

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of	)	DOCKET UW-150688
	)	
FRAGARIA LANDING WATER	)	ORDER 01
COMPANY, LOWPER,	)	
INCORPORATED DBA LOWPER	)	
WATER COMPANY, MARBELLO	)	ORDER GRANTING APPLICATION
WATER CO., INC. AND SJM	)	FOR SALE AND TRANSFER OF
WATER SERVICE, INC.	)	STOCK; MERGER and ADOPTING
	)	TARIFFS
Applicant,	)	
	)	
For the Sale and Transfer of Stock to	)	
ILIAD WATER SERVICES, INC.	)	
.....	)	

**BACKGROUND**

1 On April 21, 2015, Fragaria Landing Water Company, Lowper, Incorporated dba Lowper Water Company, Marbello Water Co., Inc. and SJM Water Service, Inc. and Iliad Water Services, Inc. (collectively, the Companies), filed with the Washington Utilities and Transportation Commission (Commission) an application for sale and transfer of stock pursuant to the provisions of RCW 80.12.

2 Iliad Water Services, Inc. (Iliad Water), Fragaria Landing Water Company (Fragaria), Lowper, Incorporated dba Lowper Water Company (Lowper), Marbello Water Co., Inc. (Marbello) and SJM Water Service, Inc. (SJM) filed a joint application with the Washington Utilities and Transportation Commission (Commission) an application for transfer of control, by stock acquisitions, and merger pursuant to the provisions of RCW 80.12.

3 The requested petition for sale and transfer is presented in two parts. The first step transfers the shares of stock for Fragaria, Lowper, Marbello and SJM to Iliad Water Services. The shares of stock for Fragaria, Lowper, Marbello and SJM will be cancelled and new shares reissued on the books of Iliad Water Services. The second step will merge Fragaria, Lowper, Marbello and SJM into Iliad Water Services pursuant to a plan of merger and the filing of Articles of Merger with the Secretary of State.<sup>1</sup> Iliad Water

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<sup>1</sup> After the shares are transferred, Derek Dorland will become sole director and President of each company.

Services as the surviving entity shall continue its existence under the laws of the State of Washington, and upon the merger, Iliad Water Services shall possess all the rights, privileges, immunities, powers and obligations whether of a public or private nature, of Fragaria, Lower, Marbello and SJM.

- 4 The chart below shows the pertinent information for each of the water companies and their respective water systems.

Name – system	DOH ID#	Customer Count	Location	County
Fragaria				
Fragaria Landing	266519	85	Port Orchard	Kitsap
Hunt I & II	00567T	24	Port Orchard	Kitsap
Lower	019595	7	Sequim	Clallam
Marbello	51530M	98	Monroe	Snohomish
SJM – Cherry Creek	23101W	54	Duvall	Snohomish
Iliad Water Services				
Alder Lake	221957	35	Eatonville	Pierce
Cascade Creek	31203Y	46	Lake Stevens	Snohomish
Western Stavis II & III*	01668H	24	Poulsbo	Kitsap

\*System transferred to Kitsap PUD in 2011.

- 5 Iliad Water Services assumes the regulatory obligations of the purchased utilities, if the Commission approves the sale and transfer of Fragaria, Lower, Marbello and SJM to Iliad Water Services. Iliad Water Services will be subject to any obligations the Commission imposed on Fragaria, Lower, Marbello and SJM.

### FINDINGS AND CONCLUSIONS

- 6 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies. RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.
- 7 (2) Fragaria, Lower, Marbello and SJM are investor-owned water companies and are public service companies subject to Commission jurisdiction.

