



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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June 19, 2008

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

RE: Docket No. UW 126 - In the Matter of ANGLERS COVE/SHADY COVE HEIGHTS
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 126.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

(503) 378-5763

Email: Kay.Barnes@state.or.us

c: UW 126 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UW 126

**STAFF TESTIMONY
OF**

KATHY MILLER

**In the Matter of
Anglers Cove/Shady Cove Heights Water Company
Request for a General Rate Revision.**

June 19, 2008

CASE: UW 126
WITNESS: K. Miller

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Direct Testimony
In Support of the
Stipulation**

June 19, 2008

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

2 **ADDRESS.**

3 A. My name is Kathy Miller. I am a Senior Utility Analyst for the Public Utility
4 Commission of Oregon (PUC). My business address is 550 Capitol Street NE
5 Suite 215, Salem, Oregon 97301-2551.

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

8 A. I have been with the PUC since 1987 and have participated in water utility
9 dockets involving rate filings, finance applications, property dispositions,
10 exclusive service territory, adequacy of service, water and wastewater
11 rulemakings, formal complaints, and affiliated interest matters.

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

13 A. Yes. Staff/101 contains the following documents in support of my testimony:

14	Revenue Requirement	Staff/101, page 1
15	Summary of Staff Adjustments	Staff/101, page 2
16	Revenue Sensitive Costs	Staff/101, page 3
17	Plant and Depreciation	Staff/101, page 4
18	Residential Rate Design	Staff/101, page 5
19	Rate Impacts on Customers	Staff/101, page 6

20

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

22 A. My testimony introduces and supports the Stipulation agreed to by the Parties
23 in Docket UW 126.

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

25 A. Staff testimony is organized as follows:

26 1. A description of Anglers Cove and how it became rate regulated;
27 2. A summary of Anglers Cove's proposed revenues and rates;
28 3. Staff's analysis of Anglers Cove's filing; and
29 4. The stipulated revenue requirement and rates.

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

2 A. The parties in this docket are: Anglers Cove Shady Cove Heights Water
3 Company (Anglers Cove or Association); Interveners Molly Bittler and Don
4 Biggs (interveners) representing themselves; and Commission Staff (Staff).

5 **1. A Description of Anglers Cove**

6 **Q. PLEASE DESCRIBE ANGLERS COVE.**

7 A. Anglers Cove is a mutual benefit, domestic nonprofit corporation, or commonly
8 referred to as a nonprofit water association, located in Shady Cove, Oregon.
9 The Association provides only domestic residential water service to
10 approximately 37 of 43 members.

11 **Q. PLEASE DESCRIBE ANGLERS COVE'S REGULATORY HISTORY.**

12 A. On July 26, 2007, the Commission received written petitions from nine
13 members of the Association. The number of petitions exceeded the statutory
14 threshold of 20 percent of customers. The Association's annual average
15 monthly rates were over \$57. Therefore, pursuant to ORS 757.063, upon
16 receipt of a sufficient number of valid petitions, Anglers Cove became rate
17 regulated. The Commission confirmed the Association's change in regulatory
18 status in Order No. 07-412, issued September 19, 2007, and ordered Anglers
19 Cove to file tariffs within 60 days of the order. On November 19, 2007, Chief
20 Administrative Law Judge Michael Grant signed Order No. 07-510 granting
21 Anglers Cove a 60-day extension to file its tariffs.

1 **2. Anglers Cove Requested Revenues and Rates Per Its Application**

2 **Q. PLEASE DESCRIBE THE ASSOCIATION'S PROPOSAL AS FILED IN ITS**
3 **APPLICATION.**

4 A. On January 22, 2008, Anglers Cove filed an application to establish tariffs. The
5 purpose of the filing was to comply with Order No. 07-412. In its application,
6 the Association proposed a less than one percent decrease in annual
7 revenues, from \$33,387.52 to \$33,066.54, or a reduction of \$320.98. Although
8 the application showed a slight decrease in revenues, it is misleading. The
9 revenue decrease is associated with miscellaneous other revenue, not water
10 sales. The Association did not propose any change to rates.

11 The Association also stated that its proposed annual revenue included a
12 3.2 percent rate of return on a rate base of \$52,451. However, the
13 Association's actual proposed rate base calculated to \$55,989 with a rate of
14 return of 12.21 percent.

15 **3. Staff's Analysis of Anglers Cove's Filing**

16 **Q. WHAT ARE THE RESULTS OF STAFF'S ANALYSIS OF ANGLERS**
17 **COVE'S FILING?**

18 A. Staff's analysis of Anglers Cove's application results in a 12.9 percent
19 reduction in annual revenues, or annual revenues of \$29,068, with a zero
20 percent rate of return on a rate base of \$63,219. The revenue requirement
21 was based on revenue deductions only. Staff's analysis resulted in total
22 expenses of \$29,068. This amount includes a Depreciation Expense of \$2,518
23 and a System Program Fund expense of \$2,080.

