

Agenda Date: April 28, 2022
Item Number: A2

Docket: UW-220052
Company Name: Suncadia Water Company, LLC

Staff: Greg Hammond, Regulatory Analyst
Jaelynn Simmons, Regulatory Analyst
John Cupp, Regulatory Analyst, Consumer Protection

Recommendation:

Take no action, thereby allowing the tariff pages filed by Suncadia Water Company LLC, on January 20, 2022, as revised on April 22, 2022, to become effective May 1, 2022, by operation of law.

Discussion

On January 20, 2022, Suncadia Water Company LLC (Suncadia Water or Company) filed with the Washington Utilities and Transportation Commission (Commission) a general rate increase that would generate \$751,177 (40.5 percent) additional revenue in three phases over a 12-month period. Phase one would generate approximately \$268,571 (17.1 percent), phase two would generate approximately \$241,303 (13.1 percent) and phase three would generate approximately \$241,303 (10.3 percent). The proposed general rate increase was prompted by investment in utility plant, increases to purchased water costs, payroll expenses, and other general operating expenses.

In February of 2020, NW Natural Water of Washington acquired Suncadia Water. The current rates became effective in 2016 (Docket UW-160379). Suncadia Water serves approximately 1,677 customers in a resort community located near Cle Elum, in Kittitas County. This filing is the first general rate case filed under the new ownership. On January 26, 2022, a notice of appearance was filed on behalf of the Public Counsel Unit of the Attorney General's Office (Public Counsel). Commission Staff (Staff) and Public Counsel both separately reviewed the Company's books, records and data request responses and adjusted their respective models to formulate a revenue requirement.

Throughout the course of this case there were many discussions between Staff, the Company, and Public Counsel which allowed all three parties to work through questions and concerns regarding company expenses and capital investment to be recovered in rates. These discussions allowed all three parties to reach a consensus that an additional annual revenue increase of \$350,000 is fair, just, reasonable, and sufficient.

The revised rate design proposes a rate structure different than initially proposed, aimed at reducing the rate impact to the standard 1-inch metered customer. As proposed, the requested

rates would have resulted in an increase of \$40.32 per month in total for the average 1-inch metered customer. One of the rate design changes includes an increase to the Ready to Serve (RTS) rate, which has been increased to match the base rate. This change was made at the request of Staff, as this is a standard rate-setting practice, and helps to spread the Company's costs more equitably between currently metered customers and future metered customers paying RTS rates. The Company's proposal included no change to the existing RTS rate, which is currently \$30.20 per month. The revised rate schedule would increase this monthly charge to \$39.00 per month. The company currently has 474 RTS customers, which means this change helps to mitigate the increase to metered customers by approximately \$50,000 in annual revenue.

The revised rate design also includes modification to the proposed base rates, which is a flat fee all customers pay for service each month. The modified rate design places the majority of the incremental revenue requirement within the usage blocks, which allows customers more control over their monthly bills through controlling their water usage. The revised rate design includes a \$1.00 increase to the current base charge, moving from the current base charge of \$38.00 to a base charge of \$39.00.

Due to the significant reduction in the additional annual revenue requirement, the Company requested that the rate increase be implemented in full on May 1, 2022, rather than using a phased-in approach with carrying costs. Considering the reduction in bill impacts under the reduced revenue requirement and rate design, Staff and Public Counsel believe that a single effective date for the rate increase is reasonable. The total bill impact to the average 1-inch customer is \$15.22 (26 percent) per month, which is lower than the \$17.59 (30 percent) average bill increase proposed in Phase 1 of the Company's proposal, and significantly lower than the total \$40.32 (68 percent) total average bill increase as initially proposed. The details on the proposed and revised rate designs are shown in the table below.

The overall revised revenue requirement and rate structure reached in settlement produce rates that are fair, just, reasonable, and sufficient.

Rate Comparison

The following table shows the current, company proposed, and revised water rates and volumes for a standard 1-inch meter. The usage rates are applied per 1,000 gallons. Rates for the larger meter sizes are based on the 1-inch metered rates multiplied by the standard up-sized meter factors. The full list of rates is present in the Company’s revised tariff pages.

Monthly Rates	Current Rate	Proposed Rate (Phase 1)	Proposed Rate (Phase 2)	Proposed Rate (Phase 3)	Revised Rate	Difference	
						Revised to	Current
Base Rate	\$38.00	\$38.00	\$44.00	\$45.00	\$39.00	\$1.00	3%
Block 1 (Current) 0 – 8,000 gal.	\$2.20						
Block 1 (Revised) 0 – 5,000 gal.		\$3.50	\$4.00	\$4.50	\$3.00		
Block 2 (Current) 8,001 – 28,000 gal.	\$4.30						
Block 2 (Revised) 5,001 – 18,000 gal.		\$5.52	\$6.14	\$8.26	\$5.30		
Block 3 (Current) 28,000+ gal.	\$7.43						
Block 3 (Revised) 18,000+ gal.		\$8.00	\$9.00	\$10.00	\$8.60		
Average 1" Customer Bill (8,919 gal.)	\$59.55	\$77.14	\$88.08	\$99.87	\$74.77	\$15.22	26%
Ready to Serve	\$30.20	\$30.20	\$30.20	\$30.20	\$39.00	\$8.80	29%

Customer Comments

On January 28, 2022, 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 or comments@utc.wa.gov with questions or concerns. Staff received 71 comments, all opposed to the rate increase.

The main concern of the received comments is that current customers should not have to pay for new utility plant installed to service new developments (for future customers) within the resort. Customers also believe the amount of the proposed increase, as noticed, is excessive. In addition, customers expressed concerns about changes to language in Rule 8 (formerly Rule 7) in the Company’s tariff, which discusses “Responsibility for Extension of Distribution Mains.”

Staff Response

Commission Staff has reviewed customer comments and has done its best to incorporate the concerns into its analysis. Staff understands the sentiment that existing customers do not want to pay for the cost of new developments. Through the revised rate design, Staff has attempted to mitigate the bill impacts to existing customers as much as possible, and to ensure that rates are fair, just, reasonable, and sufficient. Staff explained that language changes in Rules 7 and 8 were necessary to clarify that the resort no longer owns the water company, and that any utility plant purchased and installed by the Water Company must be recoverable through rates. Any utility plant donated to the Water Company from a developer would be treated as Contributions in Aid of Construction and would not be recovered through rates.

Staff also met with one customer on March 29 and April 14 to discuss these concerns.

Recommendations:

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