



# ATTORNEY GENERAL OF WASHINGTON

Public Counsel

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May 18, 2021

## **SENT VIA WUTC WEB PORTAL**

Mark L. Johnson  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

Re: Cascadia Water, LLC General Rate Increase  
Docket UW-200979

Dear Mr. Johnson:

The Public Counsel Unit of the Washington State Attorney General's Office ("Public Counsel") respectfully submits these comments in advance of the May 20, 2021, Open Meeting. These comments address Cascadia Water, LLC's ("Cascadia Water" or "Company") proposed general rate increase, which requests adoption of a new, consolidated tariff WN U-2. Cascadia Water provides service to approximately 1,750 customers in disparate systems located near Sequim in Clallam County and on Whidbey Island in Island County.<sup>1</sup> Public Counsel requested information from the Company during our review of the filing. We appreciate the Company's prompt responses to our informal data requests, which allowed us to better understand the Company's filing.

### ***Public Counsel's Recommendation***

Public Counsel recommends that the Commission reject the Company's filing and require the Company to refile its tariff sheets to reflect a phased-in increase with a three-year phase in period. While it appears that the Company has demonstrated its proposed rates, taking into account Staff's revenue adjustments, are reasonable and sufficient, the 53.8 percent increase in revenues is significant, particularly during the state's current COVID-19 emergency. The Company has agreed with Staff to phase in the revenue increase in four phases over 2 years. Despite this phased-in approach, the requested increase will result in unreasonable rate shock to customers, particularly for customers in the Lehman and Estates systems who will see the largest average bill increases. Accordingly, the Commission should follow its long-standing practice to avoid and mitigate rate shock by adopting a three-year phased rate increase with incremental increases every six months.

<sup>1</sup> Cascadia Water acquired the assets of Sea View Water, LLC ("Sea View") and Lehman Enterprises, Inc. ("Lehman") in November 2018, acquired the assets of Estates Water Systems, Inc. ("Estates") and Monterra, Inc. ("Monterra") in May 2019, and acquired the water supply and distribution system assets of Del Bay Association ("Del Bay") in November 2020 (individually, a "water system"; collectively, the "water systems").

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Public Counsel is concerned with the amount of increase being placed on customers, especially in the midst of the COVID-19 pandemic. Public Counsel understands that the Company seeks to consolidate rates for multiple water systems with their own rates and rate structures, with times since the rates were last adjusted varying from two years to 21 years. Cascadia Water has indicated that this rate increase is driven by the installation of new infrastructure (e.g., meters, wells, SCADA telemetry system), increased staffing, and a new online billing system. However, this rate increase would nearly double customers' bills in two of the systems. If approved, the rate increase would generate \$325,531, a 53.5 percent increase in annual revenue.<sup>2</sup> The average monthly bill based on a company-wide usage will increase by \$10.75 or 37 percent.<sup>3</sup> However, for individual customers, the average bill impact will differ significantly depending on which system they are currently billed under. Customers in the Lehman system will see an 82 percent increase in their bills (from \$22.96 to \$41.82), while Estates customers will see a 75 percent increase (from \$26.54 to \$46.58). Sea View and Monterra customers will be impacted by smaller but significant increases of 28 percent and 59 percent (\$8.47 and \$14.80, respectively).

In order to avoid rate shock and mitigate the impact on customers, Public Counsel strongly recommends the Commission adopt a longer phased approach for this increase designed to gradually introduce the rate increase to water customers over the next three years, while also providing the Company with the rate relief it needs.

In responses to the Company's filing, customers in the Estates water system near Sequim contacted UTC Staff and the Company to object to the consolidation of the water systems and the doubling of their average monthly bill based on the filed rates. These customers are now represented by counsel in this proceeding. While some customers may be able to absorb the rate increase, other customers may not be able to successfully weather such a large increase, especially after a year of COVID-19 pandemic-related economic stresses. As State of Washington Labor Economist Jim Vleming noted in his March 2021 update on Clallam County:

The year 2020 was yet another year of inertia as growth has proven to be a challenge in Clallam County. Then in March the Covid pandemic hit and the economy slipped into reverse. The preliminary 2020 nonfarm job totals averaged 22,290, the lowest county total since 2014 (22,200). The leisure and hospitality sector was impacted by the pandemic, as were payrolls in goods producers and government.<sup>4</sup>

In developing our recommendation, Public Counsel examined the Commission's guidance contained in its Order 01 in Docket UW-180801. In that docket, Summit View Water Works had not submitted a rate increase in the 12 years since it had come under Commission regulation, and filed a proposed 34.4 percent rate increase to cover costs the Commission found to be just and sufficient. In its Discussion and Decision, the Commission stated:

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<sup>2</sup> Commission Staff, Memo 01, at 2 (May 20, 2021).

<sup>3</sup> *Id.* at 3.

<sup>4</sup> Jim Vleming, *Clallam County Profile*, WASH. STATE EMP. SEC. DEP'T, available at <https://esd.wa.gov/labormarketinfo/county-profiles/clallam> (last updated Mar. 2021).

