

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 UW 120

4 In the Matter of

5 CROOKED RIVER RANCH WATER
6 COMPANY

7 Request for Rate increase resulting in total
8 annual revenues of \$868,453.

STAFF SUPPLEMENTAL RESPONSE TO
RECONSIDERATION

9 Staff respectfully submits a supplemental response to Crooked River Ranch Water
10 Company's (CRRWC or Company) Application for Reconsideration of PUC Order No. 08-177;
11 Request for a Hearing; and Petition for Extension of Time to Comply. On March 24, 2008, the
12 Public Utility Commission of Oregon (Commission) entered Order No. 08-181, which stayed in
13 part Order No. 08-177, pending further review. In Order No. 08-181, the Commission, again,
14 ordered the Company to provide an accounting of the special assessment surcharge funds, due by
15 April 8, 2008. The reimbursement of all capital funds should be distributed to members, as soon
16 as practical, upon the receipt and review of the Company's April 8, 2008 filing. On February 4,
17 2008, Staff filed its Response to Reconsideration. This supplemental response provides
18 additional information on the Company's accounts and use of assessment funds.

19 **DISCUSSION**

20 Staff continues to believe that reimbursement of the capital funds should occur in April
21 2008. In addition, the reimbursement should be separated from the normal billing cycle.

22 The Company states that the special assessment fund balance is \$233,889. CRRWC's
23 Application at 6. The Company did not specifically state how it reaches this number, but
24 included four certificates of deposits (CDs) as an attachment to its application. As mentioned in
25 Staff's response, Staff sent two sets of data requests (Requests 147 – 149 and Requests 150 –
26

1 156) to the Company. The Company partially responded to Staff's requests and as a result, Staff
2 has received additional information on Company accounts.

3 Based on information received, CRRWC presently maintains the following accounts:

4 Account	Initial Issue	Statement Date	Balance
5 Operating Account	NA	02/29/2008	\$100,908
6 Capital (MMDA)	3/2/2005	02/29/2008	\$118,368
7 WAMU Contingency	Circa 1998	02/29/2008	\$35,703
8 Columbia River CD	4/16/1999	02/28/2008	\$26,155
9 Columbia River CD	5/18/1999	03/17/2008	\$12,505
10 Community First CD	5/21/1999	06/08/2007	\$43,748
Community First CD	4/12/1999	06/08/2007	\$12,582
Community First CD	4/12/1999	06/08/2007	\$12,587
Community First CD	5/5/1999	06/08/2007	\$12,712
Total			\$375,268.00

11 *Note 1: Attachment 1 provides additional details on these accounts.*

12 *Note 2: The Community First CDs were reissued on November 9, 2006.*

13 As can be seen from the above table, the certificate of deposits and contingency account
14 were established prior to the establishment of the assessment fund. In addition, Staff can not
15 identify any deposits into these accounts based on the records provided by the Company. As a
16 result, these accounts should not be included in the assessment balance. In addition, a review of
17 the Company's operating account from the start of the assessment fund in July 2004 through
18 November 2006 does not show any transfers of funds to establish the CDs or contingency
19 account. In contrast, Staff can identify the transfers from the operating account to the
20 Community First Bank MMDA account in March 2005 and February 2007.

21 As a result Staff believes that the correct amount of available capital assessment funds is
22 \$118,363. The Company's June 2007 customer list includes 1,570 customers.¹ As a result, the
23 reimbursement to current members would equal approximately \$75.39 per member. As
24 mentioned in Staff's response, the operating account has grown by approximately \$42,800 since
25 _____

26 ¹ In data request number 156, Staff requested the customer count as of December 1, 2007. The Company responded to the request, by asking "Why?"

1 the establishment of the assessment charge. If the Commission considers this \$42,800 as non-
 2 transferred capital assessment funds, the total maximum assessment funds available are \$161,168
 3 (\$42,800 plus \$118,368). Under this scenario, the reimbursement to current members would
 4 equal approximately \$102.65 per member.

5 In addition to providing account information, the Company provided an updated status of
 6 assessment fund expenditures. In the update, CRRWC lists \$477,938.13 in collections and
 7 \$346,202.87 in expenditures. The following table highlights the expenditures:

Revenue Collected		\$477,938
Intended Use		\$179,022
<i>Easement Rights (Well #3)</i>	\$40,780	
<i>Engineering</i>	\$29,643	
<i>Building</i>	\$108,903	
Unintended Use		\$69,345
Pre-Assessment Expenditures		\$97,835
Balance		\$131,736
Balance in Capital MMDA		\$118,368
Hypothetical Balance of Fund if Fund was only used for Intended Purposes		\$299,916

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 20 The above figures are different than Staff's March 7, 2008, report for various reasons
 21 including expenditures for easement rights and building loan payments that occurred in 2008,
 22 inclusion / exclusion of certain expenses from previously reported expenditures, and a more
 23 specific breakdown of easement legal charges. Attachment 1 includes a more specific
 24 breakdown. As stated on numerous occasions during UW 120, the fund was established to:

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- 1 ▪ Drilling of Well No. 3, and plumbing to accommodate a chlorination system;
2 ▪ Upgrading the Cistern and building a new pump house;
3 ▪ Re-plumb and add a chlorination station to Well No. 1 (formally Well No. 4); and
4 ▪ Pay-off the loan on the office building.

5 The expenditures that Staff classified as unintended use include accounting charges,
6 hammer attachment for an excavator, assessment booklets, and pipe for capital projects. It is
7 important to stress that pipe should not be considered as part of the fund expenditures as the
8 piping was used for customer paid main line extensions as reported in Staff's March 7, 2008,
9 report.

10 The Company also included \$97,835 in charges that occurred prior to the establishment
11 of the assessment fund. The Company should not try to balance its funds by including costs that
12 occurred as far back as 1999.

13 It is important to note that Staff in its March 7, 2008, report states on page 5 that
14 (emphasis added):

15 If the Company properly only used the capital assessment fund for the Board
16 intended purposes, the balance would have been \$345,602 as of November 30,
17 2007. **This indicates that the Company has not implemented proper
controls surrounding this capital assessment fund and appears to be
using the capital assessment fund as an extension to its operating account.**
This is in violation of the Company's Board Resolution, dated March 29,
2004.

18 Staff believes that the Board has not implemented proper controls around the assessment
19 fund and current attempts to justify the balance fall short.

20 CONCLUSION

21 Based on the information provided above, Staff believes that the Commission should
22 order the Company to reimburse the balance of the assessment fund current members. The
23 reimbursement does not need to be tied to the monthly bills of customers. The Company can and
24 should send this reimbursement to shareholders as a separate mailing.

25 Staff believes that the Commission could either order the reimbursement based on the
26 \$118,368.01 held in the Community First Bank or the combined balance of \$118,368.01 plus the

1 growth in the operating account, \$42,800 (\$161,168). In the first scenario, the reimbursement
2 would equal approximately \$75.39 per member. Under the second scenario, the reimbursement
3 would equal \$102.65.

4 DATED this 8th day of April 2008.

5 Respectfully submitted,

6 HARDY MYERS
7 Attorney General

8
9 s/ Jason W. Jones
10 Jason W. Jones, #00059
11 Assistant Attorney General
12 Of Attorneys for the Public Utility Commission
13 of Oregon
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CRRWC - April Update - Assessment Funds - CDs and Other Accounts

