

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

ILIAD WATER SERVICES, INC.,

Respondent.

DOCKET NO. UW-060343

COMMISSION STAFF'S  
RESPONSE TO ILIAD'S  
PETITION FOR REVIEW AND  
STATEMENT OF POSITION

1 The Staff of the Washington Utilities and Transportation Commission (Staff) submits this response to Iliad's petition for review and statement of position. (Petition.) Staff opposes Iliad's new request to stay this proceeding, opposes commission approval of a surcharge, disagrees with the Company's characterization that construction costs were prudent, and argues that utilities should be held accountable for their business decisions. The Commission should adopt the Initial Order.

**I. Staff Opposes Iliad's Proposal that the Commission "Hold this Case Open until after the Next Round of Financing from the State Drinking Water Revolving Fund (SRF)."<sup>1</sup>**

2 The Staff opposes Iliad's request to stay this proceeding pending the next round of financing from the State Drinking Water Revolving Fund. Not only is this a new proposal—one that is beyond the scope of the record—it more appropriately would have been part of a motion for reconsideration. The time for such a motion has expired. The Commission should deny Iliad's request for a stay, on this petition for administrative review.

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<sup>1</sup> Petition at 4:14-16.

3           Moreover, holding the case open would serve no purpose. If Iliad receives an SRF loan to construct the chlorination system at issue, Iliad may make a tariff filing. The SRF timelines for the 2007 loan cycle are:

May 2007	Applications due. <sup>2</sup>
September 2007	Applicants advised of where their projects lie on the draft funding list. <sup>3</sup>
March or April 2008	Funds Available. <sup>4</sup>

4           If Iliad’s SRF application is denied, Iliad may obtain third party funding, construct the chlorination system, place the plant in service, and file the appropriate tariffs at the appropriate time.

**II. The Commission should not Approve any Surcharge or Assessment for Collection Prior to Iliad Demonstrating the Chlorination System is Constructed and in Service.**

5           Iliad proposes that if the SRF denies its loan, the Commission should allow the commercial loan and calculate the surcharge accordingly. The Company’s proposal is no different from its original proposal. In her Order, the Administrative Law Judge determined that Iliad’s proposal “does not constitute prudent financial planning” and further found it reasonable to allow cost recovery only *after* the chlorination plan is constructed and the plant is used and useful.<sup>5</sup>

**III. The Administrative Law Judge Did Not Characterize the Construction Costs as “Prudent.”**

6           Iliad argues that the Initial Order determined that the construction costs at issue were “prudent.”<sup>6</sup> Staff disagrees with such a characterization. To the contrary, the Order

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<sup>2</sup> Sarver at 14:14 - 21

<sup>3</sup> Sarver at 10:3 - 4

<sup>4</sup> Sarver at 14:14 - 21

<sup>5</sup> Order at 8:¶26

<sup>6</sup> Iliad Petition at 5: 4 - 6

provides simply that the costs “do not appear to be unreasonable.”<sup>7</sup>

**IV. Regulated Companies, Including Small Water Companies, Should be Held Responsible and Accountable for Their Business Decisions.**

7 After admitting that its engineer provided wrong advice,<sup>8</sup> Iliad argues that it should be able to rely on the advice that it receives from outside professionals.<sup>9</sup> Staff generally agrees. However, relying on advice from an outside professional should not serve to shield Iliad from the consequences of its imprudent decisions. If Iliad believes an outside professional provided faulty advice that caused it harm, Iliad should consider pursuing the matter in another forum.

**VI. CONCLUSION**

8 For the above reasons, the Commission should deny Iliad’s petition for administrative review and adopt the Initial Order.

DATED this \_\_\_\_ day of \_\_\_\_\_, 2007.

Respectfully submitted,

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Attorney General

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Counsel for Washington Utilities and  
Transportation Commission

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<sup>7</sup> Initial Order at ¶48

<sup>8</sup> Iliad Petition at 6:17

<sup>9</sup> Iliad Petition at 7:11 - 12