



Canterwood Water Co., Inc.

4026 Canterwood Drive NW • Suite B • Gig Harbor, WA 98332
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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

December 15, 2005

Carole J. Washburn
Washington Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

Subject: Canterwood Water Company, Inc.
Request to Keep Present Rate Structure and
Revenue Increase Filing

Dear Ms. Washburn:

The Canterwood Water Company desires to file for a change to keep the monthly tariff rates. The last tariff filing for a rate increase was in January 31, 2003. The company was ordered to have it re-evaluated by December 31, 2005. An extension was requested to January 31, 2006.

Additional revenue is projected under this tariff based on the test year's data. However, the hope is that it still may encourage a change in water use behavior. The purpose of the change is to promote the wise and efficient use of lawn watering practices. Under the 2003 Municipal Water Law, water utilities are directed to encourage water efficiency.

There has not been a significant change in behavior in water use with the last rate structure change. The additional revenue from the highest tier (use greater than 4,000 cubic feet per month) is still needed to add additional booster pump and storage capacity to the water system. Other future projects include designing and adding treatment for corrosion control mandated by WSDOH to be installed by July 2007. Operational costs have increased along with state regulatory fees and monitoring requirements.

A new source was recently added to the system, which required purchase of an existing water right. The cost for this project is anticipated to be paid back from the additional revenue collected from this highest tier that was transferred to an Escrow account and pending WUTC approval for project reimbursement. Separate documentation for this request has been provided by Peninsula Light Company's engineer and Canterwood to support this request. At this time, any remaining funds in the Escrow account are also requested to be transferred into regular account to be used to offset increased operational cost and/or projected capital improvements.

Attached is a customer notice, revised tariff pages and financial information required per WAC 246-09-337. The proposed effective date would be March 1, 2006.

Please call me at (253) 851-1645 or our Satellite Management Agency representative, Lisa Raysby, at (253) 857.1598 if you have any questions. Ms. Raysby can also be reached via email at lisar@penlight.org.

Sincerely,

Russell Tanner
President

**CANTERWOOD WATER COMPANY
IMPORTANT NOTICE
December 15, 2005**

Canterwood Water Company (CWC) is working with Washington Utilities and Transportation Commission (WUTC) to re-evaluate the revised tariff that went into effect May 27, 2004. CWC is not proposing to change the current water rate structure or rates, but is requesting they remain unchanged.

A comparison of current and proposed rates is described below:

<u>Monthly Rate</u>	<u>Consumption Allowance</u>	<u>As of May 27, 2004 (and Proposed) Monthly Minimum at Zero Allowance</u>
5/8" or 3/4"		\$16.50
1"		\$28.05
1 1/2"		\$54.45
2"		\$87.45
3"		\$165.00
		<u>Per 100 cubic feet</u>
	0 to 1,500	\$0.75
	1,501 to 4,000	\$1.25
	over 4,000	\$3.50

Why was the rate structure changed in the first place?

Many Canterwood customers use significantly more water than necessary to maintain a green yard and landscape. Water was not being used efficiently. Although the water system is designed to handle higher than typical customer demands, it is not designed to handle all customers' irrigation demands at the same period of time nor excessive irrigation water.

These high peak hourly demands were (and still are) over taxing the booster pump facilities and impacting the water system's ability to meet fire suppression demands, if needed. Many residential customers were also exceeding the maximum annual water right allocated by the state (which equates to about 1,600 cubic feet/month). Furthermore, in 2003, Washington State passed the Municipal Water Law mandating water use efficiency.

The purpose of the current rate structure was to encourage water conservation and efficient landscaping and irrigation practices. This new rate structure did change some water use behaviors. However, there is still a great disparity between individual customer water use, as well as excessive peak hourly demands during the irrigation season.

Average customer water use prior to the last rate structure change was 2,300 cubic feet per month. Although, there are still some really high residential customer users (>10,000 cubic feet per month), the average annual water use for the past year under the revised rate structure was less or about 1,800 cubic feet per month. None the less, peak hourly demands due to irrigation demands still need to be significantly reduced, which we hope will continue to be modified with customer education.

What has CWC done with the excess revenue generated from the rate structure change?

The excess revenue from the highest tier went into escrow as contribution-in-aid of construction and disbursement of funds is pending WUTC approval. These funds are to be used to cover the cost of system improvements needed due to excessive peak hourly and annual demands.

