



Oregon

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Public Utility Commission

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July 2, 2008

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

RE: **Docket No. UW 124** – In the Matter of **SEVEN MTN GOLF VLG WATER COMPANY** Request for a General Rate Increase.

Enclosed for electronic filing in the above-captioned docket is Staff's Direct Testimony in Docket UW 124.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UW 124 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UW 124

STAFF DIRECT TESTIMONY OF

Michael Dougherty

**In the Matter of
SEVEN MTN GOLF VLG WATER COMPANY
Request for a General Rate Increase**

July 2, 2008

CASE: UW 124
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Direct Testimony
In Support of the
Stipulation**

July 2, 2008

1 **Q. PLEASE STATE YOUR NAME AND POSITION.**

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

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK
8 EXPERIENCE.**

9 A. My Witness Qualification Statement is found in Exhibit Staff/101, Dougherty/1.

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

11 A. The purpose of my testimony is to introduce and support the Stipulation
12 entered into by Staff; Seventh Mountain Golf Village Water Company (SMGV
13 or Company); and Thomas G. Clifford, Robert J. Selder, and Leo Mottau
14 (Intervenors).¹

15 **Q. WHO ARE THE PARTIES IN THIS DOCKET?**

16 A. The parties in this docket are Staff, the Company, and Intervenors (Parties).

17 **Q. DID ANY PARTY NOT SIGN THE STIPULATION?**

18 A. No.

19 **Q. DID YOU PREPARE ANY EXHIBITS FOR THIS DOCKET?**

20 A. Yes. Exhibit Staff/102 contains exhibits in support of the Direct Testimony.

¹ Mr. Mottau was out of the country during the signing of the Stipulation. However, Mr. Mottau assigned a Power of Attorney to Mr. Clifford to sign the Stipulation in his place given that Mr. Mottau knew he would be traveling outside the US when signatures would likely be needed.

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

2 A. The Testimony is organized as follows:

- 3 1) Description of Seventh Mountain Golf Village Water Company and an
4 Explanation of why Widgi Creek Golf Course is no longer a customer of
5 SMGV;
- 6 2) Summary of SMGV's Application;
- 7 3) Staff's analysis of SMGV's filing;
- 8 4) Staff's adjustments to SMGV's filing; and
- 9 5) Summary of the Stipulation agreed to by the Parties.

10 **SEVENTH MOUNTAIN GOLF VILLAGE WATER COMPANY**

11 **Q. PLEASE DESCRIBE SEVENTH MOUNTAIN GOLF VILLAGE WATER**
12 **COMPANY.**

13 A. SMGV is an investor-owned water utility located in the vicinity of Bend,
14 Oregon. The water system consists of a well, 250,000 gallon two-
15 chambered storage reservoir, pump station, various pumps, and distribution
16 pipe lines. The water system currently serves 181 residential customers,
17 seven commercial customers, and approximately 25 irrigation customers.²
18 The seven commercial customers are associated with Widgi Creek Golf
19 Course (Widgi Creek Grill, Widgi Creek Commons, Widgi Creek Maintenance
20 Shed, Pool, Pool House/Spa, 7th Tee Restroom, and 14th Tee Restroom).

² On June 11, 2008, Staff, Company representatives, and representatives from the Elkai Woods Homeowners Association (EWHO) and Elkai Woods Fractional Homeowners Association (EWFHOA) performed a walk through of the common areas and determined that seven meters required installation that would increase the irrigation meter count from 18 to 25 as of the date of the walkthrough.

1 Previously, the Company provided irrigation water to Widgi Creek Golf
2 Course (WCGC); however, due to the transfer of land and water rights
3 associated with the land, WCGC is no longer a customer of SMGV.

4 **Q. PLEASE EXPLAIN IN MORE DETAIL WHY WIDGI CREEK GOLF**
5 **COURSE IS NO LONGER A CUSTOMER OF SMGV.**

6 A. Widgi Creek was previously partly owned by the owner of SMGV; however,
7 Widgi Creek filed for Chapter 7 Bankruptcy in 2004, going into Receivership in
8 March 2004. Widgi Creek was auctioned in December 2004 and purchased by
9 a third party not affiliated with SMGV.

10 In 2005, Widgi Creek's owner obtained legal counsel who researched the
11 chain of title and history of the water permit for the irrigation, commercial, and
12 pond water for the golf course and concluded that Widgi Creek was the
13 absolute owner of the irrigation, commercial, and pond water. As a result,
14 Widgi Creek sent a letter to SMGV on November 2, 2005, stating that it would
15 no longer pay for water that it owns.

16 Subsequent to the letter notifying SMGV of water rights, SMGV and Widgi
17 Creek entered into a Reciprocal Easement Agreement that will allow SMGV to
18 draw all of its water for its operations from the well located on Widgi Creek's
19 property. As part of the agreement, Widgi Creek will allow SMGV a permanent,
20 non-exclusive easement to access, maintain, repair, replace, and use the water
21 pump, well, and cisterns located on Widgi Creek property. The agreement
22 states that SMGV will maintain ownership of the electrical pump located in the
23 well. Widgi Creek will not charge SMGV for use of the easement.

1 As part of the agreement, SMGV will allow Widgi Creek a permanent, non-
2 exclusive easement to access, maintain, repair, replace, and use its irrigation
3 equipment that is located on property used by SMGV. SMGV will not charge
4 Widgi Creek for use of the easement; however, Widgi Creek will continue to
5 pay its pro-rata share of the utility operations and maintenance expenses
6 concerning the delivery of water as long as the delivery facilities are located on
7 property used by SMGV. In addition, Widgi Creek comprises the seven
8 commercial customers of SMGV and will continue to pay the commercial water
9 rates since the commercial water is delivered by SMGV's distribution system.

10 **Q. WHEN WAS THE COMPANY'S LAST RATE FILING?**

11 A. The Company filed tariffs, UW 116, on April 16, 2006. The Commission in
12 Order No. 06-501, dated August 28, 2006, approved a Stipulation between all
13 parties in the docket resulting in a flat rate for residential customers of \$21.14
14 per month, a flat rate for the Widgi Creek commercial customer of \$173 per
15 month, and a flat rate of \$173 per month for the months of June through August
16 for the Widgi Creek Pool.

17 **Q. DOES THE COMPANY HAVE ANY AFFILIATED INTEREST**

18 **AGREEMENTS?**

- 19 A. Yes. The following are approved affiliated interest (AI) agreements:
- 20 ▪ UI 280 (Commission Order No. 08-144) – Employment Service agreement
21 between SMGV and its owner Dale Bernards for annual total
22 compensation payments of \$2,400 per year.
 - 23 ▪ UI 246 (Commission Order No. 06-017) – Property rental agreement
24 between SMGV and Braber Properties LLC (owned by minor sons of Dale
25

Bernards). As a result of the lower of cost or market transfer policy, the approval did not recognize any utility expense for the property.³

- UI 217(1) (Commission Order No. 06-015) – Management contract between SMGV and Canterbury Property Management LLC.⁴

SUMMARY OF SMGV’S RATE APPLICATION

Q. PLEASE SUMMARIZE THE COMPANY’S GENERAL RATE FILING.

A. Pursuant to ORS 757.205, the Company filed tariffs on November 20, 2007, to be effective January 1, 2008. In its Application, the Company requested an increase in revenues of \$23,912 (from \$50,691 to \$74,603) or 47 percent. SMGV also requested a 9.04 percent return on a rate base of \$86,074.⁵ The Company states the increase in rates is necessary because of:

- Investments of over \$50,000 in the last few years for meter installations and additional improvements;
- An increase in management fees from \$850 per month to \$1,200 per month; and
- Payment of back property taxes from 2002 and prior that was not previously included in rates.

Q. PLEASE DESCRIBE THE EFFECT OF COMPLETION OF METER INSTALLATIONS.

A. The installation of meters has resulted in a change from flat rates to the proposed metered rates with base and variable components. The Company, in its application, submitted a history of meter readings from September 2006

³ The land referred to in UI 246 was transferred from a SMGV affiliate B&B Properties to Braber Properties at no cost. The previous AI agreement between SMGV and B&B Properties was docketed as UI 215.

⁴ The manager of Canterbury Property Management LLC has severed her ties with Canterbury and now manages SMGV through her own Company, Pathfinder Commercial Management Inc. I will discuss this later in testimony.

⁵ Although the application states \$86,074, Staff/102, Dougherty/1 indicates a rate base of \$89,582.

1 through September 2007. Additionally, as a response to a data request,
2 SMGV submitted meter readings from October 2007 through April 2008
3 allowing sufficient data to structure a metered rate.

