

Solmar Water System, Inc.

P.O. Box 1989
Sequim, WA 98382

November 18, 2013

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Subject: Request for Water Rate Increase for Solmar Water System, Inc.

Dear Mr. King:

We are writing to request a water rate increase for the Solmar Water System located in Clallam County, Washington. It has been over a decade since our last rate increase. The reason for this rate increase is to recover costs that have exceeded our revenues. This includes adjusting for the ever-increasing costs of labor, testing, insurance, taxes, and operations (i.e. electricity, maintenance, postage, telephone, transportation, etc.) and the cost of capital improvements. These improvements include installation of meters on existing services, needed replacement of poorly functioning mainline valves and SO4 wellhead source approval from Washington State Department of Health (DOH).

The service area covered under the Solmar Water System, Inc. tariff is the Solmar Water Company, ID# 81315J. Please note Solmar Water Company is the actual water system.

Solmar Water System customers consist of residential, local commercial and the Lazy Acres mobile home park. In our original tariff the mobile home park was billed on a per unit non-metered rate of \$24.00/unit. To meet current metering guidelines set by the State we installed a 3" meter for the entire mobile home park. Though we have continued to bill at the tariff's non-metered rate we have been reading the meter to determine the quantity of water used by the park over the previous year. Attached is a spreadsheet of the meter uses with the proposed adjusted rate increase. Other than this single 3" meter all of the other services residential and commercial are served from a standard 3/4" meter except for five residences which are still unmetered. We plan to install meters on these five residences before the 2017 deadline.

Due to the mobile home park rate difference, we obtained unusual results on the Rate Case Workbook. In the process of completing this submittal we contacted Mr. Ward, WUTC, and discussed the output results. He suggested a preliminary rate increase proposal based on the compiled data and the 2012 Annual Report and recommended we submit the Rate Case Workbook as is.

Bi-Monthly Billing				
Service Type	Current	Proposed	Quantity per Category	% difference
Non-Metered	\$59.00	\$66.00	5	12%
3/4" Meter Tier 1	\$51.00	\$57.00	117	12%
3/4" Meter Tier 2	\$57.00	\$64.50	89	13%
3/4" Meter Tier 3	\$70.00	\$87.00	15	24%
3" Meter	\$3,552.00	\$4,060.00	74	14%

For a gross annual income from \$98,690 to \$112,400.

Attached is a copy of the following:

- Customer notice, dated November 15, 2013.
- Revised tariff.
- 2014 Solmar Rate Case Workbook, on compact disc.
- Lazy Acres mobile home park meter reading spreadsheet, paper copy and compact disc.
- The corporation profit and loss by class.
- The balance sheet.
- The depreciation schedule.
- Spreadsheet of employee benefits.
- Insurance policies.
- Long term interest debt payments.
- 2013 capital improvements.

Employee benefits cover the cost of individual medical insurance premiums for full time employees, attached spreadsheet of payments made in 2012. Solmar Water System, Inc. carries three insurance policies, auto insurance, commercial insurance, and professional liability insurance.

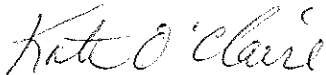
The only long term debt interest is on the Blaylock Note. The Ford pick-up truck was purchased with a 0% interest loan. Over the years the former owner made personal loans to the business to help cover capital improvement costs. The debt started in 1997 with the upgrade to the well house, in 1999 significant well field repairs were necessary, in 2002 the pump station was installed, and in 2005 the new well, SO4, was constructed. This debt is almost paid off with monthly payments. The Blaylocks have charged a 7% APR interest on the loan. Attached is a spreadsheet listing the interest payments and the repayment schedule on this debt.

As the system ages capital improvements, utility plant, are necessary to maintain a reliable and functioning system. In 2013 we have replaced three distribution system valves, a couple

residential meters and obtained source approval for SO4. Please note since I am a licensed Civil Engineer, I was able to complete the DOH source approval engineering report. Typically a system would have to hire an outside consulting engineer and then have to bear the burden of a substantial engineering bill. By doing this report in house we were able complete this source approval without any additional engineering costs. Attached is the list of 2013 capital improvements to date.

If you have any questions or require additional records please contact us at the above address or by phone at (360) 683-7191.

Cordially,



Kate O'Claire
President

Attachments