1 **Q. PLEASE EXPLAIN THE DIFFERENCE IN THE ASSOCIATION'S**
2 **PROPOSED RATE BASE AND STAFF'S RATE BASE RESULTS.**

3 A. Staff has summarized the Association's proposed rate base and Staff's rate
4 base in Table 1 below.

5 **TABLE 1 – RATE BASE COMPARISON**

	Utility Plant In Service	Depre- ciation Reserve	Net Utility Plant	Materials & Supplies Inventory	Working Cash	Total Rate Base
Association's Proposed	\$72,691	\$19,026	\$53,665	\$423	\$1,901	\$55,989
Staff's Rate Base	\$73,335	\$12,298	\$61,037	\$0	\$2,183	\$63,219

6
7 Staff updated the Association's utility plant to reflect new capital
8 expenditures for purchased water rights, structures and improvements, water
9 treatment, and two well meters. Staff used the NARUC Depreciation Service
10 Lives to determine the depreciation reserve of \$12,298. The \$423 in materials
11 and supplies inventory was removed as a duplicate expense, and the working
12 cash was calculated as 1/12 of the total operating expenses.

13 **Q. WHY DOES STAFF'S ANALYSIS RECOMMEND NO RETURN ON THE**
14 **ASSOCIATION'S RATE BASE?**

15 A. Staff recommends a zero return on rate base due to the Anglers Cove's status
16 as a nonprofit association, and the Association has no debt.

17 **Q. WHAT IS A SYSTEM PROGRAM FUND EXPENSE?**

18 A. A System Program Fund expense is a contingency fund or reserve account.
19 The Association, through its bylaws, has set up and maintains an account to
20 provide for capital improvements and repairs. Staff believes this expense

1 account is necessary to counter the zero return on rate base and provide for
2 capital expenditures and repairs the Association will require in the future.

3 **Q. PLEASE EXPLAIN STAFF'S ADJUSTMENTS TO THE ASSOCIATION'S**
4 **PROPOSAL.**

5 A. Staff's adjustments are shown in Staff/101, Miller/2. Staff made several
6 adjustments to Anglers Cove's test year expenses to move expenses into the
7 appropriate accounts, remove duplicate expenses, and other appropriate
8 adjustments based on the documentation provided by the Association. Below
9 highlights some of the more significant adjustments:

- 10 a. Revenues: Added \$509 to revenues based on billing data and imputed
11 revenues for easement customer. This includes \$488 to reflect the
12 imputed revenue for property rental (easement) expense.
- 13 b. Insurance: Deducted \$643 from general liability insurance expense and
14 \$89 from vehicle insurance to reflect the actual cost of the insurance
15 premiums for coverage of the water facilities.
- 16 c. Testing: Added \$912 to testing expense to reflect the three-year
17 average of testing costs.
- 18 d. Program Fund Expense: Added \$2,080 to the system program fund
19 expense.
- 20 e. Consumer Confidence Report: Added \$250 to Consumer Confidence
21 Report expense to cover cost of the report and a health system
22 inspection by the Oregon Drinking Water Program.

1 f. Property Rental: Added \$488 to property rental expense to capture
2 imputed easement cost.

3 g. Property Rental: Added \$488 to property rental expense to capture
4 imputed easement cost.

5 **Q. WHAT CONCERNS DID THE ASSOCIATION AND THE INTERVENERS**
6 **EXPRESS?**

7 A. The following concerns were expressed:

8 1. The Association stated that it needed a sufficient amount of revenues to
9 generate a buffer for repairs and capital improvements since it would not
10 receive a return on rate base.

11 2. The interveners believed the current rate design was unfair to the large
12 water users because the base rate was too low; therefore, the large
13 water users appeared to be subsidizing the small water users.

14 **4. A Summary of the Stipulation**

15 **Q. WHAT REVENUE REQUIREMENT DID THE PARTIES AGREE TO?**

16 A. The parties agreed to a revenue requirement of \$29,068 or a 12.9 percent
17 reduction in rates with a zero percent rate of return on a rate base of \$63,219.

18 **Q. PLEASE SUMMARIZE ANGLERS COVE'S TEST YEAR REVENUE**
19 **REQUIREMENT, ITS PROPOSED REVENUE REQUIREMENT, AND THE**
20 **STIPULATED REVENUE REQUIREMENT.**

21 A. A summary of Anglers Cove's test year revenue requirement, its proposed
22 revenue requirement, and the stipulated revenue requirement is shown in
23 Table 2 below.