4 As a result of meter installations, the commercial customer count increased
5 from two to seven to account for different areas and operations controlled by
6 the commercial customer. Also, completion of the meter installations would
7 result in the ability to separate residential use from common area irrigation use
8 should the two townhome homeowners associations, Elkai Woods
9 Homeowners Association (EWHO) and Elkai Woods Fractional Homeowners
10 Association (EWFHO), find such information beneficial. Currently, separately
11 existing irrigation lines serve the common areas between certain residences in
12 EWHO and EWFHO and the yards in front and behind each of the individual
13 townhomes which are not common area. The irrigation systems around each
14 building serve two or more residences. EWHO and EWFHO will pay for all
15 water used for both inside and irrigation purposes on behalf of their
16 homeowners.

17 **Q. DID THE COMPANY INCLUDE ANY CHANGES TO ITS RULES AS PART**
18 **OF THE APPLICATION?**

19 A. In addition to a requested change in rates, the Company has also proposed to
20 change three of its tariffed rules, Rule 14(b) concerning disconnection, Rule 19
21 concerning location of meters, and Rule 22 to reflect monthly and not quarterly
22 billings. I will discuss these changes later in testimony.

1 **Q. PLEASE EXPLAIN WHY STAFF REQUESTED A MOTION TO EXTEND**
2 **THE SUSPENSION PERIOD FOR AN ADDITIONAL THREE MONTHS**
3 **THAT WAS GRANTED BY THE COMMISSION IN ORDER NO. 08-199,**
4 **DATED APRIL 10, 2008.**

5 A. During my investigation into rates, Deschutes County informed me that it
6 foreclosed on a judgment lien on the utility property of SMGV for failure to pay
7 approximately \$40,000 in personal (utility plant) property taxes. Because of
8 this development, and the uncertainty of the outcome, I requested additional
9 time to complete my investigation.

10 **Q. WHAT WAS THE RESULT OF THE FORECLOSURE?**

11 A. SMGV secured a loan, docketed as UF 4249, and settled the judgment
12 (approximately \$34,796 plus interest of 10 percent starting on February 13,
13 2008) on May 13, 2008.

14 **Q. PLEASE DESCRIBE THE COMPANY'S CURRENT AND PROPOSED**
15 **RESIDENTIAL RATES.**

16 A. SMGV currently charges a flat rate of \$21.14. This rate was approved by the
17 Commission in Order No. 06-501 (UW 116), dated August 28, 2006. The
18 following table shows the current residential rate and the Company's proposed
19 metered (base and commodity) rate.

1

Residential

Meter Size	Current Flat Rate	Proposed Base/Commodity Rate
1” ⁶	\$21.14	\$22.07 \$0.88 per 100 cubic feet (cf)

2

3

Q. PLEASE DESCRIBE THE COMPANY'S CURRENT AND PROPOSED COMMERCIAL RATES AS STATED IN THE APPLICATION.

4

5

A. As previously mentioned, commercial customers include Widgi Creek Grill, Widgi Creek Commons, Widgi Creek Maintenance Shed, Pool, Pool House/Spa, 7th Tee Restroom, and 14th Tee Restroom. The following table shows the current commercial rate and the Company’s proposed metered (base and commodity) rate.

6

7

8

9

Commercial

Meter Size	Current Flat Rate	Proposed Base/Commodity Rate
1”	\$173.00 ⁷	\$22.07 \$0.88 per 100 cf

10

11

Q. PLEASE DESCRIBE THE COMPANY'S CURRENT AND PROPOSED IRRIGATION RATES AS STATED IN THE APPLICATION.

12

13

A. As previously mentioned, completion of the installation of meters allowed the Company to separate water usage for common areas from certain residential meters. Prior to the installation of these irrigation meters (that is still ongoing)

14

15

⁶ As a result of different builders being involved in the Widgi Creek development, a small amount (approximately six) 5/8” x 3/4” meters were installed in the system. Because these smaller meters serve the same type of structures (townhomes), I did not distinguish between these meters and the 1” meters for pricing.

⁷ SMGV’s current tariff includes a three-month (June, July, and August) rate of \$173.00 per month for the Pool.

1 certain irrigation valves were connected to meters that provided water to certain
2 residences. The following table shows the current irrigation rate and the
3 Company's proposed metered (base and commodity) rate.

Irrigation

Meter Size	Current Flat Rate	Proposed Base/Commodity Rate
1"	\$0.00	\$22.07 \$0.88 per 100 cf

4
5 **Q. ALTHOUGH YOU REFER TO THESE METERS AS IRRIGATION, THESE**
6 **METERS BASICALLY SERVE SMALL COMMON AREAS. ARE THERE**
7 **OTHER REGULATED COMPANIES THAT HAVE IRRIGATION RATES**
8 **THAT ALSO SERVE SMALLER COMMON AREAS?**

9 A. Yes. Cline Butte Utility (Eagle Crest), Running Y, and Sunriver are examples of
10 companies that have non-golf course irrigation rates.

11 **STAFF'S ANALYSIS OF THE COMPANY'S RATE FILING**

12 **Q. WHAT ARE THE RESULTS OF YOUR ANALYSIS OF THE COMPANY'S**
13 **APPLICATION?**

14 A. My analysis of the Company's Application results in a recommended revenue
15 requirement of \$68,186, which is a \$9,301 increase, or 15.80 percent increase,
16 from SMGV's filed total test year revenues of \$58,885. The revenue
17 requirement is to be collected as follows: \$59,330 from residential, commercial,
18 and irrigation customers; and \$8,855 from the Widgi Creek Golf Course special
19 contract revenue resulting from electrical and property tax pro-rata sharing. In
20 addition, Staff recommends the Company be allowed to earn a 9.5 percent rate

1 of return on rate base of \$58,506. Exhibit Staff/102, Dougherty/1 and 2 shows
2 the revenue requirement calculations.

3 **STAFF ADJUSTMENTS**

4 **Q. DID YOU MAKE ANY ADJUSTMENTS TO THE COMPANY'S TEST**
5 **PERIOD EXPENSES?**

6 A. Yes. Staff/102, Dougherty/2 and 3 show my revenue and expense
7 adjustments with a brief description of each; however, below is additional
8 explanation of significant adjustments.

9 Account No. 461.1 – Residential Water Sales

10 Revenue was calculated based on an increased customer count to 181 based
11 on newly completed and current construction.

12 Account No. 461.2 –Commercial Water Sales

13 Revenue was calculated based on seven commercial customers and not the
14 previous two commercial customers.

15 Account No. 465 – Irrigation (Non-golf) Water Sales

16 Revenue was imputed for irrigation based on 25 customers at the UW 116 rate
17 of \$21.14 multiplied by 12 months.

18 Special Contract Revenue

19 The calculated amount was based on a pro-rata sharing of electrical costs
20 billed to SMGV for Widgi Creek Golf Course (WCGC) use and a share of
21 property taxes for equipment that supplies water to WCGC. Electricity is
22 allocated between the two entities based on water consumption. During
23 months of no golf course use, WCGC pays one-half of the electric base rate.

1 Account No. 603 – Salaries and Wages - Officers

2 As previously mentioned, UI 280 authorized total compensation to the
3 Company's owner of \$2,400 per year.

4 Account No. 615 – Purchased Power

5 In its application, the Company requested \$17,000. Based on review of test
6 year invoices, increases resulting from PacifiCorp's UE 179 rate case, and
7 likely increases due to SB 408 tax true-ups and power costs, I recommend a
8 purchased power expense of \$17,770; \$770 above the Company's requested
9 amount.

10 Account 619 – Office Supplies

11 In its application, the Company requested \$2,070. Based on a review of
12 invoices, I moved certain charges to other accounts. I then escalated the
13 resulting amount for increases in customer count and recommend an expense
14 of \$686.

15 Account No. 621 – Repairs to Water Plant

16 In its Application, the Company submitted \$2,456 in proposed expenses. After
17 reviewing invoices, Staff recommends \$3,319 in expenses. The Company
18 uses a contract operator for repairs and operations. The Company does not
19 pay the operator on a monthly basis, but based on work performed by the
20 operator. As a result, the Company separated labor and parts charges from
21 the operator's invoices and placed the charges in two accounts, Account 621,
22 Repairs to Water Plant and Account 636, Contract Services – Labor. I
23 removed this separation because the associated labor was directly tied to the

1 repair work being performed. In addition, I reclassified certain expenses as
2 Plant and Contributions in Aid of Construction (CIAC) for invoices related to
3 service connections.

4 Account No. 632 - Contract Services – Accounting

5 In its application, the Company submitted a proposed expense of \$4,284. After
6 reviewing test year invoices and a 2008 projected cost submitted by the
7 Company's accountant, I adjusted this amount to \$3,100.

