

RAINIER VIEW WATER COMPANY, INC.
RESPONSE TO DATA REQUEST

DATE PREPARED: August 7, 2012
DOCKET: UW-110054
REQUESTER: Bench

WITNESS: Douglas R. Fisher
RESPONDER: Douglas R. Fisher
TELEPHONE: (253) 537-6634

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?

RESPONSE:

- a. No, the Company does not have the funds available to make any meaningful contribution to the project.
- b. See above.
- c. It would be extremely difficult to sell the pipeline on a stand-alone basis. First, the purchasing entity would need to have an agreement with the Lakewood Water District to purchase water from the District. Second, the purchasing entity would need to be in a position where the pipeline would be able to terminate to its service area or connect to another pipeline to terminate to its service area, both of which are unlikely.

If, for some unforeseeable reason, the pipeline would be sold on a stand-alone basis, then those funds would be used to either provide an alternative transmission source to get the Lakewood water to Rainier View and, thus, benefit the customers or the funds would be returned to the customers under a methodology that would be presented to the Commission for review prior to implementation.

In addition, the Commission would have authority over the sale of the property under Chapter 80.12 RCW. This means that the property could not be sold without prior Commission approval (RCW 80.12.020) and the Commission would be in the position to determine what would happen with the proceeds.

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- d. Given that for the most part, the proposed route for the pipeline either goes through unincorporated Pierce County or the City of Lakewood, it is highly unlikely that any condemnation would occur. However, if a condemnation would occur, the funds would most probably be used to construct a alternative transmission source to move the Lakewood water to Rainier View for use by the Rainier View customers and, thus, would benefit the Company's customers. If for some unforeseeable reason construction on a new transmission main would not occur, the funds would then be returned to the customers under a methodology that would be first submitted to the Commission for its review and approval.

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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?

RESPONSE:

- a. - c. In the past, the Company has discussed the possibility of a fixed variable loan offered by CoBank. In each instance, the variable rate offered the superior option. If the Commission prefers a fixed option, that path can be followed with CoBank.
- d. - e. CoBank establishes a National Variable Rate. The Company's contract calls for a rate that is 25 basis points (1/4 of one percent) above the National Variable Rate. In its earlier agreements, the National Variable Rate was established at the U.S. Prime Rate. In the later loans, the National Variable Rate is the one-month LIBOR. The Company has the option, and will continue to have the option, to convert to a fixed rate in increments of \$100,000. However, each time the Company has explored that option, the variable rate was lower than the fixed rate.

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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?

RESPONSE:

Initially, this question is somewhat confusing. The Company assumes that what is actually being referenced is the 2011 annual report filed in 2012.

- a - b. The \$6 million is made up of the GFC, the Supplemental Developer's Charge and the General Bank Account. The way Subpart b is stated implies that the funds were previously dedicated for the construction of the City of Tacoma intertie. That is not correct. Funds were collected under Supplemental Developer's Charge primarily for use in paying the contract charges to the City of Tacoma as well as construction of the intertie and other facilities that are needed to deliver water throughout the Southwood System as a result of purchasing increased capacity from the City of Tacoma.

With that clarification, the portion of the \$6 million from GFC is \$48,595 and the portion from the Supplemental Developer's Charge is \$5,938,790.

- c - d. There was \$565,355 in the General Bank Account at that point in time. The General Bank Account is used to pay employee wages, vendors and other general business expenditures and varies significantly from month to month.

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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 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.

RESPONSE:

Rainier View has no objection to the correspondence between the Commission and the City of Tacoma. However, the Commission needs to be aware that the City is very unhappy about the plans and will probably attempt to kill the project so that Rainier View is a captive customer and must buy City of Tacoma water first.

Ms. McCray is the proper person to address the letter to.

There has been no plans to present evidence from the City of Tacoma. It is not something that would normally occur since the project benefits Rainier View's customers at the expense of the City of Tacoma.

By way of clarification, the draft letter refers to the Wheeling agreement as a draft. While a draft was attached to the documentation as an exhibit to another agreement, the Wheeling agreement has been fully executed and is not a draft .

By way of further clarification, the City's rates are not the only reason for this project. It is very important, and beneficial to the customers, to have alternative transmission routes and multiple sources of supply.