

**PUBLIC UTILITY COMMISSION
OF
OREGON**

APPLICANT EXHIBIT 700

**Testimony
of Larry Martin**

March 31, 2007

My name is Larry Martin. I am the Mayor of the City of Scotts Mills, Oregon. My address is: c/o City of Scotts Mills, P.O. Box 220, Scotts Mills, Oregon 97375.

Scotts Mills is located north of Silverton and Mt. Angel, in Marion County on the Clackamas County boundary. The City contains about 0.3 sq. mi., approx. 192 acres (Wikipedia online encyclopedia). The population is approximately 300 (Population Research Center, Portland State University; December 15, 2006). The City's Mayor and City Council are unpaid positions. The City has no full time employees.

The water system has approximately 130 metered connections. The water source is groundwater from four relatively shallow wells, one of which is unusable at this time. The water plant, wells and distribution system are compactly located within the City.

The City Council is responsible for the supervision, planning and oversight of the City's water system. Water service is the principal municipal service provided by the City, both in terms of revenue and expense. The City does not provide fire, police, library or sewage service. Other municipal services are minimal.

The Water Commissioner, Mark Stoddard, operates the City's Water Department on a day-to-day basis. He is a part time employee, paid on an hourly basis. He is a Certified Water Operator. He handles routine plant and system maintenance, meter reading, taking water samples, etc. Mr. Stoddard's salary budgeted to the water operating fund for the current fiscal year is \$20,000.

Water billings, collections and financial transactions concerning the water department are handled by Linda DeCoss. She is the City Treasurer. She is the owner of a business in Keizer, Oregon, called A-1 Bookkeeping & Business Services. She is paid for her services as a part-time independent contractor. For the upcoming 2007-08 budget period it is proposed that \$9,250 of her total compensation be assigned as an expense of the water operating fund.

Katherina Martin is the City Clerk/Recorder. She is a part-time employee of the City. She has responsibilities for supervision, record keeping, budgeting and dealing with the public on water system matters. For many years the City Council has recognized that much of her time is

devoted to water system matters, and therefore has assigned a portion of her salary as an expense of the Water Department for budgeting purposes. In the current fiscal year \$4,800 of her salary was budgeted as an expenditure of the water operating fund, and \$5,040 is proposed for the 2007-08 budget.

The City also has a part-time laborer for the Water Department, who works on an hourly, as-needed basis. In the current fiscal year this position was budgeted at \$5,000 annually, and the same amount is being proposed for the 2007-08 budget.

Another Certified Water Operator is available as a backup if Mr. Stoddard is unavailable. The City does not perform line location requests (by excavators, contractors, etc.) with in-house employees. These requests are contracted out to a location service.

As is common with small cities such as ours, much work is done by Council members and other unpaid citizen volunteers. This includes not only the supervisory, planning and oversight functions of the Council, but also a substantial amount of fieldwork by Council members and other citizen volunteers. On several occasions I and other members of the community have dug up and repaired broken water lines in the middle of the night and have done other emergency work on the water system. We do not have records to show the amount of uncompensated time and work devoted to the water system by Council members and other citizens—both administrative and fieldwork—but certainly if it were to be compensated at reasonable going rates it would amount to many thousand dollars a year.

I have been asked if the responsibility for and operation of the water system, and all its functions, is equivalent to a full time job. The answer is, yes. As the above figures show, it costs the City about \$39,290 per year for personal services to operate the water system. This does not include anything for the thousands of dollars worth of uncompensated time furnished by Mayor, Council and other citizens. Nor does it include payroll costs such as Workers Compensation, Social Security/Medicare and Unemployment insurance.

I have read the foregoing testimony, and I swear or affirm under penalties of perjury or false swearing that it is true to the best of my knowledge and belief.

Dated: March 31, 2007.

Larry Martin

CERTIFICATE OF SERVICE

STATE OF OREGON

County of Marion; ss.

I certify that I served the foregoing document on the following parties or attorneys by electronic mail addressed as follows on April 2, 2007:

Jason W. Jones, PUC Staff attorney – Jason.w.jones@doj.state.or.us

Kenneth E. Roberts, intervenor – robek@fosterpdx.com

Jo Becker, intervenor – jjobkr@aol.com

David and Kay Pollack, intervenors - dapollack@aol.com;

and by United States mail deposited in the Post Office at Woodburn, Oregon on April 2, 2007:

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Assistant Attorney General
Regulated Utility & Business Section
1162 Court St NE
Salem Or 97301-4096

Kenneth E. Roberts
2700 SW Schaeffer Rd
West Linn OR 97068

David and Kay Pollack
2120 SW Schaeffer Rd
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Jo Becker
23661 SW Stafford Hill Dr
West Linn Or 97068

JAMES A. COX, OSB # 57019
Attorney for Applicant

**PUBLIC UTILITY COMMISSION
OF
OREGON**

APPLICANT EXHIBIT 701

**Testimony
of Linda DeCoss**

March 31, 2007

My name is Linda DeCoss. I am the appointed City Treasurer of the City of Scotts Mills, Oregon. I am the owner of a business in Keizer, Oregon, called A-1 Bookkeeping & Business Services.

Scotts Mills is located north of Silverton and Mt. Angel, in Marion County on the Clackamas County boundary. The City contains about 0.3 sq. mi., approx. 192 acres (Wikipedia online encyclopedia). The population is approximately 300 (Population Research Center, Portland State University; December 15, 2006). The City's Mayor and City Council are unpaid positions. The City has no full time employees.

The water system has approximately 130 metered connections. The water source is groundwater from four relatively shallow wells, one of which is unusable at this time. The water plant, wells and distribution system are compactly located within the City. Revenue from sale of water for the fiscal year 2006-07 is budgeted to be \$72,000, and based on performance through February 2007 this target will be reached.

The City Council is responsible for the supervision, planning and oversight of the City's water system. Water service is the principal municipal service provided by the City, both in terms of revenue and expense. The City does not provide fire, police, library or sewage service. Other municipal services are minimal.

The Water Commissioner, Mark Stoddard, operates the City's Water Department on a day-to-day basis. He is a part time employee, paid on an hourly basis. He is a Certified Water Operator. He handles routine plant and system maintenance, meter reading, taking water samples, etc. Mr. Stoddard's salary budgeted to the water operating fund for the current fiscal year is \$20,000.

As City Treasurer I process the water billings, collections, financial transactions and lien filings for the water department. I am paid \$14,400 per year for my services on an independent contractor basis. For the upcoming 2007-08 budget period it is

proposed that \$9,250 (64.2%) of my compensation be charged as an expense of the water operating fund, with the remainder being apportioned to the general fund (28.5%) and the highway fund (7.3%). Actually, based on my experience, I believe that it would be more accurate to say that 90% of my City time is spent on water system matters, instead of 64.2%.

Katherina Martin is the City Clerk/Recorder. She is a part-time employee of the City. She has responsibilities for supervision, record keeping, budgeting and dealing with the public on water system matters. For many years the City Council has recognized that much of her time is devoted to water system matters, and therefore has assigned a portion of her salary as an expense of the Water Department for budgeting purposes. In the current fiscal year \$4,800 of her salary was budgeted as an expenditure of the water operating fund, and \$5,040 is proposed for the 2007-08 budget.

The City also has a part-time laborer for the Water Department, who works on an hourly, as-needed basis. In the current fiscal year this position was budgeted at \$5,000 annually, and the same amount is being proposed for the 2007-08 budget.

Another Certified Water Operator is available as a backup if Mr. Stoddard is unavailable. The City does not perform line location requests (by excavators, contractors, etc.) with in-house employees. These requests are contracted to a locating service.

As is common with small cities such as Scotts Mills, much work is done by Council members and other unpaid citizen volunteers. This includes not only the supervisory, planning and oversight functions of the Council, but also a substantial amount of fieldwork by Council members and other citizen volunteers. There are no records to show the amount of uncompensated time and work devoted to the water system by Council members and other citizens—both administrative and fieldwork—but

certainly if it were to be compensated at reasonable going rates it would amount to several thousand dollars a year.

I have been asked if the responsibility for and operation of the water system, and all its functions, is equivalent to a full time job. The answer is clearly, yes. As the above figures show, it costs the City about \$39,290 per year for personal services to operate the water system. This does not include anything for the thousands of dollars worth of uncompensated time furnished by Mayor, Council and other citizens. Nor does it include payroll costs such as Workers Compensation, Social Security/Medicare and Unemployment insurance.

Attached as Exhibit A are two pages from the City's proposed budget, listing Water Operating Fund expenditures for 2007-08 and prior years.

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I have read the foregoing testimony, and I swear or affirm under penalties of perjury or false swearing that it is true to the best of my knowledge and belief.

Dated: March 31, 2007.

Linda DeCoss

CERTIFICATE OF SERVICE

STATE OF OREGON

County of Marion; ss.

I certify that I served the foregoing document on the following parties or attorneys by electronic mail addressed as follows on April 2, 2007:

Jason W. Jones, PUC Staff attorney – Jason.w.jones@doj.state.or.us

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West Linn Or 97068

Jo Becker
23661 SW Stafford Hill Dr
West Linn Or 97068

JAMES A. COX, OSB # 57019
Attorney for Applicant

[Note: Exhibit A (two pages of budget) is not in digital format. I do not have equipment to convert to digital format. It is not included in the email filing, but will be included in all mailings of original and hard copies.]

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**PUBLIC UTILITY COMMISSION
OF
OREGON**

APPLICANT EXHIBIT 702

**Additional Testimony
of Suzanne Webber**

April 2, 2007

1

2 **Q. PLEASE STATE YOUR NAME, ADDRESS AND RELATIONSHIP TO THIS**
3 **PROCEEDING.**

3

4 **A.** I am Suzanne Webber. I live at 24464 S. Mulino Road, Canby, Oregon. I am the
5 general manager of the applicant, Pete's Mountain Water Company, Inc. (the company).
6 I also am the secretary-treasurer of the corporation. My husband, Terry Webber, is the
7 president of the corporation. He and I jointly are the owners of 2/3 of the corporation's
8 outstanding stock.

9 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

10 **A.** I want to explain:

11 (1) The results of the time keeping that has been done since September 2006 as it
12 relates to the reasonableness of my compensation;

13 (2) The reasons why it is more realistic to evaluate the reasonableness of my
14 compensation on an overall basis, rather than as separate hourly rates for each
15 discrete function of my work;

16 (3) The changes we have made in the arrangements for the lease of a less
17 expensive truck for the Company's transportation needs;

18 (4)

19 **Q. WHAT ADDITIONAL TIME RECORDS HAVE YOU KEPT SINCE SEPTEMBER 2006,**
20 **AND WHAT DO THOSE RECORDS SHOW?**

21 **A.** Beginning in September I have made contemporaneous calendar entries of the time
22 spent by me on Company business. The record is kept in quarter-hour increments.

23 Incidentally, this record keeping adds at least one hour per month to the time I have to

24 /////

1 During the initial rate analysis by Staff I was asked to provide a job description with the number
2 of hours spent on each task. I had no records from which to draw this information—only my
3 knowledge of what I was doing on a day-by-day and month-by-month basis. I provided a fairly
4 detailed job description and made estimates of the time devoted to each task. In hindsight I can
5 say that some of my time estimates were inaccurate. Kenneth Roberts, an Intervenor, made
6 much of the discrepancies. He argued vehemently that the job was not a full-time job, and that I
7 was overpaid at the customers' expense. The time records that have been kept give a more
8 accurate picture of the time spent on each task and, more significantly, confirm that my job is
9 full-time equivalent.

10 I can understand the need for Staff to consider the nature of the job duties and the time
11 spent on various tasks. However, this tends to fragment my job and places an undue emphasis
12 on questions such as, "How much would you have to pay for a part-time bookkeeper, a part-
13 time Certified Water Operator, a part-time meter reader, a part-time telephone receptionist, a
14 part-time regulatory report preparer, etc., etc.?" Whether the standard is, "What would have to
15 be paid to various part-time employees or contractors to get all the jobs done?," or whether the
16 standard is, "What would have to be paid to a general manager/worker to run the system?,"
17 there is no hint that any person or group of persons could be found who would be willing and
18 able to do the job for less than the reasonable compensation I am seeking.

19 **Q. WHAT CHANGES HAVE YOU MADE IN THE COMPANY'S TRANSPORTATION**
20 **VEHICLE?**

21 **A.** In March the lease on the truck expired. The Company then leased a smaller, less
22 expensive and more efficient pickup truck. The Company truck is used solely for

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1 company business. It is not used for personal purposes or for any other business purpose. We
2 have to have a reliable source of transportation, especially in the event of an emergency. It is
3 about 17 miles from the Company office in our home to the wells and pumping stations. The
4 Company serves a rural area. The service area is spread out over several miles of hilly terrain
5 reached only by narrow, winding County roads. Some of our mains are on dirt roads. The truck
6 needs to operate reliably and safely in rain, snow, mud and ice. It has to have the ability to carry
7 tools and supplies such as wrenches, shovels, valve keys, replacement meters and meter
8 boxes.

9 The new pickup will meet the Company's needs. The new lease payment saves
10 \$182.59 per month or \$2,191.08 annually. Better gas mileage is anticipated, but it appears
11 that this will be offset by escalating gasoline costs.

12 **Q. WHAT IS THE COMPANY'S POSITION ON THE BASE RATE FOR CUSTOMERS AS**
13 **PROPOSED AND DEVELOPED BY STAFF, WHICH SETS A HIGHER BASE RATE**
14 **FOR USERS WITH LARGER METER SIZES?**

15 **A.** This issue makes little difference financially to the Company. If the base rate for the few
16 customers who have one-inch meters is reduced, the base rate for users with smaller
17 meters will have to be slightly adjusted upward to produce the desired portion of
18 revenues from the base rate. The Company would prefer not to get in a position of
19 favoring one group of customers over another. However, as a matter of basic fairness,
20 we see no justification for the distinction in our system. We are aware that the split base
21 rate is adapted from a recommendation of the American Public Water Works
22 Association, and that the rationale is that users with larger meters have the potential for
23 placing a higher demand on the system at times of heavy flow. However, that rationale
24 is not really applicable to the Company's system or its one-inch meter customers. All our

1 customers are single-family residences, and this will always be the case. There are no
2 commercial, industrial or multi-family users. There are a few customers who have
3 meters larger than one-inch. It is believed that they do a lot of irrigation and thus can
4 and probably do impose a heavier demand on the system. There may be some
5 justification for charging them a higher base rate. But the one-inch meter users are
6 pretty much indistinguishable from the smaller-meter users. The one-inch meters were
7 installed by developers, not by the choice of the persons who bought or built the homes.
8 It would be expensive for those owners to convert to three-fourths-inch meters just to get
9 the benefit of a lower base rate. We suggest that in fairness they should not be required
10 to do so because of the happenstance of a developer putting in a one-inch meter.
11 Heavy water users will pay more on the metered component of their water bill, and this
12 should be sufficient to differentiate between customers' use patterns. We will say no
13 more about this issue, and will of course abide by whatever decision is ultimately made.

14 -----

15 I have read the foregoing testimony, and I swear or affirm under penalties of perjury or
16 false swearing that it is true to the best of my knowledge and belief.

17 Dated: April 2, 2007.

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Suzanne Webber

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1 CERTIFICATE OF SERVICE

2 STATE OF OREGON

3 County of Marion; ss.

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attorneys by electronic mail addressed as follows on April 2, 2007:

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17 West Linn Or 97068

18 **[Note: Exhibit A (the time summary) is not available in digital format, and I do not have the
equipment to convert it. It is not being emailed but will be attached to all US mailed copies.]**

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20 _____
JAMES A. COX, OSB # 57019
21 Attorney for Applicant
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**PUBLIC UTILITY COMMISSION
OF
OREGON**

APPLICANT EXHIBIT 704

**Testimony
of James A. Cox**

April 2, 2007

1 I am James A. Cox, the attorney for the Applicant in this proceeding.

2 Since the time the Company submitted its attorney fee costs to the Staff for the previous
3 rate analysis, I have performed ongoing legal services, primarily in connection with the rate case
4 (including the affiliated interest applications necessitated by the Commission's prior ruling) and
5 related to the Company's pending application to the Water Resources Department (WRD) for
6 transfer of place of use under its water permit.

7 In addition to the billings for legal services previously submitted by the Company, in 2006
8 I billed the Company \$7,860 for services in the rate case, and in 2007 through March 23rd I
9 billed \$3,345 for services in the rate case and the affiliated interest applications, a total of
10 \$11,205.

11 It is my understanding that Suzanne Webber has not submitted to Staff any of my
12 charges for services on legal matters other than the PUC rate case. My records show that I
13 billed the Company \$1,440 for WRD services in 2005, \$345 in 2006, and \$3,375 in 2007
14 through March 22nd, a total of \$5,160 for services on WRD related issues.

15 All of the charges mentioned herein were reasonable and necessary.

16 I also have \$2,145 worth of time in the rate case that has not been billed for the period
17 since March 22, 2007, the end of my last billing cycle. These charges were also reasonable
18 and necessary. They will be billed at the end of the current billing cycle.

19 It is clear that additional charges for legal services in 2007 in the rate case will be at
20 least \$2,700, even if things go smoothly under the current schedule and there are no appeals or

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1 other complications. There is little doubt that my future charges for legal services this year for
2 WRD related services will be at least \$3,000.

3 * * * * *

4 I have read the foregoing testimony, and I swear or affirm under penalties of perjury or
5 false swearing that it is true to the best of my knowledge and belief.

6 Dated: March 31, 2007.

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James A. Cox, OSB #57019

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CERTIFICATE OF SERVICE

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