



STATE OF WASHINGTON
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

Ref.: 4-1253

March 28, 2006

Derek Dorland
Iliad Water Services Inc.
PO Box 20429
Seattle WA 98102

Subject: Alderlake Water System
UW-060343 Assessment Charge
Informal Data Request 1

Dear Mr. Dorland:

The Washington Utilities and Transportation Commission received your tariff filing. Please provide the following information to allow Staff to fully understand and analyze your filing.

Please provide the following:

1. Please provide the name address and phone number of the financing company proposed in the company's proposed tariff.
2. Copy of the proposed financing instrument with any related documents that a customer would be required to read or sign.
3. Is the company or its any of its affiliates or owners related or associated with the above financing company?
4. Is the company or its any of its affiliates receiving any compensation or other payment from the financing company in consideration for the company proposed financing?

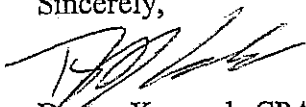
5. Has the Company applied for a State Drinking Water State Revolving Loan?
 - a. If YES, please explain why the company is proposing private financing.
 - b. If NO,
 - i. Please explain the reason the company has not applied for the state revolving loan.
 - ii. Would the company be willing to prepare an application for this state revolving loan cycle?

6. In a schedule headed "Alderlake Water Company Capital Improvements" provided to the commission's staff, under Part B "Uncompleted Work," includes the line item: Financing and under writer fees. Please provide detail of the \$7,370 cited on that line. Please include supporting third party documents.

Thank you for your time in this matter.

If you have any questions, please call me at (360) 664-1253.

Sincerely,



Danny Kermode CPA
Regulatory Analyst

cc: Richard Finnigan Esq.

Alder Lake

Illiad Water Services, Inc.
PO Box 20429
Seattle, WA 98102
(800) 928-3750

April 11, 2006

WUTC
PO Box 47250
Olympia, WA 98504-7250

VIA FAX 360-586-1130

Attn: Danny Kermode

Re: Alderlake Water System - UW-060343 Assessment Charge
Data Request 1

Dear Mr. Kermode:

Per your letter of March 28, 2006, please find enclosed the following data request.

1. Provide the name and phone number of the financing company proposed in the company's proposed tariff.

BHL Investment, Inc.
133 Knollwood Dr.
San Rafael, CA 94901

Attn: Ben H. Levine
Phone: (415) 460-5152
Fax: (415) 453-9634

2. Copy of the proposed financing instrument with any related documents that a customer would be required to read or sign.

The financing instrument for the second assessment request for Alderlake have not been completed. We have attached copies of the proposed document provided to the WUTC in 2004. The Water Company will sign a note with the financing company secured by the pledge of the water customers surcharge or improvement assessment.

3. Is the company or any of its affiliates or owners related or associated with the above financing company?

NO

4. Is the company or its affiliates receiving any compensation or other payment from the financing company in consideration for the company proposed financing?

NO

5. Has the company applied for a State Drinking Water State Revolving Loan?

The Water Company's engineer has done extensive investigation of the State Revolving Fund on a project of this size. It was determined that the increased costs and time in implementing the construction and loan requirements and the restrictions of the eligibility requirements would off-set any interest savings for the water customers along with no assurance the loan would be awarded.

In the 2004 Alderlake customer survey more than 50% of the water customers preferred to pay their improvement assessment by cash.

The Dept. of Health places the Alderlake improvement as a risk 1 Category. Time is of the essence to install the Chlorine Disinfection System.

The summers of 2004 and again in 2005 the Water Company experienced continual positive bacteria sampling placing the water customers at risk.


The Water Company believes the existing financing is the prudent way to go for this situation.

6. In a schedule headed "Alderlake Water Company Capital Improvements" provided to the commission's staff, under Part B "Uncompleted Work," includes the line item: Financing and under writer fees. Please provide detail of the \$7,370 cited on that line. Please include supporting third party documents.

The \$7,370 represents the attorney fee, documents, under write fees and recording fees necessary to obtain the loan. The amount is approximately 5% of the loan.

If you have any questions, please call me at (800) 928-2750.