8 Account No. 634 - Contract Services –Management

9 In its application, the Company submitted \$14,400 in proposed expenses. As
10 previously mentioned, SMGV's management is performed by a former
11 employee of SMGV's affiliate, Canterbury Properties Management
12 (Canterbury). Although the employee has severed most ties with Canterbury, I
13 continued to review the contract using the same method described in UI 217(1).
14 I increased the hours performed by the manager from 30 hours per month to
15 39 hours per month based on submitted documentation. I also escalated the
16 expense by 2.5 percent per year that is allowed in UI 217(1). As a result, my
17 recommended amount is \$13,603 per year.

18 Account No. 635 – Contract Services - Testing

19 In its application, SMGV stated its 2005 Testing Expense as \$2,423. I
20 recalculated the proposed testing expense at \$1,913 using a four-year average
21 of the costs for scheduled tests based on documentation that was provided by
22 a testing lab. I also added sampling costs charged by the contract operator for
23 drawing the required samples.

1 Account No. 636 – Contract Services - Labor

2 In its application, SMGV submitted \$5,000 in labor costs. As previously
3 mentioned, I included contract operator labor associated with repairs in
4 Account 621, Repairs to Water Plant. I allowed \$488 in temporary labor based
5 on invoices submitted.

6 Account No. 638 – Contract Services – Meter Reading

7 As a result of the new requirement to read meters, SMGV submitted an annual
8 cost of \$3,600. I calculated costs based on \$1.50 reading per meter multiplied
9 by 11 months for residential and commercial customers. I used 11 months
10 instead of 12 months because of Elkai Woods' high elevation. In 2007 / 2008,
11 SMGV could not read meters for the months of December through March due
12 to snow and frozen ground. Although a similar amount of snow may not
13 happen in subsequent years, using an 11-month basis for readings is
14 reasonable based on the location (higher elevation) of the Company's service
15 area. For irrigation meters, I multiplied \$1.50 reading per meter by seven
16 months, because the irrigation system is only in operation seven months a
17 year. My recommended expense is \$3,363.

18 Account No. 641 – Rental Expense

19 In its application, SMGV submitted an expense of \$1,487. As previously
20 mentioned, the land rental is an affiliated transaction described in UI 246,
21 Commission Order No. 06-017. In its memo, Staff recommended a zero
22 expense because the underlying asset (land) had zero value based on an

1 assessment by the Deschutes County Assessor. The County, at that time
2 considered the property to be common area.

3 However, per the Judicial Amendment to the Joint EWHO A and EWFHO A
4 CCRs, the land (Tract A) can only be used by SMGV. If SMGV ceases to
5 operate as a water company for a period of six months, Tract A is to be deeded
6 to EWFHO A as common area. Further, Tract A was transferred to the affiliate
7 at no cost. OAR 860-036-0739, Allocation of Costs by a Water Utility, requires
8 any services provided by an affiliate to the utility to be at the affiliate's cost or
9 market rate, whichever is lower. In this case, because the land was transferred
10 to the affiliate (Braber Properties LLC) at no cost, the only allowable cost
11 should be \$199, the amount of the 2007 taxes. As a result, I recommend an
12 expense of \$199.

13 Although the Company does not agree with my assessment, it has for this
14 docket, accepted the Stipulation. The Company plans to research the land
15 costs in more detail and may present inclusion of the costs in a subsequent
16 rate application.

17 The Intervenors also do not agree with, but are willing to accept, my
18 recommendation of the \$199 expense. According to the Intervenors, even
19 though Braber Properties LLC (Braber) holds the title to Tract A, EWFHO A is
20 the beneficial owner of the land as a result of a lawsuit settlement. The
21 Assessor's office was required to give the property a nominal assessment
22 since the title has not been transferred to EWFHO A. According to the
23 Intervenors, if title is transferred to EWFHO A with SMGV continuing to use the

1 property, SMGV will be able to use the property for water utility operations and
2 incur no property taxes. Thus, in the view of the Intervenor, the Company is
3 voluntarily incurring property tax expenses which are passed to customers.
4 From the Intervenor's point of view, there is no need for SMGV to be incurring
5 such costs since SMGV would be able to continue to use the property as it
6 does now for no rent and no property taxes. As noted above, per the Judicial
7 Amendment to the Joint EWHOA and EWFHOA CCRs, if SMGV ceases to
8 operate as a water company for a period of six months, Tract A is to be deeded
9 to EWFHOA as common area.

10 However, all Parties agreed to accept the \$199 rental expense in the
11 calculation of rates.

12 Account No. 675 – General Expense

13 In its application, the Company submitted \$0.00 for general expense. I
14 recommend including \$799 to cover Oregon Association of Water Utilities
15 (OAWU) dues, bank charges, sanitary survey (amortized over two years), and
16 licenses. Both the Intervenor and I had two concerns over the Company's
17 checking account: (1) the high amount of bank charges (\$459 in rates); and
18 (2) the account still reflects Canterbury Commercial LLC, dba Seventh
19 Mountain Golf Village. The Intervenor recommend that the Company consider
20 other banking institutions that have fewer charges; and that a new account be
21 established under Pathfinder Commercial Management, the unaffiliated
22 property manager for SMGV.

Account 408.1 – Property Tax

In its application, the Company included \$7,200 in property taxes. I recommend \$4,691, which includes \$2,819 in current 2007 taxes and \$1,872 in back taxes from the years 1997 through 2002 that were not included in rates. The background on back taxes is that on December 6, 2002, the Company received a series of letters from the Deschutes County Assessor notifying the Company that certain property was omitted from the County's tax rolls from the years 1997 through 2002. According to Deschutes County, the taxes were scheduled to be added to the 2003 – 2004 tax rolls.

According to the owner of SMGV, he was not aware of these taxes as he believed these taxes were included in the Golf Course property taxes. The owner appealed the valuation of the property, which was reset at \$200,000. The lower valuation resulted in lower taxes. The following table highlights the back taxes:

Property Taxes

Year	Amount
1997	\$2,949
1998	\$3,178
1999	\$2,948
2000	\$2,788
2001	\$2,701
2002	\$2,725
Total	\$17,288

Based on a search of correspondence, it appears that Staff first became aware of the back taxes during UW 95 (Commission Order No. 04-156, dated

1 March 15, 2004).⁸ A discussion with Staff assigned to the case indicates that
2 the taxes were not included in rates due to the appeal to the County filed by the
3 Company's owner. In a May 27, 2004, e-mail to the Company, Staff informed
4 SMGV that if the taxes were found to be prudent that Staff would likely
5 recommend recovery over a longer than 12-month period.

6 In UW 116 (Commission Order No. 06-501, dated August 28, 2006), Staff
7 refers to this issue of back taxes and states in testimony:

8 Staff also removed \$4,973 in amortization of unpaid utility
9 (equipment) property tax from the year 1998 through 2003.
10 This amount of unpaid taxes, not including penalties and
11 interest equals \$16,978. This amount and tax is distinct and
12 distinguishable from the property tax on the real property
13 (land) property tax. The Company claims it believed these
14 taxes were included in the golf course taxes and paid by the
15 Golf Course. Intervenors claim that the Company should
16 have been aware of these taxes, and that there was a
17 previous agreement between the Company and Intervenors
18 that Intervenors would not pursue collection of previously
19 unpaid golf course water charges if SMGV did not include
20 collection from customers, the unpaid utility property back
21 taxes.

22 Since records of previous agreements were not available
23 during settlement and additional research on this subject is
24 required by all Parties, the Parties agreed to defer this issue
25 until the subsequent SMGV filing for metered rates occurs.
26 As a result, Staff adjusted out the amount submitted by the
27 Company.

28
29 Both UW 95 and UW 116 rates included amounts for property taxes, which
30 allowed the Company the opportunity to pay current property taxes. In UW 95,
31 WCGC was still a customer of SMGV. In its UW 95 analysis of expenses to
32 determine allocations between residential, commercial, and golf course
33 customers, Staff allocated 35 percent of the property tax expense to the golf

⁸ The issue of back property taxes was not discussed in Staff's UW 95 testimony.

1 course. I used this allocation to determine the amount of back property taxes
2 that should be funded by current customers. The following table highlights my
3 calculations.

4 **Property Tax Allocation**

Year	Amount	Residential / Commercial Allocation (UW 95) - 65%
1997	\$2,949	\$1,917
1998	\$3,178	\$2,065
1999	\$2,948	\$1,916
2000	\$2,788	\$1,806
2001	\$2,701	\$1,755
2002	\$2,725	\$1,771
Total	\$17,288	\$11,230

5
6 Because the taxes occurred over a six-year period, I recommend amortizing
7 the taxes over a six-year period, which equals \$1,872 per year. The Parties
8 agreed not to accrue interest to the unamortized balance. Additionally, I did not
9 add any penalties or interest to the back taxes, as penalties and interest should
10 be a shareholder cost.

