

Agenda Date: December 23, 2021
Item Number: A2

Docket: UW-210744
Company Name: Lakeland Village Water Company, Inc.

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

Recommendation

Allow rates filed by Lakeland Village Water Company, Inc., on September 23, 2021, as revised on December 14, 2021, to become effective January 1, 2022, by operation of law.

Discussion

On September 23, 2021, Lakeland Village Water Company, Inc. (Lakeland Village or Company) filed a general rate case seeking to increase annual revenues by approximately \$82,743 (30.7 percent). The filing was prompted by increases in labor, electricity, and other operating expenses. Additionally, the Company is seeking to adjust ancillary charges to recover costs directly incurred by customers. The water system provides water service to approximately 900 customers located near Allyn, in Mason County. The Company's last general rate increase took effect January 1, 2011, for \$38,940 (17.5 percent).

The Company's last general rate case became effective in 2011. Since then, the customer count has increased by approximately 80 customers, which has allowed the Company to hold off filing for new rates as expenses slowly increased due to inflationary factors. At this point in time the expenses have increase beyond what could be offset by the growth, particularly increasing wage, utility, depreciation, and tax expenses.

The largest increase in expenses driving the rate case is for payroll. Until recently the Company has had one employee whose primary job function is maintaining, monitoring, and managing the Company. The Company has a standing contract with its affiliate, Anderson and Sons, Inc., for office administration (i.e., billing, accounting, and customer service), general surveillance and monitoring. The Company also has a contract with another affiliate, the Lakeland Village Golf Course, to assist with meter reading. Historically the Company has also been using staff from the golf course to perform work for the water company. The Company has not been paying the affiliate golf course for the time that the employees are using to perform the work. To accomplish more of the operations under Lakeland Village business exclusively, two part time employees were hired equal to one full-time equivalent position, increasing expenses by \$39,654.

Other significant increases in company expenses were for utilities and taxes. Over the last 11 years these expenses have risen \$11,773 and \$5,062, respectively. The increase is mostly due to rising energy costs and increases in property taxes as the company acquired an additional pump site with additional water storage facilities.

The Company has invested in infrastructure improvement and expansion, increasing depreciable assets to address the increases in customer base as needed to provide adequate service.

Commission staff (Staff) reviewed related asset documentation and made an onsite visit and discussed infrastructure needs due to the age of the system. The Company has been making repairs and updates to meters, valves, and other items as necessary. The Company had included costs for a telemetry system, but has not purchased any components of the system, so Staff removed this item from rate base. Staff believes the remaining investment by the Company is appropriate.

Lastly, the Company is also updating its ancillary charges. The current ancillary charge schedule was established when the tariff was initially filed in 1981. The Company provided explanations and time estimates that support the charges they are seeking, except in the case of the NSF fee. Staff revised the NSF fee to match the bank charge on returned items. Ancillary charges are only incurred by the cost-causer for such activities as NSF bank fees, disconnection visits, etc.

After analysis and adjustments made to employee wages, taxes and depreciation expense Staff found the Company's requested increase of \$82,743 in annual revenue was overstated. Staff and the Company agreed to a revised additional annual revenue amount of \$46,281.

Paycheck Protection Program loan

One thing unique to this rate case is the Company received a Paycheck Protection Plan (PPP) loan in the amount of \$12,275, from the Small Business Administration that was forgiven during the test year. The Company reported that the PPP loan was used to pay wages. However, the rates in effect already included wage expense and so the Company ended up with excess funds during the test year. Staff believes it is appropriate that the excess funds received from customers and the PPP loan are recognized as revenue. In Staffs' analysis of how to handle this additional revenue, Staff looked at the Company's past due accounts over the past three years. The Company provided data that showed their past due accounts had increased in the test year by approximately \$4,500 over the amounts typically recorded as past due for 2019 and 2020. The Company did not include bad debt expense or an allowance for uncollectible accounts in the rate case. However, in order to recover the increase in past due bill amounts, Staff has crafted a two-year rate plan and used \$4,500 of the excessive revenue received from customers to offset the excess levels of past due accounts found in 2021. The remaining \$7,750 of the excessive revenue was used to reduce the year one revenue increase from \$46,281 to \$38,506. During the second year and subsequent years, rates will reflect the full agreed upon additional annual revenue amount of \$46,281.

Rate Comparisons

The proposed effective dates of the tariff filing are January 1, 2022, and January 1, 2023.

