

SENATE BILL REPORT

SB 5006

As of January 25, 2013

Title: An act relating to uncontested rate modifications for utilities and transportation commission regulated water companies.

Brief Description: Concerning uncontested rate modifications for utilities and transportation commission regulated water companies.

Sponsors: Senators Rolfes, Honeyford, Hatfield and Delvin.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 1/24/13.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Staff: William Bridges (786-7416)

Background: The Washington Utilities and Transportation Commission (UTC) regulates the rates and charges of 72 privately-owned water companies in the state. Each company has at least 100 customers or has rates that exceed an average of \$557 per year. The UTC does not regulate water systems owned by local governments, cooperatives, or homeowners' associations.

There are no restrictions on how often a water company may adjust a rate or charge, but it has the burden of demonstrating to the UTC that any change is fair, just, reasonable, and sufficient. A water company seeking to adjust a rate or charge must give 30-days' notice to the UTC and affected customers. During this period, the UTC initiates an investigation. By the end of 30 days, the commission must act by approving the adjustment at an open meeting, suspending the adjustment pending further investigation, or setting the matter for a formal hearing.

Summary of Bill: Allowing Water Companies to Adjust Their Charges Up to 3 Percent Without UTC Hearings. An additional process for adjusting the charges of regulated water companies is created. A water company regulated by the UTC may adjust its charges up to 3 percent in any calendar year without a hearing, if:

- the company is in compliance with all applicable UTC requirements;
- the adjustment is needed to cover increased costs for water and employees' compensation and benefits;

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- the company has not changed its rates in the prior 12-month period; and
- the company gives written notice of the proposed rate adjustment to its ratepayers prior to the effective date of the adjustment.

Rate increases under this new process do not become effective until at least 30 days after notice and filing with the UTC.

Regulated water companies may still file rate changes under any other rule or procedure of the UTC.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill will help reduce expenses by reducing costly and sometimes lengthy rate cases, which have become more complicated over the years. Some rate cases now require the assistance of expensive outside accountants and lawyers. Because rate cases are long and are based on the previous 12 months of earnings, by the time a rate is determined it can already be inadequate. Insurance and employee benefits are the two largest operating expenses of water companies, which go up faster than rates determined by the UTC. By allowing water companies to recover labor and insurance expenses without a rate case, the company can actually keep costs down.

OTHER: The UTC is concerned the bill would allow annual rate increases that could harm rate payers. Most water companies are owner-operated so automatic rate increases could lead to automatic raises for owners. The bill needs more clarification; for example, the cost of water is undefined, employee expenses are unclear, the applicable UTC requirements that otherwise must be followed are unclear, and there is no mechanism for the UTC to monitor the compliance of automatic rate cases.

Persons Testifying: PRO: Mike Ireland, WA Water Service Co.; Phil Watkins, Cascade View Water Co.

OTHER: Ann Rendahl, UTC.