- 8 (3) Iliad Water Services is a water utility company and is a Washington corporation. Iliad Water Services is a public service company subject to Commission jurisdiction.
- 9 (4) Fragaria, Lowper, Marbello and SJM notified its customers of the sale and transfer in a mailing on April 21, 2015.
- 10 (5) The companies claim several benefits of this sale and transfer of stock and new ownership, one of which is that Iliad Water Services desires to own and operate water systems on an ongoing basis. Fragaria, Lowper, Marbello and SJM's current owners no longer desire to own and operate the water systems as stand-alone businesses. Iliad Water Services will be able to bring economies of scale benefits to the utilities in certain areas, such as operations, project financing, billing, and insurance. Iliad Water Services will continue to use the same operations and billing staff who are familiar with each of the utility's operations.
- 11 (6) Iliad Water Services will acquire the stock of each company for and inconsideration of the sum of One Dollar (\$1.00) and other valuable consideration, receipt of which is hereby acknowledged, to transfer all rights, title and interest of all shares of stock of Fragaria, Lowper, Marbello and SJM to Iliad Water Services.
- 12 (7) As a result of this sale and transfer of water system stock, Iliad Water Services will adopt Fragaria, Lowper, Marbello and SJM's tariff. Monthly water rates and charges for services will not change at this time.
- 13 (8) This matter was brought before the Commission at its regularly scheduled meeting on July 30, 2015.
- 14 (9) The proposed transfer and tariff adoption will have an effective date of August 1, 2015. This date coincides with Fragaria, Lowper, Marbello and SJM's billing periods. For accounting purposes, the utility's accounting records will be transferred and effective on that date.
- 15 (10) Pursuant to RCW 80.12.020 and WAC 480-143-170, the Commission has determined that applicants in a transaction of this sort must "at least demonstrate

no harm to the public interest.”<sup>2</sup> The Commission also looks to the new company’s financial and managerial fitness to run the operations.<sup>3</sup> The Commission believes the applicants have shown there are substantial benefits to the transfer.

- 16 (11) In this docket, the Commission neither approves nor disapproves the reasonableness of any fees, charges, rates, purchase price, or accounting allocations involved with the transaction. The Commission reserves the right to review those fees, charges, rates, or accounting allocations in a future rate proceeding.
- 17 (12) The application meets the requirements of RCW 80.12 and the rules and regulations of the Commission. WAC 480-143.
- 18 (13) After reviewing the joint application of Fragaria, Lowper, Marbello and SJM filed in Docket UW-150688 on April 21, 2015, and giving due consideration, the Commission finds that the Application of the Sale and Transfer of Stock by Fragaria, Lowper, Marbello and SJM to Iliad Water Services is consistent with, and demonstrates no harm to, the public interest and should be approved. This merger will consolidate five separate companies into one allowing for economies of scale in management and operations. A larger customer base will help to support plant cost and future industry issues.

## ORDER

### THE COMMISSION ORDERS:

- 19 (1) The Commission authorizes the Sale and Transfer of the stock and merger of Fragaria Landing Water Company, Lowper, Incorporated dba Lowper Water Company, Marbello Water Co., Inc. and SJM Water Service, Inc. to Iliad Water Services, Inc. consistent with the joint application in accordance with RCW 80.12.020. No material change, revision, or amendment to the joint application and agreement shall become effective without the Commission’s prior written approval.

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<sup>2</sup> *In Re Application of PacifiCorp & Scottish Power, LLC*, Docket UE-981627, Third Supplemental Order on Prehearing Conference at 2-3 (April 2, 1999).

<sup>3</sup> *Id.*

- 20 (2) The Commission approves Iliad Water Services, Inc.'s adoption of the tariffs of  
Fragaria Landing Water Company, Lower, Incorporated dba Lower Water  
Company, Marbello Water Co., Inc. and SJM Water Service, Inc., to be effective  
with the effective date of the transfer itself: August 1, 2015.
- 21 (3) Iliad Water Services, Inc. must file with the Commission within 90 days after the  
effective date of this Order, the journal entries by which it proposes to record on  
its books the transfer of water system stock authorized herein. The effective date  
for accounting purposes shall be August 1, 2015.
- 22 (4) This Order shall not affect the Commission's authority over rates, services,  
accounts, valuations, estimates, or determination of costs, on any matters that may  
come before it. Nor shall this Order granting Petition be construed as an  
agreement to any estimate or determination of costs, or any valuation of property  
claimed or asserted.
- 23 (5) The Commission retains jurisdiction over the subject matter and Fragaria Landing  
Water Company, Lower, Incorporated dba Lower Water Company, Marbello  
Water Co., Inc. and SJM Water Service, Inc., and Iliad Water Services, Inc. to  
effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective July 30, 2015.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner