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July 7, 2008

VIA E-MAIL AND HAND DELIVERY

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

Re: Iliad Water Service, Inc. – Docket No. UW-060343 – Compliance
Reporting

Dear Mr. Danner:

The Settlement Agreement was approved in this matter by Initial Order, Order 07, on May 1, 2008. On May 12, 2008, an Amended Initial Order, Order 08, was filed reflecting the corrected customer count and surcharge calculations. In a Joint Motion from Iliad Water Service, Inc. and Commission Staff, filed on May 8, 2008, the parties requested the Commission allow the Amended Initial Order to become final by operation of law as soon as possible. The Notice of Finality was issued in this matter on May 14, 2008.

Pursuant to the terms of the Settlement Agreement, certain reporting by Iliad is required. As the first matter, Iliad is required by Paragraph 20 of the Settlement Agreement to give notice to customers of the surcharges and choices within fifteen days of the date that the Settlement Agreement is approved by the Commission. Attached for the Commission's information is the copy of the company letter that was sent to the customers on May 21, 2008. There was also a clarification letter to make sure the customers understood exactly what they were required to pay dated May 22, 2008, copy attached.

In addition, pursuant to Paragraph 26 of the Settlement Agreement, Iliad is to file a report with the Commission describing what choices the customers

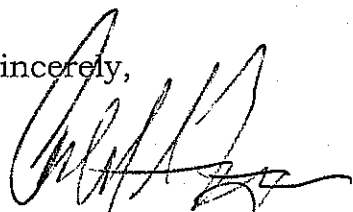
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have selected in their preferred financing alternative. This report is due no later than July 30, 2008. The Company can report that as of today, ten customers have chosen the upfront payment alternative. Fifteen customers have chosen the monthly payment alternative. There has been no response from thirteen customers. There will be one last opportunity for the thirteen "no response" customers. If they do not respond, they will fall into the category of monthly assessments. A final report will be provided detailing the balance owed on the surcharge loan once the non-responsive customers have been given one last opportunity to respond.

Iliad also notes that there is an annual report that is required pursuant to the terms of the Settlement Agreement. This annual report is due beginning one year from the date the Agreement is approved by the Commission. Given that the Notice of Finality was issued May 14, 2008, the Company assumes that May 14 is the annual reporting deadline.

Thank you for your attention to this matter.

Sincerely,



RICHARD A. FINNIGAN

RAF/km
Enclosures

cc: Dave Dorland (via e-mail)
Amy White (via e-mail)