

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Determining the Proper
Carrier Classification of:

LOWPER, INC. d/b/a LOWPER
CORPORATION, a/k/a "LOWPER
WATER COMPANY" and "ILIAD, INC.
d/b/a LOWPER WATER SYSTEM"

and

In the Matter of the Penalty Assessment
Against LOWPER, INC., in the Amount of
\$10,500

DOCKET UW-091006 and
DOCKET UW-110213
(consolidated)

COMMISSION STAFF'S MOTION
TO REOPEN THE RECORD;
MOTION FOR CLARIFICATION
OF INITIAL ORDER; AND
MOTION FOR
RECONSIDERATION OF INITIAL
ORDER

1 Staff of the Washington Utilities and Transportation Commission (Staff) submits this
motion to reopen the record pursuant to WAC 480-07-830, motion for clarification, and
motion for reconsideration of the Initial Order ("Order") pursuant to WAC 480-07-375.

2 Staff requests that the Commission reopen the record to permit receipt of additional
evidence regarding the filing of an initial tariff and supporting documentation in Docket
UW-110871 by Lowper, Incorporated ("Lowper" or "Company"). Based on that evidence,
Staff moves for clarification of findings of fact in the initial order related to that filing, and
reconsideration of the mitigated penalty to the extent that it relates to those findings of fact.

I. PROCEDURAL BACKGROUND

3 On April 27, 2011, the Commission held an evidentiary hearing in the consolidated
dockets to determine whether Lowper was subject to the Commission's jurisdiction, and
whether an assessed penalty should be mitigated. At hearing, Lowper committed to file an
initial tariff and supporting financial data "in full compliance with WAC 480-110-433(3)" to

partially resolve the outstanding issues in the consolidated dockets.¹ Subsequently the Parties filed the partial stipulation which is set out in full in Appendix 1 to the Initial Order.² Hearing proceeded on the penalty assessment. The Administrative Law Judge issued an Initial Order Approving and Adopting Partial Settlement Agreement and Granting Mitigation Request on May 18, 2011.

II. THE ADMINISTRATIVE LAW JUDGE SHOULD REOPEN THE RECORD TO ALLOW RECEIPT OF ADDITIONAL EVIDENCE RELATED TO THE COMPANY'S INITIAL TARIFF AND SUPPORTING FINANCIAL DATA FILING IN DOCKET UW-110871

4 Under WAC 480-07-830, any party may file a motion to reopen the record at any time after the close of the record and before entry of the final order, and, in a contested proceeding, the Commission may reopen the record to allow receipt of evidence that is essential to a decision and that was unavailable and not reasonably discoverable with due diligence at the time of the hearing or for any other good and sufficient cause.

5 Further evidence regarding the filing in Docket UW-110871 is essential to a decision because it was made pursuant to the partial stipulation attached to the Order as Appendix A and incorporated by reference,³ and the Order references the filing and cites to it as a contributing justification for mitigation of the penalty assessment.⁴ The filing was not made

¹ WAC 480-110-433(3) provides:

- (a) An initial tariff must be filed in a standard tariff format. The commission will provide illustrations of the standard format upon request.
- (b) The tariff must be accompanied by a cover letter describing the filing as an initial tariff.
- (c) Customers must be notified before the commission receives the filing.
- (d) *The filing must be accompanied by supporting financial data justifying the proposed rates. See WAC 480-07-530 (General rate proceedings -- Water companies). (Emphasis Added)*

² The stipulation reads, in part, that the Parties stipulate "to entry of an initial order requiring Lower to file a tariff pursuant to RCW 80.28.050 with supporting financial data for its water system(s) in full compliance with WAC 480-110-433(3) (with reference to WAC 480-07-530), by May 13, 2011." See Initial Order, Appendix A (Partial Stipulation Regarding Docket UW-091006)

³ Initial Order, ¶¶ 33-34.

⁴ Initial Order, ¶ 21.

at the time of hearing or by the date for responses to bench requests. It was not made in this docket. The evidence shows that the filing did not fully comply with the stipulation.

