

Agenda Date: April 8, 2021
Item Number: A3

Docket: UW-210123
Company Name: Pedersen Family, LLC

Staff: Benjamin Sharbono, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendations

Take no action, allowing the tariff revisions filed by Pedersen Family, LLC, on February 22, 2021, as revised on April 2, 2021, to become effective April 9, 2019, by operation of law.

Discussion

On February 22, 2021, Pedersen Family, LLC (Pedersen or company) filed tariff revisions that would generate approximately \$54,000 (99.8 percent) in additional annual revenue and implement three block pricing. The company provides service to approximately 234 customers on four water systems located near Sequim in Clallam County. The company's last rate change became effective on February 20, 2014, for \$20,160 (47.7 percent), and introduced a rate structure based on usage.

Pedersen filed this general rate case due to rising costs in payroll, chemicals expenses, increases in contract operator costs, and repairs. The company also installed nearly companywide metering, and new pump equipment, increasing depreciation expense. The company is also seeking to increase the number of connections permitted by the Department of Health (DOH) by establishing block rates to encourage water conservation, increasing from a two-block system to the standard three-block system.

The company employs a contract service operator for the company's largest water system; the remaining three systems owned by Pedersen are operated by company staff. Due to recent personal events affecting the primary operator, the company recently hired an employee to assist the primary operator and training to take over the position. The contract service operator also serves as a backup on the three smaller systems if the need arises.

Since the last general rate case in 2014, repair costs on the aging system have been increasing. As the company built the system starting in the 1970's, it is expected the costs of repairing and updating the systems will be an increasing portion of the company expenses going forward. Additionally, the company expanded the chemical treating of the water to prevent leaching of copper and lead per DOH requirements.

Commission staff's (staff) reviewed the documents provided by the company and found the company was entitled to a higher revenue requirement due to the book value of several assets not including allowable labor and installation costs.

Staff also reviewed a loan from the owner to the company to pay for engineering services required for the Dungeness Bay Plat water system. Based on standard practice for owner loans, staff allowed recovery of the loan at the prime interest rate plus 2 basis points.

Staff also discussed the effects of the COVID-19 pandemic on the company. The company has been actively seeking assistance with past due customer accounts, including seeking and receiving a one-time LifeBoat 2 grant (from the CARES Act) through Clallam County. The grant, per the Water Purveyor Grant Agreement, “shall only be used to offset delinquent accounts that were incurred from March 1, 2020 thru November 30, 2020,” requiring the company to “forgive delinquent accounts in an amount equal to or more than the grant funds.” The company provided documents showing it received \$4,118.66 and used the funds to forgive 30 delinquent accounts. Furthermore, in a response to an email from Public Counsel, the company stated it actively offers delinquent customers the option of payment plans, and information on assistance programs.

The company is also updating ancillary charges, bringing them in line with actual costs incurred, as outlined in Schedule A below.

After reviewing the information provided by the company, staff determined the company’s revenue was understated and made an adjustment based on current rates and usage. Staff and the company agreed to an approximate \$52,961 (97.9 percent) increase in annual revenue. Under the Revised Code of Washington (RCW) 80.28.020, the Commission may adjust rates higher or lower than those noticed to customers to ensure rates are fair, just, reasonable, and sufficient.

Staff’s review shows that the revised expenses are reasonable and required as part of the company’s operation, the company’s financial information supports the revised revenue requirement, and the rates and charges are fair, just, reasonable, and sufficient.

Monthly Rate Comparison

Monthly Rate	Current Rate	Proposed Rate	Percent Increase	Revised Rate	Percent Increase
Ready to Serve	\$16.00	\$32.00	100%	\$28.00	75%
Base Rate	\$16.00	\$32.00	100%	\$28.00	75%
0 to 500 CF*, Per CCF**	\$0.50	\$1.00	100%	\$1.10	120%
501 To 1,000 CF, Per CCF	\$0.80	\$1.50	87.5%	\$2.00	150%
>1,001 CF, Per CCF	\$0.80	\$2.00	150%	\$4.00	400%
Flat Rate, Unmetered	\$23.00	\$46.00	100%	\$43.85	90.7%

* CF – Cubic Feet,
Other rates available in tariff.

** CCF - 100 Cubic Feet

Monthly Residential Bill Comparison

Monthly Average 620 Cubic Feet	Current Rate	Proposed Rate	Percent Increase	Revised Rate	Percent Increase
Base Rate, 3/4-Inch Meter	\$16.00	\$32.00	100.0%	\$28.00	75.0%
620 CF Usage	\$3.46	\$6.80	96.5%	\$7.90	128.3%
Total Water Bill	\$19.46	\$38.80	99.4%	\$35.90	84.5%
Increase from Current Rates		\$19.34		\$16.44	

Schedule A
Ancillary Charge Comparison

Charge	Current	Proposed	Revised
Disconnection Visit (per visit)	\$15.00	\$30.00	\$30.00
Reconnection Visit (per visit)	\$30.00	\$60.00	\$60.00
Account Set Up	\$10.00	\$15.00	\$15.00
Late Payment - 2% of unpaid or Minimum of	\$1.00	\$1.50	\$1.50
NSF (each check)	\$12.00	\$37.00	\$30.00
Water Availability Letter	\$10.00	\$25.00	\$25.00
Cross Connection Control Premises Inspection	\$25.00	\$60.00 per hour, prorated	\$60.00 per hour, prorated
Service Connection Fee	\$500	\$1,750	\$1,750
Facilities Charge (new connection)	N/A	\$2,000	\$2,000

Customer Comments

On March 3, 2021, the company notified its customers by mail of the proposed rate increase. Staff received no comments.

Public Counsel sent an informal data request to the company asking if they had received any contacts from customers. Pedersen stated two customers had called regarding the rate case, and both were satisfied with the company's explanations.

Conclusion

Take no action, allowing the tariff revisions filed by Pedersen Family, LLC, on February 22, 2021, as revised on April 2, 2021, to become effective April 9, 2019, by operation of law.