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Dear commission,

STATE OF WASH.  
UTIL. AND TRANSP  
COMMISSION

My name is Chuck Spencer. I will be writing at times from a company perspective and at times from a personal perspective. I am currently president and manager of Deer Meadows Water Co.

We at Deer Meadows Water Co. Inc. in an attempt to respond to customer comments ask the commission to consider our current situation relative to the situation in January 05 when the owner of the water company past away after a long battle with cancer. His name is Charlie Spenser. During his long battle with cancer he employed Vanessa Hollis as his Bookkeeper. Charlie ran the business from his home. Vanessa has been involved with the water co. since the company was started in 1992. Anyone knowing Charlie knows that Charlie was a very stubborn person when it came to doing anything and Charlie insisted on doing things his way, period. As he was dying I believe that he must have known that the company was in great need of more attention and probably believed that when he got better, he would see to it personally. After all, when a person is sick they don't look in the mirror and say "I'm going to die." Instead they look in the mirror and say "I'm going to beat this and eventually fix everything." One could reasonably assume that Vanessa should have been able to right the ship since she was the bookkeeper. In fact, Charlie being in the condition that he was in obviously needed a constant caretaker requiring constant travel to and from Spokane as well as the hours and hours of chemo and radiation therapy. Vanessa Hollis was his granddaughter, His caretaker. I'm just another human being and to me it seems obvious that Vanessa must have viewed as her first priority was Charlie. I believe that many people in the neighborhood knew all of this but are unwilling to consider any of it in their customer comments to the commission in our attempt to increase rates. Many of the comments are vicious and down right mean spirited as well as in many cases false. In writing this response I will attempt to address those specific comments by number, but first I believe that it is important to continue with the current ownerships history from Jan 05 to present day. The first thing we had to do was to set up the board. Chuck Spencer was elected President; Brent Swalling was elected Vice President. Vanessa Hollis was elected Secretary Treasure. The only person with personal experience in the company was Vanessa. This was difficult at best since we didn't have Charlie there to answer our long list of questions. Vanessa, although being involved with the company for many years really never did make any decisions. So, in reality what we did was inherit a company that had many issues that needed attention and figuring out where to begin was difficult. I, Chuck Spencer was given most of the responsibility of figuring this all out. All while having to commute to my place of personal employment of fifty miles each way. I'm just like everyone else. I have responsibilities and bills to pay. Suddenly in an instant my life went from having time to enjoy life to not having much of a life at all. I went for the better part of two years before I finally began to receive any salary from the water company. So, in fact until I was put on the payroll all of my time was a donation. I'm not sure how many people would have done that. One of the first things that we realized was that the company had no money. We also realized that the water company wanted to be viewed favorably by our customers. In many discussions with the board we always tried to consider this. In explaining this I will not be able to give exact dates

when everything took place but in fact they all took place sometime between Jan 05 to present day. First of all in realizing that the company was in financial trouble and before our being regulated by the state in early 07 we the board of directors all agreed that the best way to get more operating cash might be to raise the service connection fee from \$350 for Deer Meadows and \$450 for Deer Heights to \$2000 for all new service connections within the development and \$5000 for all new service connections outside the development. We believed that this would be the best way to generate cash without affecting the customer rates. This made sense at the time because lot sales were steady. We thought that our customers would see this as something nice from the water co. Lot sales came to an abrupt stop in 07. Early in my involvement with the water company I was approached by the road committee. A committee of three persons elected by the community to oversee the maintenance of the roads. The question was "Chuck, how much will you charge us for water for road maintenance?" The answer was "we are a part of this community and we want to be viewed favorably by the community so we will gladly donate the water to the community." The money paid to the road committee went to the road committee not the water company and the county took over the roads in 08 in response to customer comment 30, in 05 and 06 lot sales were very steady and the company for the first time since it began actually made some money. We the company knew that we were actually subsidizing the watering of the golf course. Constant meter readings were not taken because the golf course has a flat rate cost of \$500 per month. Although, occasional readings were taken. During the summer the golf course was using 300,000 to 400,000 gallons per 24 hour period. Although, not having documented data to back that up. We believe that anyone living here must have noticed the course being watered all night long and many times all day long as well. Eighteen holes of golf course needs a lot of water to keep it green and lush as it was in 05, 06, 07. Only in 08 when the Bobenicks the new management took over did the excessive watering of the golf course get scaled back considerably after numerous talks between Chuck Spencer and the Bobenicks. I, Chuck Spencer put it quite simply. "We can no longer afford to pay for the watering of the golf course." Why did we the water company continue to subsidize the watering of the golf course for so long? Once again, we the board in an attempt to be viewed favorably in the community made a huge mistake assuming that anyone might appreciate what we were doing. In fact, all of the things that we the company thought were nice things to do were never ever thanked for. Not one time, ever. Some but not all of the shareholders of the water company also own shares in the golf course. Having said what we the water company has done for the golf course and the community is also in response to customer comments 43, 56,57,58,61,64,91,92,102 and finally 106. I Chuck Spencer own no shares in the golf course and have absolutely no desire whatsoever to own the golf course. I have my hands full with the water company. Although we have expressed all along to the commission staff that we would like very much to see the golf course survive. As evidenced by Amy White UTC staff analyst and also Mr. Jim Ward. I, Chuck Spencer suggested that many residents have indicated to me that they would gladly pay higher rates to subsidize the golf course. In response, Mr. Ward put it to me quite simply. "Tell them to write a check to the golf course." Seems reasonable. If every lot owner truly wants a golf course here it obviously needs community support to cover its operating costs. The water company can no longer be the support mechanism for the golf course. The community must be. Also, surprisingly, many residents have actually said that they couldn't care less if there is a golf course or not. Obviously no opinion is unanimous. Since our involvement in Jan 05 to present day, The Company has made improvements to the system. We installed security fencing, repaired buildings, replaced pumps,

