

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

SJM WATER SERVICES, INC.,

Respondent.

DOCKET NO. UW-040414

DECLARATION OF DANNY P.
KERMODE IN SUPPORT OF
MOTION TO DISMISS

I, Danny P. Kermode, declare under penalty of perjury under the laws of the State of Washington that I am over the age of 18, am competent to testify to the matters set forth below, and I have personal knowledge of those matters.

1. I am employed by the Washington Utilities and Transportation Commission as a Regulatory Analyst in the Water Section.

2. On July 26, 2004, SJM Water Services, Inc. (SJM Water or Company) filed its initial rates (Original Tariff WN U-1) and related financial information in compliance with the July 15, 2004, stipulation. At that time I began my investigation by requesting additional information which the Company responded

to in a timely manner. I adjusted the provided financial information to reflect regulatory and rate making accounting requirements.

3. The Company-provided financial information, adjusted for regulatory and rate making purposes, formed the results of operations – regulatory basis and an average rate base for the year ended December 2003. I used these data in my analysis of the sufficiency of the Company's initial rates.

4. The results of my analysis show that the initial rates produce annual revenues of \$37,150, which is greater than the revenue level my analysis indicates as the appropriate revenue level. The return on the total rate base of \$118,248 under current rates is 11.74%, whereas my analysis indicates a 11.74% return is not reasonable.

5. On October 29th, 2004, the Company voluntarily filed revised rates in Docket UW-041939, reducing its usage rate from \$4.00 per 100 cubic feet to \$3.00 per 100 cubic feet. The reduction reduces the return to 8.41%, which, in my opinion, is fair, just, reasonable, and sufficient.

I declare under penalty of perjury under the laws of Washington that the foregoing is true and correct.

DATED this 4th day of April, 2005, at Olympia, Washington.

DANNY P. KERMODE