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Kathy McCrary
Paralegal

RECEIVED
RECORDS
02 DEC -5 PM 12:27
UTILITY
COMMUNICATIONS

December 5, 2002

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Transfer of the Water System Serving the Plat of Kayak from Kayak
Point Water Co., Inc. to Kayak Estates Water, LLC

Dear Ms. Washburn:

Enclosed are the original and three copies of the above-referenced Application. This matter was previously filed with the Commission under Docket No. UW-991921. However, the Application had to be withdrawn because of litigation among persons claiming to have an ownership interest in Kayak Point Water Co., Inc. The litigation has been resolved and the parties are interested in moving forward on the transaction.

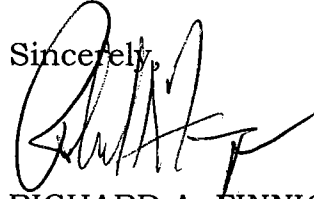
Based upon the 2001 annual report filed by Kayak Point Water Co., Inc., there is utility plant in service of \$1,739,365.00 and there is accumulated depreciation of \$1,011,964.00 for a net utility plant of \$727,401.00. Using Commission Staff's analysis from 2000 in Docket No. UW-991921 on net CIAC, updated to the current time using a conservative amortization rate of 2.5%, there is a net CIAC of \$158,128.00. When this is subtracted from net plant, this produces a rate base of \$569,276.00. The purchase price for the assets is \$457,000.00. The purpose of pointing this out is not to try to arrive at a final rate base figure for ratemaking purposes. These figures are provided to address an issue that was raised under Docket No. UW-991921 as to whether or not the purchase price exceeded rate base. In this case, it does not.

Ms. Carole J. Washburn
December 5, 2002
Page 2

Kayak Point Water Co., Inc. has been under direction from the Department of Health to file a metered water rate. The Company has not yet done so. The new owners, Kayak Estates Water, LLC, have authorized me to communicate their commitment that they will file a metered rate within sixty days of the date the transfer is approved.

Thank you for your attention to this matter.

Sincerely,



RICHARD A. FINNIGAN

RAF/km
Enclosures

cc: Owen Sawyer
Bud Levine

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

IN THE MATTER OF THE APPLICATION)	
TO TRANSFER THE WATER SYSTEM)	Docket No. UW-
FROM KAYAK POINT WATER CO., INC.)	
TO KAYAK ESTATES WATER LLC)	APPLICATION

COMES NOW Kayak Point Water Co., Inc. (“Kayak Point”) and Kayak Estates Water LLC, a Washington limited liability company (“Kayak Estates”), and submit this joint application to transfer that certain water system from Kayak Point to Kayak Estates.

INTRODUCTION

The water system to be transferred consists of wells, pumps, reservoirs, distribution mains, meters and appurtenances to serve customers of the Plat of Kayak and are located in Snohomish County, Washington.

The water system includes the normal storage, well and distribution facilities to serve the customers of the system. The system meets Department of Health standards for serving the number of customers on the system. The system is under an Agreed Order with the Department of Health, copy attached. The system has made substantial progress under the Agreed Order, see letter from Department of Health of November 8, 2002, copy attached. The new owners have agreed to meet the requirements of the Agreed Order.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
STAFF

EXHIBITS

Pursuant to Chapter 480-143 WAC, attached hereto are the following exhibits:

- Exhibit 1 - Instrument of Transfer
- Exhibit 2 - 2001 Annual Report of Kayak Point Water Co., Inc.
- Exhibit 3 - Balance sheet of Kayak Estates Water, LLC

METHOD OF FINANCE

It is contemplated that the purchase price shall be paid from the revenue of the system at existing rates.

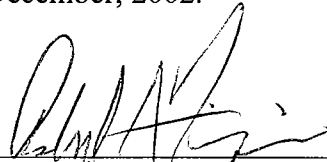
THE TRANSFER IS IN THE PUBLIC INTEREST

This transfer of property is in the public interest because it places the water system with the water purveyor that can most conveniently and efficiently provide service to the customers of that system.

PRAYER

Based on the foregoing, the Applicants request approval of their application.

Respectfully submitted this 5th day of December, 2002.



Richard A. Finnigan
Attorney for Kayak Estates Water LLC

STATE OF WASHINGTON)
) SS.
County of Snohomish)

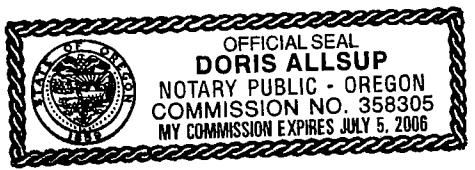
Owen C. Sawyer, being first duly sworn, deposes and says that he is the President of Kayak Point Water Co. Inc., the applicant in the proceeding entitled above, and that he has read the foregoing application, and knows the contents thereof: that the same are true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters he believes them to be true.

Owen C. Sawyer

SUBSCRIBED AND SWORN TO before me this 15th day of November, 2002.

Doris Allsup

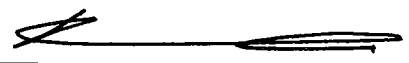
DORIS ALLSUP
(Print Notary Name)



NOTARY PUBLIC in and for the State
Of Oregon, residing at Brookings
My commission expires 7-5-2006

California
 STATE OF ~~WASHINGTON~~)
San Francisco) ss.
 County of ~~Snohomish~~)

Kristian Armstrong, being first duly sworn, deposes and says that he is the
 Managing Member of Kayak Estates Water LLC, the applicant in the proceeding entitled
 above, that he has read the foregoing application and knows the contents thereof; that the
 same are true of his own knowledge, except as to matters which are therein stated on
 information or belief, and as to those matters he believes them to be true.



SUBSCRIBED AND SWORN TO before me this ____ day of
 _____, 2002.

_____ *Rec Attached*

 (Print Notary Name)
 NOTARY PUBLIC in and for the State
 of Washington, residing at _____
 My commission expires _____

JURAT WITH AFFIANT STATEMENT

State of California
County of San Francisco } ss.

- See Attached Document (Notary to cross out lines 1 – 11 below)
- See Statement Below (Lines 1 – 11 to be completed only by document signer[s], not the Notary)

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Signature of Document Signer No. 1

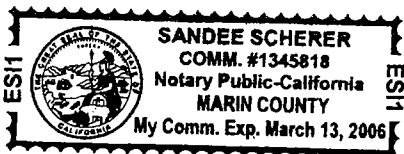
Signature of Document Signer No. 2 (if any)

Subscribed and sworn to (or affirmed) before me

this 26th day of November, 2002 by
Date Month Year

(1) Kristian Armstrong
Name of Signer

(2) none
Name of Signer



Sandee Scherer
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Further Description of Any Attached Document

Title or Type of Document: Application

Document Date: 12/5/02 Number of Pages: 5

Signer(s) Other Than Named Above: None

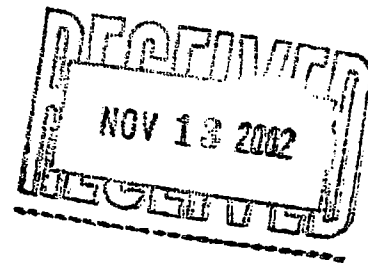
RIGHT THUMBPRINT OF SIGNER #1
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RIGHT THUMBPRINT OF SIGNER #2
Top of thumb here



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

20435 72nd Ave. S., Suite 200, K17-12 • Kent, Washington 98032-2358



November 8, 2002

OWEN SAWYER PRESIDENT
KAYAK POINT WATER CO INC
1307 MOORE STREET # 704
BROOKINGS OR 97415

Subject: Kayak Point Water Co. Inc., ID # 231115
Snohomish County
Stipulations for Future Increases in Approved Service Connections

Dear Mr. Sawyer:

A couple months ago, I had a conversation with Dave Dorland where I described what I will look for before providing the next increase in approved service connections. I am now putting this in writing for your information and for documentation purposes.

When we released the 25 connections in October 2001, we hoped the newly installed booster station was the solution to the water pressure problems. It was expected that 25 connections would be sufficient to cover a one-year period for your engineer and hired management to complete the Water System Plan Update (WSP). As you know, when summer time came around, it was discovered that the booster pumps were not the complete solution to the water pressure problems during peak demands.

Considering our goals for public health protection, it is important to assure that a water system has the capacity in place before adding more connections. For Kayak Point Water Company, the following must be addressed before we restore any more approved connections:

1. A bypass must be installed around the booster pumps with a valve that automatically opens if the pumps become disabled, a power outage occurs, or during a fire flow event. Because fire flow is required in parts of the water system, the bypass pipe must be at least 6-inch diameter. Your engineer should be involved in sizing the pipe and selecting the appropriate valves. It would be best to take care of this right away, considering the liability the water company could face if a fire occurs before this is fixed. Please submit the revised as-built drawings when this is completed. I am available to review the design prior to installation if you prefer.
2. Some improvement may be needed in the pump controls, since it was necessary to set them manually last summer.

