

Exhibit No. \_\_\_ (DPK-7)  
Docket No. UW-060343  
Witness: Danny P. Kermode

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

ILIAD WATER SERVICE, INC.,

Respondent.

DOCKET NO. UW-060343

EXHIBIT TO RESPONSE TESTIMONY OF

DANNY P. KERMODE

ON BEHALF OF STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

*Letter from Iliad dated May 3, 2006 regarding  
response to Data Request 2*

October 4, 2006

ILIAD WATER SERVICES, INC.  
PO BOX 20429  
SEATTLE, WA 98102  
(800) 928-3750

May 3, 2006

WUTC  
PO Box 47250  
Olympia, WA 98504-7250

VIA FAX 360-586-1130

Attn: Dan Kermode, C.P.A.

Re: Alderlake Water System – UW-060343 Assessment Charges  
Informal Data Request 2

Dear Mr. Kermode:

In response to your letter of April 24, 2006 received in our office on May 1, 2006 we offer the following.

1. We have no formal cost study or correspondence supporting our engineer's response to the State Drinking Water State Revolving Funds. The discussions with the engineers have been verbal in determining the best financing for this project.

We have requested a written response from the engineer to provide his supporting evaluation experienced with SRF. Unfortunately the engineer's wife passed away last week and we will be delayed in receiving a response.

The discussion we had with our engineer in response to your letter of March 28, 2006 was based on his experience with SRF loans and SRF application guidelines.

**TOPICS OF DISCUSSION**

Covering increased costs, eligibility and time loss under SRF loan.

1. The engineer did not believe Iliad Water Service, Inc. would be eligible without a formal water plan approval from DOH. Estimated costs \$10,000 - \$15,000.
2. Financial eligibility would be questionable.
3. Restrictions on what the loan could finance.
4. Increased administration costs.

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STATE ENGINEER  
WASHINGTON  
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5. Increased engineering with formal bidding and final inspection reports certification.
6. Insurance cost required performance bond.
7. Prevailing wage.
8. Attorney fees.
9. Loan fees.
10. Audit costs.

The Water Company determined that a loan in place was economical more feasible on this project than the SRF loan with the increased costs, time, restrictions and eligibility with no assurance of getting the loan.

We have attached Washington State Prevailing Wage Rates showing comparison to non-prevailing wages.

	<u>Non Prevailing Wages</u>	<u>Prevailing Wages</u>
Labor	\$12.00 / \$15.00	\$33.46
Operator	\$23.00 / \$28.00	\$41.12
Plumber/ Piper	\$22.00 / \$25.00	\$46.72
Electrician	\$25.00 / \$30.00	\$44.23

2. B.H.L. Investment, Inc. have been providing financing for the purchase and improvements for water systems within the State of Washington since 1989. They provided the original purchase loan for the Alderlake water system.

We have investigated loans with Bank of America and Key Bank. There are short term loan requirements with restrictions on loan amount based on assets.

If you have any questions, please call me at (206) 282-4200.

Sincerely,

Derek Dorland *SL*

Cc: Richard Finnigan