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

DATE PREPARED:	June 25, 2012	WITNESS:	Amy White
DOCKET:	UW-110054	RESPONDER:	Amy White
REQUESTER:	Bench	TELEPHONE:	(360) 664-1247

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 Lakewood Water District 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.

RESPONSE NO. 5:

a. See the response to Bench Request 3.a., and the accompanying Attachment 3.a-1, provided in both hard copy and electronic format with all formulas intact.

b. See the response to Bench Request 3.b., and the four documents attached to that response: (1) Attachment 3.b.1.-1; (2) Attachment 3.b.1.-2; (3) Attachment 3.b.1.-3; and (4) Attachment 3.b.2.-1.

c. See Attachment 5.c., Testimony of Amy White.

Attachment 5.c.

Exhibit No. ___ AW-1T
Docket UW-110054
Witness: Amy White

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **RAINIER VIEW WATER CO., INC.,** **Respondent.**	**DOCKET UW-110054**

TESTIMONY RESPONSIVE TO BENCH REQUEST 5.C.

OF

AMY WHITE

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

June 25, 2012

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I. INTRODUCTION

Q. Please state your name and business address.

A. I am Amy White. My business address is 1300 S. Evergreen Park Drive S.W., P.O. Box 47250, Olympia, WA 98504.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission (Commission) as a Regulatory Analyst 3 working for Regulatory Services.

Q. How long have you been employed by the Commission?

A. I have worked for the Commission for five years, since June 2007.

Q. Would you please state your educational and professional background?

A. I graduated in 1982 from the University of Washington with a Bachelor of Business Administration with an emphasis in Accounting. I earned a Master of Business Administration (1988) and a Master of Public Administration (1989) from City University of Seattle. I hold a Certified Government Audit Professional credential from the Institute of Internal Auditors.

Before my employment began at the Commission, I was an Internal Auditor for the Department of Social and Health Services (DSHS) for five years. I also worked for DSHS as a Medicaid Fraud Auditor for five years, as a Hospital Auditor for three years, and as the manager of the Surveillance and Utilization Review unit,

which performed pre-audit analysis of suspected fraudulent providers, for three years. In addition, I worked for DSHS as a rate analyst developing hospital rates in the Medicaid program for seven years. I also developed rates for hospitals for one year in the workers' compensation program at the Department of Labor and Industries.

As a Regulatory Analyst 3, I review the tariff filings of regulated water companies either as the lead analyst or as a member of a Staff team. I have presented Staff recommendations to the Commission at numerous Open Public Meetings.

I am also lead analyst in Docket UW-110054, a pending case filed by Rainier View Water Company, Inc. ("Rainier View" or "Company") regarding a surcharge and facility charge for financing construction of a pipeline between Rainier View and the Lakewood Water District.

Q. What is the purpose of your testimony?

A. I am responding to Bench Request 5.c. in Docket UW-110054, which asks that we provide written testimony describing the comparative analysis cited in the Settlement Agreement and Narrative Supporting Settlement Agreement and provided in response to Bench Request 5.a (Attachment 3.a.-1), and supporting certain conclusions drawn from the study included in the Settlement Agreement.

II. TESTIMONY

Q. Please describe the comparative analysis performed by Staff, provided in response to Bench Request 3.a., in Attachment 3.a-1.

A. The analysis calculates water cost for the years 2010 through 2100. The City of Tacoma (COT) has, per an annually-updated ordinance, different rates for wholesale customers such as Rainier View based on whether their summer usage is less than or greater than 2.5 times (250%) of their winter usage. See Attachment 3.b.1-2, attached in response to Bench Request 3. In the past, Tacoma has given Rainier View the more favorable "more than 2.5 times" rate even though the Company's wholesale water use has not been sustained at that consumption level. Correspondence between COT and Rainier View indicates that COT will, in the future, charge Rainier View the higher "less than 2.5 times" rate. See Attachment 3.b.1-1, provided in response to Bench Request 3.

Staff has analyzed potential City of Tacoma water costs using (1) rates projected into the future using an inflation factor developed from looking at COT ordinances and (2) calculating the inflation factor based on actual changes in COT's rates. These costs were also compared to the projected purchase of the same amount of water using the contracted cost of water from the Lakewood Water District (LWD) using an annual inflation factor as estimated by LWD. Please see Attachment 3.b.2-1, provided in response to Bench Request 3, which contains correspondence between the Lakewood Water District and Rainier View.

Finally, Staff has calculated the savings generated from buying LWD water compared to buying COT water at both the "less than 2.5 times" rate and the "more than 2.5 times" rate. This analysis assumes that the pipeline goes into use in the year 2018. Two cells in this analysis (Q32 and S28) have solid borders around the value inside. These two cells highlight the point in time at which cumulative savings from LWD water rather than COT water pays for the entire cost of the pipeline. For the "more than 2.5 times" rate, the savings approximate the entire capital cost of the pipeline in the year 2032, or in the 15th year of operation. At the "less than 2.5 times" rate, cost savings match the pipeline cost in 2028, or in the eleventh year of operation. Including the financing cost, the entire cost is recovered under the "more than 2.5 times" rate in the year 2035, or the 18th year of operation. At the "less than 2.5 times" rate, cost savings match the pipeline cost plus the financing cost in 2031, or in the fourteenth year of operation.

Q. Please explain the statement in paragraph 15 of the Narrative Supporting Settlement Agreement that "...significant annual cost savings would result from purchasing water from LWD using the Lakewood Pipeline Project."

A. Depending on the rates charged by COT, annual savings from purchasing LWD water rather than COT water begin at $205,295 for the first year of pipeline operations using the "less than 2.5 times" rate and $587,211 at the "greater than 2.5 times" rate. Cumulative savings at each rate are calculated as well.

Q. Please explain the statement in paragraph 15 of the Narrative Supporting Settlement Agreement that "...[the] project will benefit all of Rainier View's customers because of the significantly lower-cost water."

A. The cost of water purchased under wholesale water agreements is an allowable business cost which the Company recovers in rates charged to all customers of the water company. Since all customers bear that cost, lowering the cost benefits all customers through lower rates.

Q. Please explain any other conclusions drawn from the analysis if relevant to the decision to fund the Lakewood Pipeline Project.

A. The primary conclusion Staff drew from the analysis relevant to the decision to fund the Lakewood Pipeline Project is that wholesale water purchases are significantly more expensive from the City of Tacoma than from the Lakewood Water District.

Q. Does this conclude your testimony?

A. Yes.