



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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April 20, 2007

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

RE: **Docket No. UW 117** - In the Matter of PETE'S MOUNTAIN WATER CO., INC.
Requests for an increase in total annual revenues from \$111,079 to \$212,300.

Enclosed for electronic filing in the above-captioned docket is the
Supplemental Direct Testimony of Renee Sloan and Michael Dougherty.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

(503) 378-5763

Email: kay.barnes@state.or.us

c: UW 117 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UW 117

**STAFF
SUPPLEMENTAL DIRECT TESTIMONY
OF**

**Renee Sloan
Michael Dougherty**

**In the Matter of
PETE'S MOUNTAIN WATER CO., INC.
Request for an increase in total annual revenues
from \$111,079 to \$212,300.**

April 20, 2007

CASE: UW 117
WITNESS: Renee Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 200

Supplemental Direct Testimony

April 20, 2007

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **OCCUPATION.**

3 A. My name is Renee Sloan. My business address is 550 Capitol Street NE
4 Suite 215, Salem, Oregon 97301-2148. I am a utility analyst with the Public
5 Utility Commission of Oregon (Commission) assigned to review regulated
6 water utility general rate case dockets.

7 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?**

8 A. Yes. I was a co-sponsor of Staff Exhibit/100; Direct Testimony in Support of
9 the Stipulation.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my testimony is to discuss changes to Pete’s Mountain Water
12 Company Inc (Pete’s Mountain) expenses and plant since the Stipulation.

13 **Q. DID YOU PREPARE EXHIBITS FOR THIS DOCKET?**

14 A. Yes. I prepared Exhibits Staff/201 and Staff/202.

15 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

16 A. My testimony is organized as follows:

17 1) Description of Pete’s Mountain Water Co Inc 2

18 2) Summary of Events in Docket UW 117 2

19 3) Status of Stipulation..... 3

20 4) Stipulated Revenue Requirement and Rates 4

21 5) Changes to Stipulated Expenses 5

22 6) Changes to Stipulated Plant 9

23 7) Revised Revenue Requirement and Rates 10

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2

PETE'S MOUNTAIN WATER CO INC

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Q. PLEASE DESCRIBE PETE'S MOUNTAIN WATER CO INC.

4

A. Pete's Mountain Water Co Inc is a small investor-owned water company

5

located in West Linn, Oregon. The water system consists of two wells,¹

6

a concrete in ground 140,000-gallon storage reservoir, pump station,

7

various pumps, and distribution pipelines. The water system currently

8

provides service to 89 residential customers and 2 irrigation customers.

9

SUMMARY OF EVENTS IN UW 117

10

Q. PLEASE SUMMARIZE THE UW 117 EVENTS LEADING UP TO THE

11

FILING OF THIS TESTIMONY.

12

A. On May 5, 2006, Pete's Mountain filed a rate case application requesting an

13

increase of \$101,221 in revenues from the \$111,079 test year amount to

14

\$212,300.

15

After settlement negotiations on August 23, 2006, Staff, Pete's Mountain,

16

and two of the six interveners in the case entered into a Stipulation proposing

17

the Commission approve a \$41,801 increase in revenues.

18

ALJ Michael Grant heard oral argument at a hearing on October 30, 2006.

19

On December 4, 2006, the Commission issued Order No. 06-657 (Order)

20

suspending tariffs filed by Pete's Mountain in Advice 06-21 for an additional

21

period of time, not to exceed three months. The Order also stated that the

¹ Well #1 is currently out of service. The Company intends to apply for a loan from the Safe Drinking Water Revolving Loan Fund in 2008 in order to repair this well.

1 Company must file affiliated interest (AI) contracts for wages and salaries paid
2 to Terry and Suzanne Webber.

3 On February 12, 2007, the Company filed AI contracts docketed as UI 261
4 and UI 262. The Commission approved the contracts at the March 13, 2007,
5 Public Meeting.

6 In response to the Order, Pete's Mountain filed a motion on February 20,
7 2007, seeking a three-month extension of the suspension period and reopening
8 of the record to allow additional testimony and evidence.

9 On February 26, 2007, the Commission issued Order No. 07-063
10 suspending the rate schedule for an additional period of time, not to exceed
11 three months and granted the motion to reopen the record.

12 At a telephonic scheduling conference held March 21, 2007, the Parties
13 agreed to a schedule that included filing of Staff and Intervenor testimony by
14 April 20, 2007.

15 **STATUS OF STIPULATION**

16 **Q. WHAT IS THE STATUS OF THE STIPULATION SIGNED BY STAFF, THE** 17 **COMPANY, AND INTERVENORS DAVID AND KAY POLLACK?**

18 A. In the Order, the Commission declined to adopt the Stipulation and suggested
19 the record be reopened to allow for additional evidence and analysis. As a
20 result of the Commission's Order, it is Staff's and the Company's view is that
21 the parties are no longer bound by the Stipulation.

STIPULATED REVENUE REQUIREMENT AND RATES

Q. WHAT LEVEL OF REVENUE DID THE STIPULATING PARTIES AGREE ON IN THE STIPULATION DATED OCTOBER 16, 2006?

A. The Stipulating Parties agreed to a recommended revenue requirement of \$152,880, which is \$41,801 (34.6 percent) above the Company's filed test year revenues of \$111,079. In addition, the Stipulating Parties agreed that Pete's Mountain should be allowed the opportunity to earn an 8 percent rate of return on its investment.

Q. WHAT WERE THE STIPULATED RATES?

A. The following table compares current rates, proposed rates filed with the Application, and final rates agreed to by the Stipulating Parties:

Residential and Irrigation Rate Design	Current Rates	Company Proposed Rates	Stipulated Rates
Base (Includes 600 cf) 3/4 & 5/8"	\$30.00	\$75.00	\$35.09
Base (Includes 600 cf) 1"	\$30.00	\$75.00	\$42.11
Base (Includes 600 cf) 1.5"	\$30.00	\$75.00	\$43.86
Base (Includes 600 cf) 2"	\$30.00	\$75.00	\$70.18
Tier 1 Variable (per 100 cf from 600 cf to 1600 cf)	\$3.25	\$5.50	\$3.50
Tier 2 Variable (per 100 cf above 1600 cf)	N/A	N/A	\$4.61

Q. WHAT EFFECT DID THE STIPULATED RATES HAVE ON CUSTOMERS?

A. The rate impacts of the stipulated rates for each meter size are contained in Exhibit Staff/201, pages 1 through 4.

CHANGES TO STIPULATED EXPENSES**Q. HAVE THERE BEEN CHANGES TO ANY OF PETE'S MOUNTAIN'S
EXPENSES SINCE THE STIPULATION?**

A. Yes. Since the Stipulation, the Company has experienced changes to several expenses as discussed below. A Summary of Adjustments is contained in Staff/202, page 2.

Account No. 619.1, Postage

The Stipulating Parties agreed to \$586.35 for Postage Expense. After the Stipulation, Staff learned that postage rates will increase from \$0.39 to \$0.41 on May 14, 2007. Because of this 5.13 percent increase, Staff recommends increasing the Company's Postage Expense by the same percentage for the eight months in 2007 that the new rate is in effect. The result is an additional \$20.05, for a total Postage Expense of \$606.40.

Account No. 633, Contract Services - Legal

The Stipulating Parties agreed to Legal Expenses of \$2,142 for costs relating to water rights, Measure 37 claims, an easement agreement, and the Company's annual meeting. Since the Stipulation, Pete's Mountain has incurred further legal costs relating to those same issues. In all, the Company provided invoices totaling \$6,090 in legal costs from 2005 through March 2007.

Furthermore, Mr. Cox estimates he will bill the Company at least an additional \$3,000 through remainder of 2007 for water rights issues. Because it is not clear that the additional \$3,000 will be related to water service, Staff recommends excluding the estimated amount from the Revenue Requirement.

1 Staff recommends averaging total legal costs of \$6,090 over four years for an
2 annual expense of \$1,523.

3 Account No. 636, Contract Services - Landscaping

4 The Stipulating Parties agreed to \$525.12 for Contract Services – Landscaping.
5 However, because Suzanne Webber lists well lot maintenance as one of her
6 responsibilities, Staff now recommends zero allowance for this account.

7 Account No. 650, Transportation

8 The Stipulating Parties agreed to \$13,257 for Transportation Expense. The
9 \$13, 257 includes amounts for a vehicle lease, vehicle maintenance, and fuel
10 expense. Staff recommends no change to the \$630 allowance for vehicle
11 maintenance; however, Staff does propose changes to the vehicle lease and
12 fuel cost expenses as discussed below.

13 Vehicle Lease

14 In March 2006, the Company leased a Ford F250 for \$680.74 per month.²
15 Pete's Mountain testified that it uses the vehicle to travel to the water system
16 almost daily,³ plus twice per day during summer months to check on the well
17 and pumps. The Company also uses the vehicle when purchasing supplies,
18 delivering water test samples to the lab, picking up mail, dealing with system
19 repairs, handling builder requests, and following up on locate requests. Based
20 on a review of the Company's payment history, the Stipulation supported the
21 annual lease cost of \$8,168.88.

² The previous lease payment amount was \$657.63.

³ 27.4 miles round trip

1 In the Order, the Commission expressed concern over the reasonableness
2 of the stipulated amount for Transportation Expense, comprised primarily by
3 the lease of a new Ford F250. Responding to the Commission's concern,
4 Pete's Mountain consciously reduced the lease expense by leasing a smaller,
5 less expensive and more efficient pickup truck when the Ford F250 lease
6 expired in March 2007. In Testimony filed April 2, 2007, Suzanne Webber
7 indicated that the new pickup meets the Company's needs. The new lease
8 payment of \$498.15 per month⁴ reduces the vehicle lease cost by \$182.59 per
9 month or \$2,191.08 annually.

10 Fuel Cost

11 The odometer for the Ford F250 leased during 2006 shows 25,149 miles
12 traveled to perform Pete's Mountain business during a two-year period. The
13 Company traveled an additional 1,150 miles in loaner vehicles while the F250
14 was in the shop. The two-year total miles traveled is 26,299; the one-year
15 average is 13,150. Based on information available at the time of Staff's
16 analysis for this docket (\$2.85 per gallon for 15,000 miles at 10.5 miles per
17 gallon), Staff calculated the annual fuel expense at \$4,071. Since the
18 Stipulation, the price of gasoline has steadily escalated. As of April 12,
19 2007, the average cost per gallon of regular grade gasoline sold for \$3.00 in
20 the Portland area. Using 16 mpg (average city/highway mpg) for the newly
21 leased Ford F150, miles traveled per year, and the higher cost of gasoline,
22 Staff recommends an amount of \$2,466 for Fuel Expense. Staff's

⁴ The annual cost of \$5,977.80 compares to the previous annual cost of \$8,168.88.

1 recommended amount is \$1,606 lower than the UW 117 stipulated amount.
2 If Staff had used the federal government mileage rate, this expense would
3 have been considerably higher than the calculated fuel expense.⁵

4 Account No. 666, Amortization of Rate Case Expense

5 Based on information the Company provided prior to the Stipulation, the
6 Stipulating Parties agreed to \$1,263 (\$3,789 amortized over three years) for
7 this expense (for accounting, legal, and miscellaneous, such as copying and
8 postage). Following Commission Order No. 06-657 issued December 4, 2006,
9 the Company provided invoices showing further legal costs of \$8,655
10 associated with UW 117. These invoices increase the total Rate Case
11 Expense to \$12,444; however, the stipulated amount included an estimate for
12 legal charges for the Settlement Conference and Hearing, and the invoices for
13 those meetings are included in the \$8,655 mentioned above. After removal of
14 the estimated amount and including the actual amount, the result is a total Rate
15 Case Expense of \$10,981. The Company's attorney, Jim Cox, estimates
16 Pete's Mountain will incur approximately \$2,700 more in Rate Case Expense
17 before the conclusion of UW 117. Adding the \$2,700 to the revised amount of
18 \$10,981 brings proposed the total to \$13,681. Because of the extraordinary
19 amount of this nonrecurring expense, Staff recommends amortization over four
20 years, for an annual expense of \$3,420.

⁵Effective February 1, 2007, the federal government mileage rate is \$0.485. Multiplying the annual 13,150 miles by \$0.485 per mile yields \$6,378, which exceeds the proposed fuel cost of \$2,465.53.

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CHANGES TO STIPULATED PLANT

Q. WHAT WAS THE STIPULATED AMOUNT OF UTILITY PLANT IN SERVICE?

A. The Stipulating Parties agreed that \$306,334 was the amount of the Company's Utility Plant in Service.

Q. DID THE COMPANY PROVIDE EVIDENCE OF ADDITIONAL PLANT SINCE THE STIPULATION?

A. Yes. While the Company installed the new plant, a Franklin submonitor,⁶ prior to the Stipulation, Staff received information regarding the additional plant after the Stipulation. Because of the new information, Staff added \$1,071 to Plant.

Q. WHAT EFFECT DOES THE ADDITIONAL PLANT HAVE ON TOTAL PLANT, DEPRECIATION RESERVE, AND NET PLANT?

A. The additional plant brings the total Plant in Service from \$306,334 to \$307,406 and increases Depreciation Reserve from \$95,158 to \$95,172. Total Net Plant increases from \$211,176 to \$212,234.

Q. DOES THE ADDITIONAL PLANT AFFECT DEPRECIATION EXPENSE?

A. Yes. Because of the additional plant, Depreciation Expense increases from \$11,727 to \$11,741.

Q. DID STAFF MAKE CHANGES TO ANY OTHER STIPULATED EXPENSES?

A. Yes. Based on information in the Company's 2006 Income Tax Return, Staff decreased the stipulated amounts for Property Tax (from \$5,450 to \$5,413) and Payroll Tax (from \$4,169 to \$3,802).

⁶ The Submonitor provides protection for pump and motor.

REVISED REVENUE REQUIREMENT AND RATES**Q. WHAT IS YOUR RECOMMENDED REVENUE REQUIREMENT AFTER REVIEWING THE REVISED INFORMATION IN THIS DOCKET?**

A. My review of the information in this docket results in a recommendation of a Revenue Requirement that reflects Pete's Mountain's revised actual cost of service. I recommend an increase of \$35,797, or 31.5 percent above test year revenues, for a total Revenue Requirement of \$149,411. The Company should be allowed the opportunity to earn an 8 percent rate of return on a rate base of \$223,769. Staff/202, page 1, contains the proposed Revenue Requirement.

Q. HOW DOES YOUR PROPOSED REVENUE REQUIREMENT COMPARE WITH THE STIPULATED REVENUE REQUIREMENT?

A. My recommended Revenue Requirement amount is \$3,469 lower than the stipulated Revenue Requirement of \$152,880.

Q. ARE YOU RECOMMENDING ANY CHANGES TO THE STIPULATED RATE DESIGN?

A. No. My recommendation is to use the same rate design supported by the Stipulating Parties. The proposed rate design 1) uses a modification of factors developed by the American Water Works Association (AWWA) to allocate base rates by meter size; 2) replaces the current one-tiered variable rate with a two-tiered variable rate; and 3) continues to allow 600 cubic feet in the base rate. The recommended Rate Design is contained in Staff/202, page 3.

1 **Q. HOW DO THE PROPOSED RATES DIFFER FROM THE STIPULATED**
2 **RATES?**

3 A. The following table compares Pete's Mountain's current rates, the stipulated
4 rates, and the proposed rates resulting from the revised Revenue Requirement:

Residential and Irrigation Rate Design	Current Rates	<i>Stipulated Rates</i>	Staff Proposed Rates
Base (Includes 600 cf) 3/4 & 5/8"	\$30.00	\$35.09	\$34.30
Base (Includes 600 cf) 1"	\$30.00	\$42.11	\$41.15
Base (Includes 600 cf) 1.5"	\$30.00	\$43.86	\$42.87
Base (Includes 600 cf) 2"	\$30.00	\$70.18	\$68.59
Tier 1 Variable (per 100 cf from 600 cf to 1600 cf)	\$3.25	\$3.50	\$3.50
Tier 2 Variable (per 100 cf above 1600 cf)	N/A	\$4.61	\$4.49

5
6 **Q. WHAT EFFECT DO THE PROPOSED RATES HAVE ON CUSTOMERS?**

7 A. Staff/202, pages 4 through 7, contains the rate impacts of the proposed rates
8 for each meter size.

9 **Q. DID STAFF CONSIDER AN ALTERNATIVE REVENUE REQUIREMENT?**

10 A. Yes. Due to concerns the Commission expressed in the Order regarding the
11 stipulated rates, Staff proposed an alternative Revenue Requirement contained
12 in Staff/304, page 1.

13 **Q. HOW DO THE STIPULATED RATES COMPARE TO THE RATES**
14 **PROPOSED UNDER THE ALTERNATIVE REVENUE REQUIREMENT**
15 **PRESENTED IN STAFF/304?**

- 1 A. The following table compares Pete's Mountain's current rates, the stipulated
 2 rates, and the proposed rates in the alternative Revenue Requirement
 3 presented in Staff/304:

Residential and Irrigation Rate Design	Current Rates	<i>Stipulated Rates</i>	Alternative Staff Proposed Rates
Base (Includes 600 cf) 3/4 & 5/8"	\$30.00	\$35.09	\$33.61
Base (Includes 600 cf) 1"	\$30.00	\$42.11	\$40.33
Base (Includes 600 cf) 1.5"	\$30.00	\$43.86	\$42.01
Base (Includes 600 cf) 2"	\$30.00	\$70.18	\$67.21
Tier 1 Variable (per 100 cf from 600 cf to 1600 cf)	\$3.25	\$3.50	\$3.50
Tier 2 Variable (per 100 cf above 1600 cf)	N/A	\$4.61	\$4.16

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5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 A. Yes.

