

**PUBLIC UTILITY COMMISSION OF OREGON**

**INTERVENOR**

**TESTIMONY**

**SEPTEMBER 10, 2007**

1. Q. Please state your name and business address.

2. A. My name is Steven Cook and my business address is 13735 SW  
3. Commercial Loop, Terrebonne, OR. 97760.

4. Q. Please summarize your involvement in this water rate case.

5. A. My primary objective is to represent the commercial class  
6. to achieve a fair allocation of the revenue requirement and secondarily,  
7. to determine a fair revenue requirement for the fiscal viability of the service  
8. provider.

9. Q. Does the Water Company have commercial customers?

10. A. Although the Water Company serves a variety of commercial entities it does  
11. not have commercial tariffs. A majority of the commercial customers are  
12. served at the 5/8" meter service level and their usage is well below  
13. residential consumption levels.

14. Q. What is the purpose of this testimony?

15. A. The combination of factors, such as: a future test period; lack of historical data  
16. to perform normalization functions; and missing supplemental requested  
17. data, has made the calculation of the revenue requirement very challenging.  
18. As well as, the ability to challenge the analysis or underlying methodologies.  
19. Given that, and upon review the P.U.C. staff's analysis and recommendations  
20. submitted for the 2nd Settlement Conference, I agree with most  
21. of their recommendations. However there are a couple items that need  
22. the Commission's consideration in determining the final revenue requirement  
23. and subsequent rate design.

24. Q. Please identify those items and their level of significance.

1.           **The three items are Ratebase; Rate of Return and Rate Design.**
2.           **Q. What specific item in Ratebase should the Commission review?**
3.           **A. Account # 303 Land, Phase 16, Lot 45. This property is currently used**
4.           **by the Company for the storage of alluvial materials with associated**
5.           **ingress and egress of equipment. For inclusion in Ratebase, the test**
6.           **is whether or not an item is used or useful. Since this property is being**
7.           **used, the total amount of \$31,420 should be allowed in Ratebase.**
8.           **This change yields a relatively minor increase in Ratebase.**
9.           **Q. The second item is Rate of Return, are you referring to the Weighted**
10.           **Cost of Capital?**
11.           **A. Yes. Within the Weighted Cost of Capital, the cost of equity, is the**
12.           **specific item that needs additional review. Given that a substantial**
13.           **amount of the Plant is Contributions in Aid of Construction (CIAC),**
14.           **the Company would neither have the associated depreciation expense**
15.           **nor a return on investment to fund Plant investment / replacement.**
16.           **It appears that the P.U.C. staff has recognized the dilemma and suggested**
17.           **a possible solution. However, the Commission needs to consider if the**
18.           **imputed cost of equity is reasonable in light of current market conditions.**
19.           **Q. Is the proposed rate design similar to the present rate design?**
20.           **A. Yes, in that both have a monthly base charge and a commodity rate. The**
21.           **present rate includes 700 cubic feet in the base charge, the proposed rate**
22.           **does not include any consumption in the base rate.**
23.           **Q. What Rate Design change should the Commission consider?**
24.           **A. The Commission should consider the alternative rate structure of an**

1. **inverted block rate, instead of a flat consumption rate.**
2. **Q. What do you mean by an inverted block rate?**
3. **A. Rather than declining rates with subsequent consumption levels found**
4. **in blocked rates, inverted block rates have increasing rates with**
5. **subsequent consumption levels.**
6. **Q. Why use an inverted block rate design?**
7. **A. Located in the high dessert, usage, as expected, is higher in the summer.**
8. **Depending on conditions, fire risk in terms of both degree and frequency**
9. **can match this cycle, placing unknown demands upon the aquifer.**
10. **An inverted block rate could encourage conservation and offset the**
11. **incremental costs of consumption.**
12. **Q. Is this a complex departure from the current design?**
13. **A. No. It is a minor modification, that blends the objectives of both the present**
14. **and proposed rate designs.**
15. **Q. Does this conclude your testimony?**
16. **A. Yes.**

# CERTIFICATE OF SERVICE

Docket No. UW 120

I hereby certify that I served the foregoing Testimony on Docket #UW 120, In the Matter of Crooked River Ranch Water Company's Water Rate Case on:

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By mail to those persons a true and correct copy thereof, certified by me as such, placed in a sealed envelope addressed to them at the addresses set forth, and deposited in the United States Post Office at Terrebonne, Oregon on September 14, 2007 with postage prepaid.



Intervenor