

Agenda Date: August 25, 2022
Item Number: A1

Docket: UW-220428
Company Name: Water of Bethel, LLC

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

Recommendation

Take no action, thereby allowing the tariff pages filed by Water of Bethel, LLC on June 1, 2022, and revised on August 15, 2022, to take effect by operation of law September 1, 2022.

Background

On June 1, 2022, Water of Bethel, LLC (Bethel or Company) filed with the Washington Utilities and Transportation Commission (Commission) a tariff revision generating approximately \$44,000 (52.4 percent) additional annual revenue. The Company is filing due to increases in general operating expenses, increasing contract operations expenses, and inflation. The Company provides regulated water service to approximately 215 customers in Pierce County. The Company's last general rate increase became effective on November 1, 2020.

Commission staff (Staff) reviewed the documents and information provided by the Company. Staff removed Company pro forma adjustments for inflation. While Staff understands inflation occurs, increasing costs on companies, the Commission is required to use historical cost, allowing adjustments for known and measurable items. Inflation varies due to several factors making it unknown and unmeasurable until after the expenses are incurred. Removing inflation adjustments reduced total expenses approximately \$2,400.

Most of the increase requested by the Company is for contract operating expense. Bethel provided a contract from its affiliated interest, Loncar Construction, for all operations and office work. The new contract increases the expense by \$31,500 per year. Staff found the Company had not submitted the contract for Commission review as required by WAC 480-110-545. Staff advised the company it needs to submit the contract under a separate docket for review.

In justification of the contract, the Company submitted timesheets showing the work completed approximates to half of a Full-Time-Equivalent. This is split 45 percent for field work and 55 percent for office work. The contract's annual fee of \$70,200 calculated to a rate of approximately \$65.00 per hour for all activities. Staff believes this hourly rate is excessive for office work but is reasonable for field activities requiring a certified operator. Staff recalculated the office work rate to \$32.50 per hour which would cover the expenses and taxes of hiring an hourly employee based on current job listings for similar work. This reduced the contract operation expenses to \$49,286.

Staff completed its review of the Company’s financial documents and found the initial request for \$43,000 was overstated. Staff and the Company agreed to approximately \$23,000 (27.5 percent) annual revenue increase.

Rate Comparison

Staff’s review noted the Company’s usage blocks were significantly low. Commission practice is setting Usage blocks using the customers’ winter average and summer average. Winter average usage is used to set Usage Block 1’s volume. Likewise, customers’ summer average usage is used to set the Usage Block 2’s volume. Block 3 is anything over the average summer usage. This rate design is used to encourage conservation of resources while ensuring customers can afford basic water necessities while establishing rates to recover the cost of the system from cost causers.

The tables below show the current, Company-proposed, and Staff-revised water rates and volumes for a standard ¾-inch meter. The full list of rates is included in the Company’s tariff.

| Monthly Rates | Current Rate | Proposed Rate | Revised Rate | Difference Revised to Current | |
|----------------------------------------------|--------------|---------------|--------------|-------------------------------|-------|
| | | | | | |
| Base Rate | \$25.00 | \$30.00 | \$27.50 | \$2.50 | 10.0% |
| 0 – 650 cu. ft. per 100 cu. ft. ¹ | \$0.95 | \$1.15 | | | |
| 0 – 800 cu. ft. per 100 cu. ft. | | | \$1.15 | \$0.20 | 21.1% |
| 651 – 1,100 cu. ft. per 100 cu. ft. | \$1.10 | \$2.25 | | | |
| 851 – 1,300 cu. ft. per 100 cu. ft. | | | \$1.50 | \$0.40 | 36.4% |
| Over 1,101 cu. ft. per 100 cu. ft. | \$1.50 | \$3.25 | | | |
| Over 1,301 cu. ft. per 100 cu. ft. | | | \$2.05 | \$0.55 | 36.7% |

1) Cu. ft. = cubic feet = approximately 7.48 gallons

Monthly Residential Bill Comparison

| Bill Impact Monthly Average 1,069 Cu. Ft. | Current Rate | Proposed Rate | Revised Rate |
|----------------------------------------------|--------------|---------------|--------------|
| ¾-Inch Metered Service Base Rate | \$25.00 | \$30.00 | \$27.50 |
| Current Usage Block 1 – 0-650 cu. ft. | \$6.18 | \$7.48 | |
| Revised Usage Block 1 – 0-800 cu. ft. | | | \$9.20 |
| Current Usage Block 2 – 651-1,100 cu. ft. | \$3.98 | \$9.44 | |
| Revised Usage Block 2 – 851-1,300 cu. ft. | | | \$4.04 |
| Current Usage Block 3 – Over 1,101 cu. ft. | \$0.00 | \$0.00 | |
| Revised Usage Block 3 – Over 1,301 cu. ft. | | | \$0.00 |
| Total Average Bill | \$35.16 | \$46.91 | \$40.74 |
| Increase from Current Rates | | 33.4% | 15.9% |

Comment Summary

On June 1, 2022, the Company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the Commission's website, and that they may contact John Cupp at 1-888-333-9882 or comments@utc.wa.gov with questions or concerns. Staff has received no comments.

Recommendation

Take no action, thereby allowing the tariff pages filed by Water of Bethel, LLC on June 1, 2022, and revised on August 15, 2022, to take effect by operation of law September 1, 2022.