1

TABLE 2 - REVENUE REQUIREMENT SUMMARY AND COMPARISON

	Anglers Cove Test Year	Anglers Cove Proposal	Stipulation
Residential Water Sales	30,971	33,067	29,067
Miscellaneous Revenue	2,417	0	0
TOTAL REVENUE	33,388	33,067	29,068
OPERATING EXPENSES			
Army Corp of Engineers Maintenance	0	0	288
Purchased Power	2,015	2,299	2,299
Chemical / Treatment Expense	626	626	1,102
Office Supplies	56	225	225
Postage	220	241	304
O&M Materials/Supplies	413	532	56
Repairs to Water Plant	985	500	495
Contract Services – Accounting	0	500	500
Contract Services - Legal	503	500	500
Contract Services - Testing	965	1,980	1,877
Contract Services – Labor	12,480	12,480	12,000
Contract Services - Meter Reading	0	0	480
Rental of Building/Real Property	0	0	488
Vehicle Insurance	348	250	259
General Liability Insurance	2,433	1,598	1,790
Insurance – Umbrella	1,045	750	777
Amortization of Rate Case	22	22	22
Gross Revenue Fee (PUC)	0	0	73
Cross Connection Control Program	30	30	30
System Program Funds	0	0	2,080
Consumer Confidence Report	0	0	250
General Expense	207	287	291
TOTAL OPERATING EXPENSE	22,348	22,820	26,184
OTHER REVENUE DEDUCTIONS			
Depreciation Expense	3,149	3,040	2,518
Property Tax	342	360	355
Oregon Income Tax	10	10	10
Federal Income Tax	0	0	0
TOTAL REVENUE DEDUCTIONS	25,849	26,230	29,068
NET INCOME	7,539	6,837	0
Utility Plant in Service	66,003	72,691	73,335
Depreciation Reserve	15,837	19,026	12,298
Net Utility Plant	50,166	53,665	61,037
Materials and Supplies Inventory	423	423	0
Working Cash (Total Op Exp /12)	1,862	1,901	2,183
TOTAL RATE BASE	52,451	55,989	63,219

2

1 **Q. WHAT RATES DID THE PARTIES AGREE TO?**

2 A. The parties agreed to a monthly base rate of \$30 and a first tier usage rate of
3 \$0.0050 per gallon for the first 4,500 gallons and a second tier usage rate of
4 \$0.0119 per gallon for each gallon over 4,500 gallons.

5 **Q. PLEASE SUMMARIZE THE CURRENT RATES AND THE STIPULATED**
6 **RATES.**

7 A. A summary of the rates listed above is shown in Table 3 below.

8 **TABLE 3 - SUMMARY OF RATES**

Current Rates		
Base Rate	\$15	
Tier One	\$0.011 per gallon	Up to 10,000 gals
Tier Two	\$0.022 per gallon	Above 10,000 gals
Stipulated Rates		
Base Rate	\$30	
Tier One	\$0.0050 per gallon	<4,500 gals
Tier Two	\$0.0119 per gallon	>4,500 gals

9

10 **Q. WHAT RATE DESIGN DID THE PARTIES AGREE TO?**

11 A. The stipulated rate design assigns 54.17 percent of the revenue requirement
12 to the base rate and 45.83 percent to the usage rate. Staff generally tries to
13 align the split between the base rate and usage rate based on the percentage
14 of fixed and variable expenses.

15 Generally, a utility's fixed and variable expenses are around a 60/40 percent
16 split, respectively. If Staff had used a 60/40 split in its rate design, the base
17 rate would have increased over 100 percent.

18 The stipulated usage rates are an increasing block rate design. The first tier
19 (up to 4,500 gallons) is \$0.0050 per gallon. The second tier (above 4,500
20 gallons) is at \$0.0119 per gallon.

1 **Q. PLEASE DESCRIBE THE RATE IMPACT ON THE CUSTOMERS?**

2 A. The full rate impact on the customers is shown in Staff/101, Miller/6. At the
3 stipulated rates, the monthly base rate will increase from \$15 to \$30. All
4 customers will have a 100 percent increase in the base rate. Customers using
5 3,000 gallons of water will experience a decrease of 6.24 percent in their rates.
6 Even though the stipulated rate design is an increasing block rate, the
7 percentage decrease in rates becomes larger as the volume increases. This is
8 due to the appropriate increase in the base rate.

9 **Q. WHY IS THE 100 PERCENT INCREASE IN THE BASE RATE**
10 **APPROPRIATE?**

11 A. The 100 percent base rate increase is appropriate because a base rate should
12 cover the costs of a utility's fixed costs. In Anglers Cove's case, the current
13 operating expenses are approximately 71 percent fixed costs and 29 percent
14 variable costs. The stipulated revenue requirement is split at 54.17 percent
15 to the base rate and 45.83 percent to the usage rate. This split more evenly
16 divides the fixed cost among all customers.

17 Any further percentage added to the base rate would generate a base rate
18 increase over 100 percent. Although a 100 percent increase in the base rate is
19 a large percentage, the actual stipulated base rate in terms of money is not
20 exorbitant due to the current low base rate of \$15. Staff did not increase the
21 base rate over 100 percent as Staff believes, given the initial recommended
22 increase, the Association can gradually align its base rate with the fixed costs.

1 **Q. WHAT IS THE AVERAGE WATER CONSUMPTION PER MONTH PER**
2 **CUSTOMER AND WHAT IS THE STIPULATED RATE IMPACT?**

3 A. The annual average monthly water use is 4,965 gallons per customer. A
4 customer using 4,965 gallons per month will pay \$58.01. This is \$11.60
5 (or 16.66 percent) less than at the current rates.

