

Agenda Date: May 9, 2001  
Item Number: 2B

**Docket: UW-010527**

Company Name: Rainier View Water Company, Inc.

Staff: Danny P. Kermode, Revenue Requirements Specialist  
Penny Hansen, Public Involvement Coordinator

### **Recommendations:**

Issue a Complaint and Order Suspending the Tariff Revisions filed by Rainier View Water Company, Inc., in Docket UW-010527.

### **Discussion:**

On April 17, 2001, Rainier View Water Company, Inc., (Rainier View) filed for a rate increase that proposes an increase of 85 cents per customer per month, which translates to an annual increase in revenues of \$114,587 or 4%. The filed rate increase is in the form of a surcharge for the costs associated with installing, operating and maintaining emergency generators on 30 of its water systems. Rainier View serves approximately 11,000 customers on 37 systems in Pierce County.

The Commission received five letters opposed and three in favor of the concept. Those opposed believe the company should pay for the costs of the generators and not the customers. A few customers indicated that the company had generators in the past and wondered where those generators went. Another customer also opposed to the increase indicated that they have lived in Graham for 20 years and have never experienced loss of water due to an electrical failure and that the only loss of water was due to scheduled outages for system maintenance.

Rainier View filed for the surcharge under subsection (2) of WAC 480-110-455 (attachment 1). However, it is Staff's opinion that the requested surcharge does not meet the requirements set forth in the rule. The rule states that the a surcharge is appropriate when a project is required by the Department of Health (DOH) to assure compliance with federal or state drinking water regulations. Of the 30 proposed generator projects listed in Rainier View's application, the Cascade Highlands project is the only project that is required by DOH. Although the rule does provide for two other qualifying project types for future water plant, they are not applicable to this surcharge request.

If DOH does not require a generator, the generator is optional and customers on the system can vote to install one and then, if customers approve the installation, only system customers pay for it. On the other hand, when DOH requires a generator, such as on the Cascade Highland system, Staff believe the costs should be shared by all customers, the same as any other required capital expenditure.

In addition, as part of the requested surcharge, Rainier View included operating expenses as a component of the surcharge. These expenses are associated with the operation and maintenance of the proposed standby generators. The expenses filed for are the average of the estimated annual costs computed over a 15-year period using an imputed inflation rate of 4%. Allowing the forecasted expenses would be a departure from Commission practice and would allow for over collection in the first half of the surcharge period. In addition, operating expenses are normally not recovered through a surcharge unless the expenses are "independent and unique from normal operating expenses or that

Docket UW-010527

May 9, 2001

Page 2

may be subject to large variations” (attachment 1). The costs Rainier View has requested to be recovered through a surcharge are associated with an annual maintenance agreement, estimated fuel & oil costs, and phone line expenses. It is Staff’s opinion that the requested costs are neither independent nor unique, nor are they subject to large variations. Therefore Staff believe that these costs should not be recovered through a surcharge.

Rainier View has not demonstrated that the proposed surcharge is fair, just, and reasonable. Therefore, Staff recommends that the Commission issue a Complaint and Order Suspending the Tariff Revisions filed by Rainier View Water Company, Inc., in Docket UW-010527.

Attachment