

Crosswoods Water Company, Inc.
P.O. Box 1075
Oak Harbor, WA 98277
Tel/Fax 360-675-5104 or 360-675-8248

July 2 , 2010

Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Subject: Crosswoods Water Company, Inc.
DOH ID # 16274 J
Request for approval of surcharge and
Rate Increase Filing

Dear Commission Members:

Crosswoods Water Company, Inc. wishes to file for approval of a surcharge for the cost of installation of water treatment equipment as well as an increase in our monthly-metered rates primarily due to the operation of said equipment. The monthly increase for the surcharge is estimated at \$4.00 per user for a 5 year period and the monthly increase in rates is \$3.50 per user.

Surcharge:

As stated in our notice to users the Company must install a hypochlorination system in order to comply with Department of Health regulations. The estimated cost of installation is \$26,750 (see attached) and is in the process of final completion. The cost to date is over \$20,000 which has been financed by loans to the Company from the two major stockholders. The installation should be completed and on line within the next month enabling a final actual cost for financing.

The Company requests approval for the actual cost to be financed by the major stockholders subject to UTC regulations. It is understood that the interest rate is limited to prime (currently 3.2%) plus 2%, or 5.2%. The Company proposes a 5 year amortization of final cost at 5.2%, the monthly payment per user estimated, based upon construction cost estimates, at \$4.00.

Rate Increase:

The Company requests an increase in rates due to the operational cost of the treatment equipment as well as the increase in cost due to contracting management of the system to a professional management firm. Historically the directors have operated the system and contracted out general repairs and maintenance. Increased testing requirements and the need for certified operations personnel have resulted in the need for this step.

The increase in cost due to our operations contract is estimated at \$3,640 per year (see attached). Water treatment, i.e. chlorine and equipment maintenance, add an additional

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\$1,450 per year. The total cost increase, without contingencies, is \$5,090 per year, or 14% of water sales revenue. This increase is calculated at \$40.08 per user per year, or \$3.34 per user per month. The Company is asking for an increase of \$3.50 per month, including \$0.16 as contingency.

The Company has prepared a notice to our users regarding the requested surcharge and rate increase (see attached). Following notification of the date of hearing the letter will be finalized and mailed.

In accordance with the Revised Sheet No. 22 of our tariff (see attached) we propose that the rate increase and the surcharge will begin on September 1, 2010.

In support of the filing the company has chosen a test period of January 1, 2009 through December 31, 2009.

Please call me at 360-675-8248 if you have any questions. My E-mail address is r.p.fakkema@comcast.net.

Sincerely,



R.P. Fakkema, Secretary
Crosswoods Water Co., Inc.

Attached is a copy of the:

1. Customer notice,
2. Revised tariff pages, and
3. Financial information work papers per WAC 480-07-530.