6 **Q. EXPLAIN HOW THE CONCERNS EXPRESSED BY THE ASSOCIATION**
7 **AND THE INTERVENERS WERE ADDRESSED IN THE STIPULATION.**

8 A. To address the Association's concern regarding revenues for future repairs and
9 capital expenditures, the establishment of the System Program Fund account
10 allows the Association to generate revenues to provide for the future.

11 To address the concern of the interveners regarding the low base rate and
12 high variable rate, the stipulated rate design assigns more revenue to the base
13 rate than the Association's current rate design. This better distributes the
14 revenue burden between the base rate and the usage rate.

15 **Q. ARE THE RESULTING RATES FAIR AND REASONABLE?**

16 A. Yes.

17 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE STIPULATION?**

18 A. I recommend that the Commission admit the Stipulation into the UW 126
19 record and adopt the Stipulation in its entirety. The Association also asks that
20 the rates be effective the first day of the first month after the order issue date.

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

22 A. Yes.

23

CASE: UW 126
WITNESS: Kathy Miller

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

**Exhibits in Support
Of Direct Testimony**

June 19, 2008

Acct. No.		A	B	C	D	E	F	G	
	REVENUES	Balance Per Application Test Year: 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)	
1	461.1 Residential Water Sales	30,971	2,096	33,067	509	31,480	(2,413)	29,067	
2	461.2 Commercial Water Sales			0	0	0	0	0	
3	465 Irrigation - Non GC			0	0	0	0	0	
4	462 Irrigation - GC			0	0	0	0	0	
5	471 Misc. Revenues			0	0	0	0	0	
6	Other	2,417	(2,417)	0	(2,417)	0	0	0	
7	TOTAL REVENUE	33,388	(321)	33,067	(1,908)	31,480	(2,412)	29,068	
8				33,067	(1,908)	31,480		29,067	
9	OPERATING EXPENSES								
10	601 Salaries and Wages - Employees	0		0	0	0		0	
11	603 Salaries and Wages - Officers	0		0	0	0		0	
12	604 Employee Pension & Benefits	0		0	0	0		0	
13	610 Army Corp of Engin Maintenance	0		0	288	288		288	
14	611 Telephone/Communications	0		0	0	0		0	
15	615 Purchased Power	2,015	284	2,299	284	2,299		2,299	
16	618 Chemical / Treatment Expense	626		626	476	1,102		1,102	
17	619 Office Supplies	56	169	225	169	225		225	
18	619.1 Postage	220	21	241	84	304		304	
19	620 O&M Materials/Supplies	413	119	532	(357)	56		56	
20	621 Repairs to Water Plant	985	(485)	500	(490)	495		495	
21	631 Contract Svcs - Engineering	0		0	0	0		0	
22	632 Contract Svcs - Accounting	0	500	500	500	500		500	
23	633 Contract Svcs - Legal	503	(3)	500	(3)	500		500	
24	634 Contract Svcs - Management Fees	0		0	0	0		0	
25	635 Contract Svcs - Testing	965	1,015	1,980	912	1,877		1,877	
26	636 Contract Svcs - Labor	12,480		12,480	(480)	12,000		12,000	
27	637 Contract Svcs - Billing/Collection	0		0	0	0		0	
28	638 Contract Svcs - Meter Reading	0		0	480	480		480	
29	639 Contract Svcs - Other	0		0	0	0		0	
30	641 Rental of Building/Real Property	0		0	488	488		488	
31	642 Rental of Equipment	0		0	0	0		0	
32	643 Small Tools	0		0	0	0		0	
33	648 Computer/Electronic Expenses	0		0	0	0		0	
34	650 Transportation	0		0	0	0		0	
35	656 Vehicle Insurance	348	(98)	250	(89)	259		259	
36	657 General Liability Insurance	2,433	(835)	1,598	(643)	1,790		1,790	
37	658 Workers' Comp Insurance	0		0	0	0		0	
38	659 Insurance - Umbrella	1,045	(295)	750	(268)	777		777	
39	660 Public Relations/Advertising	0		0	0	0		0	
40	666 Amortz. of Rate Case	22		22	(0)	22		22	
41	667 Gross Revenue Fee (PUC)	0		0	79	79	(6)	73	
42	668 Water Resource Conservation	0		0	0	0		0	
43	670 Bad Debt Expense	0		0	0	0		0	
44	671 Cross Connection Control Program	30		30	0	30		30	
45	672.1 System Program Funds	0		0	2,080	2,080		2,080	
46	673 Training and Certification	0		0	0	0		0	
47	674 Consumer Confidence Report	0		0	250	250		250	
48	675 General Expense	207	80	287	84	291		291	
49	TOTAL OPERATING EXPENSE	22,348	472	22,820	3,842	26,190	(6)	26,184	
				22,820	3,842	26,190		26,184	
	OTHER REVENUE DEDUCTIONS								
50	403 Depreciation Expense	3,149	(109)	3,040	(631)	2,518		2,518	
51	407 Amortization Expense	0		0	0	0		0	
52	408.11 Property Tax	342	18	360	13	355		355	
53	408.12 Payroll Tax	0		0	0	0		0	
54	408.13 Other	0		0	0	0		0	
55	409.11 Oregon Income Tax	10		10	0	10	0	10	
56	409.10 Federal Income Tax	0		0	0	0	0	0	
57	TOTAL REVENUE DEDUCTIONS	25,849	381	26,230	3,225	29,074	(6)	29,068	
58	NET INCOME	7,539	(702)	6,837	(5,133)	2,406	(2,406)	0	
59	101 Utility Plant in Service	66,003	6,688	72,691	7,332	73,335		73,335	
60	Less:								
61	108.1 Depreciation Reserve	15,837	3,189	19,026	(3,539)	12,298		12,298	
62	271 Contributions in Aid of Const			0	0	0		0	
63	272 Amortization of CIAC			0	0	0		0	
64	281 Accumulated Deferred Income Tax			0	0	0		0	
65	Net Utility Plant	50,166	3,499	53,665	10,871	61,037	0	61,037	
66	Plus: (working capital)			53,665		61,037		61,037	
67	151 Materials and Supplies Inventory	423	0	423	(423)	0		0	
68	Working Cash (Total Op Exp /12)	1,862	39	1,901	321	2,183	0	2,183	
69	TOTAL RATE BASE	52,451	3,538	55,989	10,768	63,219	0	63,219	
70	Rate of Return	14.37%		12.21%		3.81%		0.00%	

ANGLERS COVE/SHADY COVE HEIGHTS WATER CO							
Test Year: 2007							
SUMMARY OF ADJUSTMENTS							
				Staff Adjustments to Rev Req Column D	Staff Adjusted Results	Reason	
REVENUES							
1	461.1	Residential Water Sales	30,971	\$509	31,480	Based on billing data; includes imputed revenue for easement customer.	
2	461.2	Commercial Water Sales	0	\$0	0		
3	465	Irrigation - Non GC	0	\$0	0		
4	462	Irrigation - GC	0	\$0	0		
5	471	Misc. Revenues	0	\$0	0		
6		Other	2,417	(\$2,417)	0		
7		TOTAL REVENUE	33,388	(\$1,908)	31,480		
8							
9		OPERATING EXPENSES					
10	601	Salaries and Wages - Employees	0	\$0	0		
11	603	Salaries and Wages - Officers	0	\$0	0		
12	604	Employee Pension & Benefits	0	\$0	0		
13	610	Army Corp of Engin Maintenance	0	\$288	288	Army Corp of Engineers maint fee	
14	611	Telephone/Communications	0	\$0	0		
15	615	Purchased Power	2,015	\$284	2,299	Based on invoices * increases for SB 408 & PP	
16	618	Chemical / Treatment Expense	626	\$476	1,102	Based on invoices.	
17	619	Office Supplies	56	\$169	225	Based on invoices.	
18	619.1	Postage	220	\$84	304	Based on postage calculation.	
19	620	O&M Materials/Supplies	413	(\$357)	56	Removed duplicate chemical expense.	
20	621	Repairs to Water Plant	985	(\$490)	495	Based on invoices.	
21	631	Contract Svcs - Engineering	0	\$0	0		
22	632	Contract Svcs - Accounting	0	\$500	500	Estimate for future services.	
23	633	Contract Svcs - Legal	503	(\$3)	500	Based on invoice & est for future services.	
24	634	Contract Svcs - Management Fees	0	\$0	0		
25	635	Contract Svcs - Testing	965	\$912	1,877	3 yr avg based on testing schedule.	
26	636	Contract Svcs - Labor	12,480	(\$480)	12,000	Based on invoices.	
27	637	Contract Svcs - Billing/Collection	0	\$0	0		
28	638	Contract Svcs - Meter Reading	0	\$480	480	Separated from labor expense.	
29	639	Contract Svcs - Other	0	\$0	0		
30	641	Rental of Building/Real Property	0	\$488	488	Imputed easement expense.	
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	348	(\$89)	259	Based on insurance policy.	
36	657	General Liability Insurance	2,433	(\$643)	1,790	Based on insurance renewal policy.	
37	658	Workers' Comp Insurance	0	\$0	0		
38	659	Insurance - Umbrella	1,045	(\$268)	777	Based on insurance policy.	
39	660	Public Relations/Advertising	0	\$0	0		
40	666	Amortz. of Rate Case	22	(\$0)	22	No change	
41	667	Gross Revenue Fee (PUC)	0	\$79	79	Calculated	
42	668	Water Resource Conservation	0	\$0	0		
43	670	Bad Debt Expense	0	\$0	0		
44	671	Cross Connection Control Program	30	\$0	30	Reasonable	
45	672.1	System Program Funds	0	\$2,080	2,080	Stipulated Contingency Fund	
46	673	Training and Certification	0	\$0	0		
47	674	Consumer Confidence Report	0	\$250	250	Adds report cost plus sanitary survey (amortized for three years)	
48	675	General Expense	207	\$84	291	Safe Box, meeting room rental (annual), SOS fees, plus OAWU membership (Staff recommended).	
49		TOTAL OPERATING EXPENSE	22,348	\$3,842	26,190		
OTHER REVENUE DEDUCTIONS							
50	403	Depreciation Expense	3,149	(\$631)	2,518	Based on plant calculations.	
51	407	Amortization Expense	0	\$0	0		
52	408	Property Tax	342	\$13	355	2007-08 property tax + historical .04	
53	408	Payroll Tax	0	\$0	0		
54	408.1	Other	0	\$0	0		
55	409.1	Oregon Income Tax	10	\$0	10		
56	409.1	Federal Income Tax	0	\$0	0		
57		TOTAL REVENUE DEDUCTIONS	25,849	\$3,225	29,074		
58		NET INCOME	7,539	(\$5,133)	2,406		
59	101	Utility Plant in Service	66,003	\$7,332	73,335	Based on plant calculations.	
60		Less:					
61	108.1	Depreciation Reserve	15,837	(\$3,539)	12,298	Based on plant calculations.	
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	50,166	\$10,871	61,037	Based on plant calculations.	
66		Plus: (working capital)		\$0	0		
67	151	Materials and Supplies Inventory	423	(\$423)	0	Duplicate cost.	
68		Working Cash (Total Op Exp /12)	1,862	\$321	2,183	1/12 of operating expense.	
69		TOTAL RATE BASE	52,451	\$10,768	63,219		
70		Rate of Return	0.1		0.0		

