

Agenda Date: December 30, 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, November 10, 2014, and December 23, 2014, to become effective January 1, 2015.

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. After review of the company's books and records, staff and the company agreed to a revised revenue need of \$183,439 (3.3 percent) additional annual revenue. 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 only 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.

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

1. Contract agreement filed in 2003 for sale and purchase of water rights and associated wells and equipment. This was filed at the commission under docket UW-030047. Bethel believed this contract allowed for a credit for un-used water rights to be translated to reduced water service billings.
2. Re-arrangement of meters and piping at the school district property, cost, and timing.

3. The process of ensuring all parties have adequate time for review.
4. An alternative rate design that raised all rates across the board and conservation rates to be applied to all customers to recover costs.

On November 14, 2014, the commission approved temporary rates (see table below) and directed the parties to work to resolve the issues.

After further discussions, the following are staff's response to each of the issues:

1. The agreement filed with the commission in docket UW-030047 was for the sale and purchase of water rights and associated wells and equipment.

Staff reviewed the documents, consulted with the assigned AG, and concluded that this prior agreement has no impact on this rate filing. The contract requires a credit to Bethel for system development charges for capacity to serve the district against the water right capacities of the wells transferred to Rainier View. Rainier View agrees. Bethel disagrees.

2. Re-arrangement of meters and piping at school district properties, cost, and timing to be determined between Bethel and Rainier View.

Staff concludes this matter is strictly between the company and the district and has no impact on this rate filing. Rainier View has offered to provide meter rearrangement at no cost to Bethel. Bethel is reviewing the engineering requirements for the proposed meter changes.

3. The process of ensuring all parties have adequate time for review.
 - a. The parties met on December 9, 2014, and resolved all issues except rate design.
 - b. The parties met again on December 16, 2014, and resolved the rate design.
 - c. Staff agreed to provide parties with our draft memo for review, prior to the regular release date.

Staff believes that all parties have received adequate opportunity to review and discuss the issues.

4. An alternative rate design (including conservation rate) and how to recover costs.

Staff reviewed Bethel's and Rainier View's requests for rate design and revenue recovery and proposes the following revised rate design (see attached table Revised Rates December 2014):

- Reduce the temporary base charge for a 3/4 inch meter from \$14.21 to the original \$13.90 (-2.18 percent).

- Increase the second block (600 - 3,000 cubic feet per month¹) usage rate from \$1.00 per 100 cubic feet to \$1.15 per 100 cubic feet (15 percent). This increases the spread between block one and block two usage rates.
- Decrease the third block (more than 3,000 cubic feet per month¹) temporary usage rate from \$2.71 per 100 cubic feet to \$2.42 per 100 cubic feet (-10.7 percent). This decreases the spread between block two and block three usage rates.

The revised rate design provides a more equal distribution of the revenue requirement from a broader customer base, would generate the additional revenue requirement, and promotes conservation in the second and third usage blocks. Staff thinks the revised rate design would reduce peaking water usage in the summer months and reduce the amount of water Rainier View must purchase at increased costs from Tacoma Water.

Although the parties still disagree on some issues (e.g. the effect of the 2003 Agreement), no party opposes the proposed revised rate design to resolve this docket.

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 on several issues and opposed the initial rate design. 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. No additional comments have been received except the discussions noted with Bethel.

¹ 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.

Rate Comparison
(Both Residential and Non-Residential)

Monthly Rate	Previous Rate	Temporary Rate	Revised Rate
Base Rate, 3/4-Inch Meter ¹	\$13.90	\$14.21	\$13.90
0 – 600 CF ² , Per CCF ³	\$.94	\$.94	\$.94
601 – 3,000 CF, Per CCF	\$1.00	\$1.00	\$1.15
Over 3,000 CF, Per CCF	\$2.05	\$2.71	\$2.42

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	Previous Rate	Temporary Rate	Revised Rate
3/4-Inch Metered Base	\$13.90	\$14.21	\$13.90
600 Cubic Feet	\$5.64	\$5.64	\$5.64
277 Cubic Feet	\$2.77	\$2.77	\$3.19
Water Bill Total	\$22.31	\$22.62	\$22.73
Increase From Previous Rates		\$0.31 1.4%	\$0.42 1.9%

Monthly Non-Residential Bill Comparison

Monthly Average 3,661 Cubic Feet	Previous Rate	Temporary Rate	Revised Rate
3/4-Inch Metered Base	\$13.90	\$14.21	\$13.90
600 Cubic Feet	\$5.64	\$5.64	\$5.64
2,400 Cubic Feet	\$24.00	\$24.00	\$27.60
661 Cubic Feet	\$13.55	\$17.91	\$16.01
Water Bill Total	\$57.09	\$61.76	\$63.15
Increase From Previous Rates		\$4.67 8.2%	\$6.06 10.6%

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, and demonstrate 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 second and third block usage rates from the pre-filing level and spreads the revenue requirement across more customers. Staff concludes the revised rates and charges are fair, just, reasonable, and sufficient.

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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Attachment