

Agenda Date: May 26, 2022
Item Number: A5

Docket: UW-220218
Company Name: Great Basin Water Company LLC

Staff: Greg Hammond, Regulatory Analyst
Tiffany Van Meter, Section Manager
Jaclynn Simmons, Regulatory Analyst
Scott Sevall, Regulatory Analyst
John Cupp, Regulatory Analyst, Consumer Protection

Recommendation

Take no action, thereby allowing the tariff pages filed by Great Basin Water Company, LLC on March 28, 2022, and revised on May 23, 2022, to take effect by operation of law.

Background

On March 28, 2022, Great Basin Water Company LLC (Great Basin or Company) filed with the Utilities and Transportation Commission (Commission) a tariff revision that, as stated in its cover letter, would generate approximately \$108,000 (32 percent) additional annual revenue. The Company serves 483 customers on three different water systems in Benton and Walla Walla Counties.

This filing is the first general rate increase since merging three water companies into one in 2021. The three companies were Great Basin Water Company Kiona LLC which had its last rate increase in 2004, Great Basin Water Co Burbank LLC whose last rate case became effective 2008, and Great Basin Water Co Sunrise Acres LLC which has not had a rate increase since it became regulated in 2018.

The three companies had filed for individual rate increases in 2021 and the owner was asked to merge the companies together by Commission Staff (Staff) and come back for a single increase. The companies had operated as separate entities but had shared employees and expenses including affiliated nonregulated company expenses, which made the operations difficult to track. As one company, this provides all customers the benefit of economies of scale and a clearer picture of the Company's overall expenses. Because it has been many years since any of the three systems have had a general rate increase, the Company has experienced significant increases in overall operating expenses and has made capital investments that need to be recovered in rates.

The Company originally requested an effective date of May 1, 2022, but subsequently extended the proposed effective date to June 1, 2022.

Staff's review found that the proposed rates would generate excess revenue. While the Company's cover letter and supporting workpapers stated a requested \$108,000 (32 percent) revenue increase, the proposed rates would have generated about \$223,000 (67 percent) in

additional annual revenue. Staff’s adjustments include revisions to the Company’s payroll calculations, its utilities expenses, capitalization of certain repairs and maintenance expenses, as well as removal of non-regulated expenses attributable to the Company’s affiliated business entities. After adjustments, the Company and Staff have agreed to a revised revenue requirement of approximately \$80,000 (24 percent). Staff’s revised rate design would phase in the rate increase over a period of 6 months for customers on the Kiona system. This is being done to mitigate rate shock to these customers, who have much lower current rates than the Burbank and Sunrise systems. Kiona customers’ rates would increase to parity with the other two systems on December 1, 2022. On a total revenue basis, the rates are set to recover half of the total \$80,000 revenue increase during the first six months, with the remaining portion to be recovered by the rates effective December 1, 2022.

The revised rate design reflects an attempt at gradually implementing more strict usage blocks to encourage water conservation, while recognizing that this is the first move toward a single tariff rate design, with some uncertainty as to how usage patterns will change as a result. While less aggressive than the Company’s initial proposal, the rate design attempts to encourage conservation, while ensuring the Company recovers sufficient revenues during the lower-usage winter season.

The Company filed replacement pages on May 23, 2022, reflecting the revised rates at Staff’s recommended levels. Staff believes that the revised rates are fair, just, reasonable, and sufficient.

Rate Comparison

The rates listed below reflect the current and proposed charges for ¾ inch customers, which represent 98 percent of the current customer base. Rates for larger meter sizes, unmetered rates, RTS rates, and ancillary charges are shown in the Company’s revised tariff pages.

Current ¾ Metered Rates

	Base Rate	Usage Block 1 (cu. ft.)	Usage Rate 1	Usage Block 2	Usage Rate 2	Usage Block 3	Usage Rate 3	Average Bill*
Harrison Ray (Burbank)	\$ 25.85	0-2,500	\$ 0.88	2,501-6,500	\$ 1.08	6,500+	\$ 1.33	\$ 56.59
Harrison Ray (Kiona)	\$ 20.25	0-2,900	\$ 0.75	2,901-8,000	\$ 1.00	8,000+	\$ 1.30	\$ 46.09
Sunrise Acres	\$ 32.00	0-2,500	\$ 1.00	2,501-6,500	\$ 1.25	6,500+	\$ 1.50	\$ 67.11

Proposed/Revised ¾ Metered Rates

	Base Rate	Usage Block 1 (cu. ft.)	Usage Rate 1	Usage Block 2	Usage Rate 2	Usage Block 3	Usage Rate 3
Proposed Rates	\$ 27.00	0-1,000	\$ 1.00	1,000-3,309	\$ 2.00	3,309+	\$ 3.00
Revised Rates Phase 1 (Kiona)	\$ 21.00	0-2,500	\$ 0.95	2,501-5,900	\$ 1.35	5,900+	\$ 1.55
Revised Rates Phase 2 (All Systems) *	\$ 26.00	0-2,500	\$ 1.25	2,501-5,900	\$ 1.50	5,900+	\$ 1.78

* For the Burbank and Sunrise Systems, the Phase 2 Rates would become effective June 1, 2022. For the Kiona system, the Phase 1 Rates would become effective June 1, 2022, and the Phase 2 Rates would become effective December 1, 2022

Average Bill Comparison*

Phase 1 (June 1, 2022)

	Current Avg. Bill	Proposed Avg. Bill	Revised Avg. Bill (June 1)	Revised Increase (June 1)	Percent Increase (June 1)
Harrison Ray (Burbank)	\$ 56.59	\$ 83.18	\$ 69.39	\$ 12.80	22.6%
Harrison Ray (Kiona)	\$ 46.09	\$ 83.18	\$ 55.67	\$ 9.58	20.8%
Sunrise Acres	\$ 67.11	\$ 83.18	\$ 69.39	\$ 2.28	3.4%

Phase 2 (December 1, 2022)

	Revised Avg. Bill (June 1)	Revised Avg. Bill (Dec. 1)	Revised Increase (June 1)	Percent Increase (June 1)	Total Increase	Total Percent Increase
Harrison Ray (Burbank)	\$ 69.39	\$ 69.39	-	0%	\$ 12.80	22.6%
Harrison Ray (Kiona)	\$ 55.67	\$ 69.39	\$ 13.71	25%	\$ 23.30	50.5%
Sunrise Acres	\$ 69.39	\$ 69.39	-	0%	\$ 2.28	3.4%

*Average bills calculated using system-wide average monthly usage of 3,309 cubic feet.

Comment Summary

On March 21, 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 Staff at 1-888-333-9882 with questions or concerns. Staff received 12 comments regarding the proposed rate increase, all opposed.

Customer Comments

Customers believe the proposed increase is excessive. Many are also concerned about the usage block amounts being decreased. Several customers believe the rates are already too high.

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, fees, and usage blocks, are appropriate.

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