Sincerely,


Derek Dorland
President

Cc: Richard Finnigan



Alderlake

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1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

Ref.: 4-1253

April 24, 2006

Derek Dorland
Iliad Water Services Inc.
PO Box 20429
Seattle WA 98102

Subject: Alderlake Water System
UW-060343 Assessment Charge
Informal Data Request 2

Dear Mr. Dorland:

In response to Data Request 1, you state that the company's engineer has "done extensive investigation" regarding the cost associated a State Drinking Water State Revolving Loan? Please provide any cost study and correspondence supporting the response.

Please describe the company's process in its selection of BHL Investments, Inc., also, provided any documents or studies management relied on in its selection of BHL Investments, Inc., including any other banks that were contacted.

If you have any questions, please call me at (360) 664-1253.

Sincerely,

Danny Kermode CPA
Regulatory Analyst

cc: Richard Finnigan Esq. ✓





STATE OF WASHINGTON

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1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

Ref: 4-1253

May 19, 2006

Derek Dorland
Iliad Water Services Inc.
PO Box 20429
Seattle WA 98102

Subject: Alderlake Water System
UW-060343 Assessment Charge
Informal Data Request 3

Dear Mr. Dorland:

In response to the staff's data request 2, the company cited a number of general "Topics of Discussion." Staff understands the issues involved with the "topics" presented by the company however, the statements as presented fall short in specifics. Therefore, the following merely ask for the detail supporting the statements provided in the "Topics of Discussion."

- 1) Topics of Discussion 1 - "The engineer did not believe Iliad Water Service, Inc. would be eligible without a formal water plan approval from DOH."
 - a. Is Iliad Water Services, Inc. required to file a water system plan with the Department of Health?
 - b. If so please explain why the company does not have a approved water plan filed with the Department of Health?
 - i. Is the company in violation of the requirement to file a water system plan?
 - ii. Has the company had any conversations with the department of health regarding its requirements to file a Water System Plan?
 - iii. If the company has not filed a Waster System Plan, when does it expect to have one filed?

- 2) Topics of Discussion 2 - "Financial eligibility would be questionable."

Since the commission would allow rates needed by the company to service any approved State Revolving Fund loan, Please provide the basis of the statement that the company's financial eligibility would be questionable?



- 3) Topics of Discussion 3 – “Restrictions on what the loan could finance.”
 - a. It is the staff’s understanding that the proposed project is to eliminate microbial risk through chlorination, is that a correct understanding?
 - b. Does the proposed project include any other improvements other than the plant needed to chlorinate that would put the project at risk of not being approved?
 - c. Please discuss what the engineer’s concern is that relate to the statement regarding restrictions on what the loan could finance.
- 4) Topics of Discussion 4 – “Increased administration costs”

Please quantize the company’s estimated additional administrative costs referred. Please provide a schedule that describes the additional cost, the estimated additional time, and the estimated hourly cost.
- 5) Topics of Discussion 5 – “Increased engineering with formal bidding and final inspection reports certification.”

Please provide a schedule sitting out the estimated increases in engineering cost for both formal bidding (including publication costs) and the final inspection reports. Please provide a schedule that describes the additional cost, the estimated additional time, and the estimated hourly cost.
- 6) Topics of Discussion 6 – “insurance cost required performance bond.”

Provide the estimated cost of an performance bond.
- 7) Topics of Discussion 7 – “Prevailing wage.”

Provide a schedule indicating the wage hours expected for the project and the increased costs associated with prevailing wage. Since prevailing wage is one of the more material costs please attempt to provide a clear computation of the cost differences by classification.
- 8) Topics of Discussion 8 – “Attorney Fees.”

Provide the estimated cost of additional attorney fees, include the reason for the additional costs.

9) Topics of Discussion 9 – “Loan Fees.”

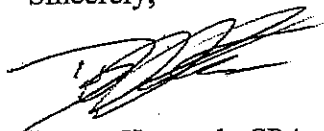
The current loan fees cited by the company’s application indicate loan fees of three to five percent. It is Staff’s understanding that the SRF charges a one percent loan fee. Please provide documentation for the position that loan fees would be an increased cost.

