



WASHINGTON WATER SERVICE

P.O. Box 336
Gig Harbor, WA 98335 Tel: (877) 408-4060 toll-free

July 2, 2018

IMPORTANT NOTICE

Washington Water Service Company (WWSC) has filed for approval from the Washington Utilities and Transportation Commission (UTC) to increase revenues 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 854 cubic feet of water per month would increase from \$53.75 to \$61.47 (\$7.72 or 14.6%, about \$0.26 per day). If approved, the new rates will become effective on August 1, 2018.

WWSC's last general rate increase was effective February 1, 2015, and was based on 2013 capital and operating expenses. Since 2013, WWSC has made numerous water system upgrades and additions, including new pumping equipment, water treatment facilities, wells, water mains, and new storage. These improvements were made at a cost of \$10.7 M. Increases in operating costs are also a factor in the proposed increase. The filing reflects increases in materials, equipment, 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 making significant reductions in annual costs of our day to day operations, including:

Description	Cost Saved
Payroll time sheet re-engineering /streamlined	\$ 7,500.00
Property tax through valuation reviews	\$ 5,000.00
Legal & other outside contracting services	\$ 9,000.00
Strategic credit purchases of vehicles @ zero interest	\$ 10,200.00
Inventory counting and minimize losses	\$ 20,000.00
Employee group benefits	\$ 10,000.00
Laboratory Administration expenses	\$ 2,500.00
Transmission & Distribution Expense	\$ 12,500.00

WWSC is also incorporating the changes resulting from the recently passed Tax Cuts and Jobs Act which reduced income tax expense among other things. 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 \$1,636,315 in annual revenue, which is an increase of 13.8% over 2017.

The tables below show the present and proposed rate structure.

Residential Service - Existing Rates

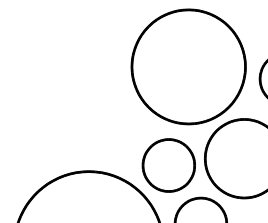
Meter Size	Base Rate	1st Block (cubic feet)	1st Usage Rate ¹	2nd Block (cubic feet)	2nd Usage Rate ¹	3rd Block (cubic feet)	3rd Usage Rate ¹
3/4-inch ²	\$21.75	0-600	\$3.45	601-1,600	\$4.45	Over 1,600	\$5.50
1-inch	\$36.25	0-1,000	\$3.45	1,001-2,667	\$4.45	Over 2,667	\$5.50
1 1/2-inch	\$72.50	0-2,000	\$3.45	2,001-5,333	\$4.45	Over 5,333	\$5.50
2-inch	\$116.00	0-3,200	\$3.45	3,201-8,533	\$4.45	Over 8,533	\$5.50

¹ Based on per 100 cubic feet or fraction thereof.

² 3/4" meter or smaller.

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3-inch	\$217.50	0-6,000	\$3.45	6,001-16,000	\$4.45	Over 16,000	\$5.50
4-inch	\$362.50	0-10,000	\$3.45	10,001-26,667	\$4.45	Over 26,667	\$5.50
6-inch	\$724.93	0-20,000	\$3.45	20,001-53,333	\$4.45	Over 53,333	\$5.50
Ready to Serve	\$21.75	-	-	-	-	-	-
Flat	\$55.28	-	-	-	-	-	-

Residential Service - Proposed Rates

Meter Size	Base Rate	1st Block (cubic feet)	1st Usage Rate	2nd Block (cubic feet)	2nd Usage Rate	3rd Block (cubic feet)	3rd Usage Rate
3/4-inch	\$ 24.91	0-600	\$ 3.94	601-1,600	\$ 5.09	Over 1,600	\$ 6.30
1-inch	\$ 41.52	0-1,000	\$ 3.94	1,001-2,667	\$ 5.09	Over 2,667	\$ 6.30
1 1/2-inch	\$ 83.03	0-2,000	\$ 3.94	2,001-5,333	\$ 5.09	Over 5,333	\$ 6.30
2-inch	\$ 132.85	0-3,200	\$ 3.94	3,201-8,533	\$ 5.09	Over 8,533	\$ 6.30
3-inch	\$ 249.10	0-6,000	\$ 3.94	6,001-16,000	\$ 5.09	Over 16,000	\$ 6.30
4-inch	\$ 415.17	0-10,000	\$ 3.94	10,001-26,667	\$ 5.09	Over 26,667	\$ 6.30
6-inch	\$ 830.33	0-20,000	\$ 3.94	20,001-53,333	\$ 5.09	Over 53,333	\$ 6.30
Ready to Serve	\$24.91	-	-	-	-	-	-
Flat	\$62.82	-	-	-	-	-	-

The base rate is increasing by 14.5%, the 1st block by 14.2%, the 2nd block by 14.4%, and the 3rd block by 14.5%. The UTC 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, July 26, 2018. 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 "Submit a 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
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 Gig Harbor, WA 98335

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