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Jeff Killip, JD MPH, Executive Director & Secretary,
and Members of the Commission
Washington Utilities & Transportation Commission
Post Office Box 47250
Olympia, WA 98504-7250

Re: Docket #UW-240798 (Northbay Water Utility Corp. Tariff Revision)

Dear Mr. Killip and Members of the Commission,

I'm writing to submit my comments to the Washington Utilities & Transportation Commission regarding the tariff revision proposed by Northbay Water Utility Corporation (hereafter, Northbay). I own and reside at Lot #8 in Peterson Estates, a 20-lot development in Toledo, WA that is served by a four-well¹ water system owned and operated by Northbay. I established service with Northbay in 2018, during construction of my residence, and I have been a customer continuously since then.

In its customer notice and the documents submitted under this docket, Northbay proposes rate increases that are, to put it bluntly, outrageous, and a new fee schedule that is confusing and potentially unfair. I would like to discuss these proposals here and explain why I believe they're unreasonable. I'll begin with Northbay's explanation for why the proposed changes are being requested. Quoting their filing:

“This rate increase is necessary due to Northbay Water Utilities expenses having increased in general expenses, fuel charges, as well as contracted labor charges and water testing expenses since our last increase in 2014. Northbay has had to add filtration units on several systems, as well as building extensions to house the new filtration systems.”

Northbay has doubtless suffered increased expenses related to fuel, labor and water testing services, and a modest rate change to cover those increases would make sense. However, their filing discloses that this is their first proposed tariff revision since 2014. It appears that Northbay wants to recoup a decade of cost increases at once, including a period that predates my relationship with them by four years. Northbay's owners no doubt regret not incrementally adjusting their rates in response to changing economic conditions, but it's unreasonable to allow them to make themselves whole on the backs of their customers by approving such an enormous rate increase now. Furthermore, Northbay claims that increased fuel expenses are driving their desired rate increase while at the same time proposing to use monthly instead of bi-monthly billing, a change that will double their meter-reading related fuel expenses and increase wear and tear on their vehicle fleet. Combined with the inevitable increase in administrative expenses (postage, employee time, etc.), this makes no sense whatsoever.

1 The Peterson Estates water system was installed as a four-well system. One of the wells was permanently shut down in or before 2017 after repeated bacteria test failures. We were told that these failures were likely due to low flow volume because only a single residence was connected to the well at that time. Despite a significant increase in the number of homes (all but one lot as been improved since then), Northbay has refused to consider recommissioning the fourth well.

Northbay also points to expenses for added filtration units and building extensions on several systems. If Northbay were a public utility with a central water treatment plant, a utility-wide system of underground water lines and other infrastructure that served all customers equally, these expenses might justify a utility-wide rate increase. That is not the case here, as Northbay's service area is split into multiple isolated systems across two counties, serving unique groups of customers. Customers in Peterson Estates, who not only haven't needed system improvements but have in fact lost system redundancy due to Northbay's decision to decommission – and refusal to recommission – one of our four wells, should not be asked to pay higher rates for the unique conditions in water systems that are entirely unrelated to our own apart from Northbay's ownership.

Next, I would like to address the proposed metered rate increase. There are two problems with Northbay's proposal.

First, the pricing tiers would be greatly compressed, so that the cost-per-cubic-foot would go up *much* faster than it does under the current tariff. This change is so dramatic, in fact, that the proposed tariff reaches the highest cost tier at a water volume only 36% of the current highest tier (901 ft³ proposed vs 2,501 ft³ currently). This greatly exacerbates the impact of the proposed price increases at each tier.

Second, the tier prices are proposed to increase by 70% at all three tiers, but the result on customer bills would actually be worse than that. Combining the tier compression and rate increase, and using Northbay's example of 690 ft³ average monthly usage, the current tariff would result in a metered charge of \$17.00 and a total bill of \$52.74 per month. The proposed tariff would result in a metered charge of \$31.50 (an increase of 85%!) and a total bill of \$82.00.

Customers with significant landscaping or garden area and concomitantly higher water usage – a very common situation in rural areas where parcel sizes are large and customers frequently grow their own food – would suffer a much larger increase. If you assume water usage of 2,000 ft³, a volume that would only reach the second tier under the current tariff but would be in the top tier of Northbay's proposal, the metered portion of the bill would increase by an astounding 105% (from \$51.25 to \$105.25)!²

There's no way that the incremental increase in electricity cost to run well pumps or the amortized cost of replacing filters and pumps supports these kinds of increases. Furthermore, the customers who are most likely to have substantial gardens and thus use more water – low income customers who can least afford grocery store produce – will be most heavily affected.

Finally, one of the proposed new ancillary fees is concerning. Where no service connection fee previously existed (I presume this is currently billed as time-and-materials), Northbay proposes a \$10,000.00 fee (it's unclear to me from the tariff's text whether this covers all costs, regardless of complexity or distance, or if a time-and-materials component could be added). No specific explanation or justification for this large fee is given, nor is there any relief contemplated for customers whose new connection work is relatively simple and low cost. Such a large flat fee for highly unique and variable work has the potential to be both unfair to customers and unjustifiably profitable for Northbay.

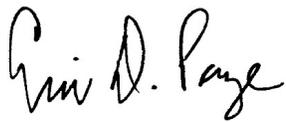
2 By back-calculating from Northbay's example in their cover letter and customer notice, it appears that their calculations are predicated on an average tax rate of about 7.2%. My calculations use this figure as well. Note that Northbay's billing example is applicable only for customers at or near their stated average usage. As I've shown, usage in the third tier produces a *much* larger percentage increase, and tier compression makes this more likely to happen with relatively small changes in water usage.

In conclusion, I believe I've shown that Northbay has failed to adequately justify their proposed tariff revision. To summarize, they appear to be attempting to make up for a decade of neglect in rate-setting; they're proposing shockingly large increases that aren't justified, even by recent inflation, or which they attempt to justify by citing one-time costs for improvements to a small minority of water systems; they're proposing a change to billing frequency that will increase their fleet and administrative expenses; and, one of their new ancillary fees is confusing and potentially unfair to new customers.

I respectfully request that the Commission DENY Northbay's proposed tariff revision. Northbay should develop a better proposal with rates that are more reasonable and justifiable, and with a fee schedule that is fair to new customers and which clearly explains and justifies its new fees.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Eric D. Page". The signature is written in a cursive, flowing style.

Eric D. Page