

**BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES)	DOCKET NO. UW-010877
AND TRANSPORTATION)	
COMMISSION)	RESPONSE TO COMMISSION STAFF'S
)	PETITION FOR ADMINISTRATIVE
Complainant,)	REVIEW
)	
)	
v.)	
)	
RAINIER VIEW WATER)	
COMPANY, INC.)	
)	
Respondent.)	
_____)	

Commission Staff has filed a Petition for Administrative Review of Third Supplemental Order, Initial Order Rejecting Tariff Filing; Ordering Refiling ("Initial Order"). This Response is filed on behalf of Rainier View Water Company, Inc. ("Rainier View" or "Company"). Pursuant to WAC 480-09-780(4)(c), Rainier View also raises three issues for review

in the course of this Response. One of those issues relates to the proper classification of the ready-to-serve charge. The other two issues relate to the rate case costs for this proceeding.

I. INTRODUCTION

This case represents Rainier View's first rate increase since 1996. Rainier View filed for a rate increase in 2000 (one that was sorely needed), but withdrew that filing because of the substantial issues related to the ready-to-serve charge and federal income tax expense that Commission Staff stated that they would raise. Rainier View began to prepare to meet those issues during the latter part of 2000 and filed this 2001 rate case. This proceeding turned out to be more taxing to Rainier View and its resources than even the very contentious case from 1988.

The circumstances that faced Rainier View in 1988 compared to those that face Rainier View today are really quite different. Yet, both sets of circumstances resulted in a tremendously expensive and highly contentious rate proceeding. In 1988, Rainier View had filed for a very substantial increase in rates. At that time, the Commission

was inundated with customer complaints about quality of service and customer relation issues. As is often the case with water company rate cases, the customer service issues became the driving factor in the Company's relationship with the Commission. Because the Company was able to demonstrate its financial need, it did receive an increase in rates.

Washington Utilities and Transportation Commission v. Richardson Water Companies, Docket No. U-88-2294-T, Third Supplemental Order (February 14, 1989). However, the Commission made it clear that the Company had to address customer service issues.

Rainier View responded positively to the Commission's direction. Over the intervening thirteen years, Rainier View brought on line millions of dollars of improvements and worked hard on improving its customer relations through better customer communications. Through a concerted effort over many years, Rainier View was successful in bringing about improved service and much better customer relations. The improvement in service quality and customer relations resulted in there being very, very few customer complaints when Rainier View filed its most recent increase, even though

that requested increase was in the neighborhood of thirteen percent.

However, in one respect, the 1988 and 2001 filings are similar -- in 2001, the Company again found itself on very shaky financial ground. This was (and is) due to two major circumstances. One of those circumstances was the fact that because Commission Staff took the position that it was going to use the 2000 Rainier View filing as a vehicle to address an industry issue -- that is the recovery of federal income tax expense by other than C corporations -- and was going to raise a question about the ready-to-serve charges, Rainier View could not proceed with the rate request in the year 2000. Those issues could have had an extremely adverse impact on the Company. Therefore, Rainier View had to get prepared to meet those issues, and was forced to forego pursuing an increase in 2000.

The other major factor was that 2001 was a low revenue year because of the relatively cool summer. In addition, like all water companies, Rainier View is under a constant demand for increasing expenditures to meet increasing requirements. These factors coalesced into Rainier View

failing to meet its debt service coverage requirements for the year 2001 and the first quarter of 2002. The Commission has recognized this precarious situation in granting Rainier View's request for interim rate relief. See, the Fourth and Fifth Supplemental Orders in this docket.

As stated by Mr. Fisher, Rainier View is at a critical juncture in its history.¹ Rainier View asks that the Commission keep this critical juncture in mind as it considers the issues that have been raised by the Commission Staff on appeal and those that are raised by Rainier View in this Response.

II. RESPONSE TO COMMISSION STAFF ISSUES

In this portion of the Response, Rainier View will address each of the issues raised by Commission Staff in the same order that Commission Staff has raised those issues in its Petition.²

¹ Exhibit T-4, p. 3, l. 3-10.

² In a footnote, Staff points to certain typographical errors in the Initial Order, describing them as "potentially significant." Rainier View believes the intent of the Initial Order is clearly understood in context and the typographical errors did not change the substance of the Initial Order.