Added pumps, completed mainline piping in two different subdivisions, added and upgraded basic controls, dealt with a tank over flow and many more things to upgrade the system. A lot of this money might have gone into shareholders pockets but instead went into the company. In Jan 08 we purchased a mobile office building and were finally able to move all the companies business out of the house (Charlie's house Vanessa inherited) that the business had been run from. We also hired Nadine as our billing agent. Nadine has done a wonderful job for us and we believe at this time that every last customer complaint or concern about their bill or meter reading has been addressed and dealt with according to UTC standards. The water company does not dispute that the record keeping in the past had flaws but disagrees very strongly that these conditions exist now, nor do we believe that there is any evidence of intentional wrong doing or any attempt to hide from the truth. I Chuck Spencer believe this to be true based on conversations with our accountant who has been involved with the water company as far back as 95. In reality, it seems that Charlie Spencer supported the water system out of his own pocket. This is also in response to customer comments 2,3,4,6,7,8,11,12,13,15,16,20,26,31,35. In early 08 the company realized that we could not keep operating without a rate increase. Since filing our initial rates with thee UTC in early 07 we were now in a position of being required to go through the process of a rate increase by asking the UTC for permission. In doing so, we worked with Amy White. When the rates that were recommended were sent out, the response was overwhelmingly negative. We didn't expect anyone to be happy about an increase but were very surprised at the incredible resentment and personal attacks. We see this as very unfortunate and unnecessary in an attempt to dispute a rate increase. We believe that anyone in our position would find themselves compelled to go before the commission and ask for a rate increase. In response directly to comments 10, 70, and 94. Some people assume that purchasing a lot put that money into the water company. The money that the water company received was the service connection fee. The developer received the money for the lot. As for selling the company, we had no idea what it might be worth, so we asked the engineering firm TD&H to do an appraisal as well as a rate case study. What seemed to be construed as a threat by an individual who I Chuck Spencer reluctantly met with after constant insistence that there was something beneficial to be gained by meeting in person. I was told by this individual that he represented 50 or 60 residents. I sat in the room with him and listened to him insult me countless times accusing me of purposefully running the company into financial ruin. He insisted that he wanted to see our second set of books which of course I told him didn't exist. All the while he showed no interest in what condition the company was in when we took it over to where it is now. I tried to tell him of the nice things we had done for the community. He was taking notes during our conversation but I noticed that he wasn't taking any notes that might have shown that we in fact have done good things for the community and had over come many short comings. The threat was merely a strong suggestion that we the company believes that there is financial information out there and if forced to do so we would withdraw our initial rate increase request and file again. I suggested very strongly that we believed that it would strengthen our case substantially. I wonder if he reported these things back to the 50 or 60 people that he may or may not represent. He also stated very strongly that he had people that wanted to buy the company. This was in response to customer comment 70. Ironically, at my request (Chuck Spencer) the witness was invited to attend. Although I knew the witness didn't agree with the rate increase either. I felt this person was a man of honesty and integrity. I wonder what I might have been accused of had a witness not been present. Also, the very next day I called the UTC consumer protection division and spoke with

Dennis Shutler and ask him if this consumer protection process ever works in reverse. He laughed and of course wondered what I meant. I explained that I had talked to an individual several times and told him the same thing over and over again and finally agreed to meet with him in person, accomplishing nothing. I actually felt like this person was harassing me and spreading false information to others only making matters worse. Surprisingly Mr. Shutler explained to me that I don't really have to interact with this person. In the future the company sees no good reason to engage in discussions with this person. Although we do value him as a customer and in the event that he has a problem with his bill or water service all he has to do is go through the normal channels and we will do everything in our power to correct the problem. We the company can't figure out why an overall rate increase issue is a surprise to our customers. The covenants of all six subdivisions clearly state that the water system a privately owned company and will eventually be regulated by the UTC and they will set the rates. Also in early 07 with the water company's initial filling with the UTC a letter was sent out to every customer explaining that we were now being regulated by the UTC. In that letter it clearly states that in the future we would like to align ourselves more closely with other investor based water utilities.