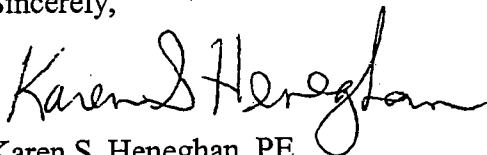


3. I will need to see that the system gets through a summer without a pressure problem occurring before we release additional connections. I agree that a metered rate with conservation pricing will play an important role. But we will need to see demonstrated success.
4. Evidence must be provided that water demands are reduced within the 300-gpm instantaneous and 42-afy limits of the Water Right Permit. To do this, daily source meter readings need to continue during the months of June through September, and at least monthly during other months. We are aware that the instantaneous limit was exceeded during the summer of 2002. A full year of data could be submitted next fall to demonstrate if water use has been reduced below these limits.
5. We need to be convinced that serious effort is underway on the WSP. Since water demands should decrease after the metered rate is in effect, it would be understandable to extend the schedule for completing parts of the WSP. We discussed all elements of the WSP Update in our January 2002 pre-planning meeting with John McDonnell and Dave Dorland. The elements that do not relate to water demands could be submitted by next summer to show that progress is being made. The rest of the WSP could be finished after the meter data collection is completed next summer.
6. A written flushing program must be submitted along with documentation that it is being implemented. The written program will become part of the WSP. I understand that Iliad is creating dated photographs when flushing is done. I have not received any of these since August. It would be good to submit updated photos soon.

This letter does not affect the 25 additional connections that were released previously, for a total of 348. The work by Iliad Inc this summer shows that an effort is being made. We look forward to the completion of the above tasks prior to discussing a further increase in approved connections.

If you, Iliad, or your engineer have any question about these provisions, I can be reached at (253) 395-6766.

Sincerely,



Karen S. Heneghan, PE
Regional Engineer
Northwest Drinking Water Operations

Cc: Dave Dorland, Iliad Inc.
John McDonnell, PE, Western Engineers Inc.
Bruce Straughn, Snohomish Health District
Jim Ward, Washington Utilities and Transportation Commission
Linda Scott, DOH NW Drinking Water Operations

In Re:)
)
 KAYAK POINT WATER COMPANY) Docket No. 02-XXX
 SNOHOMISH COUNTY)
)
 ID# 231115) AGREED ORDER
)
)

To: OWEN SAWYER
 KAYAK POINT WATER CO INC
 1307 MOORE ST, #704
 BROOKINGS OR 97415

This document constitutes a notice of correction for purposes of chapter 43.05 RCW. Pertinent references to the Washington Administrative Code (WAC) and the Code of Federal Regulations (CFR) are indexed in Part VII herein. This order is intended to address the water quality concerns of the Kayak Point Water Company water system. This order is not intended to address all aspects of the drinking water program for which the purveyor is expected to comply. Response to this order shall be sent to the Department of Health, Northwest Regional Office, Kent, Washington (Department).

I. FINDINGS

1.1 Identity of System. Kayak Point Water Company is a public water system in Snohomish County, Washington. The purveyor of said system is Owen Sawyer whose address is 1307 Moore Street #704, Brookings, Oregon 97415. The system provides water for 337 residential connections, serves a population of approximately 800 persons and is classified as a Group A community water system as defined under WAC 246-290-020.

1.2 Covered by regulations. Kayak Point Water Company is a "public water system" as defined under RCW 70.119A.020(4). Owen Sawyer is a "purveyor" as defined under WAC 246-290-010. The operation of this public water system is governed by chapter 246-290 WAC, the regulations of the State Board of Health regarding Group A public water systems.

1.3 Violation of duty to reliably provide water at adequate pressure. The purveyor has a duty to provide an adequate quantity of water in a reliable manner during normal operating conditions in accordance with WAC 246-290-420 (Appendix A). The purveyor must maintain water pressure at the customer's service meter, or property line if a meter is not used, at the approved design pressure for both average and peak demand periods, but in no case less than 20 psi. The Kayak Point Water Company approved design pressure is thirty (30) pounds per square inch (psi). The purveyor has been unable to maintain adequate pressure at the high points of the system on several occasions. Water outages occurred on these and possibly more dates: June 2, 9, and 12, 2002.

II. ORDER

In view of the foregoing, under authority of WAC 246-290-050, you are ORDERED AND IT IS MUTUALLY AGREED between the purveyor and the Department of Health (DOH) to take the following actions to comply with chapter 246-290 WAC.

2.1 Notify consumers. Provide notice as required under WAC 246-290-495 (Appendix B), to all customers of Kayak Point Water Company describing:

- That you have entered into this Agreed Order with the Department of Health.
- Your plan for resolving the problems.

- Water use restrictions that must be instituted until further notice.
- Enforcement that the Company will take against customers who fail to comply with the water use restrictions.
- Your schedule for flushing water mains in the area influenced by manganese sediment.
- That loss of water pressure at the high points of the system can cause bacterial contamination that can impact all customers of the water system. Therefore, customers cannot be assured that the water is safe to drink. As a precaution, boiling water or using bottled water for drinking is suggested.
- That you will be collecting extra bacteria samples each month until the pressure problems are fully resolved and the Department of Health agrees that this requirement can be discontinued.
- That if a violation of bacteria standards occurs, you will disinfect the water system with chlorine and notify all customers.
- How customers should contact the company and how Iliad Inc. will respond to customer calls and the timeframe for such response.

The notice shall be substantially similar to the "Notice to Water System Users" (Appendix C). We understand that you will hand deliver notices on Friday, June 14, 2002 to at least notify customers of the water use restrictions. Copies of the complete written notice as specified above shall be delivered to customers as quickly as possible and provided to the Department within ten (10) days of signing this agreed order to verify compliance under WAC 246-290-495.

2.2 Resolve the low pressure problems. Within 10 days of this order, identify all repairs and improvements necessary to

continuously restore pressure throughout this water system and provide your schedule for completing these improvements.

2.3 Notify the Department of low pressure or out of water events. By 10:00 am the following business day, inform the Department of any event that resulted in pressure below 30 psi at the high points of the system and of action that has been and/or will be taken.

2.4 Patrol the water system service area. Between 7:30 to 9:00 am and 5:00 to 7:30 pm patrol the service area daily to identify any customers in violation of the water use restrictions, and institute action against such customers as described in the notice to customers under section 2.1.

2.5 Conduct flushing program and provide evidence to the Department. Flush the water mains in the area affected by manganese precipitation at least every two weeks, during off peak demand, until the pressure problems are fully resolved. Continue the flushing program once per month thereafter. Notify affected customers in advance of flushing. Also, provide evidence to the department that this flushing was done within 5 days after each time it is done.

2.6 Monitor bacteriological quality. Monitor bacteriological quality a minimum of five (5) times per month from representative points in the distribution system as required under WAC 246-290-300 and WAC 246-290-320 (Appendix D) until otherwise notified in writing by DOH. Reports shall be submitted as required under WAC 246-290-480 (Appendix E).

2.7 Conduct bacteriological contamination follow-up. Take follow-up action as required under WAC 246-290-320(1) and (2), if or when bacteriological contamination is found in any water sample.

III. PLACE TO SUBMIT DOCUMENTS AND REQUESTS

3.1 Reports. All documents or reports required by this agreed order to be submitted to the Department shall include the Docket Number on page 1 and be sent to Ingrid Salmon at the following address:

Department of Health
NW Drinking Water Operations
20435 72nd Ave S, Suite 200, K17-12
Kent, WA 98032-2358

3.2 Questions. Questions about compliance with this agreed order should be sent in writing to Ingrid Salmon at the above address.

3.3 Requests. A request to extend a time period to achieve compliance for good cause, or to otherwise modify the agreed order, may be filed with the Department by sending a written request to Ingrid Salmon at the above address within the time period specified for compliance. Any such request will be reviewed and a written response provided to you within fifteen (15) days of the Department's receipt of your request.

IV. SUPPLEMENTAL AND MODIFICATION

4.1 Allowed. The Department may supplement or modify this agreed order if changes are warranted to ensure compliance with chapter 246-290 WAC or to allow for your practical ability to correct the violations.

4.2 By consent. The regional compliance manager and regional engineer for the Department of Health, Northwest

Drinking Water Operations are authorized to modify this agreed order with your consent.

4.3 Without your consent. The regional manager for the Department of Health, Northwest Drinking Water Operations, may modify this agreed order with or without your consent.

V. TECHNICAL ASSISTANCE SERVICES

Technical assistance services available from the Department may be obtained by calling Karen Heneghan at (253) 395-6766 or writing to her at the address listed in 3.1 above.

VI. NOTICE OF PENALTY FOR VIOLATION OF AGREED ORDER

If you fail to comply with any provision of this agreed order, the Department may impose upon you civil penalties calculated on a per day basis of up to five thousand dollars (\$5,000.00) per violation per day, or in the case of a violation determined to be a public health emergency, a penalty of not more than ten thousand dollars (\$10,000.00) per violation per day under authority of chapter 70.119A RCW. Each violation shall be a separate and distinct offense when determining the penalty.