1. The Method Used to Calculate the Income Tax Expense to be Imputed to Subchapter S Corporations.

In this case, the Commission Staff used Rainier View as a vehicle to address the industry issue of whether non-C Corporation entities (that is, S corporations, partnerships, limited liability companies, etc.) should be allowed to include federal income tax expense in their results of operations. As a result of Commission Staff having raised this issue, Rainier View was forced to spend tens of thousands of dollars in researching and responding to this issue.³ For very good reasons, the Initial Order accepted Rainier View's position on this issue.

In its Petition, Commission Staff states that it is not seeking to challenge that determination, but simply requests guidance from the Commission on the application of this expense as it affects the various entities that it must deal with. As stated at page 2 of the Petition, the result of the Initial Order's use of a 34% tax rate because there is no material difference in tax rates for Rainier View, "leaves Commission Staff with no guidance about how to apply the

³ If Staff's view had prevailed, the proposed adjustment would have reduced Rainier View's revenues by \$167,639.00.

imputation of income tax to water companies in which the corporate rate and the individual tax rate would yield significantly different results, short of presenting it to the Commission on a case-by-case basis."⁴

In Rainier View's case, what tax rate should apply did not present a major issue because Rainier View's revenues are sufficiently large that the effective tax rate for Rainier View was the same at the individual level and the corporate level.⁵ Rainier View does not take a position on this issue, except to state that the Initial Order's use of 34% tax rate for Rainier View for purposes of this case should be upheld.⁶

2. Timing of the Study on Deferred Income Tax to Normalizing Tax Timing Differences.

Commission Staff asked that Rainier View be ordered to present the study on normalization of tax timing differences within ninety days of the final order. The Initial Order required that the Company present that study as part of its

⁴ This underscores Rainier View's point that this issue is an industry wide issue, in Commission Staff's view, that Rainier View has had to bear the expense of addressing.

⁵ Rainier View used the corporate marginal rate of 34% as opposed to the individual marginal rate of 39.6%.

⁶ Rainier View does note that it does not appear that the record in this case would allow the Commission to provide the guidance that Commission Staff seeks.

next rate case. Since this matter is a rate case issue, it is appropriate that the study be presented as part of the next rate case.⁷ As pointed out in the record and on brief,⁸ there are tax timing differences that vary from year to year that are both positive and negative. Thus, it is appropriate to present the study in the context of a Company rate filing.⁹

3. Staff Request for Clarification on the Nature of Ready-to-Serve Revenues.

Commission Staff does not seek to overturn the Initial Order's treatment of ready-to-serve revenue as not being operating revenue. Commission Staff appears to seek to have the Commission clarify that the Initial Order's statement that ready-to-serve charges are not operating revenue applies to Rainier View, but may not necessarily apply to other companies. The difference is that some companies (other than

⁷ It should be noted that the direction in the Initial Order is to do a historical study, not just current year effects. That type of study is much more complex than a calculation of current year impacts.

⁸ TR 355, l. 4-357, l. 5 and Company Brief at 21.

⁹ In its Petition, Commission Staff notes that the Company's last increase was more than six years ago. Apparently, this implies that a study should be presented in ninety days because it may be another six years before the Company's next rate increase. Given the Company's financial position, a six year hiatus is not a likely scenario. Rainier View expects the next rate filing to be in the near future.

Rainier View) have tariffed ready-to-serve charges that are not used for the same purpose as Rainier View's charges.

Rainier View has no objection to Commission Staff's proposed clarification. Rainier View does use the "ready-to-serve charges" in a different context and for different purposes than a tariffed ready-to-serve charge. In fact, as Rainier View pointed out in its testimony and brief,¹⁰ some of the confusion over Rainier View's charges may be over the term "ready-to-serve" itself. The charge as used by Rainier View might be better labeled as a "developer charge" or "developer contingency charge" or some other label. As Mr. Fisher stated, the ready-to-serve label was applied as a matter of convenience, not necessarily to describe the actual purpose of the charge. TR 107, l. 15-24.

4. Timing of the Study for the Ready-to-Serve Fees.

Commission Staff again takes issue with the timing of the study that the Initial Order directs the Company to perform. In this case, the Company is directed by the Initial Order to perform a study related to the amount of ready-to-serve revenue that has been collected.

¹⁰ TR 107, l. 15-24 and Company Brief at 34-35.

