UW-220218

ATTORNEY GENERAL OF WASHINGTON

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May 20, 2022

SENT VIA WEB PORTAL
Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
P. O. Box 47250
Olympia, WA 98504-7250

Re: *Great Basin Water Company LLC General Rate Case*,
Docket UW-220218

Dear Director Maxwell:

The Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in regard to Great Basin Water Company's (or Company) request to raise customer rates, effective June 1, 2022. Public Counsel appreciates the opportunity to comment. We also appreciate the Company's willingness to respond to informal data requests and Staff's time to answer questions.

The Company's original request would increase overall revenue requirement by $108,000, or a 32 percent increase in overall billed revenue. This is a significant one-time increase. Public Counsel understands that Staff has worked with the Company to adjust their original request and the subsequent customer rates produced by the Company's request.

Based on the Company's intial filing, Public Counsel recommends that the Commission take action to reduce the impact on customers, particularly those who are struggling to stay current on their water bills. Public Counsel may offer additional or amended comments based on the updated rate proposal at the May 26, 2022, Open Meeting.

Public Counsel's Recommendation

Spread the rate increase over a three-year period to reduce customer rate shock. The Commission should require the Company to address affordability and reduce arrearages.

Public Counsel understands the necessity for the Company to meet expenses in order to maintain safe and reliable service for its customers, in addition to the opportunity to earn a fair return. This rate filing is the first after Harrison-Ray Water Company, Harrison Water Company-Kiona, LLC, and Sunrise Acres Water Services, LLC merged into a single entity. Customers under the new, single Company have not had a rate case since at least 2008, and Harrison Water-Kiona customers have not had a rate change since 2004. Given the significant time since the last general rate case for any of the legacy companies, it is reasonable for the Company to recover increased costs to provide safe and reliable service to its customers. Furthermore, the Company has undergone significant restructuring under new ownership since its last rate filing. However, Great Basin's customers have enjoyed stable rates for nearly 15 years. As a result, any changes to expected rates will require customers to adjust their budgets and may induce rate shock.

According to an informal data request returned from the Company, the average Great Basin residential customer consuming 3,309 cubic feet of water monthly would be charged $83.18 for water service with the Company's initial proposal. This represents an average increase of $28.06 per month, which is a 50.9 percent increase to average residential customer bills.[1] This is an excessive increase to be implemented in a single rate increase.

Furthermore, it is Public Counsel's understanding that 278 of the Company's 510 residential customer accounts are in arrearages, based on information provided in response to informal data requests to the Company. This means that 54 percent of Great Basin's residential customers are having difficulty staying current on their bills. The number of residential customer accounts in arrears has increased more than 101 percent since 2019. Increasing bills according to the Company's request will undoubtedly make it more difficult for customers to cover their debt and stay current and will likely push more customers into arrears. This will significantly harm customers and may cause an even larger revenue shortfall.

Suddenly increasing the average customer bill by nearly 51 percent is unreasonable and will result in avoidable harm to customers. Given the excessive one-time bill impact and the hardship it would create for many of Great Basin's customers who already have trouble paying their bills, Public Counsel recommends mitigating rate shock by phasing in the rate increases over a three-year period. It is unreasonable to approve such a massive increase overnight. Due to the significant number of arrearages, Public Counsel also recommends that the Commission direct the Company to address affordability and reduce arrearages.

[1] The average bill increase may vary between customers, since this represents the first rate filing for the three legacy water companies under one entity. For example, customers of the former Harrison Water Company-Kiona may see a more significant bill increase than the customers of the two other legacy companies due to historic differences in rates in the legacy systems.

Public Counsel's Recommendation

The Commission should clarify the Company's Disconnection and Reconnection fee charges and ensure they are cost-based and in line with the Company's Tariff. Furthermore, the Commission should include water disconnection and reconnection fees in the ongoing Credit and Collections Rulemaking.

The Company requests doubling Reconnection Visit Charges from $25 to $50. It is Public Counsel's understanding that this requested increase is cost based and was developed on the assumption that a Reconnection Visit Charge recovers the cost of two visits to the customers' premises — the first visit to disconnect the customer and the second visit to reconnect the customer if they are unable to produce payment at the time of the first visit. This assumption and definition of "Reconnection Visit Charge" is confusing and conflicts with the Company's Service Tariff WN U-3. The Company's Tariff at Sheet No. 5 describes both a Disconnection Visit Charge and Reconnection Charge as a "single visit." Therefore, the charge should reflect the actual cost of a single visit, resulting in a $25 charge for each.

Public Counsel is concerned that this confusion and conflict with the Company's tariff could result in customers being overcharged. For example, a customer facing disconnection for non-payment could be charged for a disconnection visit and a reconnection visit, which would result in $75 worth of fees, as opposed to the cost-based $50 total charge. This puts an undue burden on customers who are already struggling to pay their bills.

Furthermore, Public Counsel views disconnection and reconnection charges as inequitable, predatory, and potentially redundant. Customers facing disconnection for non-payment are typically facing economic hardships and are often members of vulnerable communities. The impact of these fees is falling squarely on vulnerable customers and reinforces the cycle of debt, as it creates an additional expense for a customer on an already tight budget to receive a basic, life-sustaining service. The Company is raising rates, in part, to cover staff wages. As such, the cost of premises visits for disconnection and reconnection may already be captured in rates and, thus, may mean the disconnection and reconnection charges are redundant. The future and equity impacts of disconnection and reconnection fees for water utilities should be included in the ongoing rulemaking in Docket U-210800.

Public Counsel's Recommendation

The Commission should reevaluate the policy setting return on owner equity for water companies. Market conditions have changed since the effective policy was set in 2002.

The Company requests a 12.0 percent return on owner equity in this case. As Public Counsel has raised in other recent water General Rate Cases, the Commission has set return on equity for water utilities at 12.0 percent for nearly 20 years based on the outcome of a General Rate Case filed in 2001.[2] Public Counsel recognizes that the Company's request does not necessarily reflect a 12.0 percent in actuality. As a result, the customers will not be providing this level of return in the near term. However, the Commission should still re-evaluate this policy since it was set more than 20 years ago.

Public Counsel appreciates the Commission's past willingness and commitment to re-evaluate water company returns on equity in a forthcoming policy docket. Public Counsel reiterates its support for such a proceeding in this case.

Public Counsel appreciates the opportunity to submit these comments. Furthermore, Public Counsel understands that the Company's original filing is still subject to adjustments in collaboration with Commission Staff. We reserve the right to amend, supplement, or otherwise update our comments ahead of or during the May 26 Open Meeting. If you have any questions about this filing, please contact Nina Suetake, (206) 389-2055 or Nina.Suetake@ATG.WA.GOV, or Corey Dahl, (206) 464-6380 or Corey.Dahl@ATG.WA.GOV.

Sincerely,

/s/

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NMS/CJD

[2] *See* Docket UW-010877.