

WASHINGTON



UTILITIES AND TRANSPORTATION
COMMISSION

Consumer Help Line
888-333-WUTC (9882)
consumer@utc.wa.gov

TTY
800-416-5289

Education and Outreach
360-664-1110

Media Line
360-664-1116

The UTC regulates the services of privately or investor owned utility and transportation companies. Our mission is to ensure that services are fairly priced, available, reliable and safe.

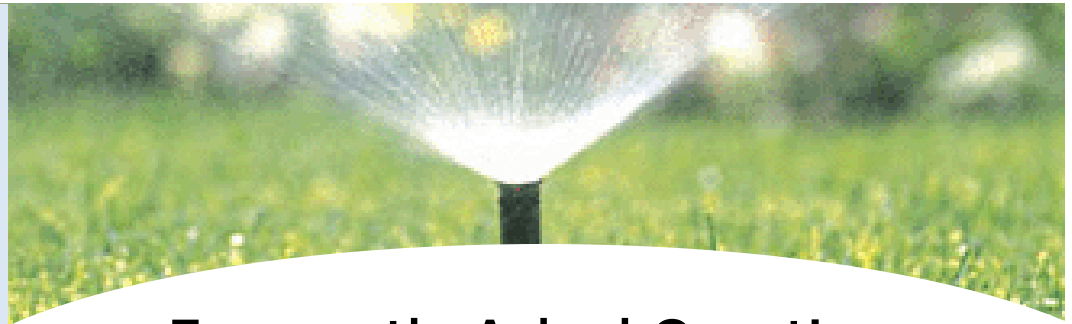
Regulated companies:

- Telephone
- Electricity
- Natural Gas
- Water
- Garbage
- Recycling
- Residential Movers
- Charter Buses
- Airport Shuttles
- Commercial Ferries
- Natural Gas Pipeline

General Information

360-664-1160
www.utc.wa.gov

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1300 S Evergreen Pk Dr SW
Olympia WA 98504



Frequently Asked Questions: Water Rates

The Utilities and Transportation Commission (UTC) regulates privately owned water companies that serve more than 100 customers or bill customers more than \$557 a year. The commission does not regulate the rates or services of city, town or county water systems, cooperative or homeowners' associations or Public Utility Districts.

How does the commission review rates?

In reviewing rate-increase requests, the UTC functions much like a court and must decide the case based on the evidence brought before it. Regulated water companies can propose rate increases at any time, for any amount. Before a proposed rate increase takes effect, it must be filed with the commission and customers must be notified.

Commission staff then review the request. UTC staff's recommendation is presented to the commissioners for a decision at a public meeting, usually held in Olympia.

Water companies request rate increases for a variety of reasons, including replacing old pipes, installing new storage tanks and upgrading treatment equipment. Higher operating costs, such as the price of electricity or gas for repair trucks going up, also can trigger a water company to ask for a rate hike. Companies are not allowed to spend excessive amounts on their facilities or operations. State law requires rates to be fair and reasonable for customers but high enough to allow the utility to earn a return on its investment. The commission can set service standards and penalize companies for poor service, but it cannot deny rates that cover legitimate costs. Rates are based on each company's specific cost structure and not on what customers of other water companies pay. Therefore, rates vary widely among water companies.

FAQ: Water Company Rates

How do I learn about rate increases?

Water companies regulated by the commission must give customers a minimum of 30 days advance notice for any rate increase request. The notice must explain to customers how the company's proposal could affect them and how to comment on the proposal before the commission takes action. Once a rate increase is proposed, the commission can keep you updated on the decision-making status as an interested person.

How often can a water company apply for a rate increase?

There are no restrictions on how often a utility can file to increase rates. However, the company has the burden to prove to the commission that it requires additional revenue.

What are the steps in a rate case?

