

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: Jim Ward; Doug Fisher
RESPONDER: Jim Ward; Doug Fisher
TELEPHONE: (360) 664-1250; (253) 537-6634

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.

RESPONSE NO. 7:

- a. (Jim Ward): Phase 1 of the Lakewood Pipeline Project involved all preliminary work prior to construction, including engineering, design, construction documents and site acquisitions. More detail of these items is provided in Attachment 7.a. The cost associated with this part of the project was determined to be \$1,173,907. Since money is collected as the project is started, no construction loan or interest was added. The Company currently has 16,650 customers for surcharge recovery and, considering a period of three years for this work, the monthly surcharge was set at \$2.00. The summation of cost can be found in Attachment 7.b.-1 (provided in electronic copy only as an Excel spreadsheet with all formulas intact) under tab 'Staff Pipeline.' Hard copy of this analysis is provided in Attachment 7.b.-2. The calculation of the Phase 1 monthly surcharge is provided in Attachment 7.b.-1 under tab 'Surcharge Phase 1.' Hard copy of this analysis is provided in Attachment 7.b.-3.

Phase 2 of the Lakewood Pipeline Project involved all construction work and follow-up testing. The proposed work involves construction, contingencies and sales tax. More detail of these items is provided in Attachment 7.a. The summation of cost is provided in Attachment 7.b.-1 under tab 'Staff Pipeline.' The calculation of the monthly surcharge is provided in Attachment 7.b.-1 under tab 'Surcharge Phase 2.' Hard copy of this analysis is provided in Attachment 7.b.-4. The estimated cost associated with this part of the project was determined to be \$11,949,719. This source of funds for the construction phase is proposed as a construction loan, initially calculated at 3.5 percent interest for a term of 15 years. For conservative

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calculations, 16,650 customers for surcharge recovery, and a period of 15 years tentatively set the Phase 2 monthly surcharge at \$5.40.

- b. (Jim Ward): See Attachment 7.b.-1 under tab 'Staff Pipeline' (hard copy Attachment 7.b.-2), tab 'Surcharge PHASE 1' (hard copy Attachment 7.b.-3), and tab 'Surcharge PHASE 2' (hard copy Attachment 7.b.-4).
- c. (Jim Ward): Prior to the filing for the updated Phase 2 LPS, the Company will review known construction costs, finalize funding details of rates and terms, update customer counts and review any funds held or available from Phase 1 and facilities charges received. With this information, the Company will recalculate the monthly Phase 2 LPS with updated data to ensure loan coverage. The Company will publish the proposed updated surcharge in its tariff and file the tariff with the Commission in compliance with applicable rules.
- d. (Doug Fisher): Yes. It is expected that each surcharge will be adjusted to reflect actual costs. This adjustment will occur through communication with Commission Staff as a preliminary matter, and then filing an adjustment that is acceptable to the Company and Commission Staff as a tariff filing.

Attachment 7.a.

RVWC/LWD Intertie Transmission main
21-Dec-10

Item #	Item	Quantity	Unit	Estimate	
				Unit Price	Item Total
1	Mobilization, Demobilization	1	Lump Sum	\$200,000.00	\$200,000.00
2	Construction Surveying	1	Lump Sum	\$35,000.00	\$35,000.00
3	Traffic Control	1	Lump Sum	\$300,000.00	\$300,000.00
4	Erosion/Sedimentation Control	1	Lump Sum	\$45,000.00	\$45,000.00
5	Restoration and Landscaping	1	Lump Sum	\$250,000.00	\$250,000.00
6	Shoring & Trenching	1	Lump Sum	\$25,000.00	\$25,000.00
7	20" DI Pipe CL50 - Push-on Joint	39,900	Linear Feet	\$130.00	\$4,407,000.00
8	20" DI Pipe CL50 - Restrained Joint	2,000	Linear Feet	\$135.00	\$270,000.00
9	Install 20" Gate Valves	24	Each	\$11,000.00	\$264,000.00
10	F&I 3" Air/Vacuum Relief Assembly	12	Each	\$10,000.00	\$120,000.00
11	F&I 20" Pigging Station	9	Each	\$16,000.00	\$144,000.00
12	F&I Pig/Flush Station at BPS	1	Lump Sum	\$65,000.00	\$65,000.00
13	Cathodic Protection System	1	Lump Sum	\$175,000.00	\$175,000.00
14	Canyon road crossing	1	Each	\$125,000.00	\$125,000.00
15	128th street crossing	1	Each	\$75,000.00	\$75,000.00
16	176th street connection	1	Each	\$50,000.00	\$50,000.00
17	2 MGD booster pump station	1	Lump Sum	\$350,000.00	\$350,000.00
18	corrosion control treatment system	1	Lump Sum	\$75,000.00	\$75,000.00
19	F&I Gravel Bkfl. For Pipe Bedding	10,500	Ton	\$15.00	\$157,500.00
20	F&I Select Borrow	20,700	Ton	\$12.00	\$248,400.00
21	F&I Crushed Rock	6,500	Ton	\$22.00	\$143,000.00
22	Connection to Existing System	1	Each	\$10,000.00	\$10,000.00
23	Asph. Pavement Patch Restoration	4,800	Ton	\$125.00	\$600,000.00
24	Portland Cement Conc. Driveway	20	CU. YD.	\$300.00	\$6,000.00
25	Portland Cement Conc. Sidewalk	100	CU. YD.	\$350.00	\$35,000.00
26	Portland Cement Conc. Pavement	30	CU. YD.	\$450.00	\$13,500.00
27	Asphalt Conc. Pavement Overlay	3,000	Ton	\$90.00	\$270,000.00
28	Chp Seal Overlay	16,700	SQ. YD.	\$10.00	\$167,000.00
	Subtotal				\$8,625,400.00
	Contingency	10%			\$862,540.00
	9.3% WSST				\$802,162.20
	Total				\$10,290,102.20
	Admin Costs, Legal	5.0%			\$431,270.00
	Route survey	3.0%			\$258,762.00
	Preliminary Engineering	2.5%			\$215,635.00
	Final design and documents	3.5%			\$301,889.00
	site acquisition and easements	LS			\$75,000.00
	Total				\$1,282,556.00
	Total Estimated Cost				\$11,572,658.20

