

**Exh. BS-1T
Docket UW-240589
Witness: Benjamin Sharbono**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant

v.

**SUMMIT VIEW WATER WORKS,
LLC,**

Respondent

DOCKET UW-240859

TESTIMONY

OF BENJAMIN SHARBONO

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Settlement

November 21, 2024

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1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Benjamin Sharbono, and my business address is 621 Woodland Square
5 Loop SE, Lacey, Washington, 98503. My business mailing address is P.O. Box 47250,
6 Olympia, WA 98504-7250. My email address is benjamin.sharbono@utc.wa.gov.

7

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by the Washington Utilities and Transportation Commission
10 (Commission) as a Regulatory Analyst in the Telecom, Water, and Transportation
11 section of the Regulatory Services Division.

12

13 **Q. Would you please state your educational and professional background?**

14 A. I graduated from Saint Martin’s University, Lacey, Washington, in 2015 with a
15 Bachelor of Arts in accounting. In 2020, I graduated from Western Governors
16 University with a Master of Business Administration.

17 Professionally, from June 2016 to November 2017, I held the position of
18 Accounting Research Analyst. From November 2017 to June 2019, I was a Regulatory
19 Analyst reviewing annual reports. Since June 2019, I have been a Regulatory Analyst
20 conducting review of company-submitted filings, including general rate increase filings.

21

22 **Q. Have you previously testified before the Commission?**

23 A. Yes. I have testified before the Commission in a formal adjudication.

1 **II. SCOPE AND SUMMARY OF TESTIMONY**

2

3 **Q. What is the purpose of your testimony?**

4 A. My testimony is to provide the Commission with information supporting the settlement
5 agreement negotiated between Staff and Summit View Water Works, LLC (Summit
6 View or Company).

7

8 **Q. Have you prepared exhibits in support of your testimony?**

9 A. Yes. I have submitted Exhibit BS-2, which is the template that Staff and Summit View
10 have agreed to use for manager time tracking as part of the listed conditions for this
11 settlement. I have also submitted the new Tariff WN U-2, which contains the customer
12 rates as agreed upon between the company and Staff.

13

14 **III. PUBLIC INTEREST**

15

16 **Q. Does Staff believe this settlement agreement is in the public interest?**

17 A. Yes. Staff believes this settlement agreement is in the public interest and will result in
18 just, fair, equitable, and sufficient rates for the customers and company.

19

20 **Q. What is the agreed revenue requirement increase?**

21 A. Staff and the Company have agreed to a final revenue requirement increase of
22 \$325,000.

1 **Q. Why does Staff believe this is in the public interest?**

2 A. Staff believes that this settlement agreement is reasonable and just for several reasons.
3 First, and most significantly, the company's original requested annual revenue increase
4 was \$504,00. Staff and the Company have agreed to reduce the annual revenue
5 requirement increase to \$325,000. Furthermore, this settlement not only ends
6 accumulation of future rate case costs that would inevitably accumulate during the
7 course of the case, but also limits Summit View's recovery of legal and consultant rate
8 case expenses to those costs accumulated through the end of September 2024. In sum,
9 the settlement agreement significantly limits additional rate case expenses normally
10 attributable to ratepayers and recoverable through general rates.

11 This settlement agreement also sets the groundwork for Summit View's next
12 general rate filing. The Company agreed to several conditions that will provide
13 additional supporting data in the next general rate filing. Summit View also agreed with
14 the requirement to submit a new general rate filing no later than January 1, 2027.
15 Implementing the settlement agreement with these conditions is in the public interest
16 because it provides that any overage or underage resulting from this agreement is
17 addressed in a clear and timely manner. Finally, the conditions allow Staff to address
18 many of the concerns raised through public comments without the need for prolonged
19 discovery or litigation that would otherwise impose further burden on ratepayers.

20
21 **Q. Staff noted that the settlement agreement prevents additional rate case costs?**

1 A. Yes. In the negotiation of the settlement agreement, Summit View agreed to limit rate
2 case expenses to those incurred through the end of September 2024. Summit View
3 incurred \$112,368 in rate case expenses that will be amortized over 5 years.

4 In the interest of settling the case, the Company is willing to forgo additional
5 legal and consulting expense recovery related to this case, unless the Company is
6 required to defend the settlement agreement or fully litigate the case. In these
7 circumstances, potentially substantial additional legal and consulting fees will be
8 incurred. Limiting the rate case expenses by accepting this settlement will reduce the
9 impact on the approximately 680 customers.

10 If the Commission does not accept the settlement agreement and the case
11 continues the litigation process, further attorney, consultant, expert, and other personnel
12 time will result in substantial increases in the rate case expenses. Staff recommends the
13 Commission to accept the formal agreement as being in the public's interest.

14
15 **Q. The settlement contemplates a 5-year amortization for rates, but Staff is asking the**
16 **company to return for a rate case by 2027. What will happen to unamortized rate**
17 **case costs?**

18 A. Under the conditions agreed to by Summit View, the Company will file its next general
19 rate filing before the legal and consultant expenses related to this case are fully
20 amortized. The remaining unamortized 3 years of the expense would be recovered
21 through inclusion in the next general rate filing. While this will result in costs being
22 carried forward, it is in the public interest to allow recovery of the rate case expense
23 over a longer amortization period. It is also necessary for the rates fairly and sufficiently

1 cover necessary operating costs of the company, which includes general rate filing
2 expenses.

