



# Investigation Report

## Cristalina LLC

UW-132013

UW-140820

Rayne Pearson  
Consumer Protection  
May 2014

## **PURPOSE, SCOPE, AND AUTHORITY**

### **Purpose**

The purpose of this investigation is to determine whether Cristalina LLC (Cristalina) has violated commission rules by failing to comply with a commission order in Docket UW-090516.

### **Scope**

The scope of this investigation includes a summary of technical assistance provided by staff, and information obtained from the company through compliance filings and data requests.

### **Staff**

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## EXECUTIVE SUMMARY

On April 8, 2009, Cristalina LLC filed for a surcharge tariff to service a \$555,500 Drinking Water State Revolving Fund (DWSRF) loan from the Public Works Board in Docket UW-090516. On June 1, 2009, the commission approved a monthly surcharge of \$32 to service the loan. In March 2010, construction related to the DWSRF loan was completed, and the company began collecting meter readings in April 2010.

The company is authorized to bill its customers a total of \$8,064 in surcharge fees each quarter, subject to the following conditions: the company is required to deposit the surcharge funds collected into a separate account for the benefit of its customers, and file quarterly reports with the commission within 45 days of the end of each calendar quarter.

The quarterly reports filed in Docket UW-090516 demonstrate a history of noncompliance with the commission's order, and an inability to properly collect and deposit surcharge fees. On nine of 16 occasions, the company failed to report the required information to the commission within 45 days; the company's report for the fourth quarter of 2013, due Feb. 14, 2014, is still outstanding. The company also violated the commission's order by failing to immediately deposit the surcharge funds collected into the surcharge account in the fourth quarter of 2010, and the second and third quarters of 2013. Quarterly reports filed by the company were not only filed late, they contained contradictory and inaccurate information.

On Sept. 12, 2013, Cristalina Owner/Manager Maria Lindberg contacted commission staff to report that funds were embezzled from Cristalina's accounts, and that the company would be unable to make its DWSRF loan payment, due Oct. 31, 2013.

Cristalina has a history of compliance issues. Since June 2013 alone, Consumer Protection staff has recorded 553 violations of commission rules against the company. Complaint investigations have revealed that the company fails to bill customers and collect payments in a timely manner. A staff investigation into the company's business practices is ongoing.

Due to the apparent lack of appropriate management of Cristalina's compliance program, staff recommends that the commission issue a formal complaint and assess penalties of up to \$146,000 against Cristalina. Staff also recommends the commission issue a penalty assessment against Maria Lindberg, owner and manager of Cristalina, for \$14,600, as follows:

- \$1,000 for each of the 146 violations of RCW 80.04.380 for Cristalina's failure to comply with the commission's order in Docket UW-090516, for a total penalty of \$146,000.
- \$100 for each of the 146 violations of RCW 80.04.405 for Ms. Lindberg's failure to comply with the commission's order in Docket UW-090516, for a total penalty of \$14,600.

## BACKGROUND

Cristalina is a Class C regulated water company serving 84 customers in the Ravensdale area of eastern King County, Washington. The company is owned and managed by Maria Lindberg. Recent annual reports filed with the commission reflect the following annual gross revenue:

Report Year	Gross Revenue
2010	\$71,836.11
2011	\$40,975.16
2012	\$53,706.36

### Background

The company has a history of compliance issues, which staff has documented in the attached timeline.<sup>1</sup> The company's major enforcement actions and tariff filings are described in detail below.

### 2011 Investigation

In 2011, Compliance Investigations staff performed an investigation into the company's business practices. Staff recommended a total penalty of \$18,000 for 180 violations of RCW 80.28.080 (failure to charge tariffed rates), RCW 80.28.100 (engaging in rate discrimination), RCW 80.04.380 (failure to comply with a commission order), and WAC 480-110-375 (inadequate form of bills.) On April 8, 2011, the commission filed a formal complaint against Maria Lindberg, as owner and manager of Cristalina. The parties filed a settlement agreement on Aug. 10, 2011. In the settlement agreement, Maria Lindberg admitted to violations of commission statutes and rules, and agreed to pay \$2,000 over ten months, with an \$8,000 portion of the penalty suspended on the condition that Ms. Lindberg file a general rate case by Sept. 15, 2011.<sup>2</sup>

In the settlement agreement, the commission recognized that monetary penalties serve at least two purposes. First, they provide repercussions for failing to comply with applicable regulatory standards including statutes, rules, and commission orders. Second, they serve as a deterrent to future noncompliance with applicable regulatory requirements. The order was finalized on Dec. 5, 2011. On Sept. 21, 2012, Maria Lindberg made the final payment on the \$2,000 penalty assessed in UW-101818.

### Annual Report Penalty Assessment

On July 13, 2012, the company was assessed a \$2,100 penalty for failure to file a 2011 annual report and pay 2012 regulatory fees by May 1, 2012, in docket UW-120861. On May 25, 2012, the company filed its annual report. The commission denied the company's request for mitigation of penalties on Oct. 4, 2012. On March 7, 2013, the penalty assessed in UW-120861 was sent to collections. On March 25, 2013, the company paid the \$2,100 penalty in full.

### Drinking Water State Revolving Fund (DWSRF) Loan

On April 8, 2009, Cristalina filed for a surcharge tariff to service a \$555,500 Drinking Water

<sup>1</sup> See Attachment A, Cristalina LLC Timeline

<sup>2</sup> Ms. Lindberg filed a tariff revision as required by the settlement agreement on Sept. 15, 2011, in Docket UW-111675.

State Revolving Fund (DWSRF) loan from the state Public Works Board in UW-090516 to fund capital improvement projects.<sup>3</sup> On June 1, 2009, the commission approved a monthly surcharge of \$32 to service the loan. In March 2010, construction related to the DWSRF loan was completed, and the company began collecting meter readings in April 2010.

Each quarter, the company is authorized to bill customers a total of \$8,064 in surcharge fees. The Order issued in this docket approved the surcharge fee subject to conditions, including the following:

(8)(c) Surcharge funds and facilities charge funds collected and interest earned upon such funds must be held in a separate account by the Company for the benefit of customers. Such funds do not become the property of the Company or Company owners and may not be disbursed, alienated, attached, or otherwise encumbered by the Company or its owners.

(8)(d) The Water Company must report the following information about its Capital Improvements Surcharge Account to the Commission within 45 days of the end of each calendar quarter:

- i. Beginning balance;
- ii. Amounts received, detailed by source;
- iii. Amounts spent, detailed by project or expense;
- iv. Ending balance;
- v. Reconciliation of bank balance to general ledger.

(8)(e) The company will immediately deposit any one-time payments in the same reserve account specified in condition (c) above.

On Jan. 13, 2014, the Public Works Board informed Ms. Lindberg that her loan was in default. In an email to the Department of Health dated Feb. 11, 2014, Ms. Lindberg stated that she is hoping to sell the company, and to have the buyer assume responsibility for the remainder of the loan: “In each of these conversations [with potential buyers] it is made very clear that the cost of the company is paying off what is owed on the loan so that will be caught up when the company transfers.”<sup>4</sup>

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<sup>3</sup> See Attachment B, Order Granting Surcharge Tariff (UW-090516)

<sup>4</sup> See Attachment C, email from Maria Lindberg dated Feb. 11, 2014.

## INVESTIGATION

On April 30, 2013, the company timely filed its Quarterly Surcharge Account Report for the first quarter of 2013, showing a balance of \$15,400 in the account. The company's second Quarterly Report was due on Aug. 14, 2013. Staff corresponded with the company as follows:

- On Sept. 12, 2013, Maria Lindberg called commission staff to report that funds were allegedly embezzled from several of her companies, including Cristalina, by the company's bookkeeper. Staff requested that the company file the overdue surcharge report, and provide a copy of any police report. Ms. Lindberg responded via email that funds were missing from the surcharge account. As of March 24, 2014, Ms. Lindberg has failed to provide a copy of any police report.
- On Sept. 13, 2013, commission staff recommended that Ms. Lindberg report the missing surcharge funds to the Public Works Board and the Department of Health. Staff again requested copies of any police reports and information about any lawsuits related to the alleged embezzlement of the company's funds. As of March 24, 2014, Ms. Lindberg has failed to provide information about any lawsuits related to the alleged embezzlement.
- On Sept. 17, 2013, staff sent a follow-up request for information related to the alleged embezzlement of the company's funds. Ms. Lindberg notified the Public Works Board of the missing funds, stating that approximately \$15,000 remained in the surcharge account.
- On Sept. 18, 2013, commission staff inquired again about the second quarterly report that was due on Aug. 14, 2013. The company notified staff that it failed to bill customers for at least one month in 2013. Regulatory Services staff referred the billing issue to Compliance Investigations staff. Staff's compliance investigation is still ongoing.

### **Boil Water Advisory**

On Sept. 28, 2013, the Cristalina water system tested positive for fecal coliform bacteria, and the Department of Health issued a Boil Water Advisory. Staff became aware of the issue through media coverage, but was not officially notified of the Boil Water Advisory until Oct. 7, 2013, when the Department of Health contacted commission staff.

### **Data Request**

On Oct. 8, 2013, Compliance Investigations staff sent the company a data request for information related to the company's billing practices, meter readings, and copies of all legal documents associated with Cristalina's criminal charges against its bookkeeper. Staff also formally requested that the company file its second and third quarterly reports for the surcharge account.<sup>5</sup>

- On Oct. 16, 2013, Compliance Investigations staff requested additional data from the company, including copies of the May 2013 back-bills and Cristalina's general bank account statements, including all transaction history on the account in 2013.
- On Oct. 17, 2013, Cristalina filed its second and third quarterly surcharge account reports. The reports show receipts of \$8,095.94 in the second quarter and \$6,174.24 in the third quarter of 2013, but the balance in the account remains the same.<sup>6</sup> The company

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<sup>5</sup> See Attachment D, Oct. 8, 2013 Data Request

<sup>6</sup> See Attachment E, second and third Quarterly Surcharge Account Reports

also sent staff its meter readings, May 2013 bills, and the company's 2013 general bank account statements.

- On Oct. 22, 2013, the company's response to the original data request was due. Staff notified Maria Lindberg that her response to the data request was incomplete. Ms. Lindberg responded that the company has not formally filed charges, and that she would provide the billing statements by Nov. 8, 2013. As of March 24, 2014, the company has not provided billing statements or any documentation of a lawsuit against its bookkeeper.
- On Dec. 2, 2013, staff requested copies of Cristalina's bank account statements, including all transaction history and images of checks paid from the account from Oct. 1, 2013, to Nov. 30, 2013, due Dec. 4, 2013. As of March 21, 2014, Ms. Lindberg has still not provided these documents.

### **Service Disruption**

On Nov. 4, 2013, staff received information about a disruption in Cristalina's water service on Nov. 1, 2013. On Nov. 5, 2013, Compliance Investigations staff sent the company a data request for information related to the service interruption.<sup>7</sup> On Nov. 5, 2013, the company provided a complete response to the supplemental data request, indicating that a power outage and subsequent pump outage caused a disruption in service from 8:30 a.m. to 2:00 p.m. on Nov. 2, 2013, and a secondary disruption from 12:05 a.m. to approximately 2:00 a.m. on Nov. 3, 2013. On Nov. 5, 2013, the Department of Health issued a Precautionary Boil Water Advisory, which was lifted on Nov. 7, 2013.

### **Technical Assistance**

In 2013, staff has provided the company with significant, comprehensive technical assistance related to its billing practices and quarterly compliance filings. Staff's responses to informal consumer complaints, and assistance provided to the company regarding its compliance filings are described below.

### ***Consumer Complaints***

In 2013, Consumer Protection staff has recorded 553 violations of commission rules against Cristalina, as follows:

- **Consumer Complaint #117759:** On June 6, 2013, Consumer Protection staff received a complaint from a Cristalina customer alleging that the company failed to bill her from Dec. 2012 to March 2013. The customer reported that she mailed two payments, which were never deposited by the company or returned to the customer. Consumer Protection staff found that the company provided an incomplete response to the complaint, failed to keep accurate records, and failed to retain copies of the customer's bills for the previous 36-month period. Consumer Protection staff recorded 156 violations, and provided technical assistance to the company.
- **Consumer Complaint # 118341:** On Aug. 6, 2013, Consumer Protection staff received a complaint from another Cristalina customer alleging that the company did not bill him on time in July or August, and the company did not respond to emails or phone calls regarding his billing issues. Staff recorded 178 violations of commission rules, and provided technical assistance to the company.