For reasons that are stated below, Rainier View has its own objection as to the Initial Order's determination on ready-to-serve charges. Specifically, Rainier View objects to the categorization of the charges as contributions in aid of construction. If the Commission agrees with Rainier View's position, then no study is needed. In any event, if a study is needed to be filed, it appears to make more sense to do that in the context of a rate filing, than as a stand-alone study. Rainier View should not be forced to bear the expense of studies until they are needed and such a study would only affect a rate filing.¹¹

The ready-to-serve charge will be discussed more fully below. However, Rainier View also objects to Commission Staff's characterization that the Company has used ready-to-serve revenues "to increase owner's equity." Petition at p. 5. That was not the purpose for which the ready-to-serve charge was created. The ready-to-serve charge was not created to benefit the owner and by itself cannot have that effect. The developer buy-back program in the developer line

¹¹ Rainier View is facing a severe cash flow problem. The cost of doing studies should not be added to that burden, except as a necessary part of a rate case.

extension contracts, together with the ready-to-serve charges, were created to benefit the customers. As pointed out by Mr. Fisher, it has benefited customers by making the Company financially viable and allowing the Company to attract a low-cost lender, namely CoBank. Exhibit T-15, p. 15 et seq. For Commission Staff to suggest that the purpose of the ready-to-serve charge is to increase owner's equity is misleading, at best.

5. Working Capital.

The issues related to working capital should be handled in the Company's next rate case. Rainier View has no position on this issue for purposes of this Response.

6. Establishing the Cost of Equity.

Rainier View both agrees and disagrees with Commission Staff on this issue. Rainier View does agree, as pointed out in Rainier View's Brief, that whatever method is used to calculate the Company's overall rate of return, the Commission should take care to be sure that the financial covenants that the Company has entered into with its lenders are met. In doing that analysis, Rainier View cautions that the bare minimum ratio should not be the target that the

Commission establishes in its cost of equity calculation. If the minimum ratio is set by the Commission as the grounds for the Company's return element, then the risk is very high that the Company may violate that minimum ratio because of unanticipated events that occur during the time rates are in effect.¹² The working relationship between Rainier View and CoBank is admitted by all parties to have created substantial benefit to the customers.¹³ That working relationship should not be endangered by a parsimonious determination of return.

Commission Staff seems to be concerned that the Initial Order's criticisms of its DCF analysis were misplaced. Rainier View fully understood that the Commission Staff was recommending a debt service coverage ratio approach. However, Rainier View felt it important to point out through cross examination of Commission Staff the flaws in the Commission Staff's DCF analysis. The concept that a return on equity for a relatively small company serving an isolated market can be determined from the returns in the marketplace

¹² Regulatory lag itself may prevent the Company from meeting debt coverage ratios.

¹³ TR 348, l. 10-17; Exhibit T-15, p. 15 et seq.

for much larger utilities operating in different parts of the country with multiple lines of business is, at best, tenuous.

The Company recognizes that the method used by Rainier View - what has historically been allowed - is subject to criticism.¹⁴ However, given a flawed DCF analysis, the question becomes what else to use. Since Rainier View's operating environment (location, lines of business) have not changed significantly, historical views of cost of capital seem appropriate.¹⁵ Certainly, the complexity and risk of operating a water company have increased. This suggests a higher return is required.

As noted above, Rainier View agrees with Commission Staff that the overall return, including return on equity, should be established so that the Company is not in violation of its debt service coverage ratios. However, that calculation should not be run at the bare minimum of those ratios.

¹⁴ The Company considered hiring an additional expert to address cost of capital. However, given the large expense of the case, the Company determined it could not afford another expert. Thus, the reliance on historical treatment.

¹⁵ The Company has grown significantly. However, the increase in customer base still leaves it much smaller than the companies used in Staff's DCF analysis.

From the Commission Staff's Petition, it is not obvious that Commission Staff is objecting to the Initial Order's finding and conclusion on the cost of equity. It is only when reference is made to the schedules that are attached to the Petition that one learns that the Commission Staff is actually asking that its position on the cost of equity be adopted. Rainier View asserts that the Initial Order was correct on this point. Commission Staff has failed to establish the basis for its proposed adjustment. The Commission should not accept the arguments of Commission Staff. It is Rainier View's position that the return elements it proposes for cost of equity and cost of debt will allow it to meet debt service coverage ratios. The Initial Order agreed and should be affirmed.

It is Rainier View's observation that the cost of equity is a problematic determination for water companies. With the possible exception of Washington Water Company, as a subsidiary of a large utility, water companies operating in the State of Washington have very limited resources and very limited flexibility in the ways that they can generate a return on investment. In some ways, it may make better sense

to establish a certain dollar amount per customer that would be used to provide the "equity" return.

