

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

RAINIER VIEW WATER COMPANY,
INC.,

Respondent.

DOCKET UW-161232

ORDER 01

ORDER APPROVING SURCHARGE
EXTENSION TARIFF

BACKGROUND

- 1 On November 21, 2016, Rainier View Water Company, Inc. (Rainier View or Company) filed with the Washington Utilities and Transportation Commission (Commission) a treatment surcharge extension tariff to fund capital improvements. The proposed surcharge extension tariff would generate approximately \$157,048 (2.8 percent) additional annual revenue over six years.
- 2 Rainier View provides water service to approximately 17,350 customers on 26 water systems in Pierce County, and two water systems located in Kitsap County. The Company is requesting a surcharge extension for the construction of four water treatment projects to reduce manganese and iron content, a source of frequent customer complaints. Treatment projects will also reduce the current practice of flushing water lines to remove sediment and discoloration, another source of customer concern.
- 3 The proposed surcharge is \$.75 cents per month, per service connection, which the Company proposes to extend until July 31, 2025 – or until the Company collects \$1,740,034 for principal, interest, taxes and fees – whichever occurs first. The Company proposes to fund any remaining amount by operations or equity.
- 4 On November 30, 2016, Rainier View notified its customers of the proposed surcharge extension by mail. The Commission received one customer comment related to the proposed surcharge extension, and four consumer complaints about brown water from customers in the same service area.
- 5 The proposed capital projects include the construction of four 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 Commission staff (Staff) has reviewed the cost estimates for the proposed projects and their related terms and conditions. Staff finds that the proposed surcharge extension is reasonable and should be approved, subject to the following conditions:
- a) The surcharge will apply to all water customers served by the Company. The surcharge will expire on July 31, 2025, or upon the collection of \$1,740,034 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 2018, 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 January 2018 so the surcharge amount can be adjusted to the actual costs of all projects, not to exceed the original amount of surcharge extension projections.

DISCUSSION

7 The Commission agrees with Staff's recommendation and approves the surcharge extension tariff subject to the conditions set out in paragraph 6, above. We caution the Company, however, that approval of the surcharge extension tariff should not be construed as Commission approval of any estimate of determination of costs, or any valuation of property claimed or asserted. The surcharge is the proper funding mechanism to pay for capital improvements, and the surcharge is the proper rate mechanism for customers to pay for these capital improvements. Accordingly, we find that the proposed surcharge extension tariff is reasonable and consistent with the public interest.

FINDINGS AND CONCLUSIONS

- 8 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, and accounts of public service companies, including solid waste 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 December 22, 2016.
- 11 (4) Rainier View filed a surcharge extension tariff for capital improvements pursuant to WAC 480-110-455.
- 12 (5) The surcharge extension tariff filed in this docket would fund capital projects to improve water quality and reduce waste water.

- 13 (6) The proposed surcharge extension tariff is reasonable and should be approved,
subject to the conditions set out in paragraph 6, above.

ORDER

14 **THE COMMISSION ORDERS:**

- 15 (1) Rainier View Water Company, Inc.'s surcharge extension to provide funding for
four additional treatment projects is approved, subject to conditions (a) through
(g) set forth in paragraph 6 of this Order.
- 16 (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.
- 17 (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 December 22, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner