



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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September 10, 2008

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

RE: **Docket No. UM 1381 (Phase II)** – In the Matter of the Complaint of PUBLIC UTILITY COMMISSION OF OREGON against CROOKED RIVER RANCH WATER COMPANY; and JAMES R. ROOKS, Director, RANDOLPH M. SCOTT, Director, BRIAN ELLIOTT, President, RICHARD A. KEEN, Vice President, and RICHARD J. MILLER, Secretary/Treasurer, in their capacities as the CROOKED RIVER RANCH WATER COMPANY BOARD OF DIRECTORS.

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Direct Testimony.

/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: UM 1381 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

**UM 1381
(Phase II)**

STAFF DIRECT TESTIMONY OF

Michael Dougherty

**In the Matter of the Complaint of
PUBLIC UTILITY COMMISSION OF OREGON
against
CROOKED RIVER RANCH WATER COMPANY; and
JAMES R. ROOKS, Director, RANDOLPH M. SCOTT,
Director, BRIAN ELLIOTT, President, RICHARD A.
KEEN, Vice President, and RICHARD J. MILLER,
Secretary/Treasurer, in their capacities as the
CROOKED RIVER RANCH WATER COMPANY
BOARD OF DIRECTORS**

September 10, 2008

CASE: UM 1381
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Direct Testimony

September 10, 2008

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Michael Dougherty. I am the Program Manager of the
4 Corporate Analysis and Water Regulation Section of the Utility Program
5 with the Public Utility Commission of Oregon. My business address is
6 550 Capitol Street NE Suite 215, Salem, Oregon 97308-2148.

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

9 A. My Witness Qualification Statement is included as Exhibit Staff/101.

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

11 A. In compliance with Ordering Paragraph 2 of Commission Order No. 08-409
12 (UM 1381), dated August 7, 2008, the purpose of this testimony is to:
13 1. Discuss Crooked River Ranch Water Company's (CRRWC or Company)
14 compliance with Ordering Paragraph 5 of Commission Order No. 07-527
15 (UW 120);
16 2. Discuss the amount of penalties for each violation of Commission Order
17 No. 07-527, by CRRWC; and
18 3. Recommend the disposition of any such penalties.

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

2 A. The parties are Staff, the Company, and UW 120 Intervenors Craig Soule
3 (customer/member), Steve Cook (customer/member), Charles Nichols
4 (customer/member), and Brian Elliott (President, Crooked River Ranch
5 Water Company Board of Directors).

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

7 A. Yes. Exhibit No. 102 contains information in support of my testimony.

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

9 A. The testimony is organized as follows:

- 10 1. CRRWC's compliance with Ordering Paragraph 5 of Commission Order
11 No. 07-527 (UW 120);
12 2. Penalties for each violation of Commission Order No. 07-527, by
13 CRRWC; and
14 3. Disposition of such penalties.

15 **CRRWC'S COMPLIANCE WITH ORDERING PARAGRAPH 5 OF**
16 **COMMISSION ORDER NO. 07-527 (UW 120)**

17 **Q. PLEASE RE-STATE ORDERING PARAGRAPH 5 OF COMMISSION**
18 **ORDER NO. 07-527 (UW 120).**

19 A. Ordering Paragraph 5 of Commission Order No. 07-527 states:

20 5. Not later than 30 days from the date of this order, Crooked
21 River Ranch Water Company shall file an accounting of its
22 collection of funds through its special assessment surcharge
23 and the disposition of such funds, from the inception of the fund
24 to the present.
25
26

1 **Q. WHAT WAS THE PURPOSE OF THE SPECIAL ASSESSMENT FUND?**

2 A. According to a March 29, 2004, Board Resolution (Exhibit Staff/102),

3 special assessment surcharges were being collected for:

- 4 ▪ Drilling of Well No. 3, and plumbing to accommodate a chlorination
5 system;
6
7 ▪ Upgrading the Cistern and building a new pump house;
- 8 ▪ Re-plumb and add a chlorination station to Well No. 1 (formerly Well
9 No. 4); and
10
11 ▪ Pay-off the loan on the office building.

12 The Board set the capital assessment amount at \$8 per month per
13 customer. The fund collection began in July 2004 and ended in December
14 2007, when the Company complied with the Commission direction on page
15 9 of Commission Order No. 07-527:

16 The capital assessment surcharge is not an appropriate charge
17 and is discontinued.
18

19 **Q. HAS THE COMMISSION RE-AFFIRMED THE NEED FOR THE**
20 **COMPANY TO PROVIDE AN ACCOUNTING OF THE SPECIAL**
21 **ASSESSMENT SURCHARGE IN SUBSEQUENT ORDERS?**

22 A. Yes. In Commission Order No. 08-177, dated March 24, 2008, the

23 Commission stated on page 6:

24 Regarding Ordering Paragraph 5, Crooked River's alleged
25 inability to understand what the Commission intended the
26 Company to file would have been suitable content for a motion
27 for clarification that could have been filed on a timely basis. The
28 Company's failure to file either the accounting or a motion
29 establishes its lack of good faith.
30

31 The Commission goes on to state:

1 From the Staff Report, we learn that Crooked River did provide
2 Staff with records that allowed Staff to perform a partial
3 accounting of the Company's collection of funds through its
4 special assessment surcharge and the disposition of such
5 funds. The Company cannot rely on Staff's work in compiling
6 that information into a useful report to satisfy its obligation to
7 submit a full accounting of the amounts collected and their
8 disposition.
9

10 In Commission Order No. 08-243, dated May 2, 2008, the Commission
11 stated on page 7 (emphasis added):

12 The Company shall file an accounting of the special assessment
13 surcharge funds ***consistent with the purposes of the***
14 ***surcharge as stated in the enabling Board resolution.*** The
15 Company shall file that accounting within 15 days. Thereafter,
16 Staff or any interested party may file comments on the
17 Company's accounting. The Commission will decide what
18 further actions are necessary at that time.
19

20 **Q. HAS THE COMPANY PROPERLY ACCOUNTED FOR THE CAPITAL**
21 **ASSESSMENT FUND?**

22 A. No. The following table based on information provided by the Company in
23 its April 8, 2008, Response to Order No. 08-177, clearly shows that funds
24 spent plus the money-market deposit account (MMDA) balance does not
25 equal funds received (revenue) from the capital assessment surcharge.

Revenue		\$477,938
<i>minus</i>		
Intended Use		\$179,022
Unintended Use		\$69,345
Total Expenditures		\$229,571
MMDA Balance		\$118,368
Expenditures plus MMDA Balance		\$347,939
Funds unaccounted (Revenue minus Expenditures minus MMDA Balance)		\$129,999

1
2 The Commission should note that in its April 8, 2008, filing, the Company
3 uses a pre-established (1999) CD to balance the capital assessment fund.
4 Additionally, the Company attempts to balance the capital assessment fund
5 by using expenditures that predate the establishment of the capital
6 assessment fund. Because the predated expenditures and CD are not
7 appropriate to include in account reconciliation, CRRWC has not properly
8 accounted for approximately \$130,000 in the capital assessment fund.

9 The above table also indicates that the Company has not implemented
10 proper controls surrounding the capital assessment fund and appears to
11 have used the capital assessment fund as an extension to its operating
12 account. This is in violation of the Company's Board Resolution, dated
13 March 29, 2004.

14 **Q. DOES THE COMPANY CLAIM IT HAS COMPLIED WITH ORDERING**
15 **PARAGRAPH 5 OF COMMISSION ORDER NO. 07-527?**

16 A. Yes, the Company continues to assert that it has complied with Ordering
17 Paragraph No. 5 and stated so as early as March 13, 2008, in its Response
18 to Staff's Motion Regarding Violations of Order No. 07-527. In its response,
19 the Company stated on pages 3 - 4:

20 CRRWC provided spreadsheets which showed all special
21 assessment funds collected, all disbursements made from the
22 Special Assessment Fund and how those funds were spent. In
23 addition to the spreadsheet synthesizing this data CRRWC
24 accounted for all checks associated with the account. Michael
25 Dougherty's Staff Report conclusively demonstrates that the
26 information requested was provided as it contains several pages
27 of analysis of that information. The information provided by

1 CRRWC was entirely consistent with Section 5 of Order No. 07-
2 527 as well as the well established definition of “accounting.”

3
4 In their motion Staff alleged that “the Commission required very
5 specific accountings and reports, which CRRWC has not provided.”
6 CRRWC will not argue whether or not Section 5 was “very specific”
7 as that is a general term and there are various degrees of
8 specificity except to say that CRRWC complied with Section 5 as
9 required under any reasonable interpretation.

10
11 Staff Exhibit 102 pages 3 – 5 includes a chronological list of events
12 concerning CRRWC’s non-compliance with Ordering Paragraph 5.

13 **Q. PLEASE DESCRIBE THE DATES AND SUBMITTALS THAT CRRWC**
14 **CLAIMS IT COMPLIED WITH ORDERING PARAGRAPH 5.**

15 A. The following applies:

- 16 ▪ On January 8, 2008, to fulfill the contempt settlement, the Company
17 provided its “Daily Receipts Allocation”, from July 2004 through
18 December 2007, and checks and invoices for expenditures from the
19 capital assessment fund. Based on the submittal, Staff was able to
20 classify funds as shown on page 4 of the UW 120 Contempt
21 Proceeding Results report submitted to the Commission on March 7,
22 2008, and shown below.

Total Revenue Collected		\$476,682
<i>Expenditures – Intended Purposes</i>		\$131,081
<i>Expenditures – Unintended Purposes</i>		\$75,777
<i>Calculated Balance (Revenues minus Expenditures)</i>		\$269,824
November 2007 Actual Balance		\$118,028

Difference (Funds not accounted for)		\$151,796 ¹
Hypothetical Balance of Fund if Fund was only used for Intended Purposes		\$345,602

1
2 The Commission should note that CRRWC did not provide an
3 accounting of funds, but only the back-up information that allowed Staff
4 to determine the usage of funds. As Staff explains in the report, the
5 \$131,081 that Staff classified as “Expenditures – Intended Purposes”
6 included:

- 7 • \$71,535 in building loan payments;
- 8 • \$22,998 in engineering costs;
- 9 • \$3,550 in easement surveying costs;
- 10 • \$4,342 in piping;²
- 11 • Approximately \$28,065 in legal costs concerning easements for
12 Well #3; and
- 13 • \$591 in water rights.

14 The \$75,777 that Staff classified as “Expenditures – Unintended
15 Purposes” included, but was not limited to:³

- 16 • \$16,657 in legal costs concerning the Commission assertion of
17 jurisdiction of CRRWC in WJ 8;

¹ The UW 120 Contempt Hearing Results report had a calculation error and incorrectly stated \$140,881 for funds not accounted for.

² In the UW 120 Contempt Hearings Results report, Staff incorrectly listed \$4,311 in piping and omitted \$591 in water rights from the listing of expenses. The total of \$131,081 stated in the report was correct.

³ In the UW 120 Contempt Hearings Results report, Staff was focusing on the major expenditures and did not list additional legal fees concerning disputes with the Club & Maintenance Association. These legal costs were later revealed to be attributed to the easement issues and were reclassified as an “Intended purpose” in Staff’s April 8, 2008, fund summary. The total of \$75,777 stated in the report was correct.

- 1 • \$10,753 in accounting costs related to WJ 8, UW 120, a civil
2 complaint, standard financial reporting, and other Commission
3 regulatory matters. The Commission should note that the
4 Company did not present any invoices or other evidence that
5 CRRWC's contract accountant was involved in the
6 establishment of the capital assessment fund, setting up of
7 accounts and accounting codes concerning the capital
8 assessment fund, or reviewing the Company's accounting of the
9 capital assessment fund;
- 10 • \$2,984 in UW 120 legal costs concerning contributions in aid of
11 construction;
- 12 • \$30,000 for land that was actually purchased in 2001 prior to the
13 establishment of the capital assessment fund; and
- 14 • \$13,500 for a crane that CRRWC purchased in 2002 prior to the
15 establishment of the capital assessment fund.⁴

16 As Staff states in its UW 120 Contempt Hearing Results report, if the
17 Company properly used the capital assessment fund for the Board
18 intended purposes, the balance would have been \$345,602 as of
19 November 30, 2007. This indicates that the Company has not
20 implemented proper controls surrounding this capital assessment fund
21 and appears to have used the capital assessment fund as an

⁴ UW 120 Contempt Proceeding Results, dated March 7, 2008, pages 4 and 5.

1 extension of its operating account. This is in violation of the
2 Company's Board Resolution, dated March 29, 2004.

- 3 ▪ As previously mentioned, on March 13, 2008, CRRWC delineates its
4 claim that the Company complied with Ordering Paragraph 5 through
5 the information submitted on January 8, 2008.
- 6 ▪ On March 21, 2008, CRRWC submitted a Supplemental Response to
7 Staff's Motion Concerning Violations of Commission Order No. 07-527.
8 CRRWC claims that Staff's Report has factual errors and requests a
9 hearing before any action is taken on Staff's Report.
- 10 ▪ On March 26, 2008, CRRWC filed a response to Order No. 08-177
11 regarding Balance of Funds Remaining from Special Assessment
12 Surcharge. In its response, the Company states that the balance of
13 funds remaining from CRRWC's special assessment surcharge fund is
14 \$233,889. The Company did not provide any documentation to
15 substantiate this amount.
- 16 ▪ On March 26, 2008, CRRWC submitted an Application for
17 Reconsideration of PUC Order No. 08-177; Request for a Hearing; and
18 Petition for Extension of Time to Comply; and a Declaration of James
19 Rooks in Support of CRRWC's Application. In the declaration, the
20 Company once again refers to the \$233,889, and states that the
21 Company has a portion of the capital assessment fund in Certificates
22 of Deposits (CDs). Although the Company includes the CDs as part of
23 the assessment fund, it fails to mention that these CDs were

1 established in 1999, approximately five years before establishment of
2 the assessment fund.

- 3 ■ On March 27, 2008, the Company submitted a spreadsheet labeled
4 “Assessment Monies Used in March 2008.” The spreadsheet includes
5 \$27,533 in building loan payments (intended use of the fund), \$11,473
6 for dump truck repairs, and \$18,607 for backhoe repairs. Repairs to
7 the dump truck and backhoe were not intended uses of the capital
8 assessment fund.

- 9 ■ On April 8, 2008, CRRWC submitted its Response to Order No. 08-
10 177. Although the Company once again refers to a balance of
11 \$233,889, the attached spreadsheet that lists fund expenditures
12 indicated a balance of \$130,656. The Company accounts for this
13 balance by using the balance of the Community First Assessment
14 account (\$118,368) and a Columbia River Bank CD (\$12,288). Again,
15 the Company fails to mention that the Columbia River CD was
16 established in 1999, approximately five years before the initiation of the
17 assessment fund surcharge. As a result of the Company’s submittal,
18 Staff in its April 8, 2008, Staff Supplemental Response to
19 Reconsideration, used CRRWC’s input to develop the following table
20 to highlight the fund expenditures:

1

Revenue Collected		\$477,938
Intended Use		\$179,022
<i>Easement Rights (Well #3)</i>	\$40,476	
<i>Engineering</i>	\$29,643	
<i>Building</i>	\$108,903	
Unintended Use		\$69,345
Pre-Assessment Expenditures		\$97,835
Balance		\$131,736
Balance in Capital MMDA		\$118,368
Hypothetical Balance of Fund if Fund was only used for Intended Purposes		\$298,916 ⁵

2

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The above figures are different from Staff's March 7, 2008, report for various reasons including expenditures for easement rights and building loan payments that occurred in 2008, inclusion/exclusion of certain expenses from previously reported expenditures, increased piping expenditures, and a more specific breakdown of easement legal charges. In the accounting, the Company removed the dump truck and backhoe repairs included in the March 27, 2008, submittal. The Commission should note that the table in UW 120 Contempt Proceeding Results report was developed from invoices and revenue reports. The above table was based on input from CRRWC that did not include invoices.

⁵ Staff's Supplemental Response to Reconsideration incorrectly reported \$299,916.

1 ▪ On April 14, 2008, the Commission received a CRRWC letter
2 enclosing its Board of Directors' Reserve Fund / Status and Role of
3 James Rooks. The document states that the Company will place the
4 \$233,889 in an emergency reserve status and funds would not be
5 distributed except in extreme emergencies. The document also states
6 that Mr. Rooks has the complete confidence of the Board. In addition,
7 the document states that the contract between CRRWC and Mr. Rooks
8 became a nullity when the Commission severely reduced the
9 CRRWC's revenue.

10 ▪ On May 13, 2008, CRRWC requested a motion for Extension of Time
11 and stated:

12 CRRWC is also requesting the same extension of time to
13 respond to the PUC's Order that CRRWC file an accounting
14 within fifteen days. The PUC has not acknowledged, in its
15 Order, that CRRWC has previously filed an accounting nor
16 does the PUC identify in what way the accounting is
17 deficient. Counsel for CRRWC has attempted to confer with
18 counsel for the PUC to determine what specific information
19 the PUC needs in addition to what CRRWC has already
20 submitted. Once CRRWC understands what specific
21 information the PUC has ordered CRRWC to provide to
22 supplement the previously filed accounting, they will need
23 time to compile that information as stated above.

24
25 It is interesting to note that the Company finally requests clarification of
26 the accounting requirement approximately 136 days after the due date
27 (December 31, 2007) of Ordering Paragraph 5. Additionally, the
28 Company's delay in requesting clarification is awkward because the
29 Commission in Order No. 08-177, dated March 24, 2008, clearly stated

1 that the Company could file a motion asking for clarification. In
2 addition, CRRWC's statement "*nor does the PUC identify in what way*
3 *the accounting is deficient*" is not accurate. The Commission in Order
4 No. 08-243 clearly states on page 7:

5 The Company shall file an accounting of the special
6 assessment surcharge funds consistent with the purposes of
7 the surcharge as stated in the enabling Board resolution.

- 8
9
- 10 ■ On May 20, 2008, CRRWC filed a Response and Motion for
11 Reconsideration/Clarification. Although the motion does not include an
12 accounting of the assessment fund, the Company states on page 2:

13 Counsel for CRRWC spoke with counsel for PUC and for
14 PUC staff today, and now have a better understanding of
15 what format of accounting might be satisfactory to PUC.
16 Additional explanation would be helpful.

- 17
- 18 ■ On June 3, 2008, CRRWC filed a Supplemental Response to Order
19 No. 08-243. As with previous submittals, the Company's response
20 included expenditures that predate the establishment of the
21 assessment fund, capital expenditures not related to the enabling
22 resolutions, and operating and maintenance expenses (accounting) not
23 related to the assessment fund. This accounting did not significantly
24 differ from the April 8, 2008, accounting. Staff Exhibit 102 contains a
25 comparison between the June 3, 2008, and April 8, 2008 accounting
26 and a summary of the June 3, 2008, accounting.

27 **Q. IF THE COMPANY SUBMITTED DOCUMENTATION CONCERNING
THE ASSESSMENT FUND AT VARIOUS TIMES THROUGHOUT THE**

1 **UW 120 PROCESS, WHY DO YOU CONTEND THAT CRRWC DID NOT**
2 **FULFILL ORDERING PARAGRAPH 5 IN A TIMELY MANNER?**

3 A. In Order No. 07-527, the Commission specifically stated on page 9:

4 Within 30 days of the date of this order, we direct the Company
5 to file a report that accounts for all funds received from the
6 surcharge and all expenditures of those funds for whatever
7 purpose.

8
9 The Commission goes on to state on page 10 of Order No. 07-527:

10 We are concerned that the Company has spent some of the
11 proceeds of the surcharge for purposes not within the scope of
12 the enabling resolution. In allowing the Company to retain the
13 funds for now, we state our intent that the use of the funds be
14 limited to capital improvements or the pay-off of loans;
15 expenses incurred by the Company should be paid for out of
16 operating revenues.

17
18 Although the Company submitted numerous “accountings” of the fund
19 starting March 26, 2008, the Company did not appear to take heed of the
20 Commission’s concern surrounding expenditures outside the scope of the
21 enabling resolution and the Commission’s direction that the use of the fund
22 be limited to capital improvements or to pay-off of loans.

23 **Q. BASED ON ORDERING PARAGRAPH 5, WHAT DID YOU EXPECT**
24 **THE COMPANY’S ACCOUNTING SUBMITTALS TO CONTAIN?**

25 A. I expected the Company to include a full and complete listing of the
26 revenues received through the assessment charge and charges related to
27 the enabling resolution that occurred after the resolution. Staff Exhibit 102
28 contains a template of an accounting that would have complied with

1 Ordering Paragraph 5. The Company's numerous submittals were deficient
2 based on the following reasons:

- 3 1. In each of its accounting submittals, the Company includes different
4 entries of expenses;
- 5
6 2. In its accounting submittals, CRRWC includes capital expenditures that
7 are not included in the enabling resolution;
8
- 9 3. In its accounting submittals, CRRWC includes capital expenditures that
10 occurred approximately two to three years prior to establishment of the
11 assessment fund;
12
- 13 4. In its accounting submittals, CRRWC includes expenditures that are not
14 capital expenditures, but are more correctly classified as Operating and
15 Maintenance (O&M) expenditures;
16
- 17 5. CRRWC attempts to use CDs established in 1999 to account for the
18 balance of the assessment fund;
19
- 20 6. CRRWC did not appear to have a method to code the assessment fund
21 expenditures to ensure, at the least, there was an accounting, if not
22 physical, separation between these monies and operating funds; and
23
- 24 7. The information provided by the Company does not reconcile the
25 dollars existing in current accounts with the difference of money
26 collected in rates, including interest, and expenditures of such funds.
27

28 **Q. PLEASE ADDRESS EACH CONCERN IN MORE DETAIL.**

29 A. The following provides additional explanations of my concerns.

30 *Company accounting submittals include different entries of expenses*

31 The Company's accountings of the assessment fund have varied over
32 time and have on many occasions included expenditures in certain
33 accountings that are not included in previous or subsequent accountings.
34 These changes were also noted in the August 6, 2008, Department of
35 Justice (DOJ) Investigation Report submitted to the Jefferson County

1 District Attorney. In Staff Exhibit 102, I included DOJ Exhibit 28 to the DOJ
2 Investigation Report. This DOJ exhibit clearly shows the variations in the
3 Company's accountings of the fund.

4 Capital expenditures that were not included in the enabling resolution

5 Because the Board Resolution was clear on the intent of the fund, the
6 assessment fund collections should have only been used for the stated
7 purposes of the resolution. However, in both its March 7, 2008, UW 120
8 Contempt Proceeding Results and April 8, 2008, Staff Supplemental
9 Response to Reconsideration, Staff demonstrates that the Company's
10 numerous accountings of the fund included capital expenditures (dump
11 truck and backhoe repairs, crane painting, hammer attachment, and piping
12 used for main line extensions) that were not included in the resolution. The
13 Commission should note that the hammer attachment only fits on the
14 excavator owned by the General Manager. Even with these expenditures,
15 monies are not accounted for in comparing ending account balances with
16 the dollars claimed to be available to the Company.

17 Capital expenditures that occurred approximately two to three years prior to
18 establishment of the assessment fund

19 The Company's accounting includes purchase for a crane and land that
20 occurred approximately two to three years prior to establishment of the
21 fund. Although the Company stated that the purchases for the land and
22 crane were transfers from the capital assessment fund to the operating
23 account to replace funds in the operating account, this is not the case. All

1 collections for the capital assessment fund were deposited directly into the
2 operating account. The Company established a low interest bearing (~1.26
3 percent annual percentage yield) bank account for the capital assessment
4 fund in March 2005 with an initial deposit of \$47,264. The only other
5 deposit into the account was \$69,000 in February of 2007. The accounts
6 show, and the Company has verified that no checks were written off the
7 capital assessment bank account as of November 2007.

8 The Commission should also note that the Board Resolution does not
9 address the “repurchase” of equipment. In fact, the resolution states:

10 The projects all have a large price tag, and I want to keep this
11 on a pay as you go basis.

12 Pay as you go is a system or practice **of paying debts as they are**
13 **incurred**. The land and crane purchases had already occurred, so the
14 resolution, based on its own language, would not apply to these previous
15 purchases.
16

17 A reconciliation should not include expenses predating the funds
18 existence as the means for arriving at an accounts final balance. Because
19 the predated expenses are not appropriate to include in account
20 reconciliation, CRRWC has not properly accounted for many thousands of
21 dollars not present in the capital assessment fund.

1 Expenditures that are not capital expenditures, but are more correctly
2 classified as Operating and Maintenance expenditures

3 The Company's accountings include various amounts in accounting
4 fees. As highlighted in Staff's March 7, 2008, UW 120 Contempt
5 Proceeding Results and April 8, 2008, Staff Supplemental Response to
6 Reconsideration, these fees were related to other services performed by
7 the accounting firm and not directly related to the assessment fund. As a
8 result, these charges should not be included in the fund.

9 The Company in its April 8, 2008, accounting submittal includes, for the
10 first time, costs related to assessment booklets. This is problematic for two
11 reasons. First, the Company reported that the initial expenditure of \$4,858
12 occurred on March 26, 2004. This was three days prior to the resolution
13 and three months prior to collection of the fund. In addition, two
14 subsequent charges occurred in April 2004 prior to collection of the fund.
15 Second, the Board established the fund for certain, defined capital projects.
16 A simple test for a capital project that Staff uses is: Have the services
17 acquired been entirely consumed within the current period, or will there be
18 carry-over of beneficial services into future periods? The Company's
19 advertising has no beneficial carry-over, and as such is not a component of
20 water utility plant. As a result, these O&M expenses should not be included
21 in fund expenditures.

1 CRRWC attempts to use CDs established in 1999 to account for the
2 balance of the assessment fund

3 As previously mentioned, in its March 28, 2008, Application for
4 Reconsideration of PUC Order No. 08-177; Request for a Hearing; and
5 Petition for Extension of Time to Comply; and a Declaration of James
6 Rooks in Support of CRRWC's Application, CRRWC states that the
7 Company has a portion of the capital assessment fund in Certificates of
8 Deposits (CDs). Although the Company includes the CDs as part of the
9 assessment fund, it fails to mention that these CDs were established in
10 1999, approximately five years before establishment of the assessment
11 fund. As such, these funds should not be used to balance the assessment
12 fund. Again, excluding these monies yields the result that these funds were
13 not properly accounted for.

14 CRRWC did not appear to have a method to code the assessment fund
15 expenditures to ensure, at the least, there was an accounting, if not
16 physical, separation between these monies and operating funds

17 As previously mentioned, all collections for the capital assessment fund
18 were deposited directly into the operating account. The Company
19 established a low interest bearing bank account for the capital assessment
20 fund in March 2005 with an initial deposit of \$47,264. The only other
21 deposit into the account was \$69,000 in February of 2007. In addition,
22 based on submittals by the Company, CRRWC did not establish an
23 accounting code for assessment expenditures. Because of the mixing of

1 operating funds and capital assessment funds, accurate reporting would be
2 hindered resulting in the above-mentioned variations in the accounting of
3 the capital assessment fund.

4 The information provided by the Company does not reconcile the dollars
5 existing in current accounts with the difference of money collected in rates,
6 including interest, and expenditures of such funds

7 As both the tables submitted by Staff on March 7, 2008, and April 8,
8 2008, indicate, information provided by the Company does not balance and
9 results in monies that are not accounted for. The following table is based
10 on information provided by the Company on April 8, 2008, and clearly
11 shows that funds spent plus the money-market deposit account (MMDA)
12 balance does not equal funds received.

Revenues		\$477,938
<i>minus</i>		
Intended use		\$179,022
Unintended Use		\$69,345
Total Expenditures		\$229,571
MMDA Balance		\$118,368
Expenditures plus MMDA Balance		\$347,939
Funds unaccounted (Revenue minus Expenditures minus MMDA Balance)		\$129,999

13 The Company in its March 28, 2008, filings with the Commission states
14 that the balance of the capital assessment fund is \$233,889 and that a
15 portion of the capital assessment fund is in Certificates of Deposits (CDs).
16

1 As previously mentioned, the CDs were established in 1999, long before
2 the establishment of the capital assessment fund. The Company should
3 not be allowed to use the CDs for accounting of the capital assessment
4 fund because the CDs are unrelated to the capital assessment fund.

5 In its April 8, 2008, filing, the Company again uses a CD to balance the
6 capital assessment funds. Additionally, the Company attempts to balance
7 the capital assessment fund by using expenditures that predate the
8 establishment of the capital assessment fund. Because the predated
9 expenses and CDs are not appropriate to include in account reconciliation,
10 CRRWC has not properly accounted for many thousands of dollars not
11 present in the capital assessment fund.

12 **Q. HAS THE COMPANY COMPLIED WITH ORDERING PARAGRAPH 5?**

13 A. No. In Commission Order No. 08-243, dated May 2, 2008, the Commission
14 stated on page 7 of the order:

15 The Company shall file an accounting of the special assessment
16 surcharge funds consistent with the purposes of the surcharge
17 as stated in the enabling Board resolution. The Company shall
18 file that accounting within 15 days. Thereafter, Staff or any
19 interested party may file comments on the Company's
20 accounting. The Commission will decide what further actions
21 are necessary at that time.

22
23 To date, CRRWC has not submitted an accounting "*consistent with the*
24 *purposes of the surcharge as stated in the enabling Board resolution.*" As
25 shown on pages 4 and 20 of this testimony, there is approximately \$130,000
26 of capital assessment funds that are not accounted for. As a result, the
27 Commission should not accept either the April 8, 2008, or the June 3, 2008,

1 accountings and continue to assess fines on the continuing violations until
2 the Company complies with Ordering Paragraph 5. The Commission has
3 been clear in its expectations concerning compliance with Ordering
4 Paragraph 5 and the Company, as a regulated water utility is legally
5 required to comply with Commission orders.

6 **Q. DO YOU HAVE AN ALTERNATIVE RECOMMENDATION FOR THE**
7 **COMMISSION?**

8 A. Yes. If the Commission decides to accept CRRWC's different interpretation
9 of Paragraph 5, the Commission may want to recognize the Company's
10 gross financial and reporting failures and accept the April 8, 2008,
11 accounting submittal as compliance with Ordering Paragraph 5. The
12 accounting should have only focused on expenditures in the enabling
13 resolution and funds generated from the monthly surcharge. However, it is
14 obvious that the Company, after numerous attempts, is unable or unwilling
15 to file an *"accounting of the special assessment surcharge funds consistent*
16 *with the purposes of the surcharge as stated in the enabling Board*
17 *resolution."*

18 Additionally, the Company's April 8, 2008, accounting indicates a fund
19 balance of \$130,656.26, which is the amount the Commission ordered as a
20 refund in Order No. 08-243. Because the April 8, 2008, accounting equals
21 the ordered refund, the Commission may also consider this and accept the
22 April 8, 2008, accounting as compliance with Ordering Paragraph 5.

1 As previously noted, the Company's June 3, 2008, accounting of the
2 capital assessment funds does not significantly vary from the April 8, 2008,
3 accounting. This June 3, 2008, accounting continues to demonstrate the
4 Company's inability to fulfill the Commission's directive.

5 The Commission should not accept the January 8, 2008, submittal of
6 information from the Contempt Hearing because as the Commission stated
7 on page 6 of Order No. 08-177 (emphasis added):

8 From the Staff Report, we learn that Crooked River did provide
9 Staff with records that allowed Staff to perform a partial
10 accounting of the Company's collection of funds through its
11 special assessment surcharge and the disposition of such
12 funds. ***The Company cannot rely on Staff's work in
13 compiling that information into a useful report to satisfy its
14 obligation to submit a full accounting of the amounts
15 collected and their disposition.***

16
17 **PENALTIES FOR EACH VIOLATION OF COMMISSION ORDER**

18 **NO. 07-527, BY CRRWC**

19 **Q. WHAT SHOULD THE PENALTIES BE FOR THE VIOLATIONS OF THE**
20 **COMMISSION ORDER ORDERING PARAGRAPH 5?**

21 A. I am advised by Staff counsel that the Company's Board of Directors, who
22 are jointly and severally liable for civil penalties, should be required to pay
23 \$500 per violation per day. ORS 757.994(1) provides jurisdiction to seek
24 civil penalties against the Directors. That statute provides:

25 In addition to all other penalties provided by law, a person who
26 violates any statute, rule or order of the Public Utility
27 Commission related to water utilities is subject to a civil penalty
28 of not more than \$500 for each violation. The commission may
29 require that penalties imposed under this section be sued for the

1 benefit of the customers of water utilities affected by the
2 violation.

