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March 18<sup>th</sup>, 2014

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

Subject: Newaukum initial rate filing

Dear Mr. King:

The Newaukum Water System Inc, (Newaukum) is submitting the attached tariff concerning the water system bearing the name "Newaukum Country Estates", registered with the Washington State Department of Health (DOH) as Water System ID (WSID) 59220. This filing has been prepared on Newaukum's behalf by Northwest Water Systems. The system desires the tariff to be in effect and listed on the Washington State Utilities and Transportation Commission (UTC) website as the tariff for said water system.

#### **Background**

The Newaukum Country Estates water system was purchased by Ken Lindebak in the mid-1990s to return control of the water system from an outside entity to a resident. The system has been operated by a certified operator, Shawn Clark. In 2011, Mr. Lindebak decided that he would like to find a way to give the system to the community. To do so he started the Newaukum Water System Inc., a nonprofit corporation.

The initial articles and bylaws made every customer of the water system a voting board member of the community. The intent was to form an entity much like a HOA. In 2013 there was not significant buy in from the other members of the community and meetings were generally attended only by Mr. and Mrs. Lindebak and the contract operator. Through the last half of 2013 Mr. Lindebak began attempting to draw people into the process by using mail in ballots for votes on important issues. In many cases Mr. Lindebak was able to get significant portions (more than half) of the community to respond.

In December of 2013, a community meeting was held and one of the residents stated that they did not want anything to do with the water system or nonprofit company. It had not occurred to Mr. Lindebak that anyone would want to be excluded and no provision was ever made for a member to quit in the original bylaws and articles. At the same time the UTC had made the determination that the system should fall under regulation because the water rates charged exceeded the \$557 threshold. To accommodate these new requirements, it was necessary to amend the bylaws to acknowledge UTC's authority and to establish a means for exiting (or joining) the membership of the corporation.

Mr. Lindebak sent out a proposed change to the bylaws in January for the vote of the board. The amended bylaws redefined the users as "beneficiaries" and made two classes of members, voting and non-voting. In an effort to make membership voluntary the bylaws were written such that a person could shift

from being a voting member beneficiary to a non-voting beneficiary at will. At this time ballot measures are simply mailed to everyone, so that non-voting members may choose to change their status at will. This change to the bylaws unanimously approved by 13 voting members. There were zero "no" votes and 10 abstentions.

Article 3 of the company's bylaws currently state that the beneficiaries can choose to be voting or non-voting at any time and that voting beneficiaries constitute the membership of the corporation. Since anyone may choose to be a non-voting beneficiary at any time, the water system does not fall under the exemption provided by Washington Administrative Code (WAC) chapter 480-110-255 subsection 2e.

### **Filing Purpose**

On January 1<sup>st</sup>, 2013 the system increased its monthly service charge from \$35 per month (\$420 per year) to \$55 per month (\$660 per year). With this change, the system was no longer exempt from UTC regulation under WAC 480-110-255 subsection 2f, and was required to file an initial tariff. Systems that charge more than \$557 per year for water service or that serve 100 or more customer are required to submit a tariff and supporting documentation to the UTC. With the submittal this initial filing, supporting documentation and notification of its customers, Newaukum will be in compliance with Washington Administrative Code (WAC) chapter 480-110.

### **Impact on system users**

The intent of this filing is to define the existing rates, and will not change the burden on users. The water system has 22 users at this time. A future tariff update will be submitted which will include a new consumption based rate.

### **Included Documentation**

This filing includes the following documents:

1. The initial tariff, drafted to match the existing operating conditions of the system
2. A copy of the customer notice.
3. A copy of the General Rate Case Workbook excel sheet provided by the UTC which includes the following items:
  - a. Balance Sheet
  - b. Income Statement for 2013
  - c. Meter Data for 2013

The company owns only one water system: Newaukum Country Estates, WSID 59220. The system has listed no restating or proforma adjustments in this initial filing. In a future rate filing the system may choose to use these to adjust the rates set to accommodate changes to the management and operations of the system. The company has no non-regulated operations and for that reason does not maintain a separated schedule. The company further does not have any affiliated interests, and no list is therefore given.

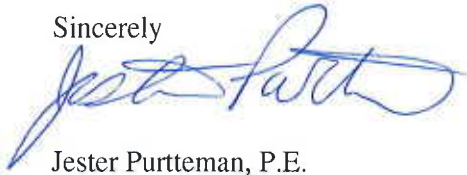
Circumstances particular to this system have led to the omission of several items that are normally found in a rate filing. The omitted items, and reasons for the omissions are:

1. The filing of the initial tariff will not change the rates charged to the system users, and therefore no revenue impact calculation is provided.
2. All of the company's assets are beyond the depreciation life, so the depreciation schedule has been omitted.
3. The system's usage statistics are shown in the general rate case workbook; however, the system operates on a flat rate structure at this time and no justification of tiers is therefore necessary.

4. Restating or pro-forma adjustments are not being made at this time, and no justification is therefore provided.

Any additional request for information should be directed to Jester Purtteman, at the number above, or at [jester@nwwatersystems.com](mailto:jester@nwwatersystems.com), thank you.

Sincerely

A handwritten signature in blue ink, appearing to read "Jester Purtteman", written in a cursive style.

Jester Purtteman, P.E.  
Northwest Water Systems