

Agenda Date: September 26, 2024
Item Number: A5

Docket: UW-240589
Company: Summit View Water Works

Staff: Ben Sharbono, Regulatory Analyst
Melissa Castaneda-Kerson, Regulatory Analyst

Recommendation

Issue a Complaint and Order suspending the Tariff Revisions filed by Summit View Water Works on July 31, 2024, and set Docket UW-240589 for hearing, and immediately issue a Protective Order.

Background

On July 31, 2024, Summit View Water Works (Summit View or Company) filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that would generate approximately \$514,000 (54 percent) in additional annual revenue. Summit View Water Works provides regulated water service to approximately 630 domestic and 680 irrigation customers in Benton County. The Company's last general rate increase became effective on November 1, 2018.

Summit View is seeking this increase due to increased capital investments, wage expenses, repair costs, working capital, and allocated expenses since its last general rate increase.

Discussion

Commission Staff (Staff) has not completed its review, and the Company has not demonstrated a need for additional annual revenue.

This general rate increase filing comes after the Company withdrew from Docket UW-230555, in which the Company requested an increase of approximately \$206,000 (29.7 percent) in additional annual revenue. The Company more than doubled its request on filing its revised rate case, with a new test year, to \$514,000 (54 percent). As Staff has reviewed the case, several items were found that caused Staff concern. Some of the items were addressed by the Company. However, as Staff has continued reviewing the information provided by the Company, additional questions regarding aspects of the case have come forth.

As noted below in the customer comments, approximately 15 percent of Company's customer base have commented on this docket. One of the customer concerns Staff noted is one of the Summit View's affiliate companies is also a customer of the water system. Staff has asked the Company for documentation showing the affiliated interest was treated as a normal customer. Staff has not received documentation that Staff believes adequately supports the affiliate is paying rates as other customers.

Additionally, the Company rents facilities from another affiliate company. As required by WAC 480-07-530(4)(i), the Company is supposed to disclose all transactions and provide transactional records and financial documents for all affiliates that directly or indirectly affect proposed rates. Further, WAC 480-110-545 requires water utilities that create contracts with affiliated interests to file the contract before the effective date of the contract with the Commission. Staff has not found a docket for any contracts between the affiliated companies and Summit View.

Staff also needs to review the Company Contributions-in-Aid-of-Construction (Contributions). The Company is affiliated to the development company that is building the system, which it then sells to the Summit View using a loan. Staff needs to investigate the Contributions to clearly understand the Company process, ensuring customers are not harmed by the methodology of the Company.

As at least two of the Company's affiliated companies are interacting with the water utility, questions on management and affiliated transactions have been raised, and the financial situation of the Company is not clear, Staff cannot recommend the Commission accept a revenue requirement, nor that the rates are fair, just, reasonable, or sufficient.

As the Company is not willing to extend the effective date of the tariff, Staff recommends the Commission suspend the tariff revisions and set the docket for hearing.

Customer Comments

On August 1, 2024, the Company notified its customers by mail of its proposed rate increase for irrigation service, ready to serve water hook-up, and domestic service. Staff received 97 comments from customers, all opposed to the increase.

Most commenters expressed the increase for both irrigation and domestic service is excessive and will create a hardship. Some commenters relayed the Company is also a land developer and is concerned the Company could be transferring costs of future developments onto existing customers. One customer commented that Summit View Water Works (Summit View) owns Eagle Butte Vineyard and wonders if customers of Summit View are subsidizing the vineyards irrigation water usage.

Customers were notified that they may access relevant documents about the tariff filing on the Commission's website, and that they may contact Melissa Castaneda-Kerson at Melissa.castaneda-kerson@utc.wa.gov or 1-888-333-9882 with questions or concerns.

Conclusion

Staff has not completed its review of the accounts, books, and supporting documents and cannot yet determine if the proposed rates are fair, just, reasonable, and sufficient.

Recommendation

Issue a Complaint and Order suspending the Tariff Revisions filed by Summit View Water Works on July 31, 2024, and set Docket UW-240589 for hearing, and immediately issue a Protective Order.