CASE: UW 117
WITNESS: Renee Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 201

**Exhibits in Support of
Supplemental Direct Testimony**

April 20, 2007

Pete's Mountain Water Co., Inc.
 UW 117
RATE IMPACT 5/8" and 3/4"
2 TIER / 600 CF in BASE

\$3.50 Tier 1 >600 up to 1,600
 \$4.61 Tier 2 >1,600

Revenues 152,880 8% ROR
 Increase 34.6% 600 in BASE
 \$35.09 Base 71 / 29
 \$3.50 Tier 1 (>600 Up to 1600)
 \$4.61 Tier 2 (> 1600)

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600 Proposed Commodity Rate Per 100 >600 to 1600	Proposed Commodity Rate Per 100 >1600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
BASE										
0	\$30.00	\$3.25	\$30.00	\$35.09	\$3.50	\$4.61	0	\$35.09	\$5.09	17.0%
600	\$30.00	\$3.25	\$30.00	\$35.09	\$3.50	\$4.61	1	\$35.09	\$5.09	17.0%
T1										
1000	\$30.00	\$3.25	\$43.00	\$35.09	\$3.50	\$4.61	4	\$49.09	\$6.09	14.2%
1600	\$30.00	\$3.25	\$62.50	\$35.09	\$3.50	\$4.61	10	\$70.09	\$7.59	12.1%
T2										
1860	\$30.00	\$3.25	\$70.97	\$35.09	\$3.50	\$4.61	13	\$82.11	\$11.14	15.7%
2000	\$30.00	\$3.25	\$75.50	\$35.09	\$3.50	\$4.61	14	\$88.55	\$13.05	17.3%
4000	\$30.00	\$3.25	\$140.50	\$35.09	\$3.50	\$4.61	34	\$180.82	\$40.32	28.7%
5000	\$30.00	\$3.25	\$173.00	\$35.09	\$3.50	\$4.61	44	\$226.95	\$53.95	31.2%
6000	\$30.00	\$3.25	\$205.50	\$35.09	\$3.50	\$4.61	54	\$273.09	\$67.59	32.9%
7000	\$30.00	\$3.25	\$238.00	\$35.09	\$3.50	\$4.61	64	\$319.22	\$81.22	34.1%
8000	\$30.00	\$3.25	\$270.50	\$35.09	\$3.50	\$4.61	74	\$365.36	\$94.86	35.1%
9000	\$30.00	\$3.25	\$303.00	\$35.09	\$3.50	\$4.61	84	\$411.50	\$108.50	35.8%
10000	\$30.00	\$3.25	\$335.50	\$35.09	\$3.50	\$4.61	94	\$457.63	\$122.13	36.4%
11000	\$30.00	\$3.25	\$368.00	\$35.09	\$3.50	\$4.61	104	\$503.77	\$135.77	36.9%
12000	\$30.00	\$3.25	\$400.50	\$35.09	\$3.50	\$4.61	114	\$549.90	\$149.40	37.3%
15000	\$30.00	\$3.25	\$498.00	\$35.09	\$3.50	\$4.61	144	\$688.31	\$190.31	38.2%
20000	\$30.00	\$3.25	\$660.50	\$35.09	\$3.50	\$4.61	194	\$918.99	\$258.49	39.1%
23500	\$30.00	\$3.25	\$774.25	\$35.09	\$3.50	\$4.61	229	\$1,080.47	\$306.22	39.6%
			\$4,679.22					\$6,336.03		35.4%

Pete's Mountain Water Co., Inc.
 UW 117
RATE IMPACT 1"
2 TIER / 600 CF in BASE

Revenues 152,880 8% ROR
 Increase 34.6% 600 in BASE
 \$42.11 Base 71 / 29
 \$3.50 Tier 1 (>600 Up to 1600)
 \$4.61 Tier 2 (> 1600)

\$3.50 Tier 1 >600 up to 1,600
 \$4.61 Tier 2 >1,600

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600 Proposed Commodity Rate Per 100 >600 to 1600	Proposed Commodity Rate Per 100 >1600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
BASE										
0	\$30.00	\$3.25	\$30.00	\$42.11	\$3.50	\$4.61	0	\$42.11	\$12.11	40.4%
600	\$30.00	\$3.25	\$30.00	\$42.11	\$3.50	\$4.61	1	\$42.11	\$12.11	40.4%
T 1										
1000	\$30.00	\$3.25	\$43.00	\$42.11	\$3.50	\$4.61	4	\$56.11	\$13.11	30.5%
1600	\$30.00	\$3.25	\$62.50	\$42.11	\$3.50	\$4.61	10	\$77.11	\$14.61	23.4%
T 2										
2000	\$30.00	\$3.25	\$75.50	\$42.11	\$3.50	\$4.61	14	\$95.56	\$20.06	26.6%
3024	\$30.00	\$3.25	\$108.78	\$42.11	\$3.50	\$4.61	24	\$142.81	\$34.03	31.3%
4000	\$30.00	\$3.25	\$140.50	\$42.11	\$3.50	\$4.61	34	\$187.84	\$47.34	33.7%
5000	\$30.00	\$3.25	\$173.00	\$42.11	\$3.50	\$4.61	44	\$233.97	\$60.97	35.2%
6000	\$30.00	\$3.25	\$205.50	\$42.11	\$3.50	\$4.61	54	\$280.11	\$74.61	36.3%
7000	\$30.00	\$3.25	\$238.00	\$42.11	\$3.50	\$4.61	64	\$326.24	\$88.24	37.1%
8000	\$30.00	\$3.25	\$270.50	\$42.11	\$3.50	\$4.61	74	\$372.38	\$101.88	37.7%
9000	\$30.00	\$3.25	\$303.00	\$42.11	\$3.50	\$4.61	84	\$418.51	\$115.51	38.1%
10000	\$30.00	\$3.25	\$335.50	\$42.11	\$3.50	\$4.61	94	\$464.65	\$129.15	38.5%
11000	\$30.00	\$3.25	\$368.00	\$42.11	\$3.50	\$4.61	104	\$510.79	\$142.79	38.8%
12000	\$30.00	\$3.25	\$400.50	\$42.11	\$3.50	\$4.61	114	\$556.92	\$156.42	39.1%
15000	\$30.00	\$3.25	\$498.00	\$42.11	\$3.50	\$4.61	144	\$695.33	\$197.33	39.6%
20000	\$30.00	\$3.25	\$660.50	\$42.11	\$3.50	\$4.61	194	\$926.01	\$265.51	40.2%
23500	\$30.00	\$3.25	\$774.25	\$42.11	\$3.50	\$4.61	229	\$1,087.49	\$313.24	40.5%
			\$4,717.03					\$6,516.04		38.1%

Pete's Mountain Water Co., Inc.
 UW 117
RATE IMPACT 1.5"
2 TIER / 600 CF in BASE

Revenues 152,880 8% ROR
 Increase 34.6% 600 in BASE
 \$43.86 Base 71 / 29
 \$3.50 Tier 1 (>600 Up to 1600)
 \$4.61 Tier 2 (> 1600)

\$3.50 Tier 1 >600 up to 1,600
 \$4.61 Tier 2 >1,600

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600 Proposed Commodity Rate Per 100 >600 to 1600	Proposed Commodity Rate Per 100 >1600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference	
BASE	0	\$30.00	\$3.25	\$30.00	\$43.86	\$3.50	\$4.61	0	\$43.86	\$13.86	46.2%
	600	\$30.00	\$3.25	\$30.00	\$43.86	\$3.50	\$4.61	1	\$43.86	\$13.86	46.2%
T 1	1000	\$30.00	\$3.25	\$43.00	\$43.86	\$3.50	\$4.61	4	\$57.86	\$14.86	34.6%
	1600	\$30.00	\$3.25	\$62.50	\$43.86	\$3.50	\$4.61	10	\$78.86	\$16.36	26.2%
T 2	2000	\$30.00	\$3.25	\$75.50	\$43.86	\$3.50	\$4.61	14	\$97.32	\$21.82	28.9%
	2066	\$30.00	\$3.25	\$77.64	\$43.86	\$3.50	\$4.61	15	\$100.36	\$22.72	29.3%
	4000	\$30.00	\$3.25	\$140.50	\$43.86	\$3.50	\$4.61	34	\$189.59	\$49.09	34.9%
	5000	\$30.00	\$3.25	\$173.00	\$43.86	\$3.50	\$4.61	44	\$235.73	\$62.73	36.3%
	6000	\$30.00	\$3.25	\$205.50	\$43.86	\$3.50	\$4.61	54	\$281.86	\$76.36	37.2%
	7000	\$30.00	\$3.25	\$238.00	\$43.86	\$3.50	\$4.61	64	\$328.00	\$90.00	37.8%
	8000	\$30.00	\$3.25	\$270.50	\$43.86	\$3.50	\$4.61	74	\$374.13	\$103.63	38.3%
	9000	\$30.00	\$3.25	\$303.00	\$43.86	\$3.50	\$4.61	84	\$420.27	\$117.27	38.7%
	10000	\$30.00	\$3.25	\$335.50	\$43.86	\$3.50	\$4.61	94	\$466.41	\$130.91	39.0%
	11000	\$30.00	\$3.25	\$368.00	\$43.86	\$3.50	\$4.61	104	\$512.54	\$144.54	39.3%
	12000	\$30.00	\$3.25	\$400.50	\$43.86	\$3.50	\$4.61	114	\$558.68	\$158.18	39.5%
	15000	\$30.00	\$3.25	\$498.00	\$43.86	\$3.50	\$4.61	144	\$697.08	\$199.08	40.0%
	20000	\$30.00	\$3.25	\$660.50	\$43.86	\$3.50	\$4.61	194	\$927.76	\$267.26	40.5%
23500	\$30.00	\$3.25	\$774.25	\$43.86	\$3.50	\$4.61	229	\$1,089.24	\$314.99	40.7%	
			\$4,685.89				\$6,503.42	38.8%			

Pete's Mountain Water Co., Inc.
 UW 117
RATE IMPACT 2"
2 TIER / 600 CF in BASE

Revenues 152,880 8% ROR
 Increase 34.6% 600 in BASE
 \$70.18 Base 71 / 29
 \$3.50 Tier 1 (>600 Up to 1600)
 \$4.61 Tier 2 (> 1600)

\$3.50 Tier 1 >600 up to 1,600
 \$4.61 Tier 2 >1,600

Commodity Rate

Consumptions					1,600						
Customer	Current	Current	Total Current	Proposed	Proposed	Proposed			Total		
Usage	Base Rate	Commodity	Average	Customer	Commodity	Commodity	Usage	Proposed	Difference	Percentage	
	Includes	Rate Per	Monthly Rate	Base Rate	Rate Per	Rate Per	Factor	Monthly Rate		Difference	
	600	100		Includes	100	100					
		cf		600	>600 to 1600	>1600					

BASE	0	\$30.00	\$3.25	\$30.00	\$70.18	\$3.50	\$4.61	0	\$70.18	\$40.18	133.9%
	600	\$30.00	\$3.25	\$30.00	\$70.18	\$3.50	\$4.61	1	\$70.18	\$40.18	133.9%
T 1	1000	\$30.00	\$3.25	\$43.00	\$70.18	\$3.50	\$4.61	4	\$84.18	\$41.18	95.8%
	1600	\$30.00	\$3.25	\$62.50	\$70.18	\$3.50	\$4.61	10	\$105.18	\$42.68	68.3%
T 2	2079	\$30.00	\$3.25	\$78.07	\$70.18	\$3.50	\$4.61	15	\$127.29	\$49.22	63.0%
	4203	\$30.00	\$3.25	\$147.08	\$70.18	\$3.50	\$4.61	36	\$225.25	\$78.17	53.1%
	5000	\$30.00	\$3.25	\$173.00	\$70.18	\$3.50	\$4.61	44	\$262.04	\$89.04	51.5%
	6000	\$30.00	\$3.25	\$205.50	\$70.18	\$3.50	\$4.61	54	\$308.18	\$102.68	50.0%
	7000	\$30.00	\$3.25	\$238.00	\$70.18	\$3.50	\$4.61	64	\$354.32	\$116.32	48.9%
	8000	\$30.00	\$3.25	\$270.50	\$70.18	\$3.50	\$4.61	74	\$400.45	\$129.95	48.0%
	9000	\$30.00	\$3.25	\$303.00	\$70.18	\$3.50	\$4.61	84	\$446.59	\$143.59	47.4%
	10000	\$30.00	\$3.25	\$335.50	\$70.18	\$3.50	\$4.61	94	\$492.72	\$157.22	46.9%
	11000	\$30.00	\$3.25	\$368.00	\$70.18	\$3.50	\$4.61	104	\$538.86	\$170.86	46.4%
	12000	\$30.00	\$3.25	\$400.50	\$70.18	\$3.50	\$4.61	114	\$585.00	\$184.50	46.1%
	15000	\$30.00	\$3.25	\$498.00	\$70.18	\$3.50	\$4.61	144	\$723.40	\$225.40	45.3%
	20000	\$30.00	\$3.25	\$660.50	\$70.18	\$3.50	\$4.61	194	\$954.08	\$293.58	44.4%
	23528	\$30.00	\$3.25	\$775.16	\$70.18	\$3.50	\$4.61	229	\$1,116.85	\$341.69	44.1%
				\$4,618.31					\$6,864.76		48.6%

HOA
 WU
 IMU

CASE: UW 117
WITNESS: Renee Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 202

**Exhibits in Support of
Supplemental Direct Testimony**

April 20, 2007

Pete's Mountain Water Co., Inc.					
Test Year: 2005					
SUMMARY OF ADJUSTMENTS					
Staff					
Adjustments					
to Rev Req					
		Test	Year	Column D	Reason
		REVENUES			
1	461	Residential Water Sales	111,079	(\$635)	(86*12*\$30)+(24,457*\$3.25)
3	465	Irrigation (Stafford Hill HOA & Wu)	0	\$3,170	(2*\$30*12)+(754*\$3.25)
7		TOTAL REVENUE	111,079	\$2,535	
8					
9		OPERATING EXPENSES			
10	601	Salaries and Wages - Employees	756	(\$756)	\$756 was paid for Meter Reader; \$0 allowed because reading meters is part of Suzanne Webber's duties. Moved the requested \$2,000 increase to Account 639 Landscaping (adjusted after moving).
11	603	Salaries and Wages - Officers	43,094	\$1,098	\$42,192 Suzanne + \$2,000 for Terry (80 hrs per year @ \$25/hr).
12	604	Employee Pension & Benefits	10,593	\$1,551	Per Invoice dated April 28, 2006.
13	610	Purchased Water	0	\$1,403	Average expected water replacement cost until Well #1 is in service
14	611	Telephone/Communications	0	\$2,595	\$423 System Alarm, \$926 Cell, \$1,098 Phone, Fax & 90% of Broadband, \$162 90% ISP, \$35 cell phone amortized 2 years
15	615	Purchased Power	15,950	\$965	TY Invoices + 5% increase due to UE 180. Also includes \$52 annual electric cost for home office.
16	618	Chemical / Treatment Expense	0	\$0	Listed chemicals are not for water treatment, so the amount was moved to O&M.
17	619	Office Supplies	2,776	(\$1,185)	\$254 envelopes; \$90 PO Box; \$127 check printing; \$1,120 ink cartridges, billing cards, copy paper, reference books, etc. Moved \$555 Postage to Account 619.1 and moved \$457 Computer-related items to Account 648.
18	619	Postage	0	\$606	Increased due to May 14, 2007, postage increase.
19	620	O&M Materials/Supplies	715	(\$3)	Moved \$406 weed killer, etc. from Account 618. Moved \$409 lubricant to M&S Supply Inventory.
20	621	Repairs to Water Plant	1,415	(\$438)	Moved \$69.99 to Acct. 611; moved \$96.99 to Acct. 619; moved \$300 truck equipment to Plant. \$8,000 request denied as it is for constructing pump house and making capital improvements to Pumping Station. Will be placed into plant when it occurs.
21	631	Contract Svcs - Engineering	0	\$1,667	3-year amortization of requested amount for expense related to repairs of Well #1 and updating water rights.
22	632	Contract Svcs - Accounting	1,342	(\$0)	Per Invoices for preparation of tax returns and depreciation schedule
23	633	Contract Svcs - Legal	1,875	(\$353)	Four-year average of 2005, 2006 & 2007 to date
24	634	Contract Svcs - Management Fees	0	\$0	N/A
25	635	Contract Svcs - Testing	2,235	(\$1,543)	3-year total \$1,607 (per Alexin Analytical) amortized & escalated for inflation.
26	636	Contract Svcs - Labor	0	\$1,147	Requested \$10,500 increase was for labor relating to constructing pump house and making capital improvements to Pumping Station. Will be placed into plant when it occurs.
28	639	Contractual Services - Landscaping	0	\$0	Removed because it is listed as one of Suzanne Webber's duties
29	641	Rental of Building/Real Property	1,500	\$402	\$158.50 per month (\$1.21 per square ft for 131 square feet) AI
30	642	Rental of Equipment	0	\$0	Requested amount is for Capital Improvement project and was added to Plant
31	648	Computer/Electronic Expenses	0	\$210	Moved \$457 from Office Supplies and amortized 2 years.
32	650	Transportation	15,065	(\$5,991)	\$5,977.80 truck lease; \$630 maintenance; \$2,465.53 fuel (822 gal @ \$3.00)
33	656	Vehicle Insurance	0	\$1,098	Policy for 2005 Ford F250 & 1954 Intl Farm/Dump Truck. Moved from Misc.
34	657	General Liability Insurance	676	\$718	Policy provided.
35	658	Workers' Comp Insurance	249	\$1	Per SAIF policy.
36	666	Amortz. of Rate Case	0	\$3,420	4-year amortization of accounting, legal, misc rate case exp
37	667	Gross Revenue Fee (PUC)	295	(\$11)	Calculated
40	672	System Capacity Dev Program	0	\$0	No current expenses related to System Development
41	673	Training and Certification	0	\$0	None requested (included in Wages)
42	674	Consumer Confidence Report	0	\$0	None requested
43	675	General Expense	6,238	(\$5,557)	Moved: \$537 to Acct. 656; \$2,629 to Acct. 611; \$295 to Acct. 667. Disallowed: \$150 Donations; \$1,945 Interest; and proposed increase of \$15,623 for interest on loan that Company will apply for in 2007.
44		TOTAL OPERATING EXPENSE	104,774	\$1,043	
45					
46		OTHER REVENUE DEDUCTIONS			
47	403	Depreciation Expense	10,828	\$913	Based on Plant Work Sheet
48	407	Amortization Expense	0	\$212	Return of undepreciated pump replaced 9/2006 (\$3,187 / 15 years)
49	408	Property Tax	9,377	(\$3,964)	Revised per 2006 Income Tax Return
50	408	Payroll Tax	0	\$3,802	Revised per 2006 Income Tax Return
52	409	Oregon Income Tax	10	\$49	Calculated
53	409	Federal Income Tax	0	\$104	Calculated
54		TOTAL REVENUE DEDUCTIONS	124,989	(\$928)	
55		NET OPERATING INCOME	(13,910)	\$3,463	
56					
57	101	Utility Plant in Service	345,215	(\$37,809)	Reflects removal of fully-depreciated plant and addition of new plant
58		Less:			
59	108	Depreciation Reserve	167,158	(\$71,986)	Accumulated Depreciation calculated using NARUC formula
63		Net Utility Plant	0	\$34,177	
64		Plus: (working capital)			
65	151	Materials and Supplies Inventory	0	\$2,711	Moved Mineral Oil from O&M; Added meters purchased for replacements
66		Working Cash (Total Op Exp /12)	8,731	\$87	
67		TOTAL RATE BASE	186,788	\$36,975	

