

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

CASCADIA WATER, LLC,

Respondent.

DOCKET UW-240151

WATER CONSUMER ADVOCATES OF WASHINGTON, INTERVENOR

February 6, 2025

Cross-Examination Exhibit of Rachel Stark

RS-__X

Staff Responses to WCAW DRs 155-178

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
STAFF RESPONSE TO DATA REQUEST

DATE PREPARED: January 14, 2025 DOCKET: UW-240151 REQUESTER: WCAW		WITNESS: Rachel Stark RESPONDER: Rachel Stark TELEPHONE: 360-664-1272
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DATA REQUEST NO. 155:

Did Staff conclude as part of its recommendation to the Commission of June 27, 2024, that the compromise tariff revisions agreed to by Cascadia and Staff “would result in rates that are fair, just, reasonable, and sufficient”?

RESPONSE:

Yes.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
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DATA REQUEST NO. 156:

If your answer to the preceding data request is anything but an unqualified “yes” please explain in detail why.

RESPONSE:

Not applicable. See Staff Response to WCAW’s Data Request No. 155.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
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DATA REQUEST NO. 157:

Do you agree that the Commission effectively rejected Staff's recommendation by issuing Findings and Conclusions (5)?

RESPONSE:

Objection. Calls for legal conclusion. Without waiving and subject to the stated objection, Staff responds as follows:

No. Staff's recommendation was not rejected. Order 01 states in the Findings and Conclusions (5) that Cascadia Water has not sufficiently demonstrated that the tariff revisions would result in rates that are fair, just, reasonable, and sufficient. In Findings and Conclusions (7), the Commission noted that Cascadia Water bears the burden of proof in the rate case. The Commission did not reject the rate filing but suspended it for adjudication, as stated in Order 01, Paragraph 13. Specifically, the Commission stated, "We agree there are questions underlying the tariff revisions and materials provided in this docket and therefore we do not believe that the tariff should be approved *at this time*." (Emphasis added.)

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DATA REQUEST NO. 158:

Did you understand it was Staff's responsibility "to carry out the duties imposed upon the Commission by law... to investigate Cascadia Water's books, accounts, practices, and activities; to make a valuation or appraisal of Cascadia Water's property; and to investigate and appraise various phases of Cascadia Water's operations" defined in Findings and Conclusions (6)?

RESPONSE:

Objection. Calls for legal conclusion. Without waiving and subject to the stated objection, Staff responds as follows:

Yes.

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DATA REQUEST NO. 159:

Do you contend anyone else was charged with the duty to investigate defined in (6)? If so, please identify who else was responsible to undertake any part of the investigation, including name(s); whether an organization, outside consultant, agency or other; their scope of responsibility; and whether they produced any written analysis or other memorialization of their work. Please produce same.

RESPONSE:

Objection. Calls for legal conclusion; overly burdensome in that the request asks for publicly available information. Without waiving and subject to the stated objection, Staff responds as follows:

Yes. There are at least two parties in every rate case: the requesting company and Staff. Public Counsel is a statutory party representing residential and small business customers, and they become a party upon filing a notice of appearance. Other interested persons may petition to intervene in rate cases under WAC 480-07-355. If the Commission grants the petition, that interested persons becomes a party to the proceeding with all the rights and obligations that comes with party status. As a party, every intervenor does their own independent review, writes their own testimony and provides their own recommendations to the Commission. It is Staff's understanding that Finding and Conclusion (6) is speaking to all parties, including intervenors.

The parties to this case are Cascadia, Staff, Public Counsel, and WCAW. Each party has presented witnesses, whose testimony and exhibits have been served on WCAW when filed and can be accessed through the Commission's website (<https://www.utc.wa.gov/casedocket/2024/240151>). Parties have also responded to discovery, which was served on WCAW when propounded and responded to.

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DATA REQUEST NO. 160:

Describe all steps you have taken between June 28, 2024 and the present “to investigate Cascadia Water’s books, accounts, practices, and activities”.

