

Deer Meadows Water Company Customer

Water Rate Notification Letter

May 20, 2016

Dear Water Company Customer:

Due to significant increases in the cost of providing a sustainable and clean water supply over the past five years, Deer Meadows Water Company Incorporated, is proposing a change to the current water rates charged to customers. We have provided the below information to both inform and explain the reasons behind the upcoming rate changes.

First, water rates have not been adjusted for the past 5 years despite changes that have impacted operating costs. These changes include increasing power rates, increases in the cost of repairs, insurance, testing, etc.

Next, our recommendation for updated water rates has been developed over the past several months utilizing Washington State Utilities and Transportation Commission (UTC) specified methodologies and a UTC supplied spreadsheet tool. Prior to submission of this rate case to the UTC the proposed changes were reviewed by staff at the UTC. A few highlights of the methodology and data used in the Water Rate Study are:

- Tiered water rates are maintained and strengthened to encourage conservation. The tiered rates are set up so that as water consumption per service increases, the rate per unit of water used increases in set intervals. In other words, as more water is used by a customer, the more expensive the water becomes. The top water usage tier is raised significantly to encourage conservation.
- One full year of actual metered water usage data is utilized.
- One full year of employee time-keeping is utilized. Time spent on water company business is calculated and used in the setting of the rates.
- There are no special irrigation rates. All services of a given size pay the same amount regardless of how water is used by the end customer.
- There are no special commercial rates. Meter equivalent sizing is used to determine commercial rates per UTC requirements.
- A Ready-To-Serve (RTS) calculation is also included and updated. The UTC believes that the RTS rate should be the same as the base rate for active users.

In total, the changes amount to an increase in operating revenue of approximately \$21,700 (15.6%) based on study year data although the increase will be less if the tiered rates result in significant water conservation. A summary of the changes is as follows:

Customer Class	Existing Monthly Base Charge	Proposed Monthly Base Charge	
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Residential, Standard Meters			
3/4-inch meter	\$24.00	\$28.00	
4-inch meter	\$400.80	\$466.67	
Consumption Charges			
		Existing Usage Charge	Proposed Usage Charge
3/4-inch meter	Usage, 0 to 4600 gallons	\$ 0.50 per 1000 gallons	\$ 1.00 per 1000 gallons
	Usage, 4601 to 17,500 gallons	\$ 0.50 per 1000 gallons	\$ 1.50 per 1000 gallons
	Usage, 17,501 + gallons	\$ 1.60 per 1000 gallons	\$ 2.00 per 1000 gallons
Other meter sizes are changed based on standard meter equivalents.			
Monthly Ready-To-Serve Charge		Existing: \$ 24.00	Proposed: \$ 28.00

The commission has the authority to set final rates that may be either lower or higher from the company's request, depending on the results of its investigation. Commission staff will make a recommendation to the commissioners at an open meeting in Olympia, which is scheduled for 9:30 a.m. on June 9, 2016. You will have an opportunity to comment in person at this meeting. If you are unable to attend the open meeting, the commission has a bridge line, which enables you to participate or listen by telephone. Call 360-664-1234 for instructions the day before the open meeting. You can also comment by using the "Public Comment" feature at the commission's web site at 'utc.wa.gov', or by using the contact information below.

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)

Please note that the requested effective date of this rate case is June 21, 2016. We are requesting this date specifically to allow ample time for our customers to comment and be a part of the process. If you have any questions about the proposed filing and how it will affect you, please call Deer Meadows at 509-348-0131.

Sincerely,

Chuck Spencer, President

Director of Utilities