11 Because the Company has settled the judgment lien with the County, all
12 back taxes have been paid. The amortization of the allocated back taxes
13 allows the Company to partially recover its expenditures in rates. However, a
14 large portion of the back taxes and all interest and penalties are recommended
15 to be shareholder funded.

16 **Q. DID STAFF MAKE ADJUSTMENTS TO UTILITY PLANT IN SERVICE?**

17 A. Yes. After reviewing the Application, analyzing responses to data requests,
18 and evaluating SMGV's Plant records, I determined that the Company's Utility
19 Plant in Service is actually \$54,210 and not \$84,666 as shown in the

1 Application. My amount includes the cost of new projects to be completed by
2 July and August 2008. Additionally, based on certain other records
3 (accountants, Deschutes County, construction data), I reset the costs of certain
4 plant equipment to reflect as accurately as possible the costs of the equipment.

5 Included as part of the Stipulation, the Parties agree that existing plant and
6 respective costs established in this docket, UW 124, will serve as a basis for
7 subsequent rate cases.

8 Landscaping

9 An item that was not included in plant was proposed landscaping charges
10 that was referenced in the UW 116 Stipulation. The Stipulation stated:

11 The Company agrees to work with the other Parties to the
12 Stipulation to determine the proper timing and method to
13 determine categorizing future landscape plant costs and
14 operating expenses. The agreement concerning landscape
15 issues will include a determination if these costs are
16 Company Plant and expenses, or if SMGV's affiliate, Braber
17 Properties LLC., assumes the costs and charges the
18 Company for the annual maintenance cost and return on the
19 improvement. The Parties agreed to work towards
20 resolution of this issue amongst themselves prior to SMGV's
21 next rate application.

22
23 Landscaping of the Company Property (Tract A) was one of many issues
24 included in a lawsuit between EWHOA and the many entities that the owner of
25 SMGV was previously involved in. These entities include SMGV, Yamazoe
26 International Inc. (Yamazoe), Bernards Golf LLC, and others. Concerning the
27 lawsuit, the "Notice of Pendency of An Action" was recorded with the
28 Deschutes County Clerk Office on November 20, 2003. The "First Amended

1 Complaint" was also signed on November 20, 2003,⁹ when the owners of
2 SMGV also owned 100 percent of the golf course property and also were the
3 declarant / developers of Elkai Woods (Yamazoe owned 2/3 of SMGV and the
4 golf course property and Mr. Bernards owned 1/3 of SMGV and the golf course
5 property). Yamazoe transferred its 2/3 interest in SMGV to Mr. Bernards in
6 2005 in consideration for services provided by Mr. Bernards to Yamazoe over
7 the years.

8 The lawsuit between EWHOA and the various defendants primarily involved
9 issues related to the declarant / developers' alleged failures to complete the
10 turnover of the HOA and complete the Elkai Woods development. The lawsuit
11 was settled in April 2005. In October 2004, the entity holding Yamazoe's 2/3's
12 interest in the golf course property declared bankruptcy under Chapter 7.

13 Based on a separate agreement between BHelm LLC (purchaser of all of the
14 golf course property in the December 2004 auction conducted by the
15 bankruptcy trustee) and EWHOA and EWFHOA, BHelm LLC agreed to perform
16 various items addressed in the lawsuit related to the golf club and such
17 performance items were dropped from the lawsuit in the 3rd amended
18 complaint. Such items did not involve or impact Tract A or SMGV. In June
19 2006, the bankruptcy trustee concluded his administration of the estate. After
20 payment of all allowed secured and unsecured liabilities and all of the costs of
21 administration, Yamazoe and Bernards received \$859,493.06 from the estate.

⁹ Various amendments to both the Notice of Pendency of An Action and Complaints were subsequently filed with the court.

1 The settlement of the lawsuit involved the signing of two separate
2 settlement agreements and the filing of a Stipulated General Judgment and
3 General Judgment of Dismissal. The Stipulated General Judgment included a
4 Judicial Amendment to the Declaration of Covenants, Conditions & Restrictions
5 (CCRs) for EWFHOA Recorded as Document Number 2002-65397 and
6 EWHO A and EWFHOA Recorded as Document Number 2001-43400. Section
7 4.C of the Judicial Amendment states:

8 Tract "A" as identified on the proposed plat for Elkai Woods
9 Phase VI shall be subject to the Declaration and shall be
10 subject to the following restrictions: (1) assessment by the
11 EWFHOA as if it were a single undeveloped lot within the
12 EWFHOA development; (2) may be utilized as the site of a
13 water company facility providing water service to Elkai
14 Woods, the golf club and other surrounding property,
15 whether part of Elkai Woods or not; (3) the owner or lessee
16 of the water company site shall maintain the water company
17 building(s) in a reasonable and attractive manner; (4)
18 EWFHOA shall be responsible for the maintenance of the
19 landscaping installed by the Water Company or the owner of
20 Tract "A"; and (5) in the event that the water company
21 ceases operation for a period of six months as a water
22 company, Tract "A" shall be deeded to the EWFHOA as
23 additional common area.
24

25 Although the Judicial Amendment states that SMGV will install the
26 landscaping on Tract A, the lawsuit primarily was directed at the declarant /
27 developers for their failure to complete the development including failure to
28 complete the landscaping of the common areas within the development and the
29 turnover of such common areas to the HOAs. Because the lawsuit was
30 directed at Yamazoe and the developers, customers of SMGV should not have
31 to pay for this landscaping. In its simplest form, Tract A is common area which

1 SMGV is allowed to use for the purpose of providing water to the Widgi Creek /
2 Elkai Woods areas under the Judicial Amendment to the CCRs. If SMGV
3 wants to pursue Yamazoe for reimbursement of the landscaping, that is a
4 business decision for the Company. However, I do not support customers
5 paying for this landscaping.

6 Although the Company does not agree with my assessment, it has for this
7 docket accepted the Stipulation. Currently the landscaping has not been
8 installed; however, the Company did receive three quotes for landscaping
9 (\$13,036, \$15,685, and \$56,189). A representative from the EWFHOA has
10 relayed to me that they are looking at a more “minimalist” approach to
11 landscaping and believes the actual costs will be in \$4,000 - \$5,000 range.
12 Because the Company does not agree with my analysis on the landscaping, it
13 reserves its prerogative to address this in subsequent rate applications.
14 Because Tract A is subject to the CCRs and EWFHOA is responsible for the
15 maintenance of any landscaping installed on Tract A, any landscaping on
16 Tract A requires approval by the EWFHOA board.

17 Meters

18 The UW 116 Stipulation also included a discussion of meters and stated:

19 The Company agrees to work with the other Parties to the
20 Stipulation to develop a plan for the Company to assume
21 ownership of all meters prior to meters being included in rate
22 base. This plan will include a method to purchase meters
23 from homeowners and contain a proper accounting of all
24 meters demonstrating that the Company has ownership of all
25 meters.
26

1 Based on the UW 116 Stipulation, the Company, with Staff's knowledge and
2 concurrence, reimbursed customers the depreciated value of the meters. For
3 most meters, the value was set at \$32 per meter. The intent was to meet the
4 requirements of the UW 116 Stipulation. After "buying back" the meters, SMGV
5 was to place the depreciated value in rates at \$32 and depreciate the meters
6 over the remaining life of the meters for four years, at \$8 per year.

7 The Intervenors objected to this method and held on to many of the
8 Company's checks without cashing. The Intervenors did not want the meters,
9 which were installed by the developer and paid by customers through the
10 purchase of their lots, to be included in rate base. In order to make the
11 Company whole for any reimbursements of meters, the Parties stipulated to the
12 following:

13 The Parties agree that the Company will charge customers
14 for meter installations for any meters not currently installed.
15 For meters being installed in Elkai Woods Homeowners
16 Association and Elkai Woods Fractional Homeowners
17 Association, SMGV will invoice the party(ies) responsible for
18 the cost of these installations. Once purchased, customers
19 will contribute the purchased meters to the Company as
20 Contributions in Aid of Construction (CIAC). The Parties
21 further agree that the Company will be reimbursed for any
22 meters purchased or "bought back" by SMGV including
23 commercial, irrigation, and residential meters. As a result,
24 all meters, with the exception of the master (badger) meter,
25 will be reflected as CIAC for ratemaking purposes.
26

27 As a result, I did not include meters in plant. Concerning new installations,
28 invoices from the contract operator indicate that meters were included in the
29 cost of the service connections, which the Company charged \$450 in
30 accordance with its tariff. The Parties agreed by including meters into plant,

1 certain customers would be paying “twice” for meters; once from purchasing
2 their own meter, and twice by paying a return on and recovery of meters in rate
3 base.