Failure to comply with this agreed order shall also result in the system being considered inadequate and the operating permit issued by the Department will be categorized as red. A system categorized as red may have loans, building permits and on-site sewage disposal permits denied for properties connected or to be connected to the system.

Furthermore, failure to comply with this agreed order may result in referral to the United States Environmental Protection Agency (EPA) for federal enforcement action.

SO ORDERED AND AGREED this 14th day of June 2002 at Kent,
Washington.

Robert E. James, Regional Manager
Northwest Drinking Water Operations
Washington State Department of Health

AGREED to this ____ day of _____ 2002 at _____,
Washington.

Owen Sawyer
Kayak Point Water Co., Inc.

VII. INDEX OF APPENDICES

Appendix	Title
A	WAC 246-290-420
B	WAC 246-290-495
C	Notice to Water System Users
D	WAC 246-290-300 and 320
E	WAC 246-293-480

EXHIBIT 1

SALES AND LICENSE AGREEMENT
KAYAK POINT WATER SYSTEM

THIS AGREEMENT is made and entered this 10th day of November, 1999 by and between Kayak Point Water Co., Inc. (the "Seller") and Kayak Estates Water LLC (the "Purchaser").

RECITALS

WHEREAS, Seller is the grantee of a certain public water system (the "Water System") located in Snohomish County, Washington, serving the Plat of Kayak per Exhibit one (1).

WEREAS, Seller desires to sell said Water Systems to the Purchaser, including but not limited to the water rights, water service area, required licenses, easements and permits, water distribution lines and equipment, all as more particularly described in Exhibit 2, "Quitclaim Deed," which is attached hereto and incorporated herein by this reference.

WHEREAS, the Purchaser desires to purchase said Water System, including the water rights, easements, rights, licenses, permits, authorizations and covenants and restrictions as described in Exhibit 2 and required for Water System operation.

NOW, THEREFORE, the parties hereto agree as follows:

1. In consideration of the Purchaser's agreement to pay Seller the sum of Four Hundred, Fifty Seven Thousand Dollars (\$457,000.00), under the following terms and conditions: 1) A cash down payment of \$250,000 payable in good funds at the close of escrow. 2) A note in the principal amount of \$207,000 paying interest only at 8-1/2% for the first three years (monthly payments @ \$1,466.25 with fully amortized monthly payments of interest and principal in years four (4) through fifteen (15) of \$2,297.82. This note will be secured by the assets of the Water Company subordinate only to the first 35% of gross revenues generated by maintenance fees and the first 15 lot assessment fees collected. 3) Seller agrees to sell to the Purchaser the Water System as described in Exhibit 2. This Agreement is subject to all of the terms and conditions below and in Exhibit 2.

2. CONVEYANCE

Upon closing, the Seller shall quitclaim and convey to the Purchaser all right, title, and interest conveyed to Kayak Point Water Co., Inc., and any after-acquired title, right and interest in and to use of the Water System. Such Conveyance to the Purchaser shall also include the water rights water service area consisting of the Kayak Plat Divisions per Exhibit 1, as authorized by the North Snohomish County Coordinated Water System Plan. Per service area map Exhibit A.

3. WARRANTIES

a) Seller shall warrant that, as of the date and time of closing, the Water System is constructed and operating in compliance with all applicable laws and regulations, except for low pressure areas have been discovered in Section H for the water system service area. The low pressure condition is below Washington State Health Department Standards.

The Kayak Point Water Company, Inc. will be responsible for correcting any low pressure problems within Section H (only) of the water system service area that does not meet Washington State Health Department Standards.

b) Seller shall warrant that, as of the date and time of closing, the property and contract rights and Water System shall be free of any and all liens, security interests or encumbrances of whatsoever nature, created or arising after the transfer of such rights. Seller warrants that it has no knowledge of any other claims or interests by any other person in the property rights, contract rights and Water System conveyed hereby beyond those expressly described herein and will hold the Purchaser harmless of any such claims. Seller warrants to the Purchaser that Seller has corporate authority to make the conveyance to the Purchaser that Seller has corporate authority to make the conveyance to be made pursuant to this Agreement and to grant the license granted herein. Seller shall and does hereby warrant and agree to defend the title of the Purchaser, its successors and assigns, against the claims of all third parties claiming to own the same or claiming any interest therein or encumbrance thereon, by virtue of conveyance or grant by Seller or any other action by Seller. Seller further warrants that, effective upon closing, all bills and taxes relating to operations, engineering, construction, installation and repair of the Water System by Seller, or of persons authorized by Seller, shall have been paid in full, and hereby agrees to defend the Purchaser against any such claims. Seller's obligation to defend claims warranted against in this paragraph includes litigation fees and expenses at trial and on appeal. Seller shall and does also hereby agree to hold harmless the Purchaser against any loss or judgement based upon claims warranted against in this paragraph.

4. All regular billings, fees, and receivable for water service shall be prorated as of the date of closing, which shall be the date of sale.

5. CONDITIONS

a) Conveyance of the Water System, Ground Water Right No. G1-23278C, G1-24415C and G1-25989C, and the Kayak Point water service area are all expressly subject to the approval of the Washington State Utility and Transportation Commission (as provided in RCW 90.03.310), the State Department of Health, and the terms and conditions of the North Snohomish County Coordinated Water System Plan.

b) Should any of the conditions as described in above fail to occur due to

denial of authorization or approval by any of the listed public agencies, and in any even within the period described in Section 6 b) below, then this Agreement shall be voidable at the Seller's option upon ten days written notice to the Purchaser.

c) Seller agrees that he will deliver to Purchaser all books and records concerning the affairs relating to this water system, including any and all engineering data in his possession.

d) The Seller agrees, upon receiving full payment of the purchase price and interest in the manner specified in Section 1, to execute and deliver to Purchaser a Quit Claim Deed to said water system and appurtenances.

e) The Purchaser agrees, until the purchase price is fully paid, to keep the buildings, equipment and pumps which are above ground now and hereafter insured to the actual cash value thereof against loss or damage both by fire and windstorm in a company acceptable to the Seller and for the Seller's benefit as its interest may appear, and to pay all premiums therefor and to deliver copies of all policies and renewals thereof to the Seller.

f) Purchaser agrees, to keep the system operating in accordance with all regulatory agencies' requirements, unless required to close the system because of an act of God or unforeseen circumstances beyond his reasonable control, including the lack of maintenance, usage and/or assessment payments of the part of the lot owners.

6. CLOSING

a) This Agreement shall be executed by Seller and the "original" hereof delivered to the Purchaser, with a copy to escrow; and the Seller shall cause all necessary releases to be executed in recordable form and placed in escrow, along with copies to the Purchaser, pending completion of the conditions in section 5, above, and approval and execution by the Purchaser of the "original" of this Agreement. Upon execution of the "original" of this Agreement, the Purchaser shall deliver to escrow a fully executed copy thereof, along with a warrant in the amount provided in Section 1, above. At closing the escrow agent shall issue check in payment to the Seller. The escrow agent shall hold quitclaim deed, upon closing, convey the Water System and water service area to the Purchaser, and all releases required hereunder, and deliver the same, with proof of recording, to the Purchaser. Except quitclaim deed that will be delivered to Purchaser upon receiving full payment per Section 1.

Dennis Jordan, Inc. P.S. shall be the escrow agent, subject to the reasonable approval of the Seller. As provided above, the escrow agent shall be responsible for receipt and disbursement of funds upon closing, and for recording of documents of sale and release of encumbrances. Fifty percent (50%) of closing and escrow shall be paid by the Seller, as shall be the costs of recording and filing all necessary releases of security interests or other encumbrances.

b) Closing shall occur as soon as reasonably practicable, not to exceed ten (10) days, after receipt by the escrow agent of a copy of the fully executed "original" Agreement from the Purchaser, along with the required warrant. If this Agreement is not executed by the Purchaser and delivered to escrow within sixty (60) days following execution of all pertinent documents by Seller and delivery of same to escrow, then it shall be voidable at Seller's option upon ten day written notice to the Purchaser.

7. REMEDIES

a) Time is of the essence of this Agreement, and it is agreed that in case the Purchaser shall fail to comply with or perform any condition or agreement hereof or to make any payment required hereafter promptly at the time and in the manner herein required, the Seller may elect to declare all the Purchaser's right hereunder terminated, and upon his doing so, all payments made by the Purchaser hereunder and all improvements shall be forfeited to the Seller as liquidation damages, and the Seller shall have the right to re-enter and take possession of the real estate; and no waiver by the Seller of any default on the part of the Purchaser shall be constructed as a waiver of any subsequent default.

b) Upon the Seller's election to bring suit to enforce any covenant of this Agreement, including suit to collect any payment hereunder, the Purchaser agrees to pay a reasonable sum as attorney's fees and all costs and expenses in connection with such suit, which sums shall be included in any judgement or decree entered in such suit.

