

Agenda Date: July 24, 2014
Item Number: A7

Docket: UW-141365
Company Name: Rainier View Water Company, Inc.

Staff: Jim Ward, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendations

1. Approve Surcharge tariff, thereby allowing the rates proposed by Rainier View Water Company, Inc., to become effective August 1, 2014.
2. Issue an order to grant Rainier View Water Company, Inc.'s request for a surcharge to provide funding for a capital improvement loan, subject to conditions (a) through (g) set forth in staff's memorandum.

Discussion

On June 30, 2014, Rainier View Water Company, Inc. (Rainier View or company), filed with the Utilities and Transportation Commission (commission) a surcharge to service a \$685,884 capital improvement loan. The proposed rate increase would generate approximately \$156,123 (2.7 percent) additional annual revenue. The purpose of this filing is to implement a Treatment Surcharge for the construction of facilities to treat manganese and iron problems. The Treatment Surcharge is 75 cents per month per service connection and will expire July 31, 2019, or upon the collection of \$797,745 for principle, interest, taxes and fees, whichever is first. The Treatment Surcharge will fund 70 percent of the project. The remaining 30 percent will be funded by Rainier View. Rainier View provides water service to approximately 17,350 customers served on 26 water systems located in Pierce County and two water systems located in Kitsap County.

The capital projects include six water treatment plants that have multiple benefits. Customers have asked for cleaner water and the proposed treatment would do that. The company proposes to use modular-based, off-the-shelf treatment units with a known history. Treatment will provide cleaner water to customers and reduce water wastage resulting from flushing water lines to remove sediment and discoloration. Although the water treatment systems will also require flushing, they will use much less water. The water company is also seeking ways to use the flushed water for other purposes. Flushing water during summer months also increases the overall water system consumption and contributes to the need to take peaking water demands from a more expensive source.

The total projected costs for the water treatment plants and related structures and improvements is \$979,835. The company proposes funding 30 percent of the costs, with the remaining amount funded by the surcharge. The surcharge would run for a period of five years and recover the \$685,884 principle and related interest and tax cost.

Staff has reviewed the cost estimates for the proposed projects, the terms and conditions of the loan, and believes the proposed surcharge tariff Rainier View requests is reasonable and should be granted, subject to the following conditions:

- a) This surcharge is to apply to all water customers served by the company. The surcharge will expire on July 31, 2019, or upon collection of \$797,745 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 water 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 2015 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 March 30, 2015, so the surcharge amount can be adjusted to the actual costs of all projects, not to exceed the original loan amount of \$685,884.

Customer Comments

The On June 30, 2014, the company notified its customers of the rate increase by mail on June 30, 2014. Staff received no customer comments on this filing.

Surcharge Rate Schedule

Monthly Rate	Current Rate	Proposed Rate
2014 Treatment Surcharge *	NA	\$0.75

*Surcharge shall expire on July 31, 2019, or upon the collection of \$797,745 in principal, interest, taxes and fees, whichever occurs first.

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the estimated expenses are reasonable, the company's financial information supports the proposed revenue requirement, and the proposed surcharge request is fair, just, reasonable, and sufficient.

Conclusion

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