



# Oregon

Theodore R. Kulongoski, Governor

## Public Utility Commission

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October 11, 2007

ALL PARTIES IN UW 120

RE: UW 120 – CROOKED RIVER RANCH WATER COMPANY ERRATA TO  
STAFF/100, DOUGHERTY/11, DOUGHERTY/22, AND STAFF/103,  
PERTAINING TO FOOTNOTE: 21, OF TESTIMONY STAFF/100

On September 7, 2007, Staff filed testimony, Staff/100 and Staff/103, in UW 120, In the Matter of Crooked River Ranch Water Company, Request for rate increase in total annual revenues from \$806,833 to \$868,453 or 8.13 percent.

Staff/100, Dougherty/11, Dougherty/22, and Staff/103, Pertaining to Footnote: 21, of Testimony Staff/100 required corrections.

On Staff/100, Dougherty 11, line 10, an underlined "50" was added. This correction refers to a response to a Staff data request not received from Crooked River Ranch Water Company (CRRWC).

On Staff/100, Dougherty 22, lines 5 and 9, the word "Cooperative" was changed to the underlined word "Corporation".

Concerning Staff/103, Pertaining to Footnote: 21, an incorrect copy was inserted. The correct copy replaces the incorrect copy.

Please contact me at the number listed below if you have questions.

Michael Dougherty  
Program Manager  
Corporate Analysis and  
Water Regulation  
503-378-3623  
Fax: 503-373-7752

cc: Service List



CASE: UW 120  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 100**

**Direct Testimony  
(Errata)**

**OCTOBER 11, 2007**

1 **Q. HAS THE COMPANY RESPONDED TO THE MOTIONS TO COMPEL?**

2 A. CRRWC has not responded to the Motions to Compel concerning Mr.  
3 Soule's data requests. The Company has not responded to the majority of  
4 my data requests in the Motions to Compel; however, on August 22, 2007, I  
5 received a copy of the Company's Response to the Staff Motion to Compel  
6 and on August 24, 2007, I received additional information from the  
7 Company. Although not specifically highlighted, this information satisfied  
8 the requested responses to data requests nos. 28, 30, 36, 40, 84, 104c,  
9 113b, 115, and a partial response to 119. Therefore, I have not received  
10 responses for data requests nos. 3, 15, 47, 49, 50, 51, 52, 53, 60, 67, 68,  
11 81, 101a, 102b, 103b, 110, 114, 120, 121(d), 122(d).

12 **Q. BASED ON YOUR EXPERIENCE, ARE YOU AWARE OF ANY OTHER**  
13 **WATER COMPANIES THAT HAVE DISREGARDED MOTIONS TO**  
14 **COMPEL?**

15 A. No.

16 **Q. HOW DID THE LACK OF COMPANY RESPONSES TO STAFF'S DATA**  
17 **REQUESTS AFFECT YOUR INVESTIGATION?**

18 A. CRRWC's failure to respond to or provide complete responses resulted in  
19 having to use data from a mix of years in order to determine test year  
20 results. Ideally, I would have based my analysis on 2006 data escalated to  
21 2007 since the Company filed for a 2007 test year in April of 2007.  
22 However, in many cases, I did not have sufficient 2006 or previous years  
23 data and was required to use and annualize 2007 data based on information

1           Manager of CRRWC does not have. In fact, the Company's By-laws, As  
2 Amended September 24, 2004,<sup>1</sup> states:

3           The Board shall have general supervision and control over  
4 and shall manage and conduct the affairs and business of  
5 the Corporation, and shall make all necessary rules and  
6 regulations, not inconsistent with law or with the Bylaws of  
7 Articles of Incorporation, for the management of the  
8 Corporation and the guidance of the officers, employees and  
9 agents of the Corporation.<sup>2</sup>

10  
11           This Bylaw demonstrates that the Board has the responsibilities that  
12 would normally be associated with ownership. As a result, the General  
13 Manager does not incur these greater risks and responsibilities.

14           It is also interesting to note that CRRWC's system is a Distribution  
15 System 2, which requires a Water Operator 2. However, the General  
16 Manager only maintains a Water Operator 1 certification. As a result,  
17 CRRWC obtained the services of a Water Operator 3 on a part-time basis  
18 to meet the certification requirements of the State's Drinking Water  
19 Program. This employee, who may also an employee of the City of  
20 Madras, lists 5 hours per week on his timecards.

21           However with this said, my CPI-U adjustment to the General Manager  
22 resulted in an annual base pay escalation of \$1,661. When considering the  
23 recommended salary of \$53,561 and maintenance contract of \$26,000 per  
24 year, the General Manager's total remuneration equals \$79,561. Because I

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<sup>1</sup> Although the Company issues revised Bylaws as a Cooperative on June 30, 2006, Commission Order No. 06-642 states: CRRWC's efforts to reorganize as a cooperative under ORS Chapter 62 are without legal effect. However, the June 30, 2006, Bylaws state the same as the quoted only replacing "Corporation" with "Cooperative."

<sup>2</sup> Bylaws for Crooked River Ranch Water Company, Bylaw 4.7.

**Attachment A**  
**Page 1 of 2**

		Company Case      8.3%				Staff Case      8.3%													
		A		B		C		D		E		F		G		H		I	
		Balance Per Application 38,352	Proposed Company Adjustments	Adjusted Results (A+B=C)	Company Proposed Rev Changes	Proposed Results (C+D=E)	Proposed Staff Adjustments	Adjusted Results (A+F=G)	Staff Proposed Rev Changes	Proposed Results (G+H=I)									
1	461 Residential/Comm Water Sales	440,269	0	440,269	70,500	510,769	26,416	466,685	66,054	532,739									
2	461 Commercial Water Sales	121,572	0	121,572	19,500	141,072	3,039	124,611	17,637	142,248									
3	466 Sales for resale	28,857	(28,857)	0	0	0	(28,857)	0	0	0									
4	462 Fire	15,424	0	15,424	0	15,424	(15,424)	0	0	0									
5	471 Revenue other than water sales	7,723	0	7,723	0	7,723	(7,723)	0	0	0									
6	Fire hookup CIAC Amortz	9,655	(9,655)	0	0	0	(9,655)	0	0	0									
7	<b>TOTAL REVENUE</b>	<b>623,500</b>	<b>(38,512)</b>	<b>584,988</b>	<b>90,000</b>	<b>674,988</b>	<b>(32,204)</b>	<b>591,296</b>	<b>83,691</b>	<b>674,987</b>									
<b>Operating Expenses</b>																			
8	601 Salaries and Wages	62,422	3,956	66,378		66,378	3,956	66,378		66,378									
9	603 Officers Salaries and Wages	73,834	2,215	76,049		76,049	2,215	76,049		76,049									
10	604 Employee Pension & Benefits	24,759	743	25,502		25,502	743	25,502		25,502									
11	610 Purchased Water	0	0	0		0	0	0		0									
12	615 Purchased Power	78,893	0	78,893		78,893	0	78,893		78,893									
13	618 Chemicals	8,077	0	8,077		8,077	0	8,077		8,077									
14	620 Materials and Supplies	61,296	0	61,296		61,296	0	61,296		61,296									
15	621 Repairs			0		0		0		0									
16	631 Contract Service - Engineering	1,309	(1,309)	0		0	0	1,309		1,309									
17	632 Contract Service Accounting	14,679	0	14,679		14,679	(5,062)	9,617		9,617									
18	633 Contract Service - Legal	2,362	0	2,362		2,362	0	2,362		2,362									
19	635 Contract Service - Testing	1,519	2,806	4,325		4,325	2,806	4,325		4,325									
20	640 Rents of Equipment	18,000	0	18,000		18,000	0	18,000		18,000									
21	650 Transportation Expense	35,743	0	35,743		35,743	0	35,743		35,743									
22	656 Vehicle Insurance	6,313	0	6,313		6,313	0	6,313		6,313									
23	657 Liability Insurance	18,960	0	18,960		18,960	0	18,960		18,960									
24	658 Comp Insurance	4,108	0	4,108		4,108	0	4,108		4,108									
25	666 Amort. of Rate Case Expenses	0	0	0		0	2,531	2,531		2,531									
26	667 Reg Commission	0	0	0		0	1,478	1,478	167	1,645									
27	670 Bad Debt Expense	0	0	0		0	0	0		0									
28	675 General Expense	3,122	0	3,122		3,122	0	3,122		3,122									
29	<b>TOTAL OPERATING EXPENSES</b>	<b>415,396</b>	<b>8,411</b>	<b>423,807</b>	<b>0</b>	<b>423,807</b>	<b>8,667</b>	<b>424,063</b>	<b>167</b>	<b>424,230</b>									
30	403 Depreciation Expense	123,843	6,000	129,843		129,843	14,728	138,571		138,571									
26	Amortization Expense	0	0	0		0	0	0		0									
27	Taxes Other Than Income Tax	42,145	0	42,145	0	42,145	0	42,145		42,145									
28	Oregon Income Tax	10	0	10		10	(968)	(958)	5,513	4,555									
29	Federal Income Tax	886	0	886	0	886	(2,907)	(2,021)	11,727	9,706									
30	<b>TOTAL REVENUE DEDUCTIONS</b>	<b>582,280</b>	<b>14,411</b>	<b>596,691</b>	<b>0</b>	<b>596,691</b>	<b>19,520</b>	<b>601,800</b>	<b>17,407</b>	<b>619,207</b>									
31	<b>NET OPERATING INCOME</b>	<b>41,220</b>	<b>(52,923)</b>	<b>(11,703)</b>	<b>90,000</b>	<b>78,297</b>	<b>(51,724)</b>	<b>(10,504)</b>	<b>66,284</b>	<b>55,780</b>									
32	101 Utility Plant in Service	2,465,657	664,000	3,129,657		3,129,657	683,984	3,149,641		3,149,641									
Less:																			
33	Depreciation Reserve	1,116,425	6,000	1,122,425		1,122,425	(5,126)	1,111,299		1,111,299									
34	271 Contributions in Aid of Const	0	0	0		0	984,616	984,616		984,616									
35	Unamortized Retired Plant	0	0	0		0	0	0		0									
36	272 Accum. Amortization of CIAC	0	0	0		0	(341,526)	(341,526)		(341,526)									
37	281 Accum. Deferred Income Tax	0	0	0		0	53,217	53,217		53,217									
38	Net Utility Plant	1,349,232	658,000	2,007,232	0	2,007,232	(7,197)	1,342,035	0	1,342,035									
Plus: (working capital)																			
39	Materials and Supplies Inventor	19,750	0	19,750		19,750	0	19,750		19,750									
40	Working Cash	34,616	810	35,426		35,426	723	35,339	14	35,353									
41	<b>TOTAL RATE BASE</b>	<b>1,403,598</b>	<b>658,810</b>	<b>2,062,408</b>	<b>0</b>	<b>2,062,408</b>	<b>(6,474)</b>	<b>1,397,124</b>	<b>14</b>	<b>1,397,138</b>									
#####	<b>Rate of Return</b>	<b>2.94%</b>		<b>-0.57%</b>		<b>3.80%</b>		<b>-0.75%</b>		<b>3.99%</b>									

(Line 31 Net Operating Income divided by Line 4C      0

avg op. exp/customer =  
Oregon Income Tax Rate:      6.60%    (ORrate)  
Federal Income Tax Rate:      15.00%    (Fedrate)      cash flow requested =  
Net to Gross Factor:      1.2628    (Factor)

# CERTIFICATE OF SERVICE

**UW 120**

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 11th day of October, 2007.



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Kay Barnes

Filed On Behalf of Public Utility Commission's Staff

Salem, Oregon 97301

Telephone: (503) 378-5763

**UW 120  
Service List (Parties)**

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