**BENCH REQUEST NO. 16:** (Issued from the Bench at Settlement Hearing on August 14, 2012): Provide copies of customer comments received by the Commission since the Settlement Agreement was filed.

**RESPONSE NO. 16:**

See Attachment to Bench Request No. 16.

**BENCH REQUEST NO. 17:** As understood by Commission Staff, at the Settlement Hearing of August 14, 2012, the Bench requested documentation of Staff’s analysis of: the cost of purchased water, if growth continued and all water Rainier View purchased, was purchased from City of Tacoma (COT), to include any purchase and wheeling cost, if the water purchased exceeded COT limits of 1.47 million gallons per day.

**RESPONSE NO. 17:**

See Attachment to Bench Request No. 17 (Attachment). This is also being provided in electronic Excel format with formulas intact.

The following summary is provided to explain the Attachment and Staff’s analysis:

Staff reviewed water purchased by Rainier View from City of Tacoma (COT) from 2007 – 2011. (See Attachment, table “COT Purchased” on tab labeled Purchased COT). The historical usage in cubic feet was averaged over the time period to determine an average amount of water purchased per year based on historical usages. This amount was determined to be 80,058 cubic feet. The annual average water purchased included four months of summer usage and eight months of winter usage. Both COT and Lakewood Water District (LWD) use different rate structures based on time of year. Summer (May through October) and winter (November through April)

Staff reviewed the current rates for water purchased from both the COT and LWD. Each rate was adjusted for recent historical increases or pre-determined increases as noted in correspondence (see Staff and Company response to Bench Request 3, and Attachments 3.b.1.-1 and Attachment 3.d.-1). The projected rates are shown on the Attachment in the tab labeled Rate Projection. All rates are shown as rate per 100 cubic feet.

The COT has historically charged Rainier View the more favorable rate associated with the “< 2.5 Summer times Winter” rate table.

COT has indicated it would review usage patterns and could shift Rainier View to “> 2.5 Summer times Winter” rate table. For wholesale customers, COT charges year round constant use customers a lower rate ( “< 2.5 Summer times Winter”) than customers who use less water most of the year but peak their use during the summer only (“> 2.5 Summer times Winter”).

Under the “ERU Growth” section of the Attachment, both the ERU count and projected water usage (annual average water purchased) are projected and used to determine the “annual usage cost” for water purchased under three categories: ”< 2.5 times”, and ”> 2.5 times”, and “Lakewood”.

The review uses both COT rate tables and LWD rates to determine the cost per year for purchased water. The worksheet continues by comparing COT cost to LWD cost and determines if there is a cost savings. The annual difference or cost reduction associated with purchasing water directly from LWD is noted in the section labeled “Lakewood savings compared to Tacoma” for “< 2.5 times” and “> 2.5 times.”

The annual savings and cumulative savings are shown. Under the more favorable COT rate table of “< 2.5 times”, it will take approximately 15 years to recoup the construction cost absent interest cost. Under the less favorable rate COT rate table of “> 2.5 times” the construction cost would be recouped in approximately 11 years.

The wholesale water agreement between Rainier View and COT requires Rainier View to purchase 1.47 million gallons (196,524 cubic feet) per day before the Company “triggers” its ability to purchase water from LWD and wheel through COT. Daily water use data is not available and staff does not know if the daily threshold was exceeded.

Using five years of historical monthly water purchased from COT for current customers, it appears on an annual basis that there is sufficient unused water for the additional 2,280 ERUs who are the subject of this filing. There will be instances of peaking demand that could exceed the daily trigger threshold and put the company into a wheeling situation. Therefore, Staff’s calculations show the COT water generally provides sufficient water to preclude LWD purchases and associated wheeling costs. Volume considerations alone, however, do not take into account the much higher cost of COT water when compared to the cost of LWD water, including the COT wheeling charge. Both the volume of water needed and difference in price must be considered in total overall costs.