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Pete's Mountain Water Co., Inc.													
2	Test Year: 2005													
3	RATE DESIGN													
4	2 TIER / 600 CF in BASE													
5														
6	Proposed Revenues of:			\$149,411										
7														
8	BASE/COMMODITY SPLIT													
9	Variable Rate	Proposed Rev												
10	70.90%	\$149,411	=	\$105,933										
11														
12	Base Rate	Proposed Rev												
13	29.10%	\$149,411	=	\$43,479										
14				\$149,411										
15				43,479	58.40% of Fixed Costs collected from Base Rate									
16														
17	BASE RATE													
18														
19		Number of Customers	Current Monthly Base Rate	Proposed Monthly Base Rate	Total Annual Revenues	Revenue at Current Rates				Present Rates	Factors Used	Rate Required	AWWA Factors	
20	Size of Line													
21	RESIDENTIAL								Residential	Meter Size				
22	5/8" and 3/4"	30	\$30.00	\$34.30	\$12,346	\$10,800			30	5/8" & 3/4"	\$30.00	1	\$34.30	1
23	1"	57	\$30.00	\$41.15	\$28,149	\$20,520			57	1"	\$30.00	1.2	\$41.15	2.5
24	1 1/2"	1	\$30.00	\$42.87	\$514	\$360			1	1.5"	\$30.00	1.25	\$42.87	5
25	2"	1	\$30.00	\$68.59	\$823	\$360			1	2"	\$30.00	2	\$68.59	8
26		89							0	3"	\$30.00	4	\$137.18	15
27	IRRIGATION													
28	5/8" or 3/4"		\$30.00	\$34.30	\$0	\$0			Irrigation	Meter Size	Present Rates	Factors Used	Rate Required	AWWA Factors
29	1"		\$30.00	\$41.15	\$0	\$0			0	5/8" & 3/4"	\$30.00	1	\$34.30	1
30	1.5"		\$30.00	\$42.87	\$0	\$0			0	1"	\$30.00	1.2	\$41.15	2.5
31	2"	2	\$30.00	\$68.59	\$1,646	\$720			0	1.5"	\$0.00	1.25	\$42.87	5
32		2							2	2"	\$0.00	2	\$68.59	8
33	TOTALS	91			\$43,479	\$32,760			0	3"	\$30.00	4	\$137.18	15
34					\$43,479	\$32,760			91					
35					32.7%	32.7%								
36					PERCENT	% increase								
37												19.50%	490,002	T1 Total
38												80.50%	2,022,355	T2 Total
39													2,512,357	Total Variable
40	COMMODITY RATE													
41														
42	Revenue to be collected	\$105,933	Current	\$3.25 per 100 cf above 600 cf										
43	TIER ONE	Rate												
44	% of Assigned Revenue	\$3.50	PER 100 CUBIC FEET											
45	15.89%		Consumption	>600 up to 1,600										
46	\$16,830	divided by	4,809	=	\$3.50									
47														
48														
49	TIER TWO	Rate												
50	% of Assigned Revenue	\$4.49	PER 100 CUBIC FEET											
51	84.11%		Consumption	Above 1,600 cf										
52	\$89,103	divided by	19,846	=	\$4.49									
53	\$105,933		24,655	=	1600 cf = 11,969 gallons									
54														
55														
56														
57		3,120,672	Proposed Consumption											
58		655,200	- base consumpt ("free" water x cust x 12 months	600										
59		2,465,472	divided by unit of measure	100 cf										
60		24,655												
61														
62														
63														
64														
65	Meter Size	Average rates	Proposed	Percent Increase	Mo									
66	Residential	Current	Proposed		Avg	Consumption - Residential (Test)	Consumption - Residential (Projected)							
67	5/8" and 3/4"	\$70.97	\$80.99	14.13%	1860	5/8" and 3/4"	669,777 cf	5/8" x 3/4"	669,777 cf	1860				
68	1"	\$108.78	\$140.09	28.78%	3024	1"	1,995,820 cf	1"	2,068,395 cf	3024				
69	1 1/2"	\$77.64	\$98.78	27.23%	2066	1 1/2"	24,790 cf	1 1/2"	24,790 cf	2066				
70	2"	\$775.14	\$1,088.06	40.37%	23528	2"	282,330 cf (IMO Holdings)	2"	282,330 cf	23528				
71							2,972,717		3,045,292					
72	IRRIGATION	Current	Proposed	Increase		Consumption - Irrigation (Test)	Consumption - HOA Irrigation (Projected)							
73	HOA 2"	\$78.07	\$125.10	60.24%	2079	2"	24,950 cf (HOA)	2"	24,950 cf	2079				
74	WU 2"	\$147.08	\$220.43	49.87%	4203	2"	50,430 cf (WU)	2"	50,430 cf	4203				
75							75,380		75,380					
76						TOTAL ALL	3,048,097		3,120,672					

Pete's Mountain Water Co., Inc.
 UW 117
RATE IMPACT 5/8" and 3/4"
2 TIER / 600 CF in BASE

\$3.50 Tier 1 >600 up to 1600
 \$4.49 Tier 2 >1600

Revenues 149,411 8% ROR
 Increase 31.5% 600 in BASE
 \$34.30 Base 71 / 29
 \$3.50 Tier 1 (>600 Up to 1600)
 \$4.49 Tier 2 (> 1600)

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600 Proposed Commodity Rate Per >600 to 1600	Proposed Commodity Rate Per >1600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
BASE 0	\$30.00	\$3.25	\$30.00	\$34.30	\$3.50	\$4.49	0	\$34.30	\$4.30	14.3%
BASE 600	\$30.00	\$3.25	\$30.00	\$34.30	\$3.50	\$4.49	0	\$34.30	\$4.30	14.3%
T1 653	\$30.00	\$3.25	\$31.72	\$34.30	\$3.50	\$4.49	0.53	\$36.15	\$4.43	14.0%
T1 1000	\$30.00	\$3.25	\$43.00	\$34.30	\$3.50	\$4.49	4	\$48.30	\$5.30	12.3%
T1 1500	\$30.00	\$3.25	\$59.25	\$34.30	\$3.50	\$4.49	9	\$65.80	\$6.55	11.0%
T1 1600	\$30.00	\$3.25	\$62.50	\$34.30	\$3.50	\$4.49	10	\$69.30	\$6.80	10.9%
T2 1860	\$30.00	\$3.25	\$70.97	\$34.30	\$3.50	\$4.49	13	\$80.99	\$10.02	14.1%
T2 2000	\$30.00	\$3.25	\$75.50	\$34.30	\$3.50	\$4.49	14	\$87.25	\$11.75	15.6%
T2 4000	\$30.00	\$3.25	\$140.50	\$34.30	\$3.50	\$4.49	34	\$177.05	\$36.55	26.0%
T2 5000	\$30.00	\$3.25	\$173.00	\$34.30	\$3.50	\$4.49	44	\$221.94	\$48.94	28.3%
T2 6000	\$30.00	\$3.25	\$205.50	\$34.30	\$3.50	\$4.49	54	\$266.84	\$61.34	29.8%
T2 7000	\$30.00	\$3.25	\$238.00	\$34.30	\$3.50	\$4.49	64	\$311.74	\$73.74	31.0%
T2 8000	\$30.00	\$3.25	\$270.50	\$34.30	\$3.50	\$4.49	74	\$356.63	\$86.13	31.8%
T2 9000	\$30.00	\$3.25	\$303.00	\$34.30	\$3.50	\$4.49	84	\$401.53	\$98.53	32.5%
T2 10000	\$30.00	\$3.25	\$335.50	\$34.30	\$3.50	\$4.49	94	\$446.43	\$110.93	33.1%
T2 11000	\$30.00	\$3.25	\$368.00	\$34.30	\$3.50	\$4.49	104	\$491.32	\$123.32	33.5%
T2 12000	\$30.00	\$3.25	\$400.50	\$34.30	\$3.50	\$4.49	114	\$536.22	\$135.72	33.9%
T2 15000	\$30.00	\$3.25	\$498.00	\$34.30	\$3.50	\$4.49	144	\$670.91	\$172.91	34.7%
T2 20000	\$30.00	\$3.25	\$660.50	\$34.30	\$3.50	\$4.49	194	\$895.39	\$234.89	35.6%
T2 23500	\$30.00	\$3.25	\$774.25	\$34.30	\$3.50	\$4.49	229	\$1,052.53	\$278.28	35.9%
			\$4,770.19					\$6,284.90		31.8%

Pete's Mountain Water Co., Inc.
 UW 117
RATE IMPACT 1"
2 TIER / 600 CF in BASE

Revenues 149,411 8% ROR
 Increase 31.5% 600 in BASE
 \$41.15 Base 71 / 29
 \$3.50 Tier 1 (>600 Up to 1600)
 \$4.49 Tier 2 (> 1600)

\$3.50 Tier 1 >600 up to 1,600
 \$4.49 Tier 2 >1,600

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600 Proposed Commodity Rate Per >600 to 1600	Proposed Commodity Rate Per >1600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
BASE 0	\$30.00	\$3.25	\$30.00	\$41.15	\$3.50	\$4.49	0	\$41.15	\$11.15	37.2%
BASE 600	\$30.00	\$3.25	\$30.00	\$41.15	\$3.50	\$4.49	0	\$41.15	\$11.15	37.2%
T 1 1000	\$30.00	\$3.25	\$43.00	\$41.15	\$3.50	\$4.49	4	\$55.15	\$12.15	28.3%
T 1 1600	\$30.00	\$3.25	\$62.50	\$41.15	\$3.50	\$4.49	10	\$76.15	\$13.65	21.8%
T 2 2000	\$30.00	\$3.25	\$75.50	\$41.15	\$3.50	\$4.49	14	\$94.11	\$18.61	24.7%
T 2 3024	\$30.00	\$3.25	\$108.78	\$41.15	\$3.50	\$4.49	24	\$140.09	\$31.31	28.8%
T 2 4000	\$30.00	\$3.25	\$140.50	\$41.15	\$3.50	\$4.49	34	\$183.91	\$43.41	30.9%
T 2 5000	\$30.00	\$3.25	\$173.00	\$41.15	\$3.50	\$4.49	44	\$228.80	\$55.80	32.3%
T 2 6000	\$30.00	\$3.25	\$205.50	\$41.15	\$3.50	\$4.49	54	\$273.70	\$68.20	33.2%
T 2 7000	\$30.00	\$3.25	\$238.00	\$41.15	\$3.50	\$4.49	64	\$318.60	\$80.60	33.9%
T 2 8000	\$30.00	\$3.25	\$270.50	\$41.15	\$3.50	\$4.49	74	\$363.49	\$92.99	34.4%
T 2 9000	\$30.00	\$3.25	\$303.00	\$41.15	\$3.50	\$4.49	84	\$408.39	\$105.39	34.8%
T 2 10000	\$30.00	\$3.25	\$335.50	\$41.15	\$3.50	\$4.49	94	\$453.29	\$117.79	35.1%
T 2 11000	\$30.00	\$3.25	\$368.00	\$41.15	\$3.50	\$4.49	104	\$498.18	\$130.18	35.4%
T 2 12000	\$30.00	\$3.25	\$400.50	\$41.15	\$3.50	\$4.49	114	\$543.08	\$142.58	35.6%
T 2 15000	\$30.00	\$3.25	\$498.00	\$41.15	\$3.50	\$4.49	144	\$677.77	\$179.77	36.1%
T 2 20000	\$30.00	\$3.25	\$660.50	\$41.15	\$3.50	\$4.49	194	\$902.25	\$241.75	36.6%
T 2 23500	\$30.00	\$3.25	\$774.25	\$41.15	\$3.50	\$4.49	229	\$1,059.39	\$285.14	36.8%
			\$4,717.03					\$6,358.66		34.8%

Pete's Mountain Water Co., Inc.
 UW 117
RATE IMPACT 1.5"
2 TIER / 600 CF in BASE

Revenues 149,411 8% ROR
 Increase 31.5% 600 in BASE
 \$42.87 Base 71 / 29
 \$3.50 Tier 1 (>600 Up to 1600)
 \$4.49 Tier 2 (> 1600)

\$3.50 Tier 1 >600 up to 1,600
 \$4.49 Tier 2 >1,600

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600 Proposed Commodity Rate Per >600 to 1600	Proposed Commodity Rate Per >1600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference	
BASE	0	\$30.00	\$3.25	\$30.00	\$42.87	\$3.50	\$4.49	0	\$42.87	\$12.87	42.9%
	600	\$30.00	\$3.25	\$30.00	\$42.87	\$3.50	\$4.49	0	\$42.87	\$12.87	42.9%
T 1	1000	\$30.00	\$3.25	\$43.00	\$42.87	\$3.50	\$4.49	4	\$56.87	\$13.87	32.3%
	1600	\$30.00	\$3.25	\$62.50	\$42.87	\$3.50	\$4.49	10	\$77.87	\$15.37	24.6%
T 2	2000	\$30.00	\$3.25	\$75.50	\$42.87	\$3.50	\$4.49	14	\$95.83	\$20.33	26.9%
	2066	\$30.00	\$3.25	\$77.64	\$42.87	\$3.50	\$4.49	15	\$98.78	\$21.14	27.2%
	4000	\$30.00	\$3.25	\$140.50	\$42.87	\$3.50	\$4.49	34	\$185.62	\$45.12	32.1%
	5000	\$30.00	\$3.25	\$173.00	\$42.87	\$3.50	\$4.49	44	\$230.52	\$57.52	33.2%
	6000	\$30.00	\$3.25	\$205.50	\$42.87	\$3.50	\$4.49	54	\$275.41	\$69.91	34.0%
	7000	\$30.00	\$3.25	\$238.00	\$42.87	\$3.50	\$4.49	64	\$320.31	\$82.31	34.6%
	8000	\$30.00	\$3.25	\$270.50	\$42.87	\$3.50	\$4.49	74	\$365.21	\$94.71	35.0%
	9000	\$30.00	\$3.25	\$303.00	\$42.87	\$3.50	\$4.49	84	\$410.10	\$107.10	35.3%
	10000	\$30.00	\$3.25	\$335.50	\$42.87	\$3.50	\$4.49	94	\$455.00	\$119.50	35.6%
	11000	\$30.00	\$3.25	\$368.00	\$42.87	\$3.50	\$4.49	104	\$499.90	\$131.90	35.8%
	12000	\$30.00	\$3.25	\$400.50	\$42.87	\$3.50	\$4.49	114	\$544.79	\$144.29	36.0%
	15000	\$30.00	\$3.25	\$498.00	\$42.87	\$3.50	\$4.49	144	\$679.48	\$181.48	36.4%
20000	\$30.00	\$3.25	\$660.50	\$42.87	\$3.50	\$4.49	194	\$903.97	\$243.47	36.9%	
23500	\$30.00	\$3.25	\$774.25	\$42.87	\$3.50	\$4.49	229	\$1,061.11	\$286.86	37.0%	
			\$4,685.89					\$6,346.51		35.4%	

Pete's Mountain Water Co., Inc.
 UW 117
RATE IMPACT 2"
2 TIER / 600 CF in BASE

\$3.50 Tier 1 >600 up to 1,600
 \$4.49 Tier 2 >1,600

Revenues 149,411	8% ROR
Increase 31.5%	600 in BASE
\$68.59 Base	71 / 29
\$3.50 Tier 1 (>600 Up to 1600)	
\$4.49 Tier 2 (> 1600)	

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600		Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference	
					Proposed Commodity Rate Per 100 >600 to 1600	Proposed Commodity Rate Per 100 >1600					
BASE	0	\$30.00	\$3.25	\$30.00	\$68.59	\$3.50	\$4.49	0	\$68.59	\$38.59	128.6%
	600	\$30.00	\$3.25	\$30.00	\$68.59	\$3.50	\$4.49	0	\$68.59	\$38.59	128.6%
T 1	1000	\$30.00	\$3.25	\$43.00	\$68.59	\$3.50	\$4.49	4	\$82.59	\$39.59	92.1%
	1600	\$30.00	\$3.25	\$62.50	\$68.59	\$3.50	\$4.49	10	\$103.59	\$41.09	65.7%
T 2	2079	\$30.00	\$3.25	\$78.07	\$68.59	\$3.50	\$4.49	15	\$125.10	\$47.03	60.2%
	4203	\$30.00	\$3.25	\$147.08	\$68.59	\$3.50	\$4.49	36	\$220.43	\$73.35	49.9%
	5000	\$30.00	\$3.25	\$173.00	\$68.59	\$3.50	\$4.49	44	\$256.24	\$83.24	48.1%
	6000	\$30.00	\$3.25	\$205.50	\$68.59	\$3.50	\$4.49	54	\$301.14	\$95.64	46.5%
	7000	\$30.00	\$3.25	\$238.00	\$68.59	\$3.50	\$4.49	64	\$346.03	\$108.03	45.4%
	8000	\$30.00	\$3.25	\$270.50	\$68.59	\$3.50	\$4.49	74	\$390.93	\$120.43	44.5%
	9000	\$30.00	\$3.25	\$303.00	\$68.59	\$3.50	\$4.49	84	\$435.83	\$132.83	43.8%
	10000	\$30.00	\$3.25	\$335.50	\$68.59	\$3.50	\$4.49	94	\$480.72	\$145.22	43.3%
	11000	\$30.00	\$3.25	\$368.00	\$68.59	\$3.50	\$4.49	104	\$525.62	\$157.62	42.8%
	12000	\$30.00	\$3.25	\$400.50	\$68.59	\$3.50	\$4.49	114	\$570.52	\$170.02	42.5%
	15000	\$30.00	\$3.25	\$498.00	\$68.59	\$3.50	\$4.49	144	\$705.20	\$207.20	41.6%
20000	\$30.00	\$3.25	\$660.50	\$68.59	\$3.50	\$4.49	194	\$929.69	\$269.19	40.8%	
	23528	\$30.00	\$3.25	\$775.16	\$68.59	\$3.50	\$4.49	229	\$1,088.08	\$312.92	40.4%
				\$4,618.31				\$6,698.89		45.1%	

HOA
 WU
 IMO

CASE: UW 117
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 300

Supplemental Direct Testimony

April 20, 2007

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Michael Dougherty. I am employed by the Public Utility
4 Commission of Oregon as Program Manager, Corporate Analysis and Water
5 Regulation Section of the Utility Program. My business address is 550 Capitol
6 Street NE Suite 215, Salem, Oregon 97301-2551.

7 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?**

8 A. Yes. I was a co-sponsor of Staff Exhibit/100, Direct Testimony in Support of
9 the Stipulation.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my testimony is to discuss Pete’s Mountain Water Company
12 Inc. (Pete’s Mountain) wage and benefit payments to owners and effects of
13 consumption on customer rates.

14 **Q. DID YOU PREPARE EXHIBITS FOR THIS DOCKET?**

15 A. Yes. I prepared Exhibit Staff/301, Exhibit Staff/302, Exhibit Staff/303, and
16 Exhibit Staff/304.

17 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

18 A. My testimony is organized as follows:

19	Issue 1, Wages and Benefit Payments to Owners	2
20	Issue 2, Effects of Consumption on Customer Rates.....	19

21
22

ISSUE 1, WAGES AND BENEFIT PAYMENTS TO OWNERS**Q. WHAT WERE THE SALARIES AND WAGES INCLUDED IN THE UW 117****STIPULATION?**

A. In the UW 117 Stipulation, Staff recommended a total of \$44,192 for Officer Salaries and Wages, which is \$1,098 above the test year amount. The Stipulating Parties believed that the wages paid to the Webbers were reasonable. During its initial review, Staff compared the Webbers' wages against the Oregon Employment Department's Oregon Labor Market Information System (OLMIS - www.olmis.org) for Water and Liquid Wastewater Treatment Plant and System Operators and General and Operation Managers. The OLMIS median hourly wage for system operators in Clackamas County is \$20.75. This amount is in line with the \$20.32 hourly wage that the Company pays Suzanne Webber. The 75th percentile¹ OLMIS hourly wage for system operators is \$25.44, which is very close to the \$25 per that Pete's Mountain pays Terry Webber. Staff believed that it was reasonable for Terry Webber to receive the higher wage with over 20 years of experience as an owner/operator of the water system. Although this wage is approximately the same as the 75th percentile for system operators, it is considerably lower than the median wage for a General and Operations Manager (\$40.94) in Clackamas County.

As a means to substantiate the Manager/System Operator salaries, Staff examined the American Water Works' Association (AWWA), 2005 Water

¹ Wage percentiles describe the distribution of earnings within published occupations. At the 75th percentile, one-fourth of Water Operations Managers are paid the same as or more than the rate shown.

1 Utility Compensation Survey.² The salary paid to Suzanne Webber by the
2 Company was between the middle (\$39,692) and maximum (\$45,025) salary
3 range for Senior/Lead Water Treatment Plant Operator for utilities with under
4 25 employees. The salary paid to Terry Webber was slightly lower than the
5 middle average salary range for a Water Operations Manager for utilities
6 with fewer than 25 employees.³

7 Staff had previously used OLMIS wages and substantiation of wages
8 using the AWWA Wage Survey in Long Butte Water System (UW 110),
9 Commission Order No. 06-027, dated January 23, 2006.

10 In addition to system operator and office duties, the Webbers, as owners of
11 the Company, are also responsible for corporate governance duties. The
12 Webbers maintain the responsibility of ensuring that Pete's Mountain is a
13 stable company that will continue to provide water service to its customers.
14 The Webbers are accountable to their customers for service delivery; tax,
15 financial, risk, and facilities management; community and public relations;
16 and regulatory matters. Although the Webbers have not requested or
17 received any additional compensation for their duties as officers, this
18 responsibility remains.

19 The Stipulating Parties also had agreed that the hours worked, 173 hours
20 per month for Suzanne Webber and 6.67 hours per month for Terry Webber
21 were reasonable. Combined, the Webbers account for 1.04 full-time

² Published September 2005, by the American Water Works Association (AWWA).

³ The Average Salary for the Middle Range is \$52,100. \$52,100 divided by 2,076 hours equals \$25.10 per hour.

1 equivalents (FTE). Additionally, the Webbers must be available on call for
2 emergencies at all times, seven days a week, 24 hours a day. No overtime
3 compensation was requested or added to the salaries of the Webbers.

4 **Q. PLEASE EXPLAIN WHY THE COMPANY WAS DIRECTED BY THE**
5 **COMMISSION TO FILE AFFILIATED INTEREST APPLICATIONS FOR THE**
6 **WAGES PAID TO THE OWNERS.**

7 A. In Commission Order No. 06-627 (UW 117), dated December 4, 2006, the
8 Commission clarified the requirements relating to situations where owners of
9 water utilities were also employed by the utility. Staff had historically not
10 requested an affiliated interest filing in such circumstances and instead
11 rigorously reviewed the compensation expense during general rate reviews. In
12 Order No. 06-627, the Commission found that the plain, natural, and ordinary
13 meaning of the affiliated interest statute mandates that payment of wages and
14 benefits to an owner of a utility requires an affiliated interest filing, pursuant to
15 ORS 757.495(1).

16 **Q. DID PETE'S MOUNTAIN FILE THE APPROPRIATE AFFILIATED**
17 **INTEREST APPLICATIONS?**

18 A. Yes. The Company filed UI 261 and UI 262 on February 12, 2007, for approval
19 of the affiliated interest applications concerning wages paid to the owners, Mr.
20 and Mrs. Webber. The applications were approved by the Commission as
21 Order No. 07-106, (UI 261) dated March 15, 2007, and Order No. 07-107
22 (UI 262), dated March 15, 2007.

1 **Q. WHAT WAS THE FOCUS OF STAFF'S REVIEW OF THE AFFILIATED**
2 **INTEREST FILING?**

3 A. Pursuant to OAR 860-036-0739, Allocation of Costs by a Water Utility, the
4 amount paid by a utility to an affiliated interest is required to be at cost or the
5 market rate, whichever is lower. Given the nature of the proposed contract,
6 between the Company and a majority shareholder, Staff's AI reviews focused
7 on analyzing the market rates since in these cases the terms "market" and
8 "cost" are the same given the uniqueness of the affiliated interest relationship
9 and its human capital services.

10 To perform these analyses, Staff again used both the Oregon Employment
11 Department's Oregon Labor and Market Information System (OLMIS) and the
12 American Water Works Association (AWWA) Water Utility Compensation
13 Survey for a proxy to determine the market rate. As a result of the additional
14 analyses in UI 261 and UI 262, Staff supported the rates of \$25 per hour for
15 Mr. Webber and \$20.32 per hour for Mrs. Webber. Orders No. 07-106, (UI
16 261) dated March 15, 2007, and No. 07-107 (UI 262), dated March 15, 2007
17 are provided in Staff Exhibit 301.

18 **Q. ARE THESE THE SAME RATES AS THAT INCLUDED IN THE FORMER**
19 **STIPULATION?**

20 A. Yes.

21 **Q. ALTHOUGH YOU SUPPORTED IN THE UI 261 AND UI 262 DOCKETS**
22 **THE SAME WAGES AS CONTAINED IN YOUR DIRECT TESTIMONY, IS IT**
23 **TRUE THAT THE COMMISSION HAS SERIOUS CONCERNS ABOUT THE**

1 **LEVEL OF WAGES PAID TO THE OWNERS OF PETE’S MOUNTAIN AND**
2 **EXPRESSED THIS CONCERN IN COMMISSION ORDER NO. 06-627**
3 **(UW 117), DATED DECEMBER 4, 2006?**

4 A. Yes. In Order No. 06-627, the Commission stated:

5 More importantly, we preliminarily agree with many of the
6 arguments raised by the Intervenors questioning whether
7 PMWC has established the reasonableness of: (1) the
8 salary paid to, and estimated hours of work performed by,
9 Ms. Webber; (2) the health care benefits paid to both Mr.
10 and Ms. Webber; and (3) transportation costs. The
11 Intervenors have conclusively demonstrated that PMWC has
12 significantly higher employee and transportation costs than
13 all but one of the other regulated water utilities with 200 or
14 fewer customers. While rates must be based on an
15 examination of each company’s unique cost of service, the
16 costs incurred by these other utilities may be relevant in
17 determining whether PMWC’s operating costs are prudent
18 and reasonable.

19
20 **Q. DESPITE THE COMMISSION’S FINDINGS, DO YOU STILL SUPPORT THE**
21 **WAGE RATES AND LEVEL OF WAGES STIPULATED IN UW 117?**

22 A. Yes.

23 **Q. PLEASE EXPLAIN.**

24 A. I still support the wage rates and level of wages stipulated in UW 117 for the
25 following reasons:

- 26 1. Based on my analysis as described on pages 2 through 4 of this
27 testimony, the recommended wages meet the Commission’s transfer
28 pricing policy and are fair, reasonable, and not contrary to the public
29 interest; and

1 2. The Webbers have provided documentation demonstrating that they
2 have worked the total amount of hours for which they are seeking
3 compensation.

4 **Q. PLEASE EXPLAIN WHY THE WAGE RATES MEET THE COMMISSION'S**
5 **TRANSFER PRICING POLICY?**

6 A. As previously mentioned, pursuant to OAR 860-036-0739, Allocation of Costs
7 by a Water Utility, the amount paid by a utility to an affiliated interest is required
8 to be at cost or the market rate, whichever is lower. Staff performed an
9 extensive review of the wage rates in UW 117, UI 261, and UI 262 and
10 determined the that the wages paid to the Webbers met the lower of cost or
11 market rate. As a result, Staff determined that the wage rates are fair,
12 reasonable, and not contrary to the public interest. Orders No. 07-106, (UI 261)
13 dated March 15, 2007, and No. 07-107 (UI 262), dated March 15, 2007 are
14 provided in Staff Exhibit 301.

15 **Q. IS IT TRUE THAT AT THE SAME LEVEL OF RATES, PAYMENTS**
16 **(RECEIPTS) TO OWNERS WOULD STAY THE SAME NO MATTER IF**
17 **THESE PAYMENTS WERE RECEIVED BY WAGES OR RESULTED**
18 **FROM NET INCOME?**

19 A. Yes. Since the employees and owners are one of the same, any amount paid
20 in wages would reduce net income. However, total receipts to the owners
21 would be equivalent no matter if the payments received resulted from net
22 income or from wages. The following tables highlight this comparison in a
23 more concise manner. Please note that wage and income amounts are taken

1 from the Company's annual reports, which have not been audited. Table 1
2 highlights the end receipts to owners based on actual wage payments and net
3 income from the years 2001 through 2005.

4 **Table 1 – Wages and Net Income Based on Current Level of Wages**

Year	Wages	Income	End Receipts
2005	\$43,094	-\$13,536	\$29,558
2004	\$43,679	-\$7,066	\$36,613
2003	\$41,457	\$4,679	\$46,136
2002	\$40,899	-\$13,529	\$27,370
2001	\$44,581	\$14,133	\$58,714
Total	\$217,168	-\$15,319	\$198,391
5-Year Average	\$43,434	-\$3,064	\$39,678

5
6 Table 2 highlights the end receipts based on the wage payments and net
7 income from the years 2001 through 2005 if wages were reduced by one-half.

8 **Table 2 – Wages and Net Income Based on One-Half Level of Wages**

Year	Wages	Income	End Receipts
2005	\$21,547	\$8,011	\$29,558
2004	\$21,840	\$14,774	\$36,613
2003	\$20,729	\$26,455	\$46,136
2002	\$20,450	\$6,921	\$27,370
2001	\$22,291	\$37,105	\$58,714
Total	\$106,855	\$91,536	\$198,391
5-Year Average	\$21,371	\$18,307	\$39,678

9
10 As can be seen from the two tables, the end receipts to the owners (average
11 \$39,678 per year) do not change despite the different levels of wages and net
12 income. This is true for any combination of wages and net income.

13 **Q. EVEN THOUGH THE END RECEIPTS TO THE OWNERS DO NOT**
14 **CHANGE, IS IT TRUE THAT UNDER THE LOWER WAGE SCENARIOS,**
15 **AND HOLDING RATES CONSTANT, THE COMPANY WOULD HAVE A**

1 **HIGHER RATE OF RETURN THAT WOULD PRECLUDE THE COMPANY**
2 **FROM REQUESTING A RATE INCREASE?**

3 A. Yes, the rate of return would be higher under the lower wage scenarios;
4 however, the results would probably not have precluded the Company from
5 requesting a rate increase. This is a result of the following reasons:

- 6 1. As previously mentioned, the Webbers have provided documentation
7 demonstrating that they have worked the total amount of hours that
8 they are seeking compensation.
- 9 2. The end receipts can also be considered “funds for investments” since
10 the Company has been required to reinvest heavily in plant. As Staff
11 will demonstrate, these funds were just able to cover the level of
12 investment the Company has been required to make in the preceding
13 five-year period. To be clear, I did not use the amount of investments
14 to determine the level of wages. As previously mentioned, the wage
15 levels were determined as explained in pages 2 through 4 of this
16 testimony.
- 17 3. Wages are an ordinary and necessary expense incurred in the
18 operation of a business. In addition, wages to an owner should not be
19 supplanted by the Company’s net income that results from a return on
20 plant investment, or by cash flow that partially results from the return of
21 investment (non-cash depreciation expense).

22 The following table highlights the rates of return based on the two scenarios
23 presented in page 8 of this testimony.

1 **Table 3 – Rates of Return**

Year	Table 1 Full Wages	Table 2 Half-Wages
2005	-7.60%	4.5%
2004	-3.74%	7.82%
2003	2.34%	12.71%
2002	-7.75%	3.96%
2001	8.10%	20.87%
5-Year Average	-1.73%	9.97%

2
3 As shown in Table 3, even at the half-wage scenario, the authorized rate of
4 return of 11.5 percent⁴ would only be exceeded two of the past five years.

5 Additionally, the five-year average rate of return would be 153 basis points
6 below the authorized rate of return. However, the half-wage illustration should
7 not be relevant since the Company has provided documentation for hours
8 worked. To reduce wages by one-half would result in non-recognition of hours
9 worked for utility operations or have the effect of lowering wages significantly
10 below market.

11 **Q. PLEASE EXPLAIN YOUR STATEMENT THAT THE END RECEIPTS**
12 **WERE JUST ABLE TO COVER THE LEVEL OF INVESTMENT THE**
13 **COMPANY HAS BEEN REQUIRED TO MAKE IN THE PRECEDING FIVE-**
14 **YEAR PERIOD.**

15 A. The following table compares the annual end receipts that could be considered
16 funds for investment with the level of investments made for each of the five
17 years. The investments are taken from Staff's UW 117 plant analysis. Net

⁴ UW 34, Commission Order No. 91-853. Pete's Mountain Water Company, Inc.

1 Plant is taken from the Company's annual reports, which have not been
2 audited.

3 **Table 4 – Funds For Investment**

Year	Funds For Investments (End Receipts)	Investment	Funds after Investments	Net Plant
2005	\$29,558	\$1,803	\$27,755	\$178,056
2004	\$36,613	\$0	\$36,613	\$188,885
2003	\$46,136	\$125,817	-\$79,681	\$199,957
2002	\$27,370	\$1,477	\$25,893	\$174,634
2001	\$58,714	\$52,617	\$6,097	\$174,487
Total	\$198,391	\$181,714	\$16,677	
5-Year Average	\$39,678	\$36,343	\$3,335	\$183,204
5-Year Average Return on and of Plant⁵			\$25,931	
Average Annual Under-recovery			-\$22,596	

4
5 As the above table indicates, the Company has reinvested heavily into plant
6 the last five years. The table also indicates that these investments have placed
7 a tremendous strain on the Company's earnings. Therefore, even though the
8 owners have been paying themselves wages, the funds the owners have been
9 able to collect through both wages and income are approximately 90 percent of
10 the level of funds that were used to reinvest in plant. To be clear, I did not use
11 the amount of investments to determine the level of wages. As previously

⁵ This amount includes depreciation expense allowed in UW 34 plus the UW 34 authorized rate of return (11.5 percent) multiplied by the five-year average net plant of \$183,204.

1 mentioned, the wage levels were determined as explained in pages 2 through 4
2 of this testimony.

3 The table also shows that the average annual funds after investment is
4 significantly less (\$22,596) than the five-year average return on and of the plant
5 that the Company had an opportunity to earn. When looking at the complete
6 picture, the owners "net" net annual income after investment is \$3,335.

7 Considering the amount of time required to operate the plant and the
8 investment the owners have been required to make into plant, I still support the
9 level of wages formerly stipulated in UW 117.

10 **Q. ALTHOUGH THE OVERALL INCOME PICTURE SHOWS A STRAIN ON**
11 **EARNINGS DUE TO REINVESTMENT, WHAT IS THE EFFECT OF**
12 **INVESTMENT ON CASH FLOW?**

13 A. Staff Exhibit 302 also presents a cash flow analysis. As Staff Exhibit 302
14 demonstrates, the cash flow picture is not much better than the income picture.
15 The two additional inputs on cash flow are depreciation expense (allowed in
16 rates in UW 34) and loan principal payments. As a result, the five-year
17 average funds after investment is slightly higher at \$4,128, which is \$21,803
18 less than the five-year average return on and of the plant that the Company
19 had an opportunity to earn. In Staff Exhibit 302, page 2, I even run the
20 scenario of the Company owners not receiving any pay. Although, at the same
21 level of rates, the five-year rate of return (22 percent) would be significantly
22 higher than what was authorized (11.5 percent), it does not change the fact
23 that the funds the owners have been able to collect through both wages and

1 income are approximately 90 percent of the level of funds that were used to
2 reinvest in plant.

3 To be clear, I did not use the amount of investments to determine the level
4 of wages. As previously mentioned, the wage levels were determined as
5 explained in pages 2 through 4 of this testimony.

6 **Q. ALTHOUGH YOU PRESENT THE ABOVE DATA ON EARNINGS AND**
7 **WAGES, IS IT TRUE THAT PETE'S MOUNTAIN'S RATES ARE AND WILL**
8 **CONTINUE TO BE AMONGST THE HIGHEST OF COMMISSION**
9 **REGULATED WATER UTILITIES AND WAGES CONTRIBUTE TO THESE**
10 **HIGHER RATES?**

11 A. Yes. The Company's rates are amongst the highest of all Commission
12 regulated water utilities (Exhibit Staff 303 includes a comparison of all Class C
13 water utility rates set at 1,500 cubic feet – 11,220 gallons). Every water utility
14 has unique costs including plant, operating expenses and other cost
15 considerations, service territories, demographics, and organizational structure.
16 Because of the distinctive nature of a particular company, a simple comparison
17 of rates among utilities is not a sufficient analysis from which to base revenue
18 requirement recommendations. As a result, Staff must examine each
19 company's cost of service ensuring all costs are prudent, used, and useful for
20 utility operations. Salary and benefits are a cost that the Commission has
21 previously and consistently considered just and reasonable when properly
22 reviewed by Staff.

1 **Q. IS IT TRUE THAT MANY SMALL WATER UTILITIES DO NOT PAY**
2 **WAGES TO THE OWNERS?**

3 A. Yes. However, the actions of other utilities should not preclude the Company
4 from receiving wages. The responsibilities of a small water system operator
5 are numerous. Included in Exhibit Staff/301 is a list of duties compiled by the
6 Oregon Association of Water Utilities. These duties take time, take effort, take
7 knowledge, and take training and skill. As a result, the owners should be able
8 to receive compensation for their employment. As previously mentioned,
9 owners can receive remuneration from wages, net income, or both.

10 **Q. WOULD OPERATION OF THE COMPANY BE NEGATIVELY AFFECTED**
11 **IF WAGES TO THE OWNERS ARE NOT ALLOWED?**

12 A. It is possible. Although, wages to an owner should not be supplanted by the
13 Company's net income or by cash flow, as demonstrated in Table 4, the
14 owners used monies received through wages to pay for plant improvements. If
15 wages are not allowed, overall rates would be lower and maintenance may
16 become deferred, plant improvements may take longer due to cash flow
17 considerations, and response time to customer requests may take longer.

18 **Q. DO YOU HAVE ANY ALTERNATE RECOMMENDATIONS THAT MAY**
19 **SOFTEN THE AFFECT OF WAGES ON PETE'S MOUNTAIN'S RATES?**

20 A. Yes. Although I continue to support the level of wages formerly stipulated in
21 UW 117, I appreciate the Commission's concern over the level of wages. I
22 have developed an alternative recommendation based on a comparison to a
23 recent Commission order regarding Long Butte Water System. In Commission

1 Order No. 06-027 (UW 110), dated January 23, 2006, Long Butte Water
2 System (LBWS), the Commission allowed LBWS to recover costs for 2.5 FTE.
3 Since LBWS has approximately 250 customers, this equates to approximately
4 1.0 FTE per 100 customers. If Pete's Mountain wages are proportionally set at
5 0.91 FTE for 91 customers for recovery in rates, then total test year wages
6 would be reduced from \$44,192 to \$38,668. This is a savings of \$5,524 in
7 operating expenses. This \$38,668 closely approximates the total labor costs of
8 \$39,290 for the City of Scotts Mills water system presented by Company
9 witness Larry Martin. Staff Exhibit 304 takes Staff Sloan Exhibit/202 and inputs
10 my alternate wage recommendation.

