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

DATE PREPARED:	June 25, 2012	WITNESS:	Jim Ward; Doug Fisher
DOCKET:	UW-110054	RESPONDER:	Jim Ward; Doug Fisher
REQUESTER:	Bench	TELEPHONE:	(360) 664-1250; (253) 537-6634

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.

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

RESPONSE NO. 4:

a. (Jim Ward): Investment ratio is a measure of how much a company has invested by debt and/or equity in relation to its total assets. This investment allows the company depreciation expense and an opportunity to earn a return on the investment.

b. (Jim Ward): Water companies historically would grow by contributions from developers and cash payments for hookups by customers. Infrastructure received or paid for by contributions were contribution-in-aid-of-construction (CIAC) transactions and were taxable events for the federal government. Typically the tax due was approximately 30 percent for the CIAC. Water companies would pay the taxes incurred on these contributed infrastructure assets and the entire amount would become the cost basis of the infrastructure, thus generating a 30 percent company investment in infrastructure. This 30 percent amount allows for the company to have both depreciation expense and return on investment. This non-cash expense and return allows the company additional cash for financial flexibility. Staff considers a target ratio of 30 percent to be attainable and has used this amount as a goal for water companies. There are no supporting work papers, and Staff is not aware of any Commission decisions regarding this calculation.

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c. (Jim Ward): The Company has historically made a 30 percent investment for GFC and agreed to continue that practice in this docket. The purpose of the 30 percent investment ratio is to ensure that the Company maintains a minimum amount of investment.

d.1. (Doug Fisher): See Attachment 4.d.-1-2.

d.2. (Doug Fisher): See Attachment 4.d.-1-2.

e. (Jim Ward): Currently the Company has less than 30 percent investment ratio as shown in the response to Bench Request 4.d. To help the Company improve its overall investment ratio, Staff and the Company have agreed that, related to this source of funds (the GFC), the Company's investment should be at least 30 percent of the total infrastructure cost. The current investment ratio is discussed in the calculation in Staff's response to Bench Request 1.a and demonstrated in the related attachments. The target for the overall Company investment ratio remains 30 percent or greater.

Attachment 4.d.1.-2

Attachment 4.d.1.-2
Docket UW-110054
Page 1 of 1

Rainier View Water Co.,Inc.
Capital/Asset Ratio
Years Ending 2001 thru 2011

EXHIBIT 4.d-1/2

TOTAL EQUITY INVESTMENT, EARNINGS AND ADDITIONAL

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
TOTAL EQUITY INVESTMENT	$ 212,823	$ (264,668)	$ (246,912)	$ 1,417,226	$ 1,736,683	$ 1,500,823	$ (354,737)	$ 123,076	$ 8,491	$ (1,038,294)	$ (11,676)
EARNINGS	47,489	18,963	234,050	330,794	294,564	586,051	743,117	843,245	747,840	471,857	148,639
ADDITIONAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	260,312	(245,705)	(12,862)	1,748,020	2,031,247	2,086,874	388,380	966,321	756,331	(566,437)	136,963

Note: Prior to the 2001 rate case, the Company had included in its Developer Contracts a Ready to Serve charge as a service to developers. The Company classified the money it received as Miscellaneous Revenue. However, the Commission held it was CIAC. The adjustment in 2002 reflects that decision. Substantial decreases in revenues in 2009 and 2010 led to negative equity investment in those years.

CAPITAL/ASSET RATIO

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
TOTAL UTILITY PLANT	$ 39,115,792	$ 37,623,639	$ 35,474,710	$ 31,298,069	$ 27,368,741	$ 21,948,783	$ 17,630,457	$ 16,772,363	$ 15,441,699	$ 14,477,279	$ 13,742,917
LESS ACCUMULATED DEPRECIATION	(9,891,723)	(8,820,693)	(7,775,581)	(6,839,527)	(6,014,625)	(5,319,270)	(4,735,174)	(4,194,065)	(3,766,411)	(3,277,052)	(2,874,018)
LESS CONTRIBUTIONS IN AID OF CONSTRUCTION	(21,071,323)	(20,863,023)	(19,494,538)	(16,007,039)	(14,319,839)	(11,331,919)	(9,098,512)	(8,426,790)	(7,646,856)	(7,180,286)	(5,810,664)
TOTAL	8,152,746	7,939,923	8,204,591	8,451,503	7,034,277	5,297,594	3,796,771	4,151,508	4,028,432	4,019,941	5,058,235
CAPITAL/ASSET RATIO	**20.84%**	**21.10%**	**23.13%**	**27.00%**	**25.70%**	**24.14%**	**21.54%**	**24.75%**	**26.09%**	**27.77%**	**36.81%**