All of revenue collected through the end of this year has been requested by CWC to cover the cost to purchase a water right outside of Canterwood, pay for the existing well to be decommissioned and cost to drill and get approval for a new well in Canterwood. Future improvements include increasing pump capacity at the booster stations, and possibly adding additional storage. Any additional revenue would go to offset increases in operational and maintenance cost, including new and increasing regulatory fees.

How can we conserve water or use it more efficiently?

Customers still need to be practice more wise and efficient irrigation. Follow the voluntary odd/even day watering schedule for outdoor lawn watering (please see enclosed sheet for more information). Please refrain from irrigating between the hours of 5:00 a.m. and 7:00 p.m. Peninsula Light Company (PLC) Water Services also has free copies of Washington State Department of Health water conservation pamphlets. During the year, PLC also usually sponsors a few free workshops related to efficient irrigation and landscaping practices.

If you have question about the rate making process or to confirm the hearing date, contact the WUTC at:

WUTC
PO Box 4725
Olympia, WA 98504-7250

1-800-562-6150 (toll-free)
FAX: 360-664-3604
Email: comments@wutc.wa.gov

These tariff changes are subject to approval by WUTC. The WUTC will review this proposal and may approve, set different rates, or suspend the filing for further consideration. If you would like to comment on this proposal, it is important that you do so now. Written comments or comments presented at the WUTC open public meeting will be included into formal record. The WUTC encourages your written comments, either in support or not.

Filing Information

Name CANTERWOOD WATER COMPANY
 Docket UTC WN U-4 UTC WN U-5?
 Last New
 Test Period 10/02 - 9/03 10/04 - 9/05
 Year Ending 12/31/2003 12/31/2005
 WUTC review of notice TBD - 12/05
 Filed 11/10/2003 TBD - 12/05 requesting extension to 1/31/06
 Mail public notice TBD-12/05
 Agenda 12/1/2003 TBD - 01/06

Effective 1/1/2004 TBD
 Customers 550
 Avg Consumption 2,181 1,861 for test period
 Rates
 Flat Allowance
 Meter Base 16.70 0
 0.75 1000
 1.00 1001-2000
 1.25 2001-4000
 1.50 >4000

Current

(May 27, 2004)
 \$16.50
 \$0.75
 \$1.25
 \$3.50

Ready to Serve 16.70
 Serv Conn 429.42
 Fac Charge 0.00
 Late Fee 0.00
 New Account 20.00
 NSF 15.00
 Water Availability 35.00
 & Request for Service

\$16.50 reduced to same as base rate
 \$429.42 PLC charge \$400 per meter install (avg. PLC cost)
 \$0.00 no change proposed
 \$0.00 no change proposed
 \$20.00 no change proposed
 \$30.00 no change proposed
 \$210.00 no change proposed

Customer and Water Use Data

Active Customer Accounts

2002 561
 10/02 - 9/03 587
 10/04 - 10/05 668

Actual Adjusted

customer avg > 100 cubic ft / month
 532
 556
 638

Annual Customer Consumption (cubic feet)

2002 14,679,723
 10/02 - 9/03 16,081,874
 10/02 - 9/03 16,075,569 record dry summer since before year 1900
 10/02 - 9/03 15,331,938
 10/04 - 10/05 14,254,489
 14,247,769

Average customer monthly use (cf/month)

2002 2,181
 10/02 - 9/03 2,283
 10/04 - 10/05 1,778
 2,409 record dry summer since before year 1900
 1,861 average use from 2002 to test period; down 20%)
 Use smaller number of connections and reduce water use to get the actual consumption for the connections used.

0 Three tiers (or less) recommended by Jim Ward.

1500 This tier exceeds WSDOH design standard and Ecology's annual water right of 400 gpd/ERU.
 1501-4000 This tier exceeds WSDOH design standard and Ecology's annual water right of 800 gpd/ERU.
 >4000 These customers are using greater than approximately 1,000 gpd/ERU.

14254489
 15074930
 34064
 15040866
 0.0522827

CANTERWOOD WATER COMPANY
Final Settlement UW-030410 (UPDATE)

Attachment 1

12/31/05

REVENUES	UW-940934	COMPANY	COMPANY	10/04 - 9/31/05	RESTATE	PER BOOK	PROFORMA	PROFORMA	PROPOSED	PROPOSED	REVISED	REVISED
	31-Dec-02	12/31/03	10/04 - 9/31/05	ADJ	ADJ	ADJ	ADJ	BEFORE	RATES	PERIOD	RATES	PERIOD
			CWC TO DO									
Unmetered Sales	0	0	0	0	0	0	0	0	0	0	0	0
Metered Sales, Residential	260,021	261,095	339,643	15,971	339,643	355,614	355,614	355,614	0	355,614	0	355,614
Ready to Serve (incl. in metered sales)	0	0	0	0	0	0	0	0	0	0	0	0
Utility Tax - State	0	0	0	0	0	0	0	0	0	0	0	(19,181)
Other Income, Ancillary Charges	0	6,917	7,540	7,540	7,540	7,540	7,540	7,540	0	7,540	0	7,540
OPERATING REVENUE	\$260,021	\$268,012	\$347,183	\$15,971	\$347,183	\$363,154	\$363,154	\$363,154	\$0	\$363,154	\$0	\$343,973
EXPENSES	\$40,73	\$39,13	\$44,36	\$44,36	\$44,36	\$44,36	\$44,36	\$44,36	0.00%	\$44,36	2.08%	\$44,36
Salary Employees	0	0	0	0	0	0	0	0	0	0	0	0
Salary Officers	0	0	0	0	0	0	0	0	0	0	0	0
Employee Pension/Benefit	0	0	0	0	0	0	0	0	0	0	0	0
Purchased Power	25,302	22,565	25,267	25,267	25,267	25,267	25,267	25,267	25,267	25,267	25,267	25,267
Chemicals	69	0	2,781	2,781	2,781	2,781	2,781	2,781	2,781	2,781	2,781	2,781
Material & Supplies	0	0	25	25	25	25	25	25	25	25	25	25
Contractual Engineer/Hydrogeologist	0	0	2,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920
Contractual Accounting	35,185	33,587	41,378	41,378	41,378	41,378	41,378	41,378	41,378	41,378	41,378	41,378
Contractual Legal	2,344	1,190	5	5	5	5	5	5	5	5	5	5
Contractual Ops/Mgmt/SMA	18,726	15,256	36,342	36,342	36,342	36,342	36,342	36,342	36,342	36,342	36,342	36,342
Water Quality and Pump Testing	0	1,224	5,030	(3,729)	5,030	1,301	1,301	1,301	three year average	1,301	1,301	1,301
Rents / Building, Property	4,800	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Transportation	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	5,607	5,081	5,560	5,560	5,560	5,560	5,560	5,560	5,560	5,560	5,560	5,560
Regulatory, Fees / Rate Case	0	439	2,376	2,376	2,376	4,966	4,966	4,966	923	5,890	923	5,890
Bad Debt	0	0	0	0	0	0	0	0	0	0	0	0
Travel/ Education/ Bank/ CCR	0	0	0	0	0	0	0	0	0	0	0	0
Office/ Postage / Phone	1,611	119	76	76	76	76	76	76	1,000	3,025	1,000	3,025
Repairs	5,332	15,206	18,645	18,645	18,645	18,645	18,645	18,645	18,645	18,645	18,645	18,645
Depreciation	41,521	42,422	49,672	49,672	49,672	49,672	49,672	49,672	49,672	49,672	49,672	49,672
Utility Excise Tax	0	13,148	14,497	14,497	14,497	14,497	14,497	14,497	14,497	14,497	14,497	14,497
Property Tax	6,430	6,100	7,362	7,362	7,362	7,362	7,362	7,362	7,362	7,362	7,362	7,362
Payroll Tax	0	0	0	0	0	0	0	0	0	0	0	0
Other Tax & License	15,740	938	2,692	2,692	2,692	2,692	2,692	2,692	2,692	2,692	2,692	2,692
OPERATING EXPENSES	\$160,667	\$163,274	\$221,653	-\$199	\$221,653	\$221,515	\$221,515	\$221,515	\$1,923	\$223,436	\$1,923	\$223,436
OPERATING INCOME	99,354	104,739	125,530	141,640	125,530	141,640	141,640	141,640	(1,923)	139,716	(1,923)	120,535
Interest Expense	(1,992)	0	(7,876)	(7,876)	(7,876)	(7,876)	(7,876)	(7,876)	(7,876)	(7,876)	(7,876)	(7,876)
Fed Income Tax - 15%	0	0	(63,761)	(63,761)	(63,761)	(63,761)	(63,761)	(63,761)	(63,761)	(63,761)	(63,761)	(63,761)
TOTAL EXPENSE	158,875	163,274	149,996	149,996	149,996	149,996	149,996	149,996	(\$1,923)	151,781	(\$1,923)	151,781
INCOME (LOSS)	\$101,346	\$104,739	\$197,187	\$0	\$197,187	\$213,287	\$213,287	\$213,287	(\$1,923)	\$211,373	(\$1,923)	\$192,192
NET OPERATING INCOME	\$99,354	\$104,739	\$189,311	\$0	\$189,311	\$205,421	\$205,421	\$205,421	\$0	\$203,497	\$0	\$184,316
BEYO												
UTIL PLANT IN SERV	1,501,026	1,533,823	1,864,185	1,864,185	1,864,185	1,864,185	1,864,185	1,864,185	1,864,185	1,864,185	1,864,185	1,864,185
ACCUM DEPRECIATION	(307,770)	(337,483)	(436,909)	(436,909)	(436,909)	(436,909)	(436,909)	(436,909)	(436,909)	(436,909)	(436,909)	(436,909)
ACQUISITION ADJUSTMENT	13,312	13,772	21,535	21,535	21,535	21,535	21,535	21,535	21,535	21,535	21,535	21,535
CIAC PLANT IN SERV	(147,344)	(155,739)	(180,924)	(180,924)	(180,924)	(180,924)	(180,924)	(180,924)	(180,924)	(180,924)	(180,924)	(180,924)
ACCUM AMORTIZATION	47,891	47,891	50,438	50,438	50,438	50,438	50,438	50,438	50,438	50,438	50,438	50,438
NET RATE BASE	\$1,107,115	\$1,102,264	\$1,318,325	\$0	\$1,318,325	\$1,318,325	\$1,318,325	\$1,318,325	\$0	\$1,318,325	\$0	\$1,318,325
RATE OF RETURN %	8.97%	9.50%	14.36%	14.36%	14.36%	14.36%	14.36%	14.36%	15.44%	15.44%	15.44%	15.44%
Customer Count	532	556	638	638	638	638	638	638	668	668	668	668
Settle 8/1/03												