11 **Q. WOULD YOU APPLY THIS RATIO TO ALL OTHER WATER UTILITIES?**

12 A. No. Because of economies of scale, Staff would only consider such a ratio for
13 Class C water utilities. A Class C water utility has revenues of less than
14 \$200,000 per year. Currently, LBWS has the largest customer base of all
15 Class C water utilities.

16 **Q. PLEASE EXPLAIN THE BENEFIT COSTS.**

17 A. This expense is to provide medical, dental, vision, and a small amount of life
18 insurance for the Webbers. Pete's Mountain purchased the policy through
19 Terry Webber's Union Membership under COBRA. In UI 262, the Company
20 stated that it will pay an additional amount up to 25 percent of Mrs. Webber's
21 gross salary for health insurance for her and her spouse and for the employer's
22 contribution to her retirement or pension plan if such payments will be
23 deductible as a business expense by the Company on its income tax returns.

1 For 2007, total benefit payments would be \$10,458. This is actually \$1,686
2 less than Staff's UW 117 direct-testimony recommended amount of \$12,144.

3 **Q. HAS THE COMMISSION PREVIOUSLY ALLOWED SMALL WATER**
4 **UTILITIES TO RECOVER PENSIONS AND BENEFITS?**

5 A. Yes. The Commission has previously allowed a Class "C" water company
6 to recover pension and benefit expenses in Commission Order No. 06-027
7 (UW 110), LBWS, dated January 23, 2006.

8 **Q. IN THIS CASE, IS IT TRUE THAT THESE EXPENSES ARE NOW BEING**
9 **REQUESTED BECAUSE THE OWNERS ARE NO LONGER COVERED BY**
10 **A PREVIOUS PLAN?**

11 A. Yes. However, the fact that the owners are no longer covered by a benefit plan
12 from a different employer that previously resulted in no charge to customers
13 does not change the reality that benefit costs are an expense that the
14 Commission has previously allowed utilities to recover. Although, customers
15 were not required to pay this cost in rates because of Mr. Webber's former
16 employment; Pete's Mountain should not be precluded from recovering benefit
17 costs going forward.

18 **Q. ALTHOUGH THE COMMISSION HAS CONSISTENTLY ALLOWED**
19 **BENEFIT EXPENSES IN UTILITY RATES, IS IT TRUE THAT**
20 **CUSTOMERS OF PETE'S MOUNTAIN WILL BE REQUIRED TO PAY A**
21 **HIGHER PROPORTIONAL BENEFIT COST DUE TO THE SMALL**
22 **CUSTOMER BASE?**

1 A. Yes. Pete's Mountain's small customer base spreads a larger proportional cost
2 of benefits to each customer. However, benefit expenses are prudent costs
3 that have been consistently allowed in utility rates by the Commission. It is
4 reasonable to assume that an employee of a small utility is just as susceptible
5 to illness and injury as an employee of a large utility.

6 In the case of Pete's Mountain, if the Company is unable to recover these
7 costs in rates, the owners will be confronted with the decision on how to fund
8 these costs or join the ranks of approximately 610,000 Oregonians without
9 health care coverage.⁶

10 **Q. DO YOU HAVE ANY ALTERNATE RECOMMENDATIONS THAT MAY**
11 **SOFTEN THE AFFECT OF BENEFITS ON PETE'S MOUNTAIN'S RATES?**

12 A. Yes. I appreciate the Commission's concern over the effect of benefits on a
13 small utility and after further research propose an 85 percent employer / 15
14 percent employee sharing of medical premium costs be accepted by the
15 Commission. Staff has previously recommended a similar sharing for energy
16 utilities in UE 170 (80/20 split) and UE 179(85/15 split).

17 If I take the UW 117 cost of \$12,144 and multiply this amount by 85 percent,
18 it results in a recommended premium amount of \$10,322. If I add life
19 insurance costs at \$3 per month (\$36 per year), the total recommended
20 amount for benefit costs would be \$10,358.

⁶ Kitzhaber's plan for universal health care, <http://www.katu.com/news/team2/6521637.html> and Weekly Monitor, Profile of an Increase in the Uninsured: 1 in 6 Oregonians without health care <http://www.oregoniansforhealthsecurity.org/docUploads/jan24%5B1%5D.pdf>

1 The revised amount of \$10,358 is \$1,786 less than the UW 117 formerly
2 stipulated amount (\$12,114) and \$100 less than the amount included in UI 262
3 (\$10,458). Staff Exhibit 304 takes Staff Sloan Exhibit/202 and inputs the
4 alternate benefit recommendation.

ISSUE 2, EFFECTS OF CONSUMPTION ON CUSTOMER RATES

Q. PLEASE EXPLAIN THE CHANGES IN STAFF'S RATE DESIGN THAT WAS INCLUDED IN THE UW 117 STIPULATION.

A. Under the UW 117 Stipulation, staff supported a rate design that uses a modification of factors developed by the American Water Works Association (AWWA) to allocate base rates by meter size. Additionally, staff supported replacing the current one-tiered variable rate with a two-tiered variable rate.

Q. PLEASE EXPLAIN WHY STAFF USED A MODIFICATION OF FACTORS DEVELOPED BY AWWA.

A. The effect of using the AWWA factors is to increase the rates charged to customers with larger meters. This is a fair and reasonable result because larger meters place a greater potential demand on the water system. To soften the base rate increase as a result of moving to AWWA factors, staff used modified factors for customers having 1" or greater size meters. This seems reasonable because:

1. AWWA factors were not previously used by the Company;
2. The rate increase to larger user meters would not be acceptable especially when considering the increased expense recovery the Company requested;
3. The use of modified AWWA factors would still take into account that larger meters do place a greater potential demand on the water system, and customers with larger meters should pay higher base rates because of this potential demand; and

1 4. If Staff ignored the factors completely, customers with smaller meters
2 (5/8" and 3/4") would pay more in base rates than the potential demand
3 they place on the system.

4 **Q. THE COMPANY IN ITS ADDITIONAL TESTIMONY HAS BACKED AWAY**
5 **FROM USING THE AWWA FACTORS; DO YOU STILL BELIEVE THAT**
6 **THESE FACTORS SHOULD BE USED?**

7 A. Yes. Although the Company would prefer not to get in a position of favoring
8 one group of customers over another, consumption data indicates that on
9 average, larger meter customers use more water than small meter customers.
10 As such, the modified AWWA factors should still be used.

11 **Q. PLEASE EXPLAIN WHY STAFF PROPOSED A TWO-TIER COMMODITY**
12 **RATE.**

13 A. During its analysis, staff noted a large variance in water usage among the
14 Company's customers. Average monthly use was as low as 509 cf and as high
15 as 23,528 cf. Because of this wide range in usage, and because Pete's
16 Mountain currently has only one operating well, staff developed a two-tier
17 consumption rate to better reflect cost causation.

18 The effect of the two-tier commodity rate structure is that customers who
19 use low or average amounts of water will pay less; customers using larger
20 volumes will pay relatively more. Staff proposed separating the tier at 1,600 cf.
21 This separation was based on 2005 consumption data, where 48 of 91 (52.7
22 percent) of current customers use less than 1600 cf. Secondly, at the 1600 cf

1 separation, Staff was able to design rates with a significant difference in price
2 between the first tier rate and the second tier rate.

3 In addition, my perception is that Interveners David and Kay Pollack's main
4 concern during the rate application process was to assure the long-term
5 availability and sustainability of an adequate water supply to the system and to
6 Pete's Mountain customers. David and Kay Pollack provided data on average
7 usage to Staff during the first Settlement Conference and noted that during the
8 1991 rate case, UW 34, a group of customers proposed a conservation-based
9 rate structure, which is not so materially different from Staff's current proposal.

10 **Q. PETE'S MOUNTAIN CURRENT RATES INCLUDE A CONSUMPTION**
11 **ALLOWANCE OF 600 CF IN THE BASE RATE; DID STAFF CONTINUE**
12 **THE USE OF THIS ALLOWANCE?**

13 A. Yes.

14 **Q. DID STAFF DESIGN RATES IN SUCH A MANNER TO REDUCE THE**
15 **EFFECT ON CUSTOMERS THAT USE AN AVERAGE OR CLOSE TO**
16 **AVERAGE CONSUMPTION?**

17 A. Yes. According to an article in the Willamette Week, the average household
18 water use in Portland in 2005 was 163 gallons per day.⁷ This would equate to
19 approximately 4,890 gallons per month or 653 cubic feet (cf) per month. At
20 653 cf per month, customer rates as shown in Staff Sloan Exhibit/202 would
21 increase from the current \$31.72 to a proposed \$36.15. Staff actions in
22 keeping the consumption allowance, using modified AWWA factors, and using

⁷ Willamette Week, Hydro Hogs, September 27, 2006, www.wweek.com

1 a two-tier rate greatly softened the rate increase among Pete's Mountain
2 customers that consume at the average usage levels.

3 **Q. ALTHOUGH YOUR RATE DESIGN SOFTENS THE RATE IMPACT ON**
4 **AVERAGE AND LOW USERS, IS IT TRUE THAT LARGE USERS WILL**
5 **SEE RATE INCREASES AS HIGH AS 40 PERCENT.**

6 A. Yes. However, large users can also take actions to conserve water and reduce
7 consumption if they chose to do so.

8 **Q. WHAT OTHER ASPECT OF REVENUE REQUIREMENT DID YOU**
9 **MAINTAIN FROM THE UW 117 STIPULATION THAT SERVES TO**
10 **REDUCE THE INCREASE IN RATES?**

11 A. In UW 117, staff used an 8 percent rate of return. This "plugged" amount is
12 actually 228 basis points lower than the weighted rate of return of 10.28 percent
13 based on a 10 percent return on equity. Because of using a lower rate of
14 return, revenue requirement is approximately \$6,425 less than it would have
15 been if the calculated rate of return of 10.28 percent was used.

16 **Q. ARE THERE FOUR DIFFERENT SCENARIOS CONCERNING RATES?**

17 A. Yes. The following table highlights the different rates based on 1,500 cf of
18 usage. I am using 1,500 cf, as this is the comparator used in Staff Exhibit/303.

19 **Table 5 – Different Rate Comparator**

Rate Scenario	Rate – 1500 cf	Revenue Requirement
Current – UW 34	\$59.25	
UW 117 Stipulation	\$66.59	\$152,880
Staff Sloan Exhibit/202	\$65.80	\$149,411
Staff Dougherty Exhibit/304	\$65.11	\$142,022

20

1 **Q. WHAT IS YOUR RECOMMENDED REVENUE REQUIREMENT AND**
2 **RESULTING RATES?**

3 A. Staff Sloan Exhibit/202 reflects Staff's recommended rates. However, I
4 understand the Commission's concern over the level of wages and benefits
5 and Staff Dougherty Exhibit/304 is a reasonable alternate to Staff Sloan
6 Exhibit/202.

7 **Q. ARE THE NEW RATES JUST AND REASONABLE?**

8 A. Yes. Based on Staff's investigation, documented costs provided by Pete's
9 Mountain, changes in recommended expenses presented in Staff 200 and
10 Staff 300, the use of a lower rate of return, and the changes in rate design,
11 Staff believes both alternatives could be found to produce rates that are just
12 and reasonable.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes.

CASE: UW 117
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 301

**Exhibits in Support of
Supplemental Testimony**

April 20, 2007

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 261

In the Matter of)	
)	
PETE'S MOUNTAIN WATER COMPANY,)	ORDER
INC.)	
)	
Application Requesting Approval of an)	
Affiliated Interest Agreement between Pete's)	
Mountain Water Company and Terry L.)	
Webber.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On February 12, 2007, Pete's Mountain Water Company, Inc. (the Company) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.015, ORS 757.495 and OAR 860-036-0730, requesting approval of an employment agreement between the Company and Terry L. Webber, affiliated interests. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on March 13, 2007, the Commission adopted Staff's recommendation.

OPINION

Jurisdiction

ORS 757.005 defines a "public utility," and the Company is a public utility subject to the Commission's jurisdiction.

Affiliation

An affiliated interest relationship exists, as defined under ORS 757.015.

ORDER NO. 07-106

Applicable Law

ORS 757.495 requires public utilities to seek approval of contracts with affiliated interests within 90 days after execution of the contract.

ORS 757.495(3) requires the Commission to approve the contract if the Commission finds that the contract is fair and reasonable and not contrary to the public interest. However, the Commission need not determine the reasonableness of all the financial aspects of the contract for ratemaking purposes. The Commission may reserve that issue for a subsequent proceeding.

CONCLUSIONS

1. The Company is a public utility subject to the jurisdiction of the Commission.
2. An affiliated interest relationship exists.
3. The agreement is fair, reasonable, and not contrary to the public interest.
4. The application should be granted, as modified herein, including certain conditions and reporting requirements.

ORDER

IT IS ORDERED that the application of Pete's Mountain Water Company, Inc. to enter into an affiliated interest agreement with Terry L. Webber is approved, subject to the conditions further stated in Appendix A.

Made, entered, and effective MAR 15 2007.

BY THE COMMISSION:



Becky L. Beier
Becky L. Beier
 Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ORDER NO. 07-106

ITEM NO. 2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 13, 2007**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ NA _____

DATE: February 26, 2007

TO: Public Utility Commission

FROM: Michael Dougherty ^u

THROUGH: Lee Sparling and Marc Hellman ^u ^{MH by MC}

SUBJECT: PETE'S MOUNTAIN WATER COMPANY: (Docket No. UI 261)
Application Requesting Approval of an Affiliated Interest Agreement
between Pete's Mountain Water Company and Terry L. Webber.

STAFF RECOMMENDATION:

The Commission should approve Pete's Mountain Water Company's (Pete's Mountain or Company) affiliated interest agreement with Terry L. Webber (Mr. Webber), subject to the following conditions:

1. The Company shall provide the Commission access to all books of account, as well as all documents, data, and records that pertain to any payments to Terry L. Webber.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any rate proceeding or alternative form of regulation.
3. Total annual compensation payments to Terry L. Webber shall not exceed a blended rate of \$25 an hour or \$2,000 for calendar year 2007.
4. Pete's Mountain shall notify the Commission in advance of any substantive changes to the contract, including any material change in price over 10 percent of the levels in the original application. Any such change shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.

ORDER NO. 07-106

UI 261
February 26, 2007
Page 2**DISCUSSION:**

Pete's Mountain filed this application on February 12, 2007, pursuant to ORS 757.495 and OAR 860-036-0730. Mr. Webber, jointly with his wife Suzanne Webber, owns two-thirds (2/3) of the outstanding stock of Pete's Mountain and therefore, Mr. Webber and Pete's Mountain are affiliated interests pursuant to ORS 757.015.

In Commission Order No. 06-657 (UW 117), dated December 4, 2006, the Commission clarified the requirements relating to situations where owners of water utilities were also employed by the utility. Staff had historically not requested an affiliated interest filing in such circumstances and instead rigorously reviewed the compensation expense during general rate reviews. In Order No. 06-657, the Commission found that the plain, natural, and ordinary meaning of the affiliated interest statute mandates that payment of wages and benefits to an owner of a utility requires an affiliated interest filing, pursuant to ORS 757.495(1).

Mr. Webber, as an officer, director, and employee of the Company, is receiving wages and benefits from the Company. Staff reviewed Mr. Webber's wages in UW 117 and recommended that Mr. Webber receive an annual salary of \$2,000 based on 80 hours per year in employment services at \$25 per hour. In addition to the annual salary, Staff recommended that the Webbers be allowed \$12,144 for medical, dental, and vision insurance, and a small amount of life insurance as an expense in rates. UW 117 was suspended by the Commission for a period of three months in Order No. 06-657 to allow more time to complete the investigation of rates prior to the conclusion of the initial suspension period, which expired on December 5, 2006.

In the affiliated interest filing, Pete's Mountain requests the Commission to approve the compensation agreement between the Company and Mr. Webber as follows:

1. Duties as a certified water operator - \$25/hour; and
2. Duties as a corporate officer - \$50/hour.

The estimated annual payments to Mr. Webber for maintenance, service, and repair are \$2,000. In the application, the Company states that the rates for employment services may be adjusted annually based on changes in the Consumer Price Index in the Portland Metropolitan Area.

According to the application, Mr. Webber's employment will be on an "at will" basis and Mr. Webber will:

UI 261
February 26, 2007
Page 3

1. Perform maintenance, service and repair of the system's wells, pumping equipment, water lines, meters, and other facilities and property. Perform the duties of a certified water operator if Mrs. Webber is unavailable or unable to perform those duties. Be available and on call at all times to respond to customer complaints that cannot be handled by Mrs. Webber, and to take care of emergencies that may arise needing immediate attention.
2. Perform corporate management, planning and governance as required of a president and director of a corporation.

Issues

Staff investigated the following issues:

1. Transfer Pricing
2. Public Interest Compliance
3. Records Availability, Audit Provisions, and Reporting Requirements

Transfer Pricing

Pursuant to OAR 860-036-0739, Allocation of Costs by a Water Utility, the amount paid by a utility to an affiliated interest is required to be at cost or the market rate, whichever is lower. Given the nature of the proposed contract - between the Company and a majority shareholder, Staff's review will focus on analyzing the market rate since in this case the terms "market" and "cost" are the same given the uniqueness of this affiliated interest relationship and its human capital services.

To perform this analysis, Staff used both the Oregon Employment Department's Oregon Labor and Market Information System (OLMIS - www.olmis.org) and the American Water Works Association (AWWA) Water Utility Compensation Survey for a proxy to determine the market rate. The following table highlights OLMIS wages for various positions that are akin to the employment services that Mr. Webber would be performing for Pete's Mountain.

Table 1 – OLMIS Wages (Hourly Rate – Region 15, Clackamas County)

Occupation	50 th Percentile	75 th Percentile	Average
Water and Liquid Waste Treatment Plant and System Operators	\$20.75	\$24.54	\$20.93

The following table highlights AWWA wages for various positions that are akin to the employment services that Mr. Webber would be performing for Pete's Mountain.

UI 261
February 26, 2007
Page 4

Table 2 – AWWA Wages (Under 25 Employees shown as an Hourly Rate)

Occupation	50 th Percentile	Average
Water Treatment Plant Operator	\$20.73	\$21.35

The average of the averages of the rates shown in the two above tables is \$21.14. In UW 117, Staff recommended a blended rate of \$25 per hour. This rate is higher than the average of the averages, but considerably less than the approximately \$50.00 per hour that Staff was quoted from two qualified water operators that perform work for various small water companies on a contract basis. Based on Mr. Webber's considerable experience, it is reasonable for his hourly wage to closely align with the OLMIS 75th Percentile level of \$24.54.

Additionally, in UW 110, Long Butte Water System, Commission Order No. 06-075, dated February 1, 2006, Staff recommended and the Commission accepted a rate of \$31.06 per hour (10 hours per month) for services that are performed by a corporate officer of a small water utility.

