

Agenda Date: August 29, 2019
Item Number: A1

Docket: UW-190447
Company Name: Rainier View Water Company, Inc.

Staff: Danny Kermode, Assistant Director, Water and Transportation
Jim Ward, Regulatory Analyst
John Cupp, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff revisions filed by Rainier View Water Company, Inc., on May 31, 2019, as revised on August 22, 2019, to become effective September 1, 2019, by operation of law.

Discussion

On May 31, 2019, Rainier View Water Company, Inc. (Rainier View or company) filed with the Washington Utilities and Transportation Commission (commission) a general rate increase. The proposed increase would generate approximately \$641,339 (9 percent) additional annual revenue. Commission staff (staff) and the company have agreed on a lower increase of approximately \$300,322 (4.6 percent) annual revenue.

The reason for the increase is to respond to the increasing cost of operating, primarily in employee wage increases and insurance. The company serves approximately 18,150 residential and non-residential customers on 26 water systems in Pierce County and on two water systems in Kitsap County. The company's last general rate increase was effective June 16, 2017, for \$367,000 (5.8 percent) additional annual revenue.

In December 2017, the federal corporate income tax rate was reduced from 35 percent to 21 percent with the enactment of the Tax Cuts and Jobs Act. Rainier View's revised water rates reflect the benefits of the income tax rate reduction while also returning excess deferred taxes collected by the company to rate payers.

In addition, the company's expenses were reduced by \$49,202 reflecting the amortization of prior excess deferred taxes and the effects of the reduced tax rate. The company's rate base was further reduced by \$1.2 million for accumulated deferred income taxes and \$987,900 for the remaining deferred excess deferred taxes.

Rainier View and staff have reached agreement on revenue requirement allowing the company to provide safe and reliable service while still earning a fair return on its investment. The revised filing generates approximately \$300,322 (4.6 percent) in additional revenues effective September 1, 2019. The revised rates continue to promote conservation by using water usage patterns of customers and through inverted multi-tiered blocks and rates.

The proposed filing would only change the tiered usage rate charges. Usage rates will provide more accurate water usage data and help the company promote water use efficiency.

Meter Rate Schedule

Monthly Rate	Current Rate *	Proposed Rate *	Revised Rate *
Current base rate 3/4-inch meter **	\$14.90	\$14.90	\$14.90
Usage Block 1 0 – 600 Cubic Feet	\$1.00	\$1.15	\$1.13
Usage Block 2 601 – 3,000 Cubic Feet	\$1.15	\$1.55	\$1.30
Usage Block 3 over 3,000 Cubic Feet	\$2.42	\$3.03	\$2.49

*Rates are per 100 cubic feet of usage.

** Other meter size usage blocks are found in the tariff.

Monthly Residential Bill Comparison

Monthly Average 960 Cubic Feet	Current Rate	Proposed Rate	Revised Rate
3/4-Inch Metered Service Base	\$14.90	\$14.90	\$14.90
0 – 600 Cubic Feet (600 CF)	\$6.00	\$6.90	\$6.78
601 – 1,000 Cubic Feet (360 CF)	\$4.14	\$5.58	\$4.68
Water Bill Total	\$25.04	\$27.38	\$26.36
Increase From Current Rates		\$2.34 9.3%	\$1.32 5.3%

Currently the company has a summer conservation usage metered rate service for residential customers for May 1 through September 30. Usage rate for block 3 will remain at \$5.00 per 100 cubic feet over 3,000 cubic feet for the summer period. Additionally, the company has a Treatment Surcharge of \$.75 per month. This surcharge shall expire on the earlier of July 31, 2025, or upon the collection of \$1,740,434 in principle, interest, taxes, and fees.

Customer Comments

On May 30, 2019, the company notified its customers by mail of the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and that they may contact John Cupp at 1-888-333-9882 or john.cupp@utc.wa.gov with questions or concerns. Staff received eight consumer comments, all opposed to the proposed rate increase.

General Comments

The primary concern of customers is the amount requested. Several customers feel rates increase too frequently.

Staff Response

Staff informed customers that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on its investment. Customers were also told that

commission staff performs a thorough review of rate filings to ensure all rates and fees are appropriate.

Water Quality Comment

A customer on the Southwood Water Systems mentioned occasional brown water. Staff reached out to the customer with questions and has not received a response. The company acknowledged a history of iron and manganese issues on the system and noted it has installed six iron/manganese filtration systems on Southwood with another two proposed to be placed online this summer. Staff contacted the Washington Department of Health (DOH) Office of Drinking Water. A DOH engineer helped staff interpret online information showing the system's status is "green," meaning no restrictions, and no recommended actions at this time.

Staff Response

Staff will continue to seek information from the customer and take any necessary action.

Conclusion

Commission staff has completed its review of the company's supporting financial documents, books, and records. Staff's review of the filing shows that the operating expenses are reasonable and required as part of the company's operation. The company's financial information supports the revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

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