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September 17, 2012

**VIA E-FILING**

David Danner, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250

Re: Rainier View Water Co., Inc. – Docket UW-110054 - Response to  
Correspondence from Tacoma Water.

Dear Mr. Danner:

Pursuant to the Notice of Opportunity to Respond to Correspondence from Tacoma Water issued September 11, 2012, Rainier View Water Company, Inc. (Rainier View) hereby files its response.

There are some points that were raised by Tacoma Water that should be emphasized. The first is that Rainier View's analysis that the wholesale water prices charged by Tacoma are excessive are clearly shared by other wholesale customers. As stated by Ms. McCrea "many of our wholesale customers are substantially underutilizing the capacity they have purchased. . . many of those same customers are investing in new capacity development (new or rehabilitated wells, or new transmission infrastructure, etc.) [sic] We clearly recognize that they are doing so because by some calculation, it is more cost effective." Thus, Rainier View is not alone in looking to develop other alternatives for source of supply given Tacoma's pricing.

The second point made in the Tacoma Water letter is that any decision made by Tacoma will clearly be a political decision. As stated by Ms. McCrea, ". . . changing rates or ratemaking methodology . . . will require approval of the Tacoma Public Utility Board and the Tacoma City Council." It is also stated in

the letter from Tacoma Water that ". . . Tacoma Water ratepayers have made significant investments in source capacity, treatment, and infrastructure. . . ." It almost goes without saying that the political decisions to be made by the City will turn on what Tacoma believes is in the best interest of its rate payers and not necessarily the wholesale customers.

It is difficult to make long range planning decisions in a changing political environment. It is also difficult to predicate long range decisions on political decisions that may change with the change of administrations. That said, Rainier View is certainly willing to discuss with Tacoma Water alternatives that they may develop and present. However, please note that the letter from Tacoma Water indicates that nothing has been presented since the discussions in January and that it is a process that will not be finished for at least eighteen months and then would need to undergo the political review after that period of time.

It is Rainier View's belief that this review by Tacoma Water would not have come about if it was not for the fact that Rainier View is planning an alternative course of action. If Rainier View is a captive customer of the City of Tacoma, there is no incentive for the City to review and, perhaps, renegotiate rates.

In an ideal world, Rainier View's customers would have the benefit of a competitive market place for wholesale water between Lakewood Water and the City of Tacoma. This will only occur if the pipeline to obtain water directly from the Lakewood Water District goes forward.

It may be that with the pipeline to the Lakewood Water District in place, both Lakewood and Tacoma will compete to sell water to Rainier View. In that circumstance, Rainier View's customers benefit. If the wholesale water price can be brought to a low enough level, Rainier View would even be able to rely less on some of its own wells. Rainier View would be able to take some wells that are in need of redevelopment offline and work on those wells without endangering service to the customers. Rainier View would also be able to evaluate whether to take offline some wells that are shallow and, thus, in danger of encroachment from pollutants. All of this would be to the benefit of the customers.

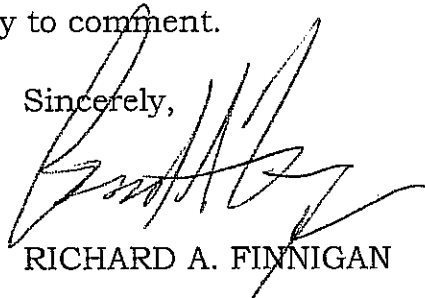
There is one other point that Rainier View wants to bring to the

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Commission's attention. There was a great deal of discussion about the use of CIAC during the hearing on the Settlement Agreement. Rainier View recognized that the Commission is more familiar in dealing with power company investments which do not rely as heavily on CIAC. However, in the world of developing water infrastructure, it is quite common for both public and private utilities to rely heavily on CIAC as a source of funding given the precarious financial structure that most water companies face.

Thank you for the opportunity to comment.

Sincerely,



RICHARD A. FINNIGAN

RAF/cs

cc: Chairman Goltz (via e-mail)  
Commissioner Oshie (via e-mail)  
Commissioner Jones (via e-mail)  
Service list (via e-mail)  
Doug Fisher (via e-mail)  
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