RESPONSE:

Objection. Requests attorney work product and attorney-client privileged information; overly broad and unduly burdensome. Without waiving and subject to the stated objections, Staff responds as follows:

Staff compared the informal case filed to the formal case filed, and reviewed testimony and exhibits filed by Cascadia with the formal case. Staff requested invoices, sanitary system surveys and any DOH reply letters to sanitary surveys, Staff reviewed the Company’s general ledgers and work papers. Staff reviewed discovery that it requested and that the other parties requested of Cascadia and the responses provided. Staff reviewed the testimony and exhibits filed by Public Counsel and WCAW. Staff participated in informal and formal settlement negotiations with all parties until the conclusion of the mediation.

Please refer to the discovery propounded in this matter, a copy of which has been served on WCAW when propounded and responded to, Staff’s testimony and exhibits, which are filed in this docket, and the testimonies and exhibits of Public Counsel and WCAW, also filed in this docket (<https://www.utc.wa.gov/casedocket/2024/240151>).

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DATA REQUEST NO. 161:

Please produce all documentation which memorializes all steps you have taken between June 28, 2024 and the present “to investigate Cascadia Water’s books, accounts, practices, and activities”, including who did so, whether your investigation included examining anything more than what Cascadia had previously provided the Commission, and, if so, what additional Cascadia books, accounts, practices, and activities you examined.

RESPONSE:

Objection. May request attorney work product and attorney-client privileged information; overly broad and unduly burdensome; vague and confusing; requests information WCAW already possesses. Without waiving and subject to the stated objections, Staff responds as follows:

It is unclear what WCAW means by “previously provided the Commission.” Staff assumes this means materials filed and provided by Cascadia ahead of the June 2024 Open Meeting. The premise of this question seems to be that Staff failed to do any work after the Commission suspended Cascadia’s filing and set the matter for adjudication. This premise is incorrect, as WCAW is aware. At minimum, WCAW has seen the discovery propounded by Staff throughout the formal proceeding. Additionally, WCAW was served with Staff’s testimony and exhibit in this matter.

Please refer to the discovery propounded in this matter, a copy of which has been served on WCAW when propounded and responded to, Staff’s testimony and exhibits, which are filed in this docket, and the testimonies and exhibits of Public Counsel and WCAW, also filed in this docket (<https://www.utc.wa.gov/casedocket/2024/240151>).

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DATA REQUEST NO. 162:

Please produce all documentation which memorializes your analysis and conclusions of said investigation.

RESPONSE:

Objection. Vague; may call for attorney work product and attorney-client privileged information. Without waiving and subject to the stated objections, Staff responds as follows:

See Staff's Response to WCAW Data Request No. 39 and Supplemental Staff Response to WCAW Data Request No. 39; Staff's Response to WCAW Data Request No. 61.

Please see Attachment A to this data request, which contains copies of documents from Department of Health.

Please see Attachment B to this data request, which contains copies of emails with Department of Health.

Please see Attachment C to this data request, which contains copies of sale and transfer orders.

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DATA REQUEST NO. 163:

Describe all steps you have taken between June 28, 2024 and the present “to make a valuation or appraisal of Cascadia Water’s property”.

RESPONSE:

Objection. Repetitive request, unduly burdensome, may request attorney work product and information protected by the attorney-client privilege, vague and confusing. Without waiving and subject to the stated objections, Staff responds as follows:

See Staff’s Responses to WCAW Data Request Nos. 39, 63, 160, 161, 162, and 1 through 154.

See the testimony and exhibits filed by Staff witnesses Rachel Stark and Scott Sevall, which contains Staff’s analysis in this case. Exhibits RS-1T, RS-2, RS-3, RS-4, RS-5, RS-6, SS-1T, SS-2, and SS-3.

See testimony and exhibits filed by Staff witness Rachel Stark and Scott Sevall in support of the Full Multiparty Settlement. Exhibits RS-7T, RS-8, RS-9, RS-10C, RS-11C, and SS-4T.

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DATA REQUEST NO. 164:

Please produce all documentation which memorializes all steps you have taken between June 28, 2024 and the present “to make a valuation or appraisal of Cascadia Water’s property”, including who did so, whether your investigation included examining anything more than what Cascadia had previously provided the Commission, and, if so, what additional material you examined.

RESPONSE:

Objection. Repetitive request, unduly burdensome, may request attorney work product and information protected by the attorney-client privilege, vague and confusing. Without waiving and subject to the stated objections, Staff responds as follows:

See Staff’s Responses to WCAW Data Request Nos. 39, 63, 160, 161, 162, and 1 through 154.

See the testimony and exhibits filed by Staff witnesses Rachel Stark and Scott Sevall, which contains Staff’s analysis in this case. Exhibits RS-1T, RS-2, RS-3, RS-4, RS-5, RS-6, SS-1T, SS-2, and SS-3.

See testimony and exhibits filed by Staff witness Rachel Stark and Scott Sevall in support of the Full Multiparty Settlement. Exhibits RS-7T, RS-8, RS-9, RS-10C, RS-11C, and SS-4T.

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DATA REQUEST NO. 165:

Please produce all documentation which memorializes your analysis and conclusions of said investigation.

RESPONSE:

Objection. Repetitive request, unduly burdensome, may request attorney work product and information protected by the attorney-client privilege, vague and confusing. Without waiving and subject to the stated objections, Staff responds as follows:

See Staff's Responses to WCAW Data Request Nos. 39, 63, 160, 161, 162, and 1 through 154.

See the testimony and exhibits filed by Staff witnesses Rachel Stark and Scott Sevall, which contains Staff's analysis in this case. Exhibits RS-1T, RS-2, RS-3, RS-4, RS-5, RS-6, SS-1T, SS-2, and SS-3.

See testimony and exhibits filed by Staff witness Rachel Stark and Scott Sevall in support of the Full Multiparty Settlement. Exhibits RS-7T, RS-8, RS-9, RS-10C, RS-11C, and SS-4T.

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DATA REQUEST NO. 166:

Describe all steps you have taken between June 28, 2024 and the present “to investigate and appraise various phases of Cascadia Water’s operations”.

RESPONSE:

Objection. Repetitive request, unduly burdensome, may request attorney work product and information protected by the attorney-client privilege, vague and confusing. Without waiving and subject to the stated objections, Staff responds as follows:

See Staff’s Responses to WCAW Data Request Nos. 39, 63, 160, 161, 162, and 1 through 154.

See the testimony and exhibits filed by Staff witnesses Rachel Stark and Scott Sevall, which contains Staff’s analysis in this case. Exhibits RS-1T, RS-2, RS-3, RS-4, RS-5, RS-6, SS-1T, SS-2, and SS-3.

See testimony and exhibits filed by Staff witness Rachel Stark and Scott Sevall in support of the Full Multiparty Settlement. Exhibits RS-7T, RS-8, RS-9, RS-10C, RS-11C, and SS-4T.

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DATA REQUEST NO. 167:

What was your understanding of what the Commission meant when it directed you “to investigate and appraise various phases of Cascadia Water’s operations”.

RESPONSE:

Staff’s job duties include investigating company general rate case filings. Staff understood this language to direct Staff to conduct an investigation or analysis and assess the operations of Cascadia Water and systems, which is consistent with Staff’s ordinary duties.

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DATA REQUEST NO. 168:

Did you ask the Commission or anyone else for clarification of what the Commission meant when it directed you “to investigate and appraise various phases of Cascadia Water’s operations”?

RESPONSE:

No.

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DATA REQUEST NO. 169:

Please produce all documentation memorializing any exchange between you and the Commission or others regarding clarification of what the Commission meant when it directed you “to investigate and appraise various phases of Cascadia Water’s operations”.

RESPONSE:

N/A. See Staff Response to WCAW Data Request No. 168.

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DATA REQUEST NO. 170:

Please produce all documentation which memorializes all steps you have taken between June 28, 2024 and the present “to investigate and appraise various phases of Cascadia Water’s operations”, including who did so, whether your investigation included examining anything more than what Cascadia had previously provided the Commission, and, if so, what additional material you examined.

RESPONSE:

Objection. Repetitive request, unduly burdensome, may request attorney work product and information protected by the attorney-client privilege, vague and confusing. Without waiving and subject to the stated objections, Staff responds as follows:

See Staff’s Responses to WCAW Data Request Nos. 39, 63, 160, 161, 162, and 1 through 154.

See the testimony and exhibits filed by Staff witnesses Rachel Stark and Scott Sevall, which contains Staff’s analysis in this case. Exhibits RS-1T, RS-2, RS-3, RS-4, RS-5, RS-6, SS-1T, SS-2, and SS-3.

See testimony and exhibits filed by Staff witness Rachel Stark and Scott Sevall in support of the Full Multiparty Settlement. Exhibits RS-7T, RS-8, RS-9, RS-10C, RS-11C, and SS-4T.

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DATA REQUEST NO. 171:

Please produce all documentation which memorializes your analysis and conclusions of said investigation and investigate and appraisal of various phases of Cascadia Water's operations.

RESPONSE:

Objection. Repetitive request, unduly burdensome, may request attorney work product and information protected by the attorney-client privilege, vague and confusing. Without waiving and subject to the stated objections, Staff responds as follows:

See Staff's Responses to WCAW Data Request Nos. 39, 63, 160, 161, 162, and 1 through 154.

See the testimony and exhibits filed by Staff witnesses Rachel Stark and Scott Sevall, which contains Staff's analysis in this case. Exhibits RS-1T, RS-2, RS-3, RS-4, RS-5, RS-6, SS-1T, SS-2, and SS-3.

See testimony and exhibits filed by Staff witness Rachel Stark and Scott Sevall in support of the Full Multiparty Settlement. Exhibits RS-7T, RS-8, RS-9, RS-10C, RS-11C, and SS-4T.

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DATA REQUEST NO. 172:

Did you understand that the Commission ruled that
“(9) Cascadia Water may be required to pay the expenses reasonably attributable
and allocable to such an investigation, consistent with RCW 80.20.020”?

RESPONSE:

Yes.

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DATA REQUEST NO. 173:

Did you understand that the Commission's ruling could include payment of expenses of outside consultant assistance and expert testimony you might feel necessary to assist you in your investigation on behalf of the Commission?

RESPONSE:

Yes.

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DATA REQUEST NO. 174:

Did you make any effort to retain an outside consultant or expert to assist you in your investigation on behalf of the Commission? If so, please describe those efforts in detail, including who you approached, whether anyone was retained, and the scope of their retention. Please produce any documentation memorializing their analysis and conclusions, if any.

RESPONSE:

No. Staff did not hire any outside professionals; however Staff met with the Department of Health Staff regarding Cascadia's water system.

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DATA REQUEST NO. 175:

Did Advocates suggest that you retain an outside consultant or expert to assist you in your investigation on behalf of the Commission in light of the fact that Cascadia would likely be required to pay those expenses?

RESPONSE:

Yes. See the Advocates email in data request no. 176.

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DATA REQUEST NO. 176:

Request for admission: please admit this is a true and correct copy of an email to you from Advocates:

Steve Todd <stevetodd1864@gmail.com>

Wed, Aug 14, 10:58 AM (1 day ago)

to Lisa, Rachel, Mike, Tad, Stefan, Kent, Scott, Dave, Blaine, Vicki, Rick, Tom, Judy

Good morning Lisa,

Let's keep our dialogue going. I have a thought about litigation. Advocates have done a lot of research into other jurisdictions' requirements of capital plans, prudence, necessity, and rulings on cost of debt and return on equity, as well as Cascadia's investments and their justifications for same.

As you know, the Commission's order states that, "in order to carry out the duties imposed on the Commission by law, the Commission believes it is necessary to investigate Cascadia Water's books, accounts, practices and activities; to make a valuation or appraisal of Cascadia Water's property; and to investigate and appraise various phases of Cascadia Water's operations." The order goes on to say that the Commission will institute such an investigation and that Cascadia "shall" pay the expenses reasonably attributable to the Commission's investigation, per statute.

I assume, therefore, that Staff is gearing up to conduct this investigation in preparation for the litigation brought by the Commission. We are happy to share our thoughts and work product with Staff and PC. While we do not have the resources to hire experts, we have an expert in our group and many ideas of what other types of experts might be helpful to the Commission and Advocates in pursuing rates (and future processes) that are fair, just, reasonable and sufficient.

Can we pool resources and work together? (This is not meant as part of settlement negotiations and should not be construed as an ER 408 communication).

Thanks, Steve

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RESPONSE:

Objection. Requests information protected by ER 408. Without waiving and subject to the stated objection, Staff responds as follows:

Yes, this is an email received by Lisa Gafken, AAG representing Commission Staff, from Steve Todd.

In an attempt to assist WCAW in navigating the proceeding and giving them the tools needed to conduct their own analysis, Lisa Gafken provided the following email on August 13, 2024, to WCAW representatives, including Steve Todd. This email was sent the day before the message in this request. See Attachment A to this request for a full copy of the August 13, 2024 email.

Steve Todd:

Good afternoon. I hope you find this response comprehensive and helpful.

General matters: Are you asking the questions in your email on your behalf or on behalf of the ad hoc customer group? If you are asking on behalf of the ad hoc customer group, please let us know who the decisionmakers are and whether you have authority to act on their behalf. I ask because you stated at our last meeting on August 8 that you did not have authority to make a proposal on behalf of the ad hoc customer group, despite speaking on its behalf during the meeting. In any event, please note that this communication is a settlement communication, covered by ER 408.

In your email, you state, “We claim no expertise, only that we have a right *as your clients* to know what the impact on our rates will be at lesser ROEs.” (Emphasis added.) I must stress that Staff does not have an attorney client relationship with the ad hoc advocates. As an Assistant Attorney General, I represent Commission Staff in this docket. Nothing in this message is or may be interpreted as being legal advice or as establishing such a relationship.

Nor do the ad hoc advocates stand as a client of the Commission or of Commission Staff. The Commission and its Staff serve the state of Washington, not individual interests within the state, pursuant to legal authority bestowed upon it by the state Legislature. That authority is to regulate in the public interest public service companies, such as Cascadia Water. The

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public interest requires rates to be fair, just, reasonable, and sufficient, and the Commission weighs the interests of all impacted entities (companies and customers). I will also note that Public Counsel serves as the statutory consumer advocate in Commission proceedings. They represent customers as a whole, and not specific customer groups individually, but they have attempted to help the customer group navigate the regulatory system.

Similarly, Staff has been trying to provide information and answers to consumers throughout this proceeding. I will take another run at it in this email by explaining how to use the ratemaking model. I will also provide certain calculations and detailed instructions on how to calculate additional numbers in the event that the advocates wish to advance anything prior to the prehearing conference on August 21 (or beyond).

I expect that this information will be received in good faith. I want to stress that all parties are responsible for developing and presenting their own case analysis, especially as we move into a more formal proceeding. If the advocates are granted party status at the prehearing conference, I intend that the information in this email will aid in your ability to independently operate in this matter.

Requested calculations will not yield useful information: You ask that Staff run the same calculations we did for the June 27th open meeting at various ROE values. We continue to talk past each other on this issue, but I hope that seeing this in writing may help break the logjam. The information you request will not give you relevant information in terms of addressing Cascadia's proposed 3-phase rate phase-in. The June 27th Staff proposal was for a 2-phase rate phase-in. Running numbers with a 2-phase assumption gives you an apples to oranges comparison, at best. At this point, Staff does not have a 3-phase model outside of what Cascadia provided on July 31st, when it sent the rate case workbook that reflects Staff's adjustments and the 11% ROE proposal. I will explain how to get the numbers you are looking for in detail below, but first, I will review what goes into a bill and how it relates to the settlement proposal.