6

In accordance with the partial stipulation, Lowerper, through its counsel, filed an initial tariff on May 13, 2011, as required by WAC 480-110-433(3)(a), which was assigned to Docket UW-110871. The proposed effective date of the tariff was May 14, 2011. The filing included the initial tariff, a cover letter, and a copy of a customer notice sent to customers, which are required by WAC 480-110-433(3)(a), (b) and (c). The filing was also accompanied by certain supporting financial data (workpapers). The supporting financial data that was provided (along with the cover letter, filed in UW-110871) is attached to this motion as Attachment A.⁵ Supporting financial data justifying the proposed rates is required by WAC 480-110-433(3)(d) (See WAC 480-07-530 – General rate proceedings – water companies), and full compliance is referenced in the partial stipulation. The Company's cover letter described an affiliated interest, Iliad, Inc., and workpapers included a management agreement with Iliad, Inc. However, and importantly, the Company's cover letter made no reference to, and the supporting financial data did not include, an income statement and balance sheet for the affiliated entity, Iliad, Inc., which is required by WAC 480-07-530.⁶ WAC 480-07-530(4)(i) provides that workpapers must include:

Information about every transaction with an *affiliated interest* or subsidiary that directly or indirectly affects the proposed rates. This *must include*: A full description of the relationship, terms and amount of the transaction, the length of time the relationship has been ongoing, *and an income statement and balance sheet for every affiliated entity.* (emphasis added)

⁵ Workpapers (the financial data supporting the proposed rates) that accompany tariff filings are distributed by Records Center to regulatory staff reviewing the filing. While they are public record, the electronic copy of the financial data is not shown in the docket. To show what was, and what was not, included with the filing, the financial data and the cover letter is attached to this motion for inclusion in the record.

⁶ The income statement and balance sheet referred to in the cover letter are for Lowerper, Incorporated.

7 On May 13, 2011, Staff in the Commission’s Regulatory Services section informed the Company’s counsel, by voicemail and email, that the income statement and balance sheet for the affiliated entity were not included in the filing, and inquired whether the documents would be provided prior to the May 14, 2011, effective date. No supplemental filing was received by May 13, 2011, before the effective date of the rates, or the following business day. To date, Lowerper has not filed any income statement or balance sheet for its affiliated entity, Iliad, Inc. *See Attachment B, Declaration of Jim Ward.*

8 After follow-up inquiry by counsel on behalf of Staff, Lowerper’s counsel provided a letter dated May 18, 2011 that is attached to the Attachment B, Declaration of Jim Ward, on behalf of the Company. The letter acknowledges that financial statements for Iliad, Inc., were not provided. Given this significant deficiency, it is appropriate for the Commission to reopen the record to allow the additional evidence concerning the Company’s May 13, 2011, filing.

III. THE ADMINISTRATIVE LAW JUDGE SHOULD CLARIFY AND CORRECT THE INITIAL ORDER TO REFLECT THE COMPANY’S FAILURE TO FULLY COMPLY WITH COMMISSION’S INITIAL ORDER APPROVING AND ADOPTING THE PARTIAL SETTLEMENT AGREEMENT AND GRANTING MITIGATION REQUEST.

9 With the receipt of evidence related to the Company’s May 13, 2011, filing into the record, Staff moves that the Initial Order, particularly Paragraphs 21 and 28, be clarified and corrected with respect to the filing in UW-110871. The Initial Order “notes that Lowerper did file its tariff and supporting documents *as agreed* on May 13, 2011,”⁷ and “Lowerper filed its tariff on May 13, 2011.”⁸ The stipulation requires that the initial tariff and supporting financial data be filed in “full compliance with WAC 480-110-433(3) (with reference to

⁷ *Initial Order*, ¶ 21.

⁸ *Initial Order*, ¶ 28.

WAC 480-07-530), by May 13, 2011.” This is consistent with WAC 480-110-433(3)(d), which directs one to WAC 480-07-530 for the financial data that is required. Lowerper has identified an affiliated interest and provided partial information, but failed to fully comply with WAC 480-110-433(3)(d)(with reference to WAC 480-07-530), the Initial Order, and the partial stipulation, by failing to file an income statement and balance sheet for every affiliated entity.