Acct No.	Account Description	Date Acquired	Utility Plant Orig Cost	Less Excess Capacity Adj to Plant	Total Adj Plant	NARUC Asset Life	Annual Deprec	Final Month of Deprec	2000	2001	2002	2003	2004	2005	2006	2007	Accum Dep: thru 2007	Remaining Plant 2007	Depr Exp 2008
301	Organization				0	0	0		0	0	0	0	0	0	0	0	0	0	0
302	Franchises				0	0	0		0	0	0	0	0	0	0	0	0	0	0
303	Land and Land Rights				0	0	0		0	0	0	0	0	0	0	0	0	0	0
	Purchased Water Rights	Jul 2002	11,142		11,142	30	371	Jul 2032	0	0	186	371	371	371	371	371	2,041	9,101	371
	Purchased Water Rights	Jan 2008	6,688		6,688	30	223	Jan 2038	0	0	0	0	0	0	0	0	0	6,688	223
304	Structures and Improvements				0	0	0		0	0	0	0	0	0	0	0	0	0	0
	Building and Pipelines	Sep 2002	19,991		19,991	35	571	Sep 2037	0	0	190	571	571	571	571	571	3,045	16,946	571
	Oak Removal	Oct 2007	490		490	35	14	Oct 2042	0	0	0	0	0	0	0	0	4	486	4
305	Collecting and Impounding Reservoirs				0	50	0		0	0	0	0	0	0	0	0	0	0	0
306	Lake, River and Other Intakes				0	35	0		0	0	0	0	0	0	0	0	0	0	0
307	Wells and Springs				0	25	0		0	0	0	0	0	0	0	0	0	0	0
					0	25	0		0	0	0	0	0	0	0	0	0	0	0
308	Infiltration Galleries and Tunnels				0	25	0		0	0	0	0	0	0	0	0	0	0	0
309	Supply Main				0	50	0		0	0	0	0	0	0	0	0	0	0	0
					0	50	0		0	0	0	0	0	0	0	0	0	0	0
310	Power Generation Equipment				0	30	0		0	0	0	0	0	0	0	0	0	0	0
311	Pumping Equipment				0	20	47	Aug 2022	0	0	20	47	47	47	47	47	255	682	47
	5 HP Pump	Sep 2002	937		937	20	47	Aug 2022	0	0	20	47	47	47	47	47	255	682	47
	2 - 5 HP Pumps	Sep 2002	937		937	20	47	Aug 2022	0	0	20	47	47	47	47	47	255	682	47
	Well #1 pump	Sep 2002	1,171		1,171	20	59	Aug 2022	0	0	25	59	59	59	59	59	320	851	59
	Well # pump	Sep 2002	1,171		1,171	20	59	Aug 2022	0	0	25	59	59	59	59	59	320	851	59
	3 HP pump	Sep 2002	937		937	20	47	Aug 2022	0	0	20	47	47	47	47	47	255	682	47
	3 HP pump high level	Sep 2002	1,054		1,054	20	53	Aug 2022	0	0	22	53	53	53	53	53	287	767	53
320	Water Treatment Equipment				0	20	275	Aug 2022	0	0	115	275	275	275	275	275	1,490	4,016	275
	Filter	Sep 2002	5,506		5,506	20	275	Aug 2022	0	0	115	275	275	275	275	275	1,490	4,016	275
	Chlorine Analyzer	Jan 2007	3,161		3,161	20	158	Dec 2026	0	0	0	0	0	0	0	13	13	3,148	13
	Media, filter	Sep 2002	586		586	20	29	Aug 2022	0	0	12	29	29	29	29	29	157	429	29
	Chemical Feeder #1	Sep 2002	644		644	20	32	Aug 2022	0	0	13	32	32	32	32	32	173	471	32
	Chemical Feeder #2	Sep 2002	644		644	20	32	Aug 2022	0	0	13	32	32	32	32	32	173	471	32
