

**BEFORE THE WASHINGTON UTILITIES  
AND TRANSPORTATION COMMISSION**

**UW-\_\_\_\_\_**

**APPLICATION FOR SALE AND TRANSFER OF ASSETS  
FROM MONTERRA, INC.  
TO CASCADIA WATER, LLC**

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**Exhibit 2**

**Monterra 2017 Annual Report**

February 21, 2019

# CLASS C - WATER COMPANIES 2017 ANNUAL REPORT

FOR

**MONTERRA WATER SYSTEM** dba: **Sam D**  
(REGISTERED NAME OF BUSINESS)

**PO BOX 574** Certificate Number: **W-283**  
(OFFICIAL MAILING ADDRESS)

**SEQUIM** **WA** **98822**  
(CITY) (STATE) (ZIP)

**[REDACTED]**  
(BUSINESS EMAIL FOR OFFICIAL COMMUNICATIONS)

'X' if address listed above is an updated address

Report Year Ended: December 31, 2017

Inquiries concerning this Annual Report should be addressed to:

Name: **ERIC THOMAS**  
Title: **President**  
Address: **PO Box 574**  
City: **Sequim**  
State: **WA** Zip Code: **98822**  
Telephone: **360-681-8694**  
Email: **[REDACTED]**

SUBMIT TO:

<https://www.utc.wa.gov/docs/Pages/ElectronicFiling.aspx>

**MONTERRA INC**  
P O BOX 574 (360) 681-8694  
SEQUIM, WA 98382-0574

1645  
98-7084/3251

4-26-18 Date

Pay to the Order of W. U. T. C. \$ 50.43  
Fifty 42/100 Dollars

**First Federal**  
www.firstfed.com (360) 417-3204  
P.O. Box 351  
Port Angeles, WA 98362

For [Signature]  
**01645**

Member FDIC

## INSTRUCTIONS FOR ANNUAL REPORT COMPLETION

### ***Commission Authority***

The purpose of this form is to collect financial and operational information from water companies regulated by the Washington Utilities and Transportation Commission (UTC). The commission's authority for requiring this report is found in RCW 80.04.080. This report is a non-confidential public use form.

### ***Certification***

The Annual Report Certification must be signed by an authorized officer, partner or owner.

### ***Regulatory Fees***

Regulatory fees are set by commission order A-140166.

### ***Deadlines and Penalties***

All water companies regulated by the UTC are required to complete this form, including all schedules. Failure to complete all schedules will result in the report being considered incomplete and subject to penalties. Completed forms and regulatory fee payments must be received by the UTC no later than January 0, 1900. Failure to file the annual report by the above deadline will result in a financial penalty of \$100 for each business day after January 0.

Failure to pay the regulatory fees by the above deadline will result in a 2 percent penalty on the amount due and a 1 percent monthly interest charge on the unpaid balance.

### ***Extension Requests***

You may file a written request for an extension to file the completed annual report; however, the commission will not extend the deadline for paying regulatory fees. Any extension request must be filed with the commission by April 13, 1900, and must state a valid reason for why the extension is needed and identify a specific date which the report will be filed with the commission. Even if your request is approved, you will still be liable for penalties and interest payments if you fail to pay your regulatory fees by January 0. Extension requests can be filed online at: <http://www.utc.wa.gov/docs/Pages/ElectronicFiling.aspx>

### ***Confidential Status***

Although this report is non-confidential and for public use, a water company may claim certain information as confidential, however, the company must follow the steps for filing confidential documents as detailed in WAC 480-07-160. The regulatory fee sheet portion of your report is not a confidential document and will not be accorded confidential treatment under the rule. To view the confidential requirements in WAC 480-07-160, please visit the following site:

[apps.leg.wa.gov/WAC/default.aspx?cite=480-07-160](https://apps.leg.wa.gov/WAC/default.aspx?cite=480-07-160)

### ***Electronic Filing and Payment***

To obtain an electronic copy of this template, submit a report online or pay your regulatory fees online visit:

<https://www.utc.wa.gov/regulatingIndustries/Pages/annualReports.aspx>

### ***Staff Contact***

Benjamin Sharbono at (360) 664-1157 or Benjamin.Sharbono@utc.wa.gov  
TTY Toll-Free phone number 1-800-416-5289

**ANNUAL REPORT AND AFFILIATED INTEREST CERTIFICATION**

**WAC 480-110-505 Accounting and reporting requirements and regulatory fees**

(1) Water companies must use the uniform system of accounts (USOA) published by the National Association of Regulatory Utility Commissioners (NARUC). Information about the USOA regarding the version adopted and where to obtain it is set out in WAC 480-110-999 (Adoption by reference). The USOA sets out the accounting requirements for Class A, B, and C water companies.