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<sup>7</sup> See Attachment F, Nov. 5, 2013 Data Request

- **Consumer Complaint #118351:** On Aug. 7, Consumer Protection staff received a complaint from a third Cristalina customer alleging that she had not received a bill from the company since June. The customer claimed that the company had not deposited her check for her June bill payment, and that the company was not responding to her emails or phone calls. Staff recorded 16 violations and provided technical assistance to the company.
- **Consumer Complaint #119057:** On Nov. 4, 2013, Consumer Protection staff received a complaint from a fourth customer alleging that the company is billing her for more than \$1,500 in past due charges. The customer claimed that she has sent checks to Cristalina, which have been returned to her bank unclaimed. She stated that the company has not responded to her phone calls or emails. She requested a three-year review of her billing statements. Staff recorded 76 violations and provided technical assistance to the company.
- **Consumer Complaint #119087:** On Nov. 7, 2013, Consumer Protection staff received a complaint from a fifth customer alleging that he does not receive monthly bills and that the company does not cash checks in a timely manner. He also stated the company does not respond to his calls or emails. Staff recorded eight violations and provided technical assistance to the company.
- **Consumer Complaint #119153:** On Nov. 18, 2013, Consumer Protection staff received a complaint from a sixth customer disputing the past-due amount of his disconnect notice, totaling \$3,509. Staff recorded 73 violations and provided technical assistance to the company.
- **Consumer Complaint #119423:** On Dec. 27, 2013, Consumer Protection staff received a complaint from a seventh customer disputing his account balance because his bill increased by more than \$3,000 between October and November 2013. Staff recorded 46 violations and provided technical assistance to the company.

### ***Other Technical Assistance***

In 2013, staff has provided additional technical assistance, as follows:

- On Sept. 30, 2013, Regulatory Services staff provided technical assistance via email about filing surcharge reports.
- On Oct. 1, 2013, Regulatory Services staff provided additional technical assistance via email related to the company's metered rates.
- On Oct. 14, 2013, commission staff and Department of Health staff held a teleconference with Ms. Lindberg to discuss the missing funds from the surcharge account.
- On Oct. 16, 2013, Compliance Investigations staff provided technical assistance to Ms. Lindberg over the phone, advising her to issue back-bills for the month of May 2013, in compliance with commission rules.
- On Oct. 31, 2013, Compliance Investigations staff provided technical assistance via email related to a letter addressing a single customer's past-due balance, at Ms. Lindberg's request.
- On Nov. 1, 2013, Compliance Investigations staff provided additional technical assistance via email related to the company's Disconnection Notice, at Ms. Lindberg's request.
- On Nov. 12, 2013, Compliance Investigations staff provided technical assistance via email related to the company's November bills, at Ms. Lindberg's request.



## Findings

The quarterly reports filed in docket UW-090516 demonstrate a history of noncompliance with the commission's order, and an inability to properly collect and deposit surcharge fees. The following table shows the amount deposited into the Surcharge Account, and the number of days after the due date that each quarterly report was filed:

		# of Days Filed Late	Amount Deposited into Surcharge Account
2010	Q1	0	\$7,114.95
	Q2	0	\$7,169.23
	Q3	0	\$5,504.00
	Q4	94	\$0.00
2011	Q1	0	\$4,444.63
	Q2	2	\$8,538.55
	Q3	0	\$7,840.89
	Q4	16	\$7,007.50
2012	Q1	1	\$8,465.84
	Q2	31	\$4,776.68
	Q3	23	\$8,655.32
	Q4	11	\$8,149.07
2013	Q1	0	\$6,765.39
	Q2	64	Reported: \$8,095.94 Actual: \$0.00
	Q3	0	Reported: \$6,174.24 Actual: \$0.00
	Q4	35 (violations are ongoing)	Unknown
Violations		277	3

The company failed to report the required information to the commission within 45 days on nine of 16 occasions. The company also violated the commission's order by failing to immediately deposit the surcharge funds collected into the Surcharge Account in the fourth quarter of 2010. The company has repeatedly failed to collect and deposit the surcharge funds in a timely manner. Since 2010, the company reportedly deposited an amount less than the \$8,064.00 billed in ten of 15 quarters.

The second quarterly report for 2013 was due on Aug. 14, 2013. Cristalina did not file the report until Oct. 17, 2013, 64 days after it was due. On Oct. 31, 2013, the company failed to make its loan payment to the Public Works Board. This payment was supposed to be paid with funds available in the company's surcharge account. According to quarterly reports filed by the company, the company billed customers \$24,192 in surcharges between Jan. 1 and Sept. 30, 2013. But, according to the company's bank account statements, only \$9,588.57 was deposited into the account during this time. The surcharge account bank statements show that no deposits were made into the account after April 30, 2013. Because the company did not respond in full to

staff's data request, staff is unable to determine the surcharge amount collected.

According to the company's third quarterly report, the account had a balance of \$21,613.70 on Sept. 30, 2013. This figure contradicts the bank account history submitted with the report, which shows an account balance of \$15,419.72. In sum, the company's second quarterly surcharge account report was not only late, but both its second and third quarterly reports contained inaccurate and contradictory information:

	Amount Transferred to Surcharge Account*	Reported Surcharge Amount Billed	Reported Transfer to Surcharge Account	Reported Account Balance (Quarterly)
Jan. 2013	\$ 2,823.18	\$ 2,688.00	\$ 2,613.00	
Feb. 2013	\$ 2,613.00	\$ 2,688.00	\$ 2,096.72	
Mar. 2013	\$ 2,096.72	\$ 2,688.00	\$ 2,055.67	\$ 15,397.83
Apr. 2013	\$ 2,055.67	\$ 2,688.00	\$ 3,417.41	
May 2013	\$ -	\$ 2,688.00	\$ 1,963.00	
June 2013	\$ -	\$ 2,688.00	\$ 2,715.53	\$ 15,439.46
July 2013	\$ -	\$ 2,688.00	\$ 278.60	
Aug. 2013	\$ -	\$ 2,688.00	\$ 1,070.22	
Sept. 2013	\$ -	\$ 2,688.00	\$ 4,825.42	\$ 21,613.70
<b>TOTAL</b>	<b>\$ 9,588.57</b>	<b>\$ 24,192.00</b>	<b>\$ 21,035.57</b>	<b>\$ 21,613.70</b>

\*according to the company's general bank account statements, including copies of checks written to the Surcharge Account.

