BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant,	)	DOCKET UW-090839
v.	)	
CRISTALINA, LLC, Respondent.	)	SETTLEMENT AGREEMENT

1 This settlement agreement (Agreement) is entered into by both parties to this proceeding for the purpose of resolving all issues raised in the above docket.

I. PARTIES

2 The parties to this Agreement are Cristalina, LLC ("Cristalina" or "Company"), and the Staff of the Washington Utilities and Transportation Commission (Staff) (collectively, "the Parties").

II. RECITALS

3 Cristalina is a water company regulated by the Washington Utilities and Transportation Commission (Commission). The Company serves 84 customers in Ravensdale, Washington, which is located in eastern King County. Staff's review of financial information from the Company in another proceeding indicated that Cristalina might be earning an excessive return. In June 2009, the Commission initiated a complaint

proceeding against Cristalina to determine whether the Company's rates and charges are unjust, unreasonable, or insufficient.

4 In the Commission's Complaint Against Rates (Complaint), the Commission indicated that it would determine whether the Commission should set new rates and charges for Cristalina and require Cristalina to file revised tariffs reflecting those new rates and charges. In addition, the Commission stated in the Complaint that it would determine whether Cristalina should be required to refund to customers any portion of rates charged after the date the Complaint issued.

5 Currently, Cristalina's rates are a flat charge of $45 per month plus a surcharge of $32 per month to repay a Drinking Water State Revolving Fund (DWSRF) loan.[1] The DWSRF loan proceeds are funding system improvements, including meter installations so that the Company eventually can transition to metered rates. During the last two years, Cristalina has incurred significant expense for necessary repairs to the system. The repairs occurred in portions of the system that will be abandoned once the new construction funded by the DWSRF loan is complete.

6 The Parties reached an agreement in principle to settle before any testimony was filed, and informed the Commission of their settlement on November 18, 2009. The settlement is memorialized in this Agreement.

[1] See Docket UW-090516, a tariff revision adding a surcharge to service the $555,000 DWSRF loan, approved by the Commission on June 1, 2009.

III. AGREEMENT

7 The Parties have reached agreement on the issues raised in the above docket and present their agreement for the Commission's consideration and approval. The Parties therefore adopt the following Agreement, which the Parties enter into voluntarily, to resolve the matters in dispute between them and to expedite the orderly disposition of this proceeding.

A. REVENUE REQUIREMENT

8 The Parties agree that Cristalina requires annual revenues of $31,838. The Parties further agree that Cristalina requires an additional $4,032 annually for a period of 24 months to recover the expense of repairs to the system undertaken in 2008 and 2009. Finally, additional revenues of $32,256 are required to service the DWSRF loan for system improvements, but this revenue requirement was resolved in Docket UW-090516 and was not at issue here.

B. RATES AND EFFECTIVE DATE OF THE RATE DECREASE

9 Given the agreed-upon revenue requirement, the Parties agree that the rate currently in effect should be decreased from $77 to a flat rate of $68.30 per month. This amount incorporates (1) a rate of $32; (2) a surcharge to fund the 2008 and 2009 pipeline repairs of $4.30 per month for 24 months; and (3) the surcharge of $32 a month to repay the DWSRF loan.

10 The Parties agree that the rates agreed to in this settlement shall go into effect the first day of the month after the Commission approves this Agreement.

C. RATE OF RETURN, RETURN ON EQUITY, AND CAPITAL STRUCTURE

11 The Parties agree that, if needed for reporting and/or accounting purposes, Cristalina may use an overall rate of return of 9.3 percent. This rate of return is calculated using a hypothetical capital structure of 40 percent debt, at 8 percent, and 60 percent equity, at 12 percent.

D. REFUNDS AND REPAIR SURCHARGE

12 The Parties agree that customer refunds reflecting the difference between the rates currently in effect and the rates agreed to in this settlement are appropriate. The Parties further agree that refunds should be calculated from the date the Complaint issued, June 25, 2009, through the end of January, 2010, for a total of $7,644.

13 In addition, the Parties agree that the refund amount will be applied to reduce the amount of the revenue required to recover the 2008 and 2009 system repair expenses totaling $15,144. The Parties further agree that the remaining $7,500 representing system repair expenses will be amortized over a two year period and collected from customers using a surcharge.

E. CONDITIONS

14 In addition to the rates, revenue requirement, and accounting treatment set forth above, the Parties agree to several conditions, descriptions of which follow.

1. Reporting Construction Progress and Water Usage

15 Cristalina agrees to report to the Commission monthly concerning the construction progress of capital improvements funded by the DWSRF loan. Construction progress

reports shall be filed concurrently in this docket and in Docket UW-090516 within 10 days of the end of each preceding month until construction is complete.

16 In addition, Cristalina will provide water usage data from the well-head meters monthly to the Commission. Well head meter usage reports shall be filed in this docket within 10 days of the end of each preceding month until 12 months of metered usage data exists.

2. Filing for Metered Rates

17 Staff commits to working with Cristalina to design both temporary and permanent metered rates.

a. Temporary Metered Rates

18 Cristalina agrees that once all customer meters have been installed and are in use (the "completion date") and two months of usage data exist, Cristalina will file for temporary metered rates within 120 days of the completion date. Cristalina agrees that its proposed temporary metered rates shall include a base rate and a single usage block, and the temporary rates would be subject to a "true-up" upon implementation of permanent rates.

b. Permanent Metered Rates and True-Up

19 Cristalina further agrees that, after the Company collects 15 months of metered customer usage data, Cristalina will use the most recent twelve months of data to file for permanent metered rates. This rate filing shall be accomplished within 18 months of the completion date. Cristalina agrees that in this filing the Company will request a "true-up" of any temporary rates then in effect. The true-up may be effected through refunds, a

surcharge, or an amount embedded in rates, as appropriate. Cristalina agrees that its proposed permanent metered rates shall include a base rate and multiple usage blocks.

IV. GENERAL PROVISIONS

20 The Parties agree that this Agreement is in the public interest and would produce rates for the Company that are fair, just, reasonable, and sufficient. The Parties further agree that this Agreement reflects the settlement of all contested issues between them in this proceeding. The Parties understand that this Agreement—including the admissions contained herein—is not binding unless and until accepted by the Commission. If the Commission does not accept this Agreement, including all of its terms and conditions without change, then the Parties shall be free to assert their pre-settlement positions and agree that neither this Agreement nor any statements or admissions contained herein shall be admissible or used for any purpose in this docket or any other proceeding for any purpose.

21 The Parties agree to cooperate in submitting this Agreement promptly to the Commission for acceptance. The Parties agree to support adoption of this Agreement in proceedings before the Commission. No party to this Agreement or its agents, employees, consultants, or attorneys will engage in advocacy contrary to the Commission's adoption of this Agreement.

22 The Parties agree (1) to provide each other the right to review in advance of publication any and all announcements or news releases that the other party intends to make about the Agreement (with the right of review to include a reasonable opportunity to request changes to the text of such announcements) and (2) to include in any news release or

announcement a statement that the Staff's recommendation to approve the settlement is not binding on the Commission itself.

23 Nothing in this Agreement shall limit or bar any other entity from pursuing legal remedies against Cristalina or Cristalina's ability to assert defenses to such claims.

24 The Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty, and delay. The Parties recognize that this Agreement represents a compromise of the Parties' positions. As such, conduct, statements, and documents disclosed during negotiations of this Agreement shall not be admissible as evidence in this or any other proceeding, except in any proceeding to enforce the terms of this Agreement or any Commission order fully adopting those terms. This Agreement shall not be construed against either party because it was a drafter of this Agreement.

25 By executing this Agreement, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Agreement, nor shall any Party be deemed to have agreed that any provision of this Agreement is appropriate for resolving issues in any other proceeding, except to the extent expressly set forth in the Agreement.

26 The Parties have negotiated this Agreement as an integrated document to be effective upon execution. This Agreement supersedes all prior oral and written agreements on issues addressed herein. Accordingly, the Parties recommend that the Commission adopt this Agreement in its entirety.

27 The Parties may execute this Agreement in counterparts and as executed shall constitute one agreement. A signed signature page sent by facsimile or email is as effective as an original document.

28 The Parties shall take all actions necessary as appropriate to carry out this Agreement.

29 In the event that the Commission rejects all or any portion of this Agreement, or accepts the settlement upon conditions not proposed in this Agreement, each party reserves the right to withdraw from this Agreement by written notice to the other party and the Commission. Written notice must be served within 10 business days of the Order rejecting part or all of this Agreement or imposing conditions not proposed in this Agreement. In such event, neither party will be bound or prejudiced by the terms of this Agreement, and the Parties agree to request the prompt reconvening of a prehearing conference and to cooperate in developing a procedural schedule.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

ROBERT M. MCKENNA
Attorney General

Jennifer Cameron-Rulkowski
JENNIFER CAMERON-RULKOWSKI
Assistant Attorney General
Counsel for the Washington Utilities and Transportation Commission

Dated: January 22, 2010.

CRISTALINA, LLC

____
MARIA LINDBERG
President

Dated: __________________, 2010.

____
RICHARD A. FINNIGAN
Counsel for Cristalina, LLC

Dated: __________________, 2010.

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WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

ROBERT M. MCKENNA
Attorney General

JENNIFER CAMERON-RULKOWSKI
Assistant Attorney General
Counsel for the Washington Utilities and Transportation Commission

Dated: ________________, 2010.

CRISTALINA, LLC

MARIA LINDBERG
President

Dated: Jan 27, 2010.

RICHARD A. FINNIGAN
Counsel for Cristalina, LLC

Dated: Jan 27, 2010.