

Marple & Marple, Inc., P.S.
CERTIFIED PUBLIC ACCOUNTANTS

100 North Fruitland, Suite C
Kennewick, WA 99336
Phone: 509-586-4194
Fax: 509-582-5091

1337-B George Washington Way
Richland, WA 99354
Phone: 509-943-7330
Fax: 509-943-7331

November 23, 2005

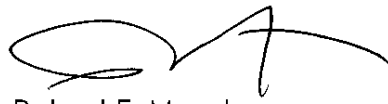
Mr. Jim Ward, Regulatory Analyst
Washington Utilities and Transportation
PO Box 47250
Olympia, WA 98504-7250

Dear Mr. Ward:

This is to acknowledge that Southgate Water System, Inc. agrees with each of the conditions set forth in your attached e-mail.

The monthly average revenue per customer (determined from your average revenues divided by 44 users) is \$46.25 for the 8 winter months and \$124.70 for the four summer months. It is our understanding that the limits set forth in item 2 of your conditions will be increased by these amounts for each new customer beginning with the month following the month in which they become new customers.


Very truly yours,



Robert E. Marple

REM/tk

Approved



Southgate Water Systems, Inc.

Robert E. Marple, CPA / rem@marplecpa.com
Steven J. Marple, CPA / sjm@marplecpa.com
Robert D. Marple, CPA / rdm@marplecpa.com
Kent G. Toyoda, CPA / kgt@marplecpa.com
Kay Mamiya, CPA / kkm@marplecpa.com

SOUTHGATE WATER SYSTEMS, INC.
2324 WAINWRIGHT PLACE
WALLA WALLA, WA 99362
TELEPHONE (509) 525-7301

IMPORTANT NOTICE

Date _____

- a. Southgate Water Systems, Inc. has filed for approval from the Washington Utilities and Transportation Commission to increase rates. If approved, the rates will be effective January 1, 2006.
- b. The current rate and proposed rates are shown below:

	<u>Current</u>	<u>Proposed</u>
Basic rate per month	\$48	\$37.50
Rate per 1,000 gallons in excess of 45,000 up to 60,000 gallons per month	30¢	
Rate per 1,000 gallons in excess of 60,000 per month	30¢	
		*Rate per 1,000 gallons in excess of 15,000 up to 50,000 gallons per month \$1.00
		*Rate per 1,000 gallons in excess of 50,000 gallons per month \$3.00

*This usage rate expires April 1, 2007. Base rate only will apply after April 1, 2007. New usage rates will be applied for prior to April 1, 2007.

- c. The water meters will be read 12-31, 3-31, 4-30, 5-31, 6-30, 7-31, 8-31, and 9-30 to calculate water usage.
- d. Monthly reports will be filed with the WUTC to insure that revenue generated by this rate change will be within limits established by the WUTC. Should there be any revenue in excess of the limits set by the state, the excess will be deposited in a separate bank account to be used for conservation efforts approved by the WUTC.
- e. The increase in rates is necessary to cover operating costs, to provide water and maintain the water system, and recover a portion of the capital improvements. The State of Washington recommended that we lower our basic rate and apply higher rates to more than 15,000 gallons per month to encourage water conservation. Some of the major costs that Southgate Water Systems, Inc. incurs each year are set forth below:

Maintenance of water system
Pump repair and maintain utilities
Engineering
Water testing and chemicals
Health Department fees and licenses
Reading meters
Billing services
Legal & accounting
Property and business taxes
Office supplies and postage
Insurance

1. During the past 4 years the system has required capital improvements of \$116,444 as shown below:

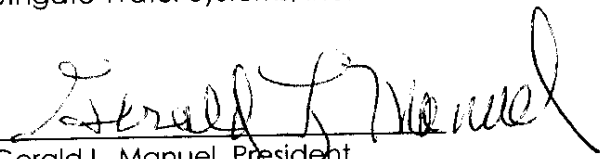
2004	Booster Pump	\$ 40,965
2003	Water Pump	27,638
2002	Water Pump	<u>47,841</u>
		<u>\$116,444</u>

2. The water rates in effect for the past four years just covered direct costs but did not provide any return on the capital of approximately \$600,000 invested in the water system or provide any funds for future capital replacement costs.
- f. If you have questions about the proposed filing and how it will affect you, please call Southgate Water Systems, Inc. at 509-525-7301. If you have questions about the rate making process, you may contact the Washington Utilities and Transportation Commission at the following address: WUTC, 1300 S. Evergreen Park Dive S.W., P.O. Box 47250, Olympia, WA 98504-7250; 1-800-562-6150 (toll free) or by e-mail comments@wutc.wa.gov. The WUTC open meeting date has been set for 12-28-05 and the Docket # is UW-051336.
- g. If you would like to comment on this proposal, it is important for you to do so now. Comments must be submitted in writing or presented at the commission's open meeting to be included as part of the formal record. The commission is interested in receiving your views regarding this proposal whether in favor or not. All open meetings are held in Olympia, WA. If you would like to be added to the commission's mailing list to be notified of the open meeting date, please call 1-800-562-6150 and leave your name, complete mailing address, the water company's name, and a description of the proposal you are interested in.

Sincerely,

Southgate Water Systems, Inc.

By


Gerald L. Manuel, President