

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

ILIAD WATER COMPANY, LLC,

Respondent.

DOCKET UW-161155

ORDER 02

ORDER DISMISSING COMPLAINT  
AND ORDER SUSPENDING TARIFF  
REVISION; ALLOWING REVISED  
RATES TO BECOME EFFECTIVE

**BACKGROUND**

- 1 On October 21, 2016, Iliad Water Company, LLC, (Iliad Water or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-1. The proposed revisions would generate approximately \$318,300 (143 percent) in additional annual revenue.
- 2 On December 22, 2016, the Commission entered Order 01, Complaint and Order Suspending Tariff Revisions (Order 01) pending an investigation to determine whether the Company's tariff revisions are fair, just, reasonable, and sufficient.
- 3 This is Iliad Water's first general rate filing since the Company merged eight of its water systems with Iliad Water Services and subsequently transferred control of Iliad Water Services to Iliad Water.<sup>1</sup> The filing proposes a single tariff rate across the following 10 systems owned and operated by Iliad Water:

---

<sup>1</sup> On July 31, 2015, the Commission approved the sale and transfer of stock and merger of Fragaria Landing Water Company (Fragaria), Lowper Inc. d/b/a Lowper Water Company (Lowper), Marbello Water Co., Inc. (Marbello), and SJM Water Service, Inc. (SJM) with Iliad Water Services, Inc. (Iliad Water Services) in Docket UW-150688. Iliad Water Services, as the only surviving entity, adopted and combined each company's tariff (a total of eight water systems) with its currently effective tariff. On August 27, 2015, the Commission removed Fragaria, Lowper, Marbello, and SJM from Commission regulation and cancelled each company's tariff in Docket UW-151639. On June 23, 2016, the Commission granted the joint application of Iliad Water Services and Iliad Water to transfer control of Iliad Water Services to Iliad Water in Docket UW-160784. The Commission accepts the tariff revisions filed by Iliad Water in Docket UW-161155, reflecting the Company's new name, for the purpose of compliance with Docket UW-160784, and to establish rates as approved by the Commission for compliance purposes in Docket UW-161155.

<b>10 Regulated Water Systems</b>			
<b>Name – by System</b>	<b>DOH ID#</b>	<b>Customer Count</b>	<b>County</b>
Fragaria Landing	266519	97	Kitsap
Hunt I & II	00567T	32	Kitsap
Lowper	019595	7	Clallam
Marbello	51530M	97	Snohomish
Cherry Creek	23101W	57	Snohomish
Alder Lake	221957	37	Pierce
Cascade Crest	31203Y	23	Snohomish
Sunwood Graham	620345	126	Pierce
Northwest	619472	40	Snohomish
Western Stavis	63216O	14	Kitsap

- 4 The Commission currently regulates all but the Sunwood Graham and Northwest systems. Because the Company has previously filed general rate cases for very few of these water systems, this filing presented Commission staff (Staff) with its first opportunity to perform a full review of the water systems’ historical records of costs and expenses for the services provided.
- 5 Iliad Water is also currently completing its purchase of the following 13 water systems, which the Company previously operated and managed under service contracts:

<b>13 Unregulated Water Systems</b>			
<b>Name – system</b>	<b>DOH ID#</b>	<b>Customer Count</b>	<b>County</b>
85 Acres	225905	20	King
State/Marysville	094045	48	Snohomish
Cliftonwood	32027B	14	Kitsap
Hunt III	01591J	13	Kitsap
Parkwood	231917	29	Island
Skyview	31141U	47	Snohomish
Stilliridge	187072	32	Snohomish
Suddenview	12451F	28	Snohomish
Sunland Shores	85257Q	54	Clallam
Sunnyhills	23391F	31	Lincoln
Tala Pt	602030	18	Jefferson
Vashon	AA614K	7	King
Vista Glen	64340V	25	Snohomish

- 6 The Company plans to file a tariff revision to add these 13 water systems to its tariff within 60 to 90 days of the effective date of this Order. When meter rates have been in effect for all 23 systems for a period of one year, the Company has agreed to file another general rate case to allow Staff to perform a full review of all of the water systems' historical records. That rate filing will also address the Company's transition from an affiliated contract for services to operating as a stand-alone water company.
- 7 On October 21, 2016, the Company notified its customers by mail of the proposed rate increase. Staff received 160 consumer comments, all opposed to the proposed rate increase. Staff attended a community meeting organized by customers on the Marbello and Sunwood Graham systems and met with concerned customers following the Commission's December 22, 2016, and February 23, 2017, open meetings.<sup>2</sup>
- 8 Staff evaluated several rate structures designed to allow the Company to collect the additional required revenue and determined that a single tariff pricing rate structure will best serve the public interest by removing all surcharges and spreading operating costs equally across all customers. Staff and the Company agree that a \$161,036 (44 percent) increase in additional annual revenue – rather than a \$318,300 increase – will result in rates that are fair, just, reasonable, and sufficient.
- 9 The Commission contacted customers who filed comments and notified them about the revised proposed rate increase. Several customers requested assistance with calculating their bills using Staff's recommended rates. Two customers expressed concerns that the rates are still too high, and two others were satisfied that Staff is recommending reduced rates. The customers' comments do not change Staff's opinion that the Company's financial information supports the revised revenue requirement, and that the revised rates and charges are fair, just, reasonable, and sufficient. Staff's review shows that the expenses are reasonable and required as part of the Company's operation. Accordingly, Staff recommends the Commission allow the revised rates and tariff revision filed by Iliad Water on March 20, 2017, to become effective on April 1, 2017.

---

<sup>2</sup> Six customers on the Cherry Creek system filed comments addressing water quality issues. Staff contacted the Department of Health (DOH), and an engineer from the Division of Drinking Water provided a customer complaint log for the system. Nearly all of the complaints – the most recent of which was filed in 2010 – addressed iron and manganese levels. DOH advised that customers concerned about the aesthetic effect of manganese can petition the Company to install a treatment system. DOH also provided an advisory document, "Secondary Contaminant Treatment Requirements and Options," which Staff provided to customers. The DOH water system database shows no active compliance issues with the Cherry Creek system.

## DISCUSSION

- 10 We agree with Staff's recommendation and dismiss Order 01 to allow Iliad's revised rates, as filed on March 20, 2017, to go into effect on April 1, 2017. As outlined in Staff's memo, Staff made multiple adjustments to the original filing to create a Company rate base that nets the historical differences of the separate water system assets, depreciation, and contributions in aid of construction under common ownership, which results in rates that are fair, just, reasonable, and sufficient. We also find that the single tariff rate structure, which maximizes economies of scale, is in the public interest. Under a single tariff rate, the impacts of any large plant costs or operating expenses will be minimized on a per-customer basis.
- 11 Consistent with its representations, we require the Company to file a tariff revision to establish Commission jurisdiction over the 13 additional water systems listed in paragraph 5 within 60 days of the effective date of this Order. Finally, we require Iliad Water to file a general rate case with an effective date no later than 15 months from the date the Company revises its tariff to include all 23 water systems.

## FINDINGS AND CONCLUSIONS

- 12 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including water companies.
- 13 (2) Iliad Water is a water company and a public service company subject to Commission jurisdiction.
- 14 (3) This matter came before the Commission at its regularly scheduled meeting on March 29, 2017.
- 15 (4) The tariff revision presently under consideration is fair, just, reasonable, and sufficient because the Company has demonstrated the need for additional annual revenue and for revision of the Company's rate structure.
- 16 (5) After reviewing the revised tariff revision Iliad Water filed in Docket UW-161155 and giving due consideration, the Commission finds it is consistent with the public interest to dismiss the Complaint and Order Suspending Tariff Revision in

Docket UW-161155, dated December 22, 2016, and allow the revised rates and tariff revision filed on March 20, 2017, to become effective on April 1, 2017.

**ORDER**

**THE COMMISSION ORDERS:**

- 17 (1) Order 01, the Complaint and Order Suspending Tariff Revision in Docket UW-  
161155, entered on December 22, 2016, is dismissed.
- 18 (2) The tariff revision filed in this docket on October 21, 2016, as revised on March 20,  
2017, shall become effective on April 1, 2017.
- 19 (3) Iliad Water Company, LLC must file with the Commission a revision to its tariff  
to include the 13 water systems listed in paragraph 5, above, no later than 60 days  
from the effective date of this Order.
- 20 (4) Iliad Water Company, LLC must file a general rate case with an effective date 15  
months after the date it revises its tariff to include the 13 water systems listed in  
paragraph 5, above.

DATED at Olympia, Washington, and effective March 29, 2017.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner