

June 21, 2021

**SECOND SET OF COMMENTS OF WATER CONSUMOR ADVOCATES
DUNGENESS ESTATES IN OPPOSITION TO CASCADIA RATE
INCREASE IN DOCKET NO. UW 200979****I. Introduction**

On May 20, 2021, the Washington Utilities and Transportation Commission (“WUTC” or “Commission”) delayed approval of the consolidated rates requested by Cascadia Water, LLC (“Cascadia”) in this docket. This case is now on the agenda for the June 24, 2021, Open Meeting. The Water Consumer Advocates-Dungeness Estates (“Advocates”) opposed this rate proposal at the May Open Meeting. The Advocates continue to oppose the requested consolidated rates and phased-in rate increases, which would impose extreme rate shock on customers of the Cascadia Estates Water System living on the Olympic Peninsula with rate increases from 58% to 265%. Most of these customers are senior citizens, living on fixed incomes.

Since the May Open Meeting the Advocates have conducted extensive analyses, which are attached as Exhibits A and B. Exhibit A shows empirically that the widely divergent costs between the 12 Cascadia water systems on Whidbey Island in Island County which includes 24 wells and the two water systems on the Olympic Peninsula in Clallam County (the Estates and Monterra Water Systems) (“Peninsula Customers”) will never even out, or offset each other, and that the purported benefits of “single tariff pricing” will never be achieved. Instead, Peninsula Customers will *always* have to pay an unfair, unjust, disproportionate share of the costs for the Whidbey Island systems, not only if the requested rate increase is granted but with future inevitable rate increases.

Exhibit B calculates shared expenses not based upon the number of connections, but by the number of wells. Connections generate revenue whereas the number of wells necessary to operate the systems generate expenses. Peninsula Customers have four wells, but Whidbey Island Customers have 24 wells. Accordingly, Peninsula Customers should share only 14 % of Cascadia’s shared expenses.

Cascadia’s request is the outcome of Commission-approved acquisitions of two sets of extremely different water systems in two geographically distinct areas, with different customers and costs. When Cascadia purchased these systems, it never disclosed its intent to consolidate them or request a single tariff for them. By rate

consolidation, Cascadia seeks to recover the expenses of the Whidbey Island systems from Peninsula Customers who did not cause those expenses and who will *never* benefit from them. Commission Staff supports rate consolidation under the policy of “single tariff pricing.” Sometimes circumstances justify diverging from Commission policy. This case presents such unique circumstances. No amount of phase-in of consolidated rates will prevent the harsh outcome for Peninsula customers. Instead, the facts here justify the continuance of different tariffs for Whidbey Island and Peninsula Customers. If Peninsula Customers were required to pay rates that would cover their anticipated future costs---rather than pay consolidated rates that include Whidbey Island costs- the rates for Peninsula Customers will always be lower. They do not object to paying for their costs but they most certainly object to bearing the brunt of the much heavier costs for the Whidbey Island systems.

II. PENINSULA CUSTOMERS WILL NEVER GET THE BENEFIT OF SINGLE TARIFF PRICING.

The Commission had incomplete, unsupported cost information at the May Open Meeting. The only apparent breakdown of costs between the Whidbey Island and Estates Water Systems came from a model prepared by Commission Staff that showed that Cascadia will invest only \$500,000 in all Whidbey Island systems in 2021 but \$1.7 million will be invested just for the Estates Water System in 2021. These figures were assumptions, with no hard evidence to back them up. The Advocates have repeatedly asked for such back-up but have been denied this information from Cascadia and Commission Staff. So, the Advocates turned to the only hard data available to them to prepare Exhibits A and B:

- The Cascadia 2020 Water System Plan (“WSP”) filed in draft form with the Washington Department of Health (“DOH”) for projected Whidbey Island costs of future improvements. This draft was returned to Cascadia by DOH for further work and is supposed to include an addendum for costs/investment planned for the Estates and Monterra Water Systems. Cascadia has not yet filed the revised WSP with the DOH.
- The Asset Inventory Systems (“AIS”) done by Jocelyne Gray, DOH SW Regional Engineer, based on system records, for the Estates and Monterra Water Systems.

