

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Petitioners,

v.

RAINIER VIEW WATER CO. INC.,

Respondents.

DOCKET NO. UW-010877

COMMISSION STAFF'S ANSWER  
TO RAINIER VIEW'S RESPONSE  
TO STAFF'S PETITION FOR  
ADMINISTRATIVE REVIEW OF  
THIRD SUPPLEMENTAL ORDER

On May 30, 2002, Rainier View Water Co., Inc., (RVW or Company) filed its Response to Commission Staff's Petition for Review in this case. As allowed by WAC 480-09-780(4)(c), the Company raises its own challenge to certain findings of the Initial Order. WAC 480-09-780(4)(a) allows any party to answer a petition for administrative review. Pursuant to this rule, Commission Staff files this answer to those matters that the Company raises in its Response beginning at page 17.

The Initial Order's Treatment of Ready to Serve Revenues as CIAC Should be Affirmed

At page 24 of its Response, RVW misstates the Initial Order when it "asks that the Commission affirm the Initial Order's position that the ready-to-serve revenue is not regulated revenue." (RVW Response, p. 23). The Initial Order at ¶ 61 correctly found that Ready to Serve fees are clearly an operating item and that it is not appropriate that the Company has been booking them as non-operating revenue. The accounting treatment of the Ready to Serve fees included in the Company's contracts with developers was a hotly contested issue in this case.

Staff argued in this case that the Ready to Serve payments are operating revenue.

However, the Commission disagreed with Staff and found at ¶60 that the "Company may not

recover these costs from developers and recover the same costs again from ratepayers” and Ready to Serve payments “should be recognized as a reduction to that plant in service and treated in a similar manner to CIAC.” Staff did not contest this conclusion because Ready to Serve has to be “operating revenue” or “CIAC.” There simply is no other place to classify the Ready to Serve payments developers paid to RVW.

The disputed revenues are funds received by the water company for a function that the business could not provide without being a water company. Contrary to the example the Company provides at page 23 of its Response, the Company is *not* constructing a sewer line; the Company was providing water to a developer under an agreement to provide water during construction, and charging the developer for that service. See Exhibit 17, page 280, paragraph 15.

The Company’s Response at page 22-23 also mischaracterizes the nature of the interaction between the Company and Commission Staff with regard to the Company’s “developer program.” As reflected in the record, Staff considered bringing a motion to strike a portion of the Company’s rebuttal testimony, and exhibits. Tr. p. 23. Such a motion, if successful, might well have required the Company’s legal counsel to become a witness in the case, further complicating, and likely delaying, the progress of the case. In order to avoid this circumstance, Staff and the Company entered into a stipulation, admitted as Exhibit 3 in this case. (Copy attached). As part of the agreement that resulted in the stipulation, certain portions of Mr. Fisher’s rebuttal testimony were deleted or modified. Tr. pp. 29-30. As stated in the stipulation entered into between RVW and Staff (Exhibit 3);

“At the time the developer buy back program and ready to serve charges were initiated, the program and charges were discussed between the Company and Commission staff, but the accounting entries to use for the ready to serve charges

were not discussed. Staff never agreed with RVW how the company would record these transactions on its books.

Staff agrees that the Company's statements at page 24 , line 3-8 of its Response about the purpose of the developer program accurately reflect the *Company's intent*. However, the fact that the Commission, in its orders authorizing the Company to enter into the contracts, recognized that the Company's purchase from the developer would be financed over time and that the contracts contained Ready to Serve fees, in no way supports the Company's assertion that Staff or the Commission agreed that the Ready to Serve revenues would not be treated as regulated revenue to the Company.

Staff believes the Initial Order's recommended decision that the Ready to Serve revenues collected by Rainier View Water Co., Inc., through its contracts with developers, is correct, and should be affirmed. Staff does believe it is important to modify the language of paragraph 60 of the Initial Order as requested in Staff's petition, for the reasons stated therein.

Respectfully submitted this 31<sup>st</sup> day of May, 2002.

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