4 To prevent any future meters from being part of rate base, the Parties agree
5 that the Company will charge customers for meter installations for any meters
6 not currently installed. For meters being installed in Elkai Woods Homeowners
7 Association and Elkai Woods Fractional Homeowners Association, SMGV will
8 invoice the party(ies) responsible for the cost of these installations. Once
9 purchased, customers will contribute the purchased meters to the Company as
10 Contributions in Aid of Construction (CIAC). The Parties further agree that the
11 Company will be reimbursed for any meters purchased or “bought back” by
12 SMGV including commercial, irrigation, and residential meters. As a result, all
13 meters, with the exception of the master (badger) meter, will be reflected as
14 CIAC for ratemaking purposes.

15 The proposed Schedule No. 2, Miscellaneous Service Charges, reflects a
16 charge of “At cost (includes meters)” for future service connections.

17 **Q. DID YOU MAKE ANY ADJUSTMENTS TO ACCUMULATED**
18 **DEPRECIATION?**

19 A. Yes. My calculation of Accumulated Depreciation resulted from the additions
20 and deletions to plant and equaled \$57,545 rather than the Company proposed
21 amount of \$63,430 shown in the Application. Staff/102, Dougherty/5 shows
22 Staff’s Plant in Service and Accumulated Depreciation calculations.

1 **SUMMARY OF THE STIPULATION AGREED TO BY THE PARTIES**

2 **Q. PLEASE DESCRIBE THE REVENUE REQUIREMENT STIPULATED TO BY**
3 **THE PARTIES.**

4 A. The Stipulation is composed of Staff’s recommended revenue requirement
5 and rates, as shown in SMGV’s tariffs attached to the Stipulation. The
6 Stipulation supports an increase of \$9,301, or 15.80 percent above the
7 Company’s proposed test year revenues, for a total revenue requirement of
8 \$68,186. In addition, the Parties stipulated to a 9.5 percent rate of return on
9 rate base of \$58,506. The stipulated Revenue Requirement is shown in
10 Staff/102, Dougherty/1.

11 **Q. WHAT ARE THE STIPULATED RESIDENTIAL, COMMERCIAL AND**
12 **IRRIGATION RATES?**

13 A. The following table shows a comparison of current rates, proposed rates, and
14 stipulated rates.

Residential	Current Flat Rate	SMGV Proposed Base Rate	Stipulated Base Rate
1” meter or smaller	\$21.14	\$22.07	\$13.86
Commercial			
1”	\$173	\$22.07	\$13.86
2”	N/A	N/A	\$27.72
Irrigation			
Irrigation	Current Flat Rate	SMGV Proposed Base Rate	Stipulated Base Rate
1” meter or smaller	N/A	\$22.07	\$13.86

	SMGV Proposed	Stipulated
Commodity Rate	\$0.88 per 100 cf	\$0.59 per 100 cf

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Q. DID THE PARTIES STIPULATE TO ANY CHANGES IN MISCELLANEOUS FEES?

A. Yes. As previously mentioned, the Parties agreed that the Connection Charge for new service should be at cost and include the meter. This change results from an examination of the contract operator invoices that indicate that the actual charge to the Company was less than the tariffed \$450 and actually included the cost of the meter. In addition, the Meter Test, Pressure Test, Returned-Check Charge, and the Disconnect Visit Charge were increased to \$25 from the current rates of \$20. The Company also added a Trouble-Call Charge for after normal business hours trouble-calls of \$75.

Q. DID THE PARTIES AGREE TO ANY CHANGES IN THE COMPANY'S TARIFFS?

A. Yes. Currently the EWHO and EWFHOA make consolidated payments to the Company for all their respective members. The HOAs would like to continue this arrangement. The consolidated payments also benefit the Company because it would be receiving two monthly payments instead of a possible 86 individual checks. The Company's Rule 22 has been changed to state in part:

Bills are due and payable when rendered by deposit in the mail or other reasonable means of delivery. As near as practical, meters shall be read at monthly intervals on the corresponding day of each meter reading or billing period. The bill shall be rendered immediately thereafter.

1 Concerning customers residing in the Elkai Woods
2 Homeowners Association (EWHO) and Elkai Woods
3 Fractional Homeowners Association (EWFHO), collectively
4 the HOAs, the utility will provide copies of individual bills to
5 customers and provide consolidated bills in order to allow the
6 HOAs to make one consolidated payment for their respective
7 members.

8
9 Because of the placement of meters the Company also requested a change
10 to its Rule 19 to clarify that not all meters are between the street curb and
11 property lines. As a result, Rule 19 has been changed to state in part:

12 Meters placed in service shall be adequate in size and design
13 for the type of service, set at convenient locations, accessible
14 to the utility, subject to the utility's control, and placed
15 in a meter box or vault between the street curb and property
16 line or on the customer's property. Each meter box or vault
17 shall be provided with a suitable cover.

18
19 The Company also requested a change in its Rule 14 to allow disconnection
20 of a customer if there is an excessive leak on the customer's side of the meter.
21 Although this is a valid concern under a flat rate structure, customers under a
22 metered rate have the motivation to fix excessive leaks because they are
23 paying for all water that goes through their meter, whether it is used for
24 intended purposes or being wasted through a leak in their lines. As a result,
25 the Parties agreed not to change Rule 14.

26 **Q. DID THE PARTIES AGREE TO ANYTHING ELSE IN THE STIPULATION?**

27 A. Yes. The Parties also stipulated to the following, many which have been
28 previously addressed in testimony.

- 29 1. The Parties support the Company rates set forth in tariff sheets PUC
30 Oregon No. 3, Original Sheet No. 3, Schedule No. 1 and Original Sheet
31 No. 4, Schedule No. 2 to become effective September 1, 2008. The

1 Company shall read meters on September 1, 2008, to establish a basis
2 for the October 2008 charges to customers. The amount to be charged
3 customers at the beginning of October 2008 will be the base rate for
4 September 2008 plus the amount for September 2008 water usage.

5 2. The Parties agree to support the Company charging customers for meter
6 installations for any meters not currently installed. For meters being
7 installed in Elkai Woods Homeowners Association and Elkai Woods
8 Fractional Homeowners Association, SMGV will invoice the party(ies)
9 responsible for the cost of these installations. Once purchased,
10 customers will contribute the purchased meters to the Company as
11 Contributions in Aid of Construction (CIAC). The Parties further agree to
12 support the Company reimbursement for any meters purchased or
13 "bought back" by SMGV including commercial, irrigation, and residential
14 meters. As a result, all meters, with the exception of the master (badger)
15 meter, will be reflected as CIAC for ratemaking purposes.

16 3. The Parties agree that all required irrigation meters that are not presently
17 in place will be installed by August 1, 2008.

18 4. The Parties agree that existing plant and respective costs established in
19 this docket, UW 124, will serve as a basis for subsequent rate cases.

20 5. The Parties agree that the portion of the plant property taxes for the years
21 1997 through 2002 (minus any penalties and interest) included in the

1 determination of the Revenue Requirement equaling \$68,186 will be
2 amortized into rates over a six-year period.

3 6. The Company agrees to pay plant property taxes on a timely basis. Staff
4 agrees to audit the Company's property tax payments for three
5 consecutive years starting with the 2008 / 2009 plant property tax that will
6 come due in the November 2008 time frame.

7 7. The Company agrees to file its next rate application during the first six
8 months of 2011 using a 2010 test year.

9 **Q. ARE THESE PROVISIONS OF THE STIPULATION REASONABLE?**

10 A. Yes. The provisions of the Stipulation are reasonable.

11 **Q. PLEASE DISCUSS IN MORE DETAIL THE TIMING OF RATES.**

12 A. While customers were to be invoiced a flat rate at the beginning of each
13 quarter (in advance for that quarter) under UW 116, during 2007, the Company
14 switched to billing customers in advance at the beginning of each month. As a
15 result, the flat rate covering August 2008, the last month under UW 116, will
16 have been invoiced in advance at the beginning of August. The Company will
17 read meters on September 1, 2008 to establish the beginning point for the new
18 rate structure. The base rate for September 2008 and for commodity usage for
19 September 2008 will be invoiced at the beginning of October 2008. Going
20 forward, the Company and customers agreed to work together to enable the
21 Company, to the extent possible, to send memo invoices to EWFHOA and
22 EWHOA customers via e-mail.

