

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKET UW-141365
TRANSPORTATION)	
COMMISSION,)	ORDER 01
)	
Complainant,)	
)	
v.)	
)	
RAINIER VIEW WATER)	
COMPANY, INC.,)	ORDER APPROVING
)	SURCHARGE TARIFF
Respondent.)	
.....)	

BACKGROUND

- 1 On June 30, 2014, Rainier View Water Company, Inc. (Rainier View or Company) filed with the Utilities and Transportation Commission (Commission) a surcharge to service a \$685,884 capital improvement loan. The proposed rate increase resulting from the surcharge will generate approximately \$156,123 (2.7 percent) in additional annual revenue.

- 2 Rainier View provides water service to approximately 17,350 customers on 26 water systems in Pierce County, and two water systems in Kitsap County. The Company is requesting a surcharge for the construction of six water treatment plants to reduce manganese and iron content, a source of frequent customer complaints. Treatment plant operations will also reduce the current practice of flushing water lines to remove sediment and discoloration, another source of customer concern.

- 3 The proposed treatment surcharge is 75 cents per month, per service connection; it expires on July 31, 2019 – or upon the collection of \$797,745 for principle, interest, taxes and fees – whichever occurs first. The total projected costs for the water treatment plants and related structures and improvements is \$979,835. The Company proposes funding 30 percent of the costs, with the remaining amount funded by the surcharge.

- 4 On June 30, 2014, Rainier View notified its customers of the surcharge by mail. The Commission received no customer comments related to this filing.

- 5 The proposed capital projects include the construction of six water treatment plants, comprised of modular-based, “off-the-shelf” treatment units with a known history. Water treatment will address customer concerns by reducing iron and manganese levels, and by

greatly reducing the company's reliance on line flushing. In addition to producing more waste, line flushing raises overall water consumption during summer months, thereby creating a need to obtain peaking water demands from a more expensive source. The improvements will thus result in a more efficient use of the Company's system and water supply.

- 6 Staff has reviewed the cost estimates for the proposed projects and the terms and conditions of the loan, and believes the proposed surcharge tariff is reasonable and should be approved.

DISCUSSION

- 7 The Commission agrees with Staff's recommendation, but cautions that approval of the surcharge tariff should not be construed as Commission approval of any estimate or determination of costs, or any valuation of property claimed or asserted. The loan is the proper funding mechanism to pay for capital improvements, and the surcharge is the proper rate mechanism for customers to pay for the capital improvements. We find that the proposed tariff is reasonable and consistent with the public interest, and we approve it.

FINDINGS AND CONCLUSIONS

- 8 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, and accounts of public service companies, including water companies.
- 9 (2) Rainier View is a water company and a public service company subject to Commission jurisdiction.
- 10 (3) This matter came before the Commission at its regularly scheduled meeting on July 24, 2014.
- 11 (4) Rainier View filed a surcharge tariff for capital improvements pursuant to WAC 480-110-455.
- 12 (6) The surcharge tariff filed in this docket would fund capital projects to improve water quality and reduce waste water.

- 13 (7) The proposed surcharge tariff is reasonable and should be approved, subject to the following conditions:
- a) This surcharge is to apply to all water customers served by the Company. The surcharge will expire on July 31, 2019, or upon collection of \$797,745 for principal, interest, taxes and fees, whichever occurs first.
 - b) Funds received from the surcharge, including interest earned on the funds while held in a separate reserve account, will be treated as contributions in aid of construction.
 - c) Surcharge funds collected and interest earned upon such funds must be held in a separate reserve account by the Company for the benefit of customers. Such funds do not become the property of the Company or Company owners and may not be disbursed, alienated, attached, or otherwise encumbered by the Company or its owners. In the event of a sale or transfer of the Company, the trust obligations established in WAC 480-110 regarding any unspent surcharge funds will be transferred to the new owner of the Company.
 - d) The Company must report the following information to the Commission within 60 days of the end of each calendar quarter per WAC 480-110-455(4):
 - i. Beginning balance;
 - ii. Amounts received, detailed by source;
 - iii. Amounts spent, detailed by project or expense;
 - iv. Ending balance;
 - v. Reconciliation of bank balance to general ledger.
 - e) The Company will immediately deposit all monthly payments received and related to the surcharge in the same separate reserve account specified in condition (c) above.
 - f) Excess funds held in the separate reserve account will be remitted annually, at the time of the annual loan payment, to be applied to the principal of the loan. "Excess funds" means money accumulated in the separate reserve account in excess of 10 percent of the loan payment for the following year.
 - g) Upon completion of the construction projects, which is expected by January 2015 according to the Company's application, the Company shall provide the Commission with a complete accounting of all expenses. Rainier View must file the report no later than March 30, 2015, so the

surcharge amount can be adjusted to the actual costs of all projects, not to exceed the original loan amount of \$685,884.

ORDER

THE COMMISSION ORDERS:

- 14 (1) Rainier View Water Company, Inc.'s surcharge tariff to service a \$685,884 loan is approved subject to conditions (a) through (g) set forth in paragraph 13 of this Order.
- 15 (2) This Order should not be construed as Commission approval of any estimate or determination of costs, or any valuation of property claimed or asserted.
- 16 (3) The Commission retains jurisdiction over the subject matter and Rainier View Water Company, Inc. to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective July 24, 2014.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner