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May 21, 2010

VIA E-MAIL AND HAND DELIVERY

David Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Docket No. UW-091466 - Rainier View Water Company, Inc.

Dear Mr. Danner:

The purpose of this letter is to respond to the letter filed by Bethel School District ("Bethel") on May 12, 2010. In that letter, Bethel raises five points to support its opposition to the rate design that has been agreed to by Commission Staff and Rainier View in this docket. The format for this response will be to set out each of Bethel's points and respond to them one-by-one. Pursuant to the filing requirements for this docket, the original and twelve copies are enclosed.

Bethel Point 1: Bethel is disproportionately impacted by the rate increases in a manner that is unfair, unjust and unreasonable.

RESPONSE: The new rate design actually moves in the direction of removing inter-customer subsidies because it now is based upon meter size and the actual usage of the customer. The rate design is actually more fair and just than past rate designs. What this means is that Bethel School District has, in the past, been subsidized by the residential customers and this rate design moves in the direction of removing that subsidy.

Bethel Point 2: The shouldering of the rate increase by a public school district is not in the public interest.

RESPONSE: Rainier View certainly understands the budgeting issues that face all public agencies. However, as noted above, this rate design is actually producing a result that is more fair across all customer classes than in the past. In this difficult economy, is it more in the public interest for residential customers, many of whom are fighting to avoid foreclosure, to continue to subsidize the school district? Should those residential customers receive higher rate increases so that they can choose between putting food on the table and paying their water bill? That is the reverse side of the coin to what Bethel seeks, which is a continued subsidy from the residential customers.

As determined by Commission Staff's analysis and discussed in Rainier View's letter of May 20, 2010, what Bethel is really doing is spending a lot of money on irrigation during the summer months when school is not in session. Bethel has the opportunity to control those costs by allowing its lawns to become a little less green than they are today. Should residential customers subsidize the irrigation use by Bethel? From Rainier View's perspective, the answer is a clear no.

It should also be noted that Bethel has 353 equivalent residential units (ERUs) assigned to its water consumption. Based on Bethel's projected bill, without even taking into account their opportunity to conserve irrigation usage, this produces an average monthly bill per ERU under the new rate design of \$19.38 [$\$82,105.95 \div 353 \text{ ERUs} \div 12 = \19.38]. This would be a reasonable bill for a residential customer who is using one ERU of capacity. Thus, when viewed from an ERU-by-ERU analysis, the new rate design is fair to Bethel.

Bethel Point 3: The tariff revision's characterization of Bethel as "commercial" does not take into account the District's non-commercial and essential public service nature or the unique nature of its water use and needs.

RESPONSE: Perhaps a better term to be used is to distinguish residential and "non-residential" customers. The tariff rates that apply to Bethel School District under the Staff proposal apply to other governmental agencies, churches and the like, as well as businesses. It is really meant to address the non-residential setting.

Bethel Point 4: Bethel previously transferred 167.5 acre-feet/year of water rights to Rainier View for service to the District, and as such any Tacoma

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Water rate differentiation is not relevant to the District's use demand.

RESPONSE: This point mixes apples and oranges. The agreement for the purchase of the water rights by Rainier View was filed under Docket UW-030047. That agreement is a capacity purchase, with some of the water rights being reserved to serve capacity needs of the District. This has nothing to do with usage rates. In fact, the District has acknowledged that the application of Tacoma rates to peaking usage for the District is appropriate. In an agreement reached between Rainier View and Firgrove Mutual, to allow Firgrove Mutual to serve the Frederickson Elementary School operated by Bethel, it was specifically agreed that the Tacoma rates would apply to the peaking season. See Docket No. UW-080533, Section 3.3.

The agreement with Firgrove Mutual resulted in twenty ERUs of the capacity reserved for the District under UW-030047 to be allocated to the wholesale provision of water to Firgrove Mutual for service to Frederickson Elementary, but the rates were specifically established to recognize the difference between peaking and non-peaking. The District's argument is meant to mislead rather than to clarify. Please note that while the agreement is between Rainier View and Firgrove Mutual, the agreement was reviewed by the District before it was signed because the District ultimately must pay Firgrove what Firgrove pays to Rainier View. A copy of the relevant provisions of the Firgrove agreement are attached.

Bethel Point 5: Rainier View did not provide adequate or required notice of the May 3 Revised Rates.

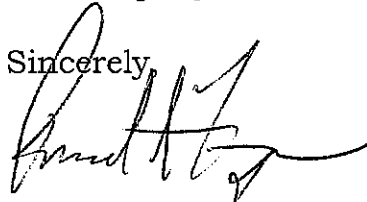
RESPONSE: Rainier View provided notice to all customers as required when it originally filed its rates. Under RCW 80.28.060, that filing was suspended. After more than eight months of work, the Company and Commission Staff reached agreement as to both the level of revenue requirement and the rate design. The normal process under such a setting is for the revised tariff sheets to be filed to reflect that agreement and be presented to the Commission. There is nothing in statute or regulation that requires additional public notice.

In years past, when there is a revision to the tariff pages in a suspended docket that reflect a lower revenue requirement than what was filed for by the Company, no additional customer notice has been required. We have now gotten to the point with computer analysis that individual customer effect (at

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least on a theoretical base using test year data) can be estimated. Even though some customers may receive a higher increase in rates than contemplated by the company's original filing, based solely on an analysis of test year usage by customer, there is no requirement in statute or rule to provide additional notice where the overall effect is a lower revenue requirement than what the Company originally proposed. The Company does not believe that there is any waiver of any rule required. However, Commission Staff requested that the Company file a waiver request just to be sure and the Company did so at Staff's request.

Sincerely,



RICHARD A. FINNIGAN

RAF/km
Enclosures

cc: Joseph A. Rehberger (via e-mail)
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