

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

SUMMIT VIEW WATER WORKS, LLC

Respondent.

DOCKET UW-110107

FULL SETTLEMENT
AGREEMENT OF COMMISSION
STAFF AND SUMMIT VIEW
WATER WORKS, LLC

I. INTRODUCTION

1 This Full Settlement Agreement is entered into pursuant to WAC 480-07-730(1) in order resolve all issues raised between the Parties related to the tariff filing of Summit View Water Works, LLC in this proceeding. This Full Settlement Agreement recommends a one-time Facilities Charge of \$1402 for new domestic water service customers that the Parties agree is just, fair, reasonable and sufficient and otherwise in the public interest, and should be accepted by the Commission. This Full Settlement Agreement also recommends certain accounting and reporting requirements that the Parties also agree are in the public interest and should be accepted by the Commission.

2 The recommended Facilities Charge and accounting and reporting requirements are the identical proposals made by Staff in its response testimony in this docket. The Parties understand this Full Settlement Agreement is subject to Commission approval.

II. PARTIES

3 This Full Settlement Agreement is entered into between the Staff of the
Washington Utilities and Transportation Commission (“Staff”) and Summit View Water
Works, LLC (“Company”) (collectively referred to hereinafter as the “Parties” or
individually as a “Party”). These Parties are the only participants in this docket.

III. BACKGROUND

4 Summit View Water Works, LLC is a water company regulated by the
Commission under RCW Title 80. It provides both domestic drinking water and irrigation
water service near Kennewick, Washington in Benton County.

5 On January 12, 2011, the Company filed revisions to its currently effective
Tariff WN U-1 that would add a new facilities surcharge of \$11.60 for both existing and
new domestic water service customers and a one-time \$1000 facilities charge for new
domestic water service customers. The proposed revisions would each recover one-half of
the total cost to construct a new well for domestic water service (“New Domestic Water
Well”), which the Company estimated at \$230,000.

6 The Commission suspended the operation of the tariff revisions by Order 01
on February 10, 2011. A Prehearing Conference was held on May 9, 2011. Protective
Order 03 was issued by the Commission on May 10, 2011. The Company filed its direct
testimony and exhibits in support of the proposed tariff revisions on June 10, 2011.

7 On July 22, 2011, Staff filed its response testimony and exhibits. Staff
recommended that none of the costs of constructing the New Domestic Water Well should
be recovered from existing domestic water service customers. Instead, Staff recommended a

one-time Facilities Charge of \$1402 to be assessed only against new domestic water service customers.

8

Staff also made the following additional recommendations:

1. The facilities charge should expire after 17 years, the expected term of a loan from a Company affiliate (Candy Mountain LLC) to fund the estimated cost of the New Domestic Water Well, or when the Company has recovered the total actual cost of well construction. The tariff should include an express “sunset” provision and expiration date to implement this recommendation.
2. The Commission should grant an exemption to WAC 480-110-455(3)(a)(i) and (b), which otherwise would prohibit the Facilities Charge from funding 100 percent of the total cost of the New Domestic Water Well. Staff explained that an exemption is consistent with the public interest and the underlying purposes of regulation because it is fair and reasonable for new customers to pay the total cost of new facilities constructed predominantly to serve new customers.
3. The Company began construction of the New Domestic Water Well in April 2011 with a loan from Candy Mountain LLC. Once the actual costs are known, the Company should be required to file a report with the Commission consisting of a cost summary, with supporting documentation related to the construction. The report should be filed no later than three months after the end of construction. If the report shows that actual costs are materially different from the Company’s initial estimate of \$230,000, the Company should also be required to file at the same time as the report a tariff to

increase or decrease the Facilities Charge accordingly and provide refunds, if any, to customers who have made payments in excess of the amount needed to generate the actual construction costs.

4. The Company must comply with the existing accounting and reporting requirements of WAC 480-110-455(4) that apply to facilities charges. Staff recommended, however, that the Commission should not exercise its discretion under the rule to require the Company to request pre-approval to disburse funds generated by the Facilities Charge.

9 Prior and subsequent to the filing of Staff's response testimony, the Parties engaged in settlement discussions. The Parties have reached a Full Settlement Agreement pursuant to WAC 480-07-730(1) and now wish to present their agreement for Commission approval. In the interests of expediting the orderly disposition of this docket, the Parties therefore adopt the following Full Settlement Agreement which is entered into by the Parties voluntarily to resolve matters regarding rate recovery of the cost to construct the New Domestic Water Well and other matters.

10 The Parties understand that only Section IV of this Full Settlement Agreement is subject to Commission approval and hereby respectfully request that the Commission issue an order approving Section IV of this Full Settlement Agreement in its entirety. The Parties request that the Commission hear evidence concerning their Full Settlement Agreement during the hearings scheduled to commence on August 26, 2011. The testimony and exhibits filed by Staff on July 22, 2011, provide the supporting documentation for the Full Settlement Agreement, as required by WAC 480-07-740(2).

