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March 1, 2017

VIA E-FILING

Mr. Steven V. King, Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Southgate Water System, Inc. Second Revision Sheet No. 2 Cancelling First
Revision Sheet No. 2; Original Sheet No. 27

Dear Mr. King:

Attached you will find the above-referenced tariff sheets. Please note that the purpose of this surcharge is to fund well and pump repairs that have been an ongoing problem encountered by the company. The company has already taken on substantial debt related to these problems and projects that it will not have any borrowing capacity for future problems. Therefore, this surcharge is sought by the company.

The following explains what has happened. For well No. 1, it was put into service in approximately 1983. In recent years there have been substantial repairs or upgrades that have been required. For example, in 2002, the pump and motor were replaced and electrical equipment was upgraded at a cost of \$35,450. In 2003, the motor was replaced at a cost of \$13,940. In 2007, there was a rebuilt pump and the motor replaced for a cost of \$18,320. In 2010, there were two pump and motor replacements and additional electrical equipment installed. The first cost was \$37,148. The second cost was \$17,611. In 2015, a rebuilt pump was required and the motor was replaced. This was at a cost of \$18,467. Thus, over the past few years there have been six major events at a total cost of \$140,936 or \$23,490 per event on average. The average interval between these major expenses was two and a half years.

On well No. 2, the well was established in 1992 and its size and depth increased in 1999. Thereafter, the pump and motor were replaced and electrical equipment upgraded in 2001 at a cost of \$37,420. There were additional equipment replacements in 2008 at a cost of \$23,800. In

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2011, the pump was replaced and the motor was replaced at a cost of \$26,913. In 2014, the motor was replaced and the booster pump was renovated at a cost of \$25,914. This is a total cost \$114,047 or approximately \$28,512 per event and an event occurred every 3.75 years.

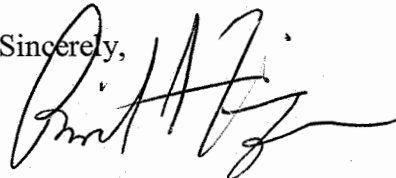
Taking all of these events together and averaging them out on an annual basis is the measure for the surcharge reflected on the attached tariff schedule. A worksheet showing the calculation of the surcharge is attached. Copies of invoices and other supporting information are available.

In addition, the customer notice is also included.

Mr. Magnoni is authorized to issue tariff sheets on behalf of the company and the undersigned is authorized to file the same on behalf of the company.

If you have any questions concerning this matter, please contact the undersigned.

Sincerely,



RICHARD A. FINNIGAN

RAF/cs
Enclosure

cc: Client (via e-mail)