

**COMMENT FORM FOR: DEBORAH CARRUTH - ID# 3017**

<b>Consumer Information</b>	
Confidential Comment <input type="radio"/> Yes <input checked="" type="radio"/> No	Contact Method <input checked="" type="radio"/> Email <input type="radio"/> Mail <input type="radio"/> None
Name	DEBORAH CARRUTH
Organization Company	
Address	[REDACTED]
City, State, Zip Code	EASTSOUND WASHINGTON 98245
Email	[REDACTED]
Primary Phone #	[REDACTED] Fax #
Secondary Phone #	

<b>Comment Information</b>	
Theme	Drastic Increase
Open Date	05/17/2007
Filing Support	<input type="radio"/> Yes <input checked="" type="radio"/> No <input type="radio"/> Undecided
Closed Date	
Source	<input type="radio"/> Email <input type="radio"/> Mail <input type="radio"/> Phone <input checked="" type="radio"/> Web
Web Create Date	05/17/2007
Public Involvement Lead	John Cupp
Duplicate Comment	<input type="radio"/> Yes <input type="radio"/> No
Description	<p>I do wish contact as I want to know you have received this comment. Mainly due to the fact that your email address in the letter sent to our neighborhood is out of commission. I am opposed to the utility raising our rates so high. No other water provider on the island charges as much. The statement that the treatment system in place is an expensive system to run does not justify this. It is our understanding that a much more cost efficient system could have been installed, however the owners of Rosario Utilities failed to upgrade in a timely manner and were put under the gun by the county to install the current system....you know, in truth there are so many thoughts &amp; reasons for distrust in this and I have no clue where the truth lies. Obviously somewhere in the middle. I understand that as the water is privately owned they have a right to make a profit, however they have an obligation to their customer base...this water issue is very tricky business. I just know that a 62% increase is way too much and the fear is that these increases will continue at this sort of rate.</p> <p>Deb Carruth</p> <p>~~~~~</p> <p>Additional comments from this customer, submitted via e-mail and read at the June 6 open meeting:</p> <p>Carole Washburn Executive Secretary</p>

cwashburn@utc.wa.gov  
cc. geckhard@utc.wa.gov  
cc. consumer@wutc.wa.gov

Deborah Carruth

Rosario Utility

I shall begin by saying hello again and thank you for providing the time to speak.

We are deeply troubled by the overlap of this rate increase request with the purchase agreement of the utility by WWS. A great deal of time has been spent by WWS, Olly Rose, and the UTC to strategize the best approach for making this sale successful and achieving a rate increase prior to the sale. It has been explained that of course no one wants to purchase a company losing money. Obviously, that is not true.

We have been told by your staff, that the rate increase cannot be based upon the future, but on what is shown on the books for 2006. This is clearly not what the rate increase is based upon. It is based upon spread sheets created by WWS in order to plan for the future. It is a proforma based upon history and future ownership. It is not clear what these numbers represent, nor if they are correct; and having been told that the future cannot be discussed most certainly appears to be a double standard.

While I am new to the island it has become very clear to me that the relationship between RU and the residential community is mired in distrust. What we see is the need for transparency regarding the management of RU. WWS has had a great deal of time and the ability to tear things apart.....we want the same ability to clear the air.....to see the true numbers and not projections on spreadsheets where errors in formulas can easily occur, as have been demonstrated.

While we indeed appreciate Mike Ireland's response to our questions received Monday evening, his response has raised further questions and comments. For instance:

Last visit we questioned the interest rate applied to the million dollar build out....given by Olly Rose/Olympus to it's closely held company Rosario Utility. I am familiar with this practice. It is useful in creating a revenue stream for the parent company and a tax reduction for the closely held company. It can be a positive strategy if not at the expense of the closely held company, it's employees, its cash flow, or its customer base. In this case we feel strongly that it was at the expense of all of these areas and self serving to the parent company.

Mike states "Financial institutions consider RU to be a small utility. Small utilities have difficulty in securing bank financing at lower rates." We have researched this issue and found that while money is more difficult to get for a profit based utility, it is there. In fact the manager of a local bank on island said that this is a loan they would have been willing to finance. Their rates at the time were in the 7.5% range. When we told an

expert in funding water utilities the interest rate 9.25 they instantly remarked it was high. Researching what the interest rates dropped to in 2001 and on, we were told monies were available from 0-4% for water, depending upon the source. So I simply ran an amortization schedule at 6.25% beginning the second year into the loan with pay off in 6 years...totaling the full 7. Interest saved would have been \$93,838.

Furthermore, we do not understand "The balance is being treated as capital and recovered as part of the rate of return and depreciation." Also, at what rate will the interest be recalculated? "The surcharge has expired but the debt hasn't." The reason for this is the reduction of ERU's by the DOH which resulted in a shortfall....the decision not to re-calculate at that point has cost the residents a great deal.

This again demonstrates why the customer base is distrusting and requires full disclosure of the books

Response #3, "The upgraded water treatment plant will not completely satisfy the resort build out." This implies that the upgrades completed were partially for resort build out. Have residential customers been subsidizing this? Only with full disclosure will we know.

We have not been told by WWS, aka RU, what their budget for capital improvements will be. They say, "the rate impact (from the capital improvements) should be minimal" We want to know what they are proposing for capital improvements, how they will be applied, their cost and what the rate impact will be.

Mike also says, " it may be beneficial to all customers to allocate some portion of the resort's distribution upgrades to all users, rather than to install two separate parallel lines, one for the resort, one for residential customers". The decision they make here will have an impact on rates and we want to know what that impact will be and how they will allocate and track the resort's portion of costs. We cannot know this without full disclosure. Is this future planning being built into the current proposed rate structure? According to your staff, this should not be the case and yet how are we to be certain?

Discussions with experts regarding the rate structure have been interesting. Again we reiterate that a conservation based structure is the norm for today. We question whether a commercial user such as Rosario Resort, which has a much larger impact on the system, shouldn't be billed at a different rate structure than residential users.

While we have recv'd answers to the questions posed two weeks ago...some are contradictory and complicated requiring more research to grasp. One example is: #6 and I quote: "The base rate and ready to serve are intended to recover approx. 60% of the total required revenue to cover operating costs and return on investment." Followed closely by; "No, the base rate plus ready to serve cover approximately 88% of the fixed operation costs."

Which is it? This leads again to the need for full disclosure.

The court ordered the new plant build out because the owners of RU delayed for several years... forcing a 6 month build out, resulting in the waiving of building the test model

for the system...with the end result being a very expensive plant to operate. ....we are bearing the burden of their ineptitude.

Additionally under the WAC 480-07-530 General Proceedings the following were NOT provided in the filing

Received by us:

Balance Sheet

There were no papers specifying all assumptions

List of distortions to test period earnings was missing

Underlying reasons for Proforma adjustments are not given

Every transaction with an affiliated entity is clearly not given

As you can see, we continue to have many questions. I am representing the residents of Rosario in requesting a suspension of this tariff in order to work further with the utility in answering our questions. Our expectation is to have safe water provided at reasonable rates based upon actual costs of doing business, not a proforma for the future.

Thank you again for your time and attention.

As an aside, none of our comments presented here or via email are listed on your website.

Deborah Carruth  
RPOA Board Member  
Rosario Property Owners Assoc.

Amortization Calculation from Yahoo Real Estate

1 million at 9.25% 7 years Total Interest over life of loan \$362,164.32

Interest Pd first year 88,058.43

Principal balance after 1 yr \$893,464 term 6 years at 6.25%

Total Interest over life of loan \$180,268.06

\$180268

+ 88058

268326

\$362164 less \$268326 yeilds savings of \$93838

Attachments

Follow-Up Information		Other Follow-Up Information	
Follow-Up	<input type="radio"/> Yes <input type="radio"/> No	Other Follow-Up	<input type="radio"/> Yes <input type="radio"/> No
Follow-Up Staff		Other Follow-Up Staff	
Follow-Up Complete	<input type="radio"/> Yes <input type="radio"/> No		

Issue Information	
Issue ID	169