

1 **Q. Please state your name and give your business address.**

2 A. My name is Derek Dorland. My business address is P.O. Box 20098, Seattle, WA 98102.

3 **Q. In what capacity are you testifying in this proceeding?**

4 A. I am testifying as President of Iliad Water Services, Inc.

5 **Q. Please describe Iliad Water Services operations?**

6 A. Iliad Water Service is a small water company. It serves two systems that are not  
7 geographically connected that have a total of 56 customers. These are the Alder Lake Water  
8 system and the Cascade Crest Estates Water system. We used to serve Western Stavis  
9 Water system. However, in 2011 that system was acquired by Kitsap PUD in a  
10 condemnation action.  
11

12 **Q. What is the purpose of this filing?**

13 A. The purpose of this filing is to address the recovery of the cost of treatment facilities that  
14 were constructed pursuant to a Department of Health directive for the Alder Lake system.

15 **Q. Please explain what the Department of Health required.**

16 A. First of all, I should mention that the Alder Lake System has been an especially difficult  
17 system to manage given the quality of water for the system. We were first required by the  
18 Department of Health to install a chlorination system a few years ago. That was the subject  
19 of a prior Commission docket.

20 Specifically, the focus here is on corrosion control. Because of the acidity of the water, it  
21 has a tendency to leach lead and copper. In particular, copper is an issue in the Alder Lake  
22 system.

23 Attached as Exhibit No. \_\_\_(DD-2) is a Department of Health Notice of Violation that  
24  
25  
26

1 summarizes the issues related to corrosion control for the Alder Lake system.

2 What the company ultimately was able to do was to produce a corrosion control report and  
3 submit it to the Department of Health calling for construction of treatment facilities. The  
4 Department of Health approved that approach in a letter dated February 16, 2011, which is  
5 attached as Exhibit No. \_\_\_ (DD-3).

6 **Q. I noticed both the Exhibit Nos. \_\_ (DD-2) and \_\_ (DD-3) are addressed to Dave  
7 Dorland Sr. Please explain why that is the case.**

8 A. Mr. Dave Dorland Sr. is listed with the Department of Health as providing water testing  
9 services and other related matters for Iliad Water Services, Inc. He is the point of contact  
10 for the Department of Health. I have asked him to help in various ways with Iliad Water  
11 Services, Inc.

12 **Q. Does Dave Dorland Sr. have any financial interest in Iliad Water Services, Inc.?**

13 A. No. He does not own any stock in the company. Iliad, Inc. does have a note payable from  
14 Iliad Water Services, Inc. for construction work that has been done. However, there is no  
15 ownership interest.

16 **Q. Does Iliad Inc. have any financial interest in Iliad Water Services, Inc.?**

17 A. No, other than the note described above. It does not own any stock of Iliad Water.

18 **Q. Do you have an ownership interest in Iliad, Inc.?**

19 A. No.

20 **Q. Does Iliad, Inc. or Dave Dorland Sr. manage Iliad Water Services, Inc.?**

21 A. All final management decisions are made by me. However, my father, Dave Dorland Sr.,  
22 helps with various aspects of the Company. That is in his individual capacity, not as Iliad,  
23 Inc.

1 **Q. Please explain the relationship between Iliad Water Services, Inc. and Iliad, Inc.**

2 A. Obviously, the two companies work closely together. Iliad, Inc. is owned by my father,  
3 Dave Dorland Sr. In addition, Iliad, Inc. has a great deal of experience in constructing and  
4 repairing water systems in the state of Washington. If Iliad, Inc. did not provide quality  
5 services, they would not be retained by Iliad Water Service, Inc.

6 **Q. Please describe the corrosion control system that was installed.**

7 A. The corrosion control system was designed to use caustic soda with an injection system.  
8 Engineering details are attached as Exhibit No. \_\_ (DD-4).

9 **Q. When was the project completed?**

10 A. The facilities were constructed by the end of June, 2011. Attached as Exhibit No. \_\_ (DD-5)  
11 is the construction completion report. The report was approved by a Department of Health  
12 letter dated July 6, 2011, attached as Exhibit No. \_\_ (DD-6). Following receipt of the letter  
13 from the Department of Health, the company did some additional monitoring to make sure  
14 everything was operating correctly and the system actually went in online in December,  
15 2012.

16 **Q. How did the treatment facilities get constructed?**

17 A. We entered into a fixed price contract with Iliad, Inc. Iliad, Inc. then dealt with all of the  
18 available subcontractors to provide the treatment facilities. A copy of the contract is  
19 attached as Exhibit No. \_\_ (DD-7).

20 Corrosion control is a specialty service, so we sought the assistance of the Department of  
21 Health. They referred us to three manufacturers. We contacted all three manufacturers and  
22 only one could provide the unit for the size of the Alder Lake system. We discussed this  
23 matter with Iliad, Inc. and Iliad, Inc. agreed that use of the contractor TMG Services, Inc.

1 would be the most appropriate and agreed to subcontract with them. We requested, and  
2 Iliad, Inc. agreed to use, the building and electrical contractor that had been used for  
3 construction of the earlier chlorination system at Alder Lake. I felt that this contractor was  
4 already familiar with the Alder Lake system and would be the most efficient to use. Iliad,  
5 Inc. agreed to use that subcontractor.

6 **Q. Beyond the contract, do you have any support for the costs of the project?**

7 A. We requested that Iliad, Inc. provide us with their records to support the cost of the  
8 contract. Attached as Exhibit No. \_\_ (DD-8) is the job ledger report that Iliad, Inc.  
9 provided.

10 **Q. Why are you seeking a surcharge for reimbursement?**

11 A. We think that is the most appropriate approach under the circumstances.

12 **Q. Did you consider a source of funding other than a loan from Iliad, Inc.?**

13 A. Yes. We first looked at the Safe Water Drinking Act Revolving Fund. However, based on  
14 information that was available to us at the time, it appeared that there would be too long of a  
15 waiting period to meet the construction schedule that DOH wanted us to meet. We then  
16 went to look at commercial lenders. We approached Chase Bank and they were simply not  
17 interested. We then approached Bank of America and they proposed a loan at nine percent  
18 with a loan fee of 1.5 points and a loan term of no more than five years. Given that the Bank  
19 of America proposal appeared to be the best set of terms available from the commercial  
20 sector, we asked Iliad, Inc. if they could provide a better proposal.

21 Iliad, Inc. provided a ten year loan at 8.5 percent. A copy of the loan document is attached  
22 as part of Exhibit No. \_\_ (DD-7). Spacing the loan repayment out over ten years rather than  
23  
24  
25  
26