Water companies are classified by revenues.

Class	Annual Gross Operating Revenue
A	\$1,000,000 or more
B	\$200,000 to \$999,999
C	Less than \$200,000

- (2) A water company may use the accounting requirements for a higher class, but at a minimum must comply with the accounting requirements for the company's classification.
- (3) The commission will distribute an annual report form that each water company must complete and file with the commission for the prior calendar year. The annual report must be filed, and the company's regulatory fee paid, no later than May 1 of each year.
- (4) If the company seeks additional time to file its annual report, it may file a written request to extend the filing deadline no later than April 15. The commission does not grant an extension of time for payment of regulatory fees.
- (5) The maximum water company regulatory fee is set by statute at one-tenth of one percent of the first fifty thousand dollars of gross intrastate operating revenue plus two-tenths of one percent of any gross operating revenue in excess of fifty thousand dollars. The commission assesses the maximum statutory fee except as follows:
- (a) A company must pay a regulatory fee no less than twenty dollars unless the company has less than twenty thousand dollars in gross intrastate operating revenue during the reporting year.
  - (b) If a company does not pay its regulatory fee by May 1, the commission will assess an automatic late fee of two percent of the amount due, plus one percent interest for each month the fee remains unpaid. The commission also may assess penalties of one hundred dollars per day for each day the filing is late.

**WAC 480-110-515 Reporting of affiliated interest transactions**

- (1) Each Class A water company must file an annual report summarizing all transactions, except for transactions provided at tariff rates, that occurred between the company and its affiliated interests, and between the company and its subsidiaries. The report is due one hundred twenty days from the end of the company's reporting period, whether a fiscal or calendar year. The report must include a corporate organization chart of the company and its affiliated interests and subsidiaries.
- (2) When total transactions with an affiliated interest or a subsidiary are less than twenty-five thousand dollars for the reporting period, the company must provide the name of the affiliated interest or subsidiary participating in the transactions and the total dollar amounts of the transactions. When total transactions with an affiliated interest or subsidiary equal or exceed twenty-five thousand dollars for the reporting period, the company must provide:
- (a) A balance sheet and income statement for such affiliated interest;
  - (b) A description of the products or services provided to or from the company and each such affiliated interest or subsidiary;
  - (c) A description of the pricing basis or costing method, and procedures for allocating costs for such products or services, and the amount and accounts charged during the year;
  - (d) A description of the terms of any loans between the company and each such affiliated interest or subsidiary and a listing of the year-end loan amounts and maximum loan amounts outstanding during the year;
  - (e) A description of the terms and total amount of any obligation or liability assumed by the company for each such affiliated interest or subsidiary;
  - (f) A description of the activities of each such affiliated interest or subsidiary with which the company has transactions; and
  - (g) A list of all common officers and directors between the water company and each such affiliated interest or subsidiary, along with their titles in each organization.
- (3) The report required in this section supersedes the reporting requirements contained in previous commission orders authorizing affiliated interest transactions pursuant to chapter 80.16 RCW.
- (4) The company is obligated to file verified copies of affiliated interest contracts and arrangements as stated in WAC 480-110-545 (Affiliated Interests — Contracts and arrangements).

**PREPAPER INFORMATION**

'X' if Preparer same as Cover:

Person who prepared report:

Title:

If different; Company Name:

Telephone:

Principal Business Address:

City:

State:

Zip:

**COMPANY INFORMATION**

Washington Unified Business Identifier (UBI) No.:

600115502

(If you do not know your UBI No. please contact Business Licensing Service at 1-800-451-7985 or BLS@dor.wa.gov)

Business Structure (please enter the appropriate designation):

S Corp

Please enter: Individual/Sole Proprietor, Partnership, LP, LLP, LLC, Corporation, or Nonprofit Corporation

Date First Organized or Regulated:

6-7-72

'X' if Address is same as Cover:

Business Physical Address:

292 W Cedar

City:

Sequim

State:

WA

Zip:

98282

Telephone:

360-81-8694

Fax:

360-681-2192

Business Website:

**Accounting Records Information**

'X' if Address is same as above:

Location of Books & Records:

City:

State:

Zip:

Method of Accounting:

Please enter: Cash or Accrual

**CERTIFICATION**

I have examined this report and to the best of my knowledge and belief, all statements of fact are accurate, the financial statements, for the period from January 1, 2017 to December 31, 2017, contained in this report, correctly reflect the business affairs of the respondent.

(PLEASE VERIFY THAT ALL SCHEDULES ARE ACCURATE AND COMPLETE BEFORE SIGNING)

X 

Date

7/24/18

Name

Eric Thomas

Title

President

Company

Montana White System

Street Address

292 W Cedar

City

Sequim

State

WA

Zip Code

98282

Telephone

360-81-8694

Email

**OWNERSHIP**

List the first name (or Company Name), last name (or State of Registration), title, and percentage of all owners holding directly or indirectly five percent or greater voting securities of the Company. Group all owners holding less than five percent as 'Other Owners'. Represent Percentage in decimal form (e.g., 80% is entered as 0.8000).

First Name (or Company)	Last Name (or State Registered)	Title	Ownership
Eric	Thomas	Secretary	50%
Eric	Thomas	President	50%
Other Owner's holding less than 0.0500 (5%) individually			

**Industry Specific Information**

**Emergency Contact Information**

List the Title, Name, Business Address, and Contact number. Continue filling out in the same format until all personnel are represented.

Title	Name	Principal Business Address	Phone #
Certified Water Manager	ERIC THOMAS WDM III	292 W Cedar Sequim WA 98382	360-651-8679
Emergency Responder	Dale Metzger WDM III	811 Blair St Sequim WA 98382	360-477-9704
Emergency Responder	Kim / Jack Thomas	292 W Cedar Sequim WA	360-477-5282 360-477-6320

**SCHEDULE 1  
 INCOME STATEMENT**

*(For the Calendar Year 2017)*

Line (L)	Account # (a)	Account Name (b)	Total Company (c)
<b>Revenues</b>			
1	400	Operating Revenue	50,210
2	471	Misc. Revenue Accounts <sup>1</sup> (specify in footnote)	
3	474	Other Revenue Accounts (specify in footnote)	
4		<i>Utility Operating Revenue (add lines 1 thru 3)</i>	50,210
<b>Expenses</b>			
5	401	Operating Expense Accounts	51,276
6	403	Depreciation Expense	
7	409	Federal Income Taxes	
8		<i>Utility Operating Expense (add lines 5 thru 7)</i>	
9		<i>Utility Operating Income (Loss) (subtract line 8 from line 4)</i>	1,865
<b>Other Income and Deductions</b>			
<b>Other Income:</b>			
10	419	Interest & Dividend Income	
11	421	Miscellaneous Nonutility Income	
12		<i>Total Other Income (add lines 10 and 11)</i>	
<b>Other Deductions</b>			
13	427	Interest Expense	
14	426	Miscellaneous Nonutility Expenses	
15		<i>Total Other Deductions (add lines 13 and 14)</i>	
16		<b>Net Income (Loss) (add lines 9 and 12, subtract line 15)</b>	

<sup>1</sup>Misc Revenue Accounts should not include Jobbing & Contract work. Include this revenue under the Other Income section.

**SCHEDULE 2  
 BALANCE SHEET - TOTAL COMPANY**

(For the Calendar Year 2017)

Line (L)	Account # (a)	Account Name (b)	Total Company (c)
		<b>Assets</b>	
1	101	Utility Plant	187,418
2	108	Less: Accumulated Depreciation	182,413
3	114	Utility Plant Acquisition Adjustment	
4	110	Less: Accumulated Amortization of Plant Acquisition Adjustment	
5		Net Utility Plant (add lines 1 and 3, subtract lines 2 and 4)	5,005
6	127	Special Funds (Surcharges, Facility Charges)	
7	131	Cash	
8	141	Customer Accounts Receivable	
9		Other Assets (specify in footnote) Goodw. 11	65,460
10		<b>Total Assets (add lines 5 thru 9)</b>	70,532
		<b>Ownership Equity</b>	
11	201-204	Capital Stock Issued	5000
12	211	Other Paid In Capital (specify in footnote)	
13	214-215	Retained Earnings	15,599
14	218	Proprietary Capital ROT	7180
15		<b>Total Ownership Equity (add lines 11 thru 14)</b>	27,779
		<b>Liabilities</b>	
16	224	Long-Term Debt	44,607
17	231	Accounts Payable	
18		Current Debt	4,950
19	271	Contributions in Aid of Construction (CIAC)	
20	272	Less: Accumulated Amortization of CIAC	
21		Other Liabilities (specify in footnote)	
22		<b>Total Liabilities (add lines 16 thru 20)</b>	
23		<b>Total Ownership Equity and Liabilities (add lines 15 and 22)</b>	70,532

Note: Line 10 must equal Line 23



**SCHEDULE 3  
 SOURCES OF CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)**

*Report below all plant, equipment, and monies received during the year, as a gift. Tariff Based (e.g., connection charges, facilities charges, and surcharges); Non-Tariff Based (e.g., developer donated line extension).*

Line No. (L)	Description of Charges (a)	# of Connections (b)	Cost or Charge per Connection (c)	CIAC Amount Received (d)
26	Tariff Based CIAC			
27	Non-Tariff Based CIAC			
28	CIAC Collected (add lines 26 and 27)			

**CUSTOMER COUNT SUMMARY**

Description (a)	Number at Beginning of Year (b)	New Services (c)	Number at End of Year (d)
Total Unmetered	185	0	185
Total Metered			
Total Ready-to-Serve			
Total Committed			
Total Served from Master Meter			
Total Customers	185		185

**WATER CATEGORY SUMMARY**

Annual Water	Cubic Feet
Source Water (Purchased, Surface, and Ground Water)	1,321,672
Loss or Wastage	
Sold to Customers	
<i>Conversion: 1 cubic foot = 7.48 gallons; See calculator to the right.</i>	

## REGULATORY FEE CALCULATION SCHEDULE

Due May 1, 2018

Company Name: Monterra Water System

Annual Report Year  
 2017

In accordance with RCW 80.24.010 "Regulatory Fees", the Commission requires Water companies to file reports of gross intrastate operating revenue and pay fees on that revenue. Every company subject to regulation shall file with the Commission a statement under oath showing its gross intrastate revenue for the preceding year and pay to the Commission a fee as instructed below.

### Regulatory Fee Calculations

1 Utility Operating Revenue			
2 Less Non Fee-Paying Revenue (Include details on separate page for non-paying revenue)			\$0,210
3 Total Gross Intrastate Operating Revenue** (Line 1 - Line 2)			\$0,210
4a If Line 1 is under \$20,000, enter \$0, otherwise enter line 1, upto \$50,000, x .1%			\$0,210
4b If Line 1 is over \$50,000, enter Line 1 less \$50,000 x .2%	\$0,100	x	0.001
5 Total Regulatory Fees owed (Add Line 4a and 4b)	210	x	0.002

Note - There is a minimum twenty dollar regulatory fee. This fee is waived for any water company with less than \$20,000 in Gross Intrastate Operating Revenue.

### Penalty & Interest Calculations

3 Penalties on Regulatory Fees being paid after January 0			
3a Total Penalties on Regulatory Fees owed (enter amount from Line 2 x 2%)			[ ]
4 Interest on Regulatory Fees being paid after May 31			[ ]
4a Amount from Line 2 x Number of months past May 31 x 1%	[ ]	x	0.02
5 Total Penalties and Interest owed (Line 3a plus Line 4a)	[ ]	x	0.01
6 Total Regulatory, Penalties and Interest Fees Due (Line 2 plus Line 5)			[ ]

**Note:** Gross Washington intrastate operating revenue is defined as all regulated revenue collected for the year from rates under tariffs, and contracts on file at the Washington Utilities and Transportation Commission. The revenues subject to the commission's regulatory fees are gross Washington intrastate operating revenues before deductions for uncollectibles, unbillables or the payment of state and federal taxes, e. "Gross Revenues" means before any deductions from Revenue Receipts.

### COMMISSION USE ONLY

Report ID: _____ Year: <u>AR2017</u> Payment ID: _____	GROSS INTRASTATE REVENUE: _____ LESS: NON-FEE PAYING REVENUE: _____ GROSS INTRASTATE REVENUE: _____ LESS: MINIMUM REGULATORY FEE: _____ Total Paid: _____
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**Typical Average Service Lives  
 Salvage Rates, and Depreciation Rates  
 Water Utilities**

NARUC (1996) Account Numbers Class A B C	Class of Plant  Source of Supply Plant	Average Service Lives Years **	Net Salvage Percent %	Depreciation Rate Range	
				Short	Long
301	Organization	XXX		XXX	XXX
302	Franchises	XXX		XXX	XXX
303	Land and Water Rights	XXX		XXX	XXX
304	Structures and Improvements	35-40		2.86%	2.50%
305	Collect. and Impounding Res.	50-75		2.00%	1.33%
306	Lake, River and Other Intakes	35-45		2.76%	2.22%
307	Wells and Springs	25-35		4.00%	2.86%
308	Infiltration Galleries and Tunnels	25-50		4.00%	2.00%
309	Supply Mains	50-75		2.00%	1.33%
310	Power Generation Equipment	10-15		10.00%	6.67%
<b>Pumping Plant</b>					
304	Structures and Improvements	35-40		2.86%	2.50%
311	Pumping Equipment	20			5.00%
311	Other Pumping Plant	25			4.00%
<b>Water Treatment Plant</b>					
304	Structures and Improvements	35-40		2.86%	2.50%
320	Water Treatment Equipment	20-35		5.00%	2.86%
<b>Transmission and Distribution Plant</b>					
304	Structures and Improvements	35-40		2.86%	2.50%
330	Distribution Reservoirs and Tanks	30-60		3.33%	1.67%
331	Trans. and Dist. Mains	50-75		2.00%	1.33%
331	Fire Mains	50-75		2.00%	1.33%
333	Service Connections	30-50		3.33%	2.00%
334	Meters	20-25	10	5.00%	4.00%
334	Meter Installations	40-60		2.50%	1.67%
335	Hydrants	40-60	5	2.50%	1.67%
<b>General Plant</b>					
304	Structures and Improvements	35-40		2.86%	2.50%
339	Other Plant	40-60		2.50%	1.67%
340	Office Furniture and Equipment	20-25	5	5.00%	4.00%
341	Transportation Equipment	7	10		14.30%
342	Stores and Equipment	20			5.00%
343	Tools, Shop and Garage Equip.	15-20	5	6.67%	5.00%
344	Laboratory Equipment	15-20		6.67%	5.00%
345	Power Operated Equipment	10-15	10	10.00%	6.67%
346	Communication Equipment	10	10		10.00%
347	Miscellaneous Equipment	10	10		10.00%
348	Other Plant Assets	10	10		10.00%
348	Water System Plan	6	10		16.67%

\*\* These lives are intended as a guide; longer or shorter lives should be used if experience shows it is warranted.

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## PAYMENT INFORMATION

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**Utilities and Transportation Commission (UTC) accepts the following methods of payment**

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**Cash (in-person at the UTC)**

Deliver Cash to:  
1300 S. Evergreen Park Drive S.W.  
Olympia, WA 98504

**Check (must be in US Funds)**

Deliver to the UTC Office above or Send Checks to:  
Utilities and Transportation Commission  
PO Box 47250  
Olympia, WA 98504-7250

**Online payments\* (ACH, American Express, Discover/Novus, MasterCard, Visa)**

To pay online visit:

<https://www.utc.wa.gov/regulatedIndustries/Pages/online-payments.aspx>

**Pay-by-phone (credit card payments only) at (360) 664-1349**

*\*Please note: A convenience fee of 2.5 percent (minimum of \$3.95) is charged by Official Payments for using the credit card processing service.*

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## FILING YOUR REPORT

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All annual reports and regulatory fees must be received by the UTC no later than May 1 each year (or the following business day if May 1 lands on a weekend). In 2017, the UTC changed its procedural rule, WAC 480-07-140, requiring formal communications with the UTC be submitted electronically.

**Submit reports online:**

<https://www.utc.wa.gov/docs/Pages/ElectronicFiling.aspx>