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April 3, 2009

**VIA E-MAIL AND HAND DELIVERY**

Mr. David Danner, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 South Evergreen Park Drive SW  
Olympia, WA 98504-7250

Re: Desert Canyon Utility Co. - Agreement

Dear Mr. Danner:

Pursuant to the requirements of WAC 480-80-143, enclosed you will find three copies of the Agreement between Desert Canyon Utility Co. and Pro Desert LLC. The purpose of this contract is to provide irrigation water for the Desert Canyon Golf Course.

At the time the Agreement was signed, Desert Canyon Utility Co. (the "Company") was unaware that it was required to file contracts for approval with this Commission. The Company apologizes for that oversight and is now filing the Agreement since the requirement has been brought to its attention.

Pursuant to the requirements of WAC 480-80-143(5), the following information is provided:

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 since Pro Desert LLC is the only irrigation customer.
3. WAC 480-80-143(5)(c) – The contract charges do recover all costs resulting from providing the service and provide a contribution to the Company's fixed costs. As an irrigation-only customer (for purposes of the

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contract), the volume of water delivered to the golf course has efficiencies both from delivery and overhead purposes that mean that the rates paid by Pro Desert LLC more than contribute to the operating costs required to provide service to the golf course and the fixed costs of the Company. Further, through the Addendum which is attached to the contract, Pro Desert LLC is making a significant contribution to payment of treatment costs for nitrate treatment. Nitrate treatment is not required for irrigation water. It is required for domestic customers. Therefore, those domestic customers are receiving a significant benefit from the terms of this contract.

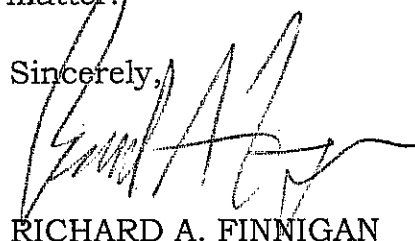
4. WAC 480-80-143(5)(d) – The charges were based upon a negotiated amount signed to cover the operating costs of serving the customer and deriving a contribution to the fixed costs. Further, the costs related to the Addendum were derived by reviewing the expected amortization of an SRF loan for treatment facilities and obtaining a significant contribution towards that amount.

5. WAC 480-80-143(5)(e) – The basis for using a contract is that this is the only irrigation customer that the Company expects to serve. Thus a general tariff offering would not be appropriate.

This contract is an integral part of the Company's proposal for obtaining an SRF loan to provide treatment facilities to address a nitrate problem that affects domestic supply.

Thank you for your attention to this matter.

Sincerely,



RICHARD A. FINNIGAN

RAF/km

Enclosures

cc: Jim Ward (via e-mail)  
Myra Baldini (via e-mail)  
Terry Davis (via e-mail)  
Rick Rekdal (via e-mail)