Attachment 7.b.-2

Rainier View Water
UW-110054

Lakewood Private Pipeline Construction

	2011	2012	2013	2014	2015	2016	2017	Totals
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 6	
REVENUE								
1 Customer Count Growth								
2 LPFC (2,280 Connections over 10 years)	\$5,756	1,312,363	1,312,363	1,312,363	1,312,363	1,312,363	1,312,363	7,874,176
3 Accumulated Balance		1,312,363	2,624,725	3,937,088	5,249,450	6,561,813	7,874,176	
4								
5 Customer Count Total	16,650	16,878	17,106	17,334	17,562	17,790	18,018	
6 Surcharge only revenue	13,123,626							
7 3 year cost Surcharge 15 year 3.5%	\$1.96	396,661	402,019	407,377	\$5.39	1,135,645	1,150,389	4,657,228
8 Accumulated Balance		396,661	798,680	1,206,057	2,341,702	3,492,091	4,657,223	
9								
10 LPFC and Surcharge	1,709,023	1,714,382	1,719,740		2,448,008	2,462,751	2,477,495	
11 Accumulated Balance	1,709,023	3,423,405	5,143,145		7,591,153	10,053,904	12,531,399	
12								
EXPENSES								
13								
14 Inflation 3.0% 3.0%								
15 Route Survey / Engineering		266,525	228,573		56,000	57,500	95,899	495,098
16 Admin and Legal			159,000	109,000				477,399
17 Final Design / Construction Documents				329,059				329,059
18 Site Acquisitions				81,750				81,750
19 Construction of Pipeline					5,152,000	3,450,000	1,209,972	9,811,972
20 Contingencies						115,000	899,797	1,014,797
21 Sale Tax					448,000	345,000	120,551	913,551
22								
23 Cost per Year	266,525	387,573	519,809		5,656,000	3,967,500	2,326,219	13,123,626
24 Accumulated Balance	266,525	654,098	1,173,907		6,829,907	10,797,407	13,123,626	
25								
26 Net Revenue - Expenses Annually	1,442,498	1,326,809	1,199,931		(3,207,992)	(1,504,749)	151,276	
27 Accumulated Balance	1,442,498	2,769,307	3,969,238		(3,207,992)	(4,712,741)	(4,561,465)	
28								
Surcharge - Expenses	130,136	14,446	(112,432)					
	130,136	144,582	32,150					

surcharge phase 1	\$1.96							
customer count	16,650							
monthly revenue	\$32,608.53							
	12							
annual revenue	\$391,302	\$0	\$124,777	\$128,507				
	(266,525)	\$391,302	\$391,302	\$391,302				
Running balance	\$124,777	(387,573)	(519,809)	\$0				
	\$124,777	\$128,507						

Attachment 7.b.-3

Rainier View Water Company, Inc.
UW-110054

6/12/2012

LAKEWOOD PIPELINE PROJECT

Enter Values		
Loan Amount	\$1,173,907	Loan Fee
Annual Interest Rate	0.00%	0.00%
Loan Period in Years	3	\$0.00
Start Date of Loan	12/1/2011	

Monthly Payment	\$32,608.53	Number of Customers	16,650
Number of Payments	36	Monthly Payment	<u>\$1.96</u>
Total Interest	\$0		
Total Cost of Loan	\$1,173,906.97	Monthly B&O Tax	<u>\$0.10</u>
		Surcharge	\$2.06