Certificate	Initial Issue Date	Initial Amount	Current Amount	Last Statement Date	Comments
8000003266 - Columbia River Bank	4/16/1999	\$20,000.00	\$26,155.00	2/28/2008	Current Yield = 2.47%; Term - 180 days
8000003355 - Columbia River Bank	5/18/1999	\$10,000.00	\$12,504.60	3/17/2008	Current Yield = 2.95%; Term - 90 days
501000167 - Community First Bank	4/12/1999	\$10,177.75	\$12,178.07	11/1/2006	Yield = 0.70%; Term - 90 days
501000168 - Community First Bank	4/12/1999	\$10,185.77	\$12,208.90	9/1/2006	Yield = 3.29%; Term - 90 days
501000178 - Community First Bank	5/2/1999	\$35,474.67	\$42,207.06	6/30/2006	Yield = 3.30%; Term - 90 days
501000179 - Community First Bank	5/5/1999	\$10,221.92	\$12,301.69	11/3/2006	Yield = 3.30%; Term - 90 days
		<u>\$86,060.11</u>	<u>\$78,895.72</u>		
50511082 - Community First Bank	11/9/2006	\$42,351.11	\$43,747.98	6/8/2007	Yield = 4.56%; Term - 12 months
50511088 - Community First Bank	11/9/2006	\$12,179.94	\$12,581.67	6/4/2007	Yield = 4.56%; Term - 12 months
50511090 - Community First Bank	11/9/2006	\$12,184.98	\$12,586.88	6/8/2007	Yield = 4.56%; Term - 12 months
50511106 - Community First Bank	11/9/2006	\$12,306.07	\$12,711.96	6/8/2007	Yield = 4.56%; Term - 12 months
		<u>\$79,022.10</u>	<u>\$81,628.49</u>		
Contingency Account	circa 1998		\$35,702.58	2/29/2008	\$15,000 Check paid (1001) - 04/21/2006
Total CD and Contingency Accounts			\$155,990.67		

All CDs and Contingency Account was established prior to the Assessment Fund. Should not be considered assessment funds.

Capital (MMDA) - Community First	3/2/2005	\$47,264.00	\$118,368.01	2/29/2008	Yield = 1.01%; \$69,000 deposit 02/9/2007.
Operating Account			\$100,908.24	2/29/2008	
Total Accounts			\$375,266.92		

CRRWC - April Update - Assessment Funds - Summary

Credits

2004	\$64,906.42
2005	\$135,234.41
2006	\$136,741.24
2007	\$141,056.06
Total	\$477,938.13

Intended Expenditures

2004	\$21,167.09
2005	\$64,210.75
2006	\$39,149.23
2007	\$23,248.20
2008	\$31,247.09
Total	\$179,022.36

Vendor

Washington Mutual	\$108,902.57	Building
Harris Group	\$29,642.99	Engineering Fees
Allen, Sheridan & McClanahan	\$3,706.81	Easement Rights
Cooney & Crew	\$25,452.01	Easement Rights
Glenn Sites & Reeder	\$11,317.98	Easement Rights
Total	\$179,022.36	

Purpose

Easement Rights	\$40,476.80
Engineering	\$29,642.99
Building	\$108,902.57
Total	\$179,022.36

Unintended Expenditures

Years

2004	\$8,661.31
2005	\$53,674.61
2006	\$2,958.46
2007	\$4,051.00
2008	\$0.00
Total	\$69,345.38

Purpose

Accounting	\$6,572.00
Maintenance	\$142.50
Assessment Booklets	\$3,727.50
Piping	\$35,503.38
Hammer	\$23,400.00
Total	\$69,345.38

Pre-Assessment Expenditures

Pre-Assessment 2004 Pipe

	\$1,209.60
	\$2,813.23
	\$4,254.92
	\$1,057.78
Total	\$9,335.53

Pre-Assessment Booklets

	\$4,858.00
	\$2,099.52
	\$604.45
Total	\$7,561.97

Pre-Assessment Building

	\$3,560.08
	\$10,680.24
	\$10,680.24
	\$10,680.24
Total	\$35,600.80

Pre-Assessment Land

	\$15,000.00
	\$15,476.95
Total	\$30,476.95

Pre-Assessment Crane

	\$13,500.00
Paint	\$532.38
Paint	\$400.00
Paint	\$427.50
Total	\$14,859.88

Total Pre-Assessment	\$97,835.13
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1 **CERTIFICATE OF SERVICE**

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3 I certify that on April 8, 2008, I served the foregoing upon all parties of record in this
4 proceeding by delivering a copy by electronic mail and by mailing a true and exact copy by
5 postage prepaid first class mail or by hand delivery/shuttle mail.

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