IV. THE ADMINISTRATIVE LAW JUDGE SHOULD RECONSIDER THE INITIAL ORDER AND REQUIRE FULL COMPLIANCE.

10 Finally, Staff moves for reconsideration of the Initial Order with respect to the mitigated penalty amount, and to require the Company to fully comply with the Initial Order and partial stipulation by filing the remaining required documents. The Initial Order concludes that the filing on May 13, 2011, is an action that “shows good faith on the Company’s part,” and that fact, in part, provides *good cause* “for a slight mitigation of the penalty in the amount of 20 percent, or \$2,100.”⁹ Staff believes that Lowerper’s failure to fully comply by the agreed deadline, its failure to disclose with the filing that it did not fully comply, and its failure to promptly and voluntarily cure its non-compliance, is not evidence of good faith, nor does it demonstrate good cause for mitigation. The Commission should reconsider the amount of the penalty that was mitigated on the basis of the Company’s subsequent but incomplete filing, and impose a higher penalty because mitigation of the penalty was premised on what turned out to be inaccuracies.

11 Staff also requests that the Initial Order be reconsidered to require Lowerper to immediately file a 2010 income statement and balance sheet for its affiliated entity, Iliad, Inc. The representations contained in the May 18, 2011, letter do not excuse the Company’s


⁹ *Initial Order*, ¶ 21.

lack of full compliance on May 13, 2011, nor provide a basis for an open-ended delay in compliance. An un-reviewed yet current (for 2010) income statement and balance sheet for the affiliated entity would be sufficient under the language of WAC 480-07-530, which does not require financial statements to be "reviewed" prior to being provided to the Commission as supporting documentation in accordance with the rule. Without these missing financial documents, Commission Staff is unable to fully review the Company's tariff filing, the appropriateness of the Company's rates, and its operations and relationship with affiliated interests. Lowerper submitted its own income statement and balance sheet for 2010 to support the proposed rates. A corresponding 2010 income statement and balance sheet of the affiliated entity is needed, appropriate, and required. It is the Company's responsibility to fully comply.

DATED this 6TH day of June, 2011.

Respectfully submitted,

ROBERT M. MCKENNA
Attorney General



MICHAEL A. FASSIO
Assistant Attorney General
Counsel for Washington Utilities and
Transportation Commission Staff

ATTACHMENT A

Law Office of
Richard A. Finnigan
2112 Black Lake Blvd. SW
Olympia, Washington 98512
Fax (360) 587-3852

Richard A. Finnigan
(360) 956-7001
rickfinn@localaccess.com

Kathy McCrary, Paralegal
(360) 753-7012
kathym@localaccess.com

May 13, 2011

VIA E-FILING

Mr. David Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Lowerper, Incorporated, d/b/a Lowerper Water Company

Dear Mr. Danner:

Enclosed you will find a tariff for Lowerper, Incorporated, d/b/a Lowerper Water Company. Pursuant to WAC 480-110-433(3), this is the Company's initial tariff.

Pursuant to WAC 480-110-433(3)(c), customers were notified before this filing was made. A copy of the Customer Notice is enclosed.

Pursuant to WAC 480-110-433(3)(d), supporting financial data is included. This data includes a balance sheet, income statement, depreciation schedule and customer usage schedule.

In addition, the Management Agreement with Iliad, Inc. is attached. Iliad, Inc. is an affiliated interest to Lowerper Water Company. Please note that the Management Agreement contains the system ID for Lower Water System.

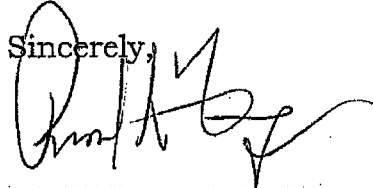
There are no non-regulated operations. There are no restating or pro-forma adjustments.

The undersigned has authority to file tariffs on behalf of the Company.

David Danner
May 13, 2011
Page 2 of 2

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard A. Finnigan", written over the word "Sincerely,".

RICHARD A. FINNIGAN

RAF/km
Enclosures

cc: Mike Fassio (via e-mail)
Dave Dorland (via e-mail)

5:33 PM
05/11/11
Cash Basis

Lower Inc.
Balance Sheet
As of December 31, 2010

	<u>Dec 31, 10</u>
ASSETS	
Current Assets	
Checking/Savings	
Checking	1,435.00
Total Checking/Savings	<u>1,435.00</u>
Total Current Assets	1,435.00
Fixed Assets	
Water system	183,117.00
Water system accumulated deprec	<u>-39,421.00</u>
Total Fixed Assets	<u>143,696.00</u>
TOTAL ASSETS	<u>145,131.00</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Payable to filed	6,178.00
Total Other Current Liabilities	<u>6,178.00</u>
Total Current Liabilities	6,178.00
Long Term Liabilities	
Note payable	117,417.00
Total Long Term Liabilities	<u>117,417.00</u>
Total Liabilities	123,596.00
Equity	
Retained Earnings	25,724.58
Net Income	<u>-4,189.58</u>
Total Equity	<u>21,535.00</u>
TOTAL LIABILITIES & EQUITY	<u>145,131.00</u>

8:38 PM
08/17/11
Cash Basis

Lower Inc.
Profit & Loss
January through December 2010

	<u>Jan - Dec 10</u>
Income	
Revenue	8,882.05
Total Income	<u>8,882.05</u>
Expense	
Accounting	150.00
Billing & Administration	546.00
Depreciation expense	4,111.00
Insurance	84.00
Licenses	60.00
Meter Reading	780.00
FUD charges	3,382.63
Repairs & Maintenance	1,844.00
Testing	2,075.00
Total Expense	<u>13,051.63</u>
Net Income	<u><u>-4,169.58</u></u>

**LOWVOLT WATER SYSTEM
UTC-DEPRECIATION SCHEDULE**

Year	Description	Life	Cost	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
50	1994 Trans & Dist Meters	50	36,222	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104	1,104		
20	1994 Valves	20	2,150	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	
30	1994 Service Connections	30	2,900	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	83	
30	2000 Service Connections	30	1,942																													
20	2003 Meters	20	284																													
50	2004 Trans & Dist Meters	50	51,650	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	1,633	
30	2004 Valves	30	2,100																													
40	2004 Service Connections	40	7,500																													
50	2006 Meters	50	10,070																													
40	2006 Trans & Dist Meters	40	850																													
40	2006 Service Connections	40	1,500																													
50	2008 Service Connections	50	5,000																													
20	2009 Trans & Dist Meters	20	4,080																													

Annual Depreciation

1,255	1,178	1,259	1,288	1,250	1,295	1,294	1,284	1,254	1,206	1,204	1,197	1,190	1,181	1,171	1,161	1,151	1,141	1,131	1,121	1,111	1,101	1,091	1,081	1,071	1,061	1,051	1,041	1,031	1,021	1,011	1,001
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Accumulated Depreciation

1,896	2,471	2,791	4,960	6,250	7,620	9,103	10,787	11,582	12,708	14,059	15,674	17,510	19,624	21,203	21,990	25,530	28,421	43,301	47,942	51,750	55,963	59,574	64,084	68,195	72,305	76,418	80,528
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Lower Water System**Customer | Water Usage**

MO/YR	Willis/Harper	Kwok	Anderson	Fontaine	Landoni	Sula/Sisk	Sofie
Jan-10	272	445	370	612	354	305	692
Feb-10	304	362	262	545	393	283	739
Mar-10	297	555	332	527	377	386	716
Apr-10	668	332	385	508	447	175	517
May-10	900	674	854	226	482	258	609
Jun-10	975	911	702	682	434	473	555
Jul-10	2159	1818	1227	2107	274	1145	862
Aug-10	2040	2163	1418	1229	409	1760	868
Sep-10	1036	2436	709	1782	476	760	590
Oct-10	141	1418	350	338	703	654	525
Nov-10	402	213	401	403	400	336	402
Dec-10	179	4042	315	764	179	120	760
Total cu ft	9373	15387	7325	9723	4928	6655	7835

MANAGEMENT CONTRACT
(FOR MAINTENANCE AND OPERATIONS)
FOR LOWER WATER COMPANY

THIS AGREEMENT, made this day recited below by and between the undersigned "Management Agency" and the undersigned "Water System".