3
4 **IV. CONDITIONS OF AGREEMENT**

5
6 **Q. Staff noted there are several conditions that Summit View agreed to. What are**
7 **these conditions?**

8 A. Staff and Summit View addressed several areas of concern in discussions, from this
9 Staff put forward several conditions:

- 10 1) The revenue requirement increase will be split between irrigation and domestic lines
11 of service using an 80 percent/20 percent (80/20) allocation.
- 12 2) Summit View will offer a monthly tariff rate for irrigation services as an annual
13 subscription.
- 14 3) Summit View will provide documentation that Eagle Butte Vineyards is being
15 charged the irrigation rates like all other customers, and on the full acreage of the
16 land used, should Eagle Butte Vineyards exist during the test year of the next
17 general rate case.
- 18 4) Summit View will provide time tracking data for manager time supporting time and
19 wage allocation between Summit View and affiliated interests.
- 20 5) Summit View will file a general rate case no later than January 1, 2027.

21
22 **Q. Please explain the first condition, that the revenue requirement be allocated**
23 **between irrigation and domestic will be split using an 80/20 allocation.**

1 A. When the general rate increase filing was submitted, Summit View provided an
2 allocation of expenses using 73 percent irrigation service, 27 percent domestic service
3 established in prior cases. Staff's review using pumped gallons to allocate expenses
4 resulted in an allocation of approximately 93 percent irrigation service, 7 percent
5 domestic service. During negotiations, Staff and Summit View discussed the impact of
6 revised allocation shifting costs to irrigation customers may cause rate shock. Staff and
7 Summit View agreed to an 80/20 allocation. Staff believes this allocation is fair to
8 customers, prevents rate shock, and is justified by the substantially larger volume of
9 water being provided in irrigation service.

10
11 **Q. Please explain the second condition, that Summit View will offer monthly rates for**
12 **irrigation services.**

13 A. Currently, Summit View offers two plans for the payment of irrigation services: a one-
14 time annual payment, and a two-time biannual payment plan. The increase on rates,
15 when paid in one or two bulk payments, would likely be a significant impact on the
16 livelihoods of irrigation customers. As such, Staff recommends adding a third payment
17 option in the form of 12 monthly payments. Summit View agreed this was an
18 acceptable payment option.

19 The payments would be calculated by dividing the annual flat-fee rate of
20 irrigation service into 12 equal payments. Customers subscribing to irrigation service
21 during a given year would be required to make all 12 payments of the subscription.
22 Early cancellation would not be allowed to fairly apply the cost to all customers
23 receiving the services.

1 This condition is in the public interest because it makes it easier for customers
2 with limited resources to pay the irrigation service rates, lowering rate shock.

3
4 **Q. Please explain the third condition, that Summit View will provide documentation**
5 **regarding billing to Eagle Butte Vineyards.**

6 A. One of the major issues of Summit View’s case from Staff’s and the public
7 commentors’ viewpoints is the treatment of affiliated interests. Of particular note is
8 Eagle Butte Vineyards, which receives water from Summit View’s irrigation system.
9 There were several customer comments expressing concern as to whether Eagle Butte
10 Vineyards is paying the same rates as other customers. According to Summit View,
11 Eagle Butte Vineyards is billed on a “percentage of usage” calculation for utilities and
12 water, has its own equipment and infrastructure, and is not being subsidized. Further,
13 Summit View states that Eagle Butte Vineyards is being closed. As such, this
14 requirement was placed to ensure that if Eagle Butte Vineyards was not closed prior to
15 the next general rate case, Summit View will have an affirmative obligation to show the
16 Eagle Butte Vineyards is paying the same rates as all other customers on the system,
17 based on the full acreage of their property.

18
19 **Q. Please explain the fourth condition, that Summit View will provide time tracking**
20 **for managers.**

21 A. In its initial filing, Summit View requested that managers wages be increased to reflect
22 20 hours per week for each owner-manager. To support this, the company provided a
23 memorandum of understanding between the owner-managers and company board, and a

1 job description for the management position. However, Summit View does not
2 currently track owner-managers' activity at their businesses.

3 As part of settlement agreement, Summit View agreed to have the owner-
4 managers track activities on a bi-weekly basis for their regulated and affiliated
5 companies. The Company provided a form they will use going forward to Staff for
6 review. Staff believes the form will provide enough detail to validate owner-managers'
7 time between their various operations. This requirement is in the public interest as
8 owners should only be paid for actual work provided to the regulated entity as non-
9 work-related compensation is through the company's rate of return.

10
11 **Q. Please explain the fifth condition, that Summit View will file a new general rate**
12 **filing not later than January 1, 2027.**

13 A. Given Staff's concerns, Summit View's rate requirements, and the solutions that have
14 been devised through the negotiated conditions, Staff and Summit View agree that a
15 follow up general rate case will be necessary. Summit View has also stated its intention
16 is to file general rate increases on a two-year cycle. The requirement also allows the
17 company to collect information regarding their operations and remove an affiliated
18 interest from the irrigation service. This requirement prevents continual over or under
19 earning on this agreement. It is also in the public interest as rates will be reviewed in a
20 timely manner to verify the rates are fair, just, reasonable, and sufficient.

21
22 **Q. Is Staff recommending that the Commission resolve this filing on a paper record?**

23 A. Yes.

1 **Q. Why is Staff recommending resolving this filing with a paper record?**

2 A. Staff’s intention when suspending this filing was to create more time for discovery and
3 settlement of the case as well as to evaluate the public comments expressing concern
4 over the filing. This settlement agreement resolves the pending issues before the
5 Commission while addressing public concern through establishment of additional
6 guardrails and record-keeping requirements for the Company. By resolving this matter
7 on a paper record, the Commission will reduce the demands on all Parties’ resources, as
8 well as costs that might be passed along to ratepayers, while maintaining the settlement-
9 oriented intent Staff expressed at the open meeting suspending this filing.

10

11 **Q. Does this conclude your testimony?**

12 A. Yes.