	Chemical Feeder #3	Sep 2002	644		644	20	32	Aug 2022	0	0	13	32	32	32	32	32	173	471	32
330	Distribution Reservoir and Standpipes				0	50	117	Aug 2052	0	0	49	117	117	117	117	117	634	5,223	117
	5,000 gal tank	Sep 2002	5,857		5,857	50	117	Aug 2052	0	0	49	117	117	117	117	117	634	5,223	117
	5 pressure tanks	Sep 2002	2,929		2,929	50	59	Aug 2052	0	0	25	59	59	59	59	59	320	2,609	59
	1,500 gal tank	Sep 2002	1,757		1,757	50	35	Aug 2052	0	0	15	35	35	35	35	35	190	1,567	35
					0	50	0		0	0	0	0	0	0	0	0	0	0	0
331	Transmission and Distribution Mains				0	50	0		0	0	0	0	0	0	0	0	0	0	0
333	Services				0	30	0		0	0	0	0	0	0	0	0	0	0	0
334	Meters and Meter Installations				0	20	28	Mar 2027	0	0	0	0	0	0	0	23	23	534	28
	Well #1 Water Meter	Apr 2007	557		557	20	28	Mar 2027	0	0	0	0	0	0	0	23	23	534	28
	Well #2 Water Meter	Apr 2007	557		557	20	28	Mar 2027	0	0	0	0	0	0	0	23	23	534	28
	Meter, turbidimeter 1720D	Sep 2002	2,929		2,929	20	146	Aug 2022	0	0	61	146	146	146	146	146	791	2,138	146
	Meter, ph	Sep 2002	586		586	20	29	Aug 2022	0	0	12	29	29	29	29	29	157	429	29
	2 water meters #3, #4	Sep 2002	703		703	20	35	Aug 2022	0	0	15	35	35	35	35	35	190	513	35
					0	20	0		0	0	0	0	0	0	0	0	0	0	0
335	Hydrants				0	40	0		0	0	0	0	0	0	0	0	0	0	0
336	Cross Connection Control (utility owned)				0	15	0		0	0	0	0	0	0	0	0	0	0	0
339	Other Plant				0	30	0		0	0	0	0	0	0	0	0	0	0	0
340	Office Furniture and Equipment				0	20	0		0	0	0	0	0	0	0	0	0	0	0
341	Transportation Equipment				0	7	0		0	0	0	0	0	0	0	0	0	0	0
343	Tools, Shop, and Garage Equipment				0	15	12	Aug 2017	0	0	5	12	12	12	12	12	65	111	12
	Air Compressor	Sep 2002	176		176	15	12	Aug 2017	0	0	5	12	12	12	12	12	65	111	12
					0	15	0		0	0	0	0	0	0	0	0	0	0	0
344	Laboratory Equipment				0	15	66	Aug 2017	0	0	28	66	66	66	66	66	358	638	66
	Lab, portable turbidity	Sep 2002	996		996	15	66	Aug 2017	0	0	28	66	66	66	66	66	358	638	66
					0	15	0		0	0	0	0	0	0	0	0	0	0	0
345	Power Operated Equipment				0	10	0		0	0	0	0	0	0	0	0	0	0	0
346	Communication Equipment				0	10	0		0	0	0	0	0	0	0	0	0	0	0
347	Electronic/Computer Equipment				0	5	117	Aug 2007	0	0	49	117	117	117	117	69	586	0	69
	Recorder, chart Honeywell	Sep 2002	586		586	5	117	Aug 2007	0	0	49	117	117	117	117	69	586	0	69
					0	5	0		0	0	0	0	0	0	0	0	0	0	0
348	Miscellaneous Equipment				0	10	0		0	0	0	0	0	0	0	0	0	0	0
	TOTALS		73,335	0	73,335	0	0		0	0	933	2,270	2,270	2,270	2,270	2,285	12,298	61,038	2,518