RECITALS

WHEREAS, the undersigned water company owns the water system described here in and is desirous of having the undersigned Management Agency (MA) provide limited services concerning the maintenance of the water system. The undersigned MA is desirous of providing the services described herein on the terms and conditions hereinafter set forth.

NOW THEREFORE, it is mutually agreed:

1. **THE SYSTEM** The water system is located in Clallam County as shown on the attached map. The common address is: Chelsamish Drive, Sequim, WA. The legal description is attached and shown on Exhibit "A".

The system is (inside) the MA's DOH approved service area and is identified in the MA Plan and on file with Clallam County.

2. **SYSTEM ID** The water system DOH# 019595

3. **MA SERVICES** The MA will provide service as follows:

a) **General Services** The MA shall become acquainted with the Water System including physical facilities including transmission lines, valves, pumps, storage facilities, source(s), controls, treatment equipment and monitoring equipment, etc. and including the operations and maintenance requirements.

The "Operations and Maintenance" schedule for the system is set forth on Exhibit B which includes routine and follow up samples (unless collected by the Lab under separate contract), interpretation of sample results, meter readings if applicable.

Implement of preventative maintenance programs; inspect the water system components for malfunction and perform needed repairs; inspect backflow prevention devices and test the same where applicable.

Analyze laboratory tests; determine sites and causes of malfunctions together with consultants as may be required; adjust various treatment process or other water system components accordingly; keep proper records; and determine remedial action in emergencies.

The MA is authorized to work in conjunction with the project engineer, water testing lab, county or State engineer in the event a condition is located beyond the scope of the MA's expertise.

The water company will provide a complete set of "as built" drawings and specifications of the system which has "been approved by DOI".

b) Administration The following administrative services shall be performed by MA;

- () Monthly Billings. (Others:
- () Reports required by governmental bodies,
- () Public Notification Requirements,
- (x) Service connections / disconnections as set forth in tariff or Water Service Agreement,
- (x) Order materials and parts for the operation and maintenance of the water system "as required".

c) Planning and Technical Assistance to the extent of the MA's ability and within the licensing authority the MA will provide Planning and Technical Assistance;

- (x) Developing and implementing a cross-connection control program,
- (x) Developing and implementing a coliform monitoring program,
- (x) Designing annual maintenance strategies,
- () Developing capital improvement programs,
- (x) Responding to informational requests from water system customers,
- () Responding to press,
- (x) Keeping and maintaining "as built" of the system as required by new construction or other modification to the existing system,
- () Prepare water system's plan as required including coordination with engineer.
- () Revise WFI as required and submit to DOH,
- () Other Per Exhibit B

4. MA CHARGES

a) Service Charges The undersigned Water Company shall pay the MA for the above repair and maintenance services on a time and materials and administrative overhead basis as set forth on the attached MA's rate schedule. ATTACHMENT "A".

b) Connection Charges N/A

No customer shall be connected to the system without first executing a "Water Service Agreement" of the Water Company. The MA shall refer all prospective customers to the Water Company or obtain a signed Water Service Agreement before service is connected.

c) Administrative Fees The administrative costs are as follows:

- i) emergency phone # \$N/A per month
- ii) secretarial, accounting, letters \$N/A per month
- iii) OTHER – SEE ATTACHED SCHEDULE
- d) Reserve Account The monthly maintenance charges will not include a reserve for replacements and emergencies.

5. **TERMS AND CONDITIONS**

The MA agrees to comply with the terms of this Agreement however subject to the terms hereinafter provided for.

- a) The MA is not the owner of the system;
- b) The MA is not responsible for the failure of the source or its water quality becomes contaminated.
- c) The water company grants the MA a license to enter the premises where the system is located to perform the duties listed above;
- d) The water company shall make payments on a timely basis to the MA for invoice describing the services. Any unpaid balance shall bear interest at 1-1/2% per month plus all collection charges and fees including attorney fees which have been incurred.
- e) The MA is not a guarantor and is not responsible for conditions beyond its reasonable control. The MA is not responsible for Acts of God or catastrophic losses. MA's responsibility is limited to reasonable maintenance procedures standard in the industry. Both parties understand and agree that conditions can arise or water quality will change without notice of either party and can be only corrected after testing and locating the cause and in such cases the MA is not responsible for the delays in curing the problem.