As can be seen from the AWWA and OLMIS surveys and additional information provided above, Staff's UW 117 recommended rate of \$25 per hour, which includes services performed as a corporate officer, meets the Commission's Transfer Pricing Policy.

The application states that the estimated annual payments to Mr. Webber for maintenance, service, and repair will be \$2,000. However, Staff recommends that total compensation be limited to \$2,000. This is Staff's recommended amount in UW 117.

Although in the application the Company states that the rates for employment services may be adjusted annually based on changes in the Consumer Price Index (CPI) in the Portland Metropolitan Area, recommended Order condition No. 3 would require the Company to file a supplemental application if the price of the contract as a result of CPI escalations, exceeds 10 percent.

Public Interest Compliance

Wages are an ordinary and necessary expense incurred in the operation of a business. In addition, wages to an owner should not be supplanted by the Company's net income that results from a return on plant investment, or by cash flow that partially results from the return of investment (non-cash depreciation expense).

In the case of this application, Pete's Mountain is paying a majority shareholder a rate that meets the Commission's Transfer Pricing Policy and a rate that is most likely less than a rate that the Company would pay a third-party certified water operator.

ORDER NO. 07-106

UI 261
February 26, 2007
Page 5

Additionally, recommended Order Condition No. 2 reserves the right for the Commission to review, for reasonableness, all financial aspects of this transaction in any rate proceeding or alternative form of regulation. This condition is extremely relevant since UW 117 has not been decided and wages are an issue in contention between the Parties.

In essence, this submittal of an affiliated interest application satisfies the requirement of Commission Order No. 06-657; however, the actual determination of wage amounts in rates will be determined in the Commission's final order in the matter of UW 117.

Records Availability, Audit Provisions, and Reporting Requirements

Order Condition Number 1, listed above in the Staff recommendation, affords the necessary Commission examination of Pete's Mountain records concerning this application.

Based on the review of this application, Staff concludes the following:

1. The application involves an affiliated interest transaction that is fair and reasonable and not contrary to the public interest, with the inclusion of the proposed ordering conditions.
2. Necessary records are available.

PROPOSED COMMISSION MOTION:

Pete's Mountain Water Company's application be approved subject to the four recommended conditions.

UI 261 pmm

ORDER NO. 07-107

ENTERED 03/15/07

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 262

In the Matter of)	
)	
PETE'S MOUNTAIN WATER COMPANY,)	ORDER
INC.)	
)	
Application Requesting Approval of an)	
Affiliated Interest Agreement between Pete's)	
Mountain Water Company and Suzanne)	
Webber.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On February 12, 2007, Pete's Mountain Water Company, Inc. (the Company) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.015, ORS 757.495 and OAR 860-036-0730, requesting approval of an employment agreement between the Company and Suzanne Webber, affiliated interests. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on March 13, 2007, the Commission adopted Staff's recommendation.

OPINION

Jurisdiction

ORS 757.005 defines a "public utility," and the Company is a public utility subject to the Commission's jurisdiction.

Affiliation

An affiliated interest relationship exists, as defined under ORS 757.015.

Applicable Law

ORS 757.495 requires public utilities to seek approval of contracts with affiliated interests within 90 days after execution of the contract.

ORS 757.495(3) requires the Commission to approve the contract if the Commission finds that the contract is fair and reasonable and not contrary to the public interest. However, the Commission need not determine the reasonableness of all the financial aspects of the contract for ratemaking purposes. The Commission may reserve that issue for a subsequent proceeding.

CONCLUSIONS

1. The Company is a public utility subject to the jurisdiction of the Commission.
2. An affiliated interest relationship exists.
3. The agreement is fair, reasonable, and not contrary to the public interest.
4. The application should be granted, as modified herein, including certain conditions and reporting requirements.

ORDER

IT IS ORDERED that the application of Pete's Mountain Water Company, Inc. to enter into an affiliated interest agreement with Suzanne Webber is approved, subject to the conditions stated in Appendix A.

Made, entered, and effective MAR 15 2007.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
 Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ORDER NO. 07-107

ITEM NO. 3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: March 13, 2007

REGULAR X CONSENT _____ EFFECTIVE DATE _____ NA _____

DATE: February 26, 2007

TO: Public Utility Commission

FROM: Michael Dougherty *MD*

THROUGH: Lee Sparling *LS* and Marc Hellman *MH*

SUBJECT: PETE'S MOUNTAIN WATER COMPANY: (Docket No. UI 262)
Application Requesting Approval of an Affiliated Interest Agreement
between Pete's Mountain Water Company and Suzanne Webber.

STAFF RECOMMENDATION:

The Commission should approve Pete's Mountain Water Company's (Pete's Mountain or Company) affiliated interest agreement with Suzanne Webber (Ms. Webber), subject to the following conditions:

1. The Company shall provide the Commission access to all books of account, as well as all documents, data, and records that pertain to any payments to Suzanne Webber.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any rate proceeding or alternative form of regulation.
3. Total annual compensation payments to Suzanne Webber shall not exceed \$42,192 for calendar year 2007. Total employee benefit payments to Suzanne Webber shall not exceed \$10,458 for calendar year 2007. Total payments to Suzanne Webber shall not exceed \$52,650 for calendar year 2007.
4. Pete's Mountain shall notify the Commission in advance of any substantive changes to the contract, including any material change in price over 10 percent of the levels in the original application. Any such change shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.

ORDER NO. 07-107

UI 262
February 26, 2007
Page 2

DISCUSSION:

Pete's Mountain filed this application on February 12, 2007, pursuant to ORS 757.495 and OAR 860-036-0730. Ms. Webber, jointly with her husband, Terry L. Webber, owns two-thirds (2/3) of the outstanding stock of Pete's Mountain and therefore, Mrs. Webber and Pete's Mountain are affiliated interests pursuant to ORS 757.015.

In Commission Order No. 06-657 (UW 117), dated December 4, 2006, the Commission clarified the requirements relating to situations where owners of water utilities were also employed by the utility. Staff had historically not requested an affiliated interest filing in such circumstances and instead rigorously reviewed the compensation expense during general rate reviews. In Order No. 06-657, the Commission found that the plain, natural, and ordinary meaning of the affiliated interest statute mandates that payment of wages and benefits to an owner of a utility requires an affiliated interest filing, pursuant to ORS 757.495(1).

Ms. Webber, as an officer, director, and employee (General Manager) of the Company, is receiving wages and benefits from the Company. Staff reviewed Ms. Webber's wages in UW 117 and recommended that Ms. Webber receive an annual salary of \$42,192 based on 173 hours per month in employment services. In addition to the annual salary, Staff recommended that the Webbers be allowed \$12,144 for medical, dental, and vision insurance, and a small amount of life insurance as an expense in rates. UW 117 was suspended by the Commission for a period of three months in Order No. 06-657 to allow more time to complete the investigation of rates prior to the conclusion of the initial suspension period, which expired on December 5, 2006.

In the affiliated interest filing, Pete's Mountain requests the Commission to approve the compensation agreement between the Company and Ms. Webber.

Ms. Webber is employed as the Company's General Manager with overall responsibility for operation of the Company. In addition to being a Certified Water Operator, Ms. Webber is responsible for all office and bookkeeping operations. She is the Company's only regular employee and maintains regular office hours.

Ms. Webber must plan and implement applications to governmental agencies; i.e., Water Resources Department and the Public Utility Commission. She takes the lead in long range planning for the Company, including capital improvements. She must deal with developers interested in connecting to the system while continuing to balance existing customers' needs and system capacity.

ORDER NO. 07-107

UI 262
February 26, 2007
Page 3

Ms. Webber has a wide range of responsibilities. She is responsible to respond to whatever arises concerning water operations even if not included in her described tasks. The job requires multiple skills and involves a wide range of responsibilities. The following table (provided to Staff by the Company during UW 117) highlights the duties and approximate hours per month performed by Ms. Webber.

Table 1 – Monthly Duties of Ms. Webber

Job Description	Hours per Month
Travel to and from Well Site	15
Monitor all Systems at Well Site	60
Collect Test Samples	1
Deliver Test Samples to Lab	2
Well Lot Maintenance (Mrs. Webber's duty until contractor is hired)	4
One Call Locate responses	10
Drive to and from Post Office & Bank	11
Work on various Reports	2
Read Meters	8
Prepare and send customer Bills	2
Prepare and send late notices	2
Pay Bills	2
Perform Banking duties	3
Respond to Phone inquiries	20
Read and respond to e-mail & fax	15
Consult with engineers	2
Consult with accountant	2
Consult attorney	2
Miscellaneous	10
TOTAL	173

Ms. Webber and Terry L. Webber are the Company's only Certified Water Operators. The Company is required to have a Certified Water Operator available at all times. Ms. Webber performs the primary role.

APPENDIX A
PAGE 3 OF 7

ORDER NO. 07-107

UI 262
February 26, 2007
Page 4

As a corporate director and as secretary of the corporation, Ms. Webber must also perform corporate management, consultation, planning and governance as required of a secretary and director of a corporation.

The application states that the estimated annual payments to Ms. Webber for the duties listed above will be \$42,192 (\$20.32 per hour). This is Staff's recommended amount in UW 117.

In addition to her base salary, the Company will pay an additional amount up to 25 percent of her gross salary for health insurance for her and her spouse and for the employer's contribution to her retirement or pension plan if such payments will be deductible as a business expense by the Company on its income tax returns. For 2007, total benefit payments would be \$10,458. This is actually less than Staff's UW 117 recommended amount of \$12,144.

In the application, the Company states that the rates for employment services may be adjusted annually based on changes in the Consumer Price Index in the Portland Metropolitan Area.

Issues

Staff investigated the following issues:

1. Transfer Pricing
2. Public Interest Compliance
3. Records Availability, Audit Provisions, and Reporting Requirements

Transfer Pricing

Pursuant to OAR 860-036-0739, Allocation of Costs by a Water Utility, the amount paid by a utility to an affiliated interest is required to be at cost or the market rate, whichever is lower. Given the nature of the proposed contract - between the Company and a majority shareholder, Staff's review will focus on analyzing the market rate since in this case the terms "market" and "cost" are the same given the uniqueness of this affiliated interest relationship and its human capital services.

To perform this analysis, Staff used both the Oregon Employment Department's Oregon Labor and Market Information System (OLMIS - www.olmis.org) and the American Water Works Association (AWWA) Water Utility Compensation Survey for a proxy to determine the market rate. The following table highlights OLMIS wages for various positions that are akin to the employment services that Ms. Webber would be performing for Pete's Mountain.

UI 262
February 26, 2007
Page 5

Table 2 – OLMIS Wages (Hourly Rate – Region 15, Clackamas County)

Occupation	50 th Percentile	75 th Percentile	Average
General and Operational Manager	\$40.94	\$55.40	\$45.92
Water and Liquid Waste Treatment Plant and System Operators	\$20.75	\$24.54	\$20.93
Office Clerk	\$12.67	\$15.72	\$13.21
Bookkeeping Clerk	\$14.12	\$18.08	\$15.59

The following table highlights AWWA wages for various positions that are akin to the employment services that Mr. Webber would be performing for Pete's Mountain.

Table 3 – AWWA Wages (Under 25 Employees shown as an Hourly Rate)

Occupation	50 th Percentile	Average
Office/Administrative Manager	\$18.55	\$19.46
Water Treatment Plant Operator	\$20.73	\$21.35

The average of the averages of the rates shown in the two above tables is \$22.74. In UW 117, Staff recommended a blended rate of \$20.32 per hour based on Ms. Webber's considerable experience in operating the Company. There was no overtime component of wages included in UW 117.

This rate is less than the average of the averages, and Staff considers this wage reasonable because:

- Ms. Webber has considerable experience in operating the Company;
- The hourly wage is considerably less than the approximately \$50.00 per hour that Staff was quoted from two qualified water operators that perform work for various small water companies on a contract basis; and
- In UW 110, Long Butte Water System, Commission Order No. 06-075, dated February 1, 2006, Staff recommended and the Commission accepted a rate of \$31.06 per hour (10 hours per month) for services that are performed by a corporate officer of a small water utility.

Additionally, when Staff takes the hours dedicated for each task listed in Table 1 and multiplies a specific task by the OLMIS average rate that most closely approximates the task, Staff receives a weighted average hourly rate of \$20.08. This weighted wage substantiates the requested \$20.32 per hour requested by the Company.

ORDER NO. 07-107

UI 262
February 26, 2007
Page 6

As can be seen from the AWWA and OLMIS surveys and additional information provided above, Staff's UW 117 recommended rate meets the Commission's Transfer Pricing Policy.

Although in the application the Company states that the rates for employment services may be adjusted annually based on changes in the Consumer Price Index (CPI) in the Portland Metropolitan Area, recommended Order condition No. 3 would require the Company to file a supplemental application if the price of the contract as a result of CPI escalations, exceeds 10 percent.

In addition to her base salary, the Company will pay an additional amount up to 25 percent of her gross salary for health insurance for her and her spouse and for the employer's contribution to her retirement or pension plan if such payments will be deductible as a business expense by the Company on its income tax returns. Appropriate business records will be kept showing the time spent and the nature of the work by Ms. Webber each day.

Public Interest Compliance

Wages are an ordinary and necessary expense incurred in the operation of a business. In addition, wages to an owner should not be supplanted by the Company's net income that results from a return on plant investment, or by cash flow that partially results from the return of investment (non-cash depreciation expense).

In the case of this application, Pete's Mountain is paying a majority shareholder a rate that meets the Commission's Transfer Pricing Policy.

Additionally, recommended Order Condition No. 2 reserves the right for the Commission to review, for reasonableness, all financial aspects of this transaction in any rate proceeding or alternative form of regulation. This condition is extremely relevant since UW 117 has not been decided and wages are an issue in contention between the Parties.

In essence, this submittal of an affiliated interest application satisfies the requirement of Commission Order No. 06-657; however, the actual determination of wage amounts in rates will be determined in the Commission's final order in the matter of UW 117.

Records Availability, Audit Provisions, and Reporting Requirements

Order Condition Number 1, listed above in the Staff recommendation, affords the necessary Commission examination of Pete's Mountain records concerning this application.

ORDER NO. 07-107

UI 262
February 26, 2007
Page 7

Based on the review of this application, Staff concludes the following:

1. The application involves an affiliated interest transaction that is fair and reasonable and not contrary to the public interest, with the inclusion of the proposed ordering conditions.
2. Necessary records are available.

PROPOSED COMMISSION MOTION:

Pete's Mountain Water Company's application be approved subject to the four recommended conditions.

UI 262 pmm

Typical Duties of a Small Water System Operator - It's All In A Day's Work

Compiled By Jason Green, OAWU Executive Director



Operate and maintain wells, treatment/plant (treatment plant facility operation details excluded), booster pumps and facilities.

Record production, consumption, treatment/plant, well draw-down and static level data.

Observe pump motors to detect unusual noises, vibrations, or excessive heat and adhere to a strict maintenance/preventive maintenance plan. Repair and overhaul pumps, motors, chlorinators and control valves.

Adjust and clean pump seals and packing glands, lubricate pumps per manufacturer directions, keep vents clean for motor cooling and schedule preventive electrical panel maintenance.

Start up or shut down pumps as necessary to regulate system flows and pressures keeping a minimum of 20 psi at all times. Perform efficiency tests on pumps, hydrants and related equipment. Troubleshoot and correct minor electrical and mechanical equipment problems.

Collect, deliver, track and report required routine water samples. Follow additional monitoring, sampling and reporting requirements.

Routinely monitor, clean and disinfect water storage tanks and reservoirs. Protect water mains and storage facilities from corrosion effects.

Schedule routine distribution flushing as needed beginning at the source. Locate, map and exercise all valves, hydrants and standpipes.

Install, test, disinfect and maintain water mains. Maintain chlorine residual as required in all portions of the distribution system and sample. Prepare plans for new system expansion or replacement of lines, appurtenances and reservoirs and additional water sources. Tap water mains, install customer meter/connections and maintain services.

Maintain, review and practice your safety plan/policy and all MSDS information. Safely load and unload chlorine cylinders and other liquid and dry chemicals.

Keep equipment and tools well maintained and use the appropriate tool for the job. Keep good inventory records and stock of parts and tools.

Maintain system records, water rights, and prepare reports for various agencies.

Monitor financial needs and expenditures closely. Estimate and justify budget requests for supplies and equipment.

Write and implement various plans/programs... bacteriological sampling, lead and copper testing, master, cross connection, emergency response, contingency, drought, safety, SOP's, source protection, leak detection, water audit, etc.

Troubleshoot and locate causes of water quality complaints. Troubleshoot, locate and repair water leaks and loss. Read water meters, perform customer service shut off/on, cut weeds and maintain public relations. Inspect and provide means of eliminating cross connections and backflow.

Conducts hundreds of main/service line locates each year for other utility work.

Place barricades, signs and traffic cones around work sites to protect workers and the public. Excavation, trenching and installing shoring, expert with a shovel.

Conduct safety inspections, follow safety rules for waterworks facilities, and develop and conduct safety meetings. Detect hazardous atmospheres and take required precautions before confined space entry.


Obtain regular and pertinent system operator and safety training and regulations review.

Discuss with the public their concerns regarding the quality of the water they receive and provide public education and newsletter updates.

Prepare or assist in preparing annual Consumer Confidence Report.

Be available on-call 24/7, communicate with the office and answer to a Board of Directors.

Must be able to troubleshoot, operate a backhoe, dump truck, excavator, cat, compactor, trencher, mower, pumps, weld, design, draft, troubleshoot, read prints and plans, understand government and legal language. Works with BOLI, OSHA, WRD, OHD, DEQ and other agencies. Able to fabricate, repair, troubleshoot, maintain, install, fend off biting dogs and irate customers, faster than a speeding bullet, able to leap tall buildings in a single bound and more powerful than a locomotive, etc.

To summarize: The small system operator will oversee the managerial, technical and financial capabilities of the system. 

