

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

DATE PREPARED: June 25, 2012

WITNESS: Doug Fisher

DOCKET: UW-110054

RESPONDER: Doug Fisher

REQUESTER: Bench

TELEPHONE: (253) 537-6634

**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.

**RESPONSE NO. 8:**

- a. The Company explored the availability of commercial loans. No lender was willing to loan for more than 10 years, compared to CoBank's 15 years. No lender was willing to offer an interest rate below 6 percent. The Company has a long working history with CoBank. CoBank's interest rates have historically been well below market rates from commercial banks.
- b. If loans are obtained at a rate materially above or below 3.5 percent interest rate, the Company will make a revised filing.
  - a. The Company has not undertaken such an analysis.
  - b. No. The Company is a small company. It does not have the assets or balance sheet that would support using sophisticated financial arrangements such as an interest rate swap.