6. **HOLD HARMLESS AND INDEMNIFICATION**

The Water Company agrees to assume all of the risks and conditions associated with the system, its installation and design and to pay for all of the costs associated with keeping and maintaining the system in compliance with DOH regulations. The Water Company agrees to hold harmless if any and all costs, penalties whether or not imposed upon the water company and/or the MA or its agents, subcontractors and employees, claims, actions, damages, judgments or any other loss, cost or expenses including the attorney fees and costs incurred by the MA. The Water Company agrees to secure the performance of this hold harmless by providing a security agreement in favor of the MA, which shall be attached hereto as an addendum to this agreement.

Any disputes between the MA and Water Company shall be Arbitrated by () American Arbitration Association local office in Washington, () pursuant to RCW 7.04 Arbitration. The attorney fees and costs of the Arbitration shall be an expense of the Water Company.

7. AMENDMENTS This Agreement may be amended in writing signed by both parties.

8. DURATION This Agreement may be terminated by written notice to either party. Notice of such termination shall be forwarded to DOH at the District Office.

9. INTEGRATION This Agreement constitutes the entire agreement between the parties, there are no other oral or written agreements or representatives other than contained herein.


This contract is binding on the heirs, successors and assigns of the parties.

Dated this 16th day of June, 2003.

Iliad, Inc.
Management Operations Agency

By: 
David Dorland, President

Lowper, Inc.

By: 
Philip Lowery, Secretary

Attachment "A"

Service Charges

All maintenance, operation and repair services will be charged on a time and material basis portal to portal.

The current rate charges are as follows:

1. **Serviceman/Truck and Equipment** **\$ 65.00 per hour**
2. **Serviceman/Truck, Equipment and** **\$100.00 per hour**
 One (1) Laborer
3. **All materials will be billed at cost with a 25% mark-up.**
4. **All laboratory charges will follow the guideline of Lauck's Testing Laboratories,**
 Inc. with a 15% mark-up.
5. **Administrative services and planning technical services will be charged at an**
 hourly rate of \$75.00.
6. **Engineering will be at the rate as charged.**
7. **Major water system improvements will be bid to the owner.**

The rates are subject to change with written approval from the water company.

Attachment A

**CONTRACT FOR SERVICES
FOR WATER SYSTEMS**

1. **BILLING SERVICES:** Water Services Company will provide all necessary administrative services to include:

- A. Maintain billing rosters.
- B. Prepare and mailing of monthly billings.
- C. Maintain a toll-free telephone number and dealing with customers and requests to include providing information and normal forms.
- D. Paying of bills relating to the operation of the water system.
- E. Providing collection services for delinquent customers.
- F. Providing a monthly summary of billings and collections.
- G. Providing a quarterly income statement.

2. **BOOKKEEPING SERVICES:** Water Services Company will provide the following bookkeeping services:

- A. Maintaining a mailing address and collecting customer payments.
- B. Post and deposit customer payments.
- C. Prepare and transmit all necessary reports on a monthly basis.
- D. Transfer Funds to the appropriate accounts.
- E. Maintain Escrow for Utility Taxes owed.

3. **BILLING SERVICE RATES:** Water Services Company will charge the water company based on the following rates:

A. **BILLING PACKAGE**

- 1. Postcard billing to customers based on the system's billing cycle.
- 2. Collect payments and enter data.
- 3. Prepare accounting monthly or at end of cycle.
- 4. Cost is \$2.50 per customer/per cycle.

B. **TELEPHONE PACKAGE**

- 1. 24 Hour toll-free 800 number answered by an operator.
- 2. Immediate notification of designated personnel in case of emergency.

3. Non-emergency calls, limited to billing questions and address changes returned the next business day.
4. Cost is \$.50 per customer/per month.

C. ADMINISTRATION PACKAGE

1. Maintain customer list and files.
2. Assist escrow in property transfers.
3. Customer correspondence.
4. Interface with government agencies/represent owners when requested.
5. Cost is \$1.50 per customer/per month

D. ACCOUNTING PACKAGE

1. Deposit payments.
2. Pay bills.
3. Provide monthly, quarterly & annual accounting reports.
4. Pay State Taxes.
5. Cost is \$1.00 per customer/per month.

