

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	DOCKET UW-091466
)	
Complainant,)	ORDER 02
)	
v.)	ORDER DISMISSING COMPLAINT AND ORDER SUSPENDING TARIFF REVISION; ALLOWING RATES AND TARIFF REVISIONS ON LESS THAN STATUTORY NOTICE; AND GRANTING EXEMPTION FROM RULE
RAINIER VIEW WATER COMPANY, INC.)	
)	
Respondent.)	
.....)	

BACKGROUND

- 1 On September 15, 2009, Rainier View Water Company, Inc. (Rainier View or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-2.
- 2 The Company serves about 16,000 connections on 26 water systems located in Pierce County and on two water systems located in Kitsap County.
- 3 The proposed rates are prompted by increases in wages, medical benefits, cost of chemicals used for treatment, and most products used to provide service. The Company’s last general rate increase became effective in July, 2001.
- 4 On October 15, 2009, the Commission entered a Complaint and Order Suspending Tariff Revisions pending an investigation to determine whether the revisions are fair, just, reasonable and sufficient.
- 5 Rainier View notified its customers of the original rate increase by mail, on September 14, 2009. The Commission received 28 customer comments on this filing; all are opposed to the proposed increase. The Bethel School District (District) filed written comments on February 8, 2010, May 19, 2010, and May 24, 2010.
- 6 After review and discussions, Staff and the Company agreed to a revised revenue requirement of \$363,611 (8.1 percent) in additional annual revenue and revised rates that Staff recommended are fair, just, reasonable and sufficient based on the Company’s supporting documentation. On May 3, 2010, the Company filed revised rates at Staff

recommended levels. On May 5, 2010, the Commission sent a notice to the interested parties list that this item would again be heard at the May 13, 2010, open meeting. On May 13, 2010, the Company filed 3rd Revised Page 49 with a scheduled effective date of June 13, 2010, to add a reference to Schedule 14, Irrigation, to Rate Schedule 1A, which was mistakenly assigned a new Docket UW-100830. On May 24, 2010, the Company refiled all pages, including 3rd Revised Page 49 (Schedule 14, Irrigation), to change the customer class identification from “commercial” customers to “nonresidential” customers, clarify application of rates to compound meters and irrigation service, and to simplify the administration of the docket.

- 7 WAC 480-80-121 requires thirty days’ notice to the Commission prior to the effective date of a tariff. The Company requests the Commission approve less than statutory notice, as permitted by WAC 480-80-122, so that all of the proposed tariff revisions become effective on June 1, 2010. The Company requests less than statutory notice because the Company has demonstrated a need for additional revenue and the revised rates result in some increases compared to the rates the Company originally proposed and sent notice to customers.
- 8 WAC 480-110-425 requires the Company to provide each affected customer a notice at least thirty days before the requested effective date of proposed rate increase. Granting the Company’s request for less than statutory notice also requires an exemption from WAC 480-110-425, regarding notice to customers. For the same reason stated in seeking less than statutory notice, the Company seeks an exemption from customer notice requirements. The Company proposes to notify customers on or before their next billing.
- 9 Staff advises that this case presents unusual circumstances and warrants an exception to the single-tariff pricing policy. Staff recommends that the Commission approve two separate rate designs: one to apply to residential customers, mostly served by 5/8-inch meters, and one to apply to non-residential customers, mostly served by up-size (greater than 5/8-inch) meters. The revised rate designs incorporate important rate design principles and make a positive step toward developing a single rate design to apply to all customers.
- 10 Staff’s recommended revised rate design for residential customers decreases the base charge from \$15.80 to \$11.55, removes the first 500 cubic feet of usage included in the previous base charge, increases the block two usage level from 500 cubic feet to 600

cubic feet, and extends the current \$5.00 block three conservation pricing from May through September to year-round. Using the revised rates, a residential customer served by a 5/8-inch meter, using 866 cubic feet of water per month (the calculated Company-wide residential average water usage) would pay \$0.46 (-2.4 percent) less per month as compared to the current rates.

- 11 Staff's recommended revised rate design for non-residential customers adds a third usage block and rate for up-size meters, increases the up-size base charge using 50 percent of the AWWA capacity factors, and applies the AWWA capacity factors to up-size usage blocks. A non-residential customer served by a 5/8-inch meter, using 3,922 cubic feet of water per month (the calculated Company-wide non-residential 5/8-inch average water usage) would pay \$27.59 (61.5 percent) more per month as compared to the current rates.
- 12 With the addition of an up-size meter rate design and multi-block conservation oriented rates, some customers served by up-size meters could experience annual bill increases. The Company has committed to work directly with those customers to explain the effects of the new rate design on their bills and to work with those customers to decrease their total usage.
- 13 The Bethel School District (District) filed written comments on May 12, 2010, and appeared at the Commission's May 13, 2010, open meeting. The District, the Company and Staff agreed to postpone Commission consideration of the matter until May 27, 2010, to give the parties additional time to review the filing.
- 14 At the May 27, 2010 open meeting, the Commission heard substantial testimony from representatives of the District and the Company.
- 15 Staff recommended that the Commission allow the May 24, 2010, revised rates and tariff revisions to go into effect June 1, 2010, on a temporary basis, subject to refund. This recommendation would allow the District additional time to analyze the filing and prepare comments, protect all customers should the Commission ultimately determine that lower rates and a refund are appropriate, and protects the Company by allowing the Company to begin collecting increased revenue during the high usage summer months.
- 16 Rick Finnigan, attorney, testified on behalf of the Company. He stated that the current rate design has been in effect for a long time and resulted in residential customers

