



Aquarius Utilities, LLC

"At Your Service"

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IMPORTANT NOTICE

March 25, 2016

Aquarius Utilities, LLC has filed with the Washington Utilities and Transportation Commission for approval of an increase in the Drinking Water State Revolving Fund (DWSRF) surcharge originally approved in 2008. If approved, the rates will become effective on May 1, 2016, and customers would see the rates reflected in the June 2016 billing.

The customer surcharge was established in 2008 to provide funds to repay a 20-year, \$2.5 million DWSRF loan for water system improvements. Based on a \$125,000 loan payment, surcharges were to supply \$100,000 of required funds, facilities charges from new service connections would provide \$15,000, and \$10,000 annual contributions by the Company owner would make up the remaining portion. Expected surcharge and facilities charge revenues were based on customer growth projections; commission staff indicated that, if actual growth and resulting revenues did not meet projected levels, the Company would be justified in requesting an adjustment in the surcharge amount.

Under the proposed rate, the surcharge would increase by \$1.70, from \$8.70 to \$10.40 per month for each customer. The average customer bill including the surcharge would increase from \$61.91 to \$63.61 (2.7%). The rate filing is designed to produce additional surcharge revenue of \$19,200 per year, to be applied directly to the DWSRF annual loan payments.

This increase is being requested because collected surcharge and facilities charge funds have not and are not keeping pace with the annual loan payments. This situation was due to a combination of factors: (1) the economic recession and housing market collapse, (2) much slower growth in new service connections, including removal of some existing connections, and (3) gradual depletion of affordable building sites for new homes. Based on current trends, the Company will have added 120 fewer new customers than predicted by 2028, the end of the loan period. The resulting impact of lower facilities charge and surcharge revenues will be compounded with each passing year. At the current surcharge rate, available loan funds will be exhausted in 2017, and by 2028 the loan fund account is projected to show a deficit of \$170,000.

A comparison of existing and proposed rates is as follows:	Existing	Proposed
Monthly Surcharge Amount	\$8.70	\$10.40

If you have any questions about the proposed filing and how it will affect you, please call Aquarius Utilities, LLC at (360)779-1565.

The commission has the authority to set final rates which may be lower or higher than the company's request, depending on the outcome of its investigation. You can comment by using the

Phone 360-779-1565
Fax 360-779-4189
MyWaterCompany@AOL.com

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"Submit a Comment" feature at the commission's website, at utc.wa.gov, or by using the contact information below. Commission staff will make a recommendation to the commissioners at an open meeting in Olympia, which is scheduled for 9:30 a.m. on April 28, 2016. You will have an opportunity to comment in person at this meeting. The UTC is committed to providing reasonable accommodation to participants with disabilities. If you need reasonable accommodation, please contact the commission at (360)664-1132 or human_resources@utc.wa.gov.

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250, Olympia, WA 98504-7250
E-mail: comments@utc.wa.gov
Telephone: 1-888-333-WUTC (9882)

To view documents filed at the commission in this case, visit the Water Section web page at utc.wa.gov/water and click on Aquarius Utilities, LLC under "Active Cases".

We appreciate the opportunity to present this proposal for your review and comment.

Very truly yours,

Gregory G. Roats, P.E.
General Manager

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