

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

August 10, 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 \$3.80 per user for a 5 year period and the monthly increase in rates is \$5.30 per user. The percentage of increase due to the surcharge is 16% and the increase in rate is 22%.

The test period of 2009 reflects annual revenue for the sale of water at \$35,617. The proposed rate increase is meant to cover an increase in operations cost of \$8,073. The actual annual increase is calculated at $\$5.30 \times 127 \times 12 = \$8,077$. This increase when compared to the test year income is a 23% increase in revenue. The increase in operations cost when compared to the test year is 23%.

Surcharge:

As stated in our notice to users the Company has installed a hypochlorination system in order to comply with Department of Health regulations. The final cost of installation is \$25,462 (see attached). The cost has been financed by loans to the Company from the two major stockholders.

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 is \$3.80 and the total annual amount is \$5,791, or 16% of the total test year revenue. The effect upon the Company income is negligible due to surcharge income being paid out as monthly debt service for Promissory Notes 1 through 4.

RECEIVED
FROM THE MANAGER
2010 AUG 11 AM 9:23
STATE OF WA
UTILITY AND TRANSPORTATION
COMMISSION

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, primarily due to treatment expense and contract maintenance, is estimated at \$8,073 per year, or 23.5% (see attached Pro Forma statement). This increase is calculated at \$63.57 per user per year, or \$5.30 per user per month. The Company is asking for an increase of \$5.30 per month (\$8,077 annually @ 23% increase over the test period income).

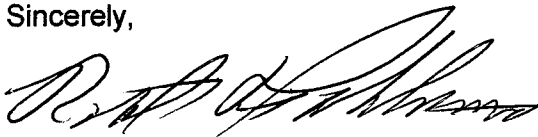
The Company has prepared a notice to our users regarding the requested surcharge and rate increase (see attached). Following notification of the date of hearing the letter will be finalized and mailed.

In accordance with the Revised Sheets No. 22 and 24 of our tariff (see attached) we propose that the rate increase and the surcharge will begin on October 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,
3. Financial information work papers per WAC 480-07-530,
4. Agreement for Services, System Management
5. Final Cost of Hypochlorination System
6. Estimated annual cost of chlorine
7. Copy of Promissory Notes 1, 2, 3 & 4.
8. Rental Agreements
9. Services Agreements
10. Work Page Support