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December 20<sup>th</sup>, 2010

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

Subject: Copalis Rocks initial rate filing

Dear Mr. Danner:

The Copalis Rocks Water System, WSID #07301-B is requesting a review of the attached tariff prepared by its Satellite Management Agency, Northwest Water Systems. Ownership of the system has recently passed from the Copalis Rocks Water Association (comprised of all the users of the system) to the Copalis Rocks Mutual Benefit Association (CRMBA). CRMBA does not provide equal representation to all users and therefore requires UTC regulation.

#### **Filing Purpose**

This tariff filing has two purposes: (1) publicly establish rates for the water system, (2) satisfy a requirement for CRMBA to register as a non-profit entity in the state of Washington.

#### **Background**

The water system was originally owned by the Copalis Rocks Water Association, which required a unanimous vote for passage of rules. Because of the extraordinary challenges in reaching consensus in this system of governance, the water system was very poorly funded, maintained, and difficult to manage. The system had a large number of non-paying members resulting in very high costs to those members which would pay.

The former association went into default. A subset of the users purchased the deed of trust to the water system. Seven (7) of the system users formed the CRMBA as shareholders and holding a stake in the water system in order to pay the deed and legal costs. Membership in CRMBA is available to any system user who pays the initial capital contribution of \$10,700. The Articles of Incorporation for CRMBA, notice of default for the Copalis Rocks Water Association, and Notice of Trustee's sale are attached for your review.

The Copalis Rocks Water Association had been dysfunctional because of the voting requirements. Once the CRMBA took ownership of the system, funds were raised through loans to the system from the owners to pay for a distribution system replacement project. These loans were given at 6% annual interest. Additional construction loans are anticipated over the next year.

#### **Impact on system users**

The intent of this filing is to define the existing rates, and will not change the burden on users. The most significant impact will be that all users will pay the rates for the water system, rather than a subset. The

water system has 27 users at this time. The water system does not have service meter data yet, as the service meter installation was completed only a few months ago. At the beginning of 2012 it is anticipated that a tariff update will be submitted which will include a new consumption based rate.

### **Included Documentation**

The CRMBA financial balance sheet as of 10/31/2010 is included, but it should be noted that 6 days later over \$80,000 in bills were paid for construction projects. . The project itself cost \$97,500, which is now complete and final payments will be made in January. A second spreadsheet, "receipts.xlsx", is attached with a breakdown and categorization of receipts available from May 1<sup>st</sup>, 2009 to April 30, 2010. Articles of incorporation and the notices of default and trustee's sale for the defunct association are also attached. Finally, invoices for construction and engineering are shown in a file called "construction.zip".

The rates in this tariff are taken from <http://copalisrockswater.org/page2/page2.html>, which is the water association website.

Documentation sufficient to file a new tariff is now being compiled. Once metered usage data is available, the system will likely submit a second tariff filing. Many of the attached items will be revisited at that time.

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

Jester Purtteman, E.I.T.  
Northwest Water Systems

Attached:

- Existing Tariff
- Customer Notice
- Legal and Financial Documents.zip
  - Balance Sheet 10-31-2010
  - Legal Documents
  - Receipt Breakdown
- Construction.zip
  - Scanned Invoices and Checks
  - Water Line Project Costs spreadsheet
  - Balance Sheet 11-22-2010