

5-1-21

WATER CONSUMER ADVOCATES – DUNGENESS ESTATES  
Update – Result of information requests to Cascadia and UTC

We had our second and final meeting last Tuesday (day of the leak!) with Cascadia, their senior regulatory attorney, NW Naturals rate analyst, Attorney General Public Council Office, AAG Nina Suetake and team, UTC AAG and rate staff, our attorney and Rick, Tom and myself - all in all about 18 listened or participated in the meeting.

This information is to bring you current regarding our latest attempts to get information from Cascadia and the UTC.

As you know this has been an ongoing project since my first email 12-20-20. 1-21-21 I sent Cascadia an email and a list of 18 questions – most specific asking for details. Cascadia's response was to re-direct me to ask for information from the UTC. I did that, only to find the UTC somewhat slow to respond. They were too busy, didn't understand the questions, then when we did get information and because some of the answers were suspect or important it was necessary to confirm, we then got apologies and a new and different answer. UTC should and could have instructed Cascadia to answer questions – and not pass the burden to the UTC.

Guess the UTC's changing replies this should not be a surprise: UTC's emails come with the following statement: *"This email/letter states the informal opinions of commission staff, offered as technical assistance, and are not intended as legal advice. We reserve the right to amend these opinions should circumstances change or additional information be brought to our attention. Staff's opinions are not binding on the commission"*.

I made one more attempt to get some missing information and the corrected figures we know exist after our meeting on Tuesday.

During our initial meeting with Cascadia they advised that an error was found in the figures they submitted in their workbook. They had conversations with the UTC and had acknowledged and accepted the change. It revolved around their initial revenue request of \$418,000.00 which forms the basis for the rates. That figure was now reduced to \$325,530.00. Our obvious question was where was the error(s) and what are the new, corrected figures? *We do not know. – see UTC reply below.*

Another request was made for the breakdown of the expenses that are shown in the work book. We need Whidbey and Peninsula figures separately – not lumped together. Our position is 1. That they have not done sufficient improvements to Peninsula for us to be included in this rate request; almost all of the improvements (\$737,000 done to Whidbey) 2. We should not be consolidated with Whidbey – no single rate (you all know the various reasons) 3. They have not proved economies of scale.

So where are we now? While we have been grinding away with multiple requests from a few of us on the front line, and we are making some progress, we simply have not been given simple basic information from UTC or Cascadia.

We have however been provided wonderful, current, accurate information from the DOH. We owe them a huge thank you for their knowledge, willingness to help and promptness. We have gotten detailed, estimated costs and component lists for the Estates & Monterra systems in less than 24 hours! IF only the UTC... Oh well moving on.

Yesterday's reply from the UTC responded to 2 questions: 1. Clear up the fuzziness about the ROI paid to Cascadia and 2. Give us the corrected figures in the work book. Sort of seems simple – right?

## **#1 What is the ROI, how is it calculated and where does the percentage rate come from?**

UTC reply:

***“As to the ROI, the commission allows a 12% return on equity and the federally published prime rate + 2% for affiliated debt, or third party debt they would match the interest rate on the loans. If the company has more than 60% equity, we cap the equity percentage at 60% for the purposes of the return component, and impute a 40% debt portion. This is the case here as the company is over 60% equity owned”.*** ( my note: Cascadia is 100% owned – we assume funds from parent company – purchase price confidential)

***“They show the debt/equity ratio In the workbook. That is how the overall 9.45% weighted average cost of capital is calculated. This total 9.45% return is applied to the company's rate base”.***

We had been hearing about this 12% rate of return but no one would discuss it, it's origin, or how long it has been used. UTC answer:

***“The 12% figure is based on a prior commission order from 2001, and has been used ever since.”***

For 20 years the commission has been applying and allowing 12% to be paid to the system owners to make sure they were compensated for their “investment” while those costs have been passed on to the rate payers . These figures are considered by the UTC when they establish their final rate because BY LAW the UTC has to make sure that the investor is properly compensated.

## **#2 Expense cost breakdowns Whidbey vs Peninsula?**

UTC's reply:

***“Those workbooks are considered staff work papers and we are not able to share them during an ongoing investigation. This would include the detailed expense breakouts between systems, as that was analysis that was done by staff based on information acquired from the company (Cascadia) via data requests.”***

So, lets get this straight – Workbook is originally submitted by Cascadia to the UTC IS NOT confidential. We have the right to review it, refer to it – It is PUBLIC information. We just do not have the right to get corrected figures to those same financials when the UTC discovers an error in Cascadia's figures. So, the \$92,470.00 error we have no idea on what figures in the work book were wrong.... Are there other errors or transposed figures? Hum, think we have a problem.

Our attorney is aware and will be involved Monday.

However, with 19 days before the UTC Commissioner's meeting, we must shift gears and prepare our position paper. Luckily, we have a member who is a wiz with computer models and is burning the midnight oil until his eyes cross, developing our own models to prove our position... not an easy thing to do without the corrected figures that the UTC has. Not an easy thing to do since Cascadia is resistant to providing the expense breakdown and costs of the work on Whidbey and the Peninsula.

We **expect** that the final rate will be lower – how much lower and will it be reasonable – don't know. We **expect** that staff will be giving the Commissioner's information about keeping Whidbey and Peninsula systems separate. They are working up the figures ( no sharing of course) so our attorney believes based on her experience this may be what they are doing. ( because there has been user pressure to do so)

**The ultimate decision rests with the Commissioner's. They can agree, disagree, or send it back asking for more analysis. We can petition for reconsideration or a rehearing, if we do not like the Commissioner's decision. Not sure how successful those are – but it is an option.**

We continue to expand the list of those that we are contacting - asking to look into this – basically asking for help to examine this suspect system. We are looking for consumer protection from someone....

I sent copies of the spread sheets that I worked up from those of you who gave me your Cascadia account number. (THANK YOU - 49 in total!!) I am trying to get copies to all-(I 've started but it is a bit more time consuming that I thought. Will get back at it today.) Those make an impact – it shows the unreasonableness of the increases.

Com. Ozias, Rep. Chapman, Sen. Van de Wege, Rep. Kilmer, Sequim Gazette have received copies. Gov. Inslee's , Regional representative for our area, Katherine Walton was contacted last week. I will be forwarding the info to her today.

We still have Estates users who we have not heard from – they are not on “the list”. It would help if they are. I would love to be able to tell the commissioners that we have 95% opposed to this.... The area around and behind Ridge View seems to be missing as well as homes along Woodcock before Kitchendick and some on Kitchendick. If you know anyone in these areas, maybe you could reach out...?

This may be the last update that I put out for a while as I start working on the Commissioners document. Luckily, we have among us a retired technical wrier that can take my scribble and make it sound relevant and important and get rid of my bad grammar and punctuation errors. If you have something that you feel needs to be included, now is the time to get it to me.

Thank you all for your continued support – this IS TRUELY A COMMUNITY EFFORT! WE FIGHT ON....

I will discuss the Buckhorn leak issue in a separate email. I did not want you to think, that just because the water is back on, we were just going to gloss over it and move on – far from it.

If you have questions, comments or need something, please feel free to contact me.

Regards to all,  
Vicki

