

**Summit View Water Works LLC  
Docket UW-240589**

Staff Informal Data Request Set #1  
Ref# 4-1242  
Issued 8/2/24 & Due 8/9/24

**Staff Informal Data Request #1-1**

Please provide a copy of the general ledger in MS Excel format.

Response for IDR #1-1

To shield competitively sensitive information, since there is no protective order in this case, please provide the accounts that staff would like to examine, and we will provide those account general ledgers for review.

**Staff Informal Data Request #1-2**

In the documents and testimony provided by the company, the company states that there are several affiliated companies. The testimony also states that in addition to renting space in a facility, one of the affiliate companies is providing equipment and materials to Summit View Water Works at no cost to Summit View.

Response for IDR #1-2

To clarify, the building in which the shop space is located is owned by affiliate DV&C as are the tools and equipment stocked in the building which SVWW is permitted to use for its operation at no additional cost. Any reference to "materials" is simply a generic reference for equipment provisions and there is no on-going maintenance and other expenses incurred by regulated customers for "materials."

**Staff Informal Data Request #1-2a**

Please provide information about every transaction with an affiliated interest or subsidiary that directly or indirectly affects the proposed rates, and other information required by WAC 480-07-520(4)(iii)(j).

Response for IDR #1-2a

The WAC cited in this IDR is for solid waste companies. Assuming you meant to reference WAC 480-07-530(4)(i), since SVWW is a water company, its affiliates are:

Candy Mountain LLC (CMLLC)  
Tri City Development Inc  
Eagle Butte Vineyards LLC

Candy Mountain Farms LLC  
DV and C Companies LLC (DV&C)

**Staff Informal Data Request #1-2b**

Please provide documentation that the company submitted the contracts between Summit View Water Works and any affiliated interests for commission review.

Response for IDR #1-2b

All affiliated relationships were disclosed in the course of previous general rate case submissions. Because SVWW has been classified as a Class B water company it was not subject to annual affiliated interest reporting. If staff has any concern of non-disclosure of an affiliated relationship that was not included through general rate case workpaper submissions or prior staff interactions, please so advise.

**Staff Informal Data Request #1-2c**

Please explain the arrangement in which the affiliated interest is providing equipment and materials to Summit View Water Works. Please explain the accounting for the materials contributed by the affiliate at no cost to the water company. Are the materials included in operation costs or rate base?

Response for IDR #1-2c

In answer, please also see the response in #1-2, above. The new shop lease provides for the use of the shop space. The lessee, Summit View, has access to the tools and equipment stocked in the building at no additional cost. No materials for regulated operations are provided to the lessee and therefore there is no additional accounting to be considered.

**Staff Informal Data Request #1-3**

As the owner-managers' are requesting increased wages due to increasing demands of the water company operations, please provide documentation of the owner-managers' worktime split between all affiliates and other professional activities that they receive compensation for.

Response for IDR #1-3

Mr. Rathbun and Mr. Clark do not currently maintain contemporaneous recordkeeping documentation for "worktime split between all affiliates and other professional activities that they receive compensation for."

However, rather than hourly work incurred for a salaried management position, the issue here is a fair wage for the management of Summit View and its ever growing customer base, regulations, and expanding geographic and infrastructure operations. As discussed in testimony, Mr. Rathbun and Mr. Clark's time co-managing SVWW is the equivalent of one full-time manager.

The co-managers of SVWW have been business partners for many years, but SVWW is the first business that they have acquired under UTC regulation, and documenting time spent on different business activities was not something that was previously required or anticipated

during the multiple rate audits it has been subject to over the two-plus decades of their management. Nevertheless, Mr. Clark and Mr. Rathbun have only been receiving a “stipend” for eight hours per week, regardless of the actual time they spent in excess of that in managing SVWW, due to the company’s prolonged revenue deficiency and operating cash shortfalls between general rate filings at the UTC.

After engaging Ms. LaRue and discussing the considerable management responsibilities in addition to the amount of time required of Mr. Clark and Mr. Rathbun each week, SVWW developed a comprehensive manager job description and drafted a memorandum of understanding (MOU) to formalize Mr. Clark and Mr. Rathbun’s job functions and overall commitments to SVWW. Both of these documents are attached.

Under present management and while only receiving a relatively modest stipend, SVWW has grown from a small 12-connection system into an evolving, innovative, UTC-regulated entity that provides clean, regularly-tested drinking water to its 630 domestic customers and provides safe and reliable water for its 680 irrigation customers. Additionally, this management team continues looking to the future, making prudent, environmentally sound decisions, while considering the impact their decisions have on their customers, who, after all, are their neighbors.

Because the goal of rate regulation is to determine fair and reasonable rates based on prudently incurred expenses, we would underscore the fact that the question here is whether the combined salaries (which equate to one full-time manager) for SVWW’s co-managers is reasonable and fully commensurate with their managerial obligations and burdens, fairly reflecting their efforts in running the day-to-day operations of a regulated company they have owned for over 20 years.

#### **Staff Informal Data Request #1-4**

With the tariff pages provided, the company proposes a two-year rate plan. What assurances does the company provide it will

##### Response for IDR #1-4

Ms. LaRue emailed Mr. Sharbono requesting clarification of this request. Mr. Sharbono responded via email. Therefore, a copy of that email string and the company’s response is included in the attached file *240589 - IDR #1-4 response - email chain*.

#### **Staff Informal Data Request #1-5**

Please explain why the company is adding 300 basis points to the prime rate, which is above the 200 basis points normally added by commission models.

##### Response for IDR #1-5

Response will be subsequently provided.

**Staff Informal Data Request #1-6**

Please identify the lenders on DPK-03, 4.2 Cost of Debt. Are any of the loans from affiliated interests?

Response for IDR #1-6

Response will be subsequently provided.

**Staff Informal Data Request #1-7**

Please provide invoices for all assets placed in service on or after November 1, 2018.

Response for IDR #1-7

Response will be subsequently provided.

**Staff Informal Data Request #1-8**

Please provide documentation showing the heavy equipment, vehicles, and office equipment shown on SVWW's asset list are only used for SVWW's operations and not shared with any affiliated operations, including the construction company.

Response for IDR #1-8

The Company would respond that this is a classic "negative inference" -type question asking for proof of something that is not occurring. The assets listed on the referenced schedule are only used by the regulated company.

**Staff Informal Data Request #1-9**

In testimony, the company states that all water meters in service were replaced with new meters capable of remote reading. Were the old meters removed from the company asset list and depreciation expense as stranded assets that are no longer used?

Response for IDR #1-9

To clarify, only a small group of meters have been placed into service so far in 2024. As generally discussed in Exh AML-01T and Exh KR-01T, as part of a forward-looking, incremental meter replacement plan, the company purchased 32 new meters after exhaustive research by the company, which began in 2023 when it was notified that the current meters were no longer available nor was the vendor providing local support for these legacy meters.

In accordance with the company's FIFO inventory method, the newly purchased Kamstrup meters replaced the oldest meters in the system. These legacy meters were in place when the company purchased SVWW in 2004 and were not included in its tax or regulatory depreciation schedules. Therefore, no adjustment should be necessary.

**Staff Informal Data Request #1-10**

In the testimony filed, it was indicated the company is using a 15-year asset life on new meters. In DPK-03, 3.2 Depr Exp, the meters show a life of 20 years. Please explain the discrepancy.

Response for IDR #1-10

For regulatory purposes, water meters have historically been depreciated over 20 years. And as shown in Exhibit AML-02 – Regulatory Depreciation, the legacy meters still have a 20-year depreciable life. However, the newly purchased Kamstrup meters have a 15-year life as was described in Mr. Rathbun’s testimony due to battery lifecycle. The shorter life span, however, is greatly outweighed by the improved efficiencies and accuracies of this new generation meter type which is a significant service enhancement and ultimate cost-saving as again described by Mr. Rathbun.