

1
2 **WASHINGTON UTILITIES AND TRANSPORTATION**
3 **COMMISSION,**

4
5 **COMPLAINANT,**

6 **V.**

7 **ILIAD WATER SERVICE, INC.,**

8
9 **RESPONDENT.**
10

11 **DOCKET NO. UW-060343**

12 **REPLY TESTIMONY**

13 **OF DEREK DORLAND**

14 **ON BEHALF OF ILIAD WATER SERVICE, INC.**
15
16

17
18 **November 2, 2006**
19

1 **Q: PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.**

2 A. My name is Derek Dorland. My business address is PO Box 20429, Seattle,
3 WA 98102.

4
5 **Q. HAVE YOU PREVIOUSLY FILED DIRECT TESTIMONY IN THIS**
6 **MATTER?**

7 A. Yes.

8
9 **Q. WHAT IS THE PURPOSE OF THIS REPLY TESTIMONY?**

10 A. The purpose of this Reply Testimony is to state the Company's position in
11 response to the testimony submitted by Commission Staff in this matter.

12
13 **Q. WHAT IS THE COMPANY'S POSITION?**

14 A. There are two parts to the Company's position. The first part is to address
15 Commission Staff's recommendation that no surcharge be approved. One part of
16 Staff's recommendation appears to be that no surcharge be approved. The Company
17 certainly disagrees with that position.

18
19 For the reasons set forth in my Direct Testimony, I believe the Company tried to do a
20 good job. This is a company with very limited resources. The Company is under DOH
21 order to install the improvements. If there is a DOH order to install the improvements
22 and the Commission does not allow recovery through a surcharge, the Company may
23 well be at an end financially.

1
2 The Company investigated the availability of SRF financing. Despite what Mr. Sarver
3 tries to imply in his testimony, the Company did contact the SRF staff directly to obtain
4 information. In addition, the Company asked that its engineer review the availability of
5 SRF funding. If the Company's engineer was in error, the Company should not be put
6 out of business because of that error.

7
8 The second part of the Company's position is on the financial analysis provided by
9 Commission Staff. The Company does not agree with the rationale for some of the
10 testimony that was submitted by Commission Staff. However, as a bottom line, the
11 Company is willing to accept Commission Staff recommendation as set out in Mr.
12 Kermode's Testimony and his Exhibit No. ____ (DPK-12). The Company is now under
13 an order to construct the improvements, which order was issued by the Department of
14 Health. The Company is anxious to move forward.

15
16 If the Commission feels that the Company acted improperly in looking at the
17 alternatives that were available, then the solution should not be to punish the Company
18 by ruling out a surcharge that other companies have for similar projects. Instead, the
19 Company would propose that the surcharge be limited to \$118,000. This is
20 approximately the cost that the customers would have borne if the improvements were
21 constructed in the 2003-2004 timeframe. This means that the Company eats the
22 difference in the cost due to the delay in time. However, it also means the customers
23 get the improvements they need and the Company is not forced out of business.

1
2
3
4
5
6
7
8
9

In addition, the Company does not have the resources to continue to spend money on this proceeding. So, the Company is willing to accept Mr. Kermode's recommendation as set forth in Exhibit No. _____ (DPK-12). Or, if the Commission thinks the Company should be punished even more, then the Company is willing to limit the surcharge to \$118,000.

Q. DOES THAT CONCLUDE YOUR REPLY TESTIMONY?

A. Yes.