Original Plant In Service Cost 73,335
 Less: Excess Capacity 0
 "Used & Useful" Plant 73,335
 Less Accum Depreciation 12,298
 NET PLANT 61,037

2002 costs 61,883
 2007/2008 costs 11,452
 73,335

ANGLERS COVE/SHADY COVE HEIGHTS WATER CO

Test Year: 2007

RESIDENTIAL RATE DESIGN

Staff/101
Miller/5

Proposed Revenues of:	\$29,067				
Base/Commodity Split					
Variable Rate	Proposed Rev				
54.17%	\$29,067	=	\$15,746		
Base Rate	Proposed Rev				
45.83%	\$29,067	=	\$13,321		
			\$29,067		

BASE RATE					
Size of Line	Number of Customers	Current Monthly Base Rate	Proposed Monthly Base Rate	Total Annual Revenues	Revenue at Current Rates
Residential					
5/8"	37	\$15.00	\$30.00	\$13,321	\$6,660
3/4"			\$30.00	\$0	\$0
1"			\$0.00	\$0	\$0
1.5"			\$0.00	\$0	\$0
2"			\$0.00	\$0	\$0
3"			\$0.00	\$0	\$0
	37				
Commercial					
5/8" or 3/4"			\$30.00	\$0	\$0
1"			\$0.00	\$0	\$0
1.5"			\$0.00	\$0	\$0
2"			\$0.00	\$0	\$0
3"			\$0.00	\$0	\$0
4"			\$0.00	\$0	\$0
6"			\$0.00	\$0	\$0
	0				

TOTALS	37			\$13,321	\$6,660
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			100.0%		100.0%
			PERCENT		% increase

COMMODITY RATE					
Revenue to be collected	\$15,746				

TIER ONE	Rate			Current	
% of Assigned Revenue	\$0.0050	PER GALLON		\$0.0110	Plugged
48.11%		Consumption			< 4,500
\$7,575	divided by	1,515,070	=	\$0.0050	

TIER TWO	Rate			Current	
% of Assigned Revenue	\$0.0119	PER GALLON		\$0.0220	Plugged
51.89%		Consumption			> 4,500
\$8,170	divided by	689,190	=	\$0.0119	

Staff/101
Miller/6

ANGLERS
UW 126

RATE IMPACT - RESIDENTIAL 2 TIER (3/4 x 5/8)

Monthly Consumptions Customer Usage	Current Base Rate	Current Commodity Rate		Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate		Total Proposed Monthly Rate	Difference	Percentage Difference
		1st Tier	2nd Tier				1st Tier	2nd Tier			
0	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$15.00	\$30.00	\$0.0050	\$0.0119	\$30.00	\$15.00	100.02%
1000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$26.00	\$30.00	\$0.0050	\$0.0119	\$35.00	\$9.00	34.63%
2000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$37.00	\$30.00	\$0.0050	\$0.0119	\$40.00	\$3.00	8.12%
3000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$48.00	\$30.00	\$0.0050	\$0.0119	\$45.00	(\$3.00)	-6.24%
4000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$59.00	\$30.00	\$0.0050	\$0.0119	\$50.00	(\$9.00)	-15.25%
4965	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$69.61	\$30.00	\$0.0050	\$0.0119	\$58.01	(\$11.60)	-16.66%
5000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$70.00	\$30.00	\$0.0050	\$0.0119	\$58.43	(\$11.57)	-16.53%
6000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$81.00	\$30.00	\$0.0050	\$0.0119	\$70.29	(\$10.71)	-13.23%
7000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$92.00	\$30.00	\$0.0050	\$0.0119	\$82.14	(\$9.86)	-10.72%
8000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$103.00	\$30.00	\$0.0050	\$0.0119	\$93.99	(\$9.01)	-8.74%
9000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$114.00	\$30.00	\$0.0050	\$0.0119	\$105.85	(\$8.15)	-7.15%
10000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$125.00	\$30.00	\$0.0050	\$0.0119	\$117.70	(\$7.30)	-5.84%
15000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$235.00	\$30.00	\$0.0050	\$0.0119	\$176.98	(\$58.02)	-24.69%
20000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$345.00	\$30.00	\$0.0050	\$0.0119	\$236.25	(\$108.75)	-31.52%
25000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$455.00	\$30.00	\$0.0050	\$0.0119	\$295.53	(\$159.47)	-35.05%
30000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$565.00	\$30.00	\$0.0050	\$0.0119	\$354.80	(\$210.20)	-37.20%
40000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$785.00	\$30.00	\$0.0050	\$0.0119	\$473.35	(\$311.65)	-39.70%
50000	\$15.00	\$0.0110	\$0.0220	\$0.0110	\$1,005.00	\$30.00	\$0.0050	\$0.0119	\$591.89	(\$413.11)	-41.11%

\$4,229.61

2,915.22

Previous
< 4,500 gal
> 4,500 gal
< 10,000 gal
> 10,000 gal
\$0.0110
\$0.0220

CERTIFICATE OF SERVICE

UW 126

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 19th day of June, 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 126
Service List (Parties)**

MOLLY BITTLER	PO BOX 393 SHADY COVE OR 97539-0393 jewelgirl@embarqmail.com
ANGLER'S COVE SHADY COVE HEIGHTS WATER COMPANY DON BIGGS FORMER PRESIDENT	PO BOX 513 SHADY COVE OR 97539 cniiks@earthlink.net
ANGLERS COVE/SHADY COVE HEIGHTS WATER COMPANY PHILLIP KEITH TREASURER	P.O. BOX 1029 SHADY COVE OR 97539
DEPARTMENT OF JUSTICE JASON W JONES ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us