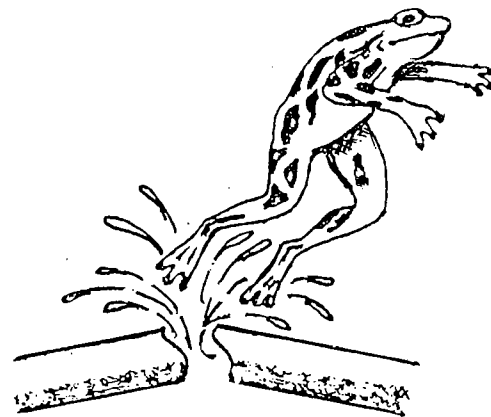


**FROG POND WATERS, INC.**

4603 UNION BAY PLACE N.E.  
SEATTLE, WASHINGTON 98105  
(206) 524-0145



October 16, 2002

Carol Washburn, Executive Secretary  
Washington Utilities & Transportation Commission  
PO Box 47250  
Olympia WA 98504-7250

RECEIVED  
RECORDS MANAGEMENT UNIT  
02 OCT 18 AM 8:58  
STATE OF WASHINGTON  
UTIL. AND TRANSP.  
COMMISSION

RE: Settlement proposal  
Docket UW-021140

Dear Ms. Washburn:

Enclosed you will find a settlement proposal from Frog Pond Waters Inc., in resolution of Docket UW-021140.

We are very eager to come to a resolution of this matter and would be willing to work out any issues that may come up.

Sincerely,

A handwritten signature in cursive script that reads "David D. Symington".

David Symington  
President  
Frog Pond Waters, Inc.

Handwritten initials "RMS" with a horizontal line underneath.

COPY TO  
JIM WARD



### History of the company

The water system operated by the company is historically a non-metered system. During the rate case filed in 1997, the complaints received from customers were focused on water pressure, water quantity and quality, water main leaks, customer service, and company response times. The installation of meters was addressed as a means to improve water pressure through curbing the customers' use of water rather than address the long-term problem of water availability. The customers agreed with this solution, as meters would apportion the cost of water to the user based on consumption rather than on the flat rate in which all customers pay the same rate. The underlying assumption being that those who cause the water pressure problems and overages through higher water use should pay a higher cost for that water.

In response to the above discussions and in order to obtain the needed recommendation from staff for rates to become approved, the company did agree to install meters as soon as possible. The tariffs were revised and the Commission staff insisted on insertion of expiration dates into the flat rate tariff, as a condition of recommending approval of the increased rates. It is very important to note here that the revised rates in this case were specifically designed such that the majority of the approved rate increase of \$28,000 annually would only be collected if meters were installed and average consumption was above 1500 cubic feet per month. If the company continued to charge the flat rate, only \$12,408 annually or 44% of that approved would be generated.

The company began charging the tariff rate as approved on June 1, 1997, with full intentions of metering as agreed. The company also spent considerable effort working with their engineer determining the long-term needs of the company to ensure adequate pressure as well as good quality of water service to the customers. Improvements were identified as necessary and of higher priority than customer meters. Between 1997 and 2001 the company worked extensively upgrading the distribution main, making well improvements, and installing a new 135,000 gallon storage tank; investments totaling \$110,071.

The ultimate result of these improvements is that the customer complaints regarding low water pressure virtually disappeared. The leaks that were commented on during the 1997 rate filing were fixed and interruption of service due to lack of water has not occurred. The company reports that no service complaints have been received in the last couple of years; the only complaints received at all were related to collection issues. The commission itself has not received any comments or complaints regarding service issues from the customers of the system.

### Request for acknowledgement

The company concurs that no additional meters have been installed since the date of the prior order. In addition the company admits that despite the tariff page expiring, the Company continued to charge customers at the flat rate since January 1 1999.

However, when the ultimate goal of instituting the meter rate was to increase water pressure and reduce outages, the company should be commended for achieving the same result without affecting the customer usage patterns by charging for consumption.

Nevertheless, as a result of this complaint, the company realizes that it is in violation of its current tariff and is set to begin billing its customers at the base meter rate with its next billing cycle, effectively reducing its current rates to below the level approved in 1992 under Docket UW-921098. This change makes the need for the settlement of this complaint and the completion of the pending rate case all the more urgent.

#### Proposed settlement

The company proposes the following settlement of this complaint:

The company has taken upon itself to obtain a bid for the installation of 500 meters and estimates the total cost to be \$75,950. To take advantage of any discounts for bulk purchases the company is currently obtaining a short-term loan to purchase 500 meters in the next 4 weeks. Installation is to occur in 4-month cycles, as per the schedule below. The company asks that it be recognized for its efforts to improve the quality of service to its customer as well as its efforts to come into compliance with the Commission's order by realizing a reduction in the penalty commensurate to the percentage of the system that has been metered. The company will report to the commission within 21 days of the end of each due date as to the progress of the meter installation. If the schedule of meter installation is met then an equal percentage of the penalty is waived, with the entire system metered by January 31, 2004. To this end, the following schedule is proposed:

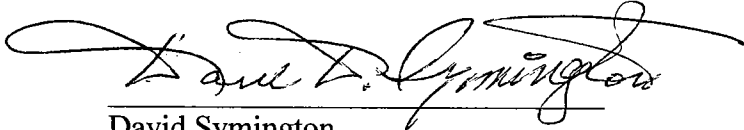
<u># meters installed</u>	<u>due date</u>	<u>% of system</u>	<u>Penalty waiver</u>
125	01/31/2003	25%	25% -or- \$5,500
125	05/31/2003	25%	25% -or- \$5,500
125	09/30/2003	25%	25% -or- \$5,500
125	01/31/2004	25%	25% -or- \$5,500

Upon the metering of the connection, the customer will be notified of the installation of the meter and the conversion to the metered rate. A base meter read will be taken and the meter rate charged upon the next full billing cycle.

The company respectfully reminds the Commission that while the company is proposing what can only be considered an aggressive plan to completely meter its system, the above plan cannot be achieved while the only approved tariff rate for its un-metered customers is lower than that approved ten years ago, in 1992, under docket UW-921098. A swift conclusion of the pending filing under docket UW-020822 must occur.

David Symington, as President and representative of Frog Pond Waters, Inc., hereby submits this settlement proposal, which is subject to the approval of the Commission who may modify the terms or request additional terms to the settlement.

Dated this 15<sup>th</sup> day of October 2002.

A handwritten signature in black ink, reading "David D. Symington". The signature is written in a cursive style with a large, sweeping flourish at the end.

David Symington  
Frog Pond Waters, Inc.