

Agenda Date: June 23, 2016
Item Number: A4

Docket: UW-160776
Company Name: Rainier View Water Company, Inc.

Staff: Tiffany Van Meter, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff pages filed by Rainier View Water Company, Inc. on May 31, 2016, to become effective July 1, 2016, by operation of law.

Background

On May 31, 2016, Rainier View Water Company, Inc. (Rainier or company) filed with the Utilities and Transportation Commission (commission) a proposal to reinstate its conservation rate and add it to its current metered service tariff. The company serves about 17,500 customers in Pierce County and is proposing a \$5.00 per 100 cubic-foot charge for its third block for water usage over 3,000 cubic feet (22,443 gallons) per month. The third block usage rate is currently \$2.42 per 100 cubic-foot and the conservation rate is a 106.6 percent increase. This rate would apply only to residential water usage beginning May 1 and ending September 30 (peak usage months) each year.¹ This is identical to the conservation rate that was previously approved by the commission and used by the company during the peak summer usage months from 2007 to 2012. During that timeframe the conservation rate was effective in reducing usage during the peak summer months and once the conservation rate was removed from the tariff in the company's 2013 general rate case the average usage per customer began to rise. It is the company's goal to reinstate the conservation rate to again promote more efficient use of domestic water.

The company is currently experiencing some issues with three of its water sources such that it is unsure if those sources will be able to supply its usage needs during peak usage months. The Behm Well Field is producing significant amounts of air that makes usage problematic; the Fir Meadow Well is currently producing manganese at a level that exceeds applicable standards; and the Emerald Terrace Well is producing a fine silt with the water that can damage customer fixtures if used in significant amounts. If the company is unable to use these wells during peak usage months, it could be forced to purchase water from the City of Tacoma at a substantial cost which could in turn result in higher rates for all customers.

To deal with a potential for increased revenue from the conservation rate the company is proposing to introduce a concept it calls Base Revenue Ceiling. This concept calculates the Base Revenue Ceiling to be what the third block revenue was in 2015 during the peak usage months. The company then determines if the revenue from the third block in the current year peak usage months using the conservation rate is greater than or less than the Base Revenue Ceiling. If the

¹ The EPA has determined that the average American household of 4 uses 400 gallons of water per day. If a customer's usage were to reach the conservation rate at 3,001 cu. ft. they would have to use an average of 748 gallons per day. That is 87% more than the average household. <https://www3.epa.gov/watersense/pubs/indoor.html>

current third block revenue is greater than the Base Revenue Ceiling the company will deposit the excess revenue in an account dedicated to repairs, refurbishments or to treat water sources.

The conservation rate will provide benefit in two ways. It will reduce the amount of water being used putting less of a strain on the company's water sources and if third block revenue does, in fact, exceed the Base Revenue Ceiling the excess revenue can be used to help address the problems with the three wells mentioned above.

Peak usage months are driven largely by residential irrigation and outdoor water use and it is for this reason the company is proposing this rate for residential customers only as most commercial customers use less water on a per customer basis than the average residential customer during peak months.

Current Metered water service for the period May 1 to September 30.

Meter Size	Base Rate	1 st Block (cu.ft.)	1 st Usage Rate	2 nd Block (cu.ft.)	2 nd Usage Rate	3 rd Block (cu.ft.)	3 rd Usage Rate
¾-inch	\$13.90	0-600	\$0.94	601-3,000	\$1.15	over 3,000	\$2.42
1-inch	17.75	0-1,500	0.94	1,501-7,500	1.15	over 7,500	2.42

Proposed Metered water service for residential customers for the period May 1 to September 30.

Meter Size	Base Rate	1 st Block (cu.ft.)	1 st Usage Rate	2 nd Block (cu.ft.)	2 nd Usage Rate	3 rd Block (cu.ft.)	3 rd Usage Rate
¾-inch	\$13.90	0-600	\$0.94	601-3,000	\$1.15	over 3,000	\$5.00
1-inch	17.75	0-1,500	0.94	1,501-3,000	1.15	over 3,000	5.00

The company provided data that showed in 2015 the highest residential usage was in July with an average of approximately 70 cu.ft. per day. This equates to 2,170 cu. ft. for the month. If a residential customer continued to use this average of 2,170 cu. ft. per month their resulting water bill would not increase. The only customers this increase will affect are residential customers who use more than 3,000 cu. ft. per month. The average residential customer who has usage that hits the 3rd block during the conservation time period will have an increase to their bill as shown on Attachment 1 to this memo.

The company sent customer notification which clearly explained the conservation rate but not why it is so crucial for residential customers to reduce usage during peak usage months other than to encourage conservation. The company could have explained to customers that the conservation rate is being implemented for the additional reasons listed above.

Customer Comments

Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or jcupp@utc.wa.gov with questions or concerns. Staff received 13 consumer comments, all opposed to the proposed rate increase.

General Comments

- All 13 customers commented that the conservation rate is excessive and unreasonable.

Staff Response

The customers were advised that state law requires rates to be fair, just, reasonable and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Regulatory staff reviews filings to ensure that all rates and fees are appropriate.

Commission staff has completed its review of the company's filing and has determined that the proposed conservation rate is reasonable and should hopefully reduce water usage during peak summer months.

Recommendation

Take no action, thereby allowing the tariff pages filed by Rainier View Water Company, Inc. on May 31, 2016, to become effective July 1, 2016, by operation of law.

Attachment - 1