

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION
COMMISSION,

Complainant, v.

PEDERSEN FAMILY, LLC

Respondent.

DOCKET UW-210123

ORDER 01

ALLOWING RATES TO GO INTO
EFFECT APRIL 9, 2021, SUBJECT
TO CONDITIONS

BACKGROUND

- 1 On February 22, 2021, Pedersen Family, LLC, (Pedersen or Company) filed proposed tariff revisions with the Washington Utilities and Transportation Commission (Commission) that would generate approximately \$54,000 in additional annual revenue, reflecting a 99.8 percent increase in rates, and implement three block pricing. The Company provides water service to approximately 243 customers on four water systems located near Sequim in Clallam County. The Company's last general rate increase became effective on February 20, 2014, and implemented a usage-based rate structure.
- 2 The Company attributes its requested rate increase to rising costs related to payroll, chemical expenses, increased contract operator costs,¹ and repair costs. The Company installed nearly Company-wide metering and new pump equipment, which increased depreciation expense.
- 3 Commission staff (Staff) reviewed the filing and supporting documentation and determined that the Company demonstrated a need for \$52,961 additional annual revenue, or a 97.9 percent increase. First, Staff reviewed a loan to pay for engineering services required for the Dungeness Bay Plat water system. Based on standard practice

¹ The Company employs a contract service operator for its largest water system, and the three remaining systems are operated by Pedersen and its staff. Due to recent personal events impacting the primary operator, the Company hired an additional employee. The contract service provider also serves as a backup operator for the three smaller systems on an as-needed basis.

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for owner loans, Staff recommends the Commission allow the Company to recover the loan at the prime interest rate plus 2 basis points.

4 Staff also reviewed the impact of the COVID-19 pandemic on the Company. Staff found that the Company has been actively seeking assistance for customers with past due accounts, including seeking and receiving a one-time LifeBoat 2 grant (from the federal CARES Act)² through Clallam County. The Company provided documents showing it received \$4,118.66 and used the funds to forgive 30 delinquent accounts. The Company further stated that it actively offers payment plans for customers with overdue accounts, as well as information on assistance programs.

5 The Company agreed to Staff's proposed revenue increase of \$52,961 additional annual revenue, and filed revised pages reflecting those amounts on April 2, 2021. Staff finds that the revised expenses are reasonable and required as part of the Company's operations, that the Company's financial information supports the revised revenue requirement, and that the proposed rates and charges are fair, just, reasonable, and sufficient.

6 On April 5, 2021, the Public Counsel Unit of the Office of the Attorney General (Public Counsel) filed comments recommending the Commission reject the Company's filing and requiring the Company to refile its tariff sheets to reflect a phased-in increase to avoid "unreasonable rate shock to customers," noting that a 97.9 percent revenue increase would be the highest-percentage one-time increase requested during the current COVID-19 pandemic and the associated state of emergency in Washington. Accordingly, Public Counsel recommends the Commission adopt a three-year rate plan as follows: (1) a 55 percent increase in year one, (2) an additional 22 percent increase in year two, and (3) the remaining increase in year three.

7 Public Counsel bases its recommendations on its concern related to implementing a large rate increase in the midst of the economic downturn created by the COVID-19 pandemic, noting that the proposed increase would result in an average monthly bill increase of \$16.44 per customer. Public Counsel further argues that an immediate 97.9 percent increase would be inconsistent with the longstanding regulatory principle of gradualism.

² The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a \$2.2 trillion economic stimulus bill passed by the 116th U.S. Congress and signed into law by President Trump on March 27, 2020.

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- 8 At the Commission's regularly scheduled open meeting on April 8, 2021, Staff presented an alternative 18-month phased-in rate plan in response to Public Counsel's proposal. Staff's plan would (1) increase the Company's overall revenue by 65 percent of the proposed revenue requirement increase effective April 9, 2021, (2) increase the Company's overall revenue by an additional 9.9 percent, which represents both the proposed revenue requirement increase and the recovery of a portion of the deferred revenue from the previous period, effective November 1, 2021, and (3) increase the Company's overall revenue by an additional 25.1 percent, which represents both the proposed revenue requirement increase and the recovery of the remaining portion of the deferred revenue for the previous period, effective May 1, 2022.³ All deferred revenue will be recovered by November 1, 2022, resulting in a slight decrease to rates that will remain permanent until such time as the Company seeks and receives approval for a subsequent rate increase.
- 9 The Company did not object to Staff's proposal.

DISCUSSION

- 10 The Commission agrees with Staff's alternative proposal for an 18-month phase-in and finds that Pedersen's proposed tariff revisions, as revised on April 2, 2021, subject to the conditions we impose in this Order, are fair, just, reasonable, and sufficient. We approve the proposed revisions, subject to the following conditions: (1) Pederson must make a compliance filing to implement rates phased in over an 18-month period as described in paragraph 8, above, and (2) Pederson must provide information and guidance to customers regarding the availability and process for obtaining payment plans on each of the bills it renders to its customers between April 9, 2021, and May 1, 2022.
- 11 Although we agree with Staff that the Company has clearly demonstrated a need for increased rates, we share Public Counsel's concerns about rate shock to customers. The Company, however, is relatively small and has experienced significant revenue losses in recent years, which demonstrates a need to recover its costs and expenses sooner rather than later. Accordingly, we conclude that Staff's alternative 18-month phased-in

³ Staff's complete proposal is outlined in its attachment to Staff's memo filed in this Docket.

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approach strikes the appropriate balance between protecting consumers from rate shock and the Company's financial stability.

- 12 To ensure the Company's customers are aware that payment plans are available, we require the Company to include payment arrangement information on each of its customer bills for the duration of the 18-month phased-in rate increase. In light of the harsh economic circumstances some customers are facing due to the COVID-19 pandemic, clearly communicating this information will ensure all customers are aware that the Company is able and willing to work with them to reach a mutually acceptable payment arrangement to prevent arrearages from accumulating.

FINDINGS AND CONCLUSIONS

- 13 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts and affiliated interests of public service companies, including water companies.
- 14 (2) Pederson is a water company and a public service company subject to Commission jurisdiction.
- 15 (3) This matter came before the Commission at its regularly scheduled meeting on April 8, 2021.
- 16 (4) Pedersen has demonstrated that the increased revenue requirement and rates are fair, just, reasonable, and sufficient.
- 17 (5) The increased revenue requirement and rates should be allowed to go into effect by operation of law on April 9, 2021, subject to the conditions that (1) Pederson makes a compliance filing, filing revised tariff pages consistent with Staff's proposed 18-month phased-in rate plan as described in paragraph 8, above, and (2) Pederson provides information and guidance to customers regarding the availability and process for obtaining payment plans on each of the bills it renders to its customers between April 9, 2021, and May 1, 2022.

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THE COMMISSION ORDERS:

- 18 (1) The tariff revisions filed by Pedersen Family, LLC, in this docket on February 22, 2021, as revised on April 2, 2021, shall become effective by operation of law on April 9, 2021, subject to the following conditions:
- (a) Pederson Family, LLC, must file revised tariff pages consistent with Staff's proposed 18-month phased-in rate plan as described in paragraph 8 of this Order, and
 - (b) Pederson must provide information and guidance to customers regarding the availability and process for obtaining payment plans on each of the bills it renders to its customers between April 9, 2021, and May 1, 2022.
- 19 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it.

DATED at Lacey Washington, and effective April 8, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner