

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Complainant,

v.

SUMMIT VIEW WATER WORKS

Respondent.

DOCKET UW-240589

ORDER 01

COMPLAINT AND ORDER
SUSPENDING TARIFF
REVISIONS

BACKGROUND

- 1 On July 31, 2024, Summit View Water Works, (Summit View or Company) filed with the Washington Utilities and Transportation Commission (Commission) tariff revisions that would generate approximately \$514,000 (54 percent) additional annual revenue. Summit View Water Works provides regulated water service to approximately 630 domestic and 680 irrigation customers in Benton County. The Company’s last general rate increase became effective on November 1, 2018.
- 2 Summit View is seeking this increase due to increased capital investments, wage expenses, repair costs, and allocated expenses since its last general rate increase.
- 3 Commission Staff (Staff) has not completed its review within the 30-day notice to Commission review period. Staff requested the Company extend the filing to allow additional time necessary to complete a review of the Company’s accounts, books, and other documents to analyze the proposed rate increase. The Company does not wish to extend the filing.
- 4 Further, Staff has requested materials from the Company which it does not want to submit as there is no protective order. Instead, the Company proposed “in-camera” or in-person viewing of the documents, which limits Staff’s ability to complete its review in a timely manner. As such, by suspending this docket and setting it for hearing, a protective order can be issued, allowing the sharing of information more freely between the parties.
- 5 On August 1, 2024, the Company notified its customers by mail of its proposed rate increase for irrigation service, ready to serve water hook-up, and domestic service. Staff received 97 comments from customers, all opposed to the increase. Most commenters

expressed the increase for both irrigation and domestic service is excessive and will create a hardship. Some commenters relayed the Company is also a land developer and is concerned the Company could be transferring costs of future developments onto existing customers. One customer commented that Summit View Water Works (Summit View) owns Eagle Butte Vineyard and wonders if customers of Summit View are subsidizing the vineyards irrigation water usage.

6 Staff has asked the Company for documentation showing the affiliated interest was treated as a normal customer. Staff has not received documentation that Staff believes adequately supports the affiliate is paying rates as other customers.

7 Additionally, the Company rents facilities from another affiliate company. As required by WAC 480-07-530(4)(i), the company is supposed to disclose all transactions and provide transactional records and financial documents for all affiliates that directly or indirectly affect proposed rates. Further, WAC 480-110-545 requires water utilities that create contracts with affiliated interests to file the contract before the effective date of the contract with the Commission. Staff has not found a docket for any contracts between the affiliated companies and Summit View.

8 Staff also needs to review the Company Contributions-in-Aid-of-Construction (Contributions). The Company is affiliated to the development company that is building the system, which it then sells to the Summit View using a loan. Staff needs to investigate the Contributions to clearly understand the Company process, ensuring customers are not harmed by the methodology of the Company.

9 As at least two of the Company's affiliated companies are interacting with the water utility, questions on management and affiliated transactions have been raised, and the financial situation of the Company is not clear, Staff cannot recommend the Commission accept a revenue requirement, nor that the rates are fair, just, reasonable, or sufficient.

10 As the Company is not willing to extend the effective date of the tariff, Staff recommends the Commission suspend the tariff revisions and set the docket for hearing.

DISCUSSION AND DECISION

11 Based upon Staff's inability to complete their review, and the Company's stated preference not to extend the effective date, we find that the tariff should be suspended for adjudication and therefore we suspend the tariff on our own motion. We agree that 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.

FINDINGS AND CONCLUSIONS

- 12 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, and practices of public service companies, including water companies.
- 13 (2) Summit View is a water company and a public service company subject to Commission jurisdiction.
- 14 (3) This matter came before the Commission at its regularly scheduled meeting on September 26, 2024.
- 15 (4) The tariff revisions Summit View filed on July 31, 2024, might injuriously affect the rights and interests of the public.
- 16 (5) Summit View has not yet sufficiently demonstrated that the tariff revisions would result in rates that are fair, just, reasonable, and sufficient.
- 17 (6) In order to carry out the duties imposed upon the Commission by law, the Commission believes it is necessary to investigate Summit View's books, accounts, practices, and activities; to make a valuation or appraisal of Summit View's property; and to investigate and appraise various phases of Summit View's operations.
- 18 (7) As required by RCW 80.04.130(4), Summit View bears the burden to prove that the proposed increases are fair, just, reasonable, and sufficient.
- 19 (8) Summit View's rates as filed on July 31, 2024, should be suspended.
- 20 (9) Summit View may be required to pay the expenses reasonably attributable and allocable to such an investigation, consistent with RCW 80.20.020.
- 21 (10) Beyond the discreet issues raised by this specific matter, there is a more general need for the Commission to reevaluate its treatment of cost of capital for water utilities.

ORDER

THE COMMISSION ORDERS:

- 22 (1) The tariff revisions Summit View Water Works filed on July 31, 2024, are
suspended.
- 23 (2) The Commission will hold hearings at such times and places as may be required.
- 24 (3) The Commission will institute an investigation of Summit View Water Works's
books, accounts, practices, activities, property, and operations as described
above.
- 25 (4) Summit View Water Works shall pay the expenses reasonably attributable and
allocable to the Commission's investigation consistent with RCW 80.20.020.
- 26 (5) The parties may conduct discovery pursuant to the Commission's discovery rules in
WAC 480-07-400 – 425 and the Commission will issue a Protective Order as soon as
possible in this Docket.
- 27 (6) Staff shall open a docket for a policy and interpretive statement on water cost of capital,
so as to facilitate a simultaneous discussion of capital structure, cost of debt, and Return
on Equity, by October 25, 2024.

DATED at Lacey, Washington, and effective September 30, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner