

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

WASHINGTON UTILITIES AND	)	DOCKET UW-150311
TRANSPORTATION COMMISSION,	)	
	)	ORDER 04
Complainant,	)	
	)	ORDER APPROVING AND
v.	)	ADOPTING SETTLEMENT
	)	AGREEMENT AND DISMISSING
ILIAD WATER SERVICE, INC.,	)	COMPLAINT
	)	
Respondent.	)	
.....	)	

**INTRODUCTION**

- 1 On February 23, 2015, Iliad Water Service, Inc. (Iliad Water Service or Company), filed with the Washington Utilities and Transportation Commission (Commission) proposed tariff revisions that would generate \$25,141 (31.4 percent) additional annual revenue to recover costs for a corrosion control treatment plant. On March 26, 2015, the Commission issued a Complaint and Order Suspending the proposed tariff revisions.
- 2 On July 30, 2015, the Commission entered Order 01 in Docket UW-150688 approving the transfer of control of five water systems to Iliad Water Service, effective August 1, 2015. Following the merger, Iliad Water Service provides water service to 326 customers on seven water systems located in Clallam, Pierce, Kitsap, and Snohomish Counties.
- 3 On August 6, 2015, Commission staff (Staff) requested on behalf of the parties that the Commission suspend the procedural schedule in this docket to enable them to negotiate a settlement without the need to file additional testimony. The Commission granted the request on August 7. On September 4, the parties filed a proposed settlement agreement (Settlement Agreement)
- 4 Christopher M. Casey, Assistant Attorney General, Olympia, Represents Commission Staff. <sup>1</sup> Richard A. Finnigan, Law Office of Richard A. Finnigan, Olympia, represents the Company.

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<sup>1</sup> In formal proceedings, such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners’ policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

## BACKGROUND

- 5 On December 31, 2007, the Department of Health (DOH) notified Iliad Water Service that the Company's Alder Lake community water system required corrosion control treatment to address copper levels that exceeded state and federal drinking water standards. Iliad Water Service entered into a fixed price contract with Iliad, Inc. for \$152,826 to finance and construct a corrosion control treatment plant (the Plant).<sup>2</sup> The Plant was placed into service for the benefit of Alder Lake community water system customers in December 2011. Iliad Water Service has contracted Iliad, Inc. to perform maintenance and operations services pursuant to the terms of a Management Contract. Iliad Water Service has also contracted Water Services Company to perform its billing and bookkeeping services.<sup>3</sup>
- 6 The proposed tariff revisions filed in this docket would generate \$160,512 in additional revenue to recover costs for the Plant. The Company proposed to recover the Plant's cost from the 35 customers of the Alder Lake community water system by providing each customer a choice between either: 1) a one-time \$4,586 surcharge, or 2) a monthly surcharge of \$57, financed for 10 years at 8.5 percent interest.

## SETTLEMENT

- 7 On September 4, 2015, the parties filed a Settlement Agreement resolving of the all issues in this docket. The Settlement Agreement includes provisions related to corrosion control treatment plant costs, cost recovery mechanisms, and accounting transparency improvements. A copy of the Settlement Agreement is attached to this Order as Appendix A and incorporated by reference.
- 8 A joint Narrative Supporting Settlement Agreement (Joint Narrative) was filed with the Settlement Agreement. The Joint Narrative addresses Staff's three areas of concern: 1) accuracy of the Plant's cost, 2) rate impact on individual customers, and 3) inadequate accounting transparency to substantiate costs.
- 9 First, Staff was concerned that the proposed tariff revision did not accurately reflect the capital cost for the Plant's construction. Following a review of Company testimony and records, Staff believes that both Staff's interest and the public interest is satisfied because the Settlement accurately approximates the capital cost and proper recovery period of the Plant.

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<sup>2</sup> Derek Dorland is owner, president, and sole employee of Iliad Water Service. Derek Dorland's father, Dave Dorland, Sr., owns and operates Iliad, Inc.

<sup>3</sup> Derek Dorland's sister, Sondra LeBaron, owns and operates Water Services Company.