If the Seller shall bring suit to procure an adjudication of the termination of the Purchaser's rights hereunder, and judgement is so entered, the Purchaser agrees to pay a reasonable sum as attorney's fees and all costs and expenses in connection with such suit, and also the reasonable cost of searching records to determine the condition of title at the date such suit is commenced, which sums shall be included in any judgment or decree entered in such suit.

8. NOTICES

All notices or other communications required or desired to be given pursuant to this Agreement shall be in writing and shall be deemed to have been delivered when personally delivered via courier or when deposited in the United States mail, certified mail, return receipt requested, postage pre-paid, addressed to:

Kayak Point Water Company, Inc.
251 Windrose Dr.
Port Ludlow, WA 98365

Kayak Estates Water LLC
P. O. Box 20429
Seattle, WA 98102

or to such other address notice of which is given pursuant to this Paragraph.

9. SURVIVAL

The warranties, covenants, and other substantive provisions of this Agreement shall survive closing.

This Sales Agreement, with Exhibits, set forth the entire, final, and exclusive understanding of the Seller and the Purchaser with regard to the subject matter hereof, and supersedes any and all prior agreements with respect thereto.

IN WITNESS WHEREOF, OWEN C. SAWYER has executed this Agreement this 9TH day of Nov. 1999

Kayak Point Water Co., Inc.

By: [Signature] Title: PRESIDENT
Date: 11-9-1999

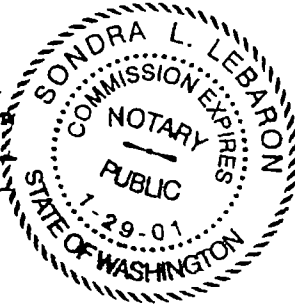


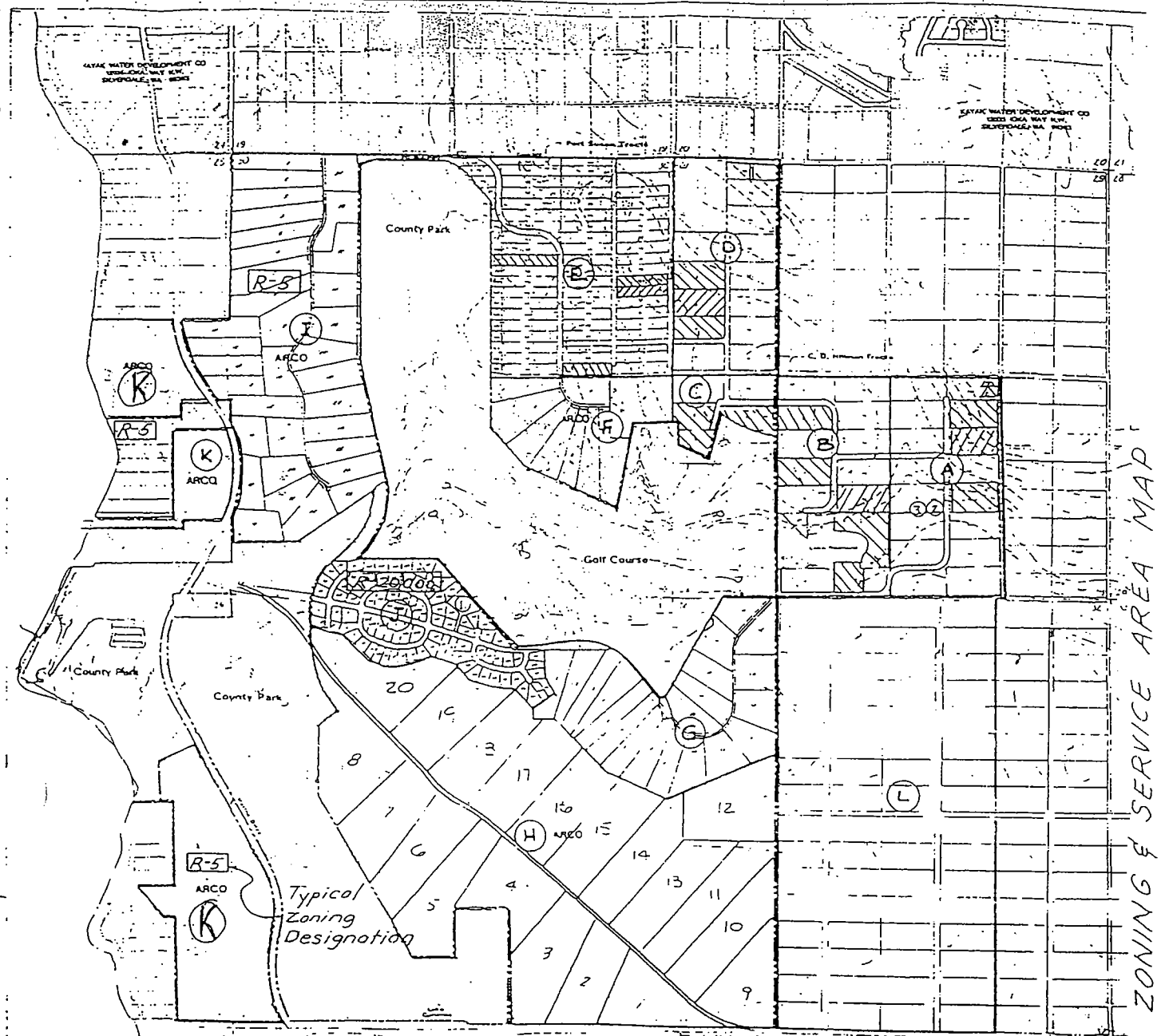
Sondra L. LeBaron
Notary Public in and for the State of Washington
Residing at: Seattle
My Commission Expires: 1/29/01

Kayak Estates Water LLC

By: [Signature] Title: DIRECTOR / Managing Member
Date: 11-12-99

Sondra L. LeBaron
Notary Public in and for the State of Washington
Residing at: Seattle
My Commission Expires: 1/29/01





ZONING & SERVICE AREA MAP

SERVICE AREA :

- ▲ — STORAGE TANK - 80 M
- ▲ — STORAGE TANK - 130 M
- ① — WELL #1 70 GPM
- ② — WELL #2 300 GPM
- ③ — WELL #3 300 GPM PROPOSED
- (K) ARCO " " 76 LOTS
- (L) SCOTT (BDD, Inc.) 68 LOTS

LEGEND

- (A) BLOCK 99 16 LOTS
- (B) BLOCK 96 15 LOTS
- (C) BLOCK 91 5 LOTS
- (D) BLOCK 90 11 LOTS
- (E) PAT SUSAN 36 LOTS

LOTS NOT CONNECTED IN '84 ALLOTMENT

- (F) ARCO "NINE" 9 LOTS
- (G) ARCO "TWENTY" 20 LOTS
- (H) ARCO "TWENTY/TWENTY" 80 LOTS (80 I.L.)
- (I) ARCO "TWENTY-FOUR" 34 LOTS
- (J) ARCO "NINETY-ONE" 91 LOTS

Total = 481 Potential Lots

Exhibit-1

EXHIBIT 2

QUIT CLAIM DEED

THE GRANTOR, Kayak Point Water Co., Inc. for and in consideration of the sum of Four Hundred and Fifty Seven Thousand Dollars (\$457,000.00), and other good and valuable consideration, receipt of which is hereby acknowledged, conveys and quitclaims to Kayak Estates Water LLC, P.O. Box 20429, Seattle, WA, 98102.

All right, title, and interest, including any after-acquired title, of Kayak Point Water Co., Inc. ("Seller") in the Water System ("Water System") located on following real property:

The Plats of Kayak. All of Sections 29, 30, 31 and 32, Township 31 North, Range 4 East, W.M., Except that portion belonging to Snohomish County Parks Department. Section 25, Township 31 North, Range 3 East, W.M., Except Lots 1 through 12, Block 70, and Except Lots 5 through 14, Block 71, all in C.D. Hillman's Birmingham Water Front Addition to the City of Everett, Division 2, at Port Susan, Located in Snohomish County, Washington. All without the approved service area per Exhibit A Attached.

Including without limitation:

- a) Any and all wells, pumps, pump houses, generator, water storage tanks, meters, water lines, valves, pipes and any and all equipment and apparatus used with or connected thereto;
- b) Any and all permits, entitlements, and governmental approvals for the Water System, including without limitation that water service area for the Water System as authorized in accordance with the North Snohomish County Coordinated Water system Plan adopted pursuant to Chapter 70.116 RCW and Chapter 246-293 WAC;
- c) Any and all development and contract rights in or associated with the Water System;
- d) Any and all site plans, drawings, soil tests, engineering studies and like materials related to the Water System;
- e) Any and all easements and rights to use the Water System and any and all real property occupied by the water System or used in connection with the installation, construction, maintenance and operation of the Water System including without limitation (i) the Protective Covenants recorded September 21, 1984, in Volume 1861, pages 0185 and 0187 of the official records of Snohomish County, Washington at Auditors File No. 8409210258, (ii) the dedications contained in the recorded plat maps for the real property described above;

STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

CERTIFICATE OF WATER RIGHT

- Surface Water (Issued in accordance with the provisions of Chapter 117, Laws of Washington for 1917, and amendments thereto, and the rules and regulations of the Department of Ecology.)
- Ground Water (Issued in accordance with the provisions of Chapter 263, Laws of Washington for 1945, and amendments thereto, and the rules and regulations of the Department of Ecology.)

