

Agenda Date: November 14, 2014
Item Number: A1

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

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

Recommendations

1. Dismiss the Complaint and Order Suspending the Tariff Revisions filed by Rainier View Water Company, Inc., in Docket UW-141363, dated August 14, 2014, and;
2. Allow the revised rates and tariff revisions filed by Rainier View Water Company, Inc., on June 30, 2014, as revised August 18, 2014, and November 10, 2014, to become effective November 15, 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 due to employment related costs (salaries and benefits), Department of Health permitting fees, and water quality testing requirements. The proposed effective date was August 15, 2014. 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.

On August 14, 2014, the commission issued an order suspending this filing for further review. The company proposed to increase revenue by raising the third block usage rate. Additionally, the company wanted to modify its rate design to promote conservation in the third usage block on a year round basis.

Staff found the proposed rates would generate revenues to one class of customer in excess of three percent, which WAC 480-07-505(1) defines as a general rate proceeding and WAC 480-07-530 requires the company to file specific work papers. Since the August 14, 2014, open meeting, the company filed the required work papers and additional support for the revised revenue requirement.

At the August 14, 2014, open meeting, Bethel School District (Bethel), a non-residential customer, raised the following issues:

- The large dollar amount proposed based on water usage amounts by the non-residential customers. Bethel claims the increase is disproportionate to the district because it would pay \$13,660 (8 percent) of the proposed \$166,083 increase.
- Overhead or general operating expenses should be paid by all customers through an increase in the base rate or the first block of water usage.

In response to Bethel's comments, Staff reviewed the following:

Bethel's increased water bills since 2005.

Bethel's bills are a function of rates and usage. Staff makes no comment on usage because we do not have the data since 2005. Rates for water service have changed substantially since 2005. Prior to 2005, Rainier View had only one base meter charge and one usage rate schedule for all customers. 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 apply to all customers. To encourage conservation, the new rate design incorporated increasing rates for higher water usage. Due to 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) paid the same rates based on the customer's meter size, and the third block rate was set at \$2.05 for all customers.

Rainier View's third block usage rate.

Rainier View has limited water source capacity. Increased consumption of water in the high usage blocks during the summer months has required the company to buy additional water from the City of Tacoma (Tacoma). Rainier View paid the Tacoma \$2.56 per 100 cubic feet through 2013 and, since January 1, 2014, \$2.64 per 100 cubic feet for peaking water usage. Rainier View currently charges \$2.05 per 100 cubic feet for the third block. Current rates do not cover the cost to purchase water. The company seeks to recover the full cost of purchasing water in this filing. The company expects that increasing the third block usage rate would help promote conservation, reduce third block water usage, and reduce the amount of water the company must purchase from Tacoma.

Bethel's water usage compared to other school districts.

Staff reviewed Bethel's test period individual meter usage data. With one exception, all third-block water usage occurred in July, August and September, 2013. These appear to be the major irrigation months for the school district. All school district meters are upsized and the company's records clearly identify some as dedicated to irrigation.¹

¹ On August 20, 2014, the company proposed a rearrangement of Bethel's water lines and meter sizes that could save Bethel a net of about \$4,300 per year, resulting in a projected annual increase of about \$9,360 (4.8 percent) for Bethel. The company advised staff that Bethel responded to its proposal.

For the test period ending June 30, 2014, Bethel:

- Used 2.2 percent of the water sold to residential and non-residential customers.
- Used 17.2 percent of the water sold to non-residential customers.
- Used 22.7 percent of non-residential third block water, and
- Paid 18.5 percent of the non-residential revenue.

Bethel’s water usage compared to other school districts and non-residential customers.

Staff reviewed Bethel’s water usage compared to water usage data from the Puyallup School District (served by City of Puyallup, Milton, Tacoma, Firgrove Mutual, Fruitland Mutual, Mt. View-Edgewood, Summit Water and Rainier View Water Company), the Clover Park School District (served by JBLM Public Works and Lakewood Water District). The review compared the meter size, total usage amount, and monthly average water usage. The results are shown on Attachment 1.

On a per-meter usage basis, Bethel is similar in comparison to the other customers. Compared to other schools, Bethel’s total usage is lower. For 1.5 inch meters and 6-inch meters, Bethel’s full year consumption usage is higher than the other districts. The other meter size categories show Bethel’s usage is much less than the Puyallup School District and in close relationship to the Clover Park School District. The bottom line is, Bethel is not a large water user compared to other school districts.

Rates charged to school districts compared to other customers.

Staff has found that other water purveyors in the Rainier View area and the City of Seattle consider schools as commercial and apply commercial rates to these customers. The summary table below outlines other water purveyors and their rate schedules for schools.

Water Purveyor	Type	School Contract	Separate School Rate	Charges to Schools (Nonresidential / Commercial) Compared to Residential
Rainier View	UTC Reg.	No	No	Same
Firgrove Mutual	Member	No	No	Same
Fruitland Mutual	Member	No	No	Commercial more than Residential
Seattle	City	No	No	Commercial less than Residential
Puyallup	City	No	No	Commercial less than Residential
Tacoma	City	No	No	Commercial less than Residential

Firgrove Mutual serves several public schools that are billed on the same rate schedule as all other accounts, based on meter size with three usage blocks and increasing usage rates. There is no special rate or contract for schools.

