

Agenda Date: August 14, 2014
Item Number: A2

Revised Memo – 8/13/14 2:58pm

Docket: UW-141363
Company Name: Rainier View Water Company, Inc.

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

Recommendation

Issue a Compliant and Order Suspending the Tariff Revisions filed by Rainier View Water Company, Inc., on June 30, 2014.

Discussion

On June 30, 2014, Rainier View Water Company, Inc. (Rainier View or company), filed a proposed rate increase that would generate \$166,083 (2.9 percent) additional annual revenue. The purpose of this tariff filing is to address a revenue shortfall and modify the company's rate design to promote conservation in the third usage block. Due to employment related costs (salaries and benefits) and Department of Health permitting fees and water quality testing requirements, the company is making this filing to generate additional revenue and to address the company's rate structure. The company 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 company's last general rate increase was effective June 1, 2013. The commission allowed a \$.75 Capital Plant Treatment surcharge to become effective August 1, 2014.

Staff has reviewed the filing and notes that the average customer should not see an impact on their monthly bill. The proposed changes will impact only customers whose water usage exceeds 3,000 cubic feet per month.¹ The average consumption for residential customers is 885 cubic feet per month. The average consumption for non-residential customers is 3,661 cubic feet per month.

Prior to 2005, Rainier View had only one charge and rate schedule for all customers. Over time, increasing water usage caused increasing peaking demand and the company needed to purchase additional water. In March 2005, Rainier View implemented a summer (May – September) conservation rate of \$5.00 per 100 cubic feet for water usage over 3,000 cubic feet per month for only residential customers. Non-residential customers continued to pay \$.85 per 100 cubic feet for water usage above the 500 cubic feet allowance.

In Rainier View's 2010 general rate case, the company and staff agreed to a rate design that established base charges, rates and usage blocks based on meter sizes. To encourage conservation, the new rate design incorporated increasing rates for higher water usage. Due to

¹ 3,000 cubic feet third block applies to 3/4 inch or smaller meter size. Other third block usage amounts are based on meter size factors established by the American Water Works Association and available in the proposed tariff.

the implementation of new rates and rate shock, the higher third block rate for non-residential customers was phased in over several years. Effective June 1, 2013, all customers (residential and non-residential) pay the same rates based on the customer's meter size, and the third block rate was set at \$2.05. Recently, Rainier View has experienced an increase in water usage in the third block area that has required the company to buy water from the City of Tacoma to cover excess usage. Increased consumption of water in the high usage block has resulted in higher expenses that the company seeks to recover in this case. The company expects that the proposed increase to the third block rate will reduce third block water usage.

In review of the filing and the worksheets provided by the company, staff has found that the customer class of residential customers would receive a 2 percent increase in gross revenue. The customer class of non-residential customers would receive a 12.9 percent increase in gross revenue.

Based on this review staff believes the filing meets the definition of a general rate case under WAC 480-07-505 (1)(b) based on a *gross revenue* increase of greater than three percent for a customer class as reflected by the company's tariff. Rainier View's tariff has monthly tariff rates for "Schedule 1 - Residential Metered Rate Service" and "Schedule 1A - Non-Residential Metered Rate Service".

While the two customer classes have the same monthly rates, the two customer classes would be impacted differently. This difference is due to the larger amount of water used in the third usage block by the non-residential customers based on the test period of 2013.

Customer Comments

On June 30, 2014, the company notified its customers by mail of the proposed rate increase. Customers were notified 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 jcupp@utc.wa.gov with questions or concerns. Staff received three consumer comments opposed to the rate increase.

General Comments

- Through its attorney, Bethel School District commented that it will see a \$13,660 (7 percent) increase in annual expenses for water if the commission approves the proposed rates. The school district said, "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."

Another customer believes that the increase targets those who use more water and it is unfair to target these customers. One customer believes the proposed increase amount is excessive.

Staff Response

In 2010, the company and staff established rates and usage blocks based on meter size. The new design incorporated increasing rates for higher water usage. This rate design was implemented in steps so the impact on customers was not too sudden. In 2013 the process of basing rates on meter size was completed. The gradual implementation of this rate design was largely due to concern of the impact on Bethel School District.

Staff has reviewed the individual meter usage data for the Bethel School District from July 2013 to June 2014. Staff notes, with one exception, that all water used in the third block has occurred in July, August and September. These appear to be the major irrigation months for the district. All Bethel meters are upsize and several are clearly denoted in company records as dedicated to irrigation. Prior to water usage being charged in the third block, each meter would have to use it first and second block amounts fully, which vary depending on meter size: however for upsize meters, the first and second block usage amounts are sizeable.

Customers were advised 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. Regulatory staff review filings to ensure that all rates and fees are appropriate.

Rate Comparison

Monthly Rate	Current Rate	Proposed Rate
Base Rate, 3/4-Inch Meter ¹	\$13.90	\$13.90
0 – 600 CF ² , Per CCF ³	\$.94	\$.94
601 – 3,000 CF, Per CCF	\$1.00	\$1.00
Over 3,000 CF, Per CCF	\$2.05	\$2.80

1 – Based on 3/4-inch meter classification, see company's tariff for upsize meter classifications, usage blocks and rates.
2 - CF – Cubic Feet, 3 - CCF - 100 Cubic Feet.

Monthly Residential Bill Comparison

Monthly Average 885 Cubic Feet	Current Rate	Proposed Rate
3/4-Inch Metered Base	\$13.90	\$13.90
600 Cubic Feet	\$5.64	\$5.64
285 Cubic Feet	\$2.85	\$2.85
Water Bill Total	\$22.39	\$22.39
Increase From Current Rates		\$0.00 0%

Monthly Non-Residential Bill Comparison

Monthly Average 3,661 Cubic Feet	Current Rate	Proposed Rate
3/4-Inch Metered Base	\$13.90	\$13.90
600 Cubic Feet	\$5.64	\$5.64
2,400 Cubic Feet	\$24.00	\$24.00
661 Cubic Feet	\$13.55	\$18.51
Water Bill Total	\$57.09	\$62.05
Increase From Current Rates		\$4.96 8.7%

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