1 **Q. PLEASE EXPLAIN WHY THE LANGUAGE FOR EWHOA AND EWFHOA**
2 **METERS ON NUMBER 2 OF THE STIPULATED ITEMS IS DIFFERENT**
3 **FOR OTHER CUSTOMERS OF SMGV AND WHETHER THERE ARE ANY**
4 **OTHER SPECIFIC ISSUES RELATED TO CHARGING CUSTOMERS FOR**
5 **METERS THAT SHOULD BE ADDRESSED.**

6 A. The settlement of the lawsuit between EWHOA and various defendants
7 including SMGV specifically addresses the party(ies) responsible for the cost of
8 installing meters in the EWHOA section and meters serving one building in the
9 EWFHOA section. Accordingly, the party(ies) responsible for the cost of
10 installing such meters will be invoiced by SMGV in accordance with the
11 provisions of the settlement of the lawsuit.

12 UW 55, Order No 97-291 entered August 4, 1997, provided for a refund to
13 customers of \$21,081 before certain adjustments for advances made by
14 Yamazoe and for the commercial customer's portion of the refund. After these
15 adjustments, the 31 residential customers were to receive a refund of \$16,750
16 (\$540 per customer) of which \$200 per customer was to be used to prepay for
17 the installation of meters for their lots and the remaining \$340 per customer
18 was to be refunded to the customers via a credit against future charges for
19 water. Upon installation, the meters would be contributed to SMGV and
20 accounted for as CIAC. Because the meters for these lots have been paid for
21 via the UW 55 refund, SMGV should not again charge the past or current
22 owners of the 31 lots for any meters subsequently installed by SMGV on the 31
23 lots.

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

2 A. Yes. Based on Staff's investigation and the documented costs provided by
3 SMGV, Staff believes the proposed new revenue requirement generates rates
4 that are just and reasonable.

5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN SUPPORT OF**
6 **THE STIPULATION?**

7 A. Yes.

CASE: UW 124
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

July 2, 2008

WITNESS QUALIFICATION STATEMENT

NAME: MICHAEL DOUGHERTY

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: PROGRAM MANAGER, CORPORATE ANALYSIS AND WATER REGULATION

ADDRESS: 550 CAPITOL STREET, SUITE 215, NE, SALEM, OR 97301-2551

EDUCATION: Master of Science, Transportation Management, Naval Postgraduate School, Monterey CA (1987)

Bachelor of Science, Biology and Physical Anthropology, City College of New York (1980)

EXPERIENCE: Employed with the Oregon Public Utility Commission as the Program Manager, Corporate Analysis and Water Regulation. Also serve as Lead Auditor for the Commission's Audit Program.

Performed a five-month job rotation as Deputy Director, Department of Geology and Mineral Industries, March through August 2004.

Employed by the Oregon Employment Department as Manager - Budget, Communications, and Public Affairs from September 2000 to June 2002.

Employed by Sony Disc Manufacturing, Springfield, Oregon, as Manager – Manufacturing; Manager - Quality Assurance; and Supervisor - Mastering and Manufacturing from April 1995 to September 2000.

Retired as a Lieutenant Commander, United States Navy. Qualified naval engineer.

Member, National Association of Regulatory Commissioners Staff Sub-Committee on Accounting and Finance.

CASE: UW 124
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

Exhibit in Support of Testimony

July 2, 2008

SMGV
UW 124
Test Year: 2006-2007

Company Case
40.6%

Staff
4.1%

Staff/102
Dougherty1

\$2,690

Acct. No.	REVENUES	Balance Per Application Test Year: 2006-2007	Proposed Company Adjustments	Adjusted Results (A+B=C)	Proposed Staff Adjustments	Adjusted Results (A+F=G)	Staff Proposed Rev Changes	Proposed Results (G+H+I)	Staff %	Difference between Staff & Company
1	461.1 Residential Water Sales	40,994	30,709	71,703	4,922	45,916	2,181	48,097	15.80%	-\$23,606
2	461.2 Commercial Water Sales	2,427	473	2,900	1,194	3,621	172	3,793		\$893
3	465 Irrigation - Non GC	7,270	(7,270)	0	(167)	7,103	337	7,440		\$7,440
4	462 Irrigation - GC	0	0	0	0	0	0	0		\$0
5	471 Misc. Revenues	1,725	0	1,725	(1,725)	0	0	0		-\$1,725
6	Special Contracts (WCGC Elec)	6,469	0	6,469	2,386	8,855	0	8,855		\$2,386
7	TOTAL REVENUE	58,885	23,912	82,797	6,610	65,495	2,691	68,186		\$68,185
8				82,797	6,610	65,495		68,185		
9	OPERATING EXPENSES									
10	601 Salaries and Wages - Employees	0	0	0	0	0		0		\$0
11	603 Salaries and Wages - Officers	0	2,400	2,400	2,400	2,400		2,400		\$0
12	604 Employee Pension & Benefits	0	0	0	0	0		0		\$0
13	610 Purchased Water	0	0	0	0	0		0		\$0
14	611 Telephone/Communications	122	118	240	122	244		244		\$4
15	615 Purchased Power	16,582	418	17,000	1,188	17,770		17,770		\$770
16	618 Chemical / Treatment Expense	0	0	0	0	0		0		\$0
17	619 Office Supplies	1,388	682	2,070	(752)	636		636		-\$1,434
18	619.1 Postage	819	329	1,148	364	1,183		1,183		\$35
19	620 O&M Materials/Supplies	0	0	0	0	0		0		\$0
20	621 Repairs to Water Plant	1,581	875	2,456	1,738	3,319		3,319		\$863
21	631 Contract Svcs - Engineering	0	0	0	0	0		0		\$0
22	632 Contract Svcs - Accounting	2,390	1,894	4,284	710	3,100		3,100		-\$1,184
23	633 Contract Svcs - Legal	0	0	0	0	0		0		\$0
24	634 Contract Svcs - Management Fees	10,084	4,316	14,400	3,519	13,603		13,603		-\$797
25	635 Contract Svcs - Testing	820	1,603	2,423	1,093	1,913		1,913		-\$510
26	636 Contract Svcs - Labor	4,568	432	5,000	(4,120)	448		448		-\$4,552
27	637 Contract Svcs - Billing/Collection	0	0	0	0	0		0		\$0
28	638 Contract Svcs - Meter Reading	519	3,081	3,600	2,844	3,363		3,363		-\$237
29	639 Contract Svcs - Other	0	0	0	0	0		0		\$0
30	641 Rental of Building/Real Property	4,373	(2,886)	1,487	(4,174)	199		199		-\$1,288
31	642 Rental of Equipment	0	0	0	0	0		0		\$0
32	643 Small Tools	0	0	0	0	0		0		\$0
33	648 Computer/Electronic Expenses	0	0	0	0	0		0		\$0
34	650 Transportation	0	0	0	0	0		0		\$0
35	656 Vehicle Insurance	0	0	0	0	0		0		\$0
36	657 General Liability Insurance	2,016	104	2,120	0	2,016		2,016		-\$104
37	658 Workers' Comp Insurance	0	0	0	0	0		0		\$0
38	659 Insurance - Other	0	0	0	0	0		0		\$0
39	660 Public Relations/Advertising	0	0	0	0	0		0		\$0
40	666 Amort. of Rate Case	0	0	0	213	213		213		\$213
41	667 Gross Revenue Fee (PUC)	154	11	165	0	154	7	161		-\$4
42	668 Water Resource Conservation	0	0	0	0	0		0		\$0
43	670 Bad Debt Expense	0	0	0	0	0		0		\$0
44	671 Cross Connection Control Program	0	0	0	0	0		0		\$0
45	672 System Capacity Dev Program	0	0	0	0	0		0		\$0
46	673 Training and Certification	0	0	0	0	0		0		\$0
47	674 Consumer Confidence Report	200	0	200	0	200		200		\$0
48	675 General Expense	0	0	0	789	789		789		\$789
49	TOTAL OPERATING EXPENSE	45,616	13,377	58,993	5,933	51,549	7	51,555		-\$7,438
				58,993	5,933	51,549		51,555		
	OTHER REVENUE DEDUCTIONS									
50	403 Depreciation Expense	4,479	221	4,700	544	5,023		5,023		\$323
51	407 Amortization Expense	0	0	0	0	0		0		\$0
52	408.11 Property Tax	1,442	5,758	7,200	3,249	4,691		4,691		-\$2,509
53	408.12 Payroll Tax	0	0	0	0	0		0		\$0
54	408.13 Other	0	0	0	0	0		0		\$0
55	409.11 Oregon Income Tax	864	36	900	(585)	279	177	455	455	-\$445
56	409.10 Federal Income Tax	1,408	92	1,500	(856)	552	350	903	903	-\$597
57	TOTAL REVENUE DEDUCTIONS	53,809	19,484	73,293	8,285	62,094	534	62,628		-\$10,685
58	NET OPERATING INCOME	5,076	4,428	9,504	(1,675)	3,427	2,131	5,558	5,558	-\$3,946
59	101 Utility Plant in Service	148,096		148,096	(36,341)	111,755		111,755		-\$36,341
60	Less:									
61	108.1 Depreciation Reserve	63,430		63,430	(5,885)	57,545		57,545		-\$5,885
62	271 Contributions in Aid of Const			0	0	0		0		\$0
63	272 Amortization of CIAC			0	0	0		0		\$0
64	281 Accumulated Deferred Income Tax			0	0	0		0		\$0
65	Net Utility Plant	84,666	0	84,666	(30,456)	54,210	0	54,210		-\$30,456
66	Plus: (working capital)			84,666		54,210		54,210		
67	151 Materials and Supplies Inventory		0	0	0	0		0		\$0
68	Working Cash (Total Op Exp /12)	3,801	1,115	4,916	495	4,296	0	4,296		-\$620
69	TOTAL RATE BASE	88,467	1,115	89,582	(29,961)	58,506	0	58,506		-\$31,076
70	Rate of Return	5.74%		10.61%		5.86%		9.50%		