Canterwoodnewtariff3 - WUTC.XLS / Results

12/15/2005 / 10:01 AM

Test Year Ending : 12/31/2003

355,614	Revenue Requirement for Customers			
269,940	Revenue Generation	(85,674)	Diff	-10.69 per customer offage
668	Customer Count	404.10	Annual Revenue per customer	
0	Growth	12	Months	
		\$33.68	Average Monthly Revenue per customer	

RESIDENTIAL RATE DESIGN		Average Cubic Feet	Allowance	Count	Monthly Cash Flow	Overage	Share	Annual Cash Flow	Share
OLD	Use 1,861	1,900	0						
	Reduce 0	Allowance	Meter Base						
16.70	Reduction:	0	\$16.50	638	10,527		50.38%	126,324	50.38%
	Usage Rate	Per 100 Cubic feet							
0.75	0 - 1500	\$0.75	1,500	638		7,178	34.35%	86,130	34.35%
1.00	1501 - 4000	\$1.25	400	638		3,190	15.27%	38,280	15.27%
1.25	> 4,000	\$3.50	0	638		0	0.00%	0	0.00%
1.50		\$0.00	0	0		0	0.00%	0	0.00%
			1,900						
			\$16.25						
			\$32.75			\$20,895	100%	250,734	100%
16.50	Ready To Serve		\$16.50	30	495			5,940	100.00%
0.00	Flat		\$0.00	0	0			0	0.00%
				668	11,022		\$21,390	5,940	100%
							256,674		
	Difference	0.00	\$17.33 Min charge						
	With B&O Tax	32.75							

	Last Case		This Case	
Base	111,422	48.83%	126,324	49.22%
Usage	116,760	51.17%	124,410	48.47%
Flat	0	0.00%	0	0.00%
RTS	0	0.00%	5,940	2.31%
	532	228,182	100%	668
				256,674

LARGER THAN RESIDENTIAL RATE DESIGN			
	XF	Allowance	Base
3/4 Inch meter	1	0	\$16.50
1 inch meter	1.70	0	28.05
1 1/2 inch meter	3.30	0	54.45
2 inch meter	5.30	0	87.45
3 inch meter	10.00	0	165.00
4 inch meter	16.70	0	275.55

XF = Factor for allowance size equal to 3/4 inch.

Count	Annual Revenue	3/4 Meter
9	3,029.40	Monthly Cuft 1,900
3	1,960.20	Months 12
6	6,296.40	Annual Cuft 22,800
1	1,980.00	Annual Gallons 170,544
0	0.00	
19	\$13,266.00	\$13,266

Gross Revenue \$269,940

	Previous	Current	Proposed
Ready To Serve	16.70	16.50	\$16.50
Surcharge Cap Imp	0.00	0.00	\$0.00
Flat	0.00	0.00	\$0.00
Base Zero	16.70	16.50	\$16.50
revised 0 - 1500	0.75	0.75	\$0.75
revised 1501 - 4000	1.00	1.25	\$1.25
revised > 4,000	1.25	3.50	\$3.50
	1.50	0.00	\$0.00

AVG BILL		
\$32.75	Water	
\$0.00	Surcharge	\$32.75
\$0.00	Tax	
<u>\$32.75</u>	Total	

CANTERWOOD WATER COMPANY

UTC WN U-4

For the Year ending

December 31, 2005

CAPITAL STRUCTURE

		Principal	Percent of Total	Cost Rate	Weighted Cost Rate		
DEBT							
	Accounts Payable	(92.14)	-0.03%	6.75%	0.00%		
	Liabilities	48,573.69	16.27%	6.75%	1.10%		
	Long-term Liabilities	250,056.54	83.76%	6.75%	5.65%		
		<u>298,538</u>	<u>100%</u>		<u>6.75%</u>		
EQUITY							
	Common Stock	615,671.34	40.71%				
	Retained Earnings	385,896.79	25.52%				
	Paid in Capital	386,973.80	25.59%				
	Net Earnings	123,762.89	8.18%				
		<u>1,512,305</u>	<u>100%</u>	12.00%	<u>12.00%</u>		
ACTUAL							
						Staff	Hypothetical
	Debt	298,538	16.49%	6.75%	1.11%	15%	1.01%
	Equity	1,512,305	83.51%	12.00%	10.02%	85%	10.20%
		<u>1,810,843</u>	<u>100%</u>				
				Weighted Average Cost of Capital	<u>11.13%</u>		<u>11.21%</u>

CANTERWOOD WATER COMPANY
 UTC WN U-4
 UTC WN U-5

BEOY - Before End of Year

		Yr 2002	10/1/2004 Start of Test Period	9/31/2005 End of Test Period	12/31/2005 BEOY	
Count		532	613	668		
Assets	CWC to Update:	1,501,026	1,650,273	2,014,135		
Adds	Well No. 1 upgrade		0			
	Well No. 2 upgrade		0			
	Well No. 3, 5 and 6 electrical upgr		0			
	New Well Acquisition Testing		0			
#1201	Water Right		0	150,000		? [plus attorney
#1303	Land & Water Rights			(12,491)		to recover moi
#1307	New Well #7			148,470		? [plus attorney
	Existing Wells - upgrades			27,754		to recover moi
#1310	Booster Station power supply			6,311		
#1331	Purdy Line Extension			17,140		
#1334	Meters installed			18,800		
#1348	Comprehensive plan			7,879		? [in progress]
				363,863		BEOY
						ADJ
Total		1,501,026	1,650,273	2,014,135	2,014,135	0
Depn		(307,770)	(307,770)	(337,483)		
Adds			0	0	0	
			0	(14,555)	(14,555)	
				(14,555)		
Total		(307,770)	(307,770)	(352,037)	(352,037)	0
CIAC		(147,344)	(147,344)	(155,739)	(155,739)	0
CIAC Update			Adjustment R-1	(8,395)	(8,395)	
Rate Base		1,045,912	1,195,159	1,497,964	1,497,964	0
CAR		69.68%	72.42%	74.37%	74.37%	
			Company Depn	(337,483)		
			Staff Depn	(352,037)		
Acquisition	12/31/2002	532	532	Adjustment R-1	(14,555)	
End of Year	2003	556	556			
	Growth	24	24	Company Depn	(337,483)	
	Connection Charge	365	400	Staff Depn	(352,037)	
	CIAC (8,760)	(9,600)				
	Growth CIAC	22	8,800	Adjustment R-1	(14,555)	
	EOY 02	(307,770)				
	EOY 05	(352,037)				
	Adjustment R-1	(44,267)	Adjust to Company Actual			

CANTERWOOD WATER COMPANY

10/02 - 9/03

UTC-WN U-4

UTC to update if the want

Month	September	October	November	December	January	February	March	April	May	June	July	August	September	TOTAL
Use Reading		1,255,224	576,531	411,662	486,354	430,672	383,568	518,046	882,013	2,359,872	3,378,771	2,936,047	2,463,114	16,081,874
Count	558	558	558	558	558	558	558	558	558	558	558	558	558	558
Average	0	2,250	1,033	738	872	772	687	928	1,581	4,229	6,055	5,262	4,414	2,402
Cuft		2250	1033	738	872	772	687	928	1581	4229	6055	5262	4414	2402
Gallons		16,826	7,728	5,518	6,520	5,773	5,142	6,944	11,823	31,634	45,292	39,358	33,018	17,965

Water Company

