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March 22, 2005

Danny Kermode  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250

RECEIVED  
RECORDS MANAGEMENT  
05 MAR 22 PM 1:13  
STATE OF WASH  
UTIL AND TRANSP  
COMMISSION

Re: Alderlake Water System - UW-041830

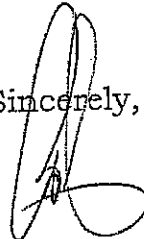
Dear Danny:

Enclosed you will find the Company's breakdown of improvement costs based upon what I interpreted as Commission Staff's position on what can be included in an assessment and what should be allocated as emergency response costs to a rate base calculation. Please review the allocations and let us know if you agree.

Based upon these costs, the customers would have a choice of paying a one-time assessment of \$2,773.00 or \$38.25 per month over ten years. The monthly charge is based upon the Company borrowing under a ten year loan at eleven percent interest.

Based on our conversations of last week and earlier today, it is my understanding that you should be able to get back to me in the next couple of days on what process we can follow to get this matter resolved. I appreciate your help in addressing these issues.

Sincerely,



RICHARD A. FINNIGAN

RAF/km

Enclosure

cc: Client (via e-mail)

**Alderlake Water Company  
 Improvements Costs**

COMPLETED WORK

<u>Description</u>	<u>Assessment Charge</u>	<u>Rate Base</u>
Engineering	7,384.40	
Well Drilling		2,220.00
Water Truck		4,740.00
DOH Engineering Review Fee	603.00	
Sample Test Cost		260.00
IOC		290.00
VOC		250.00
Nitrate		17.00
MPA Test	1,600.00	
Iliad Mark-up	324.00	123.00
Labor MPA Test	1,869.00	10,916.00
MPA Test	116.00	415.00
<b>Total</b>	<b>11,896.00</b>	<b>19,231.00</b>

UNCOMPLETED WORK

SUBCONTRACTOR BIDS

Construction cost for new chlorine Disinfection system	68,020.00
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<u>Description</u>	<u>Assessment Charge</u>	<u>Rate Base</u>
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ESTIMATED COST FOR EXCLUSIONS

Clearing of all utility right-a-way, locating All valves, main water line and services	3,500.00	
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Electrical to pump house, fees	1,000.00	
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Inspection DOH, fees	2,400.00	
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ADMINISTRATION

Construction contingency	5,770.00	
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W.S.S.T.	9,190.00	
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Financing and underwriter fees	6,367.00	
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<b>Total capital costs</b>	<b>108,143.00</b>	
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Improvement assessment per water customer total capital cost of \$108,143.00 divided by 39 customers equal \$2,773.00.