Company
number of customer 187
op/exp/cust/year \$315
Cash Flow \$14,204

Staff
213
\$242
\$10,582

SMGV						
Test Year: 2006-2007						Staff/102
SUMMARY OF ADJUSTMENTS						Dougherty/2
			Company Test Year	Staff Adjustments to Rev Req Column D	Results (Column G) Rev Req Page	Reason
REVENUES						
1	461	Residential Water Sales	40,994	\$4,922	45,916	181 customers*12 months*\$21.14
2	461	Commercial Water Sales	2,427	\$1,194	3,621	1 cust.*12 months*173 + 2 cust.*3 months*\$173 + 2 cust.* 12 months*\$21.14
3	465	Irrigation - Non GC	7,270	(\$167)	7,103	18 customers*12 months*\$21.14
4	462	Irrigation - GC	0	\$0	0	
5	471	Misc. Revenues	1,725	(\$1,725)	0	Removed
6		Special Contracts (WCGC Elec)	6,469	\$2,386	8,855	WCGC share of electrical expenses based on consumption data and share of well property tax.
7		TOTAL REVENUE	58,885	\$6,610	65,495	
8						
OPERATING EXPENSES						
10	601	Salaries and Wages - Employees	0	\$0	0	
11	603	Salaries and Wages - Officers	0	\$2,400	2,400	1.5 hour per week at \$31.06 per hour (UW 110 rate).
12	604	Employee Pension & Benefits	0	\$0	0	
13	610	Purchased Water	0	\$0	0	
14	611	Telephone/Communications	122	\$122	244	Actual \$20.30 per month multiplied by 12 months.
15	615	Purchased Power	16,582	\$1,188	17,770	Actual invoices; 6 months escalated 5% due to PacifiCorp UE 179 increase. Additional increase based on PacifiCorp power cost adjustment.
16	618	Chemical / Treatment Expense	0	\$0	0	
17	619	Office Supplies	1,388	(\$752)	636	Actual invoices; escalated by CPI. Moved bank fees, licenses, and dues to Account 675.
18	619	Postage	819	\$364	1,183	Based on \$0.42 mailing, customer and vendor count, monthly mailings; and quarterly newsletters.
19	620	O&M Materials/Supplies	0	\$0	0	
20	621	Repairs to Water Plant	1,581	\$1,738	3,319	Based on invoices; escalated for CPI. Meter plant costs and painting were transferred to Plant. Meter location costs amortized for two years.
21	631	Contract Svcs - Engineering	0	\$0	0	
22	632	Contract Svcs - Accounting	2,390	\$710	3,100	Based on submitted cost estimate.
23	633	Contract Svcs - Legal	0	\$0	0	
24	634	Contract Svcs - Management Fees	10,084	\$3,519	13,603	Although Pathfinder is not an affiliated interest of SMGV, the analysis performed in UI 217(1) adequately reviewed costs. Amount increased for CPI escalation (per UI docket) and increased hours.
25	635	Contract Svcs - Testing	820	\$1,093	1,913	Four-year average testing cost (escalated 10% based on subject price change) plus sampling costs.
26	636	Contract Svcs - Labor	4,568	(\$4,120)	448	Bend Instant Labor; escalated for CPI - moved Pine Ridge costs into Accounts 621, 635, and plant.
27	637	Contract Svcs - Billing/Collection	0	\$0	0	
28	638	Contract Svcs - Meter Reading	519	\$2,844	3,363	Based on projected meter count.
29	639	Contract Svcs - Other	0	\$0	0	
30	641	Rental of Building/Real Property	4,373	(\$4,174)	199	UI 246, Order No. 06-017 placed \$0 value of land due to initial County assessment of \$0 value. Amount is for property taxes.
31	642	Rental of Equipment	0	\$0	0	
32	643	Small Tools	0	\$0	0	
33	648	Computer/Electronic Expenses	0	\$0	0	
34	650	Transportation	0	\$0	0	
35	656	Vehicle Insurance	0	\$0	0	
36	657	General Liability Insurance	2,016	\$0	2,016	Actual invoices.
37	658	Workers' Comp Insurance	0	\$0	0	
38	659	Insurance - Other	0	\$0	0	
39	660	Public Relations/Advertising	0	\$0	0	
40	666	Amortz. of Rate Case	0	\$213	213	Specific accounting fees for preparation of rate case.
41	667	Gross Revenue Fee (PUC)	154	\$0	154	Calculated
42	668	Water Resource Conservation	0	\$0	0	
43	670	Bad Debt Expense	0	\$0	0	
44	671	Cross Connection Control Program	0	\$0	0	
45	672	System Capacity Dev Program	0	\$0	0	
46	673	Training and Certification	0	\$0	0	
47	674	Consumer Confidence Report	200	\$0	200	Actual invoice.
48	675	General Expense	0	\$789	789	Bank fees, dues, subscriptions, and licenses.
49		TOTAL OPERATING EXPENSE	45,616	\$5,933	51,549	

						Staff/102
						Dougherty/3
		OTHER REVENUE DEDUCTIONS				
50	403	Depreciation Expense	4,479	\$544	5,023	Per Plant spreadsheet.
51	407	Amortization Expense	0	\$0	0	
52	408	Property Tax	1,442	\$3,249	4,691	2007 tax plus 6-year amortization of six years of back property taxes.
53	408	Payroll Tax	0	\$0	0	
54	408	Other	0	\$0	0	
55	409	Oregon Income Tax	864	(\$585)	279	Calculated
56	409	Federal Income Tax	1,408	(\$856)	552	Calculated
57		TOTAL REVENUE DEDUCTIONS	53,809	\$8,285	62,094	
58		NET OPERATING INCOME	5,076	(\$1,675)	3,401	
59	101	Utility Plant in Service	148,096	(\$36,341)	111,755	Per Plant spreadsheet.
60		Less:				
61	108	Depreciation Reserve	63,430	(\$5,885)	57,545	Per Plant spreadsheet.
62	271	Contributions in Aid of Const	0	\$0	0	
63	272	Amortization of CIAC	0	\$0	0	
64	281	Accumulated Deferred Income Tax	0	\$0	0	
65		Net Utility Plant	84,666	(\$30,456)	54,210	
66		Plus: (working capital)		\$0	0	
67	151	Materials and Supplies Inventory	0	\$0	0	
68		Working Cash (Total Op Exp /12)	3,801	\$495	4,296	1/12 of operating expenses.
69		TOTAL RATE BASE	88,467	(\$29,961)	58,506	

Proposed Revenues of:

Base/Commodity Split	Proposed Rev	=	\$59,330
Variable Rate	40.00%		\$59,330
Base Rate	60.00%		\$59,330
	Proposed Rev	=	\$35,598
		=	\$59,330

Size of Line	Number of Customers	Current Monthly Base Rate	Proposed Monthly Base Rate	Staff Monthly Base Rate	Total Annual Revenues
Residential					
5/8"	6	\$0.00	\$13.86	\$0	\$0
3/4"	175	\$21.14	\$13.86	\$998	\$4,394
1"		\$0.00	\$0.00	\$0	\$0
1.5"		\$0.00	\$0.00	\$0	\$0
2"		\$0.00	\$0.00	\$0	\$0
Commercial					
5/8" or 3/4"	181	\$0.00	\$0.00	\$0	\$0
1"	6	\$173.00	\$13.86	\$998	\$3,368
1.5"		\$0.00	\$0.00	\$0	\$0
2"	1	\$21.14	\$27.72	\$254	\$254
3"		\$0.00	\$0.00	\$0	\$0
4"		\$0.00	\$0.00	\$0	\$0

