



June 8, 2023

Ms. Amanda Maxwell, Executive Director
Washington State Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
PO Box 472540
Olympia, WA 98504-7250

Re: Petition to Intervene as a Party in Docket No. 230132

Dear Ms. Maxwell,

Attached is the Port Ludlow Village Council's (PLVC) Petition to Intervene in the general rate increase proceeding pending before the Commission in Docket No. 230132. If you need any additional information or have any questions about this petition to intervene, please contact me (at dmcdearmid98365@gmail.com or 925-323-3463) or either of the two other PLVC representatives listed in the petition.

Sincerely,

A handwritten signature in cursive script that reads "G. David McDearmid".

G. David McDearmid, PLVC President

PETITION TO INTERVENE
As a Party in
Docket No. 230132
Olympic Water and Sewer, Inc. (OWSI)
General Rate Increase

Petitioner: The Petitioner is the Port Ludlow Village Council (“PLVC”). PLVC is a Washington non-profit corporation whose purpose is to promote and protect the interests of the Port Ludlow community.

Petitioner’s Contact Information: PLVC may be contacted through any of the following representatives:

G. David McDearmid, PLVC President, 330 Rainier Lane, Port Ludlow, WA 98365, dmcdearmid98365@gmail.com, 925-323-3463;

David Jurca, PLVC Director, 610 Mount Constance Way, Port Ludlow, WA 98365, 360-301-1272;

Russ Michel, PLVC Utilities Committee Member, 234 Crestview Drive, Port Ludlow, WA 98365, russmichael234@gmail.com, 206-920-3793.

Petitioner’s Interest: PLVC’s interest is to ensure that the proposed rate increase is justified and that the ratepayers’ interests are adequately represented and protected. In particular, PLVC seeks to ensure that the financial information submitted by the applicant in support of its request does not unfairly and artificially allocate shared costs between the applicant’s water utility operations and its unregulated wastewater (sewer) utility operations. We also have concerns about the allocation of shared costs between the applicant’s parent company and its other affiliates.

Petitioner’s Position:

1. The proposed sudden 23.3% rate increase is exceptionally steep, coming on the heels of a 7.8% general rate increase in 2014 (by surcharge > 3%), a 14.2% general rate increase in 2019 (by surcharge > 3%), and a 7.4% general rate increase in 2021, amounting to a cumulative increase of 63% since 2014, far more than the 27% of cumulative general inflation over that time period.

2. UTC staff prepared an open meeting memo for a hearing previously scheduled for April 13, 2023, recommending that the Commission take no action and thereby allow the proposed 23.3% rate increase to become effective on April 17, 2023.

3. After PLVC and certain ratepayers pointed out that the applicant had not submitted the legally required information in support of its request, particularly as to allocation of shared costs with affiliated entities, the previously scheduled April 13 hearing was rescheduled for June 15, 2023.

4. Meanwhile, PLVC asked to meet with UTC staff, and at staff’s request, submitted on May 14 a list of questions to be discussed at the meeting. UTC staff agreed to a meeting to be held via Zoom on May 16, but at the outset of the meeting an Assistant Attorney General who

said he was “representing UTC staff” immediately indicated that no questions about this specific rate case would be answered, and that staff would only describe general procedures. Not only did staff refuse to answer any questions at all about this specific rate increase proposal or staff’s evaluation of it, but neither the Assistant AG nor anyone else gave us any reason why our questions would not be answered.

5. For example, the staff memo prepared for the previously scheduled April 13 hearing stated that staff “had reviewed all allocators between the water company and an affiliated sewer treatment company for total operations and ensured that the amounts in rates are correct and for water services only,” but at the May 16 meeting staff refused to tell us what those “allocators” were and how staff “ensured” that they were “correct” so that the expenses purportedly supporting the requested rate increase were “for water services only.”

6. Based on annual reports filed with the Commission over the 10-year period from 2013 through 2022, it appears that the applicant water utility’s annual gross profits (utility operations revenues less operating expenses) averaged 8.9% of revenue while its sewer utility profits averaged an unconscionable 79.2% of revenue over that same period. This suggests that shared costs may have been purposefully misallocated to overstate water utility expenses in order to support requests for unjustified water rate increases.

7. It appears that the applicant still has not submitted all of the legally required information to support the requested rate increase, nor have our questions about the allocation of shared costs or about UTC staff’s evaluation of the proposed rate increase been answered.

8. Accordingly, PLVC seeks to intervene as a party in order to seek information needed to determine whether the proposed rate increase is justified and whether it has been properly evaluated by UTC staff, and to request that the hearing now scheduled for June 15, 2023 be continued to an appropriate date after we have received the relevant documents and other information we have requested, including the answers to the questions we previously submitted to UTC staff on May 14.

Petitioner’s Proposed Broadening of the Issues: At this time, the PLVC does not propose to broaden the issues in the proceedings. The issues raised by PLVC all relate to whether the proposed rate increase is justified.