

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of  
  
ILIAD WATER SERVICES, INC.  
  
Applicant,  
  
For the Merger into  
ILIAD WATER COMPANY, LLC

DOCKET UW-160784  
  
ORDER 01  
  
ORDER GRANTING APPLICATION  
FOR MERGER AND ADOPTING  
TARIFF

**BACKGROUND**

- 1 On May 31, 2016, Iliad Water Services, Inc. (Iliad Water Services) and Iliad Water Company, LLC (Iliad Water), filed a joint application with the Washington Utilities and Transportation Commission (Commission) for transfer of control by merger pursuant to RCW 80.12 (Joint Application).
- 2 The application will merge Iliad Water Services into Iliad Water pursuant to a plan of merger and the filing of Articles of Merger with the Secretary of State.<sup>1</sup> Iliad Water as the surviving entity shall continue its existence under the laws of the State of Washington, and, upon the merger, Iliad Water shall possess all the rights, privileges, immunities, powers and obligations whether of a public or private nature, of Iliad Water Services.
- 3 The proposed merger and tariff adoption has an effective date of July 1, 2016, which coincides with Iliad Water Services' billing cycle. For accounting purposes, the utility's accounting records will be transferred and effective on that date.

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

4 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

5 Iliad Water will assume the regulatory obligations of the merged utilities if the Commission approves the merger of Iliad Water Services to Iliad Water. Iliad Water will be subject to any obligations the Commission imposed on Iliad Water Services.

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

7 Commission staff (Staff) reviewed the Joint Application and finds that the applicants have demonstrated substantial benefits to the proposed merger, and that the application meets the requirements of RCW 80.12.020 and WAC 480-143-170. Staff recommends the Commission approve the Joint Application noting the proposed merger will allow the surviving company to continue to grow under new ownership and provide for economies of scale in management and operations.

## DISCUSSION

8 RCW 80.12.020 and WAC 480-143-170 require that the applicants in any proposed transfer or merger transaction must “at least demonstrate no harm to the public interest.”<sup>2</sup> Staff must also review the new company’s financial and managerial fitness to operate the

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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).

company. We agree with Staff that the applicants have demonstrated that there are substantial benefits to the proposed merger, and that the Joint Application meets the requirements of RCW 80.12.020 and WAC 480-143-170. Accordingly, we find that the proposed merger is in the public interest and approve the Joint Application.

### FINDINGS AND CONCLUSIONS

- 9 (1) The 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.
- 10 (2) Iliad Water Services is an investor-owned water company and is a public service company subject to Commission jurisdiction.
- 11 (3) Iliad Water is an investor-owned water company and is a public service company subject to Commission jurisdiction.
- 12 (4) On May 31, 2016, Iliad Water Services and Iliad Water filed a Joint Application for transfer of control by merger, which proposes to merge Iliad Water Services into Iliad Water pursuant to a plan of merger. Iliad Water Services notified its customers of the proposed merger by mail on May 31, 2016.
- 13 (5) This matter was brought before the Commission at its regularly scheduled meeting on June 23, 2016.
- 14 (6) Pursuant to RCW 80.12.020 and WAC 480-143-170, the Commission finds that the applicants have demonstrated that there are substantial benefits to the proposed transfer by merger. The application meets the requirements of RCW 80.12.020 and WAC 480-143-170.
- 15 (7) 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.
- 16 (8) After reviewing the Joint Application of Iliad Water Services and Iliad Water filed in Docket UW-160784 on May 31, 2016, and giving due consideration, the Commission finds that the Application of the Merger of Iliad Water Services to

Iliad Water Company is consistent with, and demonstrates no harm to, the public interest and should be approved.

### **ORDER**

#### **THE COMMISSION ORDERS:**

- 17 (1) The Commission authorizes the merger of Iliad Water Services, Inc. to Iliad Water Company, LLC 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.
- 18 (2) The Commission approves Iliad Water Company, LLC's adoption of the tariffs of Iliad Water Services, Inc., to be effective on the date of transfer, July 1, 2016.
- 19 (3) Iliad Water Company, LLC 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 July 1, 2016.
- 20 (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 application be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 21 (5) The Commission retains jurisdiction over the subject matter and Iliad Water Services, Inc., and Iliad Water Company, LLC to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective June 23, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner