

[Service Date May 30, 2012]

May 30, 2012

**NOTICE OF BENCH REQUESTS
(Due by Wednesday, June 13, 2012)**

RE: *Washington Utilities and Transportation Commission v. Rainier View Water Company, Inc.*, Docket UW-110054

The Washington Utilities and Transportation Commission (Commission) seeks information in the form of the following bench requests made jointly to both Rainier View Water Company, Inc. (Rainier View or Company) and Commission Staff relating to the Settlement Agreement and Narrative Supporting Settlement Agreement the parties filed in this proceeding on April 6, 2012:

BENCH REQUEST NO. 1:

Paragraph 15 of the Settlement Agreement provides for a General Facilities Charge (GFC) of \$1,549 for a ¾ inch or smaller meter that will increase proportionately for larger meters using the meter size factors published by the American Water Works Association (AWWA).

- a. Explain the basis for the \$1549 GFC and provide all supporting workpapers to calculate the GFC.
- b. Explain why the meter size factors published by the AWWA accurately reflect the Company's costs for meter sizes larger than ¾ inch.

BENCH REQUEST NO. 2:

Paragraphs 12-13 of the Narrative Supporting Settlement Agreement state that "...the Company expended previously collected funds for a portion of what is known as the 'LWD [Lakewood Water District] shared pipeline.'

- a. Please cite the applicable docket number and related Commission Order and tariff associated to the "previously collected funds" referred to by the parties.

- b. If the “previously collected funds” were allowed by Commission Order for purposes which do not explicitly include a Lakewood shared pipeline, please describe how the “LWD shared pipeline” is allowed under Commission Order.

BENCH REQUEST NO. 3:

In Paragraph 15 of the Narrative Supporting Settlement Agreement, the parties state that “Staff did a comparative analysis of the projected cost of water purchased from Tacoma (with wheeling charges) to water purchased directly from Lakewood....”

- a. Please provide the Staff produced comparative analysis in electronic format with all formulas intact.
- b. Please provide the source documents, with citations, for the cost of water included in the comparative analysis for:
 1. City of Tacoma water with wheeling charges.
 2. Lakewood Water District (LWD) water.
- c. Please provide any prepared summary or discussion of the results of the analysis from either party.
- d. Please provide any correspondence between the City of Tacoma and Rainier View that are related to negotiations for the wheeling of LWD water to Rainier View’s distribution system.
- e. Provide testimony regarding the Company’s attempts to negotiate with the City of Tacoma.

BENCH REQUEST NO. 4:

Paragraph 18 of the Settlement Agreement provides that the Company agrees to “...invest on average at least 30 percent of the total infrastructure cost for projects involving use of GFC funds to preserve the Company’s investment ratio for this source of customer contribution.”

- a. Define the term “investment ratio” as used in the Settlement Agreement.
- b. Explain the derivation of the 30 percent figure and provide all supporting workpapers.
- c. If the Company’s investment ratio for “this source of customer contribution” does not reflect the Company’s total investment ratio for all sources of invested capital, explain the purpose of the limited investment ratio.
- d. If there are other sources of invested capital, provide a schedule showing:
 1. Total equity investment, earnings, and additional investment for 2001 through 2011.
 2. Total Company investment ratio from 2001 through 2011

Provide current and target “investment ratio” for both the “this source of customer contribution” and total Company.

BENCH REQUEST NO. 5:

Paragraph 15 of the Narrative Supporting Settlement Agreement discusses a comparative analysis performed by Staff that shows the “significant annual cost savings” of the LWD project. Other than this statement, the parties do not provide testimony, data, or any other form of quantitative results derived from the analysis supporting its conclusion.

- a. Provide the comparative analysis cited in the Settlement Agreement, both hard copy and electronic format with all formulas intact.
- b. If the analysis relies on summary data or information not included in this docket, provide the related documents relied upon.
- c. Provide written testimony:
 1. Describing the provided comparative analysis.
 2. Supporting the conclusions drawn from the study included in the Settlement Agreement:
 - i. “...significant annual cost savings would result from purchasing water from LWD using the Lakewood Pipeline Project.”

- ii. "...[the] project will benefit all of Rainier View's customers because of the significantly lower-cost water."
- iii. Other conclusions drawn from the analysis if relevant to the decision to fund the Lakewood Pipeline Project.

BENCH REQUEST NO. 6:

Paragraph 24 of the Settlement Agreement provides that the Company will explain the reason(s) when the Company does not fulfill its obligations under paragraph 18, as well as actions the Company intends to take going forward to meet those obligations.

Explain the process, if any, the Company envisions for Commission consideration of this information.

BENCH REQUEST NO. 7:

Paragraph 27 of the Settlement Agreement sets a \$2.00 per month surcharge for Phase 1 of the development of the Lakewood Pipeline Project and a \$5.40 tentative per month surcharge for Phase 2 of the Lakewood Pipeline Project.

- a. Explain the basis for each surcharge and provide all supporting workpapers on which each surcharge was calculated.
- b. Provide all workpapers supporting the estimated costs for Phases 1 and 2, as reflected in paragraphs 27 and 28 of the Settlement Agreement.
- c. Explain the process envisioned to recalculate and approve the Phase 2 surcharge, as proposed in paragraph 27 of the Settlement Agreement.
- d. Explain whether the Company envisions adjusting either the Phase 1 or Phase 2 surcharges to reflect actual costs.

BENCH REQUEST NO. 8:

Paragraphs 33 and 47 of the Settlement Agreement discuss the Company's willingness and ability to obtain loans with a 15-year term at a variable interest rate, currently at 3.5 percent interest.

- a. Explain all other loan arrangements the Company has investigated and provide all reasons why such other arrangements were rejected.
- b. Explain any process the Company envisions if loans are obtained above or below the assumed 3.5 percent interest rate.

It would not be unprecedented over a 15-year timespan for the debt market to experience high interest rates. With the possibility of high interest rates:

- a. Has the Company considered the effect on rates of possible increases in interest rates? If so please provide workpapers reflecting its analysis of the impact of increased interest rates on Rainier View's rates.
- b. Has the Company considered the use of interest rate swap instrument to transfer the interest rate risk away from the ratepayer? If the Company did consider it but rejected it, please provide the reasoning along with any analysis.

BENCH REQUEST NO. 9:

Paragraph 39 of the Settlement Agreement states that all funds will be returned to customers if the Lakewood Pipeline Project is not constructed.

- a. Explain at what point in time and through what process the Company will decide that the project will not be constructed.
- b. Explain how the Company intends to calculate customer bill credits to return accumulated funds, in the event the project is not constructed.

Paragraph 42 of the Settlement Agreement states that the Lakewood Pipeline Facilities Charge (LPFC) will be \$5,756 for a ¾ inch or smaller meter.

- a. Reconcile that amount with the GFC of \$1,549 for a ¾ inch meter stated in paragraph 15 of the Settlement Agreement and provide all supporting workpapers for the reconciliation.

- b. If not already explained in response to Bench Request No. 01, explain why the meter size factors published by the AWWA accurately reflect the Company's costs for meter sizes larger than $\frac{3}{4}$ inch.

BENCH REQUEST NO. 10:

The "City of Tacoma Account" is referred to in the Settlement Agreement at paragraph 58 and in Attachment C to the Settlement Agreement. The parties agree that the Company will transfer the remaining balance of "uncommitted funds" as initial funding of LPFC.

- a. In 2003, in an Order Authorizing Accounting Treatment (Docket UW-020827), the Commission allowed the Company to collect \$9.1 million for the contract right to receive up to 4,200 Equivalent Residential Units (ERUs) from the City of Tacoma. Has \$9.1 million been paid and the obligation fulfilled?
- b. Please provide a schedule showing the use of the Tacoma contract rights for:
 1. 2000-2011(showing actual use in ERUs) and
 2. Estimated use (in ERUs) over the next five years (2012-2017) assuming the Settlement Agreement is approved.
- c. In Attachment C, the grouping labeled Lakewood Pipeline Project Account refers to "Rainier View Commitments (from initial investment):"
 1. Are these amounts (\$2,681,850) associated with the Lakewood Water District shared pipeline as described in Paragraph 12 of the Narrative Supporting the Settlement Agreement?
 2. If the amounts do represent amounts associated with the Lakewood Water District shared pipeline, indicate in the Order Authorizing Accounting Treatment where such investments were authorized?

BENCH REQUEST NO. 11:

Additional Information:

- a. Explain the basis for the Company's estimate that 228 new customers will connect to the system annually, as discussed in paragraph 17 of the Narrative Supporting Settlement Agreement.
- b. Explain why a construction loan that is available on a demand basis will provide the "most efficient" source of capital, as discussed in paragraph 18 of the Narrative Supporting Settlement Agreement.
- c. Explain why the Settlement Agreement is in the public interest.
- d. Explain why the Settlement Agreement serves the Company's interest.
- e. Explain why the Settlement Agreement serves Staff's interest.

Please respond to these Bench Requests no later than Wednesday, **June 13, 2012**, with an original and **five (5)** copies. If you have any questions concerning these requests, please contact Administrative Law Judge Marguerite E. Friedlander at 360-664-1285, or via e-mail at mfriedla@utc.wa.gov.

MARGUERITE E. FRIEDLANDER
Administrative Law Judge

cc: All Parties