3
4 As noted in Order No. 08-177, ORS 757.994(1) allows the Commission
5 to assess penalties against “a person who violates any . . . order of the
6 Public Utility Commission related to water utilities.” ORS 756.010 defines
7 “person” to include “corporations and associations of their officers. . .”

8 Because the Company’s Board of Directors have not complied with the
9 Commission Order, every day of non-compliance is a violation, and as
10 such, the fine could be imposed every day a violation (non-compliance)
11 occurs.

12 **Q. WHAT ARE THE PENALTY AMOUNTS FOR EACH VIOLATION?**

13 A. The following calculates the penalties, based on \$500 per day for each day
14 on non-compliance, for the violations of Ordering Paragraphs 4, 5, and 6:

15 Ordering Paragraph 4

16 4. Not later than 30 days from the date of this order, Crooked
17 River Ranch Water Company shall submit any contracts
18 between itself and its General Manager Mr. Rooks and
19 members of Rooks’ family, along with supporting testimony,
20 to this Commission for approval.

21
22 On May 20, 2008, CRRWC filed affiliated interest applications for James
23 Rooks and Jacquie Rooks. These applications were approved in
24 Commission Order Nos. 08-347, dated June 30, 2008, and 08-353, dated
25 July 1, 2008, respectively. Because the Company filed the applications on
26 May 20, 2008, the date the penalties should occur is from December 31,
27 2007, through May 19, 2008. This results in 141 days of violations. As

1 such, the penalties assessed for non-compliance of Ordering Paragraph 4
2 should be \$70,500 for each Board Member.

3 Ordering Paragraph 5

4 5. Not later than 30 days from the date of this order, Crooked
5 River Ranch Water Company shall file an accounting of its
6 collection of funds through its special assessment surcharge
7 and the disposition of such funds, from the inception of the
8 fund to the present.

9
10 Because the Company has not filed "*an accounting of the special*
11 *assessment surcharge funds consistent with the purposes of the surcharge*
12 *as stated in the enabling Board resolution,*" penalties should continue to
13 accrue until the Commission issues a final order in this docket.

14 If the Commission accepts the alternative of accepting the April 8, 2008,
15 accounting, the date the penalties should occur is from December 31, 2007,
16 through April 7, 2008. This results in 99 days of violations. As such, the
17 penalties assessed for non-compliance of Ordering Paragraph 4 should be
18 \$49,500 for each Board Member.

19 Ordering Paragraph 6

20 6. Not later than 30 days from the date of this order, Crooked
21 River Ranch Water Company shall file a report stating its need
22 for funds for new capital improvements, including the intended
23 projects, the estimated costs of each such project, and the time
24 that each investment would be required.

25
26 On January 28, 2008, CRRWC provided a two-page signed Declaration
27 of James Rooks. This declaration fulfilled the requirements of Ordering
28 Paragraph 6. Because the Company filed the declaration on January 28,
29 2008, the date the penalties should occur is from December 31, 2007,

1 through January 27, 2008. This results in 28 days of violations. As such,
2 the penalties assessed for non-compliance of Ordering Paragraph 4 should
3 be \$14,000 for each Board Member.

4 As a result, the total penalties for the Company and each of its Board
5 Members would at a minimum, equal \$134,000. Because Richard Keen left
6 the Board in September 2007, these penalties should be assessed to Board
7 members Brian Elliott, Randolph Scott, Richard Miller, and James Rooks,
8 who are jointly and severally liable for civil penalties (\$536,000 total).

9 **DISPOSITION OF SUCH PENALTIES**

10 **Q. WHAT IS YOUR RECOMMENDATION CONCERNING DISPOSITION**
11 **OF THE PENALTIES?**

12 A. I recommend that the penalties be placed in an interest-bearing account as
13 a trust for members, for later disposition by order of the Commission.

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

15 A. Yes.

16

CASE: UM 1381
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

September 10, 2008

WITNESS QUALIFICATION STATEMENT

NAME: MICHAEL DOUGHERTY

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: PROGRAM MANAGER, CORPORATE ANALYSIS AND WATER REGULATION

ADDRESS: 550 CAPITOL ST. NE, SALEM, OR 97308-2148

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 from May 2005 to present. Previously employed as Senior Affiliated Interest Analyst from June 2002 through May 2005. 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: UM 1381
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

Exhibit in Support of Testimony

September 10, 2008

DATE: March 29, 2004
TO: Board of Directors
Crooked River Ranch Water Company
FROM: James H. Rook's
General Manager/Operations Manager

SUBJECT: SPECIAL ASSESSMENT (CAPITAL IMPROVEMENTS)

Issue: The Crooked River Ranch Water system is in need of major upgrades in order to maintain the system, provide adequate fire flow protection, and bring it into compliance with current and future state codes. The engineered 20 Year Plan, which was completed in 1997, states that a third well is needed in order to meet future demands. In addition, the final payment will be coming due on the office building in four years.

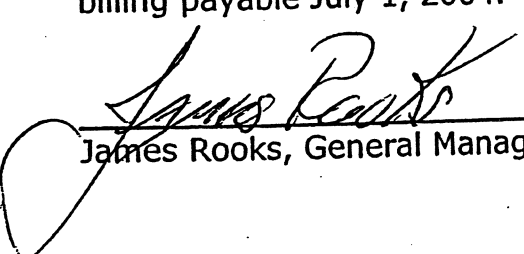
Recommendation: In order to bring this system into compliance, the following projects need to be completed:

- Drilling of Well #3 (Crater Loop and Tower Road) and plumbing to accommodate a chlorination system.
- Upgrading of the Cistern and building a new pump house
- Replumb and add a chlorination station to Well #1 (formerly #4) located at Cinder Drive and Lower Ridge).
- Pay off loan on office building.

The projects all have a large price tag, and I want to keep this on a pay as you go basis. I am recommending that instead of borrowing money and paying interest for many years, a special assessment be applied to all accounts in the amount of \$8 per month for 15 years.

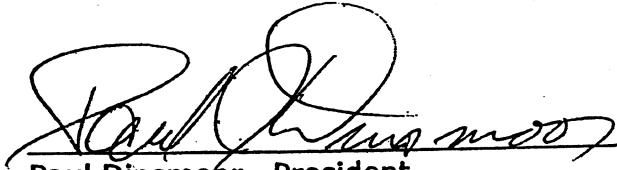
The Board of Directors are authorized to implement this assessment according to the Crooked River Ranch Water Company Bylaws, originally dated May 23, 1977 and through all revisions to date.

Resolution: The Board of Directors approve a special assessment in the amount of \$8 per month be implemented effective with the June, 2004 billing payable July 1, 2004.