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
1	1/1/2012	1,173,907	\$ 32,608.53	\$ 32,608.53	\$ 0.00	1,141,298
2	2/1/2012	1,141,298	32,608.53	32,608.53	0.00	1,108,690
3	3/1/2012	1,108,690	32,608.53	32,608.53	0.00	1,076,081
4	4/1/2012	1,076,081	32,608.53	32,608.53	0.00	1,043,473
5	5/1/2012	1,043,473	32,608.53	32,608.53	0.00	1,010,864
6	6/1/2012	1,010,864	32,608.53	32,608.53	0.00	978,256
7	7/1/2012	978,256	32,608.53	32,608.53	0.00	945,647
8	8/1/2012	945,647	32,608.53	32,608.53	0.00	913,039
9	9/1/2012	913,039	32,608.53	32,608.53	0.00	880,430
10	10/1/2012	880,430	32,608.53	32,608.53	0.00	847,822
11	11/1/2012	847,822	32,608.53	32,608.53	0.00	815,213
12	12/1/2012	815,213	32,608.53	32,608.53	0.00	782,605
13	1/1/2013	782,605	32,608.53	32,608.53	0.00	749,996
14	2/1/2013	749,996	32,608.53	32,608.53	0.00	717,388
15	3/1/2013	717,388	32,608.53	32,608.53	0.00	684,779
16	4/1/2013	684,779	32,608.53	32,608.53	0.00	652,170
17	5/1/2013	652,170	32,608.53	32,608.53	0.00	619,562
18	6/1/2013	619,562	32,608.53	32,608.53	0.00	586,953
19	7/1/2013	586,953	32,608.53	32,608.53	0.00	554,345
20	8/1/2013	554,345	32,608.53	32,608.53	0.00	521,736
21	9/1/2013	521,736	32,608.53	32,608.53	0.00	489,128
22	10/1/2013	489,128	32,608.53	32,608.53	0.00	456,519
23	11/1/2013	456,519	32,608.53	32,608.53	0.00	423,911
24	12/1/2013	423,911	32,608.53	32,608.53	0.00	391,302

Attachment 7.b.-4

Rainier View Water Company, Inc.
UW-110054

6/12/2012

LAKEWOOD PIPELINE PROJECT

Enter Values			Phase 1 cost	1,173,907.00
Loan Amount	\$11,949,719	Loan Fee	Phase 2 w/inflation cost	11,949,718.96
Annual Interest Rate	3.50%	0.00%	Total cost	13,123,625.96
Loan Period in Years	15	\$0.00	Customer Capacity	2,280
Start Date of Loan	12/1/2011		LPFC	\$5,756

Monthly Payment	\$85,426.45	Number of Customers	16,650
Number of Payments	180	Monthly Payment	\$5.13
Total Interest	\$3,427,043	Monthly B&O Tax	\$0.26
Total Cost of Loan	\$15,376,761.83	Surcharge	\$5.39

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
1	1/1/2012	11,949,719	\$ 85,426.45	\$ 50,573.11	\$ 34,853.35	11,899,146
2	2/1/2012	11,899,146	85,426.45	50,720.61	34,705.84	11,848,425
3	3/1/2012	11,848,425	85,426.45	50,868.55	34,557.91	11,797,557
4	4/1/2012	11,797,557	85,426.45	51,016.91	34,409.54	11,746,540
5	5/1/2012	11,746,540	85,426.45	51,165.71	34,260.74	11,695,374
6	6/1/2012	11,695,374	85,426.45	51,314.95	34,111.51	11,644,059
7	7/1/2012	11,644,059	85,426.45	51,464.62	33,961.84	11,592,595
8	8/1/2012	11,592,595	85,426.45	51,614.72	33,811.73	11,540,980
9	9/1/2012	11,540,980	85,426.45	51,765.26	33,661.19	11,489,215
10	10/1/2012	11,489,215	85,426.45	51,916.25	33,510.21	11,437,298
11	11/1/2012	11,437,298	85,426.45	52,067.67	33,358.79	11,385,231
12	12/1/2012	11,385,231	85,426.45	52,219.53	33,206.92	11,333,011
13	1/1/2013	11,333,011	85,426.45	52,371.84	33,054.62	11,280,639
14	2/1/2013	11,280,639	85,426.45	52,524.59	32,901.86	11,228,115
15	3/1/2013	11,228,115	85,426.45	52,677.79	32,748.67	11,175,437
16	4/1/2013	11,175,437	85,426.45	52,831.43	32,595.02	11,122,605
17	5/1/2013	11,122,605	85,426.45	52,985.52	32,440.93	11,069,620
18	6/1/2013	11,069,620	85,426.45	53,140.06	32,286.39	11,016,480
19	7/1/2013	11,016,480	85,426.45	53,295.06	32,131.40	10,963,185
20	8/1/2013	10,963,185	85,426.45	53,450.50	31,975.96	10,909,734
21	9/1/2013	10,909,734	85,426.45	53,606.40	31,820.06	10,856,128
22	10/1/2013	10,856,128	85,426.45	53,762.75	31,663.71	10,802,365
23	11/1/2013	10,802,365	85,426.45	53,919.56	31,506.90	10,748,446
24	12/1/2013	10,748,446	85,426.45	54,076.82	31,349.63	10,694,369