PRIORITY DATE December 14, 1983	APPLICATION NUMBER G1-24415	PERMIT NUMBER G1-24415P	CERTIFICATE NUMBER G1-24415C
------------------------------------	--------------------------------	----------------------------	---------------------------------

NAME David Dorland			
ADDRESS (STREET) P. O. Box 20098	(CITY) Seattle	(STATE) Washington	(ZIP CODE) 98102

This is to certify that the herein named applicant has made proof to the satisfaction of the Department of Ecology of a right to the use of the public waters of the State of Washington as herein defined, and under and specifically subject to the provisions contained in the Permit issued by the Department of Ecology, and that said right to the use of said waters has been perfected in accordance with the laws of the State of Washington, and is hereby confirmed by the Department of Ecology and entered of record as shown, but is limited to an amount actually beneficially used.

PUBLIC WATER TO BE APPROPRIATED

SOURCE Well
TRIBUTARY OF (IF SURFACE WATERS)

MAXIMUM CUBIC FEET PER SECOND	MAXIMUM GALLONS PER MINUTE 57	MAXIMUM ACRE-FEET PER YEAR 42.0
QUANTITY, TYPE OF USE, PERIOD OF USE Community domestic supply - continuously (105 homes)		

LOCATION OF DIVERSION/WITHDRAWAL

APPROXIMATE LOCATION OF DIVERSION-WITHDRAWAL
700 feet north from S $\frac{1}{4}$ corner of Sec. 29

LOCATED WITHIN (SMALLEST LEGAL SUBDIVISION)	SECTION 29	TOWNSHIP N. 31	RANGE, (E. OR W.) W.M. 4E	W.R.I.A. 5	COUNTY Snohomish
---	---------------	-------------------	------------------------------	---------------	---------------------

RECORDED PLATTED PROPERTY

LOT 6	BLOCK 1	OF (GIVE NAME OF PLAT OR ADDITION) Kayak Point Estates
----------	------------	---

LEGAL DESCRIPTION OF PROPERTY ON WHICH WATER IS TO BE USED

Plat of Kayak Point Estates

DEPT. OF ECOLOGY
STATE OF WASHINGTON
SNOHOMISH

1985 JUN 1

REC

STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

AMENDED PERMIT

TO APPROPRIATE PUBLIC WATERS OF THE STATE OF WASHINGTON

Surface Water (Issued in accordance with the provisions of Chapter 117, Laws of Washington for 1917, and amendments thereto, and the rules and regulations of the Department of Ecology.)

Ground Water (Issued in accordance with the provisions of Chapter 263, Laws of Washington for 1945, and amendments thereto, and the rules and regulations of the Department of Ecology.)

PRIORITY DATE November 29, 1990	APPLICATION NUMBER G1-25989	PERMIT NUMBER G1-25989 P	CERTIFICATE NUMBER
------------------------------------	--------------------------------	-----------------------------	--------------------

NAME
Kayak Water Development Co. c/o Owen Sawyer, President

ADDRESS (STREET) CITY STATE ZIP CODE
251 Windrose Drive Port Ludlow WA 98365

The applicant is, pursuant to the Report of Examination which has been accepted by the applicant, hereby granted a permit to appropriate the following described public waters of the State of Washington, subject to existing rights and to the limitations and provisions set out herein.

PUBLIC WATERS TO BE APPROPRIATED

SOURCE
2 Wells

CONTINGENT OF (IF SURFACE WATERS)

CUBIC FEET PER SECOND	MAXIMUM GALLONS PER MINUTE 300*	MAXIMUM ACRE-FEET PER YEAR 156*
-----------------------	------------------------------------	------------------------------------

QUANTITY, TYPE OF USE, PERIOD OF USE
Community domestic supply

7 gpm and 42 acre feet/year of above quantities are already covered by water right certificate G1-24415C

LOCATION OF DIVERSION/WITHDRAWAL

APPROXIMATE LOCATION OF DIVERSION--WITHDRAWAL
#1: 250 feet east and 750 feet north from the south quarter corner of Section 29
#2: 250 feet east and 700 feet north from the south quarter corner of Section 29

LOCATED WITHIN (SMALLEST LEGAL SUBDIVISION) SW 1/4 SE 1/4	SECTION 29	TOWNSHIP N. 31	RANGE, (E. OR W.) W.M. 4 E	W.R.L.A. 5	COUNTY Snohomish
--	---------------	-------------------	-------------------------------	---------------	---------------------

RECORDED PLATTED PROPERTY

BLOCK 1	OF (GIVE NAME OF PLAT OR ADDITION) Kayak Point Estates
------------	---

LEGAL DESCRIPTION OF PROPERTY ON WHICH WATER IS TO BE USED

All of Sections 29, 30, 31, and 32, Township 31 North, Range 4 East, W.M., Except that portion belonging to Snohomish County Parks Department. Section 25, Township 31 North., Range 3 East, W.M., Except Lots 1 through 12, Block 70, And Except Lots 5 through 14, Block 71, all in C.D. Hillman's Birmingham Water Front Addition to the City of Everett, Division 2, at Port Susan, Located in Snohomish County, Washington.

DESCRIPTION OF PROPOSED WORKS

3" x 470' SWL 268'
60 h.p. pump (future)
and 6' mainlines

DEVELOPMENT SCHEDULE

BEGIN PROJECT BY THIS DATE: Started	COMPLETE PROJECT BY THIS DATE: September 30, 1994	WATER PUT TO FULL USE BY THIS DATE: September 30, 1995
--	--	---

PROVISIONS

The total combined quantity from G1-25989 and G1-24415 C shall not exceed 300 gpm, 156 acre feet year.

Installation and maintenance of an access port as described in Ground Water Bulletin No. 1 is required. An air line and gauge may be installed in addition to the access port.

An approved measuring device shall be installed and maintained in accordance with RCW 90.03.360, WAC 508-4-020 through WAC 508-64-040 (Installation, operation and maintenance requirements attached hereto). Meter readings shall be recorded monthly and this data shall be maintained and be made available to the Department of Ecology upon request.

Static water level (SWL) shall be measured at least once each month. Measurements shall be taken after the pump has been shut off and the water level in the well has been stabilized. The data shall be maintained and made available to Ecology upon request. However, Ecology's Water Resources Section (NWRO) shall be notified if the SWL is determined to be below the level normally recorded at that time of year.

This permit is subject to the implementation of the minimum requirements established in the Interim Guidelines for Public Water Systems Regarding Water Use Reporting, Demand Forecasting Methodology and Conservation Programs, July 1990, which are attached.

This permit shall be subject to cancellation should the permittee fail to comply with the above development schedule and/or fail to give notice to the Department of Ecology on forms provided by that Department documenting such compliance.

Given under my hand and the seal of this office at Bellevue, Washington,
this 15th day of December, 1994.

Department of Ecology

ENGINEERING DATA
OK WCS

by Stephen J. Hirschey
Stephen J. Hirschey, Section Supervisor, Water Resources

Promissory Note

\$ 207,000.00

December 1, 1999

Terms of note: see below; after date, without grace, for value received, Kayak Estates Water LLC, P. O. Box 20429, Seattle, WA 98102 promise to pay to or order, at Kayak Point Water Company, Inc., 251 Windrose Dr., Port Ludlow, WA 98365 the sum of Two Hundred and Seven Thousand DOLLARS, with interest thereon at the rate of 8-1/2 per cent per annum from date hereof, payable Principal and interest payable at the office of same as above at Port Ludlow, WA. If any interest shall remain unpaid after due, this note shall become due and payable at once without further notice, at the option of the holder thereof.

This note shall bear interest at the rate of eight and a half percent per annum after maturity or after failure to pay interest payment, and if this note shall be placed in the hands of an attorney for collection or if suit shall be brought to collect any of the principal or interest of this note. Thereof I promise to pay, in addition to the costs provided by statute, such sum as the court may adjudge reasonable as attorney's fees therein., (including any action to enforce the judgement and his provision as to attorney's fees and costs shall survive the judgement.) any judgement entered hereon shall bear interest at the rate of 12 percent per annum. Each maker of this note executes the same as a principal and not as a surety

Terms of Note:

A note in the principal amount of \$207,000 paying interest only at 8-1/2% for the first three years (monthly payments @ \$1,466.25 with fully amortized monthly payments of interest and principal in years four (4) through fifteen (15) of \$2,297.82. This note will be secured by the assets of the Water company subordinate only to the first 35% of gross revenues generated by maintenance fees and the first 15 lot assessment fees collected.

Kayak Estates Water LLC

Kristian Armstrong
Managing Member

[Three horizontal lines for signature]

EXHIBIT 2

2011

ANNUAL REPORT

OF WATER UTILITIES

Exact Legal Name of Respondent

Make Address Changes Here

KAYAK POINT WATER COMPANY, INC.
OWEN SAWYER, PRESIDENT

1307 MOORE STREET
BROOKINGS, OR 97415

TO THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

FOR THE
YEAR ENDED DECEMBER 31, 2001

ORIGINAL to be mailed to the Washington Utilities & Transportation Commission,
1300 S. Evergreen Park Drive S.W., P.O. Box 47250, Olympia, WA 98504-7250

(For Commission Use Only)

Reception No. _____

160-01 _____

160-11 _____

032-05 _____

*ANNUAL REPORT
WATER UTILITY
2001*

Table of Contents

<u>SECTION</u>	<u>PAGE</u>
Company Information	01-1
Contacts	01-1
Ownership	01-1
Income Statement	01-2
Comparative Balance Sheet	01-3
Water Utility Plant	01-4
Sources of Contributions in Aid of Construction	01-4
Customer Count Summary	01-5
Water Category Summary	01-5
Consolidated Statements of Cash Flows	01-6
Regulatory Fee Calculation and Payment	01-7
Management Discussion	01-8
Certification	01-8
Affiliated Interest Transactions WAC 480-146-360	01-9
Affiliated Interest Report WAC 480-146-360	01-10

COMPANY INFORMATION

Line No. (L)	Description			
1	Kayak Point Water Company, Inc.			
2	1307 Moore Street (Exact name of utility)			
3	Brookings	(Mailing Address) OR	97415	
	(City)	(State)	(Zip)	(County)
4	601-404-455-3			
5	'Unified Business Identifier' (UBI) Number	Telephone Number	541-412-7329	
6		Fax Number	541-412-7329	
7		E-mail or Web Address	N/A	
8		Date Utility First Organized	7-15-83	
9		Location of Books and Records	PO Box 20098	
10			Seattle, WA 98102	
11		Method Of Accounting (Cash/Accrual)	CASH	
12	Type of Business (Proprietorship, Partnership, C-Corp, LLC, S-Corp)		Corporation	

CONTACTS

	Name	Title	Principal Business Address	Telephone
	Person to send correspondence:			
13	O. C. Sawyer	President	1307 Moore Street	541-412-7329
14			Brookings, OR 97415	
	Person who prepared this report:			
15	Water Services		PO Box 20429, Seattle, WA 98102	800-928-3750
16	Robert Overhus	6376-WM1	PO Box 20429, Seattle, WA 98102	800-928-3750
	Certified Water Manager:	Certificate Number:		
17	Iliad, Inc.		PO Box 20098, Seattle, WA 98102	206-282-4200
	Emergency Response Personnel:			
18				
19				
	Managers, Officers & Directors:			
20	O. C. Sawyer	President	Brookings, OR	541-412-7329
21	C. D. Sawyer	V. Pres.	Salem, OR	503-598-7390
22	J. B. Sawyer	V. Pres.	Spokane, WA	509-487-8708
23				

OWNERSHIP

Report every corporation or person owning or holding directly or indirectly 5 percent or more of the voting securities of the company.

	Name	Ownership Percent	Principal Business Address	Telephone
24	O. C. Sawyer	100	1307 Moore St.	541-412-7329
25			Brookings, OR 97415	
26				
27				
28				

INCOME STATEMENT

For the Calendar Year 2001

Line No. (L)	Account No. (a)	Account Name (b)	Water (c)	Other (d)	Total Company (e)
REVENUES					
1	400	Operating Revenue Accounts	\$ 109,141	\$	\$ 109,141
2	471	Miscellaneous Revenue Accounts	_____	_____	_____
3	474	Other Revenue Accounts	_____	_____	_____
4		Utility Operating Revenue (Add L1 thru L3)	\$ 109,141	\$	\$ 109,141
EXPENSES					
5	401	Operating Expense Accounts	68,236	_____	68,236
6	403	Depreciation Expense	34,283	_____	34,283
7	406	Amortization Expense	_____	_____	_____
8	408	Other Tax & License	5,840	_____	5,840
9	409	Federal Income Taxes	_____	_____	_____
10		Utility Operating Expense (Add L5 thru L9)	\$ 108,449	\$	\$ 108,449
11		Utility Operating Income (Loss) (L4 minus L10)	692	\$	692
OTHER INCOME AND DEDUCTIONS					
Other Income:					
12	414	Gain (Loss) From Disposition Of Plant	_____	_____	_____
13	415-416	Jobbing and Contract Work	_____	_____	_____
14	419	Interest & Dividend Income	_____	_____	_____
15	421	Nonutility Income	_____	_____	_____
16		Total Other Income (Add L12 thru L15)	\$	\$	\$
Other Deductions:					
17	426	Miscellaneous Nonutility Expenses	_____	_____	_____
18	427	Interest Expense	_____	_____	_____
19	433	Extraordinary Income/Deduction	_____	_____	_____
20		Total Other Deductions (Add L17 thru L19)	_____	_____	_____
21		Net Income (Loss) (Add L11 plus L16 minus L20)	692	\$	692

COMPARATIVE BALANCE SHEET

For the Calendar Years 2000 & 2001

Line No. (L)	Account No. (a)	Account Name (b)	2000 Previous Year (c)	2001 Current Year (d)
ASSETS:				
1	101	Utility Plant	\$ 1,584,876	\$ 1,739,365
2	104	Utility Plant Purchased or Sold		
3	108	Less: Accumulated Depreciation	977,681	1,011,964
4	110	Accumulated Amortization		
5	114	Utility Plant Acquisition Adjustment		
6		Net Utility Plant (Add L1 thru L5)	\$ 607,195	\$ 727,401
7	124	Utility Investments		
8	127	Special funds (Surcharges, Facility Charges)		
9	131	Cash	26,711	3,321
10	141	Customer Accounts Receivable		
11	151	Plant Materials and Supplies		
12	162	Prepayments		
13	186	Other Deferred Debits		
14		Other Assets (Specify)		
15		Total Assets (Add L6 thru L14)	\$ 633,906	\$ 730,722
EQUITY CAPITAL AND LIABILITIES:				
16	201-204	Capital Stock Issued	\$ 1,000	\$ 1,000
17	211	Other Paid In Capital	319,604	319,604
18	214-215	Retained Earnings	(92,124)	(91,432)
19	218	Proprietary Capital	300,000	300,000
20		Total Equity Capital (Add L16 thru L19)	\$ 528,480	\$ 529,172
21	224	Long-Term Debt	105,426	201,550
22	231	Accounts Payable		
23	232	Notes Payable		
24	235	Customer Deposits		
25	236	Accrued Taxes		
26	253	Other Deferred Credits		
27	265	Miscellaneous Operating Reserves		
28	271	Contributions In Aid Of Construction (CIAC)		
29	272	Less: Accumulated Amortization Of CIAC		
30		Other Liabilities (Specify)		
31		Total Liabilities (Add L21 thru L30)	\$ 105,426	\$ 201,550
32		Total Equity Capital and Liabilities (Add L20 & L31)	\$ 633,906	\$ 730,722

WATER UTILITY PLANT (101)

Line No. (L)	Account No. (a)	Account Name (b)	Balance Begin Year (c)	Additions (d)	Retirements (e)	Balance End Year (f)
1	301	Organization	\$ _____	\$ _____	\$ _____	\$ _____
2	302	Franchises	_____	_____	_____	_____
3	303	Land and Water Rights	_____	_____	_____	_____
4	304	Structures and Improvements	6,536	_____	_____	6,536
5	305	Collecting & Impounding Reservoirs	_____	_____	_____	_____
6	306	Lake, River and other intakes	_____	_____	_____	_____
7	307	Wells and Springs	78,319	_____	_____	78,319
8	309	Supply Mains	_____	_____	_____	_____
9	310	Power Generation Equipment	45,367	_____	_____	45,367
10	311	Pumping Equipment	89,057	51,934	_____	140,991
11	320	Water Treatment Equipment	_____	_____	_____	_____
12	330	Distribution Reservoirs & Tanks	158,690	_____	_____	158,690
13	331	Transmission & Distribution Mains	1,206,907	41,472	_____	1,248,379
14	333	Service Connections	_____	_____	_____	_____
15	334	Meters and Meter Installation	_____	61,083	_____	61,083
16	335	Hydrants	_____	_____	_____	_____
17	339	Other Plant & Misc. Equipment	_____	_____	_____	_____
18	340	Office Furniture and Equipment	_____	_____	_____	_____
19	341	Transportation Equipment	_____	_____	_____	_____
20	343	Tools, Shop and Garage Equipment	_____	_____	_____	_____
21	345	Power Operated Equipment	_____	_____	_____	_____
22	346	Communication Equipment	_____	_____	_____	_____
23	348	Other Tangible Plant	_____	_____	_____	_____
24		Water System Plan	_____	_____	_____	_____
25	101	Utility Plant Total (Add L1 thru L24)	\$ 1,584,876	\$ 154,489	\$ _____	\$ 1,739,365

SOURCES OF CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

Report below all plant, equipment, and monies (connection charge) received during the year for capital plant.

