

**Exh. SS-4T  
Docket UW-240151  
Witness: Scott Sevall**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**CASCADIA WATER, LLC**

**Respondent.**

**DOCKET UW-240151**

**SETTLEMENT TESTIMONY OF**

**SCOTT SEVALL**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Phase-in, Stay Out, Carrying Costs, Consolidated Rates*

**January 13, 2025**

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1 I. INTRODUCTION

2

3 Q. Please state your name.

4 A. My name is Scott Sevall.

5

6 Q. Are you the same Scott Sevall who filed testimony in this docket with the  
7 Washington Utilities and Transportation Commission (Commission) on behalf of  
8 Commission Staff (Staff) on November 10, 2024?

9 A. Yes.

10

11 Q. Please summarize the rate case in this docket.

12 A. Cascadia Water, LLC, filed proposed rates on February 29, 2024, with an effective date  
13 of June 1, 2024. The effective date was later extended to July 1, 2024, and the  
14 Commission heard the docket at its June 27, 2024, Open Meeting.

15 Staff, Public Counsel, and a group of customers operating under the name of the  
16 Washington Consumer Advocates of Olympic Peninsula requested information from  
17 Cascadia about its filing. Cascadia responded to numerous requests, and Staff thoroughly  
18 investigated the rate request. Staff's investigation resulted in several adjustments, which  
19 the Company accepted. Cascadia filed revised tariffs reflecting the lower revenue  
20 requirement as agreed to by the Company and Staff for presentation at the Commission's  
21 Open Meeting.

22 The Commission suspended the filing, placing the matter into adjudication. The  
23 customer group, which changed its name to the Water Consumer Advocates of

1 Washington (WCAW), filed a petition to intervene. The Commission granted that  
2 petition, set a procedural schedule, and granted Staff’s request that a mediator be  
3 assigned to the case.

4 In November 2024, the parties engaged in mediation with the assistance of  
5 Administrative Law Judge Amy Bonfrisco. On December 13, 2024, the mediation  
6 concluded without a settled resolution among the parties. Staff informed all parties that it  
7 was interested in continuing discussions with Cascadia after the all-party discussions  
8 ended without resolution. Staff and Cascadia reached agreement in late December 2024  
9 and informed the presiding officer and all parties that they had reached an agreement in  
10 principle. The Commission suspended the procedural schedule and set deadlines to  
11 address the settlement.

12 Cascadia initially requested to increase revenue by approximately \$1.8 million. In  
13 September 2024, Cascadia filed its testimony and exhibits, revising its rate request to  
14 approximately \$1.7 million. Cascadia updated its calculations, accepted certain  
15 adjustments made by Staff to the February filing, and proposed a “cap” to not exceed its  
16 initial February request, resulting in a slight decrease in the proposed rates. Staff filed  
17 response testimony on November 20, 2024, calculating proposed rates of approximately  
18 \$1.67 million. No other party presented a revenue requirement proposal, but both Public  
19 Counsel and WCAW addressed Cascadia’s filing in their respective response testimonies.  
20

21 **Q. Please describe the settlement reached by Staff and Cascadia and what topics you**  
22 **will cover in this testimony.**

1 A. Staff and Cascadia reached agreement that resolves all issues. Because not all parties  
2 have joined the settlement, it is a multiparty full settlement under the Commission's  
3 rules. The settlement terms are:

4 **1. Revenue Requirement.** Revenue requirement increase of \$1.67 million annually,  
5 split between the Western water systems, defined as the Island and Peninsula water  
6 systems, and the Pelican Point water systems in the same proportion as filed by  
7 Cascadia in September 2024.

8 **2. Phase In.** The revenue requirement increase will be phased in over three phases. The  
9 first phase begins on the rate effective date, and half of the annual revenue  
10 requirement increase will go into effect. The deferred revenue from the first year will  
11 be recovered through a surcharge that is amortized over two years. On the first  
12 anniversary of the effective date, the second half of the rate increase will go into  
13 effect, along with one-half of the amortized deferred revenue from the first year. On  
14 the second anniversary of the effective date, the second half of the amortized deferred  
15 revenue will go into effect. All mitigation and deferral recovery will be done by  
16 adjusting base rates; block rates will increase on the first effective date, but not  
17 change subsequently.

18 **3. Black Box.** Plant investments presented by Cascadia in this docket are deemed to be  
19 prudent, but for any future assets that were not included in this case, prudence will be  
20 determined in a later general rate case. Settling parties agree that the revenue  
21 requirement increase includes unspecified carrying costs related to the phased in  
22 rates.

- 1           **4. Effective Date.** Settling parties request that the Commission issue an order such that  
2           the effective date will be April 1, 2025, but they understand that the suspension  
3           deadline is May 1, 2025. Settling parties have agreed to an earlier effective date if the  
4           Commission is able to accommodate such effective date.
- 5           **5. Stay Out.** Cascadia may file a new general rate case during the phase-in period with  
6           rates going into effect no earlier than 36 months after the initial effective date in this  
7           case.
- 8           **6. Aquarius Surcharge.** The surcharge approved in Docket UW-081416, Order 01 for  
9           the Aquarius water system will be terminated.
- 10          **7. Capital Plan.** Cascadia will publish a capital plan identifying its projected major  
11          capital improvements that are reasonably expected to be in-service by the next  
12          Company rate case effective date. Major projects are defined as those estimated to  
13          cost more than \$150,000. Cascadia will hold virtual customer meetings on or about  
14          the first anniversary of the effective date in this proceeding to allow customers to  
15          provide feedback regarding the capital plan.
- 16          **8. Prioritization.** Cascadia will review all known future major projects and assign a  
17          priority level based on necessity, Department of Health requirements, and engineer  
18          review. Cascadia will meet this requirement by filing its water system plans along  
19          with a summary of anticipated projects that are estimated to be in service through one  
20          year after the 36-month stay out period.
- 21          **9. Consolidated rates.** Rates for all of Cascadia’s Western water systems will be  
22          consolidated into a single tariff, with Pelican Point water system rates remaining in its  
23          own tariff consistent with Staff witness Scott Sevall’s testimony in Exhibit SS-1T.



1           **B.       Consolidated Rates (Single Tariff Pricing)**

2

3   **Q.       How does the settlement deal with single tariff pricing?**

4   A.       The settlement adopts single tariff pricing for the Western water systems. The settlement  
5           adopts my recommendation to consolidates rates for the Whidbey and Peninsula water  
6           systems and maintain separate rates for the Pelican Point water system.<sup>1</sup>

7

8   **Q.       What is the benefit of single tariff pricing?**

9   A.       Single tariff pricing ensures against rate discrimination and does not incentivize a  
10          Company to invest only in a system which provided service to people who can afford it.  
11          Single tariff pricing ensures the benefits from economies of scale are equally spread to all  
12          customers.

13

14          **C.       Carrying Cost**

15

16   **Q.       How does the settlement deal with carrying costs?**

17   A.       Carrying costs are needed to compensate Cascadia for deferring recovery of a portion of  
18          its revenue requirement increase.<sup>2</sup> Staff and Cascadia agree that the settlement includes  
19          carrying costs, but the settlement does not specify the amount or percentage associated  
20          with carrying costs.

21

22

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<sup>1</sup> Sevall, Exh. SS-1T at 13:20 – 14:2, 14:10 – 15:16.

<sup>2</sup> Sevall, Exh. SS-1T at 17:1-11.

1 **Q. What are Carrying Costs?**

2 A. Carrying Costs is the interest on the deferred revenue, which typically occurs when  
3 phasing in rates. In short, it is interest on the amount of the revenue requirement which is  
4 not currently being generated by rates.

5  
6 **Q. What are the benefits of carrying costs?**

7 A. Carrying costs allow rates to be phased in over time, instead of the full rates going into  
8 effect immediately.

9

10 **D. Phase-in of Rates**

11

12 **Q. How does the settlement phase-in rates?**

13 A. The settlement provides for a three-phase phase in of the rate increase. Each phase is 12  
14 months long. Phasing in the rate increase over time allows the Company to increase its  
15 rates as needed but also mitigates the bill impact on customers.

16 Instead of implementing the entire revenue increase on the effective date, one-half of the  
17 increase will go into effect on the rate effective date, which is the beginning of year 1.

18 The settlement refers to a “rate mitigation mechanism,” which is the deferral of one-half  
19 of the revenue requirement increase. On the one-year anniversary of the rate effective  
20 date, the beginning of year 2, the second half of the revenue requirement increase goes  
21 into effect. The deferred revenue from year 1 will be amortized equally over year 2 and  
22 year 3. One-half of the amortized deferral goes into effect on the one-year anniversary of

1 the rate effective date. The second half of the amortized deferral goes into effect on the  
2 second anniversary of the rate effective date, the beginning of year 3.

3 The changes in rates during the phase in period will be done by adjusting the base  
4 rate in year 1, and year 2 and after year 3.<sup>3</sup> The agreed upon base rate for the average  
5 residential customer is \$41.00. In the first year, the impact on customers will be mitigated  
6 by half the revenue requirement. This means the \$41.00 base rate will be lowered to  
7 \$25.09, a mitigation of (41.00 - 25.09) \$15.91. The Company will recover one half of the  
8 deferral in year 2 and one half of the deferral in year 3. In year 4, the mitigation and  
9 deferral recovery are done, and the base rate is simply \$41.00 going forward, barring any  
10 new rate increase. Table 1 and Table 2 below illustrate how Cascadia's base rates change  
11 over the phase in period.

**Table 1**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4*</b>
Agreed on residential base rate (ARB)	\$41.00	\$41.00	\$41.00	\$41.00
Mitigation and deferral recovery (MD)	(\$15.91)	\$7.96	\$7.96	\$0.00
Tariff Rate (TR) (ARB+MD=TR)	\$25.09	\$48.96	\$48.96	\$41.00

**\*Year 4 there is no mitigation or deferral, just the base rate.**

12 **Q. What is the benefit of phase-in rates?**

13 A. The benefit of the phase in is to mitigate rate shock to the customers and to help with rate  
14 stabilization.

15

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<sup>3</sup> The block rates are revised in year 1 and stay constant through the rest of the phase-in period.

1           **E.     Stay Out Period**

2

3   **Q.     What is the stay out period?**

4   A.     The settlement stipulates that the Company will not file tariff revisions increasing rates  
5           with an effective date starting before the three-year phase-in ends.

6

7   **Q.     What is the benefit of the stay out period?**

8   A.     The benefit of the stay out period is that it allows the phase-in of rates to complete before  
9           there is a possibility of another rate case going into effect. This ensures rate stability for  
10          customers and avoids pancaking of rate increases.

11

12 **Q.     Is the settlement in the public interest?**

13 A.     Yes. The settlement balances both the Company and the customer interests and resolves  
14          the issues fairly and in the public interest.

15

16 **Q.     What do you recommend to the Commission?**

17 A.     I recommend that the Commission adopt the full multi-party settlement without  
18          conditions.

19

20 **Q.     Does this conclude your testimony?**

21 A.     Yes.