payment of service connection charges and will be subject to the availability of service capacity at such time as the future application for service is made.

Issued: _____, 2010

Effective: _____, 2010

Issued by: Deer Meadows Water Company, Incorporated

By: Richard A. Finnigan

Title: Attorney