

**From:** John Anderson [<mailto:jda@nikola.com>]

**Sent:** Monday, December 26, 2011 5:34 PM

**To:** Ward, Jim (UTC)

**Cc:** Goltz, Jeffrey (UTC); Oshie, Patrick (UTC); Jones, Philip (UTC); Stillwell, Suzanne (UTC); Cameron-Rulkowski, Jennifer (UTC); Eckhardt, Gene (UTC); Fassio, Michael (UTC); UTC DL Records Center

**Subject:** Re: Lowerper, Incorporated - Mr. Anderson's comments

Dear Mr. Ward:

After further review of the information you forwarded on December 23, I have strong concerns about the tariff in the pending agreement.

The Lowerper system receives water from Clallam County PUD and distributes it through metered connections to 7 residential customers. Unlike most regulated water systems, it has no well and no pumps. Only one water test and one check of a backflow valve are required yearly. To my knowledge the only system maintenance in the past few years was the changing of a 4 inch check valve. Solmar's 2010 invoices which you forwarded showed no repairs to the Lowerper system.

Referring to Lowerper's 2010 profit and loss statement which I assume was used as the basis for the pending agreement:

- Iliad, Inc., has a \$375 per month contract with Solmar Systems of Sequim to oversee operation of both Lowerper and Sunland Shores, a Group A water system with 121 customers

and its own well and pumps. Sunland Shores requires much, much more oversight than

Lowerper. Yet Iliad has split the monthly charge \$150 to Lowerper and \$225 to Sunland Shores.

This distribution is not even close to reasonable!

The contract calls for weekly inspection of each system. This is totally unnecessary in

Lowerper's case. Therefore, this \$1925 annual expense is extremely excessive.

- Lowerper listed an expense of \$780 to send someone from Seattle to Sequim "to check for

leaks, verify customer meter readings, check all meters proper operation, or replace. Labor and Ferry tickets". I read the meters in 2010 and would have noticed and reported any leaks.

Month to month readings were consistent, so the meters were obviously working. Not only that,

Iliad has the contract with Solmar. The \$780 should never been spent.

-Included under testing (improperly) is a one time \$1850 expense to replace a 4 inch check valve.

It is not reasonable to include this non-recurring charge in determining Lowper's future billing rates.

Lowper's total 2010 expenses are listed as \$8896 (\$3382 to Clallam PUD and \$5514 other).

The questionable expenses listed above are the lion's share of the \$5514.

Mr. Dorland testified in an April WUTC hearing that he was actively taking steps to turn the Lowper system over to PUD.

It has not happened. Does WUTC feel any obligation to follow up on this?

If the system is turned over to PUD, each Lowper customer will save over \$750 per year vs. the proposed tariff.

The excessive rates in the proposed tariff will certainly decrease Dorland's incentive to make the turnover.