	Description of Charges (a)	Number of Connections (b)	Cost or Charge per Connection (c)	CIAC Amount Received (d)
26	_____	\$ _____	\$ _____	\$ _____
27	_____	_____	_____	_____
28	_____	_____	_____	_____
29	_____	_____	_____	_____
30	_____	_____	_____	_____
31	_____	_____	_____	_____
32	_____	_____	_____	_____
33	Total (Add L26 thru L32)	\$ _____	\$ _____	\$ _____

STOMER COUNT SUMMARY

Line No. (L)	Description (a)	Number at Begin Year (b)	New Services (c)	Number at End Year (d)	Temporary (e)
1	Total Unmetered	323	11	334	
2	Total Metered	0	0	0	
3	Total Master Metered	323	11	334	
4	Connections served by Master Meters	323	11	334	
5	Other Services (Specify)	0	0	0	
6	Total Customers Billed (Add L1-L3)	323	11	334	
7	Total Customers (Add L1, L2, & L4)	323	11	334	

WATER CATEGORY SUMMARY

Month (a)	PURCHASED or SURFACE WATER	GROUND WATER (Wells)	TOTAL FROM ALL CATEGORIES	LOSS or WASTAGE	WATER SOLD TO CUSTOMERS
	Cubic Feet (b)	Cubic Feet (c)	Cubic Feet (b)+(c)=(d)	Cubic Feet (e)	Cubic Feet (f)
8 January		380,000	380,000	0	380,000
9 February		229,000	229,000	0	229,000
10 March		357,329	357,329	0	357,329
11 April		396,270	396,270	0	396,270
12 May		466,601	466,601	0	466,601
13 June		545,660	545,660	0	545,660
14 July		1,161,904	1,161,904	0	1,161,904
15 August		1,455,237	1,455,237	0	1,455,237
16 September		635,780	635,780	0	635,780
17 October		419,360	419,360	0	419,360
18 November		401,730	401,730	0	401,730
19 December		492,615	492,615	0	492,615
20 Total (Add L8 thru L19)		6,941,486	6,941,486	0	6,941,486

- (d) - Category Master Meters Records
- (e) - Category Leakage or Wastage of Water
- (f) - Individual Customer Meter Records

CONVERSION: 1 cubic foot = 7.48 gallons

1731

CONSOLIDATED STATEMENTS OF CASH FLOWS

Line No. (L)	Account No. (a)	Account Name (b)	Previous Year (c)	Current Year (d)
OPERATING ACTIVITIES				
1	400	Cash Operating Revenues	\$ 98,595	\$ 109,141
2	414	Gain (Loss) Disposition Of Utility Property		
3	419	Interest & Dividend Income	1,180	
4		Other Cash Revenues		
5		Total Operating Cash Inflows (Add L1 thru L4)	\$ 99,775	\$ 109,141
6	601	Salaries and Wages - Employees	\$ 3,217	\$
7	603	Salaries and Wages - Officers		
8	604	Employee Pensions and Benefits		
9	615	Purchased Power	7,194	7,625
10	618	Chemicals		
11	620	Materials and Supplies	8,902	9,860
12	631	Contractual Engineer	593	470
13	632	Contractual Accounting	9,515	11,454
14	633	Contractual Legal	2,353	3,437
15	634	Contractual Management/SMA	19,381	21,000
16	635	Testing	1,872	3,118
17	641	Rental of Building/Real Property		
18	650	Transportation Expense		
19	655	Insurance Expense	3,204	3,272
20	665	WUTC Regulatory, Fees	987	1,877
21	666	WUTC Regulatory, Rate Case Expense		
22	670	Bad Debt Expense		
23	675.1	Travel/ Education/ Bank/ CCR		
24	675.2	Office/ Postage / Phone	318	875
25	675.3	Repairs & Maintenance		
26	401	Utility Operating Expenses (Add L6 thru L25)	\$ 9,660	\$ 5,338
27	408.10	Utility Excise Tax	67,196	68,326
28	408.11	Property Tax	3,863	4,658
29	408.12	Payroll Tax	1,044	1,326
30	408.13	Other Tax, License & Regulatory Fees		
31	409	Federal Income Taxes	1,744	
32		Total Operating Cash Outflows (Add L26 thru L31)	\$ 73,847	\$ 74,310
33		Net Cash, Operating Activities (L5 minus L32)	\$ 25,928	\$ 34,831
INVESTING ACTIVITIES				
34	101	Additions to Property, Plant and Equipment	4,993	154,489
35		Sale/(Purchase) of Short-term Investments		
36		Service Connection/Facilities Charge/Contribution	(3,500)	
37		Cash/Other		
38		Net Cash, Investing Activities (Add L34 thru L37)	\$ (1,493)	\$ (154,489)
FINANCING ACTIVITIES				
39		Principal Payments on Current Debt		
40		Proceeds From Issuance of Current Debt		
41		Principal Payments on Long-term Debt	28,422	
42		Proceeds From Issuance of Long-term Debt		96,268
43		Interest Paid on Debt		
44		Net Cash, Financing Activities (Add L39 thru L43)	\$ (28,422)	\$ (96,268)
45		NET CHANGE IN CASH (Add L33, L38 & L44)	\$ (3,987)	\$ (215,926)
46		CASH BALANCE BEGINNING OF YEAR	\$ 30,698	\$ 26,711
47		CASH BALANCE END OF YEAR (Add L45 & L46)	\$ 26,711	\$ (189,215)

JUN 26 10 11:37 AM 11.1AD INC

206 764 3848 TO 15414127329

P.09/10

MANAGEMENT DISCUSSION

Management discussion and analysis of Financial Condition and Results of Operation for the calendar year ending December 31, 2001.

Include any new system(s) added or removed from the company, DOH WFI number, and the date of purchase or sale.

CERTIFICATION

State of Washington


County of King

O. C. Sawyer makes oath and says
(Name of officer)

that he/she is President
(Official title of officer)

of Kayak Point Water Company, Inc.
(Exact legal title or name of company)

that he/she has examined the foregoing report; that to the best of his/her knowledge, information, and belief, all statements of fact contained in the report are true and the report is a correct statement of the business affairs of the above named company in respect to each and every matter set forth therein during the period from and including January 1, 2001, to and including December 31, 2001.


(Signature of officer)

6/26/02
Date

AFFILIATED INTEREST TRANSACTIONS

WAC 480-146-360 Reporting of affiliated interest transactions.

(1) Every public service company, as defined in the application of rule WAC 480-146-240, must file with the commission by June 1 of every year an annual report of all affiliated interest transactions that occurred during the period January 1 through December 31 of the preceding year. "Affiliated interest transactions" mean contracts or arrangements between affiliated interests as defined in RCW 80.16.010 as follows:

Every corporation and person owning or holding directly or indirectly five percent or more of the voting securities of any public service company engaged in any intrastate business in this state;

Every corporation and person, other than those above specified, in any chain of successive ownership of five percent or more of voting securities, the chain beginning with the holder of the voting securities of such public service company;

Every corporation five percent or more of whose voting securities are owned by any person or corporation owning five percent or more of the voting securities of such public service company or by any person or corporation in any such chain of successive ownership of five percent or more of voting securities;

Every corporation or person with which the public service company has a management or service contract, and

Every person who is an officer or director of such public service company or of any corporation in any chain of successive ownership of five percent or more of voting securities.

Does the company have any affiliated interest transactions as defined above

 X No, Please sign this page and no further action is required.

 Yes, Please sign this page and complete Page 01-10.

CERTIFICATION

 O. C. Sawyer makes oath and says

(Name of officer)

that he/she is President

(Official title of officer)

of Kayak Point Water Company, Inc.

(Exact legal title or name of company)

that he/she has examined the foregoing affiliated interest report; that to the best of his/her knowledge, information, and belief, all statements of fact contained in the report are true and the report is a correct statement during the period from and including January 1, 2001, to and including December 31, 2001.

 O. C. Sawyer
(Signature of officer)

 6/26/02

Date

AFFILIATED INTEREST REPORT

- (2) The annual report must include a corporate organization chart of the public service company and its affiliates. (Please Attach)
- (3) The annual report must contain the following information for each affiliate that had transactions with the public service company during the preceding year:
- (a) A description of the products or services flowing between the public service company and any affiliated interest;
 - (b) A description of the pricing basis or costing method and procedures for allocating costs for such products or services rendered, and the amount and accounts charged;
 - (c) A description of the terms of any loans between the public service company and its affiliate and a listing of the year-end loan amounts and maximum loan amounts outstanding during the year;
 - (d) A description of the terms and maximum amount of any debt guarantees by the public service company for any affiliate and a listing of the year end debt amounts and maximum debt amounts outstanding during the year;
 - (e) A detailed description of the activities of the affiliates with which the public service company has transactions; (Please Attach)
 - (f) A list of all common officers and directors of the affiliated interest company and the public service company along with their titles in each organization, and;
 - (g) Appropriate financial information for each affiliated interest company including, but not limited to, a balance sheet and income statement. (Please Attach)

The commission may request any additional information during its review of the public service company's annual report of affiliated interest transactions.