Cristalina's report for fourth quarter 2013 was due Feb. 14, 2014. As of March 21, 2014, the company has not filed the report.

Staff has identified 280 violations of RCW 80.04.380 for failure to comply with the commission's order in Docket # UW-090516:

Failure to immediately deposit funds into the Surcharge Account in the 4 <sup>th</sup> Quarter of 2010.	1 violation
Failure to immediately deposit funds into the Surcharge Account in the 2 <sup>nd</sup> Quarter of 2013	1 violation
Failure to immediately deposit funds into the Surcharge Account in the 3 <sup>rd</sup> Quarter of 2013	1 violation
Failure to file Quarterly Reports within 45 days of the end of each calendar quarter.	277 violations
Total	280 violations

Staff's investigation of the company's business practices, including its compliance with consumer protection rules, is ongoing.

## RECOMMENDATION

Staff typically recommends a “per violation” penalty against a regulated company where the violations result in serious consumer harm; for repeat violations of a rule after the company receives technical assistance; or for intentional violations of commission laws or rules. The commission has the authority to assess penalties of \$100 per violation, per day against a regulated company without providing the opportunity for a hearing.<sup>8</sup> The commission also has the authority to assess penalties of up to \$1,000 per violation, per day following a formal complaint and hearing.<sup>9</sup> Every violation of a commission order is considered a separate and distinct offense, and in the case of a continuing violation, every day’s continuance is a separate and distinct offense.

Staff recommends that the commission issue a formal complaint and assess penalties against Cristalina and Maria Lindberg for violating a commission order for 64 days between Aug. 14, 2013 and Oct. 17, 2013, and 82 days between Feb. 14 and May 7, 2014, for a total of 146 violations of RCW 80.04.380 and 80.04.405.

Staff recommends that the commission issue a formal complaint and assess penalties of up to \$146,000 against Cristalina. Staff also recommends the commission issue a penalty assessment against Maria Lindberg, owner and manager of Cristalina, for \$14,600, as follows:

- \$1,000 for each of the 146 violations of RCW 80.04.380 for Cristalina’s failure to comply with the commission’s order in Docket UW-090516, for a total penalty of \$146,000.
- \$100 for each of the 146 violations of RCW 80.04.405 for Ms. Lindberg’s failure to comply with the commission’s order in Docket UW-090516, for a total penalty of \$14,600.

Since 2009, Cristalina has demonstrated a history of non-compliance with commission rules and orders. Prior penalties paid by the company have failed to deter additional violations. Staff considered the following factors in making its recommendation:

1. **How serious or harmful the violation is to public.** The commission authorized Cristalina to collect a surcharge to pay off a DWSRF loan. The company’s negligence has caused these funds to become unavailable to make the loan payment. The company’s failure to deposit funds into the surcharge account is harmful to its customers. The company’s failure to bill customers and collect payments in a timely manner is also harmful to its customers, as evidenced by the seven informal complaints that Consumer Protection staff has received from Cristalina customers since June 2013.
2. **Whether the violation is intentional.** Cristalina Owner/Manager Maria Lindberg has stated that the company’s failure to file its quarterly report and make its required deposits is the result of its bookkeeper’s alleged embezzlement. While staff does not believe that

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<sup>8</sup> RCW 80.04.405 allows the commission to assess an administrative penalty for any violation by a regulated company of a statute, rule, the company’s own tariff, or commission order.

<sup>9</sup> RCW 80.04.380 allows the commission to assess a penalty of up to \$1,000 for each violation following a hearing.

the data supports a finding that the violations were intentional, staff does believe that the company's accounts and billing system were managed with little or no oversight.

3. **Whether the company self-reported the violation.** The company's quarterly report was due on Aug. 14, 2013. Maria Lindberg did not call commission staff to report that funds were allegedly embezzled until Sept. 12, 2013.
4. **Whether the company was cooperative and responsive.** As of Nov. 20, 2013, Maria Lindberg has failed to provide the billing information requested in staff's Oct. 8, 2013, data request, due on Oct. 22, 2013, and also failed to respond to staff's Dec. 2, 2013, data request, due Dec. 4, 2013. The company also failed to respond timely to informal complaints and staff requests for information.
5. **Whether the company promptly corrected the violations and remedied the impacts.** The company did not promptly correct the violations or remedy the impacts. Staff first requested the missing quarterly reports on Sept. 12. The company did not file the quarterly reports until Oct. 17. The company missed its loan payment to the Public Works Board on Oct. 31, and, to date, has failed to make payment arrangements with the PWB.
6. **The number of violations.** Staff has identified 277 violations of RCW 80.04.380. In addition, Consumer Protection staff has recorded 553 violations of commission rules in 2013 alone. Staff's investigation of the company's business practices is ongoing.
7. **The number of customers affected.** According to commission records, Cristalina has 84 customers. When staff requested this information from the company, Maria Lindberg was unable to provide it. Each of the company's customers are harmed by the violations cited in this report.
8. **The likelihood of recurrence.** Staff believes that the company has demonstrated a history of noncompliance, and that it is unlikely to comply with future commission orders absent significant enforcement action.
9. **The company's past performance regarding compliance, violations, and penalties.** Staff believes that the company's compliance history demonstrates that the company has repeatedly violated commission rules, despite receiving comprehensive technical assistance. Prior penalties have not deterred the company from committing additional and repeat violations.
10. **The company's existing compliance program.** The company has failed to comply with its existing compliance program.

### Attachment A

Date	Item
2/15/2003	Cristalina, LLC first entered regulation
06/2006	Cristalina is assessed a \$100 penalty for failure to file its 2005 annual report on time in UW-060985; penalty is later mitigated.
01/2009	Staff investigation opened in UW-090184 regarding a Drinking Water State Revolving Fund (DWSRF) loan application.
2/2009	Cristalina disconnects customer Beck for alleged non-payment of bills going back to 1984 by removing the meter entirely with a backhoe, escorted by King County Sheriff deputies, after water system operator was allegedly threatened with a gun by the customer for trying to remove the locks the customer had placed on the meter to thwart a disconnection.
4/8/2009	After provision of much technical assistance on how to file for a surcharge to service the DWSRF loan, UW-090184 closed.
4/8/2009	Cristalina filed for a surcharge to service a \$555,500 DWSRF loan from Public Works Board in UW-090516.
6/1/2009	Monthly surcharge of \$32 to service the DWSRF loan approved in UW-090516.
4/09-6/09	Three staff requests to the company to file a general rate case since financial review related to surcharge appeared to show excessive rates.
06/25/2009	Complaint Against Rates filed against the company to investigate whether current rates were excessive in UW-090839.
2/2009	Cristalina LLC filed liens against five customers (Scott; Wallace; Beck; Gunn; Kelson) in King County for non-payment of bills for up to 30 years' arrears, alleging that bills had gone unpaid due to the system's lack of shut-off valves and inability to disconnect delinquent customers.
2-7/2009	Above customers filed "Complaint(s) to Void Frivolous Lien" against Cristalina.
8/2009	Cristalina drops its liens against the customers.
02/26/2010	Final order filed in UW-090839, requiring revised operating rates; construction progress reporting related to project financed through surcharge; and the filing of a general rate case after gathering 15 months of metered use data.
3/2010	Construction related to the DWSRF loan is completed, five months behind schedule.
4/2010	The company began collecting meter readings and reporting them monthly to the commission as required in UW-090839.
11/9/2010	The commission filed a formal complaint against Maria Lindberg in docket UW-101818 for violation of water company laws and rules regarding customer billing; customer complaints included the company's attempts to collect 30 years' worth of past due bills.
12/5/2011	Order 03 and a settlement agreement were filed with the commission finding Cristalina had violated water company laws and rules and fining Maria Lindberg \$10,000 (\$8,000 suspended).
7/15/2011	Initial due date for the company to file a general rate case for permanent metered rates according to the settlement agreement in UW-090839.
9/15/2011	Company filed for permanent metered rates in UW-111675.

1/1/2012	Permanent metered rates went into effect as result of UW-111675.
9/21/2012	Maria Lindberg makes final payment on \$2,000 penalty assessed in UW-101818.
6/12/2012	Docket UW-120861 opened seeking penalty assessment for failure to file 2011 annual report and pay 2012 regulatory fees in a timely manner opened.
3/25/2013	Maria Lindberg pays \$2,100 penalty assessed in UW-120861 in full.
4/30/2013	First quarter 2013 surcharge report filed on time showing \$15,400 in the surcharge account toward the October 2013 payment of around \$36,000.
8/31/2013	Second quarter 2013 surcharge report due to commission.
9/12/2013	Maria Lindberg phones commission staff to report that funds have been embezzled from several of her companies including Cristalina. Staff acknowledges the phone call via email and asks about any police report and the overdue surcharge report, due 8/31/13. In an email response, Ms. Lindberg mentions that surcharge funds are missing.
9/13/2013	Commission staff recommends to Ms. Lindberg that the missing surcharge funds be reported to the Public Works Board and to the Department of Health. Staff also asks for copies of any police reports and information about all lawsuits related to the embezzlement.
9/17/2013	Follow-up request for information from commission staff to Ms. Lindberg.
9/17/2013	Ms. Lindberg notifies the Public Works Board of the missing funds, stating that approximately \$15,000 remains in the surcharge account.
9/18/2013	Commission staff inquires again about the second quarter surcharge report, providing technical assistance on the reporting, and includes a referral to staff in Consumer Protection when asked about back-billing issues by Ms. Lindberg.
9/19/2013	PWB responds to Ms. Lindberg's report about the missing surcharge funds, stating PWB will be "meeting to discuss how to move forward."
9/30/2013	Ms. Lindberg asks for and receives more technical assistance on the surcharge reporting.
9/30/2013	Case No. 13-2-02510-4 is filed in Whatcom Superior Court against the former Cristalina bookkeeper, Stephanie Opsteegh, and her spouse. Plaintiffs in the suit are Maria Lindberg; Bryan Cartwright; Klipsun, LLC; and Nouvelle Vie, LLC. Cristalina is not listed as a party to the suit.
10/1/2013	Ms. Lindberg asks for and receives information on when metered rates for the company went into effect.
10/7/2013	DOH staff from the Office of Drinking Water informs commission staff that Cristalina is on boil water advisory which has been in effect since 9/28/2013. Commission staff shares information about the embezzlement with DOH staff.
10/14/2013	Commission staff (Eckhardt; Ward; White) and DOH staff (Pell) teleconference with Ms. Lindberg on options to get the system off the boil water advisory and discuss a potential sale of the system to a more qualified operator. Ms. Lindberg stated she had spoken to at least two SMA and would have at least one visit the system the following day. Ms. Lindberg states she feels it is necessary to establish a clear value for receivables owed to the water company before negotiating on a potential sale and that she cannot move forward without technical assistance from the commission's Consumer Protection staff.
10/15/2013	Ms. Lindberg forwarded an email from Washington Water Service and their work at Cristalina including water testing and installation of a chlorine pump to DOH

