

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF AND  
RAINIER VIEW JOINT RESPONSE TO DATA REQUEST

DATE PREPARED: June 25, 2012

DOCKET: UW-110054

REQUESTER: Bench

WITNESS: Doug Fisher; Amy White

RESPONDER: Doug Fisher; Amy White

TELEPHONE: (253) 537-6634; (360) 664-1247

**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?

**RESPONSE NO. 10:**

- a. (Doug Fisher): Yes.
- b.1. (Doug Fisher): 2,860 ERUs from 2003-2011.
- b.2. (Doug Fisher): In practicality, the available ERUs from the City of Tacoma water agreement have been exhausted, so there will be no additional ERUs from the use of the City of Tacoma contract rights over the next five years. What has happened during the interim is that, through steeply inverted usage rates, a leak detection program and several conservation efforts, Rainier View has been able to reduce its average daily demand significantly, which has created additional capacity for the system.

(Amy White): Please see the Company's response to Bench Request 11.a. Per Rainier View's Comprehensive Water System Plan, the Company plans for growth

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of 228 ERUs to connect to the system in each of the six years listed in the Bench Request.

c.1. (Doug Fisher): Yes.

c.2. (Doug Fisher): These amounts are not related to the Order Authorizing Accounting Treatment, Docket UW-020827. The Company sought a separate Accounting Order related to the Lakewood Pipeline Project on November 10, 2009. See, Docket UW-091770. The Company assumed that the Commission would like to see a parallel process to the City of Tacoma project. However, the Commission asked the Company at an open meeting on September 30, 2010, to review whether an accounting order was needed since the Commissioners could not see the need for one. The Commissioners suggested to the Company that management should make the decisions of whether to proceed or not to proceed with the Lakewood Pipeline Project and then make other appropriate filings. As a result, the Company withdrew the Petition for Accounting Order; See, letter of October 15, 2010, copy attached as Attachment 10.c.-2. Then, the Company proceeded down the path of participating in the construction of the facilities to allow water to be wheeled to Rainier View. In addition, the Company put together the material and filed the documents that are now before the Commission in this docket.

# **Attachment 10.c.-2**

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October 15, 2010

**VIA E-FILING**

David Danner, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 South Evergreen Park Drive SW  
Olympia, WA 98504-7250

Re: Docket No. UW-091770 - Rainier View Water Company, Inc.

Dear Mr. Danner:

This matter was originally filed as a Petition for Accounting Order on November 10, 2009. At the request of Commission Staff, the Company agreed to withdraw a portion of the Petition related to a future construction project and an increase in the Supplemental Developer's Charge. That withdrawal of that component of the Petition occurred on August 27, 2010.

The purpose of this letter is to withdraw the remaining components of the Petition. The increase in the Supplemental Developer's Charge is something that would require Commission approval at some point in time. Because the Commission Staff had requested that the project be evaluated separately from the remainder of the Petition for Accounting Order, and the Company agreed to that approach, a more thorough review should have been undertaken to determine whether the remainder of the Petition needed Commission action.

In light of the Commissioners' concerns about whether there was anything for them to approve when this matter came before them at the Open Meeting of September 30, 2010, the Company has gone back and reviewed the remaining portion of the Petition in detail.

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The three remaining components of the Accounting Petition consist of the Agreement with Lakewood Water District, a Wheeling Agreement with the City of Tacoma and a proposed mechanism for accounting for expenditures. The Agreements with Lakewood Water District and the City of Tacoma are not customer extension agreements and therefore do not need Commission approval under WAC 480-110-435(1). Further, these two contracts do not constitute contracts for the retail sale of regulated utility services to end-use customers under WAC 480-80-143(1). Nor can I find any other requirement for approval. In essence, what these two agreements do is allow the Company to obtain a source of water that can be reached through the Company's facilities via its existing intertie with the City of Tacoma, subject to making some upgrades to other facilities, all of which would be within the normal course of business. This is analogous to the purchase of a water right that allows service to additional customers.

In looking at the component of the Petition that relates to booking entries, the Company cannot find any indication that any of the proposed entries would have any impact on the Company or its customers from a ratemaking basis or from a federal income tax basis. Therefore, it does not appear that there is anything that requires Commission approval.

Because the mechanism was following an analogous procedure that was used when the Company entered into a water purchase agreement with the City of Tacoma, the Company assumed, along with Commission Staff, that this was the appropriate procedure. However, based upon the withdrawal of the portion of the Petition dealing with the increase in the Supplemental Developer's Charge, it does not appear now, after further analysis, that Commission approval is required.

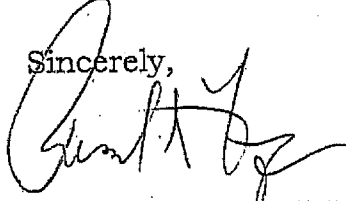
It is Rainier View's intent to continue moving forward on a basis where growth will pay for growth, to the fullest extent that it is within the Company's means to do that.

It is the Company's intent that the purchase of this "water right" will be made largely through CIAC. This is the acquisition of a capital asset that will be needed for future service. An exception is the charges from the City of Tacoma, when they occur, for wheeling water at some future date. These charges are more properly categorized as an operating expense since they relate directly to the delivery of water. However, that expense will be dealt with at the time it arises.

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Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard A. Finnigan". The signature is fluid and cursive, with a large initial "R" and "F".

RICHARD A. FINNIGAN

RAF/km

cc: Doug Fisher (via e-mail)  
Gene Eckhardt (via e-mail)  
Jim Ward (via e-mail)