- 10 Second, Staff was concerned about the impact that the proposed surcharge would have on customers served by the Alder Lake community water system. An additional surcharge of \$57 per month would have increased each customer's monthly bill by 85.4 percent, to \$123.75. The Company's recent acquisition of five additional water systems, however, presented an opportunity to disperse the impact of the surcharge by employing single-tariff pricing, which uses a unified rate structure for a multi-system water company to help provide rate stability to all customers. The Commission routinely employs single-tariff pricing. Following the merger, the cost of the Plant can be allocated to a sufficiently large number of customers to limit the impact on each customer's monthly bill to \$3, an increase of only 5.8 percent on average. Staff believes that the rate stability gained by dispersing the impact of the surcharge satisfies both Staff's interest and the public interest.
- 11 Finally, Staff had concerns about inadequate accounting transparency to substantiate costs. The accounting transparency improvement provisions of the Settlement Agreement satisfy both Staff's interest and the public interest because they establish expectations that should enable more straightforward cost recovery filings in the future.
- 12 The parties agree that the Company will file revised tariff sheets to implement the monthly surcharge and issue a notice to its customers explaining the surcharge within seven days of the date of this Order.

### **DISCUSSION AND DECISION**

- 13 WAC 480-07-750(1) states in part: "The commission will approve settlements when doing so is lawful, the settlement terms are supported by an appropriate record, and when the result is consistent with the public interest in light of all the information available to the commission." Thus, the Commission considers the individual components of the Settlement Agreement under a three-part inquiry, asking:

- Whether any aspect of the proposal is contrary to law.
- Whether any aspect of the proposal offends public policy.
- Whether the evidence supports the proposed elements of the Settlement Agreement as a reasonable resolution of the issue(s) at hand.

The Commission must determine one of three possible results:

- Approve the proposed settlement without condition.
- Approve the proposed settlement subject to conditions.
- Reject the proposed settlement.

14 We approve the Settlement Agreement without condition. Following a thorough review of the Company's books and records, Staff's concerns were addressed and resolved. Staff and the Company agreed to revised rates, and also agreed to terms that will both minimize the impact of the surcharge on customers and increase transparency of the Company's dealings with Iliad, Inc. and Water Services.

15 The terms of the Settlement Agreement are not contrary to law or public policy and reasonably resolve all issues in this proceeding. Given these factors, we find the Settlement Agreement is consistent with the public interest, and that the revised rates as reflected in the Settlement Agreement are fair, just, reasonable, and sufficient, and should be approved.

**ORDER**

16 THE COMMISSION ORDERS That:

- 17 (1) The proposed settlement agreement, attached hereto as Appendix A and incorporated by reference, is approved and adopted, and the complaint against Iliad Water Service, Inc. is dismissed.
- 18 (2) Iliad Water Service, Inc. shall file revised tariff pages implementing the surcharge according to the terms of the Settlement Agreement within seven (7) days of the effective date of this Order.
- 19 (3) Iliad Water Service, Inc. shall issue a notice explaining the surcharge to its customers within seven (7) days of the effective date of this Order.
- 20 (4) The Secretary is authorized to approve Iliad Water Service, Inc.'s compliance filing.

DATED at Olympia, Washington and effective September 17, 2015.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

RAYNE PEARSON  
Administrative Law Judge

### NOTICE TO PARTIES

This is an Initial Order. The action proposed in this Initial Order is not yet effective. If you disagree with this Initial Order and want the Commission to consider your comments, you must take specific action within the time limits outlined below. If you agree with this Initial Order, and you would like the Order to become final before the time limits expire, you may send a letter to the Commission, waiving your right to petition for administrative review.

WAC 480-07-825(2) provides that any party to this proceeding has twenty (20) days after the entry of this Initial Order to file a *Petition for Administrative Review*. What must be included in any Petition and other requirements for a Petition are stated in WAC 480-07-825(3). WAC 480-07-825(4) states that any party may file an *Answer* to a Petition for review within ten (10) days after service of the Petition.

WAC 480-07-830 provides that before entry of a Final Order any party may file a Petition to Reopen a contested proceeding to permit receipt of evidence essential to a decision, but unavailable and not reasonably discoverable at the time of hearing, or for other good and sufficient cause. No Answer to a Petition to Reopen will be accepted for filing absent express notice by the Commission calling for such answer.

RCW 80.01.060(3) provides that an Initial Order will become final without further Commission action if no party seeks administrative review of the Initial Order and if the Commission fails to exercise administrative review on its own motion.

One copy of any Petition or Answer filed must be served on each party of record with proof of service as required by WAC 480-07-150(8) and (9). An original and **five (5)** copies of any Petition or Answer must be filed by mail delivery to:

Attn: Steven V. King, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

Exhibit A  
Settlement Agreement