- (4) The annual report required by this section will supersede the reporting requirements contained in previous commission orders authorizing affiliated interest transactions pursuant to chapter 80.16 RCW.
- (5) The public service company is obligated to file verified copies of affiliated interest contracts and arrangements as stated in WAC 480-146-350.



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

February 25, 2002

ANNUAL REPORT / REGULATORY FEES

Section 80.04.080 of the Revised Code of Washington requires every water company to file an annual report with the Washington Utilities and Transportation Commission (Commission). Please complete the enclosed form for the year ended December 31, 2001. All accounting words and phrases that appear in this form are to be interpreted in accordance with the applicable Uniform System of Accounts specified by Washington Administrative Code 480-110-275

Each question or schedule must be answered fully and accurately. Where the words, "none" or "not applicable" truly and completely state the fact, they may be given as the answer to any particular inquiry. No question or schedule should be left unanswered. The general instructions are provided to assist in the preparation of the annual report. Prepare an original and one (1) copy of the report (retain the copy for your records). Return the original to the Commission by May 1, 2002.

The regulatory fees for 2002 will be at the statutory amount based on gross intrastate operating revenues: 0.1% of the first \$50,000; 0.2% of revenues over \$50,000. A general order for the 2002 rate is not required since the Commission is not taking action to reduce the fee below the statutory rate. The 2001 annual report and associated 2002 fees are due on or before May 1, 2002.

As a result of legislation passed during the 1994 Legislative Session, a late fee of 2% of the amount due will be imposed on fees paid after May 1, 2002. Fees remaining unpaid after June 1, 2002 will be assessed an additional interest charge of 1% per month on the amount due, (refer to page 7 of the annual report for further clarification on penalty fees). The Commission now accepts credit card payments, (refer to page 7 of the annual report if making payments by credit card).



P.O. BOX 20429
SEATTLE, WA 98102
(206) 2 200
(800) 926-3750


DATE 6/26/02 \$

19-2/1250 WA
22806

PAY
TO THE
ORDER OF WUTC

\$**173.33**

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are included.
Details on back.



First Hill 022806
Washington

Dorinda LeBaron MP

FOR 2001 Annual Report

⑈005217⑈ ⑆125000024⑆ 73666 919⑈

EXHIBIT 3

**KAYAK ESTATES WATER LLC
PROFORMA BALANCE SHEET
ON DATE OF PURCHASE**

ASSETS

CASH	54,700.00
WATER SYSTEM PLANT	<u>713,251.00</u>
TOTAL ASSETS	767,951.00

LIABILITIES AND MEMBERS EQUITY

NOTE/LONG TERM DEBT PAYABLE	457,000.00
MEMBER'S EQUITY	<u>310,951.00</u>
TOTAL LIABILITES AND MEMBERS' EQUITY	767,951.00

Kayak Estates Water LLC

207,000.00

Purchase Loan

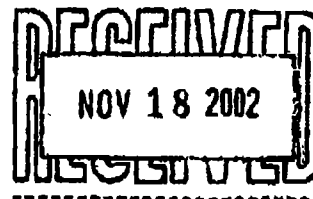
2/21/2003

	Enter Values
Loan Amount	\$207,000.00
Annual Interest Rate	9.00%
Loan Period in Years	15
Start Date of Loan	9/1/87
Number of Customers	1

Monthly Payment	\$2,099.53	Annual Payment	25,194.38
Number of Payments	180	Monthly Payment	<u>\$2,099.53</u>
Total Interest	\$170,915.73	B&O Tax	0.00
Total Cost of Loan	\$377,915.73	Monthly Payment	<u>\$0.00</u>
		Monthly Payme:	\$2,099.53

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
1	10/1/87	\$ 207,000.00	\$ 2,099.53	\$ 547.03	\$ 1,552.50	\$ 206,452.97
2	11/1/87	206,452.97	2,099.53	551.13	1,548.40	205,901.83
3	12/1/87	205,901.83	2,099.53	555.27	1,544.26	205,346.57
4	1/1/88	205,346.57	2,099.53	559.43	1,540.10	204,787.13
5	2/1/88	204,787.13	2,099.53	563.63	1,535.90	204,223.50
6	3/1/88	204,223.50	2,099.53	567.86	1,531.68	203,655.65
7	4/1/88	203,655.65	2,099.53	572.11	1,527.42	203,083.53
8	5/1/88	203,083.53	2,099.53	576.41	1,523.13	202,507.13
9	6/1/88	202,507.13	2,099.53	580.73	1,518.80	201,926.40
10	7/1/88	201,926.40	2,099.53	585.08	1,514.45	201,341.32
11	8/1/88	201,341.32	2,099.53	589.47	1,510.06	200,751.85
12	9/1/88	200,751.85	2,099.53	593.89	1,505.64	200,157.95
13	10/1/88	200,157.95	2,099.53	598.35	1,501.18	199,559.60
14	11/1/88	199,559.60	2,099.53	602.83	1,496.70	198,956.77
15	12/1/88	198,956.77	2,099.53	607.36	1,492.18	198,349.41

Kayak Point Water Co. Inc.
1307 Moore Street #704
Brookings, Oregon 97415



November 15, 2002

Dear Kayak Point Water Customer:

Kayak Point Water Co. Inc. has asked the Washington Utilities and Transportation Commission (WUTC) for authorization to transfer ownership and control of the company to Kayak Estates Water LLC through an asset sale. This transfer is contingent upon approval by the WUTC.

If transfer of ownership is approved, the WUTC will continue to regulate the rates, services, terms and conditions of your water service. The transfer will not result in a change in your water rates.

Kayak Estates Water LLC is a limited liability company owned and managed by people with decades of experience in the water business. It is expected that Kayak Estates will provide you with excellent service.

If you have questions about this request, please call us at (541) 412-7329. Questions about the approval process may be directed to the WUTC at the following address:

Secretary
Washington Utilities and Transportation Commission
P. O. Box 47250
Olympia, Washington 98504-7250
(800) 562-6150
e-mail: comments @wutc.wa.gov.

Comments on the request must be submitted in writing or presented at the WUTC open meeting to be considered as part of the formal record. All open meetings are held in Olympia. If you would like to be added to the WUTC mailing list to be notified of the meeting date on this matter, please call the toll-free number above and leave your complete name and mailing address.

A report on the outcome of this application will be provided when it becomes available.

Sincerely,

Kayak Point Water Co. Inc.


Owen C. Sawyer
President

RECEIVED

JUN 13 1994

WASH. UT. & TRANS. COMM.

WN U-1

KAYAK POINT WATER CO., INC.

COPY
For Commission's Receipt Stamp

SCHEDULE NO. 1

FLAT RATE SERVICE

Available

Within the water system service area.

Applicable

To all customers receiving unmetered service.

Rates

Per Month

Water Service

\$ 25.00

Customers are billed every three months in ~~advance~~ of service.

APREARS O.C.S.

January 21, 1994

~~February 20, 1994~~ *OC.S.*

Issued Effective.....

KAYAK POINT WATER CO., INC.

Issued by.....

By *[Signature]* Title *Pres*

WN U-1

KAYAK POINT WATER CO., INC.

(N)

SCHEDULE NO. 2

READY TO USE SERVICE

Available

Within the water system service area.

Applicable

Applies to those parcels or lot owners who made application for water service, paid all appropriate tariff charges and met all conditions of applying for water service and from whom the Company has accepted the application for service and installed such service connection capable of providing water service to the property line of the lot. The party will be assessed the ready to use charge until such time as the party activates water service. When the party activates water service they will be subject to the monthly metered rates and surcharges as provided in the Company's tariff.

Rates

Per Month

Ready to Use Service

\$ 8.00

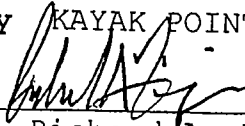
This service is billed every three months in arrears.

Issued August 6, 2001

Effective September 6, 2001

Issued by KAYAK POINT WATER CO., INC.

By



Richard A. Finnigan

Title Attorney

RECEIVED

JUN 13 1994

WASH. UT. & TRANS. COMM.

WN U-1

KAYAK POINT WATER CO., INC.

COPY
For Commission's Receipt Stamp

SCHEDULE NO. 10

SERVICE CONNECTION CHARGE

Applicable

To lot owners in the original Atlantic Richfield development when water service is requested to the lot initially.

1. A charge of ~~\$2,800.00~~ ^{\$2,500.00} will be made the first time a customer's service pipe, 1 inch or smaller, is connected to the utility's main within the Atlantic Richfield original development lots. The charge for a larger connection will be the cost of labor and materials. These non-refundable charges do not include the cost of a meter, which will be furnished, installed and maintained by the utility.

2. The utility will own and maintain all materials involved in making a service connection.

3. The service connection charge will be paid before the water is turned on.

January 21, 1994

~~February 20, 1994~~ ^{JUNE 13}

Issued Effective.....

KAYAK POINT WATER CO., INC.

Issued by

By Title