

February 10, 2024

RECEIVED

FEB 15 AM 9:49

WASH. PUBLIC  
UTILITY COMMISSION

IPUC

Re: Stoneridge Utilities Proposed Rate Increases

Case number SWS-W-23-02

To Whom It May Concern:

I am writing this to express my strong disapproval to the rate increases proposed for Stoneridge Utilities. I am a retired Certified Public Accountant whose career was spent working with contractors of all types, as well as a real estate developer currently completing 2 land subdivision projects in Wenatchee, Washington, wherein we hired contractors to install utilities.

Regarding Case SWS-W-23-02, the request for hookup charge increases range from a low of 157% to a high of 275%. These increases are excessive and detrimental to all consumers. If the objective is to slow or stop growth in the construction of new homes, this will surely help accomplish that, because the cost of building may very well make building prohibitive. We developed lots in Wenatchee, and our cost per lot for similar services is not nearly as high as the \$9,000 requested. There are contractors available that, in a competitive market, will perform these services at much lower rates. Because utilities are in their very nature monopolies, care must be taken to ensure they cannot take unfair advantage of consumers. I fear this is what is happening with these requests for increases.

Being a CPA, I'm well versed in the maintenance of books and records, and I know the numbers themselves only tell the beginning of a story. It's what underlies the numbers that tell the whole story. For example, labor expense is the beginning. But how many employees make up that labor, and just as importantly, how many employees **should** make up that labor? An entity that employes 6 people when only 2 are necessary will report labor costs that are 3 times as high as they should be, and that entity's income statement can reflect dire circumstances. I looked at the balance sheets and income statements submitted to the IPUC by Stoneridge Utilities, and I see the negative numbers. I question those results, but without a full audit, I cannot conclude as to the accuracy of those numbers. However, they do raise questions and concerns.

One example of those questions pertains to the supporting documentation titled Exhibit C, Engineers Estimate... This shows 7B Engineering's cost estimate for water service connections totaling \$9,734.75 and presumably is strong support for the \$9,000 fee proposal. On the surface, it appears to be objective evidence. But a quick review shows it's likely to be excessive. For example, there is \$480 for traffic control. Really? What kind of traffic control do you need for a residential hookup on a side street? This isn't likely in most cases. In addition, there is \$1,325 for CDS Utilities administration and operations. So isn't this kind of a kickback, whereby a contractor would charge \$9,734 and then give \$1,325 back to the Utility? Just these two items alone would reduce that \$9,734 by almost \$2,000. What else is inside this \$9,734 that doesn't jump off the page as being misleading? The point being, an engineer's estimate of \$9,734 on the surface isn't enough to determine true and fair costs. What would a true cost estimate be if requested by an objective entity rather than Stoneridge Utilities whose obvious interest is for a high

estimate? If Stoneridge Utilities is willing to submit this one piece of evidence that is clearly inflated, what does that say about the authenticity of the other documents?

Without an audit of the balance sheets and income statements submitted by Stoneridge Utilities, it's impossible to determine just how much of the accumulated deficit over the past few years is caused by mismanagement or improper accounting. However, an increase of 157% to 275% is excessive and should not be carte blanche approved, especially after they've submitted documents that raise questions. This will set the stage for other exorbitant increases that might not need the approval of IPUC, and the community of Stoneridge and future owners will bear the brunt of it.

Sincerely,

A handwritten signature in cursive script that reads "Mike Ellis".

Mike Ellis, CPA

53 Hanaford Ct.

Blanchard, ID 83804

209-609-7627