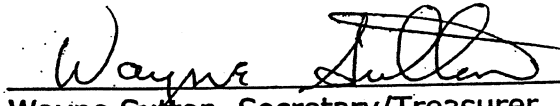

James Rooks, General Manager

3/29/04
Date


APPROVED:



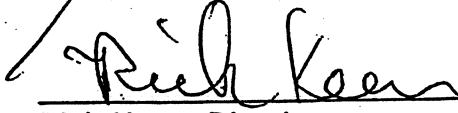
Paul Dinsmoor, President 3/29/04
Date



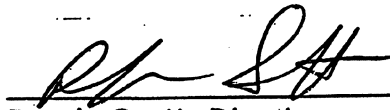
Wayne Sutton, Secretary/Treasurer 3-29-04
Date



John Combs, Director 3-29-04
Date



Rick Keen, Director 3-29-04
Date



Randy Scott, Director 3-29-04
Date

Commission Order No. 07-527 Ordering Paragraphs 4, 5, and 6 and UM 1381 Chronological List of Events

Staff/102
Dougherty/3

Date	Title	Description
November 29, 2007	Commission Order No. 07-527	Sets rates for CRRWC, specifies Ordering Paragraphs 4, 5, and 6.
November 30, 2007	Commission Order No. 07-528	Updates rates for correct rate of return.
January 8, 2008	CRRWC's compliance with Contempt Settlement	Forwarded "Daily Receipts Allocation", for the time period of July 2004 through December 2007, and checks and invoices for expenditures from the capital assessment fund.
January 28, 2008	CRRWC provides a two-page signed Declaration of James Rooks.	This declaration fulfilled the requirements of Ordering Paragraph 6, but is 28 days late.
March 7, 2008	Staff's Motion Regarding Violations of Order No. 07-527	Includes Staff's UW 120 Contempt Hearing Results Report.
March 13, 2008	CRRWC's Response to Staff Motion Re: Violations of Order No. 07-527	CRRWC States "The information provided by CRRWC was entirely consistent with Section 5 of Order No. 07-527 as well as the well established definition of 'accounting'."
March 21, 2008	CRRWC's Supplemental Response to Staff Motion Re: Violations of Order No. 07-527	CRRWC claims that Staff's Report has factual errors and requests a hearing before any action is taken on Staff's Report.
March 24, 2008	Commission Order 08-177	Orders CRRWC to distribute \$118,028 to its current shareholders in a lump-sum amount on an equal share basis.
March 26, 2008	CRRWC Response to Order No. 08-177 Regarding Balance of Funds Remaining from Special Assessment Surcharge	CRRWC states that the balance of funds remaining from CRRWC's special assessment surcharge fund is \$233,889.
March 26, 2008	CRRWC Application for Reconsideration of PUG Order No. 08-177; Request for a Hearing; and Petition for Extension of Time to Comply; and a Declaration of James Rooks in Support of CRRWC's Application.	CRRWC refers to the \$233,889, and states that the Company has a portion of the capital assessment fund in Certificates of Deposits (CDs).
March 27, 2008	CRRWC submits a spreadsheet labeled "Assessment Monies Used in March 2008."	The spreadsheet includes \$27,533 in building loan payments (intended use of the fund), \$11,473 for dump truck repairs, and \$18,607 for backhoe repairs.
March 28, 2008	Commission Order 08-181	Stays in part Order no. 08-177 pending further review.

Date	Title	Description
April 4, 2008	Staff Filed Response to Reconsideration	Requests the Commission to order CRRWC to distribute the \$118,028 to current shareholders.
April 8, 2008	CRRWC's Response to Order No. 08-177	Company once again refers to a balance of \$233,889, but attached spreadsheet that lists fund expenditures indicated a balance of \$130,656.
April 8, 2008	Staff Supplemental Response to Reconsideration	Updates account information from the Company's April 8, 2008 and requests the Commission to order CRRWC to distribute the balance of the assessment fund to current shareholders.
April 14, 2008	The Commission received a CRRWC letter enclosing its Board of Directors' Reserve Fund / Status and Role of James Rooks.	The document states that the Company will place the \$233,889 in an emergency reserve status and funds would not be distributed except in extreme emergencies. The document also states that the Mr. Rooks has the complete confidence of the Board. In addition, the document states that the contract between CRRWC and Mr. Rooks became a nullity when the Commission severely reduced the CRRWC's revenue.
May 1, 2008	Staff files a Civil Complaint against the Board of Directors	Complaint seeks penalties for non-compliance of Commission Order No. 07-527 Ordering Paragraphs 4, 5, 6. Docketed as UM 1381.
May 2, 2008	Commission Order 08-243	Orders CRRWC to distribute \$130,656 to its current shareholders in a lump-sum amount on an equal share basis. Reopens rate case.
May 6, 2008	CRRWC file a Petition for Judicial Review of Commission Order 08-243	The Court of Appeals issued a temporary stay on May 18, 2008. CRRWC deposited a cashier's check for the \$130,656 with Oregon State Treasury on June 5, 2008.
May 13, 2008	CRRWC files a Motion for Extension of Time to file submissions required by Commission order 08-243.	Requests clarification of the accounting requirement of Ordering Paragraph 5.
May 20, 2008	CRRWC files Response and Motion for Reconsideration / Clarification	Requests clarification of the accounting requirement of Ordering Paragraph 5.
May 20, 2008	CRRWC files affiliated interest application for Mr. and Mrs. Rooks	Applications approved were approved in Commission Order Nos. 08-347, dated June 30, 2008, and 08-353, dated July 1, 2008, respectively. Applications are 140 days late.

Date	Title	Description
May 22, 2008	CRRWC file a Motion to Dismiss Staff's Civil Complaint and Answers and Affirmative Defenses to Complaints	States the Commission lacks jurisdiction.
May 29, 2008	ALJ denies the Company's Motion to Dismiss.	Ruling states, "Crooked River's argument that the complaint fails to state a claim is frivolous. The complaint fully recites the factual and legal bases for the claims against each defendant."
June 3, 2008	CRRWC filed a Supplemental Response to Order No. 08-243.	Submits an accounting that the Company believes is in Compliance with Ordering Paragraph 5.
June 11, 2008	UW 120 and UM 1381 Prehearing Conference	Sets the schedule for UM 1381. Conference report is issued on June 13, 2008.
July 1, 2008	Staff files Motion for Summary Disposition	Request Commission to grant Staff's Motion for summary disposition.
July 2, 2008	Staff files Motion to Modify Schedule	ALJ vacates schedule on July 2, 2008.
July 10, 2008	CRRWC files Motion for Extension of Time to Reply to Staff's Motion for Summary Disposition	Motion denied by ALJ on July 10, 2008.
July 16, 2008	CRRWC's Reply to Staff's Motion for Summary Disposition	Requests Staff's motion to be denied.
August 7, 2008	Commission Order 08-409	Motion for Summary Disposition granted in part.
August 19, 2008	UM 1381 (Phase II) schedule set	
September 10, 2008	Staff UM 1381 testimony submitted.	

CRRWC - April Update - Assessment Funds - Summary; Comparison to June 3, 2008, Submittal

Staff/102
Dougherty/6

<u>Credits</u>	<u>April 2008</u>
2004	\$64,906.42
2005	\$135,234.41
2006	\$136,741.24
2007	\$141,056.06
Total	\$477,938.13

<u>Intended Expenditures</u>	
2004	\$21,167.09
2005	\$64,210.75
2006	\$39,149.23
2007	\$23,248.20
2008	\$31,247.09
Total	\$179,022.36

<u>Vendor</u>	
Washington Mutual	\$108,902.57
Harris Group	\$29,642.99
Allen, Sheridan & McClanahan	\$3,706.81
Cooney & Crew	\$25,452.01
Glenn Sites & Reeder	\$11,317.98
Total	\$179,022.36

<u>Purpose</u>	<u>June-08 Difference</u>	<u>Comments</u>
Legal	\$40,476.80	No Difference
Engineering	\$29,642.99	No Difference
Building	\$108,902.57	No Difference
Total	\$179,022.36	

<u>Unintended Expenditures</u>	
<u>Years</u>	
2004	\$8,661.31
2005	\$53,674.61
2006	\$2,958.46
2007	\$4,051.00
2008	\$0.00
Total	\$69,345.38

<u>Purpose</u>		<u>June-08 Difference</u>	<u>Comments</u>
Accounting	\$6,572.00	1,081.00	Additional Invoice
Maintenance	\$142.50	(142.50)	Not included in June 3, 2008. accounting
Assessment Booklets	\$3,727.50		No Difference
Piping	\$35,503.38		No Difference
Hammer	\$23,400.00		No Difference
Total	\$69,345.38		

Pre-Assessment Expenditures

<u>Pre-Assessment 2004 Pipe</u>		
	\$1,209.60	
	\$2,813.23	
	\$4,254.92	
	\$1,057.78	
Total	\$9,335.53	No Difference

<u>Pre-Assessment Booklets</u>		
	\$4,858.00	
	\$2,099.52	
	\$604.45	
Total	\$7,561.97	No Difference

<u>Pre-Assessment Building</u>		
	\$3,560.08	
	\$10,680.24	
	\$10,680.24	
	\$10,680.24	
Total	\$35,600.80	No Difference

<u>Pre-Assessment Land</u>		
	\$15,000.00	
	\$15,476.95	
Total	\$30,476.95	No Difference

<u>Pre-Assessment Crane</u>		
	\$13,500.00	
Paint	\$532.38	
Paint	\$400.00	
Paint	\$427.50	
Total	\$14,859.88	No Difference

Total Pre-Assessment	\$97,835.13	No Difference
-----------------------------	--------------------	---------------

CRRWC Assessment Account - June 4, 2008, CRRWC Supplemental Response

Staff/102
Dougherty/7

<u>Building</u>	<u>Pre-Assessment</u>	<u>Assessment Period</u>	<u>Other Capital</u>	<u>Other O&M</u>	<u>Comments</u>
1999	\$ 3,560.08				
2000	\$ 10,680.24				
2001	\$ 10,680.24				
2002	\$ 10,680.24	\$ 35,600.80			Loan Payment
2004	\$ 17,460.28				
2005	\$ 23,570.26				
2006	\$ 19,834.72				
2007	\$ 17,790.22				
2008	\$ 30,247.09	\$ 108,902.57			Loan Payment
<u>Well #3</u>					
3/29/2001	\$ 15,000.00				
4/9/2001	\$ 15,476.95	\$ 30,476.95			Land Purchase
7/14/2005	\$ 13,227.50				
8/19/2005	\$ 6,645.17				
9/8/2005	\$ 3,125.15				
9/8/2005	\$ 6,645.17	\$ 29,642.99			Engineering Fees
<u>Well #3, Cistern, Pump House</u>					
5/17/2002	\$ 13,500.00				Crane Purchase
6/5/2003	\$ 532.38				Paint Crane
6/5/2003	\$ 400.00				Paint Crane
7/3/2003	\$ 427.50	\$ 14,859.88			Paint Crane
9/24/2005	\$ 23,400.00		\$ 23,400.00		Hydraulic Hammer
2/13/2004	\$ 1,209.60				Pipe for Projects
4/23/2004	\$ 2,813.23				Pipe for Projects
5/7/2004	\$ 4,254.92				Pipe for Projects
6/17/2004	\$ 1,057.78	\$ 9,335.53			Pipe for Projects

CRRWC Assessment Account - June 4, 2008, CRRWC Supplemental Response

Staff/102
Dougherty/8

Well #3, Cistern, Pump House	Pre-Assessment	Assessment Period	Other Capital	Other O&M	Comments
9/9/2004	\$ 2,060.84				Pipe for Projects
10/8/2004	\$ 2,914.01				Pipe for Projects
10/8/2004	\$ 1,489.30				Pipe for Projects
10/8/2004	\$ 2,197.16				Pipe for Projects
2/11/2005	\$ 1,678.79				Pipe for Projects
4/1/2005	\$ 1,674.50				Pipe for Projects
5/5/2005	\$ 3,781.19				Pipe for Projects
5/19/2005	\$ 4,012.94				Pipe for Projects
6/16/2005	\$ 1,953.93				Pipe for Projects
7/14/2005	\$ 1,850.00				Pipe for Projects
8/11/2005	\$ 2,341.64				Pipe for Projects
9/8/2005	\$ 1,356.22				Pipe for Projects
10/6/2005	\$ 1,758.60				Pipe for Projects
10/7/2005	\$ 1,645.20				Pipe for Projects
11/16/2005	\$ 4,351.60				Pipe for Projects
4/6/2006	\$ 437.46		\$ 35,503.38		Pipe for Projects
2004	\$ 3,706.81				Easement Rights
2005	\$ 10,997.50				Easement Rights
2006	\$ 19,224.51				Easement Rights
2007	\$ 5,547.98				Easement Rights
2008	\$ 1,000.00	\$ 40,476.80			Easement Rights
3/26/2004	\$ 4,858.00				Assessment Booklets
4/8/2004	\$ 2,099.52				Assessment Booklets
4/9/2004	\$ 604.45				Assessment Booklets
8/25/2005	\$ 1,937.50			\$ 3,735.50	Assessment Booklets
12/28/2005	\$ 1,798.00				Assessment Booklets
5/25/2006	\$ 989.00				Accounting Fees
8/25/2006	\$ 538.00				Accounting Fees
10/25/2006	\$ 435.00				Accounting Fees
12/25/2006	\$ 559.00				Accounting Fees
2/25/2007	\$ 470.00				Accounting Fees
3/25/2007	\$ 1,081.00				Accounting Fees
5/25/2007	\$ 2,021.00				Accounting Fees
6/25/2007	\$ 1,500.00				Accounting Fees
7/25/2007	\$ 60.00			\$ 7,653.00	Accounting Fees
Totals	\$ 97,835.13	\$ 179,022.36	\$ 58,903.38	\$ 11,388.50	
Total Collections	\$ 477,938.13				
Balance	\$ 130,788.76				
Balance	\$ 288,915.77				

Based on Intended Expenditures per Board Resolution

CRRWC Special Assessment Fund

Staff/102
Dougherty/9

2004

2005

2006

2007

Amount Collected

Funds Used for

Well #3:

- Easements
- Land Purchase
- Engineering
- Survey
- Other Legal
- Drilling
- Electrical
- Pumps
- Piping
- Labor
- Accounting
- Equipment
- Other

Cistern and Pump House

- Easements
- Land Purchase
- Engineering
- Survey
- Other Legal
- Construction
- Electrical
- Pumps
- Labor
- Accounting
- Piping
- Equipment
- Other

Replumb & Add Chlorination to Well #1

- Engineering
- Survey
- Other Legal
- Construction
- Electrical
- Pumps
- Labor
- Accounting
- Piping
- Equipment
- Other