Customer comment response not previously addressed

1. Comment noted.

5. Comment noted.

9. The money that went to the water company was the service connection charge.

13. Comment noted.

14. We are relying on information gathered by TD&H a reliable engineering firm.

17. Comment noted.

18. Comment noted.

21. The engineering firm TD&H has experience in dealing with the sales of water rights.

22. Comment noted.

23, 24, 25, 33 we are relying on information gathered by the engineering firm of TD&H

27. Comment noted.

28. Comment noted.

29. Comment noted.

32. Comment noted.

34. Comment noted.

36. Comment noted.

37. Comment noted.

38. Comment noted.

39,51,99. The water company understands that some are on fixed incomes. In our first rate case increase request we the company asked if we would be able to work with those situations differently and were told no such program exists. Sorry.

40. Comment noted.

41. Comment noted.

42. Comment noted.

44. Comment noted.

45. Comment noted.

46. Comment noted

47. Comment noted.

48. Comment noted.

49. Comment noted.

50. Comment noted.

52. Comment noted.

53. Comment noted.

54. Comment noted.

55. Comment noted.

59. Comment noted.

60. Comment noted.

62. Comment noted.

63. Comment noted.

65. Comment noted.

66. I am Chuck Spencer president and manager of Deer Meadows Water Company. In 1971 I joined the Navy and have been employed ever since. I can't recall ever having a job that was more difficult or stressful then this one. Before I ended up with this job I actually did spend a lot of time on the lake.

Since my involvement with the water company I believe my time on the lake could be counted in single digits. My new truck, 1988 Ford. What more could I want? A water company that's not headed for bankruptcy and a community that appreciates the uninterrupted water service that we provide, as well as some much needed understanding in this difficult time.

67. Comment noted.

68. Comment noted.

69. Comment noted.

71. Comment noted.

72, 73. The service that we provide is a continuous supply of water to lot owner's property. Meters are read in the winter if we are able to do so.

74. Comment noted.

75. Comment noted.

76. Comment noted.

77. Comment noted.

78. Comment noted.

79. Comment noted.

80. Comment noted.

81. Comment noted.

82, 83, 84. The company tried to do this in the spring of 08 and since we ran into such stiff opposition and serious accusations we felt compelled to withdraw and higher a professional engineering firm with rate case study experience to assist us in determining what was fair.

85. Comment noted.

86. Comment noted.

87. We believe that with no water your lot would be worth considerably less. The benefit is added value to your lot.

88. Comment noted.

89. Comment noted.

93. Comment noted.

- 95. Comment noted.
- 96. Comment noted.
- 97. Comment noted.
- 98. Comment noted.
- 100. Comment noted.
- 101. Comment noted.
- 103. Comment noted.
- 104. Comment noted.
- 105. Comment noted.
- 107. Comment Noted.
- 108. Comment noted.
- 109. Comment noted.
- 110. Comment noted.
- 111. Comment noted.
- 112. Comment noted.
- 113. Comment noted.
- 114. Comment noted.

The following comments are Brent Swallings Vice President

The water company has continuously operated at a deficit since inception with the exception of one calendar year. The company is a privately held profit corporation. As such it is necessary to realize a return on the original investment. The perception of the community that certain individuals are parading their possessions, i.e. new cars etc from the profits of the water company is simply a misperception. The ability to obtain these items certainly did not come about from the water company but from other sources the management and leadership of the water company has improved since Mr. Spencer joined the organization. Many areas have been impacted by his endeavors such as improved security, strengthened process and procedures, improved regulatory adherence and identification of opportunities for improvement. The ability for the company to continue to operate and provide the level of service set forth by the commission simply is not currently possible based on the current rate structure. The organization has never acted in an unethical or misleading manner. No information has been intentionally withheld in an effort to alter the community's perception of the organization. It is

unreasonable for the community to expect the company to continue to operate at a loss. It is not the intension of the company to excessively price the services provided. The company however, must be fairly compensated for the products and services. Further, the over sight of the UTC ensures fair pricing and practices, thus, allowing the company to realize a return on investment while simultaneously providing a fair price to consumers. The perceived level of resentment of the community in which the ownership of the company was obtained is not objective and should not be a factor of consideration. It is imperative that we realize that we are all part of the same community and the company needs the consumer just as the consumer needs the water company. The fact of the situation is that if a rate increase is not realized then the company may be dissolved. If this was to occur it would negatively impact the health worth, and values of the community as a whole.