IV. AGREEMENT

A. New Customer Facilities Charge

11 The Parties agree that none of the costs of constructing the New Domestic
Water Well should be recovered from customers already being provided domestic water
service on the date the Full Settlement Agreement is approved by the Commission. Instead,
the Parties agree to Staff's recommended one-time Facilities Charge of \$1402 to be assessed
only against new domestic water service customers.

12 The Parties agree that the Company will utilize funds generated from the
agreed Facilities Charge only for the purpose of constructing the New Domestic Water Well.
The Parties further agree that the Facilities Charge should include the sunset provision
recommended by Staff, as described above in paragraph 8(1).

13 The Attachment to this Full Settlement Agreement is a tariff containing the
Facilities Charge and sunset provision agreed to by the Parties.

B. Rule Exemption

14 The Parties agree to the Staff recommendation described in above in
paragraph 8(2) that the Commission should authorize an exemption from the provisions of
WAC 480-110-455(3)(b), which otherwise would prohibit the Facilities Charge from
funding the full cost of the New Domestic Water Well.

C. Accounting and Reporting Requirements

15 The Parties agree to the Staff recommendation described above in paragraph
8(4) that the Company will comply with all accounting and reporting requirements of WAC
480-110-455(4), although the Parties do not recommend that the Commission, at this time,
exercise its discretion to require the Company to request permission to disburse funds

generated by the agreed Facilities Charge (WAC 480-110-455(4)(b)(i)) or to pre-approve individual disbursement of funds generated by the agreed Facilities Charge (WAC 480-110-455(4)(b)(ii)).

16 The Parties also agree to the Staff recommendation described above in paragraph 8(3) that the Company should be required to file a report with the Commission consisting of a cost summary, with supporting documentation related to the construction of the New Domestic Water Well. The report will be filed no later than three months after the end of construction. If the report shows that actual costs for construction of the New Domestic Water Well are materially different from the Company's initial estimate of \$230,000, the Company will also file concurrently a tariff revision to increase or decrease the Facilities Charge accordingly, including refunds, if any, for customers who have previously made payments in excess of the amount needed to generate the actual construction costs.

17 The Parties agree to exercise good faith in determining materiality under the provision described above in paragraph 16. The Company also agrees to consult with Staff in advance of any tariff filing required by paragraph 16 above.

D. Admission of Exhibits

18 The Parties agree that the direct testimony and exhibits of Mr. Kirk Rathbun for the Company, and the response testimony and exhibit of Ms. Amy White for Staff, should all be admitted into evidence in this proceeding. The Parties agree to waive cross-examination of each other's witness at hearing on August 26, 2011 when this Full Settlement Agreement is presented to the Commission for approval.

E. Waiver of Initial Order

19 The Parties agree to waive entry of an initial order in this docket and recommend that the Commission enter a final order approving Section IV of this Full Settlement Agreement in its entirety.

V. MISCELLANEOUS PROVISIONS

20 The Parties agree to support the terms and conditions of this Full Settlement Agreement as a resolution of all issues regarding rate recovery of the cost to construct the New Domestic Water Well and other matters. Accordingly, the Parties recommend that the Commission adopt and approve Section IV of this Full Settlement Agreement in its entirety, including the Attachment.

21 The Parties shall cooperate in submitting this Full Settlement Agreement promptly to the Commission for approval of Section IV above, and shall cooperate in developing any additional supporting documentation as may be required by the Commission. The Parties agree to support the Full Settlement Agreement throughout this proceeding, provide witnesses to sponsor the Full Settlement Agreement at a Commission hearing on August 26, 2011, and recommend that the Commission issue a final order adopting Section IV of Full Settlement Agreement in its entirety.

22 In the event the Commission rejects Section IV of the Full Settlement Agreement, the provisions of WAC 480-07-750(2)(b) shall apply. In the event the Commission accepts Section IV of the Full Settlement Agreement upon conditions not proposed herein, each Party reserves the right, upon written notice to the Commission and all other parties to this proceeding within five (5) days of the Commission order, to withdraw from this Full Settlement Agreement. If either Party exercises its right of

withdrawal, this Full Settlement Agreement shall be void and of no effect, and the Parties agree to cooperate in development of a procedural schedule that concludes this proceeding at the earliest possible date.

23 By executing this Full Settlement Agreement, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, accounting adjustments, or theories employed in arriving at the terms of this Full Settlement Agreement and except to the extent expressly set forth in this Full Settlement Agreement, no Party shall be deemed to have agreed that this Full Settlement Agreement is appropriate for resolving any issues in any other proceeding. No Party shall represent that any of the facts, principles, methods, or theories employed by any Party in arriving at the terms of this Full Settlement Agreement are precedents in any other proceeding.

24 This Full Settlement Agreement may be executed in counterparts, through original and/or facsimile signature, and each signed counterpart shall constitute an original document.

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

SUMMIT VIEW WATER WORKS, LLC

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RICHARD A. FINNIGAN
Attorney for Summit View Water Works, LLC

Dated: August 12, 2011

Dated: _____, 2011