subsidizing nonresidential customers. Mr. Finnigan stated that the Company demonstrated that it needs additional revenue long ago and it is important that we move forward now because the proposed rate design relies heavily on revenue generated during the summer months and if the rates go into effect in the fall, the Company would be in difficulty because of the lower revenue generated during the winter months. He also opined that the District could save up to 25 percent in water usage by decreasing irrigation during the summer months.

- 17 Tom McDonald, Cascadia Law Group, presented argument on behalf of the District. He opposed the proposed rate increase, including the proposed temporary rate increase, subject to refund. He asked the Commission to further postpone consideration of the case to allow the District additional time to analyze the proposal, understand the impact to the District and prepare comments or, in the alternative, deny the proposed increase.
- 18 Although Mr. McDonald conceded that the Company's notice may have met the legal requirements, he claims the notice was not fair or reasonable to the District because the District did not understand the impact to the District. The District thought the impact was much greater than actual, and because neither the Staff nor the Company corrected the District's misunderstanding until very recently the District should have additional time to fully analyze and understand the impact to the District. He stated that the accuracy of the data used to set the proposed rates is not adequate because of errors identified by the District and, most recently, the Company notified the District on May 26, 2010, that the Company has, for years, incorrectly billed the District for one of its meters and would back-bill the District for additional revenue.
- 19 Mr. McDonald challenged the reasonableness of Staff's rate analysis and rate design. He argued that the District, and other public institutions, should be a special class, not part of a "commercial" class. Mr. McDonald also claimed that Staff's rate design method of matching the water usage of the nonresidential class to the revenue paid by that class is flawed. Instead, Mr. McDonald advocated that the Commission should set rates for the District that reflect the economies of scale and costs of serving the District.
- 20 Mr. McDonald claimed that the proposed rates would disproportionately impact the District because the District would pay a greater increase than many other nonresidential customers and the nonresidential class would pay most of the net revenue increase, while many customers in the residential class would pay lower bills.

- 21 Mr. McDonald argued that the process before the Commission is flawed and unfair to the District. He argued that the revised rates the Company filed on May 3, 2010, should have been assigned a new Docket and started a new process, complete with customer notice, that would allow the District additional time to analyze and understand the impact on the District, and prepare comments. He noted that the Company filed additional pages on May 24, 2010, which the District has not had time to fully review and understand what changes were proposed.
- 22 Tom Seigel, Superintendent of the Bethel School District, strongly opposed the proposed 116 percent increase because of the negative impact it would have on the District and the community. The District's budget has been set for next year, and does not include funds to pay higher water bills. The ball fields also provide an important community service in an unincorporated area that has no city parks or swimming pools, and athletic leagues that use the District's ball fields during the summer require the District to maintain the ball fields to provide a safe playing environment. Non-profit groups use those facilities to operate youth programs and provide a safe recreational environment for kids during the summer. Mr. Siegel emphasized that the District is active in conserving all resources, including water.
- 23 In response, Staff affirmed that the Company's notice to customers and its filing of revised rates complies with Commission rules. With respect to rate design, Staff testified that rate design in the water industry has evolved from flat rate, cost of service basis to conservation oriented rate designs with no usage allowance in the base rate, multiple usage blocks, and inclining usage rates. Staff's proposed rate designs reflect those elements.
- 24 Staff agreed that the District would pay a greater increase than other nonresidential customers and residential customers. However, the amount of the increase reflects the District's higher usage compared to the other customers. Staff's analysis shows that, on a proportional revenue to usage basis, the District will pay less than other nonresidential customers, that the nonresidential class will pay less than the residential class, and the residential class will pay more than nonresidential class.
- 25 Mr. Jim Hansen, Director of Construction for the District, described the District's difficult and ongoing efforts to analyze and understand the impact of the proposed rates on the District. He explained that the District must use large meters because of fire flow

requirements, described his efforts to understand fire flow rates and practices of nonregulated water systems, and opined that the Company's current fire flow charges, which the Company has not proposed to change, are not reasonable. He submitted an exhibit showing the District's calculation of the impact of the proposed revised rates on the District for 2008 and 2009, including separate charges for fire flow, and a second exhibit comparing the charges for current and proposed revised rates for an average 5/8-inch meter residential customer.

