

November 13, 2014

VIA EMAIL and U.S. MAIL

Steven King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

RE: Docket No. UW-141363 – Rainier View Water Company, Inc.
Bethel School District #403's Second Supplemental Comments

Dear Director King:

This firm represents the Bethel School District ("Bethel" or the "District") with respect to the above proposal, and hereby submits this letter as formal supplemental comments regarding the above-referenced rate increase and tariff revisions proposed by the Rainier View Water Company, Inc. ("Company"). Bethel remains opposed to the revised proposed rate increases and tariff revisions as they disproportionately impact the District, in violation of RCW 80.28.010, which requires proposed rates to be "fair, just, [and] reasonable."

While some revisions have been made to the base rate and third-tier charges, Bethel only received notice of these this week, and it is unclear from the revisions whether such adjustments alleviate the impact on the District in any meaningful sense. It does not appear they do. Regardless, the District is concerned that it has had such a short window of opportunity to review the proposed revised rate structure, and now respond to changing arguments and justifications, that the process is inherently prejudicial to the customer. While the District sets forth its comments here, it objects to the proposed increase both substantively, and on procedural grounds in that it has had insufficient time and process to meaningfully address these issues.

Between 2010 and 2013 the Company significantly restructured its rates, with a stated goal of seeking to establish parity amongst ratepayers, and to remove prior imbalances and subsidies that were believed to exist. That process was completed in 2013. Now, just one year after achieving this claimed parity, the Company brought forward a separate and new general rate case to increase revenue. It then sought to shoulder the vast majority of the burden for this claimed increased demand on high water users, of which Bethel is one (due to its large and growing student population and irrigation demands).

As proffered by the Company in support of this filing, the new rate attempts to recover certain general overhead costs, specifically:

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.

Cover letter dated June 30, 2014 from R. Finnigan to WUTC. Further, as the Company described in its customer notice with respect to this filing:

The change in rates will in theory produce \$166,083 in additional revenue. This represents a little less than three percent of the company's total revenue received in 2013. The reason for the increase is to respond to the increase costs of operation, primarily in employee wage increases and increases in benefits, such as medical insurance. The company has also experienced an increase in Department of Health permitting fees and water quality testing requirements.

Customer Notice at 1.

All of these costs represent general overhead-type expenses--expenses attributable to the operations of the Company as a whole. They do not represent expenses related to high third-tier usage of commercial customers. Rather, and to the contrary, the impact of these expenses are more likely correlated to the volume of customers and staff time necessary to respond to customer demands, expenses more directly correlated to and attributable to the Company's service to its over 17,000 residential customers, than to single large users such as the District. Despite this fact, the Company specifically made an effort to tailor any increases to impact only users in Bethel's circumstances, and advertised this fact to its over 17,000 residential customers. See Customer Notice ("The increase will not affect the rates for basic service or for consumption in the first and second consumption blocks.").

In analyzing this rate increase, staff recognized the breadth of the Company's residential water servicing, noting:

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.

Staff revised memo 8/13/2014. Staff further concurred with and accepted the Company's stated justification for the increased revenue requirement, stating to the Commission:

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.

Id. Staff further recognized that the prior (significant) increases to commercial users was designed to achieve parity amongst customers.

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.

Id. Because parity has already been claimed to have been achieved, and because it appears, even as revised, the proposed rate increases are designed such that the increase will not be shared amongst all customers, but borne by certain users, of which Bethel is one, the proposed rates do not meet RCW 80.28.010.

In addition to the above, in the staff memo received this week, staff alleges increased consumption in the third block has caused the Company to buy additional water from the City of Tacoma. Staff Memo at 2 (Nov. 14, 2014). This new stated justification was not put forward by the Company, was not included in their original rate filing or customer notice, and appears to be stated here in response to Bethel's prior objections. In response, first, staff pointed to the Tacoma rates as justification for increased third-tier rates in 2010, based on the same arguments represented here. See Docket No. UW-091499 Staff Memo at 3 (May 13, 2010). The Company cannot go back to the well on the same arguments used to achieve parity, to now increase the burden on Bethel and other users similarly situated. Second, there appears little justification to rely on the Tacoma rates as a financial burden, and then seek to increase rates to an amount higher than the Tacoma rates. Finally, if the Tacoma water is the justification for the peak use of irrigation in the summer, Bethel requests that the WUTC consider its previous approvals of water supply agreements between Rainier View and Bethel. As a result of these agreements, Bethel is not responsible for the additional Tacoma water supply. To operate consistently with the approved water supply agreements

and not cause a conflict with the approved agreements, any rate increase for the third block must recognize a credit to Bethel for the like value of the water right. Finally, there appears little justification to rely on the Tacoma rates as a financial burden, and then seek to increase rates to an amount higher than the Tacoma rates.

Further analysis related to the impact and revenue result of the base rate adjustments is justified, and should be brought forward at a separate hearing, with the opportunity for Bethel to review and comment. Absent the same, the Company is unable to meet its burden, and the proposed rates should be denied.¹ Bethel deserves fair and full opportunity to review this impact and provide comment and objections, as necessary.

The District asks the Commission to recommend further consideration of alternative rate designs for the subject proposal, and to require further justification for the modifications proposed. On the facts presented, Bethel suggests, having just last year completed a rate restructuring designed to achieve parity, the revenue requirement claimed here should be spread more evenly amongst all users (small and large) through more evenly distributed base rate increases.²

Regarding establishing a separate rate class, as previously recommended by the District, while Staff points out some jurisdictions that do not provide for separate rate classifications for public entities similarly situated to Bethel, it remains that others do. For example, the City of Vancouver provides for a separate customer classification for "government" water users, as distinguished from residential, commercial, and industrial users. See Vancouver Municipal Code (VMC) 14.04.210. Based on this differentiation, in Vancouver, the volume, or usage, charge differs for each classification with the government classification charged at the lowest rate, of \$1.13/CCF. *Id.* This reduced rate represents a 14.4% decreased rate as compared to industrial users, and an 11% decreased rate compared to general commercial users. *Id.* Similarly, the City of Lacey recognizes and provides that publicly

¹ Rainier View bears the burden of demonstrating its proposed rate increase is fair, just, and reasonable. RCW 80.04.130(4); see also WAC 480-07-540 ("Public service companies bear the burden of proof in general rate proceedings that propose changes that would increase any rate, charge, rental, or toll, as provided in RCW 80.04.130 or 81.04.130. The burden of proof includes the burden of going forward with evidence and the burden of persuasion.").

² While the District recognizes that Rainier View has now sought to consolidate its residential and commercial rates into a single rate block in its revised filing reviewed this week, such revision does not alter the effective impact of the rate increase as disproportionately impacting commercial users, or users similarly situated to the District.

owned recreation property including "school district playfields" shall not be billed at the higher irrigation rate charges, provided certain conditions are met. Lacey Municipal Code (LMC) 13.32.030(E). Bethel has previously requested consideration of such a rate here.

Finally, the District wants to emphasize that the anticipated increase is not insignificant, and is compounded by the significant increases in charges Bethel has been required to incur since 2010.³ As previously relayed, normalized for changes in operations and new schools, Bethel estimates its water charges have increased by in excess of 50% over the past 5-year period. This new proposal--which again seeks to place the vast bulk of its impact on what were previously classified as commercial users--is not fair when considered in this context.

We look forward to presenting additional testimony and comments at the Open Meeting, and answering any questions the Commission may have. Thank you for your time and careful consideration of this issue.

Sincerely,



Joseph A. Rehberger
Direct Line: (360) 786-5062
Email: jrehberger@cascadialaw.com
Office: Olympia

JR:en

cc: Jim Ward, Regulatory Analyst
John Cupp, Consumer Protection Staff
Richard Finnigan, Counsel for Rainier Water View Company

³ The District respectfully requests WUTC consider this proposal, not simply in isolation, but in the context of and in consideration of the significant rate increases that have impacted the District over the past five years. Since 2010, Rainier View Water Co. has sought and received rate increases that have significantly impacted Bethel, including increases to the base rates for all meter sizing, including an increase of 318% for 6-inch meters, and has sought and received rate increases in excess of 50% for its third-tier consumption charges. Rainier View seeks approval now of an increase to third-tier consumption charge by over 32%, which has the effect of now increasing those rates by over 200% over a five-year period.