Fruitland Mutual bills all customers the same base and usage rates based on meter size with three usage blocks and increasing usage rates. Commercial accounts are charged an additional \$0.0065 per square foot surcharge. There is no special rate or contract for schools.

City of Puyallup charges schools the ‘commercial’ rates for water service. The base charge is determined by the meter size and applied to both residential and commercial customers. There are no usage blocks and the rate is \$2.36 per 100 cubic feet for all usage. There is no special rate or contract for schools.

Tacoma Water also charges schools the “commercial” rate for water service. Base charges are the same as residential customers depending on meter size, \$1.71 per 100 cubic feet, year round as opposed to residential non-peaking at \$1.54 and peaking at \$1.92. There is no special rate or contract for schools.

Seattle Public Utilities charges schools the ‘commercial’ rates for water service. Base charges are the same as residential customers, depending on meter size. There are no usage blocks and the rates for residential and commercial are \$4.99 per 100 cubic feet for off-peak / winter (September – May) and for peak / summer (May – September) the commercial rate is \$6.34 per 100 cubic feet and residential rates are three blocks starting at \$5.13 for first 500 cubic feet and ending in \$11.80 over 1,800 cubic feet. There is no special rate or contract for schools.

Audit and Rate Design

Staff has completed its review and determined the company’s books and records support the revised revenue requirement of \$183,439 (3.3 percent) additional annual revenue. Staff and the company agreed to the revised \$183,439 revenue requirement.

The revised rate design would:

- Increase the base charge to all customers by 2.25 percent. The base charge for a 3/4 inch meter would increase \$.31 (2.25 percent) from \$13.90 to \$14.21.
- Increase third block (more than 3,000 cubic feet per month²) usage rate from \$2.05 per 100 cubic feet to \$2.71 per 100 cubic feet.

The company’s revised rate design to the third block usage rate would cover the cost of the water purchased from Tacoma and is an effort to promote conservation. The \$2.71 rate for third block usage is based on Tacoma’s historical annual increase and recovery of annual operating costs for the Tacoma intertie. The revised rate design changes the base charge above the notice to customers. Staff recommends that the commission not require a separate notice to the customers because of cost and the small difference between the company’s original proposed rates and staff’s revised rates. The company has agreed to notify customers in the next bill.

² 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.

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 would see a \$13,660 (8 percent) increase in annual expenses for water if the commission approves the proposed rates. Bethel 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

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
(Both Residential and Non-Residential)

Monthly Rate	Current Rate	Proposed Rate	Revised Rate
Base Rate, 3/4-Inch Meter ¹	\$13.90	\$19.90	\$14.21
0 – 600 CF ² , Per CCF ³	\$.94	\$.94	\$.94
601 – 3,000 CF, Per CCF	\$1.00	\$1.00	\$1.00
Over 3,000 CF, Per CCF	\$2.05	\$2.80	\$2.71

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 877 Cubic Feet	Current Rate	Proposed Rate	Revised Rate
3/4-Inch Metered Base	\$13.90	\$13.90	\$14.21
600 Cubic Feet	\$5.64	\$5.64	\$5.64
277 Cubic Feet	\$2.77	\$2.77	\$2.77
Water Bill Total	\$22.31	\$22.31	\$22.60
Increase From Current Rates		\$0.00 0%	\$0.31 1.4%

Monthly Non-Residential Bill Comparison

Monthly Average - 3,661 Cubic Feet	Current Rate	Proposed Rate	Revised Rate
3/4-Inch Metered Base	\$13.90	\$13.90	\$14.21
600 Cubic Feet	\$5.64	\$5.64	\$5.64
2,400 Cubic Feet	\$24.00	\$24.00	\$24.00
661 Cubic Feet	\$13.55	\$18.51	\$17.91
Water Bill Total	\$57.09	\$62.05	\$61.76
Increase From Current Rates		\$4.96 8.7%	\$4.67 8.1%

Conclusion

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the expenses are reasonable and required as part of the company's operation. The supporting data demonstrates a need for \$183,439 (3.3 percent) additional annual revenue.

Rainier View initially filed to increase only its third block usage rate. The revised rates increase the third block usage rate to recover the cost of purchasing water from Tacoma and spreads the balance of the revenue requirement across all customers by increasing all base charges by 2.25 percent. Staff concludes the revised rates and charges are fair, just, reasonable, and sufficient.

Rainier View charges all customers the same rates, unlike other water purveyors staff surveyed, one of which (Fruitland Mutual) charges commercial customers more than residential customers, and three cities that charge commercial customers less than residential customers. Staff points out the cities are independent governmental agencies that provide multiple services to residents subject to varying political and economic influences. None of the water purveyors surveyed provide special rates or contracts to schools. Staff concludes that Rainier View's rate design for schools is not unreasonable.

The customers' comments do not change staff's opinion that the company's financial information supports the revised revenue requirement and the revised rates and charges are fair, just, reasonable, and sufficient.

Recommendations

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