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The request for increased rates presented in this docket presents us with a difficult dilemma. The Company has demonstrated that it has experienced increased costs and made necessary investments that justify an increase in rates, rates that would be just and sufficient for the Company. However, as the Company has not requested an increase in rates in the 12 years since it came under Commission regulation, the resulting increase in rates is significant and could result in rate shock for customers. **Under our guiding statutes, we must establish rates that are fair, just, reasonable and sufficient for both the Company and its customers.**<sup>5</sup>

The percentage increase in the current docket represents two times that sought by Summit View. The Commission expressed that it was “keenly aware of the impact the proposed 34.4 percent increase would have on domestic water customers.” The Commission identified rate shock as a primary concern when considering requested rate increases. To address potential rate shock, the Commission implements rate changes gradually to avoid rate shock.<sup>6</sup> The Commission stated: “Concern about rate shock to the domestic water customers of Summit View is warranted in this case. An immediate 34.4 percent increase to the rates of these ratepayers is inconsistent with the Commission’s long-standing consideration of gradualism in rates.”<sup>7</sup>

The Commission found that implementing the entire 34.4 percent increase for Summit View was not fair, just, or reasonable. Commission Staff in that case recommended that the Commission phase in the rate increase over three years, with 55 percent of the increase occurring in the first year, 22 percent of the increase occurring in the second year, and 22 percent of the increase occurring in the third year. The Commission found that Staff’s recommendation to phase in the rate increase would result in fair, just, and reasonable rates while also being fair and sufficient for the Summit View to fully recover its costs.<sup>8</sup>

Similar treatment is warranted here. While Public Counsel recognizes that Cascadia Water and Staff have agreed to a two-year phased-in approach, the period is insufficient to prevent rate shock for customers facing a near doubling of their rates. Public Counsel, therefore, recommends the Commission order a three-year phased-in approach in this docket to satisfy its goals of protecting customers from rate shock while providing fair and sufficient rates for the Company.

Public Counsel also reviewed the Commission’s guidance in its Order 01 in Docket UW-210123. In that docket, the Commission considered a 97.9 percent increase in rates for Pedersen Family, LLC. Public Counsel strongly argued for a three-year phased-in approach to mitigate the unreasonable rate shock such a large increase would have on customers. The Commission shared Public Counsel’s concerns over rate shock but ultimately opted for an alternative 18-month phased-in approach because Pedersen Family, LLC was a relatively small system that had experienced significant revenue losses in recent years, demonstrating a need to recover its costs

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<sup>5</sup> *Wash. Utils. & Transp. Comm’n v. Summit View Water Works*, Docket UW-180801, Order 01: Allowing Revised Rates to Become Effective Subject to Conditions, ¶ 9 (Oct. 22, 2018) (emphasis added).

<sup>6</sup> *Id.*, ¶ 10.

<sup>7</sup> *Id.*, ¶ 11.

<sup>8</sup> *Id.*, ¶ 12.

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and expenses sooner rather than later.<sup>9</sup> Cascadia Water, however, is not operating under the same circumstances as Pedersen Family, LLC. Cascadia Water is not simply a small, family owned system. It is a wholly-owned subsidiary of NW Natural Water of Washington, which is a wholly-owned subsidiary of Northwest Natural Holdings Company, that has demonstrated its financial stability through its recent, rapid acquisitions of multiple water systems.<sup>10</sup> The argument against applying a three-year phase-in period therefore does not apply to Cascadia Water.

Regarding the Company's proposed ancillary charges, Public Counsel believes these charges are in line with ancillary charges typically set by water systems in the state. Therefore, Public Counsel has no objection to their approval, to go into effect with the first phase of the rate plan.

With Washington residents and businesses attempting to recover from the financial strains of the COVID-19 State of Emergency, Public Counsel believes that solutions like phased-in rates with longer phase-in periods are more beneficial than ever. In this way, the Commission can ensure the Company recovers sufficient amounts through rates, while at the same time lessening the risk that ratepayers will experience the rate increase as one more devastating economic burden during a pandemic year that has been full of them.

While Public Counsel represents customers as a whole, we are aware of the concerns of the Water Consumer Advocates - Dungeness-Estates who have consistently voiced their concerns and questioned the Company as to the necessity of these drastic increases. Public Counsel urges the Commission to also take these customers' concerns into consideration, as they will be directly impacted by the proposed rate increase.

Public Counsel appreciates the opportunity to submit these comments. Public Counsel also plans to offer brief oral comments at the Open Meeting on May 20th. If you have any questions about this filing, please contact Nina Suetake at (206) 389-2055 or via email at [Nina.Suetake@atg.wa.gov](mailto:Nina.Suetake@atg.wa.gov).

Sincerely,

/s/ 

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Assistant Attorney General  
Public Counsel Unit  
(206) 389-2055

NMS/KMB  
Enclosures

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<sup>9</sup> *Wash. Utils. & Transp. Comm'n v. Pedersen Family, LLC*, Docket UW-210123, Order 01: Allowing Revised Rates to Go Into Effect April 9, 2021, Subject to Conditions, ¶ 11 (April 8, 2021).

<sup>10</sup> *See infra* n.1.