The company files a rate-increase proposal and necessary financial documentation with the commission and notifies customers. Rates may go into effect in 30 days unless the UTC suspends the increase for further investigation. Commission staff review the company's financial records, making adjustments for expenses that are unreasonable. One-time expenditures also are disallowed and not charged to customers. If after the commission staff members review the company's request, they will recommend the UTC allow the increase. If UTC staff believe the company has not proven the need for more money, they may recommend a revised, lower rate be approved or that the commission suspend the rate increase and hold hearings. Before the 30-day period ends, the UTC decides whether to approve the increase at one of its regularly scheduled public meetings. At the public meeting, staff present their recommendations and a summary of customer comments. Representatives from the company and other agencies such as the Department of Health may comment and customers are invited to speak on the rate-hike proposal.

What does commission staff review during a company's rate-increase proposal?

Commission staff looks at these five main issues:

1. The actual cost to provide service based on 12 months of financial information, excluding items for which money cannot be recovered from customers (e.g., political contributions and fines);
2. The company's total investment in equipment used to provide service (called rate base);
3. The appropriate profit level (called rate of return) the company should be allowed for its investments;
4. The appropriate amount that each customer class (residential, commercial or industrial) should pay;
5. The rate design. Monthly rates are either flat-rated service (unlimited water usage) or metered service (customers pay for what they use). Metered rates include a base charge, which may or may not include an amount of water, and usage blocks.

FAQ: Water Company Rates

What is a surcharge?

A surcharge is a tool a water company can use to fund specific capital projects, to improve water quality and quantity as required by the Department of Health (DOH).. A surcharge is a temporary charge to customers. The surcharge is removed from customers' bills when the project is paid in full.

My water is fine, why should I have to pay to repair a water system that does not supply water to me?

Customers benefit from economies of scale. The more customers paying for the necessary repairs result in a lower cost for each customer. The commission sets a single rate that applies to all customers on all water systems that a company owns, known as Single Tariff Pricing.

An important exception to Single Tariff Pricing occurs when customers on a system vote to pay for **voluntary** services. These include items such as a surcharge for a backup generator if DOH does not require one or installation of a fire flow mechanism when the fire marshal says it's not necessary. To implement voluntary surcharges, the company must send ballots to all affected customers. If the majority of voting customers are in favor, then the company will file a proposal with the commission and only those customers on the affected water system will pay the surcharge.

Can a water company seek a rate increase if the water quality is not up to Department of Health's standards?

Yes. The company can seek a rate increase to recover its reasonable costs of doing business.

If a water company is fined by the commission or Department of Health, can the company recover the fine in customer rates?

No. Any fines or penalties levied on a water company are removed from expenses used to set water rates.

What can I do if I'm experiencing water service problems (such as rate, billing, meter, or service connections)?

You should first notify your company, ask to speak with a supervisor if necessary. It is important to give your company a chance to fix the problem. If you are not satisfied with the company's response, you may contact the commission's Consumer Protection division at 1-888-333-WUTC (9882).

Is there a law restricting a water company from buying more water systems?

No.

FAQ: Water Company Rates

How can I submit a comment?

The UTC carefully considers public comments before making decisions. Public comments can identify issues that need to be addressed, including safety concerns and the way rates are set.

To make your comments most effective, please:

- Clearly state the company and the filing your comments are regarding, include the docket number if you know it.
- Put your name, mailing address and phone number on the letter itself in case we need to contact you.
- Be as clear and specific as you can about your opinions and your position on the proposed rate increase.

If you need more information about the status of a particular case, do not hesitate to contact the commission. Based on the information presented at the open meeting, the UTC may decide to approve the new rates without formal hearings. Instead of approving the rates at the public meeting, the commission may decide that more review is needed to determine if the proposal is appropriate. If so, the UTC votes to suspend the increase from taking effect for more review.

Usually a revised proposal is developed and brought back to a public meeting for consideration.

You can also comment on a proposed rate increase online at www.utc.wa.gov/comment.

For More Information

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