10) Topics of Discussion 10 – “Audit Costs”

It is staff’s understanding that a loan of the size proposed by this project (less than \$500,000) would not require an audit. Please provide any documentation that supports the company’s position that there would be audit costs.

If you have any questions, please call me at (360) 664-1253.

Sincerely,



Danny Kermode CPA
Regulatory Analyst

cc: Richard Finnigan Esq. ✓

JUN 05 2006 21:42 FR ILIAD INC 1 205 764 3646 10 13601330002 1702 00
JUN 07 00 11:33a JOHN MCCORMICK, P.E. 425 744-0946 p.2

J.C. Mc DONNELL ENGINEERING, P.C.

Consulting Civil Engineers

P.O. Box 13199
Mill Creek, WA. 98082

Exhibit No. _____ (DD-16)

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June 6, 2006

Mr. Derek Dorland, President
Iliad Water Services, Inc.
P.O. Box 20249
Seattle, WA. 98102

RE: Costs and Responses regarding SRF Funding for Alder Lake Water System

Dear Dave,

I have reviewed your questions regarding SRF financing of proposed changes at the subject Water System. Having looked at the Criteria, I do not see how Alder Lake can qualify for State Funding as a private "for profit" system. As you know the guidelines clearly define eligibility as "community and nonprofit non-community water systems". Assuming that bridge can somehow be crossed by Alder Lake Water System, additional costs can be expected related to the governmental nature of the contracts and the conditions associated with the loans.

1. The system must be included in the DOH approved Water System Plan (WSP) Program and in compliance with all associated planning criteria subject to the installation of the required treatment system. The DOH requires filing a WSP if:
 - a. The Water System is expanding;
 - b. The DOH District Engineer requires a Plan;
 - c. If required to secure SRF funding respond to other Agency requirements.Estimated costs for a WSP could range from \$10,000 to \$15,000.
2. It is my understanding that the SRF program does not allow reimbursement of previous expenses such as the engineering design fees that are expended prior to the Loan Application. In the case of Alder Lake, the engineering designs were done and approved some time ago. Under the SRF program, the system would be unable to recover \$12,000 in prior engineering, testing and DOH fees. Of course, all these costs can be financed with private funding.
3. There are as you know significant administrative costs associated with the SRF program in order to meet the conditions of the Loans. Possible costs associated with the SRF funding might include:

a. Loan application preparation with Exhibits	\$1,500.00
b. Financial Review.	\$ 500.00
c. CPA Fees	\$ 800.00

(OFF) 425 744-0916

(CELL) 425 359-2717

(FAX) 425 744-0946

J.C. Mc DONNELL ENGINEERING, P.C.
Consulting Civil Engineers
P.O. Box 13199
Mill Creek, WA. 98082

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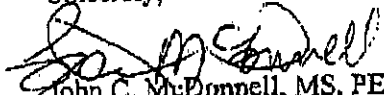
d. Environmental Review Fees(if required)	\$ 1,000.00
Archeological Survey of excavation	
Area including Consultant fee	\$ 3,500.00
e. Loan Disbursement (by Project Engineer)	\$ 500.00
f. S.R.F Clos-out	\$ 1,000.00
Subtotal Estimated Additional Costs	\$ 8,800.00

4. The SRF Process does require additional services from the Engineer to provide for the competitive bidding process and the final inspection reports to document the effective use of the SRF monies. For Alder lake, this extra time is estimated to be an additional 35 hours of engineering, inspection and drafting time at an "average" rate of \$95.00/hour, totaling \$3,325.00. The supplies, printing and advertising costs are also quite high. According to Western Engineers, Inc., these costs amounted to almost \$3,000 for the recently completed Candy Cane SRF package. According to Barry Constant, PE, much of the costs were directly attributable to the advertising costs of notices and postings in the newspapers.

5. I am unable to address questions of Insurance, Prevailing Wages or Attorneys fees since these are not issues with which I normally have to deal.

I hope I have answered you questions. Please call if you wish to discuss these issues further.

Sincerely,


John C. McDonnell, MS, PE
President

(OFF) 425 744-0916

(CELL) 425 359-2717

(FAX) 425 744-0946