

July 31, 2012

**NOTICE OF BENCH REQUESTS
(Due by Tuesday, August 7, 2012)**

AND

**NOTICE OF SETTLEMENT HEARING
(Scheduled for August 16, 2012, at 9:30 a.m.)**

RE: *Washington Utilities and Transportation Commission v. Rainier View Water Company, Inc.*, Docket UW-110054

The Washington Utilities and Transportation Commission (Commission) seeks information in the form of the following bench requests made to both Rainier View Water Company, Inc. (Rainier View or Company) and the Commission's regulatory staff (Staff) relating to the Settlement Agreement and Narrative Supporting Settlement Agreement the parties filed in this proceeding on April 6, 2012, and responses to bench requests received on June 25 and July 2, 2012:

BENCH REQUEST NO. 12 (To Rainier View and Staff):

In response to Bench Request No. 1, Staff reiterated Rainier View's commitment to apply a "30 percent match" of the total infrastructure cost for projects involving use of the General Facilities Charge (GFC) monies. Yet, with regard to the Lakewood Pipeline Project, the Company does not appear to be investing any of its own equity.

To Rainier View:

- a. Is the Company investing any equity in the Lakewood Pipeline Project?
- b. If not, why?
- c. If the Company were to sell the proposed Lakewood pipeline how does the Company anticipate that ratepayers will see any benefit from their contributed investment?
- d. If the proposed Lakewood pipeline were condemned, how does the Company anticipate that ratepayers will see any benefit from their contributed investment?

To Staff:

- e. Explain how a ratepayer investment of 100 percent in the pipeline project is in the public interest?

- f. Does the use of 100 percent of contributed funds result in any reduction of overall risk for the Company?
- g. If so, will this be accounted for in the Company's future calculated return?

BENCH REQUEST NO. 13 (To Rainier View):

In response to Bench Request No. 8, the Company described the construction-type loan it was offered by CoBank. Rainier View states that the loan would be a 15 year, variable interest rate loan, with the rate currently at 3.5 percent.

- a. Did Rainier View discuss the possibility of a fixed interest rate loan with CoBank?
- b. If so, what was the fixed interest rate offered by CoBank?
- c. If not, why was this option not explored?
- d. Variable rates are normally pegged against a current index rate. What underlying security is the CoBank variable interest rate based on (i.e., U.S. Prime Rate, the Fed Funds Target Rate, LIBOR, et cetera)?
- e. How many basis points are added to this benchmark?

BENCH REQUEST NO. 14 (To Rainier View):

Rainier View's annual report, filed with the Commission in 2010 shows that the Company held a cash balance of \$6 million at the end of 2010.¹

- a. What portion of GFC funds make up the \$6 million?
- b. What portion of funds previously dedicated for construction of the City of Tacoma Intertie make up the \$6 million?
- c. For any other sources, list the amount along with any restrictions to their use.
- d. What portion of the \$6 million represents unrestricted funds?

BENCH REQUEST NO. 15 (To Rainier View and Staff):

Given the importance of the City of Tacoma's negotiation stance to Rainier View's decision to pursue the Lakewood Pipeline Project, and thus its importance to the Commission's review of the Settlement Agreement, the Commission has drafted the attached correspondence. Should the Commission decide to send the attached correspondence, after

¹ Pursuant to WAC 480-07-495(2), the Commission takes official notice of Rainier View's 2011 annual report, filed in 2010. Any party wishing to contest the materials and facts contained within this report must do so by August 3, 2012.

first hearing from the parties, the parties would also have an opportunity to respond to any reply correspondence received from the City of Tacoma.

- a. Please state any objection you may have to this correspondence between the Commission and the City of Tacoma.
- b. Please provide the names of any additional City of Tacoma employees who may need to receive a copy of the attached correspondence.
- c. Please indicate whether either party intends to present evidence, either witness testimony or documentary evidence, from the City of Tacoma to support Rainier View's interpretation of the City's negotiating position.

Please respond to these Bench Requests no later than Tuesday, **August 7, 2012**, with an original and **five (5)** copies. If you have any questions concerning these requests, please contact Administrative Law Judge Marguerite E. Friedlander at 360-664-1285, or via e-mail at mfriedla@utc.wa.gov.

THE COMMISSION GIVES FURTHER NOTICE That it will conduct a settlement hearing in this proceeding on Thursday, August 16, 2012, at 9:30 a.m., in Room 206 of the Commission's headquarters, Richard Hemstad Building, 1300 S. Evergreen Park Drive S.W., Olympia, Washington. Parties who wish to attend telephonically may participate via the Commission's teleconference bridge line at **(360) 664-3846**.

MARGUERITE E. FRIEDLANDER
Administrative Law Judge

cc: All Parties



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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August , 2012

Linda McCrea, Superintendent
Tacoma Water
Tacoma Public Utilities
Post Office Box 11007
Tacoma, Washington 98409

Re: Water and Wheeling charges to be levied by City of Tacoma against Rainier View Water Company; Commission Docket UW-110054

Dear Ms. McCrea:

Rainier View Water Co., Inc. (Rainier View) has filed a request with the Washington Utilities and Transportation Commission (Commission) for approval of various charges designed to provide revenue to finance a proposed pipeline and intertie between Rainier View and the City of Lakewood. In attempting to demonstrate the cost savings its ratepayers would see from an intertie and pipeline to the City of Lakewood, Rainier View provided the Commission with a draft Water Wheeling Agreement (Wheeling Agreement) with the City of Tacoma, Department of Public Utilities, Water Division, dated January 26, 2010.

The Wheeling Agreement provided that the City of Tacoma would wheel water from the City of Lakewood to Rainier View along its existing pipes. The Wheeling Agreement also required a wheeling charge in the amount of \$0.189 per hundred cubic feet be paid by Rainier View to the City of Tacoma for water delivered from the City of Lakewood. The water from the City of Lakewood would be considered only that water delivered in excess of 1.47 million gallons per day pursuant to the City's January 27, 2003, agreement with Rainier View. The 1.47 million gallons per day obligation would be priced at the City's wholesale water commodity rates.

Rainier View indicated that the City of Tacoma's wholesale water commodity rates are set by municipal code, and the City has no ability to negotiate these rates as this would place it

in violation of its own ordinance.² Rainier View has stated that the City of Tacoma is likewise not willing to negotiate the water wheeling charge referenced above. This, according to Rainier View, is because the wheeling rate has been set by the City of Tacoma as the City's cost to provide wheeling services. The Commission is interested in knowing the following:

- Whether the City is prohibited from negotiating water commodity rates and/or wheeling rates with wholesale providers?
- If it is not prohibited from doing so, whether the City can offer private companies a lower rate than the current wholesale rate if the resulting rate provides recovery of associated variable costs while still providing a contribution to the overall fixed costs.
- The extent to which Rainier View has attempted to work out an arrangement with the City for wholesale rates and wheeling services.

The Commission appreciates your attention to this matter. If possible, we would like to receive this information by August 31, 2012. If you have any questions, please contact David W. Danner, Executive Director and Secretary at (360) 664-1208 or ddanner@utc.wa.gov.

Sincerely,

DAVID W. DANNER
Executive Director and Secretary

cc: All parties of record in UW-110054

² Response of Rainier View to Bench Request No. 3, Attachment 3.e., Testimony of Douglas R. Fisher Concerning Negotiations with the City of Tacoma, at 1:13-15 (June 25, 2012).