



July 31, 2014

IMPORTANT NOTICE

Washington Water Service Company has filed for approval from the Washington Utilities and Transportation Commission (Commission) to increase rates to cover the higher costs of providing a reliable, high-quality water supply. If the request is approved, the monthly bill for average metered residential customer using 1,000 cubic feet of water per month would increase by \$7.75, or about \$0.26 per day.

The company's last general rate increase was effective February 1, 2012, and was based on 2010 capital and operating expenses. Since 2010, Washington Water has made numerous water system upgrades and additions, including new pumping equipment, water treatment facilities, wells, water mains, and new storage. Another service enhancement made since our last filing is our on-line payment portal, which gives customers access to account information 24 hours per day.

Increases in operating costs are also a factor in the proposed increase. The filing reflects increases in regulatory fees from the Department of Health, higher laboratory fees resulting from additional water quality testing requirements, increased depreciation expense due to the addition of new facilities, and increases in wages and health care costs.

In the face of rising costs, we have worked diligently to control expenses wherever possible to help keep water rates affordable. Our efforts include eliminating two staff positions and making significant reductions in costs in other areas of our day to day operations, including:

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| | Cost Savings: |
| • Safety & workers compensation premiums | \$35,000.00 Annually |
| • Consolidated bill and notice printing – taking advantage of bulk rates | \$ 20,000.00 Annually |
| • Renegotiation of merchant rate for credit cards | \$ 8,000.00 Annually |
| • Revisions to after-hours answering service – reducing the expense | \$ 5,000.00 Annually |
| • Electronic delivery of Consumer Confidence Reports | \$17,000.00 Annually |
| • Replacement of leased phone lines for pumping equipment with new technology | \$ 9,000.00 Annually |

In addition to the cost savings outlined above, we have revised our vehicle replacement policy, and vehicles are now being driven approximately 150,000 miles before being replaced.

Despite these cost saving efforts, an increase in rates is necessary to cover the costs of delivering a safe-reliable water supply and improvements to water system infrastructure. The filing requests an increase of \$1,501,610 in annual revenue, which is an increase of 15.99% over 2013.

If approved, the new rates will become effective on September 8, 2014. The tables below show the rate structure and the effect on the average customer's monthly bill.

	<u>Existing Monthly Bill</u>	<u>Proposed Monthly Bill</u>
<u>Average Customer</u>		
Residential Customer using 1,000cf	\$51.25	\$59.00
Non-Metered Customer	\$48.15	\$54.19

Residential Service - Existing Rates

Meter Size	Base Rate	1st Block (cubic feet)	1st Usage Rate ¹	2nd Block (cubic feet)	2nd Usage Rate ¹	3rd Block (cubic feet)	3rd Usage Rate ¹
3/4-inch ²	\$19.15	0-600	\$2.95	601-1,600	\$3.60	Over 1,600	\$4.40
1-inch	\$31.92	0-1,000	\$2.95	1,001-2,667	\$3.60	Over 2,667	\$4.40
1 1/2-inch	\$63.83	0-2,000	\$2.95	2,001-5,333	\$3.60	Over 5,333	\$4.40
2-inch	\$102.13	0-3,200	\$2.95	3,201-8,533	\$3.60	Over 8,533	\$4.40
3-inch	\$191.50	0-6,000	\$2.95	6,001-16,000	\$3.60	Over 16,000	\$4.40
4-inch	\$319.17	0-10,000	\$2.95	10,001-26,667	\$3.60	Over 26,667	\$4.40
6-inch	\$638.33	0-20,000	\$2.95	20,001-53,333	\$3.60	Over 53,333	\$4.40

Residential Service - Proposed Rates

Meter Size	Base Rate	1st Block (cubic feet)	1st Usage Rate ¹	2nd Block (cubic feet)	2nd Usage Rate ¹	3rd Block (cubic feet)	3rd Usage Rate ¹
3/4-inch ²	\$21.00	0-600	\$3.40	601-1,600	\$4.40	Over 1,600	\$5.50
1-inch	\$35.01	0-1,000	\$3.40	1,001-2,672	\$4.40	Over 2,672	\$5.50
1 1/2-inch	\$69.99	0-2,000	\$3.40	2,001-5,328	\$4.40	Over 5,328	\$5.50
2-inch	\$111.99	0-3,200	\$3.40	3,201-8,528	\$4.40	Over 8,528	\$5.50
3-inch	\$210.00	0-6,000	\$3.40	6,001-16,000	\$4.40	Over 16,000	\$5.50
4-inch	\$350.70	0-10,000	\$3.40	10,001-26,672	\$4.40	Over 26,672	\$5.50
6-inch	\$693.00	0-20,000	\$3.40	20,001-53,328	\$4.40	Over 53,328	\$5.50

¹ - Based on per 100 cubic feet or fraction thereof.

² - or smaller

The Commission has the authority to set final rates that are either lower or higher than 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 Thursday, August 28, 2014. You may comment in person at this meeting. The UTC is committed to providing reasonable accommodation to participants with disabilities. If you need reasonable accommodation, please contact the commission at (360) 664-1132 or human_resources@utc.wa.gov.

If you are unable to attend the open meeting, the commission has a telephone line that enables you to participate or listen. Call (360) 664-1234 for instructions the day before the open meeting. You may also comment by using the "Public Comment" feature at the commission's web site at www.utc.wa.gov or by using the contact information below.

Washington Utilities and Transportation Commission
 1300 S Evergreen Park Drive SW
 Post Office Box 47250
 Olympia, WA 98504-7250
 E-mail: comments@utc.wa.gov
 Telephone: 1-888-333-WUTC (9882)

If you have any questions about the proposed filing and how it will affect you, please give our Customer Service Department a call toll free at (877) 408-4060 or email us at input@wawater.com

Sincerely,

Washington Water Service Company
 PO Box 336
 Gig Harbor, WA 98335