	staff, who shared the information with commission staff.
10/17/2013	Commission staff (Eckhardt; Ward; White) and DOH staff (Pell) teleconference about a potential sale of the water system.
10/17/2013	Surcharge reports for 2 <sup>nd</sup> and 3 <sup>rd</sup> quarters of 2013 filed by Maria Lindberg. The surcharge reports prepared by the company show that \$13,440 was actually billed (out of \$16,128 which should have been billed) and \$14,270 was collected by the company. The printed bank statements show that no deposits (other than interest) were made into the surcharge savings account. The 2012 payment was \$37,117; a similar amount will be due October 2013; and the surcharge account balance as of 9/30/2013 was \$15,416.
10/18/2013	Teleconference with commission staff (Eckhardt; Pearson; Wallace; White), DOH staff (Pell; James), Rick Finnigan representing Cristalina; and Maria Lindberg. Progress discussed toward clean water and Washington Water Service operators' contract; billing issues; and work toward a sale. Maria Lindberg is to provide an email update to all call participants on 10/25/13; staff sent an email summary to all participants.
10/19/2013	Maria Lindberg posts information on Cristalina's website indicating that Mike Ireland of Washington Water Service is the new system operator.
10/22/2013	Ms. Lindberg posts on Cristalina's website that a water system operator contract is in process, which will be the last step in lifting the boil water advisory, after repeated water testing.
10/23/2013	Ms. Lindberg posts that Northwest Water Systems has been contracted as the system operator.
10/23/2013	Dept. of Health lifts the boil water advisory.
10/24/2013	Commission staff receives forwarded email string from DOH staff that includes emails between Maria Lindberg and Mike Ireland at Washington Water Services in which the conversation concerns developing an operator's contract. However, the discussion between the two is abruptly terminated when Ms. Lindberg states Mr. Ireland's services are too expensive. Ms. Lindberg states she plans to sell the system "by the end of the year" and that she will contact Mr. Ireland when ready.
10/25/2013	Progress report due from Cristalina to all who participated in the 10/18/2013 teleconference. Email report filed on time.
10/25/2013	Staff requested a copy of the contract with the new water system operator and an update of information about funds missing from the surcharge account by 10/29/13.
10/28/2013	Maria Lindberg responds to staff that she is out of the office until 10/31 and will reply then.

## Attachment B

**From:** Maria Lindberg [mailto:maria@bellinghamhomes.net]  
**Sent:** Tuesday, February 11, 2014 12:27 PM  
**To:** White, Amy (UTC); Maria Lindberg (Maria@LindbergGroup.com); Richard A. Finnigan (rickfinn@localaccess.com)  
**Cc:** Eckhardt, Gene (UTC); Wallace, Sharon (UTC); Pearson, Rayne (UTC); Pell, Derek (DOH); James, Robert (DOH); McCloy, Lauren (UTC); Ward, Jim (UTC); Klocke, Karen (DOH); Dunk, Stephen (COM); Barkley, Mark (COM)  
**Subject:** February 11th Cristalina update.

Hello All,

The transfer of company is going much slower than I would like at this point. I have met with Jonathan Wiley and have given him all my records, maps, binders, etc. He said he would get back to me in a couple of weeks he was in the process of acquiring another company. I have also reached out to Mike Ireland and we are meeting this Friday regarding the potential take over of Cristalina. In each of these conversations it is made very clear that the cost of the company is paying off what is owed on the loan so that will be caught up when the company transfers.

In the meantime I have been working on getting Cristalina's billing current. Closing out what I hope to be the last of the UTC complaints regarding billing. I suspect there may be one or two more who don't want to pay what they owe but for the most part everything is running smoothly as far as timely and correct billing goes since I took it over in September.

The pumps in the well house however were not doing too well they both went out the week before last requiring an emergency call to Valley pump to get them up and going a \$1700.00 labor charge. Yikes! Mr. Alcorn of Valley Pump got one pump up and working the other one is not working and there is an estimated \$3500 bill for fixing/replacing that one. The water managers immediately put out a boil water advisory letting everyone know that the water was off and there could be an issue.

The customers the Beck's filed a formal complaint due to the disconnection I did on their property in December when we had an emergency hearing and I was forced to reconnect them. I was told many were in the room during our prehearing yesterday and it seems it is all coming down to what the Beck's actually owe and a payment plan.

I will have another update at the beginning of March unless I get a contract from someone before then. Then I will be announcing that as soon as it has been agreed upon.

Thank you,  
Maria Lindberg



**Attachment C**

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	DOCKET UW-090516
TRANSPORTATION	)	
COMMISSION,	)	ORDER 01
	)	
Complainant,	)	
	)	
v.	)	
	)	
CRISTALINA LLC,	)	
	)	ORDER GRANTING SURCHARGE
Respondent.	)	TARIFF
.....	)	

**BACKGROUND**

- 1 On April 8, 2009, Cristalina LLC (Cristalina or Company) filed with the Washington Utilities and Transportation Commission (Commission) a revision to its currently effective Tariff WN U-1, designated as First Revision Sheet No. 24, cancelling Original Sheet No. 24. The stated effective date is June 1, 2009.
- 2 Cristalina filed the surcharge tariff to service a \$555,000 Drinking Water State Revolving Fund (DWSRF) loan approved by the Public Works Board (PWB). Proceeds from the loan will be used for capital improvement projects. The Company serves 84 customers in King County. The system is at full capacity and no new customers are anticipated.
- 3 The loan contract is a low-interest (1.5 percent), 20-year loan approved by the PWB with the condition that Cristalina obtain Commission approval to charge rates to repay the loan. This surcharge filing, if approved, meets that condition.
- 4 The DWSRF loan program provides low-interest loans to water systems for capital improvements that increase public health protection and comply with drinking water regulations. The Department of Health (DOH) and the PWB jointly administer the DWSRF program. The DOH Staff evaluates all loan applications and, using a scoring method designed to measure the health risk that each project will address, assigns points to each application. The applications are then ranked according to their scores.
- 5 The PWB Staff determines the available funding for each annual loan cycle, and the ranked project list shows this funding cutoff. Projects below the funding cutoff line do not receive funding. The PWB approves the final recommended funding list each spring.

PWB Staff also conducts an underwriting and readiness-to-proceed evaluation of each approved loan project.