What goes into a bill and how does that relate to the settlement proposal?: While Cascadia's settlement proposal incorporates the adjustments Staff made to the company's February filing, there is a significant difference between Staff's June 27th recommendation and Cascadia's settlement proposal. That difference is in how the rates are designed.

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Rates are based on the amount of annual revenue a company needs to collect to cover its costs. This is called the revenue requirement. The adjustments we've mentioned that Cascadia incorporated into their proposal reflects Staff's revenue requirement analysis.

Revenue requirement is collected from customers through rates. Rates are made up of two parts: (1) a base rate (the fixed amount customers pay each billing cycle) and (2) a volumetric rate (the amount that is charged based on usage).

While the settlement proposal reflects Staff's analysis of revenue requirement (plus Cascadia moved the cost of capital - specifically ROE - down from 12% to 11%), Cascadia **did not** incorporate Staff's June 27th rate design in its settlement proposal. Staff recommended a lower base rate of \$32 for Peninsula, whereas the settlement proposal sets the base rate at \$40.14. Even though the volumetric rates under Cascadia's proposal are lower than Staff's June 27th proposal, it doesn't offset the higher base rate. This is why you see an increase in the billed amount for 500 cubic feet of usage for Peninsula from \$50.75 (the June 27th calculation) to \$52.74 (the settlement proposal calculation).

Let's look at how to use the rate case workbook and how to do calculations.

The Ratemaking Workbook and Revenue Calculations: As mentioned earlier, Cascadia provided the rate case model (workbook) on July 31st. On the same day, Cascadia provided the bill impact of their proposal in a separate worksheet called "Rates and Bills." In order to get to bill impact, you have to understand and calculate revenue. I've attached both emails and the workbook and worksheet to this email for your convenience.

Let me explain how to run scenarios in the Cascadia model. If you open the workbook, you will find tabs running along the bottom of the workbook. Here are step by step instructions on how to maneuver within the model.

Step 1: Make sure you are running the complete scenario (including both Island and Peninsula). To do this, go to the "**Inputs**" tab and look at **cells B:70 and B:71**. Make sure both cells have a "Y" in them. The "Y" tells the model to include both systems. Note: rates for Pelican Point are calculated separately and are not reflected in this workbook. The revenue requirement for Pelican Point are approximately \$200,000. The revenue requirement for Island and Peninsula combined are approximately \$1M under the settlement proposal and Staff's revenue analysis.

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Step 2: Look at the “**PFIS**” tab. PFIS stands for “Proforma Income Statement.” **Look at cell K:15, which shows the additional yearly revenue. This is the amount of the revenue requirement.** For context, cell I:15 shows historical revenue. Cell L:15 shows the total annual revenue the company would collect after new rates go into effect.

Step 3: Go to the “**Capital Structure**” tab. Capital structure is shown in cell G:23 (debt) and cell G:25 (equity). The model has the capital structure set at 50/50. The cost of debt and the cost of equity can be found in cell H:23 (debt) and **H:25 (equity – ROE)**. You will see that the model is set to 50/50 capital structure and 5.22% debt and 11% equity. You can change all of these inputs to see different scenarios. **Once changes have been made, to back to the PFIS tab to see the changed revenue requirement in cell K:9.**

So, using this process, we get the following calculation of revenue at the ROE levels you ask about:

ROE	Revenue (Island and Peninsula combined)
11%	\$1,042,412
10%	\$982,328
9%	\$922,244
8%	\$862,160
7%	\$802,076
6%	\$741,992

Once you have the revenue requirement, you have to create rates.

How to create rates: The purpose of rates is to generate the revenue calculated under the PFIS tab. As mentioned above, rates have two components – base rate and usage rates. I’ll note that the bill impact requires more than just plugging in a number and seeing what the result is. To determine the bill impact, you need the base rate, the usage rates, and the size of the usage blocks. There are three blocks of usage rates. In total, there are 7 variables that can be modified, and all 7 variables impact a bill differently.

Here are the steps to take to create rates using the Cascadia model:

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Step 1: Determine which system you are calculating rates for: Island or Peninsula. Go to the **“Inputs” tab** and place a “Y” in either **B:70 or B:71** (corresponding with the system you are working on). Once you calculate rates for one system, you have to go back to the Inputs tab to calculate rates for the other.

Step 2: Go to the **“Proposed Rates” tab**. **Cell E:58** is the input for the **base rate**. This, again, is the fixed amount customers pay each month. The base rate will fluctuate with the ROE assumption you input in the Capital Structure tab, but you can also see how changing the base rate will impact how revenues are collected by manually changing cell E:58. **The volumetric, or usage, rate** is found in cells E:65 through E:67. The main input cell for volumetric rates is **E:65**. The volumetric rate is represented as cents per cubic foot. The published tariff rate is for 100 cubic feet, so .01 in the model means \$1 in the tariff. When you open the model, you will see that E:65 currently says 0.0252. This translates to \$2.52 in the tariff, which is what you will see in **cell E:10 of the Rates and Bills** spreadsheet for Peninsula Phase 3. Refer to the Rates and Bills spreadsheet for Phase 3 rates for each of the usage blocks and for both Peninsula and Island. **When running Island rates, you would use the value in cell E:6 from the Rates and Bills spreadsheet in E:65 of the Proposed Rates tab.**

Step 3: In the “Proposed Rates” tab, the increase in revenue is in cell G:89. Rates need to be designed so this number matches, or is very close to the number in cell K:15 on the PFIS tab.

Step 4: Stay in the “Proposed Rates” tab. The usage blocks (size) or the block 2 or block 3 rates are found in rows 56 through 67 and columns C through E.

Step 5: To calculate the bill impact, you must manually apply the block rates and usage for the bill you want to calculate.

Earlier, we provided the **calculations for 11% ROE** per your request. Those results are as follows:

For 500 cubic feet: Island - \$70.20; Peninsula - \$52.74

For 1000 cubic feet: Island - \$106.85; Peninsula - \$72.64

Looking at 10% ROE, and following the processes I’ve outlined in this email, the calculation is as follows. Note that the cells identified are from the Proposed Rates tab. Cell E:65, as discussed above, correlates to the Rates and Bills spreadsheet, so be sure you have

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the correct volumetric rate for the system you are calculating.

For **Peninsula** usage at **500 cubic feet**, you would use the following formula:

$$E:58 + (500 * E:65) \\ \$39.50 + (500 * 0.0252) = \$39.50 + \$12.60 = \mathbf{\$51.10}$$

For **Peninsula** usage at **1000 cubic feet**, you would use the following formula:

$$E:58 + (500 * E:65) + (500 * E:66) \\ \$39.34 + (500 * 0.0252) + (500 * 0.0389) = \$39.34 + \$12.60 + \$19.45 = \mathbf{\$71.55}$$

For **Island** usage at **500 cubic feet**, you would use the following formula:

$$E:58 + (500 * E:65) \\ \$45.97 + (500 * 0.0464) = \$45.97 + \$23.20 = \mathbf{\$69.17}$$

For **Island** usage at **1000 cubic feet**, you would use the following formula:

$$E:58 + (500 * E:65) + (500 * E:66) \\ \$45.97 + (500 * 0.0464) + (500 * 0.0733) = \$45.97 + \$23.20 + \$36.65 = \mathbf{\$105.82}$$

You would re-run the calculations using the formulas about to see what the bill impact would be under each ROE scenario. I trust that you will be able to calculate the remaining data points.

What are Staff's adjustments: Finally, you ask about Staff's adjustments to Cascadia's February filing. As a reminder, we are now talking about revenue and not rate design. Staff's adjustments reduced the requested revenue requirement by approximately \$500,000, which is a significant amount in this case. The cost of debt adjustment resulted in about half that amount. Staff's other adjustments are reflected in the workbook under the "Staff Adjust" tab, and the final adjustments are found in column E. You may need to scroll left to see the line item descriptions when the workbook open, but they are listed along with the dollar amounts associated with them. Staff's capital structure and debt adjustment would be reflected in the Capital Structure tab.

Regards,

Lisa W. Gafken
Assistant Attorney General

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Utilities and Transportation Division
Direct: (206) 464-6595
Cell: (206) 714-3551 (no text messaging)

Pronouns: She/Her/Hers

From: Steve Todd <stevetodd1864@gmail.com>
Sent: Friday, August 9, 2024 9:41 AM
To: Gafken, Lisa (ATG) <lisa.gafken@atg.wa.gov>; Stark, Rachel (UTC) <rachel.stark@utc.wa.gov>; Young, Mike (UTC) <mike.young@utc.wa.gov>; O'Neill, Tad Guy (ATG) <Tad.ONeill@atg.wa.gov>; Blaine Gilles <blaine.gilles@mac.com>; Kent Hanson <kent.hanson1@gmail.com>; Sevall, Scott (UTC) <scott.sevall@utc.wa.gov>; de Villiers, Stefan (ATG) <stefan.devilliers@atg.wa.gov>; Vicki Colburn <vickinapa@sbcglobal.net>; Dave Bennett <ddb3881@gmail.com>; Rick Smith <ricksmith.wn29@gmail.com>; Tom Cox <tomcoxwcg@msn.com>
Subject: Re: Cascadia 240151

[EXTERNAL]

Good morning Lisa. Happy Friday.

I'm going to try one more time. We would greatly appreciate if Staff would run the same calculations they did for the June 27 recommendation to the Commission (which assumed a 12% ROE, I believe: correct me if I'm wrong) at 11% ROE, 10%, 9%, 8%, 7% and 6%, to show the percentage increase in rates after full phase in. Staff obviously thought the Commission would want to know the percentage increase in rates at a 12% ROE to pursue its Mission "to protect the people of Washington by ensuring investor-owned utility and transportation services are safe, equitable, available, reliable and fairly priced..." Expecting us to try to calculate the impact of a reduced ROE ourselves seems contrary to the Commission's and Staff's Mission. Why won't you run these alternative calculations so everyone knows we're on the same page?

Further, the numbers you provide are very confusing to us. They show that the Peninsula rate for 500 cubic feet usage actually **increases** from \$50.75 to \$52.74, (6%), when the ROE is reduced from 12% to 11%. How can that be? Obviously, if those numbers are correct we

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have no assurance that a lower ROE results in a lower rate, nor can we participate knowledgeably in settlement negotiations.

You folks are the experts. We claim no expertise, only that we have a right as your clients to know what the impact on our rates will be at lesser ROEs. Please reconsider and ask Staff to run the numbers for alternative ROEs.

Finally, yesterday you said that the \$500,000 reduction in requested additional revenue resulted only in part from Cascadia's agreement to decrease its cost of debt from 10.5% to 5.2%, because Staff had rejected some line items. Please advise what line items were rejected by Staff, including their cost.

Thanks,
Steve

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DATA REQUEST NO. 177:

If you did not retain an outside consultant or expert to assist you in your investigation on behalf of the Commission please explain why.

RESPONSE:

It is Staff's job to investigate company rate case filings. Staff is considered to be expert witnesses in Commission regulatory proceedings. Staff only hires outside experts when the need arises and the budget allows. Cascadia's rate filing is not particularly complicated, unique, or novel, and there was no need for an outside consultant to be retained. With that said, Staff worked with the Department of Health Staff to review the DOH procedures for any water system plans or sanitary surveys of Cascadia's water systems.

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DATA REQUEST NO. 178:

If your responses to these data requests do not cover all investigation conducted by you between June 28, 2024 and the present please describe in detail and produce all documents regarding whatever else you did, the facts found, the analysis undertaken, and the conclusions reached that would complete a full explanation of your investigation.

RESPONSE:

Objection. Vague, overly broad, unduly burdensome. Without waiving and subject to the stated objections, Staff responds as follows:

Staff has provided all documentation received for this case in previous data requests.