

Agenda Date: July 11, 2001
Item Number: 2F

Docket: UW-010877

Company Name: Rainier View Water Company, Inc.

Staff: Danny P. Kermode, Revenue Requirements Specialist
Tani Thurston, Consumer Program Specialist
Chris Vernon, Public Affairs

Recommendations:

Issue a Complaint and Order Suspending the Tariff Revisions filed by Rainier View Water Company, Inc., in Docket UW-010877.

Discussion:

On June 15, 2001, Rainier View Water Company, Inc., (Rainier View) filed for a general rate increase proposing to increase annual revenues by \$445,895 or 13.6%. Test year revenue of \$3,259,775 would be increased to \$3,469,170. Rainier View serves approximately 11,000 customers in Pierce County. Rainier View received its last general rate increase in June of 1996.

The company cites the reason for the rate increase as general increases in the costs of operating the company such as employee wages and power costs. The increased rates also reflect the purchase of a new billing software and meter reader vehicles.

This rate filing will also lower, to bring to parity, the rates of the Indian Springs and Chateau Woods customers. Originally these two systems maintained rates at a higher level in order to pay for the costs of an intertie with the Rainier View system. The cost of the intertie has now been recovered and therefore their rates are being reduced to the level of the other Rainier View customers.

The Commission received five comments from customers opposing the proposed rate increase. Some of the customers who commented were not pleased with the quality of water and believe a rate increase is not warranted. Two of the consumer comment discussed cloudy, sludgy and acidic water. Staff investigated these issues with both the company and the Department of Health. It was discovered that both customers use wells that has high iron and manganese levels. In order to solve the problem the Department of Health has authorized the company to connect the separate wells together into one system, this approach should reduce these levels. The company plans to implement this consolidation by summer 2002.

In addition the Commission received two informal complaints from customers. One complaint involved the Company billing for a vacant lot. In investigating this issue, Staff confirmed the company was billing appropriately. The second complaint is regarding low water pressure. Staff is still investigating this complaint.

The current and proposed rates are provided below:

<u>Monthly Rates:</u>	<u>Current</u>	<u>Proposed</u>
Metered Rates	\$ 14.45	\$ 15.61
Excess over 500 Cubic Feet	0.78	1.00
Indian Springs and Chateau Woods	\$ 19.50	\$ 15.61
Excess over 500 Cubic Feet	1.00	1.00
Excess over 10,000 Cubic Feet	1.25	-
Flat Rate Service		
Permanent Customers	\$ 19.17	\$ 21.17
Seasonal Customers	13.90	15.90

Staff's review of the Rainier View's filing has brought to light a number of issues that remain unresolved at this time. Among those issues is the company's inclusion of imputed corporate income taxes in its cost of service. This is despite the fact that the company does not incur income taxes as a result of its election as a Subchapter S corporation. In contrast to a regular corporation, income of a Subchapter S corporation is passed through directly to its shareholders and is not taxed first at the corporate level. Staff opposes the company adjustment.

In addition, the company has not recognized ready-to-serve revenue as operating revenue. Staff believes that the revenue is operating revenue and therefore should be used when computing total operating revenues of the company.

Conclusion:

Staff recommends that the Commission issue a Complaint and Order Suspending the Tariff Revisions filed by Rainier View Water Company, Inc., in Docket UW-010877.