



Aquarius Utilities, LLC

"At Your Service"

Diamond Point ♦ Island Lake ♦ Lynch Cove ♦ Agate West

IMPORTANT NOTICE

May 23, 2008

Aquarius Utilities, LLC has filed for approval from the Washington Utilities and Transportation Commission to increase rates for additional annual revenue of \$106,055. If approved, the rates will become effective on July 14, 2008, and customers would see the rates reflected in the August 2008 billing.

This increase is being sought for the following reasons:

- (1) To cover operating and administrative and operating costs, which have risen dramatically since general rates were last adjusted and approved in 2002: and
- (2) To begin recovering the cost of capital improvements and purchases made since 2002; these costs include depreciation and the interest charged on borrowed funds.

Please note that the above capital improvements do not include the Island Lake Main Replacement Project, the rate adjustment for which was approved in a separate proceeding in 2004.

The need for an additional \$106,055 in revenue is illustrated as follows:

Computed revenue needed:

--Administrative and operating expense	\$407,615
--Depreciation expense	76,510
--Rate of return, including interest on borrowed funds	<u>51,300</u>
Total required revenue for 2008	\$535,425
Less: Total actual revenue for 2007	- <u>\$429,370</u>
Difference: Additional revenue needed	\$106,055

There is never a good time to request a rate increase, and we realize that the present state of the economy is difficult for customer households. The cost of everything we buy and do has been rising fast; we understand this firsthand because we as a water company are subject to the same cost increases as you are in your homes and businesses. That is why we must seek this increase now to cover rising expenses, pay for capital expenditures, and continue providing the level of service our customers expect and deserve. We ask for your understanding and support for this request.

A comparison of existing and proposed rates and charges is shown below:

(1) Monthly Rate:

--Base charge, zero cubic feet:		
-- 3/4" or smaller service	\$30.95	\$35.95
--1" meter service	49.01	56.93
--1 1/2 "meter service	93.74	108.93
--2" meter service	147.64	171.56
--Usage charge:		
--1 – 500 cubic feet, per 10 cubic feet	\$0.200	\$0.250
--501 – 1000 cubic feet, per 10 cubic feet	0.200	0.275
--1001 – 2000 cubic feet, per 10 cubic feet	0.300	0.300
--Over 2000 cubic feet, per 10 cubic feet	0.400	0.400