- 6 DOH is responsible for evaluating and approving Water System Plans (WSP) or Small Water System Management Programs (SWSMP), which are requirements of both the DOH and DWSRF loan projects. DWSRF loan projects must be included in a WSP or SWSMP. In addition, the DOH evaluates and approves the project reports and construction documents for all DWSRF-funded loan projects.
- 7 Staff has reviewed the cost estimates for the proposed projects, the terms and conditions of the DWSRF loan, and believes the proposed surcharge tariff Cristalina requests is reasonable and should be granted.
- 8 On March 27, 2009, Cristalina notified its customers of the surcharge by mail. The Commission has received two customer comments on this filing. Both are opposed to the proposed increase. One customer commented that improved maintenance, water pressure, and a back-up generator that were promised in a previous rate increase had not yet been provided. A customer stated that water meters were unnecessary in order to turn off water to delinquent customers. Another comment received was that the company is upgrading for a sale of the system to Covington Water District. One customer stated the company should pay for upgrades, and one customer believes the amount of the increase is excessive and it will create a hardship for the water system's customers.
- 9 This is the Company's first rate increase request since it became regulated in 2003. The Commission has no jurisdiction over matters that took place prior to regulation. The DWSRF loan is the proper funding mechanism to pay for capital improvements and the surcharge is the proper rate mechanism for customers to pay for the capital improvements.

#### FINDINGS AND CONCLUSIONS

- 10 (1) The Washington Utilities and Transportation 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.

*RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*

- 11 (2) Cristalina is a water company and a public service company subject to Commission jurisdiction.
- 12 (3) This matter came before the Commission at its regularly scheduled meeting on May 28, 2009.
- 13 (4) WAC 480-110-455 allows companies to file surcharge tariffs for capital improvements.
- 14 (5) Staff has reviewed the tariff revisions Cristalina filed in Docket UW-090516, including related work papers.
- 15 (6) The priorities for investment of DWSRF loan funds are determined by the Department of Health and the Public Works Board, and are entitled to deference by the Commission.
- 16 (7) The surcharge tariff filed in this docket is to fund capital projects required by the Department of Health as part of an approved Water System Plan. It is therefore mandatory and not subject to customer approval.
- 17 (8) Staff has reviewed the cost estimates for the proposed projects, together with the terms and conditions of the DWSRF loan, and believes the proposed surcharge tariff Cristalina requests is reasonable and should be granted, subject to the following conditions:
- a) This surcharge is to apply to all water customers served by the Company. The surcharge will expire on June 1, 2029, or upon recovery of \$555,000 in principal, whichever occurs first.
  - b) Funds received from the surcharge, including interest earned on the funds while held in a separate reserve account, will be treated as contributions in aid of construction.
  - c) Surcharge funds and facilities charge funds (if any) collected and interest earned upon such funds must be held in a separate reserve account by the Company for

the benefit of customers. Such funds do not become the property of the Company or Company owners and may not be disbursed, alienated, attached, or otherwise encumbered by the Company or its owners. In the event of a sale or transfer of the Company, the trust obligations established in WAC 480-110 regarding any unspent surcharge or facilities charge funds will be transferred to the new owner of the Company.

- d) The water Company must report the following information to the Commission within 45 days of the end of each calendar quarter:
  - i. Beginning balance;
  - ii. Amounts received, detailed by source;
  - iii. Amounts spent, detailed by project or expense;
  - iv. Ending balance;
  - v. Reconciliation of bank balance to general ledger.
- e) The Company will immediately deposit any one-time payments in the same reserve account specified in condition (c) above.
- f) Excess funds held in the reserve account will be remitted annually, at the time of the annual loan payment, to be applied to the principal of the DWSRF loan. "Excess funds" means money accumulated in the reserve account in excess of 10 percent of the amount of the DWSRF loan payment for the following year.
- g) Upon completion of the construction projects, which is expected by November 2009 according to the Company's DWSRF loan application, the Company shall provide a complete accounting to the Commission of all costs expended relative to the capital improvement projects. This filing will be submitted by Cristalina no later than March 30, 2010, so the surcharge amount can be adjusted to the actual costs of the capital improvement projects, not to exceed the original loan amount of \$555,000.

## O R D E R

### THE COMMISSION ORDERS:

- 18 (1) Cristalina LLC's request for a surcharge tariff to service a \$555,000 Drinking Water State Revolving Fund loan approved by the Public Works Board is granted.
- 19 (2) This authorization is subject to conditions (a) through (g) set forth in paragraph 17 of this Order.

- 20 (3) 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 a surcharge tariff be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 21 (4) The Commission retains jurisdiction over the subject matter and Cristalina LLC to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective May 28, 2009.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner

## Attachment D



STATE OF WASHINGTON  
**UTILITIES AND TRANSPORTATION COMMISSION**  
1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250  
(360) 664-1160 • [www.utc.wa.gov](http://www.utc.wa.gov)

Oct. 8, 2013

Maria Lindberg  
Cristalina LLC  
P.O. Box 2626  
Bellingham, WA 98225

**RE: Data Request**

Dear Ms. Lindberg:

Under Washington State law (Revised Code of Washington 80.04.070), the Utilities and Transportation Commission has the right to inspect the accounts, books, papers and documents of any public service company doing business in this state.

As part of a staff review of your water company's business practices, please send us the following information and documents:

1. A current statement of account for every customer for whom Cristalina LLC currently provides water services, showing all account activity since Oct. 1, 2012.
2. Meter readings for every customer for whom Cristalina LLC currently provides water services, from Jan. 1, 2013 to Oct. 1, 2013.
3. Capital Improvement Surcharge Account Quarterly Reports for the second and third quarters of 2013, including all transaction history on the account.
4. Copies of all legal documents associated with Cristalina LLC's criminal charges against Stephanie Opsteegh.
5. Records of any payment arrangements made between Cristalina LLC and any of its customers for payment of past due amounts. Such records must include the details of any payment arrangements and any amount forgiven by Cristalina LLC, details of amounts designated as prior obligation, and details of amounts sent to collections.
6. The name, title, telephone number, and e-mail address of a contact person with whom our staff can work directly for questions that may arise concerning any details of the data.

Cristalina LLC  
Oct. 8, 2013  
Page 2

You are required to furnish the above requested documents to commission staff by no later than **5:00 p.m. on Oct 22, 2013**. Please attach a copy of this letter to the documents for reference.

If you have any questions you may contact Lauren McCloy, Compliance Investigator. Ms. McCloy can be reached at (360) 664-1108 or at [lmcclloy@utc.wa.gov](mailto:lmcclloy@utc.wa.gov).