The WSP listed the improvements that Cascadia should make to the Whidbey Island systems. Rather than the \$500,000 contained in the Staff model, the WSP (Table 3.25) shows that Cascadia needs to invest **\$5,109,500** for the Whidbey Island systems in 2021 to provide near term improvements. Exhibit A, p.6. Based upon a list of possible improvements from Culley Lehman, Cascadia’s General Manager, and the AIS, Cascadia “may” invest **\$719,000** in the systems serving Peninsula Customers in 2021—**not \$1.7 million in Estates alone as the Staff’s second rate model projects.** Exhibit A, p. 5. The Advocates calculated that these real numbers would result in an average customer rate for Peninsula Customers of **\$48.12** if their rates were NOT consolidated with the Whidbey Island rates and an average customer rate of **\$77.96** if their rates were consolidated with the Whidbey Island rates or a 62% increase.

According to the WSP, Cascadia projects an investment of **\$10,143,000** over the next 9 years for the Whidbey Island systems. The Advocates calculated that full replacement of *every asset* in the Estates and Monterra Water Systems would cost **\$1,421,202**, based upon the AIS.¹ This number does not take into consideration that many of these assets are in good condition, still have a useful life and may not need to be replaced, according to DOH standards. It also does not include savings from resale or scrap value.

Exhibit A cogently illustrates that Peninsula Customers would never benefit from consolidated rates but would suffer an increasing burden on them to pay for the Whidbey Island costs as stated in the WSP, when they will receive no benefit. This is not surprising because twelve water systems comprise the Whidbey Island systems versus the two water systems for the Peninsula Customers. The twelve systems have 24 wells and many more miles of infrastructure than the Peninsula Customers’ system with four wells. The math from the WSP and Asset Inventory forms simply does not support a finding that at some point Whidbey Island rates may have to support the Peninsula Customer costs, so imposing the proposed rates on the Peninsula Customers would not be fair.

¹ This includes the cost of a magnesium filtration and treatment system to address the concerns expressed by Ms. Gray at the May Open Meeting.

III. A CONSOLIDATED RATE FOR CASCADIA WILL NOT ONLY HARM PENINSULA CUSTOMERS BUT WILL CONTRADICT COMMISSION POLICY.

The logic and policy behind the “single tariff pricing” do not apply to the facts of this case. In *WUTC v. Washington Water Service Company*, 2009 Wash. UTC LEXIS 666, *2 , *3 (Wash. U.T.C. July 30, 2009) the Commission explained the purpose behind the “single tariff pricing” policy:

Under single-tariff pricing, customers on some water systems pay more and customers on some water systems pay less than what they would pay if the Commission set separate, stand-alone rates for each water system. Since all water systems will eventually require capital improvements, single-tariff pricing distributes the risk of the individual water system customers in much the same way as an insurance pool and diminishes the impact of major capital investments on the individual water system's customers.

In other words, this policy assumes that all customers will get the benefit of the same level of capital improvements spread over time, so that it is fair to spread the costs. That assumption *does not work* in this case because the Peninsula Customers will *never* get the same level of benefits as the Whidbey Island customers from the consolidated rates when the projects capital expenditures for Whidbey Island exceed those for the Peninsula Customers by almost a ten to one margin for approximately the next decade.

The Commission has made an exception to the “single tariff pricing” rule in the past. In *WUTC v. Washington Water Service Company*, 2009 Wash. UTC LEXIS 666, *2 , *3 (Wash. U.T.C. July 30, 2009) the Commission authorized a separate rate, to be added to the single tariff price for a water system on Orcas Island for a water surface treatment plant that required a special operator who needed to be available at all times on Orcas Island. This unique cost was to be borne only by ratepayers of the Orcas Island system.

In *WUTC v. Rainier View Water Company*, 2010 Wash. UTC LEXIS 543, the Commission authorized two different rate structures for a water

company to prevent residential customers from subsidizing non-residential customers.

The policy of “single tariff pricing” should not promote extensive subsidization and should be consistent with another Commission policy; “namely the principle of cost causation, or, simply to ‘let the cost follow the cost causer’ ”. *In the Matter of the Revisions to Tariff WN U-60 and WN U-2 of Puget Sounds Energy*, 2019 Wash. UTC LEXIS 9 (Wash. U.T.C. January 11, 2019).

In sum, the Peninsula Customers should not have to bear the costs caused by the Whidbey Island systems when to do so would be nothing but subsidization. The “single tariff policy” is not required by law and need not be applied when the case warrants a different decision. Different tariffs for the Peninsula and Whidbey Island systems exist today and it would not be difficult to maintain that status. Given the significant harm that Peninsula Customers will suffer from consolidated rates, the Commission should require Cascadia to develop separate rates for the Whidbey Island system customers and the Peninsula customers based upon the actual costs and improvements for each system.

Water Consumer Advocates-Dungeness Estates’ Steering Committee

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