E. OTHER SERVICES

All other services will be provided on an hourly basis as follows:

Administration, Clerical Services, Set-up and Computer Services
\$37.50 per hour

ATTACHMENT B

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Determining the Proper
Carrier Classification of:

LOWPER, INC. d/b/a LOWPER
CORPORATION, a/k/a LOWPER WATER
COMPANY and ILIAD, INC. d/b/a
LOWPER WATER SYSTEM

and

In the Matter of the Penalty Assessment
Against LOWPER, INC., in the Amount of
\$10,500

DOCKETS UW-091006 and
DOCKET UW-110213
(consolidated)

DECLARATION OF JIM WARD

JIM WARD, under penalty of perjury under the laws of the State of Washington, declares as follows:

1. I am employed by the Washington Utilities and Transportation Commission (Commission) as a regulatory analyst. I have been employed at the Commission for 21 years. As a regulatory analyst, my responsibilities include preparing timely and accurate analysis of tariff filings, contracts, petitions and other filings. As part of those duties, I initially review documents filed by water utilities to determine the type of filing and if the filing meets minimum filing requirements as outlined in the appropriate WAC.
2. On May 13, 2011, I received a copy of Lowper, Incorporated's (Lowper or Company) initial tariff filing, which included an initial tariff, cover letter, copy of customer notice, and financial documentation in the form of workpapers, through the Records Center. Rick Finnigan, counsel for Lowper, filed the documents on behalf of the Company. Records Center assigned the filing to Docket UW-110871.
3. I reviewed the Company's cover letter, the initial tariff, the customer notice, and the workpapers included with the filing. The proposed effective date of the tariff was May 14, 2011.
4. My review found that the workpapers did not include an income statement or balance sheet for an affiliated entity, Iliad, Inc., that was identified in the cover letter. The workpapers did include a maintenance agreement between Lowper and Iliad, Inc.
5. On May 13, 2011, I left a voicemail with counsel for Lowper, and followed up with an email, informing him that the supporting financial information did not

fully comply with WAC 480-07-530(4)(i). I informed him that an income statement and balance sheet for Iliad, Inc. was not included, and asked if the Company intended to file the items before the proposed effective date of the tariff.

6. The Commission did not receive the income statement and balance sheet for Iliad, Inc. on May 13, 2011. However, counsel for Lower left me a voicemail message on May 16, 2011, indicating he would contact the Company regarding the documents. After I did not receive additional information from the Company, I asked Staff's counsel, Michael Fassio, to follow up with the Company's counsel on behalf of Staff regarding the documents. Staff received a copy of the attached letter provided to Mr. Fassio from counsel for Lower dated May 18, 2011.
7. As of this date, no income statement or balance sheet for the affiliated interest, Iliad, Inc., has been received by the Commission.

DATED this 2 day of JUNE, 2011, at Olympia, Washington.



JIM WARD

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May 18, 2011

VIA E-MAIL AND U.S. MAIL

Michael Fassio
Assistant Attorney General
Attorney General of Washington
1400 South Evergreen Park Drive SW
Olympia, WA 98504-0128

Re: Lowper, Incorporated

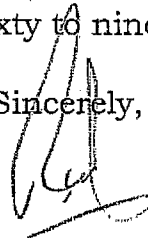
Dear Mike:

By e-mail on May 17, 2011, you asked when certain information may be provided concerning Iliad, Inc. Please note that most of the information required by the rule was already provided. The rates are clearly set out in the Agreement that was provided. The Income Statement shows the amounts paid. The contract also reveals the length of the relationship.

The only thing that is not present is financial statements related to Iliad, Inc. That has not been provided because it does not yet exist for 2010.

The reason it does not exist is that because of Iliad, Inc.'s construction activity, they are now required to do a reviewed financial statement. This means that a financial statement has to be put together and sent to an independent accounting firm for review. That is in process, but has not been completed. It is not expected to be completed for another sixty to ninety days.

Sincerely,



RICHARD A. FINNIGAN

RAF/km
cc: Dave Dorland (via e-mail)