Small utilities like Rainier View, when faced with an era of increasing costs such as exists in the water business, do not pay dividends to their owners, but rather reinvest all available funds to meet company needs. Given that all internally generated funds go to meet operational needs for the company and given some of the Commission's more recent decisions concerning use of proceeds resulting from the sale of company assets, there already may be no incentive to invest additional equity capital. There needs to be a creative solution to this dilemma that benefits the customers and the Company.

Although not for purposes of this rate case, it may be time for the Commission and the industry to think, as the cliché goes, "outside the box" when it comes to water company capital structure and return issues. It may be that something other than traditional regulatory tools are needed.

7. Cost of Debt for Variable Interest Rate Securities.

Commission Staff takes exception to the Initial Order's determination that the cost of debt should be based upon more

than a "snapshot" view. Commission Staff suggests that use of an average of rates over a period of time will result in the Company receiving a windfall at the expense of the customers. Petition at p. 8. That is not the import of the Initial Order.

It is Rainier View's position in this proceeding that it is not appropriate to use either a "snapshot" view of interest rates when they are at or near their historical high nor a snapshot when those rates are at or near their historical low. In order to predict what rates will be during the time rates are in effect, some judgment needs to be used. The economy has for a number of years enjoyed a relatively stable environment in which interest rates were not going through major fluctuations. That stable environment ended in 2001 when the economy entered a recession and interest rates plunged. It would be a very dangerous precedent in either the case of the historical high or the historical low to take the cost of debt at a single point in time as the rate at which debt will be carried into the future. For example, recent economic indicators point to recovery, which will lead to an increase in interest rates.

The Initial Order followed a reasonable approach to the cost of debt. Such reasoned analysis does not present a windfall, but is a judgment as to where events will reasonably place the cost of debt as the economy recovers from a recession.

Even more than the Commission Staff's arguments on the cost of equity, it appears on the face of the Petition that Commission Staff is simply seeking clarification on this issue, not a change to the Initial Order. However, the schedules attached to the Petition belie that stated request for clarification. Commission Staff is actually seeking that its "snapshot" approach to determining the cost of debt be adopted. Rainier View asserts that Commission Staff has failed to properly take exception to the Initial Order and, in any event, for the reasons stated above, Commission Staff's position should not be adopted.

8. Adjustment of Capital Structure for Ready-to-Serve Revenue.

As will be set out below, Rainier View takes exception to the portion of the Initial Order that classifies ready-to-serve charges as contributions in aid of construction. Given this position, it is also Rainier View's position that no

adjustment of capital structure is needed and therefore opposes Commission Staff's proposal on this item.

9. Treatment of Rates for the Indian Springs System.

Rainier View cannot tell whether or not Commission Staff is objecting to the Initial Order on this issue. Commission Staff suggests, in passing, that their analysis should be adopted since the Company filing was not accepted in totality. However, as Rainier View pointed out, Commission Staff's approach makes sense only if there is no rate increase or there is a negative rate increase. Therefore, Commission Staff's approach on this adjustment should not be used, given the result in this case.

Rainier View does agree with what appears to be Commission Staff's final position on this issue. That is, Rainier View joins with Staff in their confidence that these issues can be sorted out between Commission Staff and the Company in the determination of the design of the final rates. After all, it is the design of the final rates that will produce the revenue requirement authorized by the Commission in this proceeding.

10. Rate Case Expenses.

This is the other issue on which the Company has exceptions to the Initial Order, which will be discussed below. The Commission Staff exception appears to simply be a clarification that they did not abandon their earlier proceeding. They do not appear to ask the Commission to overturn the Initial Order, but to merely recognize that the Commission Staff had not abandoned its prior position.

11. Owner's Vehicle.

Commission Staff's position on this adjustment is just wrong. The Initial Order was, in fact, correct -- there is no material difference to the rate payers in including the value of the Lincoln Navigator.

Further, Commission Staff's position on this issue is almost ideological; i.e., the objection is that the car is a Lincoln. Commission Staff proposed a "surrogate" in the form of a flatbed truck. That flatbed truck clearly was not a realistic surrogate that could perform the same functions for the Company that the Lincoln Navigator does.¹⁶ It is uncontested in the record that the Lincoln Navigator is used

¹⁶ Exhibit T-15, p. 30, l. 3 - p. 31, l. 16.

not only for Mr. Richardson, but is also used to transport Company personnel to and from meetings on a regular basis.¹⁷

The ideological nature of this issue is reflected by the Commission Staff's characterization that they want clarification from the Commission on the inclusion of "luxury vehicles." Petition at 11. However, that is not the true issue. What should really happen is the approach used by the Initial Order. The overall effect on the rate payers should be compared with the function of the vehicle and a determination of the reasonableness of the expense should be made. The Initial Order was correct in concluding that this vehicle expense was a reasonable expense in the overall scheme of the Company's operations.¹⁸

III. RAINIER VIEW'S EXCEPTIONS TO THE INITIAL ORDER

As stated above, Rainier View has three exceptions to address to the Commission concerning the Initial Order. This portion of the Response will be devoted to those items.

¹⁷ Exhibit 15, p. 30, l. 25 - p. 31, l. 4; TR 131, l. 2 - 132, l. 2.

¹⁸ If the Commission is bothered by the inclusion of a Lincoln Navigator in rates, the Company did propose a compromise. That compromise is set out on Exhibit 22 and presents a "surrogate" that at least can actually be used by the Company for the same purpose as the Navigator, as opposed to Staff's flatbed truck surrogate.

1. Ready-to-Serve Charges Should Not be Classified as Contributions in Aid of Construction.

The Initial Order states that the ready-to-serve should be classified as contributions in aid of construction. Initial Order at p. 17 (paragraph 60) (Finding of Fact 12). However, such treatment would fly in the face of the acknowledged purpose of the developer line extension contracts (developer buy-back program) and the ready-to-serve charges in those contracts. Mr. Fisher offers detailed testimony concerning the developer buy-back program, its origination and its effect. His testimony is in Exhibit T-15 beginning at page 8 and includes a discussion of Exhibits 17 and 18.

As pointed out at page 12 of Exhibit T-15, the developer buy-back program and the ready-to-serve charge were developed as a result of Commission Staff concerns that the developer contracts were producing a large amount of CIAC and having an adverse effect on the Company's rate base. Commission Staff requested that the Company explore ideas to increase rate base to address the Company's financial viability. See, Exhibit 17 at p. 197. Mr. Fisher then goes on to discuss some of the details of the buy-back program, including the

fact that the ready-to-serve charge was a financing mechanism for that buy-back program. It makes absolutely no sense to develop a program designed to increase the Company's rate base to address financial viability if the developer payments under the ready-to-serve charge are to be classified as contributions in aid of construction. This means that there is no increase in rate base (since as Mr. Fisher also testifies the ready-to-serve and the payment to the developers was designed on whole to balance one another out - Exhibit T-15 at p. 13). These mechanisms were discussed and presented to the Commission in the form of the Palmer contract. Exhibit 17 at p. 269-270 and 275-283. The Commission order recognized that there would be a purchase financed over time and that the ready-to-serve charges were part and parcel of the contract. Exhibit 17 at p. 271-274.

As Mr. Fisher goes on to discuss, this concept of viability related to an increase in rate base was discussed at length with Commission Staff. Exhibit T-15 at p. 14. One of the benefits of this program is that it allowed the Company to attract CoBank as a lender which has allowed advantageous financing for the benefit of customers. Exhibit

T-15 at p. 14-16. Commission Staff agrees that the availability of CoBank as Rainier View's primary lender is a significant benefit to customers. TR 348, l. 10-17.

Rainier View asks that the Commission affirm the Initial Order's position that the ready-to-serve revenue is not regulated revenue. However, Rainier View requests that the Commission not take the step that was taken in the Initial Order and classify those revenues as contributions in aid of construction. To do so would negate the salutary effects that the program has had, which has been to the benefit of Rainier View's customers.

The revenues from the ready-to-serve charge are properly classified as non-regulated revenue. This means that the revenue should be treated just as any other charge from a non-regulated source, as non-regulated revenue. Charges to persons for unregulated activities are not routinely classified as contributions in aid of construction. For example, if the Company offered construction services, such as constructing a sewer line, those revenues would not be considered as contributions in aid of construction.

There is also an issue of fundamental fairness involved here. Rainier View entered in this program working very closely with Commission Staff. There is no disagreement between Commission Staff and Rainier View that the purpose of the developer buy-back program and the ready-to-serve charges were to address the Company's financial viability by increasing its rate base. There is no disagreement that the buy-back program and the ready-to-serve charges had that effect and resulted in the attraction of CoBank as the Company's primary lender to the benefit of Rainier View's customers. The only disagreement between Commission Staff and the Company was whether these revenues should be classified as regulated revenues or not. Having properly held that these revenues are not regulated, operating revenue, the Commission should not undo the benefits to the customers that the program has produced by classifying the revenues as contributions in aid of construction.