95 SMGV, 37 Elkai, 49 7th

Previous Commercial customers were two (Clubhouse and Pool (3 months))

Company Customers	213	-25.9%	PERCENT	\$35,592	\$48,015
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COMMODITY RATE	\$0.59 per 100 cf			
Proposed Revenue	\$23,732	divided by	Consumption	39,936
Average Monthly Bill:	\$23.14			

Proposed Revenue	\$23,732	divided by	Consumption	39,936	=	Average rate	0.59426	per 100 cf
Average Monthly Bill:	\$23.14							

3,993,555	Proposed Consumption per Application	
3,993,555	- Base consumpt. (Tree water x cust x 12 months)	
39,936	divided by unit of measure	100

Meter Size	Average rates	Staff	Percent Increase
Residential			
5/8" x 3/4"	\$0.00	\$0.00	0.00%
1"	\$21.14	\$22.52	6.54%
1.5"	\$0.00	\$0.00	0.00%

Commercial			
5/8" x 3/4"	\$0.00	\$0.00	0.00%
1"	\$34.60	\$34.15	-1.31%
1.5"	\$0.00	\$0.00	0.00%
2"	\$34.60	\$44.61	28.94%

Irrigation			
5/8" x 3/4"	\$0.00	\$0.00	0.00%
1"	\$0.00	\$26.79	0.00%
1.5"	\$0.00	\$0.00	0.00%

Current Company Rates		Proposed Company Rates	
Average of	\$21.14	Base	\$22.07
Variable	\$0.00	Variable	\$12.83
Total	\$21.14	Total	\$34.90

Proposed Staff Rates	
Average of	\$13.86
Variable	\$9.66
Total	\$22.52

Company Revenue at Current Rates		Company Revenue at Proposed Rate	
Residential	\$0	Residential	\$4,394
Commercial	\$3,368	Commercial	\$2,540
Commons	\$254	Commons	\$254
Commercial 2"	\$0	Commercial 2"	\$254
Irrigation	\$0	Irrigation	\$22.07
Total	\$3,622	Total	\$7,450

Meter Size	Present rates	Factors Used	Rate Required	AWWA Factors
Residential	0	0	\$13.86	1
5/8"	6.3/4"	0	\$13.86	1
1"	1.75"	1	\$21.14	1
1.5"	0.1.5"	0	\$0	5
Commercial	0.3/4" or 5/8"	0	\$0	1
5/8"	6.1"	1	\$13.96	1
1"	0.1.5"	0	\$0	1.5
1.5"	1.2"	2	\$27.72	2
2"	0.3"	0	\$0	4
Irrigation	0.3/4" or 5/8"	0	\$0	1
5/8"	25.1"	1	\$13.86	1
1.5"	0.1.5"	0	\$0	1.5

Residential	0	0	\$13.86	1
5/8"	6.3/4"	0	\$13.86	1
1"	1.75"	1	\$21.14	1
1.5"	0.1.5"	0	\$0	5
Commercial	0.3/4" or 5/8"	0	\$0	1
5/8"	6.1"	1	\$13.96	1
1"	0.1.5"	0	\$0	1.5
1.5"	1.2"	2	\$27.72	2
2"	0.3"	0	\$0	4
Irrigation	0.3/4" or 5/8"	0	\$0	1
5/8"	25.1"	1	\$13.86	1
1.5"	0.1.5"	0	\$0	1.5

Consumption - Residential (Test)	3,040,869 cf	Consumption - Residential (Projected)	3,061,080 cf
Consumption - Commercial (Test)	245,802 cf	Consumption - Commercial (Projected)	245,802 cf
Consumption - Irrigation (Test)	34,110	Consumption - Irrigation (Projected)	34,110
Consumption - Residential (Test)	3,040,869 cf	Consumption - Residential (Projected)	3,061,080 cf
Consumption - Commercial (Test)	245,802 cf	Consumption - Commercial (Projected)	245,802 cf
Consumption - Irrigation (Test)	34,110	Consumption - Irrigation (Projected)	34,110
3,792,096		3,893,555	

SMGV
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Staff/103
Dougherty/8

RATE IMPACT - RESIDENTIAL - 1"

Commodity Rate	Current Rate	Proposed Customer Base Rate	Difference
Commodity Rate		\$ 0.59	
Monthly Consumptions Customer	Current Base Rate	Proposed Customer Base Rate	Percentage Difference
0	\$21.14	\$13.86	-34.44%
397	\$21.14	\$13.86	-23.28%
617	\$21.14	\$13.86	-17.09%
1000	\$21.14	\$13.86	-6.33%
1458	\$21.14	\$13.86	6.54%
2000	\$21.14	\$13.86	21.78%
2315	\$21.14	\$13.86	30.65%
3000	\$21.14	\$13.86	49.90%
4000	\$21.14	\$13.86	78.01%
5000	\$21.14	\$13.86	106.12%
6000	\$21.14	\$13.86	134.23%
8000	\$21.14	\$13.86	190.45%
10000	\$21.14	\$13.86	246.67%

RATE IMPACT - COMMERCIAL - 1" - Base Rate calculated as \$173 divided by 5

Monthly Consumptions Customer	Current Base Rate	Proposed Customer Base Rate	Difference	Percentage Difference
0	\$34.60	\$13.86	(\$20.74)	-59.94%
1000	\$34.60	\$13.86	(\$14.80)	-42.77%
2000	\$34.60	\$13.86	(\$8.85)	-25.59%
3000	\$34.60	\$13.86	(\$2.91)	-8.42%
4000	\$34.60	\$13.86	\$3.03	8.76%
4665	\$34.60	\$13.86	\$6.98	20.18%
5000	\$34.60	\$13.86	\$8.97	25.93%
10000	\$34.60	\$13.86	\$38.69	111.81%
12000	\$34.60	\$13.86	\$50.57	146.16%
14000	\$34.60	\$13.86	\$62.46	180.51%
20000	\$34.60	\$13.86	\$98.11	283.56%
25000	\$34.60	\$13.86	\$127.83	369.44%

Staff/103
Dougherty/9

RATE IMPACT - COMMERCIAL - 2" - Base Rate calculated as \$173 divided by 5

Monthly Consumptions Customer	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
1000	\$34.60	\$0.00	\$34.60	\$27.72	\$0.59	10.00	\$33.66	(\$0.94)	-2.71%
2000	\$34.60	\$0.00	\$34.60	\$27.72	\$0.59	20.00	\$39.61	\$5.01	14.47%
2843	\$34.60	\$0.00	\$34.60	\$27.72	\$0.59	28.43	\$44.61	\$10.01	28.94%
3000	\$34.60	\$0.00	\$34.60	\$27.72	\$0.59	30.00	\$45.55	\$10.95	31.64%
4000	\$34.60	\$0.00	\$34.60	\$27.72	\$0.59	40.00	\$51.49	\$16.89	48.82%
5000	\$34.60	\$0.00	\$34.60	\$27.72	\$0.59	50.00	\$57.43	\$22.83	65.99%
10000	\$34.60	\$0.00	\$34.60	\$27.72	\$0.59	100.00	\$87.15	\$52.55	151.87%
20000	\$34.60	\$0.00	\$34.60	\$27.72	\$0.59	200.00	\$146.57	\$111.97	323.62%
25000	\$34.60	\$0.00	\$34.60	\$27.72	\$0.59	250.00	\$176.29	\$141.69	409.50%

Total Commercial Base Revenue (5 customer) **\$83.16**

RATE IMPACT - IRRIGATION - 1"

Monthly Consumptions Customer	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference
0	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	0.00	\$13.86	\$13.86
1000	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	10.00	\$19.80	\$19.80
2000	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	20.00	\$25.75	\$25.75
3000	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	30.00	\$31.69	\$31.69
4000	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	40.00	\$37.63	\$37.63
2175	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	21.75	\$26.79	\$26.79
8000	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	80.00	\$61.40	\$61.40
10000	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	100.00	\$73.29	\$73.29
15000	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	150.00	\$103.00	\$103.00
20000	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	200.00	\$132.71	\$132.71
25000	\$0.00	\$0.00	\$0.00	\$13.86	\$0.59	250.00	\$162.43	\$162.43

Average Irrigation

Eikali effect per member
(overstated due to leak & not all irrigation meters in)

\$8.69 per month

\$26.21 total potable & irrigation

24.00% total increase

Seventh Mountain effect per member

\$6.56 per month

\$22.78 total potable & irrigation

7.75% total increase

\$27.62 Wildgi

CERTIFICATE OF SERVICE

UW 124

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 2nd day of July, 2008.

Kay Barnes

Kay Barnes
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763

UW 124
Service List (Parties)

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