

August 11, 2014

VIA EMAIL and U.S. MAIL

Steven King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

RE: Docket No. UW-141363 – Rainier View Water Company, Inc.
Bethel School District #403's Comments

Dear Director King:

This firm represents Bethel School District #403 ("Bethel" or the "District") with respect to the above-proposed tariff revision by Rainier View Water Company ("Rainier View" or the "Company").

Rainier View filed the current proposed rate increase on June 30, 2014, seeking to generate \$166,083 (2.9 percent) additional annual revenue. This filing represents the most recent of several Rainier View tariff revisions since 2010. Since 2010, Rainier View's base rates applied to the School District's water connections at its public school facilities have increased in amounts ranging from 20% for ¾-inch meters (\$11.55 to \$13.90) and up to 318% for its six-inch meters (\$110.88 to \$463.40). Compared to 2010, Rainier View has already raised its third-tier rates by over 50%. Rainier View now seeks to raise its third-tier rates by an additional 36.5%. The current proposal would result in an over 100% increase in these third-tier charges over the past five-year period. These significant past and proposed future increases directly and adversely impact the School District and, in response, Bethel provides the following comments:

1. Because the proposed tariff revision restructures Rainier View's tariff such that the gross revenue provided by any customer class would increase by three percent or more, this filing must be presented and considered as a generate rate proceeding.

2. Because the proposed tariff revision restructures Rainier View's tariff such that it disproportionately impacts Bethel School District, the proposed tariff revisions are not "fair, just, and reasonable."

WAC 480-07-505 Requires this Tariff Revision be Converted to General Rate Proceeding

Rainier View's proposed tariff revision must be converted to and considered as a general rate proceeding. Rainier View has asserted that this filing is not a general rate proceeding because it generates less than three percent of the Company's revenue, the threshold established in WAC 480-07-505.¹ The Company's customer notice asserts that the Company expects to generate \$166,083 in additional annual revenue, a figure of 2.9%. However, WAC 480-07-505 also provides that general rate proceedings are required whenever "[t]ariffs would be restructured such that the gross revenue provided by any customer class would increase by three percent or more." WAC 480-07-505(1)(b) (emphasis added).

The Company has not established in this filing that no customer class would experience an increase of three percent or more. It appears to Bethel that documents filed with the UTC are insufficient to make this showing.

In examining this issue, the Company's tariff charges are broken down into residential metered rates, applicable for "residential, domestic consumption," and non-residential metered rates, applicable for "commercial and governmental customers." Based on information the Company provided in response to staff data requests, in August 2013, a full 39% of all non-residential customers (regardless of commercial or governmental customers and inclusive of all meter sizes) had water usage in the third tier. The proposed 36.5% increase in third-tier charges (\$2.05 to \$2.80) would very likely result in a more than 3% increase in gross revenue provided by non-residential customers. As it stands, insufficient data exists in the record.

Turning to specifics, as a "governmental customer," a recognized subset of non-residential customers in the Company's tariff distinct from commercial users, Bethel estimates its own annual rates will increase by an estimated \$13,660 annually under the proposed tariff revisions, an increase of approximately seven percent, more than double the three percent threshold established in WAC 480-07-505(1)(b).

In light of these estimated increases, Rainier View's proposed tariff revision must be submitted as a general rate proceeding, and be considered and analyzed accordingly.

¹ See cover letter from Richard Finnigan dated June 30, 2014.

Rainier View's Proposed Tariff Revisions Disproportionately Impact Bethel School District

The School District, as one of Rainier View's primary governmental customers, has preliminarily estimated that the proposed rate increase will increase the District's water rates and charges by approximately \$13,660.50.² The proposed revised tariff would increase Bethel School's water charges by approximately 7%. This additional approximate \$13,000 is a significant figure to Bethel. Further, this additional 7% increase is not insignificant when considered in the context of the significant increases in charges Bethel has been required to incur since 2010. Normalized for changes in operations and new schools, Bethel estimates its water charges have increased by in excess of 50% over the past 5-year period.

The District respectfully requests UTC staff consider this proposal, not simply in isolation, but in the context of and in consideration of the significant rate increases that have impacted the District over the past five years. Since 2010, Rainier View Water Co. has sought and received rate increases that have significantly impacted Bethel School District, including increases to the base rates for all meter sizing, including an increase of 318% for 6-inch meters, and has sought and received rate increases in excess of 50% for its third-tier consumption charges. Rainier View now seeks approval of an increase that would increase that third-tier consumption charge by over 36%, and by over 100% from what was in place prior to the 2010 increases.

The District is concerned that the impact of this proposed rate increase will disproportionately impact and burden the School District. Of the \$166,083 that Rainier View is proposing to recover through this increase, the District currently estimates that approximately \$13,660 would be required to be borne by the District. This current structure would require the District to bear approximately 8% of the total recovery sought the Company.

Due to the disproportionate impact of the proposed tariff revisions, especially when considered in light of the dramatic increases over the past five years and the corresponding effect on the District budget and operations, the proposed tariff revisions are not "fair, just, and reasonable."

² Based on consumption use reviewed for the 12-month period consisting of June 2013 through May 2014.

Conclusion

Pursuant to the requirements set forth in WAC 480-07-505, the District asks the UTC to convert to a general rate proceeding, and receive the appropriate level of review required of the same. In light of the approximate 7% increase the District would expect to bear, coupled with the significant phased increases imposed since 2010, the District believes this level of inquiry is not only required by the rules, but appropriate. As proposed, the tariff revisions, and their disproportionate and significant impact on the District, are not "fair, just, and reasonable."

The Bethel School District's elementary, middle, and high school properties are essential public facilities. While the District is and has been committed to sound water usage and conservation practices, at the same time, water usage is a required component of fulfilling its public purposes. Rate increases, like the one proposed would necessarily need to be borne by the District's general fund, directly reducing critical funds for classroom use.

The District reiterates its past requests that the Company consider adopting a governmental rate, distinct from its commercial rate, as done by other public and private water purveyors throughout the state, which rate would lessen the disproportionate impact on the public school facilities and more equitably and fairly spread the rates and costs of service amongst the Company's residential and commercial customer base.

Thank you for your consideration of and attention to this matter.

Sincerely,



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cc: Jim Ward, Regulatory Analyst
John Cupp, Consumer Protection Staff
Richard Finnigan, Counsel for Rainier Water View Company