

CAMANO HILLS WATER CO., INC.
P.O. BOX 2703
STANWOOD, WA 98292
(360) 387-6409

November 8, 2010

Dave Danner
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Subject: Camano Hills Water Co., Inc.
Tariff Rate Filing – SRF Surcharge Water Treatment

Dear Mr. Danner:

Camano Hills Water Company wishes to file a rate change that will add a new rate. The proposed increase will generate an additional \$8,843.04 (including utility tax) per year. This will be an 8.4% increase in company revenues. We are proposing to implement a Capital Improvement Surcharge for \$4.14 monthly for all of our 178 current customers. Our customers will be responsible for 70% of the \$206,881.50 loan and the water company will be investing the remaining 30%.

The water company applied for a low interest loan from the Drinking Water State Revolving Fund in 2009. We were granted finding at the Washington State Public Works Board meeting on October 19, 2010. The funding amount approved was for a \$206,881.50 loan to construct a building and install water treatment equipment to remove arsenic from well 1 located at the Camano Hills Water main pump house facility.

Attached is a customer notice along with the two new pages and index page needed to update our tariff. Additionally, we have enclosed the cost estimates for the equipment and construction cost for the new water treatment plant.

We have asked for an effective date of January 1, 2011 and understand there is a 30-day review period and our tariff should become effective at the end of that time.

Please call me at (360) 387-6409 if you have any questions.

Sincerely,

Laurel Holbeck, Vice President
Camano Hills Water Co., Inc.

CAMANO HILLS WATER CO., INC.
P.O. BOX 2703
STANWOOD, WA 98292
(360) 387-6409

NOTICE OF CAPITAL IMPROVEMENT SURCHARGE

November 8, 2010

Camano Hills Water is not in compliance with the Arsenic Rule established in 2002 by the Environmental Protection Agency (EPA). The EPA reduced the amount of arsenic in public drinking water by 80%, from 50 parts per billion (ppb) to 10 ppb.

Arsenic is an element that occurs in rocks and soil, water, air, plants, and animals from either natural or human activities. Volcanic activity, agricultural applications, mining, smelting, the erosion of rocks and minerals, and forest fires release arsenic into the environment. Arsenic is also used in paints, drugs, dyes, soaps, metals, wood preservatives, and semi-conductors.

Wells 2 and 3 are currently in compliance with the Arsenic Rule. Camano Hills Water is blending water from these wells to reduce the amount of arsenic in our customer's water. The October 2010 arsenic test came back at 0.011ppb with 0.010 ppb being the maximum contaminate level set by the EPA.

Camano Hills Water Company applied for a low interest loan from the Drinking Water State Revolving Fund in 2009. We were granted funding by the Washington State Public Works Board on October 19, 2010. A \$206,881.50 loan at 1.5% interest was approved to construct a building and install water treatment equipment to remove arsenic from well 1 located at the company's main pumphouse facility. Camano Hills Water is investing 30% of the cost of the treatment plant with customers contributing 70%. This will be done with a Capital Improvement Surcharge of \$4.14 per month added to your current water billing.

Camano Hills Water has filed for approval from the Washington Utilities and Transportation Commission (commission) to implement this surcharge to recover costs. If approved, the surcharge will be

effective on 1/1/11 and appear on your 1/1/11 bill; and will expire on December 31, 2031 or upon recovery of \$206,881.50 loan principal plus interest charges and state excise taxes, whichever occurs first.

Camano Hills Water realizes this is an economically challenging time for all of us. Our concern is to provide safe reliable drinking water to our customers. If you have questions about the proposed filing and how it may affect you, please call Camano Hills Water Company at (360) 387-6409.

The commission has the authority to deny the surcharge or approve a surcharge that is lower or higher from 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 December 30, 2010. You will have an opportunity to comment in person at this meeting. If you are unable to attend the open meeting, the commission has a bridge line which enables you to participate or listen by telephone. Call (360) 664-1234 for instruction the day before the open meeting. You can also comment by using the "Public Comment" feature at the commission's Web site at utc.wa.gov or by using the contract information below.

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250, Olympia, WA 98504-7250
E-mail: comments@utc.wa.gov
Telephone: 1-888-333-WUTC (9882)

Sincerely,

Laurel Holbeck, Secretary
Camano Hills Water Company