

Agenda Date: June 23, 2016  
Item Number: A5

Docket: UW-160784  
Company Names: Iliad Water Services, Inc. and  
Iliad Water Company, LLC

Staff: Jim Ward, Regulatory Analyst  
John Cupp, Consumer Protection Staff

**Recommendation**

Issue an Order in Docket UW-160784 granting the application for merger of Iliad Water Services, Inc. into Iliad Water Company, LLC and the adoption of tariff by Iliad Water Company, LLC to be effective July 1, 2016.

**Discussion**

On May 31, 2016, Iliad Water Service, Inc. (Iliad Water Services) and Iliad Water Company, LLC (Iliad Water), filed a joint application with the Washington Utilities and Transportation Commission (Commission) an application for transfer of control, by merger pursuant to the provisions of RCW 80.12.

The application will merge Iliad Water Services into Iliad Water Company pursuant to a plan of merger and the filing of Articles of Merger with the Secretary of State.<sup>1</sup> Iliad Water Company as the surviving entity shall continue its existence under the laws of the State of Washington, and upon the merger, Iliad Water Company shall possess all the rights, privileges, immunities, powers and obligations whether of a public or private nature, of Iliad Water Services. The chart below shows the pertinent information for each of the respective water systems.

| Name – system      | DOH ID# | Customer Count | Location     | County    |
|--------------------|---------|----------------|--------------|-----------|
| Fragaria Landing   | 266519  | 85             | Port Orchard | Kitsap    |
| Hunt I & II        | 00567T  | 24             | Port Orchard | Kitsap    |
| Lowerper           | 019595  | 7              | Sequim       | Clallam   |
| Marbello           | 51530M  | 98             | Monroe       | Snohomish |
| SJM – Cherry Creek | 23101W  | 54             | Duvall       | Snohomish |
| Alder Lake         | 221957  | 35             | Eatonville   | Pierce    |
| Cascade Crest      | 31203Y  | 46             | Lake Stevens | Snohomish |
| Western Stavis     | 63216O  | 25             | Poulsbo      | Kitsap    |

<sup>1</sup> After the merger is completed, David Dorland being the President of Iliad, Inc., will be the sole Member of Iliad Water Company, LLC.

Iliad Water Company will assume the regulatory obligations of the merged utilities, if the commission approves the merger of Iliad Water Services into Iliad Water Company. Iliad Water Company will be subject to any obligations the commission imposed on Iliad Water Services.

Iliad Water Services' current owner no longer desires to own and operate the water systems whereas, Iliad Water Company desires to own and operate the water systems on an ongoing basis and is looking to grow the number of water systems owned. Iliad Water Company will be able to bring benefits of economies of scale by continuing to expand the utility company in several areas, such as operations, project financing, billing, and customers. Iliad Water Company will continue to use the same operations and billing staff who are familiar with each of the utility's operations.

Iliad Water Services, will on the effective date, be merged with and into Iliad Water Company and the separate existence of Iliad Water Services shall cease. Iliad Water Company as the surviving entity shall continue its existence under the laws of the State of Washington, and upon and after the merger Iliad Water Company shall possess all the rights, privileges, immunities, powers and obligations of Iliad Water Services.

The proposed merger and tariff adoption will have an effective date of July 1, 2016. This date coincides with Iliad Water Company's billing period. For accounting purposes, the utility's accounting records will be transferred and effective on that date.

Staff must determine, consistent with RCW 80.12.020 and WAC 480-143-170, that the applicants in the transaction must "at least demonstrate no harm to the public interest."<sup>2</sup> Staff must also look to the new company's financial and managerial fitness to run the operations.<sup>3</sup> Staff believes the applicants have shown there are substantial benefits to the proposed sale and transfer and that the application meets the requirements of RCW 80.12 and WAC 480-143.

If the sale and transfer is allowed, 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.

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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.*

### **Customer Comments**

On May 31, 2016, the company notified its customers of the proposed merger by mail. Staff received no comments regarding the proposed merger. Customers may contact John Cupp at 1-888-333-9882 or [jcupp@utc.wa.gov](mailto:jcupp@utc.wa.gov) with questions or concerns.

### **Conclusion**

After reviewing the joint application for merger of Iliad Water Services and Iliad Water Company filed in Docket UW-160784 on May 31, 2016, staff believes that the petition for merger of Iliad Water Services to Iliad Water Company is in the public interest and should be approved. This merger will allow the company to continue to grow under new ownership and allow for economies of scale in management and operations.

### **Recommendation**

Grant the application for merger of Iliad Water Services, Inc. into Iliad Water Company, LLC and the adoption of tariff by Iliad Water Company, LLC to be effective July 1, 2016.