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January 30, 2007

VIA HAND DELIVERY AND E-MAIL

Carole Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: WUTC v. Iliad Water Services, Inc. – Docket No. UW-060343

Dear Ms. Washburn:

Please accept this letter as a brief reply to the Staff's Response to Iliad's Petition for Review and Statement of Position.

Staff's Response, as a bottom line, urges that the tariff be rejected. Iliad's suggested approach in the Petition for Review actually picks up on a point that Commission Staff made in their Posthearing Brief submitted on November 29, 2006. At Paragraph 58 in their Brief, Commission Staff pointed out that "The Company may still apply for DWSRF financing in the future, build the plant, and re-file with the Commission." Iliad believes that its suggested approach is a practical and common sense manner of proceeding to follow, in part, this suggestion. .

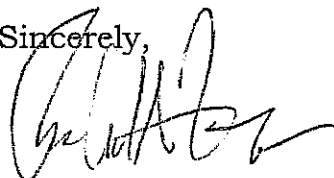
The Drinking Water Revolving Fund process requires that an application be submitted and after it is approved, then construction can begin. The process does not allow reimbursement of construction costs made prior to the loan being made. Then, loan funds are released as the work is performed. As is amply demonstrated in the record, Iliad's only hope of re-paying such a loan is through a surcharge. This means that it makes sense to conserve everyone's resources by Iliad's suggestion in its Petition for Review to hold this matter open for the Drinking Water Revolving Fund application process, funding and development of the surcharge.

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At this stage, no one is really arguing about the base amounts that would form the basis of the surcharge. The Initial Order found a certain amount would be appropriate. That amount is found in Commission Staff's Exhibit 31, which Commission Staff, albeit reluctantly, agrees would be an appropriate amount for funding of a surcharge. It would seem that moving forward with this base amount, to be adjusted for the actual costs under the State Revolving Fund program, would serve all aspects of the public interest.

Thank you for the opportunity to submit these comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard A. Finnigan', written in a cursive style.

RICHARD A. FINNIGAN

RAF/km

cc: Service List (via e-mail and hand delivery)
David Dorland (via U.S. mail and e-mail)