Sincerely,



Steven V. King  
Executive Director and Secretary

**Attachment E**



October 10<sup>th</sup>, 2013

VIA EMAIL (records@utc.wa.gov)  
Utilities & Transportation Commission  
ATTN: Records Center  
1300 South Evergreen Park Drive SW  
Olympia, Washington 98504

RE: *Cristalina LLC*  
*Dockets UW-090516 & UW-090839*

Dear Sir or Madam:

Attached please find Cristalina LLC's quarterly report 2nd Qtr 2013.

If you have any questions or concerns, please feel free to contact our office.  
Thank you very much.

Sincerely,

A handwritten signature in blue ink, appearing to read "Maria Lindberg".

Maria Lindberg  
*Owner*

ML:so  
Attachment





## Account Activity

Report created: 10/10/2013 06:06:40 PM (ET)

### Account Information

Account: \* [REDACTED] Certificate of Deposit • Criticalina Surcharge • Available \$15,416.60  
 Available balance: \$15,416.60  
 Current balance: \$15,416.60  
 Closing ledger balance: \$15,416.60

### Transaction History

Date range: 4/8/2013 to 6/30/2013  
 Transaction types: All transactions  
 Detail option: Includes transaction detail

Post Date	Reference	Additional Reference	Description	Debit	Credit	Calculated Balance
06/12/2013	0000000000000000	00000000001	INTEREST CREDIT		\$3.22	\$15,407.05
05/10/2013	0000000000000000	00000000001	INTEREST CREDIT		\$3.17	\$15,403.83
04/30/2013	34	00000000001	DEPOSIT		\$2,096.72	\$15,400.66
04/30/2013	34	00000000001	DEPOSIT		\$2,055.67	\$13,303.94
04/12/2013	0000000000000000	00000000001	INTEREST CREDIT		\$2.83	\$11,248.27



October 17<sup>th</sup>, 2013

**VIA EMAIL (records@utc.wa.gov)**  
Utilities & Transportation Commission  
ATTN: Records Center  
1300 South Evergreen Park Drive SW  
Olympia, Washington 98504

RE: *Cristalina LLC*  
*Dockets UW-090516 & UW-090839*

Dear Sir or Madame:

Attached please find Cristalina LLC's quarterly report 3rd Qtr 2013.

If you have any questions or concerns, please feel free to contact our office.  
Thank you very much.

Sincerely,

A handwritten signature in blue ink, appearing to read "Maria Lindberg".

Maria Lindberg  
*Owner*

ML:so  
Attachment

CRISTALINA LLC

Company Name

Capital Improvements Surcharge Quarterly Report  
For the Quarter Ended Sep-13

Docket # UW-090516

Fund Balance Per Last Report

\$ \$15,439.46

Receipts:

Month	Month	Billed	Paid
Month 1	Jul-13	\$ 2,688.00	\$ 278.60
Month 2	Aug-13	\$ 2,688.00	\$ 1,070.22
Month 3	Sep-13	\$ 2,688.00	\$ 4,825.42

Total Deposits

\$ 6174.24

Expenditures:

_____	\$ -
_____	\$ -
_____	\$ -
_____	\$ -
_____	\$ -
_____	\$ -
_____	\$ -
_____	\$ -

Total Expenses

\$ 0

Fund Balance @ End of Quarter

\$ 21,613.70

Number of Customers @ End of Quarter

84

Loan Balance (amount owing) Per Last Report

\$ 0

Principal Paid

\$ -

Interest Paid

\$ -

Loan Balance (amount owing) End of Quarter

\$ 0

Notes: Previous bookkeeper did not bill customers for the month of May and did not make deposits into checking account as instructed.

  
Signature

10-17-13  
Date

QTR\_LOAN.5/09



## Account Activity

Report created: 10/17/2013 06:08:24 PM (ET)

### Account Information

Account: ██████████ Certificate of Deposit • Criticalina Surcharge • Available \$15,419.72  
 Available balance: \$15,419.72  
 Current balance: \$15,419.72  
 Closing ledger balance: \$15,419.72

### Transaction History

Date range: 6/30/2013 to 9/30/2013  
 Transaction types: All transactions  
 Detail option: Includes transaction detail

Post Date	Reference	Additional Reference	Description	Debit	Credit	Calculated Balance
09/12/2013	0000000000000000	000000000001	INTEREST CREDIT		\$3.22	\$15,416.60
08/12/2013	0000000000000000	000000000001	INTEREST CREDIT		\$3.22	\$15,413.38
07/12/2013	0000000000000000	000000000001	INTEREST CREDIT		\$3.11	\$15,410.16

## Attachment F



STATE OF WASHINGTON

### UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250

(360) 664-1160 • [www.utc.wa.gov](http://www.utc.wa.gov)

Nov. 5, 2013

Maria Lindberg  
Cristalina LLC  
P.O. Box 2626  
Bellingham, WA 98225

#### **RE: Data Request**

Dear Ms. Lindberg:

The Utilities and Transportation Commission received information about a disruption in your water service on Saturday, Nov. 1, 2013. Under Washington State law (Revised Code of Washington 80.04.070), the Utilities and Transportation Commission has the right to inspect the accounts, books, papers and documents of any public service company doing business in this state.

WAC 480-110-365 requires water companies to keep a record of all interruptions of service affecting a substantial number of customers, and to provide copies of records to commission staff, upon request. As part of an ongoing investigation into your company's business practices, please send us the following information and documents:

1. The location, date, time, and duration of the service interruption.
2. The cause of the service interruption, if known.
3. A description of actions taken by the company to attempt to restore service.
4. Contact information for your company's water operator, and the date and method in which this information was provided to customers.
5. A copy of the notification of the service interruption sent by the company to the Washington Department of Health.
6. The name, title, telephone number, and e-mail address of a contact person with whom our staff can work directly for questions that may arise concerning any details of the data.

Cristalina LLC

Nov. 5, 2013

Page 2

You are required to furnish the above requested documents to commission staff by no later than **5:00 p.m. on Nov. 12, 2013**. Please attach a copy of this letter to the documents for reference.

If you have any questions you may contact Lauren McCloy, Compliance Investigator. Ms. McCloy can be reached at (360) 664-1108 or at [lcmccloy@utc.wa.gov](mailto:lcmccloy@utc.wa.gov).

Sincerely,



Steven V. King

Executive Director and Secretary