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April 14, 2010

Washington Utilities and  
Transportation Commission  
Records Center  
1300 S. Evergreen Park Dr. S.W.  
Olympia, WA 98504

By E-Mail  
records@utc.wa.gov

Re: Enclosed Wholesale Water Supply Agreement

Dear WUTC Records Staff:

Enclosed for your review is a document entitled Amended Wholesale Water Supply Agreement, which is being sent to you at the direction of Mr. Jim Ward, a WUTC Regulatory Analyst. The agreement has been executed by Lehman Enterprises, Inc. ("LEI"), which owns and operates the public water system known as CAL Waterworks, and by the Goss Lakeridge Acres Association ("GLAA"), a local, non-profit homeowners' association, which currently supplies water to fifteen residences owned by association members. The project described in the agreement would result in an intertie between the CAL Waterworks system and the GLAA system. Upon completion of the intertie project and at the time the CAL Waterworks system was ready to supply water to the GLAA, the GLAA's two existing wells would go off-line. The GLAA then would supply its members with the water it obtained from CAL Waterworks, but in accordance with internal GLAA policies, procedures and rates regarding water service.

The agreement terms are the result of several months of discussion which involved a professional engineer (George Bratton, PE), staff of the State Departments of Health (DOH and DWSRF) and Ecology (DOE) and the Public Works Board, and each party has consulted its own attorney as needed during the process. In addition to the agreement, enclosed is a compilation of several county assessor's maps, which depict the locations of the existing CAL Waterworks well, the two existing GLAA wells, the route of a proposed six-inch main line extension connecting the CAL Waterworks main line with the GLAA main line, a two-inch wholesale meter, the CAL Waterworks service area and the plat of Goss Lakeridge Acres (the GLAA service area).

The main line extension would be installed by the GLAA through financing provided by a DWSRF loan, which originally was made to permit the GLAA to upgrade its existing water system as needed to eliminate excessive arsenic in the water. As indicated in enclosed excerpts from a preliminary project report prepared by George Bratton, the cost to the GLAA to intertie the CAL Waterworks and GLAA water systems

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would be approximately \$143,600, in contrast to a cost of approximately \$239,400 to provide for arsenic removal from two existing GLAA wells. Mr. Bratton's project report also describes other benefits of the intertie project versus the original arsenic removal project. Because the intertie project involves approval by the State Departments of Health and Ecology, representatives of those agencies have submitted supporting letters, which I have enclosed along with a letter from John A. Ott, the current GLAA president. As a part of the intertie project, the two-inch meter described above would be installed at the point of intertie between the existing CAL Waterworks main line and the new six-inch main line to be installed by the GLAA.

With regard to the financial aspects of the agreement and as indicated above, water is to be supplied by LEI to the GLAA, which then would supply and bill each of its members (currently fifteen households) using the water. The billing rate used by LEI for the GLAA would be equivalent to the existing WUTC tariff rates for the base service charge and for actual water use, while the GLAA would set its own rates for its member/customers. Because LEI's existing tariff rates are based on an average of costs for several water systems owned and operated by LEI, and because the parties consider those rates to be fair and reasonably related to the cost of providing the water, those are the rates included in the agreement, subject to change if and as LEI's WUTC tariff rates change. Those billing rates also provide for simplicity in calculating the monthly charges owed by GLAA for the water it purchases from LEI. The agreement provides for GLAA's payment of a single charge in lieu of the facilities charge included in LEI's WUTC tariff, at a rate per GLAA customer that is lower than that set forth in the tariff. The discounted charge is based on the fact that the GLAA will continue to incur maintenance, repair, replacement and other operational costs for portions of its water system. Those continuing GLAA operational costs would have been borne by LEI had it acquired ownership of the GLAA water system and been supplying individual GLAA customers on a retail basis. In addition, LEI will have to pay for maintenance, repair and replacement of water system main lines and other components in the CAL Waterworks service area that have no relation to water service to the GLAA. As a result, LEI's overall, long-term cost to supply its existing CAL Waterworks customers is expected to be somewhat higher than the overall, long-term cost to supply water to the GLAA, and so those CAL Waterworks customers will continue to pay the full facilities charge set forth in the WUTC tariff. LEI and its engineer believe that the charges provided for in the agreement with the GLAA will allow recovery of all costs incurred by LEI in providing water service to the GLAA and also will provide a reasonable and sufficient contribution to LEI's fixed costs in operating the CAL Waterworks water system.

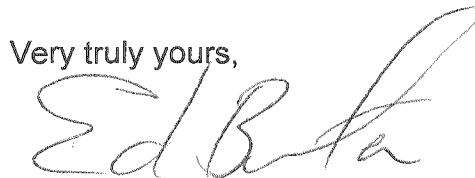
An agreement is being used in this situation rather than a filed tariff because the agreement provides for matters unrelated to the tariff, such as allocation of duties related to the main line extension/intertie project described above. The agreement is intended to be permanent, rather than for a set term, because of the large investment

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required by the GLAA for the main line extension, which extension would have no other purpose than connecting the GLAA system to the CAL Waterworks system; the fact that the withdrawal point for the GLAA's ground water rights already has been transferred by the DOE to the CAL Waterworks well; and, the fact that the GLAA plans to decommission and eventually abandon (in accordance with DOE standards) its two existing wells, thereby leaving the GLAA without its own water source.

If I can provide any further documentation, clarification or information in general, please let me know by phone or by e-mail.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ed Brewster". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Ed Brewster

REB:gb  
Encl.  
Cc: Client