**Quality
On Tap!**
Our Commitment  Our Profession

CASE: UW 117
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 302

**Exhibits in Support of
Supplemental Testimony**

April 20, 2007

Pete's Mountain Wages - Income

Full Wage Comparison

Year	Wages	Income	Funds For Investment	Investment	Funds After Investment	Rate Base	Rate of Return
2005	\$43,094	-\$13,536	\$29,558	\$1,803	\$27,755	\$178,056	-7.60%
2004	\$43,679	-\$7,066	\$36,613	\$0	\$36,613	\$188,885	-3.74%
2003	\$41,457	\$4,679	\$46,136	\$125,817	-\$79,681	\$199,957	2.34%
2002	\$40,899	-\$13,529	\$27,370	\$1,477	\$25,893	\$174,634	-7.75%
2001	<u>\$44,581</u>	<u>\$14,133</u>	<u>\$58,714</u>	<u>\$52,617</u>	<u>\$6,097</u>	<u>\$174,487</u>	<u>8.10%</u>
Total	\$213,710	-\$15,319	\$198,391	\$181,714	\$16,677	\$183,204	-1.73%
5-Year Average	\$42,742	-\$3,064	\$39,678	\$36,343	\$3,335		-4.19%

Comparison using Wages at Half-Value

Year	Wages	Income	Funds For Investment	Investment	Funds After Investment	Rate Base	Rate of Return
2005	\$21,547	\$8,011	\$29,558	\$1,803	\$27,755	\$178,056	4.50%
2004	\$21,840	\$14,774	\$36,613	\$0	\$36,613	\$188,885	7.82%
2003	\$20,729	\$25,408	\$46,136	\$125,817	-\$79,681	\$199,957	12.71%
2002	\$20,450	\$6,921	\$27,370	\$1,477	\$25,893	\$174,634	3.96%
2001	<u>\$22,291</u>	<u>\$36,424</u>	<u>\$58,714</u>	<u>\$52,617</u>	<u>\$6,097</u>	<u>\$174,487</u>	<u>20.87%</u>
Total	\$106,855	\$91,536	\$198,391	\$181,714	\$16,677	\$183,204	9.97%
5-Year Average	\$21,371	\$18,307	\$39,678	\$36,343	\$3,335		7.25%

**5-Year Average
Return on and of
Plant**

\$25,931

**Average annual
under-recovery**

-\$22,596

Funds For Investment equals total wages plus total Income

Funds after Investment equals Funds For Investment minus Investment

All values come from annual report except Plant Investment which was taken from UW 117

Pete's Mountain Wages - Cash Flow

Staff Exhibit/302
Dougherty/2

Full Wage Comparison

Year	Depreciation Expense in Current rates	Loan Principal Payments	Net Income	Wages	Funds For Investment	Investment	Funds After Investment		
2005	\$4,863	\$5,205	-\$13,536	\$43,094	\$29,216	\$1,803	\$27,413	5-Year Average Return on and of Plant	\$25,931
2004	\$4,863	\$2,346	-\$7,066	\$43,679	\$39,130	\$0	\$39,130		
2003	\$4,863	\$2,924	\$4,679	\$41,457	\$48,075	\$125,817	-\$77,742	Average annual under-recovery	-\$21,803
2002	\$4,863	\$3,505	-\$13,529	\$40,899	\$28,728	\$1,477	\$27,251		
2001	<u>\$4,863</u>	<u>\$6,370</u>	<u>\$14,133</u>	<u>\$44,581</u>	<u>\$57,207</u>	<u>\$52,617</u>	<u>\$4,590</u>		
Total	\$24,315	\$20,350	-\$15,319	\$213,710	\$202,356	\$181,714	\$20,642		
5-Year Average	\$4,863	\$4,070	-\$3,064	\$42,742	\$40,471	\$36,343	\$4,128		

Comparison using Wages at Half-Value

Year	Depreciation Expense	Loan Principal Payments	Net Income	Wages	Funds For Investment	Investment	Funds After Investment		
2005	\$4,863	\$5,205	\$8,011	\$21,547	\$29,216	\$1,803	\$27,413	5-Year Average Return on and of Plant	\$25,931
2004	\$4,863	\$2,346	\$14,774	\$21,840	\$39,130	\$0	\$39,130		
2003	\$4,863	\$2,924	\$25,408	\$20,729	\$48,075	\$125,817	-\$77,742	Average annual under-recovery	-\$21,803
2002	\$4,863	\$3,505	\$6,921	\$20,450	\$28,728	\$1,477	\$27,251		
2001	<u>\$4,863</u>	<u>\$6,370</u>	<u>\$36,424</u>	<u>\$22,291</u>	<u>\$57,207</u>	<u>\$52,617</u>	<u>\$4,590</u>		
Total	\$24,315	\$20,350	\$91,536	\$106,855	\$202,356	\$181,714	\$20,642		
5-Year Average	\$4,863	\$4,070	\$18,307	\$21,371	\$40,471	\$36,343	\$4,128		

Comparison using no Wages

	Depreciation Expense	Loan Principal Payments	Net Income	Wages	Funds For Investment	Investment	Funds After Investment		
2005	\$4,863	\$5,205	\$29,558	\$0	\$29,216	\$1,803	\$27,413		
2004	\$4,863	\$2,346	\$36,613	\$0	\$39,130	\$0	\$39,130		
2003	\$4,863	\$2,924	\$46,136	\$0	\$48,075	\$125,817	-\$77,742		
2002	\$4,863	\$3,505	\$27,370	\$0	\$28,728	\$1,477	\$27,251		
2001	<u>\$4,863</u>	<u>\$6,370</u>	<u>\$58,714</u>	<u>\$0</u>	<u>\$57,207</u>	<u>\$52,617</u>	<u>\$4,590</u>		
Total	\$24,315	\$20,350	\$198,391	\$0	\$202,356	\$181,714	\$20,642		
No Wages over 5-year period	\$4,863	\$4,070	\$39,678	\$0	\$40,471	\$36,343	\$4,128	5-Year Average Return on and of Plant	\$25,931
								Average annual under-recovery	-\$21,803
					Avg rate of return	22%			

Funds For Investment equals Depreciation Expense plus Net Income minus Loan Principal Payments

Funds after Investment equals Funds For Investment minus Investment

All values come from annual report except Plant Investment which was taken from UW 117 and Principal Payments provided by Pete's Mountain

CASE: UW 117
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 303

**Exhibits in Support of
Supplemental Testimony**

April 20, 2007

Company Rate Comparisons (1,500 cf / 11,220 gals)

Class C utilities	Customer Count	Rate	Comments
Alea	78	\$38.81	Last rate case - 1999.
Hillview Acres	13	\$46.50	Last rate case - 2002.
Illahe	233	\$33.72	Last rate case - 2002.
Lakeshore	45	\$61.40	Last rate case - 1999.
Long Butte (LBWS)	254	\$59.42	Has SDC Tariff - \$6,900. 2006 rate case.
Metolius Meadows	131	\$45.84	HOA - Plant is CIAC. 2006 rate case.
Odell	142	\$57.16	Last rate case - 2001.
Pete's Mountain	91		
Current - UW 34		\$59.25	
UW 117 Stipulation		\$66.59	
Staff Sloan/202		\$65.80	
Staff Dougherty/304		\$65.11	
Round Lake	68	\$25.00	Withdrew Rate Application (UW 111) - Requested \$115 Flat Rate.
Salmon River	49	\$73.88	Last rate case - 2005.
Shadow Wood	62	\$72.41	West Linn - 2005 rate case.
SMGV	151	\$21.14	Majority of plant - CIAC. Plan to file in 2007.
South Coast	66	\$43.32	Last rate case - 2001.
South Hills	102	\$49.54	Last rate case - 2004.
Squaw Creek	113	\$48.43	Last rate case - 2003.
Tierra Del Mar	251	\$39.85	Last rate case - 1994.
Wagon Wheel	53	\$38.15	Last rate case - 2002.
Westland Estates	22	\$43.17	Last rate case - 2001.
Wilderness Canyon	15	\$57.11	Last rate case - 2002.
Willamette	201	\$43.95	Last rate case - 2002. Will file rate application soon.

CASE: UW 117
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 304

**Exhibits in Support of
Supplemental Testimony**

April 20, 2007

Pete's Mountain Water Co., Inc.
UW 117
Test Year: 2005

Company Case
91.1%

Staff
25.0%

Acutal
Revenue
Increase
\$28,408

Acct. No.		A	B	C	D	E	F	G	H	I	J	Staff %
REVENUES		Balance Per Application Test Year: 2005	Proposed Company Adjustments	Adjusted Results (A+B=C)	Company Proposed Rev Changes	Proposed Results (C+D=E)	Tax Adj	Proposed Staff Adjustments	Adjusted Results (A+F=G)	Staff Proposed Rev Changes	Proposed Results (G+H+I)	Staff %
1	461.1 Residential Water Sales	111,079		111,079	101,221	212,300		(635)	110,444	27,615	138,059	25.0%
2	461.2 Commercial Water Sales			0		0		0	0	0	0	
3	465 Irrigation (Stafford Hill HOA & Wu)			0		0		3,170	3,170	793	3,963	
4	462 Irrigation - GC			0		0		0	0	0	0	
5	471 Misc. Revenues			0		0		0	0	0	0	
6	Special Contracts			0		0		0	0	0	0	
7	TOTAL REVENUE	111,079	0	111,079	101,221	212,300		2,535	113,614	28,408	142,022	142,022
OPERATING EXPENSES				111,079	101,221	212,300		2,535	113,614		142,022	
10	601 Salaries and Wages - Employees	756	2,000	2,756		2,756		(756)	0		0	
11	603 Salaries and Wages - Officers	43,094	0	43,094		43,094		(4,426)	38,668		38,668	
12	604 Employee Pension & Benefits	10,593	0	10,593		10,593		(235)	10,358		10,358	
13	610 Purchased Water	0	0	0		0		1,403	1,403		1,403	
14	611 Telephone/Communications	0	0	0		0		2,595	2,595		2,595	
15	615 Purchased Power	15,950	2,000	17,950		17,950		965	16,915		16,915	
16	618 Chemical / Treatment Expense	0	500	500		500		0	0		0	moved
17	619 Office Supplies	2,776	0	2,776		2,776		(1,185)	1,591		1,591	
18	619.1 Postage	0	0	0		0		606	606		606	
19	620 O&M Materials/Supplies	715	0	715		715		(3)	712		712	
20	621 Repairs to Water Plant	1,415	8,000	9,415		9,415		(438)	977		977	
21	631 Contract Svcs - Engineering		5,000	5,000		5,000		1,667	1,667		1,667	
22	632 Contract Svcs - Accounting	1,342	0	1,342		1,342		(0)	1,342		1,342	
23	633 Contract Svcs - Legal	1,875	800	2,675		2,675		(352)	1,523		1,523	amortized
24	634 Contract Svcs - Management Fees		0	0		0		0	0		0	
25	635 Contract Svcs - Testing	2,235	1,000	3,235		3,235		(1,543)	692		692	amortized
26	636 Contract Svcs - Labor		10,500	10,500		10,500		1,147	1,147		1,147	
27	638 Contract Svcs - Meter Reading		0	0		0		0	0		0	
28	639 Contract Services - Landscaping	0	0	0		0		0	0		0	
29	641 Rental of Building/Real Property	1,500	0	1,500		1,500		402	1,902		1,902	
30	642 Rental of Equipment		2,000	2,000		2,000		0	0		0	
31	648 Computer/Electronic Expenses		0	0		0		210	210		210	
32	650 Transportation	15,065	2,400	17,465		17,465		(5,991)	9,074		9,074	
33	656 Vehicle Insurance	0	0	0		0		1,098	1,098		1,098	
34	657 General Liability Insurance	676	250	926		926		718	1,394		1,394	
35	658 Workers' Comp Insurance	249	1	250		250		1	250		250	
36	666 Amortz. of Rate Case		0	0		0		3,420	3,420		3,420	
37	667 Gross Revenue Fee (PUC)	295	0	295		295		(11)	284	71	355	
38	670 Bad Debt Expense		0	0		0		0	0		0	
39	671 Cross Connection Control Program		0	0		0		0	0		0	
40	672 System Capacity Dev Program		10,000	10,000		10,000		0	0		0	
41	673 Training and Certification		0	0		0		0	0		0	
42	674 Consumer Confidence Report		0	0		0		0	0		0	
43	675 General Expense	6,238	15,612	21,850		21,850		(5,557)	681		681	
44	TOTAL OPERATING EXPENSE	104,774	60,063	164,837	0	164,837		(6,266)	98,508	71	98,579	
OTHER REVENUE DEDUCTIONS				164,837		164,837		(6,266)	98,508		98,579	
47	403 Depreciation Expense	10,828	10,000	20,828		20,828		913	11,741		11,741	
48	407 Amortization Expense		0	0		0		212	212	0	212	
49	408.11 Property Tax	9,377	0	9,377		9,377		(3,964)	5,413		5,413	
50	408.12 Payroll Tax		0	0		0		3,802	3,802		3,802	
51	408.13 Other		0	0		0		0	0		0	
52	409.11 Oregon Income Tax	10	0	10		10	(917)	531	(386)	1,870	1,484	
53	409.10 Federal Income Tax	0	0	0		0	(2,087)	1,267	(820)	3,970	3,150	
54	TOTAL REVENUE DEDUCTIONS	124,989	70,063	195,052	0	195,052	121,985	(6,731)	118,258	5,911	124,170	
55	NET OPERATING INCOME	(13,910)	(70,063)	(83,973)	101,221	17,248	(10,906)	9,266	(4,645)	22,497	17,852	17,852
NET OPERATING INCOME						17,248						
57	101 Utility Plant in Service	345,215	250,000	595,215		595,215		(37,809)	307,406		307,406	307,406
58	Less:											
59	108.1 Depreciation Reserve	167,158		167,158		167,158		(71,986)	95,172		95,172	95,172
60	271 Contributions in Aid of Const		0	0		0		0	0		0	
61	272 Amortization of CIAC		0	0		0		0	0		0	0
62	281 Accumulated Deferred Income Tax		0	0		0		0	0		0	0
63	Net Utility Plant	178,057	250,000	428,057	0	428,057		34,177	212,234	0	212,234	212,234
64	Plus: (working capital)			428,057		428,057			212,234		212,234	
65	151 Materials and Supplies Inventory		0	0		0		2,711	2,711		2,711	
66	Working Cash (Total Op Exp /12)	8,731	5,880	14,611		14,611		(522)	8,209	0	8,209	8,215
67	TOTAL RATE BASE	186,788	255,880	442,668	0	442,668		36,365	223,153	0	223,153	
68	Rate of Return	-7.45%		-18.97%		0.00%		3.90%	-2.08%		8.00%	

Cash Flow 38,076

Difference 8,482

29,593

Op exp/cust/year 1,083

Pete's Mountain Water Co., Inc.					
Test Year: 2005					
SUMMARY OF ADJUSTMENTS					
Staff					
				Adjustments	
			Test	to Rev Req	
			Year	Column D	
REVENUES		Year	Column D	Reason	
1	461	Residential Water Sales	111,079	(\$635)	(86*12*\$30)+(24,457*\$3.25)
3	465	Irrigation (Stafford Hill HOA & Wu)	0	\$3,170	(2*\$30*12)+(754*\$3.25)
7		TOTAL REVENUE	111,079	\$2,535	
8					
9		OPERATING EXPENSES			
10	601	Salaries and Wages - Employees	756	(\$756)	\$756 was paid for Meter Reader; \$0 allowed because reading meters is part of Suzanne Webber's duties. Moved the requested \$2,000 increase to Account 639 Landscaping (adjusted after moving).
11	603	Salaries and Wages - Officers	43,094	(\$4,426)	Adjusted to .91 FTE.
12	604	Employee Pension & Benefits	10,593	(\$235)	Adjusted based on 2006 actual costs.
13	610	Purchased Water	0	\$1,403	Average expected water replacement cost until Well #1 is in service
14	611	Telephone/Communications	0	\$2,595	\$423 System Alarm, \$926 Cell, \$1,098 Phone, Fax & 90% of Broadband, \$162 90% ISP, \$35 cell phone amortized 2 years
15	615	Purchased Power	15,950	\$965	TY Invoices + 5% increase due to UE 180. Also includes \$52 annual electric cost for home office.
16	618	Chemical / Treatment Expense	0	\$0	Listed chemicals are not for water treatment, so the amount was moved to O&M.
17	619	Office Supplies	2,776	(\$1,185)	\$254 envelopes; \$90 PO Box; \$127 check printing; \$1,120 ink cartridges, billing cards, copy paper, reference books, etc. Moved \$555 Postage to Account 619.1 and moved \$457 Computer-related items to Account 648.
18	619	Postage	0	\$606	Increased due to May 14, 2007, postage increase.
19	620	O&M Materials/Supplies	715	(\$3)	Moved \$406 weed killer, etc. from Account 618. Moved \$409 lubricant to M&S Supply Inventory.
20	621	Repairs to Water Plant	1,415	(\$438)	Moved \$69.99 to Acct. 611; moved \$96.99 to Acct. 619; moved \$300 truck equipment to Plant. \$8,000 request denied as it is for constructing pump house and making capital improvements to Pumping Station. Will be placed into plant when it occurs.
21	631	Contract Svcs - Engineering	0	\$1,667	3-year amortization of requested amount for expense related to repairs of Well #1 and updating water rights.
22	632	Contract Svcs - Accounting	1,342	(\$0)	Per Invoices for preparation of tax returns and depreciation schedule
23	633	Contract Svcs - Legal	1,875	(\$352)	Four-year average of 2005, 2006 & 2007 to date.
24	634	Contract Svcs - Management Fees	0	\$0	N/A
25	635	Contract Svcs - Testing	2,235	(\$1,543)	3-year total \$1,607 (per Alexin Analytical) amortized & escalated for inflation.
26	636	Contract Svcs - Labor	0	\$1,147	Requested \$10,500 increase was for labor relating to constructing pump house and making capital improvements to Pumping Station. Will be placed into plant when it occurs.
28	639	Contractual Services – Landscaping	0	\$0	Removed because it is listed as one of Suzanne Webber's duties
29	641	Rental of Building/Real Property	1,500	\$402	\$158.50 per month (\$1.21 per square ft for 131 square feet) AI
30	642	Rental of Equipment	0	\$0	Requested amount is for Capital Improvement project and was added to Plant
31	648	Computer/Electronic Expenses	0	\$210	Moved \$457 from Office Supplies and amortized 2 years.
32	650	Transportation	15,065	(\$5,991)	\$5,977.80 truck lease; \$630 maintenance; \$2,645 fuel (822 gal @ \$3.00)
33	656	Vehicle Insurance	0	\$1,098	Policy for 2005 Ford F250 & 1954 Intl Farm/Dump Truck. Moved from Misc.
34	657	General Liability Insurance	676	\$718	Policy provided.
35	658	Workers' Comp Insurance	249	\$1	Per SAIF policy.
36	666	Amortz. of Rate Case	0	\$3,420	4-year amortization of accounting, legal, misc rate case exp
37	667	Gross Revenue Fee (PUC)	295	(\$11)	Calculated
40	672	System Capacity Dev Program	0	\$0	No current expenses related to System Development
41	673	Training and Certification	0	\$0	None requested (included in Wages)
42	674	Consumer Confidence Report	0	\$0	None requested
43	675	General Expense	6,238	(\$5,557)	Moved: \$537 to Acct. 656; \$2,629 to Acct. 611; \$295 to Acct. 667. Disallowed: \$150 Donations; \$1,945 Interest; and proposed increase of \$15,623 for interest on loan that Company will apply for in 2007.
44		TOTAL OPERATING EXPENSE	104,774	(\$6,266)	
45					
46		OTHER REVENUE DEDUCTIONS			
47	403	Depreciation Expense	10,828	\$913	Based on Plant Work Sheet
48	407	Amortization Expense	0	\$212	Return of undepreciated pump replaced 9/2006 (\$3,187 / 15 years)
49	408	Property Tax	9,377	(\$3,964)	Revised per 2006 Income Tax Return
50	408	Payroll Tax	0	\$3,802	Revised per 2006 Income Tax Return
52	409	Oregon Income Tax	10	\$531	Calculated
53	409	Federal Income Tax	0	\$1,128	Calculated
54		TOTAL REVENUE DEDUCTIONS	124,989	(\$6,731)	
55		NET OPERATING INCOME	(13,910)	\$9,266	
56					
57	101	Utility Plant in Service	345,215	(\$37,809)	Reflects removal of fully-depreciated plant and addition of new plant
58		Less:			
59	108	Depreciation Reserve	167,158	(\$71,986)	Accumulated Depreciation calculated using NARUC formula
63		Net Utility Plant	0	\$34,177	
64		Plus: (working capital)			
65	151	Materials and Supplies Inventory	0	\$2,711	Moved Mineral Oil from O&M; Added meters purchased for replacements
66		Working Cash (Total Op Exp /12)	8,731	(\$522)	
67		TOTAL RATE BASE	186,788	\$36,365	

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	
1	Pete's Mountain Water Co., Inc.														
2	Test Year: 2005														
3	RATE DESIGN														
4	2 TIER / 600 CF in BASE														
5															
6	Proposed Revenues of:			\$142,022											
7															
8	BASE/COMMODITY SPLIT														
9	Variable Rate	Proposed Rev	=	\$99,415											
10	70.00%	\$142,022													
11															
12	Base Rate	Proposed Rev	=	\$42,607											
13	30.00%	\$142,022													
14															
15															
16															
17	BASE RATE										42,607		42,607		
18															
19	Size of Line	Number of Customers	Current Monthly Base Rate	Proposed Monthly Base Rate	Total Annual Revenues	Revenue at Current Rates				Present Rates	Factors Used	Rate Required	AWWA Factors		
20															
21	RESIDENTIAL						Residential	Meter Size							
22	5/8" and 3/4"	30	\$30.00	\$33.61	\$12,099	\$10,800	30	5/8" & 3/4"	\$30.00	1	\$33.61	1			
23	1"	57	\$30.00	\$40.33	\$27,585	\$20,520	57	1"	\$30.00	1.2	\$40.33	2.5			
24	1 1/2"	1	\$30.00	\$42.01	\$504	\$360	1	1.5"	\$30.00	1.25	\$42.01	5			
25	2"	1	\$30.00	\$67.21	\$807	\$360	1	2"	\$30.00	2	\$67.21	8			
26		89					0	3"	\$30.00	4	\$134.43	15			
27	IRRIGATION						Irrigation	Meter Size							
28	5/8" or 3/4"		\$30.00	\$33.61	\$0	\$0	0	5/8" & 3/4"	\$30.00	1	\$33.61	1			
29	1"		\$30.00	\$40.33	\$0	\$0	0	1"	\$30.00	1.2	\$40.33	2.5			
30	1.5"		\$30.00	\$42.01	\$0	\$0	0	1.5"	\$0.00	1.25	\$42.01	5			
31	2"	2	\$30.00	\$67.21	\$1,613	\$720	2	2"	\$0.00	2	\$67.21	8			
32		2					0	3"	\$30.00	4	\$134.43	15			
33	TOTALS		91		\$42,607	\$32,760	91								
34					\$42,607	\$32,760									
35					30.1%	30.1%									
36					PERCENT	% increase									
37												19.50%	490,002	T1 Total	
38												80.50%	2,022,355	T2 Total	
39													2,512,357	Total Variable	
40	COMMODITY RATE														
41															
42	Revenue to be collected	\$99,415	Current	\$3.25 per 100 cf above 600 cf											
43	Actual Residential Consumption														
44	% by Tier Using Test Year Data														
45	17.73% 527,060 Allowance														
46	16.15% 480,162 T1 Usage														
47	66.12% 1,965,495 T2 Usage														
48	TOTAL 2,972,717 2,864 Ave Monthly Use (86.5 customers)														
49	Actual HOA IRR Consumption														
50	% by Tier Using Test Year Data														
51	19.24% 4,800 Allowance														
52	19.40% 4,840 T1 Usage														
53	61.36% 15,310 T2 Usage														
54	TOTAL 24,950 3,119 Ave Monthly Use (8 months)														
55	2,079 Ave Monthly Use (12 months)														
56	Actual WU IRR Consumption														
57	% by Tier Using Test Year Data														
58	7.69% 3,880 Allowance														
59	9.91% 5,000 T1 Usage														
60	82.39% 41,550 T2 Usage														
61	TOTAL 50,430 6,304 Ave Monthly Use (8 months)														
62	4,203 Ave Monthly Use (12 months)														
63															
64															
65	Meter Size	Average rates	Proposed	Percent	Mo										
66	Residential	Current	Proposed	Increase	Avg	Consumption - Residential (Test)			Consumption - Residential (Projected)						
67	5/8" and 3/4"	\$70.97	\$79.45	11.95%	1860	5/8" and 3/4"	669,777 cf	5/8" x 3/4"	669,777 cf	1860					
68	1"	\$108.78	\$134.58	23.72%	3024	1"	1,995,820 cf	1"	2,068,395 cf	3024					
69	1 1/2"	\$77.64	\$96.39	24.15%	2066	1 1/2"	24,790 cf	1 1/2"	24,790 cf	2066					
70	2"	\$775.14	\$1,014.68	30.90%	23528	2"	282,330 cf (IMO Holdings)	2"	282,330 cf	23528					
71							2,972,717		3,045,292						
72	Consumption - Irrigation (Test)														
73	HOA 2"	\$78.07	\$122.15	56.46%	2079	2"	24,950 cf (HOA)	2"	24,950 cf	2079					
74	WU 2"	\$147.08	\$210.51	43.13%	4203	2"	50,430 cf (WU)	2"	50,430 cf	4203					
75							75,380								
76							TOTAL ALL	3,048,097	TOTAL ALL		3,120,672				

Pete's Mountain Water Co., Inc.
UW 117
RATE IMPACT 5/8" and 3/4"
2 TIER / 600 CF in BASE

\$3.50 Tier 1 >600 up to 1,600
\$4.16 Tier 2 >1,600

Revenues 142,022 8% ROR
Increase 25.0% 600 in BASE
\$33.61 Base 70 / 30
\$3.50 Tier 1 (>600 Up to 1,600)
\$4.16 Tier 2 (> 1,600)

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600 Proposed Commodity Rate Per >600 to 1,600	Proposed Commodity Rate Per >1,600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
BASE 0	\$30.00	\$3.25	\$30.00	\$33.61	\$3.50	\$4.16	0	\$33.61	\$3.61	12.0%
BASE 600	\$30.00	\$3.25	\$30.00	\$33.61	\$3.50	\$4.16	0	\$33.61	\$3.61	12.0%
653	\$30.00	\$3.25	\$31.72	\$33.61	\$3.50	\$4.16	0.53	\$35.46	\$3.74	11.8%
T 1 1000	\$30.00	\$3.25	\$43.00	\$33.61	\$3.50	\$4.16	4	\$47.61	\$4.61	10.7%
1500	\$30.00	\$3.25	\$59.25	\$33.61	\$3.50	\$4.16	9	\$65.11	\$5.86	9.9%
1600	\$30.00	\$3.25	\$62.50	\$33.61	\$3.50	\$4.16	10	\$68.61	\$6.11	9.8%
T 2 1860	\$30.00	\$3.25	\$70.97	\$33.61	\$3.50	\$4.16	13	\$79.45	\$8.48	12.0%
2000	\$30.00	\$3.25	\$75.50	\$33.61	\$3.50	\$4.16	14	\$85.25	\$9.75	12.9%
4000	\$30.00	\$3.25	\$140.50	\$33.61	\$3.50	\$4.16	34	\$168.48	\$27.98	19.9%
5000	\$30.00	\$3.25	\$173.00	\$33.61	\$3.50	\$4.16	44	\$210.09	\$37.09	21.4%
6000	\$30.00	\$3.25	\$205.50	\$33.61	\$3.50	\$4.16	54	\$251.70	\$46.20	22.5%
7000	\$30.00	\$3.25	\$238.00	\$33.61	\$3.50	\$4.16	64	\$293.32	\$55.32	23.2%
8000	\$30.00	\$3.25	\$270.50	\$33.61	\$3.50	\$4.16	74	\$334.93	\$64.43	23.8%
9000	\$30.00	\$3.25	\$303.00	\$33.61	\$3.50	\$4.16	84	\$376.54	\$73.54	24.3%
10000	\$30.00	\$3.25	\$335.50	\$33.61	\$3.50	\$4.16	94	\$418.15	\$82.65	24.6%
11000	\$30.00	\$3.25	\$368.00	\$33.61	\$3.50	\$4.16	104	\$459.77	\$91.77	24.9%
12000	\$30.00	\$3.25	\$400.50	\$33.61	\$3.50	\$4.16	114	\$501.38	\$100.88	25.2%
15000	\$30.00	\$3.25	\$498.00	\$33.61	\$3.50	\$4.16	144	\$626.22	\$128.22	25.7%
20000	\$30.00	\$3.25	\$660.50	\$33.61	\$3.50	\$4.16	194	\$834.28	\$173.78	26.3%
23500	\$30.00	\$3.25	\$774.25	\$33.61	\$3.50	\$4.16	229	\$979.93	\$205.68	26.6%
			\$4,770.19					\$5,903.48		23.8%

Pete's Mountain Water Co., Inc.
UW 117
RATE IMPACT 1"
2 TIER / 600 CF in BASE

\$3.50 Tier 1 >600 up to 1,600
\$4.16 Tier 2 >1,600

Revenues 142,022 8% ROR
Increase 25.0% 600 in BASE
\$40.33 Base 70 / 30
\$3.50 Tier 1 (>600 Up to 1600)
\$4.16 Tier 2 (> 1600)

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600 Proposed Commodity Rate Per >600 to 1600	Proposed Commodity Rate Per >1600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
BASE 0	\$30.00	\$3.25	\$30.00	\$40.33	\$3.50	\$4.16	0	\$40.33	\$10.33	34.4%
BASE 600	\$30.00	\$3.25	\$30.00	\$40.33	\$3.50	\$4.16	0	\$40.33	\$10.33	34.4%
T 1 1000	\$30.00	\$3.25	\$43.00	\$40.33	\$3.50	\$4.16	4	\$54.33	\$11.33	26.3%
T 1 1600	\$30.00	\$3.25	\$62.50	\$40.33	\$3.50	\$4.16	10	\$75.33	\$12.83	20.5%
T 2 2000	\$30.00	\$3.25	\$75.50	\$40.33	\$3.50	\$4.16	14	\$91.97	\$16.47	21.8%
T 2 3024	\$30.00	\$3.25	\$108.78	\$40.33	\$3.50	\$4.16	24	\$134.58	\$25.80	23.7%
T 2 4000	\$30.00	\$3.25	\$140.50	\$40.33	\$3.50	\$4.16	34	\$175.20	\$34.70	24.7%
T 2 5000	\$30.00	\$3.25	\$173.00	\$40.33	\$3.50	\$4.16	44	\$216.81	\$43.81	25.3%
T 2 6000	\$30.00	\$3.25	\$205.50	\$40.33	\$3.50	\$4.16	54	\$258.42	\$52.92	25.8%
T 2 7000	\$30.00	\$3.25	\$238.00	\$40.33	\$3.50	\$4.16	64	\$300.04	\$62.04	26.1%
T 2 8000	\$30.00	\$3.25	\$270.50	\$40.33	\$3.50	\$4.16	74	\$341.65	\$71.15	26.3%
T 2 9000	\$30.00	\$3.25	\$303.00	\$40.33	\$3.50	\$4.16	84	\$383.26	\$80.26	26.5%
T 2 10000	\$30.00	\$3.25	\$335.50	\$40.33	\$3.50	\$4.16	94	\$424.88	\$89.38	26.6%
T 2 11000	\$30.00	\$3.25	\$368.00	\$40.33	\$3.50	\$4.16	104	\$466.49	\$98.49	26.8%
T 2 12000	\$30.00	\$3.25	\$400.50	\$40.33	\$3.50	\$4.16	114	\$508.10	\$107.60	26.9%
T 2 15000	\$30.00	\$3.25	\$498.00	\$40.33	\$3.50	\$4.16	144	\$632.94	\$134.94	27.1%
T 2 20000	\$30.00	\$3.25	\$660.50	\$40.33	\$3.50	\$4.16	194	\$841.00	\$180.50	27.3%
T 2 23500	\$30.00	\$3.25	\$774.25	\$40.33	\$3.50	\$4.16	229	\$986.65	\$212.40	27.4%
			\$4,717.03					\$5,972.31		26.6%

Pete's Mountain Water Co., Inc.
UW 117
RATE IMPACT 1.5"
2 TIER / 600 CF in BASE

\$3.50 Tier 1 >600 up to 1,600
\$4.16 Tier 2 >1,600

Revenues 142,022 8% ROR
Increase 25.0% 600 in BASE
\$42.01 Base 70 / 30
\$3.50 Tier 1 (>600 Up to 1600)
\$4.16 Tier 2 (> 1600)

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600 Proposed Commodity Rate Per >600 to 1600	Proposed Commodity Rate Per >1600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference	
BASE	0	\$30.00	\$3.25	\$30.00	\$42.01	\$3.50	\$4.16	0	\$42.01	\$12.01	40.0%
	600	\$30.00	\$3.25	\$30.00	\$42.01	\$3.50	\$4.16	0	\$42.01	\$12.01	40.0%
T 1	1000	\$30.00	\$3.25	\$43.00	\$42.01	\$3.50	\$4.16	4	\$56.01	\$13.01	30.3%
	1600	\$30.00	\$3.25	\$62.50	\$42.01	\$3.50	\$4.16	10	\$77.01	\$14.51	23.2%
T 2	2000	\$30.00	\$3.25	\$75.50	\$42.01	\$3.50	\$4.16	14	\$93.65	\$18.15	24.0%
	2066	\$30.00	\$3.25	\$77.64	\$42.01	\$3.50	\$4.16	15	\$96.39	\$18.75	24.2%
	4000	\$30.00	\$3.25	\$140.50	\$42.01	\$3.50	\$4.16	34	\$176.88	\$36.38	25.9%
	5000	\$30.00	\$3.25	\$173.00	\$42.01	\$3.50	\$4.16	44	\$218.49	\$45.49	26.3%
	6000	\$30.00	\$3.25	\$205.50	\$42.01	\$3.50	\$4.16	54	\$260.10	\$54.60	26.6%
	7000	\$30.00	\$3.25	\$238.00	\$42.01	\$3.50	\$4.16	64	\$301.72	\$63.72	26.8%
	8000	\$30.00	\$3.25	\$270.50	\$42.01	\$3.50	\$4.16	74	\$343.33	\$72.83	26.9%
	9000	\$30.00	\$3.25	\$303.00	\$42.01	\$3.50	\$4.16	84	\$384.94	\$81.94	27.0%
	10000	\$30.00	\$3.25	\$335.50	\$42.01	\$3.50	\$4.16	94	\$426.56	\$91.06	27.1%
	11000	\$30.00	\$3.25	\$368.00	\$42.01	\$3.50	\$4.16	104	\$468.17	\$100.17	27.2%
	12000	\$30.00	\$3.25	\$400.50	\$42.01	\$3.50	\$4.16	114	\$509.78	\$109.28	27.3%
	15000	\$30.00	\$3.25	\$498.00	\$42.01	\$3.50	\$4.16	144	\$634.62	\$136.62	27.4%
20000	\$30.00	\$3.25	\$660.50	\$42.01	\$3.50	\$4.16	194	\$842.68	\$182.18	27.6%	
23500	\$30.00	\$3.25	\$774.25	\$42.01	\$3.50	\$4.16	229	\$988.33	\$214.08	27.6%	
			\$4,685.89					\$5,962.69		27.2%	

Pete's Mountain Water Co., Inc.
UW 117
RATE IMPACT 2"
2 TIER / 600 CF in BASE

\$3.50 Tier 1 >600 up to 1,600
\$4.16 Tier 2 >1,600

Revenues 142,022	8% ROR
Increase 25.0%	600 in BASE
\$67.21 Base	70 / 30
\$3.50 Tier 1 (>600 Up to 1600)	
\$4.16 Tier 2 (> 1600)	

Commodity Rate

Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600		Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference	
					Proposed Commodity Rate Per 100 >600 to 1600	Proposed Commodity Rate Per 100 >1600					
BASE	0	\$30.00	\$3.25	\$30.00	\$67.21	\$3.50	\$4.16	0	\$67.21	\$37.21	124.0%
	600	\$30.00	\$3.25	\$30.00	\$67.21	\$3.50	\$4.16	0	\$67.21	\$37.21	124.0%
T 1	1000	\$30.00	\$3.25	\$43.00	\$67.21	\$3.50	\$4.16	4	\$81.21	\$38.21	88.9%
	1600	\$30.00	\$3.25	\$62.50	\$67.21	\$3.50	\$4.16	10	\$102.21	\$39.71	63.5%
T 2	2079	\$30.00	\$3.25	\$78.07	\$67.21	\$3.50	\$4.16	15	\$122.15	\$44.08	56.5%
	4203	\$30.00	\$3.25	\$147.08	\$67.21	\$3.50	\$4.16	36	\$210.51	\$63.43	43.1%
	5000	\$30.00	\$3.25	\$173.00	\$67.21	\$3.50	\$4.16	44	\$243.70	\$70.70	40.9%
	6000	\$30.00	\$3.25	\$205.50	\$67.21	\$3.50	\$4.16	54	\$285.31	\$79.81	38.8%
	7000	\$30.00	\$3.25	\$238.00	\$67.21	\$3.50	\$4.16	64	\$326.92	\$88.92	37.4%
	8000	\$30.00	\$3.25	\$270.50	\$67.21	\$3.50	\$4.16	74	\$368.54	\$98.04	36.2%
	9000	\$30.00	\$3.25	\$303.00	\$67.21	\$3.50	\$4.16	84	\$410.15	\$107.15	35.4%
	10000	\$30.00	\$3.25	\$335.50	\$67.21	\$3.50	\$4.16	94	\$451.76	\$116.26	34.7%
	11000	\$30.00	\$3.25	\$368.00	\$67.21	\$3.50	\$4.16	104	\$493.37	\$125.37	34.1%
	12000	\$30.00	\$3.25	\$400.50	\$67.21	\$3.50	\$4.16	114	\$534.99	\$134.49	33.6%
	15000	\$30.00	\$3.25	\$498.00	\$67.21	\$3.50	\$4.16	144	\$659.82	\$161.82	32.5%
20000	\$30.00	\$3.25	\$660.50	\$67.21	\$3.50	\$4.16	194	\$867.89	\$207.39	31.4%	
	23528	\$30.00	\$3.25	\$775.16	\$67.21	\$3.50	\$4.16	229	\$1,014.70	\$239.54	30.9%
			\$4,618.31						\$6,307.67		36.6%

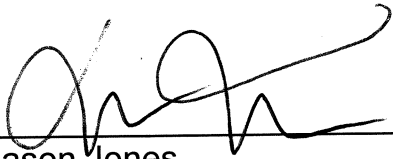
HOA
WU
IMO

CERTIFICATE OF SERVICE

UW 117

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 20th day of April, 2007.



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**UW 117
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