Fundamental fairness would be served if the Commission made a decision on a prospective basis, instructing Rainier View that to the extent it enters into contracts in the future that have the ready-to-serve charge embedded in the

contract, then those revenues would be counted as contributions in aid of construction. To change the effect of the program after the fact, after the Company and Commission Staff agreed on the program as a mechanism to increase the Company's viability through increasing its rate base and, to some extent, when the Commission itself knew that the program was designed for that effect (see the Palmer contract and contracts that followed), fairness would require a prospective not retroactive treatment.

2. The Initial Order Erred in Deducting Mailing Costs from the Company's Rate Case Expense.

At page 23 (paragraph 86), the Initial Order accepts the Company's estimated rate case costs of \$67,700.00 to be amortized over three years at \$22,567.00 per year. However, the Initial Order then goes on to deduct the expense of a mailing notice of \$3,500.00 resulting in a total amortization amount of \$19,067.00. Initial Order at paragraph 88. There are two ways in which this adjustment in the Initial Order is in error.

First and foremost, the \$22,567.00 figure presented by the Company already excludes the mailing cost. Mr. Fisher changed his testimony between his direct and his rebuttal

filings. If the Commission compares Exhibit 9 with Exhibit 25, they will see that Exhibit 25 leaves the amount for the mailing notice blank. In other words, in rebuttal, Mr. Fisher already excluded the cost of the mailing notice, agreeing with Commission Staff that it was embedded in the 2000 results. Therefore, when the Initial Order subtracts that amount again, it has double counted the deduction and penalized the Company.

This error is compounded by the nature of the adjustment. Since the adjustment for rate case cost is amortized over three years, reducing the amount to be recovered by the full amount of the mailing cost in one year in effect takes away \$10,500.00 from the recovery of the expense, not \$3,500.00. The deduction is trebled. Therefore, instead of recovering \$67,700.00 over three years (\$22,567.00 a year), the Company is allowed to recover only \$57,200.00. This unwarranted reduction in the legitimate rate case costs of the Company should not be carried forward. Rainier View respectfully requests that the amount as set forth on Exhibit 25 (\$22,567.00) be included as the proper

figure for amortization of rate case costs, adjusted upwards as described in the next section.

3. The Company's Rate Case Costs Should be Adjusted to Reflect its Actual Costs.

When Mr. Fisher provided Exhibit 25, he stated that he thought that the estimate would be understated. Exhibit T-15, p. 31, l. 18 - p. 32, l. 4. Mr. Fisher was correct. Attached in Appendix A is the Company's actual rate case costs up to May 1, 2002. This amount of \$90,074.00 represents the fact that the Company has had to address very serious, complicated matters - matters of first impression - raised by Commission Staff. If the May legal expenses are added in the amount of \$3,320.00, this produces a total of \$93,394.00. The Company agrees that its total rate case costs should be amortized over three years, and this produces an annual amount to be included in this case of \$31,131.00.

The Company recognizes that it is somewhat unusual to bring rate case costs up to date.¹⁹ However, the Company has had to deal with very complex issues raised by Commission

¹⁹ The Company asks that the Commission accept a limited reopening of the record to include the actual rate case costs demonstrated through Mr. Fisher and Mr. Finnigan's Declarations.

Staff which could have had a severe economic impact on the Company. Commission Staff sought to decrease rates by \$180,000.00. The Initial Order found that an increase of approximately \$273,000.00 was appropriate. Given the complexity of the case, the Company respectfully requests that the Commission allow amortization of the full rate case costs.

IV. CONCLUSION

Rainier View respectfully requests that the Commission modify the Initial Order by determining that the ready-to-serve charges should not be classified as contributions in aid of construction. In addition, Rainier View respectfully requests that the amount for rate case costs be adjusted to reflect that the Company has already deducted the \$3,500.00 mailing cost and to reflect the Company's actual costs to date. Further, the Company respectfully requests that the Commission deny Commission Staff's request for modifications to the Initial Order, except to the extent the Company has agreed to or has no objection to the proposed clarification

as set out above.

DATED: May 30, 2002.

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Water Company, Inc.