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April 26th, 2012

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

Subject: Copalis Rocks Mutual Benefit Association Tariff Filing

Dear Mr. Danner:

The Copalis Rocks Mutual Benefit Association (CRMBA), a Washington State non-profit corporation, is requesting approval by the Utilities and Transportation Commission (UTC) of the attached tariff prepared by its satellite management agency, Northwest Water Systems.

Filing Purpose

This rate filing has several purposes:

- (1) Establish and justify to the community the rates charged for water service
- (2) Eliminate the surcharge mechanism to reduce accounting expenses
- (3) Reduce the complexity of future rate filings by establishing the rate base and depreciation schedule with clear documentation

The company desires to reduce operating costs and rates over the long term, but has been constrained by the need to replace much of the system immediately upon taking ownership of the system in 2010. The CRMBA is therefore seeking to eliminate any additional administrative costs, such as the accounting and reporting required to administrate a surcharge.

The use of surcharges requires extensive accounting and auditing to ensure that the system collects the correct sum over the length of the loan. CRMBA is operated on a volunteer owner basis. Nearly all of their engineering, accounting, and legal work is done by outside consultants. Simply preparing quarterly reports and submitting to UTC could be a significant expense. Funds collected by surcharge can only be used after authorization by the UTC stemming from a written request. With typical professional services ranging from \$85 to \$250 per hour (depending on the field etc.) these requirements make this a very expensive way to operate for CRMBA and thereby the community.

It is expected that using the surcharge would increase the rates necessary by 5% or more. CRMBA is therefore planning to accept the funds collected thus far as being Contributions in Aid of Construction (CIAC) for the waterline installation project completed in November 2010,

and add the remaining balance of the cost to the depreciation schedule as shown in the General Rate Case Workbook (GRCW) which is submitted with this filing.

System History

The Copalis Rocks Water System was established with the community in the late 1960's. The original bylaws required concurrence of all owners to make important decisions and resulted in water system management that was dysfunctional. As expensive components began failing the community was unable to come to agreement on how to fund repairs and replacements. This inability to make decisions or even levy effective rates forced the association into insolvency. An "association of the willing" which would later become the Copalis Rocks Mutual Benefit Association, began negotiating the purchase of the note from creditors in 2007.

During these negotiations the water system was purchased by a third party and the CRMBA was forced to enter negotiations with the new owner. The owner eventually agreed to sell the system to CRMBA, but stipulated that the new owners (CRMBA) had to complete a number of significant improvements and replacements to the system by October 31st of 2012. These included:

- (1) Replacement of significant portions of the distribution system
- (2) Installation of service meters
- (3) Replacement of the reservoir.

The agreement stipulates that all repairs be completed by October 31st, 2012. The system has made steady progress toward this objective, and has completed the first two of three required tasks. Bid documents are under preparation to have the final phase of work completed this summer.

CRMBA incurred significant legal expenses negotiating the purchase of the system with the original creditors, attempting to negotiate the sale of the water system to the local PUD and private interests, purchasing the note, and revising its organizational documents. Of those costs, only those directly related to drafting the articles and bylaws and negotiating the final purchase are included in the organizational costs in the depreciation schedules. All other costs have been removed on advice of UTC staff because they do not directly relate to the final company formation.

Financial Impacts of Proposed Rates

The filling will increase revenue for the system by an estimated \$1,463 per year. This change is not a result of increases in any specific system cost. Instead, this change is the difference between the original rates that were set based on estimation by the owners when the system was purchased, and the rates determined using Utilities and Transportation Commission guidelines and tools.

	Base	Surcharge	Total
Current	\$45	\$30.00	\$75.00
Proposed	\$79.69	\$0.00	\$79.69
Change %	77%	-100%	6.25%
Annual System Wide Change	\$10,823	(\$9,360)	\$1,463

A number of other rates will change as well; however, they are infrequently applied and are not intended or expected to impact rates. These changes are shown in the following table:

Service	Current Rate	Proposed Rate	Change %
Flat rated, unmetered service	\$45.00	79.69	77%
Capital Improvement Surcharge	\$30.00	\$0	-100%
Ready to Serve	\$45.00	\$19.92	-56%
Service Connection Fee (5/8" service)	\$1,000.00	\$500.00	-50%
Service Visit Charge	\$100.00	\$85.00	-15%
NSF Charge (each check)	\$25.00	\$35.00	40%

Included Documentation

Attached with this filing are the proposed Tariff replacement pages marked with the explanatory markings per WAC 480-80-105. Also attached are the work papers as required in WAC 480-07-530(4) with a cover sheet that describes, where necessary, the calculations used in the work papers. Also attached is the "General Rate Case Workbook (small).xlsx" provided by WUTC to construct the work papers. Additional notes (balance sheets and descriptions of adjustments) are included in "Work Papers.Docx".

Invoices for services shown in the income statement and depreciation schedule are available upon request. Any additional request for information should be directed to me, Jester Purtteman, at the number above, or at jester@nwwatersystems.com, thank you.

Sincerely



Jester Purtteman, E.I.T.
Northwest Water Systems

Attached:

- Proposed Tariff
- Customer Notice
- Work Papers
 - Revenue Impact Calculation
 - Balance Sheets
 - Revenues and Expenses
 - Depreciation Schedule
 - Income Statement
- Tariff Impact breakdown