

10 June 2007

Commissioners
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Docket Number:070944
SUBJECT: Large Consumption Disparity
Between connections and ERUs.

Dear Commissioners,

Oly Rose, a holding company for Rosario Resort and Rosario Utilities has recently transferred water rights for 183AFY to Rosario Utilities LLC. In January 2004, the Health Department had approved 456 ERUs for the treatment plant and distribution system of RULLC, using 183 AFY for water availability limits. RULLC records for 2006, as filed with the WUTC, show:

| | Active ERUs | Ready-to-Serve | |
|--------------------|------------------|----------------|-----|
| Rosario Residences | 183 | 60 | |
| Highlands | 105 ¹ | 18 | |
| Rosario Resort | 118 | 10 | |
| Cascade Harbor Inn | 14 | - | |
| Totals | 420 | 88 | 508 |

1. Highlands corrected from 102 to 105 ERUs.

Using these ERUs, Washington Water Services showed consumption per ERU for the three major consumers, as shown below. The consumption data for the Highlands is not normal, as a major leak was repaired in November 2006 and the consumption dropped by over 60%. If the Highlands' consumption data for 2006 data is used for the proposed rate increase an exaggerated source of revenue will result. Historically, and confirmed by the five months of consumption since the leak was repaired, the Highlands consumption was equal to or less than the Rosario residences. Therefore, the Highlands are not included in this comparison.

| | Consumption, gals/yr/ 2006 ERU | Recalculated ERUs | Current ERUs |
|--------------------|-----------------------------------|-------------------|-----------------|
| Rosario Residences | 48,289 | 183 | 183 |
| Rosario Resort | 63,688 | 156 | 118 |
| Cascade Harbor Inn | 82,579 | 24 | 14 |
| Highlands | | 105 | 105 |
| Ready-to-Serve | | 88 | 88 |
| Total | | 556 | 508 |

RECEIVED
RECORDS MANAGEMENT
07 JUN 14 AM 11:06
OFFICE OF WASH.
UTIL. AND TRANSP.
COMMISSION

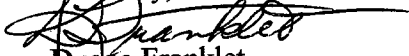
Obviously, the ERUs for the Resorts are not equivalent and the recalculated ERUs based on these consumption rates and the number of residences in Rosario call for a reevaluation of the capacity of the Utility's facilities and of the water provided by 183 AFY to provision the 508 or 556 active ERUs and Ready-to-Serve. The number of connections in Ready-to-Serve that may become active connections was 36 at the end of 2006. While water consumption is down, total processed water is about the same as there is a 20% processed water loss. The system suffers from the lost capacity and higher operating costs. Thus, it is important to reevaluate capacity and active ERUs. It is interesting to note that the consumption as gals/yr/2006 ERU was obtained from a spreadsheet prepared for the proposed rate increase. The Cascade Harbor Inn consumption seems high and will be confirmed.

To deny this capacity reevaluation would be a travesty of justice and a denial of fairness to all concerned. The proposed sale and rate increase are potentially impacted by the reevaluation and the oversold connections also may impose problems for the purchaser.

We respectfully request a capacity and attendant ERUs reevaluation. It is timely to put the Utility on a firm operating and accounting basis, so that the new owner inherits a clean slate. A revised rate increase proposal must be forthcoming.

Thank you for your consideration of our request.

Sincerely,


Duane Franklet
dlrbbf@centurytel.net
67 Folly Farm Ln
Eastsound, WA 98245

cc: Steve Deem
Regional Engineer
Department of Health
20435 72nd Avenue S, Suite 200, k17-12
Kent, WA 98032-2358