- 26 After discussions regarding the various issues, the Commissioners directed Staff to prepare a revised rate design that would mitigate the rate shock to the nonresidential class by increasing rates in three steps. Staff prepared a revised rate design that generates approximately 33.3 percent of the full nonresidential class revenue requirement and allocates the balance of the nonresidential revenue requirement to the residential class base charge, so that all residential customers, regardless of meter size or flat rate service, would pay an additional \$.67 per month.
- 27 Staff calculated that the revised rates would increase the average non-residential bill using 3,954 cubic feet (non-residential class average) to \$56.02 (24.1 percent increase) instead of \$73.16 (62.0 percent increase), the revised rates would increase the District's total annual charges to \$57,294 (50.8 percent increase), instead of \$82,105 (116.2 percent increase), and that the revised rates would result in an increase above the original rates that the Company notified customers in September 2009 for only 211 flat rate customers.
- 28 The Company agreed with the revised rate design and, at Staff's request, filed on May 28, 2010, a complete set of revised tariff pages that incorporate all tariff changes filed in this Docket.
- 29 On May 28, 2010, Joe Rehberger, testifying on behalf of the District, stated that the District received Staff's analysis of the impact of the revised rates on the District earlier in the day and had not completed its review. He asked for, and received, confirmation that the revised rates were calculated using one-third of the full revenue share for the nonresidential class, not one-third of the revenue share that the Company proposed. He requested clarification that there would not be an automatic increase in the future; the Commissioners clarified there would not be an automatic increase. Mr. Rehberger did not raise any other issues.

30 In summary and consistent with the Commissioner's ruling, Staff recommended that the Commission issue an Order dismissing the complaint and order suspending tariff revisions and to allow the revised rates and tariff revisions filed by Rainier View Water Company, Inc. on May 28, 2010, to become effective June 1, 2010; grant the Company's request, as permitted by WAC 480-80-122, to allow the revised rates and tariff revisions to become effective on June 1, 2010, on less than statutory notice; and, grant the Company's request for an exemption from WAC 480-110-425, Customer Notice, to allow the Company to notify customers of increases on or before the next bill.

FINDINGS AND CONCLUSIONS

- 31 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 32 (2) Rainier View is a water company and a public service company subject to Commission jurisdiction.
- 33 (3) This matter came before the Commission at its regularly scheduled meetings on May 13, 2010, and May 27, 2010, which meeting was recessed at the end of the day until May 28, 2010.
- 34 (4) Rainier View is subject to WAC 480-80-121, which requires thirty days' notice to the Commission prior to the effective date of a tariff. The Company requests the Commission approve less than statutory notice, as permitted by WAC 480-80-122, so that the tariff revisions become effective on June 1, 2010.
- 35 (5) Rainier View is subject WAC 480-110-425, which requires a water company to provide each affected customer a notice at least thirty days before the requested effective date of a proposed rate increase. Granting the Company's request for less than statutory notice also requires an exemption from WAC 480-110-425, regarding notice to customers.

- 36 (6) WAC 480-110-215 allows the Commission to grant an exemption from the provisions of any rule in WAC 480-110, if consistent with the public interest, the purposes underlying regulation and applicable statutes. WAC 480-80-122 allows the Commission to approve tariffs to become effective on less than statutory notice. *See also* WAC 480-07-110.
- 37 (7) Rainier View has demonstrated that it requires additional revenue, and the Staff and the Company have agreed on revised rates, filed by the Company on May 28, 2010, that Staff recommends are fair, just, reasonable and sufficient.
- 38 (8) After reviewing the revised rates and tariff revisions Rainier View filed in Docket UW-091466 on May 28, 2010, and giving due consideration, the Commission finds it is consistent with the public interest to dismiss the Complaint and Order Suspending Tariff Revision in Docket UW-091466, dated October 15, 2009, and allow the revised rates and tariff revisions filed on May 28, 2010, to become effective June 1, 2010, on less than statutory notice, and to grant an exemption from the customer notice rules to allow the Company to notify customers of increases on or before the next bill.

ORDER

THE COMMISSION ORDERS:

- 39 (1) The Complaint and Order Suspending Tariff Revision in Docket UW-091466, entered on October 15, 2009, is dismissed.
- 40 (2) The tariff revisions that Rainier View Water Company, Inc. filed on May 28, 2010, shall become effective on June 1, 2010.
- 41 (3) As permitted by WAC 480-80-121, the revised rates filed in this docket on May 28, 2010, shall become effective on June 1, 2010, on less than statutory notice.
- 42 (4) After the effective date of this Order, Rainier View Water Company, Inc. is granted an exemption from WAC 480-110-425, and the Company is directed to notify customers of increases on or before the next bill.

- 43 (5) The Commission retains jurisdiction over the subject matter and Rainier View Water Company, Inc. to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective June 1, 2010.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner