

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

RAINIER VIEW WATER COMPANY,
INC.,

Respondent.

DOCKET NO. UW-041384

DECLARATION OF
DANNY P. KERMODE

I, Danny P. Kermode, under penalty of perjury under the laws of the state of Washington, declare as follows:

1. I am over 18 years of age, a citizen of the United States, a resident of the state of Washington, and competent to be a witness.
2. I am employed by the Washington Utilities and Transportation Commission (Commission) as a Regulatory Analyst in the Commission's Regulatory Services Division. I have been employed at the Commission since 1996, holding various positions. My duties as a Regulatory Analyst include evaluating proposed tariffs filed by regulated water companies.
3. On July 30, 2004, Rainier View Water Company, Inc., filed a proposed conservation rate. The proposed conservation rate would increase the charge for water usage over 3,000 cubic feet from \$0.85 per 100 cubic feet to

\$5.00 per 100 cubic feet. The proposed conservation rate would be in effect each year from May 1 through September 30 and would apply to all of Rainier View's customers. The Commission suspended operation of the tariff pending hearing to determine whether the proposed conservation rate resulted in fair, just, and reasonable rates.

4. I reviewed Rainier View's filing. My review of the Rainier View's data showed a need for a conservation tariff. High-volume residential customers using over 3,000 cubic feet of water a month have caused Rainier View's peak day demand to dramatically increase from 800 gallons per day per customer (gpd/customer) in 1996, to 1,000 gpd/customer during 2000 and subsequent years. During peak demand, this high usage can adversely affect the entire system's water pressure. A conservation tariff would help curtail the excessive water usage of the high-volume residential user.
5. I was concerned about applying the proposed conservation rate to all of Rainier View's customers. Certain non-residential customers use more than one equivalent residential unit (ERU), but Rainier View allocates only one ERU to each of those customers. Rainier View is currently working with the non-residential customers to adjust the ERU allocation to more accurately reflect their actual usage. The Parties agree that the conservation rate should apply only to the high-volume residential customers at this time.
6. The threshold above which the proposed conservation rate will apply is 3,000 cubic feet of water. This threshold is appropriate because it is consistent with Rainier View's target peak day demand. Peak day demand is approximately twice the average day demand.
7. The proposed rate of \$5.00 per 100 cubic feet used in excess of 3,000 cubic feet is reasonable. Other water companies in the region charge similar amounts for use above high-use thresholds. For example, Seattle charges \$8.55 per 100 cubic feet used in excess of 1,800 cubic feet. Duvall charges \$5.16 per 100 cubic feet used in excess of 800 cubic feet,¹ and Bothell charges \$5.15 per 100 cubic feet used in excess of 2,500 cubic feet.

¹ The Settlement Agreement and Narrative Supporting Settlement Agreement lists Duval's rate as \$5.16 per 100 cubic feet used in excess of 8,000 cubic feet. That is a mistake as the rate applies to usage over 800 cubic feet.

8. The Parties have agreed that Rainier View should set aside excess revenue generated from the proposed conservation rate. The excess revenue shall be used for the benefit of ratepayers. The funds may be used only to support new water conservation programs and water sustainability goals. Examples of how the funds could be spent are listed in the Settlement Agreement at ¶ 3.5.

9. The Settlement Agreement and its Attachment A describe in detail how the Parties propose to calculate the excess revenue. I attest that I support the use of the methodology described in the Settlement Agreement at ¶¶ 3.6 through 3.16 and in Attachment A to the Settlement Agreement.

DATED this ____ day of March 2005.

DANNY P. KERMODE