

PATTISON WATER COMPANY, INC.

PO Box 3374 • Lacey, WA 98509-3374 • (360) 412-1252 • Fax (360) 412-0677

October 31, 2006,

Ms. Carol Washburn
Executive Secretary
Washington Utilities and Transportation Commission
1300 Evergreen Park Drive South West
P. O. Box 47250
Olympia WA 98504-7250

RE: Request for Rate Changes and Tariff Modifications

Dear Ms. Washburn,

Pattison Water Company, Inc. hereby respectfully submits documents related to a request for a change in our rates. We have sent letters to all affected parties on or before October 31, 2006. Copies of those letters are enclosed. We have prepared an analysis of our revenue requirements which will be submitted under separate cover. We have done a thorough analysis of our proposed rates to determine if the proposed rates match our revenue requirements, and we believe that they do. Our proposed increase would increase our total revenue by \$130,000.00 which is approximately 33.7% over our 2005 gross revenue. We are requesting that the new rate become effective on December 1, 2006. Our last general rate increase was more than eleven years ago; this proposal reflects an annual increase of about 2.2%. Since our last increase, Pattison Water Company has made many significant improvements to the system that has enabled us to carry more customers and has enhanced the reliability of our service. I believe that since our last increase in 1995, there have been only two formal complaints lodged against the company.

Our proposed rates will increase rates for all segments of our customers except those that use no water at all. Those customers will see a small decrease in their monthly bill. With this proposal we are hoping to begin billing monthly. This will essentially double the time for our office manager to send bills and receive and process payments. This proposal also sends a strong conservation message to our customers. We believe that some our customers use an inordinate amount of water. We would prefer that they curb their consumption. However, if they wish to continue using large amounts of water, they may as well pay for the costs to provide high volumes of water that they are using. To that end we have designed our rates to minimize the effect on the frugal users. By going to monthly billing, we believe that our customers will get consumption data in a more timely fashion.

We believe that water use at the high end is relatively elastic and can be curbed if rates are more in line with other utilities in the area. When we set out to design our rates we

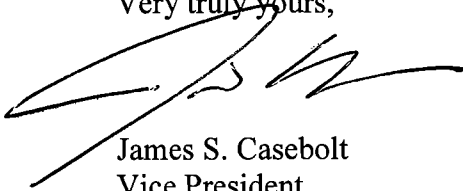
RECEIVED
05 NOV -1 PM 2:59
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

compared rates for Washington Water Service, H&R Water Co., City of Lacey and the City of Olympia. As we state in our letter to the customers, Over 90% of our customers in the summer will not reach our top (fourth), rate block. Olympia currently charges \$3.68 per 100 c. f. for consumption above 3,000 c. f. They are proposing an increase to \$3.95 for the same usage in 2007. Lacey is will be charging \$2.73 per 100 c. f. above 2,400 c.f. for their "non-resident" customers in 2007, and they are considering \$3.03 for their top block in 2008. Given these numbers, we believe that our proposed blocks are comparable if not generous.

We have added several ancillary charges that we have not had in the past. We believe that customers who move in and out frequently and those that pay late cost us considerably more to serve, so our proposed new charges reflect those costs. I believe that we have a good record of being fair to our customers, many of whom we have known for a quarter century or more. We value this relationship and look forward to continuing to provide them with the highest level of service. To this end we continue to put our profits back into the company so that we can expand the customer base, thereby realizing an economy of scale. In addition whenever possible, we make a diligent effort to provide fire flow to the homes that we serve. Other investor owned utilities with higher rates do not provide this level of service. Given the above, we believe that the rates we are proposing are a good value in comparison to any other water utility in our area, public or private.

In addition to the enclosed copies of letters sent to our customers, we are submitting a complete revision of our tariff for your review. Please let me know what other documentation you wish to see. I can be reached at (360) 412-1252 or jimcasebolt@aol.com.

Very truly yours,



James S. Casebolt
Vice President

Enclosures.