

Law Office of Thomas M. Pors

January 30, 2014
11118/DesertCanyon

Steven V. King,
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Subject: Desert Canyon Utility Company – Agreement with Pierre Renton Properties, LLC

Dear Executive Director King:

Pursuant to the requirements of WAC 480-80-143, enclosed you will find three copies of the Agreement between Desert Canyon Utility Co. and Pierre Renton Properties, LLC (PRP). The purpose of this contract is to provide irrigation water for PRP's property adjacent to the Desert Canyon water system.

The following information is provided in compliance with WAC 480-80-143:

1. WAC 480-80-143(5)(a) – Copy of the contract is provided.
2. WAC 480-80-143(5)(b) – There is no unreasonable preference or rate discrimination because there is only one existing irrigation-only customer (Pro Desert LLC) and two new irrigation-only customers. The rates and conditions of service are identical for the existing irrigation customer and the new customers, based on the rate approved by the Commission in 2009 for the Pro Desert contract (UW-090496). The rate charged on the Pro Desert contract is \$1271.00 per acre, based on projected 2014 billings of \$136,633.65 and 107.5 acres irrigated at the golf course. The PRP contract is for irrigation of 90 acres, and the initial annual rate is 90 times \$1271.00, or \$114,390.00. Section 5.d of the PRP contract provides for a “most favorable rate” in the event that Desert Canyon establishes a lower rate for irrigation water in the future for any other customer, which assures that any future irrigation rate setting or renegotiation of a contract rate will apply equally to all irrigation-only customers. This avoids future unreasonable preferences or rate discrimination as well.

The irrigation-only rate is not set by tariff and differs from the rates charged to domestic customers. The reasons are: (1) irrigation customers are large bulk users of raw, untreated water; (2) the costs of serving large bulk users differ from the costs of serving smaller domestic customers using treated water; and (3) seasonal weather variations affect the quantity of water used by irrigation customers, so that charging by acreage instead of water quantity is a more predictable source of revenue for the Company.

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3. WAC 480-80-143(5)(c) – The contract charges recover all costs resulting from providing the service and provide a contribution to the Company’s fixed costs. No additional personnel will need to be hired as a result of this contract, but additional electricity, maintenance, and administrative costs will be incurred. These costs are estimated to be substantially less than the initial annual rate of \$114,390.00, allowing the balance of revenue to contribute to repayment of loans for the nitrate treatment system and contribution to the utility’s fixed costs. As an irrigation-only customer, the volume of water delivered to PRP will have efficiencies both from delivery and overhead purposes such that the rates paid by PRP will contribute to a fair share of the operating costs required to provide irrigation service to the three irrigation-only customers and to the fixed costs of the Company.

4. WAC 480-80-143(5)(d) – The annual charges in the PRP contract are based upon the charges in the ProDesert irrigation contract approved in 2009, which were in turn designed to cover the operating costs of serving the customer, derive a contribution to the fixed costs of the utility, and make a significant contribution towards payment of the SRF loan for nitrate treatment facilities.

5. WAC 480-80-143(5)(e) – The basis for using a contract is that there is only one existing irrigation-only customer, who has a similar contract, and the two new irrigation-only customers are the only additional irrigation customers of any significance that the Company expects to serve. Limitations on the development schedules of the Company’s water rights prevent the Company from further expanding the irrigation service to other customers outside of the Desert Canyon community. Thus, no additional irrigation-only customers are expected and a general tariff offering would not be appropriate.

Please call our accountant, Richard Rekdal, at (425) 658-1400 if you have any questions about rates and revenues of the Company. His email address is rrekdal@rh2cpas.com. My email address is tompors@comcast.net.

Thank you for your attention to this matter.

Very truly yours,



Thomas M. Pors

TMP

Enclosures

Cc: Jim Ward (via email)
James P. Pierre
William H. Pierre, Jr.
Richard Rekdal
Chrissy Scannell
Don DeFord