Below are tables showing the current, proposed, and revised water rates and volumes for a standard 3/4-inch meter:

Monthly Rates 1/1/2022	Current Rate	Proposed Rate	Revised Rate	Difference	
Base Rate	\$11.00	\$15.00	\$12.55	\$1.55	14%
0-500 cu ft per 100 cu ft	\$1.60	\$1.80	\$1.75	\$0.15	9%
501-1,000 cu ft per 100 cu ft	\$1.70	\$2.15			
501-1,100 cu ft per 100 cu ft			\$1.90	\$0.20	12%
Over 1,000 cu ft per 100 cu ft	\$2.00	\$3.00			
Over 1,100 cu ft per 100 cu ft			\$2.30	\$0.30	15%

One Cu Ft = approximately 7.48 gallons of water
(cu ft = cubic feet)

Monthly Rates Begin 1/1/2023	Current Rate	Proposed Rate	Revised Rate	Difference	
Base Rate	\$11.00	\$15.00	\$13.50	\$2.50	23%
0-500 cu ft per 100 cu ft	\$1.60	\$1.80	\$1.75	\$0.15	9%
501-1,000 cu ft per 100 cu ft	\$1.70	\$2.15			
501-1,100 cu ft per 100 cu ft			\$1.90	\$0.20	12%
Over 1,000 cu ft per 100 cu ft	\$2.00	\$3.00			
Over 1,100 cu ft per 100 cu ft			\$2.30	\$0.30	15%

One Cu Ft = approximately 7.48 gallons of water
(cu ft = cubic feet)

Monthly Residential Bill Comparison

Bill Impact Begin 1/1/2022 Monthly Average 846 Cu Ft	Current Rate	Proposed Rate	Revised Rate
3/4-Inch Metered Service Base	\$11.00	\$15.00	\$12.55
Current Usage Block 1 - 0-500 cu ft	\$8.00	\$9.00	\$8.75
Current Usage Block 2 - 501-1,000 cu ft	\$5.53	\$7.43	
Revised Usage Block 2 - 501-1,100 cu ft			\$6.57
Current Usage Block 3 - Over 1,000 cu ft	\$0.00	\$0.00	
Revised Usage Block 3 - Over 1,100 cu ft			\$0.00
Total Average Bill	\$24.53	\$31.43	\$27.87
Increase from Current Rates		\$6.90 28%	\$3.34 14%

Bill Impact Begin 1/1/2023 Monthly Average 846 Cu Ft	Current Rate	Proposed Rate	Revised Rate
3/4-Inch Metered Service Base	\$11.00	\$15.00	\$13.50
Current Usage Block 1 - 0-500 cu ft	\$8.00	\$9.00	\$8.75
Current Usage Block 2 - 501-1,000 cu ft	\$5.53	\$7.43	
Revised Usage Block 2 - 501-1,100 cu ft			\$6.57
Current Usage Block 3 - Over 1,000 cu ft	\$0.00	\$0.00	
Revised Usage Block 3 - Over 1,100 cu ft			\$0.00
Total Average Bill	\$24.53	\$31.43	\$28.82
Increase from Current Rates		\$6.90 28%	\$4.29 18%

Ancillary Charge Comparison

Below is a table showing the Company's current, proposed, and revised Ancillary charges:

Charge	Current	Proposed	Revised	Difference	
Disconnection Visit		\$50.00	\$50.00		
Reconnection Visit	\$25.00	\$50.00	\$50.00		
Service Visit		\$50.00	\$50.00		
Late Payment (Minimum)*		\$2.50	\$2.50		
Account Setup		\$50.00	\$50.00		
NSF Check		\$12.00	\$10.00	(\$2.00)	-17%
Water Availability Letter		\$25.00	\$25.00		
Service Connection	\$200.00	\$500.00	\$500.00		

*The late payment charge is a minimum of \$2.50 or 2% of the delinquent balance monthly, whichever is greater.

Customer Comments

On September 29, 2021, the Company notified its customers by mail of the proposed rate increase. Customers were notified that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received 20 consumer comments regarding the proposed rate increase: 19 opposed and one in favor.

Comments

All the comments from customers opposed to the increase feel the proposed amount is excessive. Half are on fixed incomes; several are senior citizens.

Staff Response

Staff informed customers that state law requires rates to be fair, just, reasonable, and sufficient to allow the Company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Customers were also told that Commission staff performs a thorough review of rate filings to ensure all rates and fees are appropriate.

Conclusion

Commission Staff has completed its review of the Company's supporting financial documents, books, and records. Staff's review shows the operating expenses are reasonable and required as part of the Company's operation. The Company's financial information supports the revised revenue requirement and charges are fair, just, reasonable, and sufficient.

Recommendation

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