

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
STAFF RESPONSE TO BENCH REQUEST

DATE PREPARED: May 20, 2025 DOCKETS: UW-230598 & UW-240079 REQUESTER: Bench	WITNESS: Mike Young RESPONDER: Mike Young TELEPHONE: 360 664-1155
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BENCH REQUEST NO. 4:

The Company's proposed surcharge does not include recovery of its litigation costs¹ and the Company otherwise opposes an increase in its general rates.² In its response to UTC Bench Request No. 3, the Company stated it was seeking recovery of \$40,979.50 in legal fees, as well as the additional legal fees it expects to incur in May 2025.³

To Washington Water Supply, Inc.:

- a. Please clarify how the Company proposes to recover its litigation costs associated with the consolidated dockets.
- b. If the Company seeks to recover these costs through its proposed surcharge, please provide an updated surcharge proposal that includes recovery of these costs.

To Staff:

- c. Please provide an updated recommendation, if deemed appropriate, to Staff's revenue requirement and recovery of litigation expenses given the Company's response to Bench Request No. 3, noting if Staff recommends amortization and over what period of time.

RESPONSE:

- c. Staff has reviewed the invoices provided by the Company and believes the invoices reflect legitimate costs associated with the three dockets, UW-230589, UW-240079, and UW-230997. Staff also believes the company has made reasonable efforts to pay the invoices listed. The company states in its response that it is seeking \$40, 979, while the total of the invoices provided is \$47,838. Staff's recommendation is based on \$47,838 of legal costs.

Staff proposes removing the cost of invoices associated with the rate case, as the company did not initially file a rate case, filing a surcharge instead. In its testimony, the Company stated it did not want any rate increase but then proceeded to contest Staff's adjustments, which would actually increase the revenue requirement if the Commission accepts the Company's criticisms. With respect to legal fees, Staff proposes removing \$4,708 which the Company stated it did not seek to recover; removing \$5,134 which are

1 Poppe, Exh WWS-1T at 2: 20-24.

2 Poppe, Exh. WWS-14T at 5: 5-9.

3 Dockets UW-240079 and UW-230598 – Washington Water Supply, Inc.'s response to UTC Bench Request No. 3 (c).

the costs the Company directly associated with the rate case filing; and removing \$5,901 which is half of the costs the Company identified as joint costs of the rate case and the complaint. This last amount was arrived at by allowing all the costs in the last invoice associated with the hearing and dividing the remainder in half. The total Staff proposes to remove is \$15,742. The amount Staff proposes to include in the rate calculation for legal costs is therefore \$32,096. Because the Company has not filed a rate case (or any tariff filing) in more than 20 years, Staff proposes amortizing this amount over five years. The amount to be included in rates is \$6,420, which will result in an additional (adjusted for revenue sensitive items) monthly amount of \$3.00 per customer. The total Staff proposed rate would now be \$57.00 per month per customer for all Washington Water Supply customers.

From Staff's perspective, \$47,838 in legal costs is excessive for a water Company with only 140 customers and \$81,000 in annual revenue. Refusing to file any tariff revisions for 25 years impaired the Company's ability to comply with Commission requirements and procedures. It is Staff's belief that much of the legal expense incurred could have been avoided by the Company had it been more familiar with Commission processes and procedures.

Staff also believes that requiring only the Echo Glen customers to repay the Company's legal costs is discriminatory. Echo Glen customers did not cause the well to need repairs. Quite the opposite: the well exceeded its useful life, and repairs or replacement should have been pursued by the Company prior to failure. Legal services are recognized as an ordinary expense for a regulated utility, and reasonable legal fees are incorporated into rates. Water companies generally have a single tariff rate for each class of customers (e.g., residential, irrigation, etc.). The Commission should allow recovery of legal fees as recommended by Staff through Washington Water's general tariff, spreading the expense amongst all customers served by the Company. Staff's recommendation is reasonable and consistent with Commission ratemaking practices.

Please see attachments supporting Staff's calculations: Attachment 1 (Workbook) and Attachment 2 (Legal Fees Analysis).