Pay-off Building Loan

Exhibit

28

ASSESSMENT MONIES

ASSESSMENT MONIES BREAK DOWN											
	From Jacques Rooks December 16, 2005 in e-mail	From James Rooks December 28, 2005 As an Attachment	From James Rooks June 3, 2006 Handed out at	From John Combs December 13, 2006 Letter written	From Craig Soule in e-mail February 2, 2007	Expenses Prior to May 2004	From CRRWC to the PUC April 8, 2008	Expenses June 2004 to Dec 2006	Expenses 2007 and Jan Feb 2008		
	As attachment to the Water Bill	Annual Meeting	to Harry Brown	Not Approved	Expenses 2004 to Dec 2006	Expenses 2007 and Jan Feb 2008					
Land for well	\$ 30,475.95	\$ 30,475.95	\$ 30,475.95	\$ 15,200.00	\$ 30,475.95	\$ 14,859.88	\$ 142.50	\$ -	\$ -		
Crane purchase and repairs	\$ -	\$ -	\$ -	\$ -	\$ 28,950.00	\$ -	\$ -	\$ -	\$ -		
Woodpecker for dump truck	\$ 28,950.00	\$ 28,950.00	\$ 3,550.00	\$ -	\$ 3,550.00	\$ -	\$ -	\$ 29,642.00	\$ -		
DeJarmak (survey of land)	\$ 3,550.00	\$ 3,550.00	\$ 28,372.33	\$ -	\$ 28,372.33	\$ -	\$ -	\$ 34,018.82	\$ 6,457.98		
Harris Group (Engineers)	\$ 22,997.82	\$ 22,997.82	\$ 15,168.83	\$ -	\$ 15,168.83	\$ -	\$ -	\$ 35,503.38	\$ -		
Attorney Fees	\$ -	\$ -	\$ 32,748.54	\$ -	\$ 32,748.54	\$ -	\$ -	\$ 23,400.00	\$ -		
Pipe for system improvement	\$ -	\$ -	\$ -	\$ -	\$ 25,000.00	\$ -	\$ -	\$ 7,651.97	\$ -		
1 Hammer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,821.00	\$ -		
Assessment Booklets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,866.26	\$ 48,037.31		
Accounting Fees	\$ 11,000.00	\$ 11,000.00	\$ 41,000.00	\$ -	\$ 41,000.00	\$ -	\$ -	\$ 189,821.45	\$ 59,627.29		
2 Building (\$1000/month)	\$ 94,973.77	\$ 119,973.77	\$ 187,515.65	\$ 70,372.33	\$ 149,093.32	\$ -	\$ -	\$ 287,656.58	\$ -		
Total	\$ 180,415.78	\$ 173,328.98	\$ 173,328.98	\$ 157,382.48	\$ 173,328.98	\$ 157,382.48	\$ 324,898.13	\$ -	\$ -		
In bank	\$ 47,442.01	\$ 77,897.70	\$ 173,328.98	\$ 157,382.48	\$ 173,328.98	\$ 157,382.48	\$ 324,898.13	\$ -	\$ -		
In Checks	\$ 48,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total on hand	\$ 95,442.01	\$ 77,897.70	\$ 173,328.98	\$ 157,382.48	\$ 173,328.98	\$ 157,382.48	\$ 324,898.13	\$ -	\$ -		
TOTAL COLLECTED	\$ 180,415.78	\$ 197,871.47	\$ 254,350.75	\$ 324,898.13	\$ 254,350.75	\$ 324,898.13	\$ 64,906.42	\$ 135,236.41	\$ 136,741.24		
2004 Income	\$ -	\$ -	\$ 64,906.42	\$ 64,906.42	\$ 64,906.42	\$ 64,906.42	\$ 64,906.42	\$ 136,741.24	\$ 136,741.24		
2005 Income	\$ -	\$ -	\$ 135,236.41	\$ 135,236.41	\$ 135,236.41	\$ 135,236.41	\$ 135,236.41	\$ 336,884.07	\$ 336,884.07		
2006 Income	\$ -	\$ -	\$ 54,207.92	\$ 124,755.30	\$ 54,207.92	\$ 124,755.30	\$ 54,207.92	\$ 141,066.06	\$ 141,066.06		
2007 Income	\$ -	\$ -	\$ 254,352.75	\$ 324,898.13	\$ 254,352.75	\$ 324,898.13	\$ 254,352.75	\$ 477,840.13	\$ 477,840.13		
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
1 NOTE: Actual cost of hammer is \$23,500.											
2 \$1690.70 per month - 36 months (Rooks stated paying \$1000 per month on building.)											
Total paid on Building according to Rooks is \$144,503.37 for years 2000 to 2008.											
This averages \$18,056.83 per year, or \$1337.99 per month.											
Any payments for the building prior to Jun 2004 should not be taken out of assessment funds as they are already paid.											
3 Total spent according to Rooks.											

Trucke Wayne

From: jim rooks crrwc [jr@crrwc.com]
Sent: Friday, December 16, 2005 8:23 AM
To: Trucke Wayne
Subject: RE: Assessment Monies



ASSESSMENT
COLLECTION.xls (16)
Wayne,

I have made the spreadsheet easier to understand. Jim looked at what I did the first time (which is what is below) and felt it was difficult to understand. So I have changed it to make more sense.

I am attaching it as a file. If you have any questions please let me know. Sorry the other page was so confusing.

Jacquie

- > Jacquie,
- > I have a question in reference to the Assessment Monies Break down.
- > On the last page you have the below information:
- >
- > Well Land \$15,000.00
- > Well Land \$15,475.95
- > Woodpecker \$26,950.00
- > DeJarnatt \$1,765.00
- > DeJarnatt \$975.00
- > DeJarnatt \$810.00
- > Harris Group \$13,227.50
- > Harris Group \$3,125.15
- > Harris Group \$6,645.17
- > In Bank \$47,442.01 (I know this as I have the statement)
- > In Checks \$48,000.00 (I also have these checks)
- > Property Payments \$11,000.00 \$1,000 monthly towards paying of
- > building.
- > Total \$190,415.78
- >
- > -\$25,643.06
- > What is the -\$25,643.06?
- >
- > You also show a total of \$174,346.76 collected for the period from
- > 07/02/04 to 10/18/05. This does not match up with the \$190,415.78.
- > Why the difference?
- >
- > The checks for \$48,000 to CR Water, what are these for?
- >
- > I know that you answered some of these questions, but I can't seem to
- > recall your answers.
- >
- > Thanks for your help,
- > Wayne
- > Wayne A. Trucke
- > Criminal Investigator
- > Oregon Department of Justice
- > 610 Hawthorne Ave. SE, Suite 210
- > Salem, Oregon 97301
- > Phone: (503) 378-6347
- > In Oregon (800) 282-7694

ASSESSMENT MONIES BREAK DOWN

Well Land	\$15,000.00
Well Land	\$15,475.95
Woodpecker	\$26,950.00
DeJarnatt	\$1,765.00
DeJarnatt	\$975.00
DeJarnatt	\$810.00
Harris Group	\$13,227.50
Harris Group	\$3,125.15
Harris Group	\$6,645.17
Property Payments	\$11,000.00
\$1,000 monthly towards paying off building	
TOTAL SPENT	\$94,973.77

In Bank	\$47,442.01
In Checks	\$48,000.00
TOTAL ON HAND	\$95,442.01

**ASSESSMENT MONIES
BREAK DOWN**

Well Land	
Well Land	
Woodpecker	
DeJarnatt	
DeJarnatt	
DeJarnatt	
Harris Group	
Harris Group	
Harris Group	
Property Payments	

\$15,000.00
\$15,475.95
\$26,950.00
\$1,765.00
\$975.00
\$810.00
\$13,227.50
\$3,125.15
\$6,645.17
\$11,000.00

\$1,000 monthly
towards paying off building
TOTAL SPENT \$94,973.77

In Bank	\$47,442.01
In Checks	\$48,000.00

\$47,442.01
\$48,000.00

TOTAL ON HAND

\$95,442.01

DATE	CK #	PURCHASE	AMOUNT	TOTAL
03/29/01	7253	LAND	\$ 15,000.00	\$ 15,000.00
04/09/01	7301	LAND	\$ 15,475.95	\$ 30,475.95
03/10/05	2987	WOODPECKER	\$ 26,950.00	\$ 57,425.95
03/24/05	3033	DeJarnatt	\$ 1,765.00	\$ 59,190.95
06/01/05	3180	DeJarnatt	\$ 975.00	\$ 60,165.95
06/14/05	3289	Harris Group	\$ 13,227.50	\$ 73,393.45
06/30/05	3246	DeJarnatt	\$ 810.00	\$ 74,203.45
08/19/05	3381	Harris Group	\$ 6,645.17	\$ 80,848.62

From Jacqueline Rooks

12/28/05
Staff/102
Dougherty/15

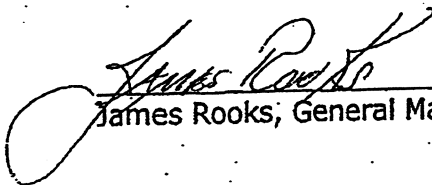


In an effort to keep our members informed, we are including a breakdown showing the assessment dollars that have been collected, and the expenditures to date. As you can see, the purchase of the land, the engineering, and the surveying have been completed. A dump truck was purchased out of necessity for upcoming projects. The property payments are on our office building and are in addition to the regular monthly payment. Our goal is to continue this practice each month when in order to pay the building off as soon as possible. There are some months that we are not able to make the additional payment, but most months we have.

TOTAL COLLECTED AS OF 12/19/05	\$ 197,871.47
LAND FOR WELL	\$ 30,475.95
DUMP TRUCK	\$ 26,950.00
SURVEY OF LAND	\$ 3,550.00
ENGINEERS	\$ 22,997.82
HAMMER	\$ 25,000.00
BUILDING	\$ 11,000.00
TOTAL SPENT	\$ 119,973.77
TOTAL ON HAND	\$ 77,897.70

We have also attached five orders that the Public Utility Commission issued in 2005 regarding water rates. These are included for your information to show you the kind of requests that water companies have submitted to the PUC and that the PUC has approved them. One of the primary functions of the Public Utility Commission is to insure financial stability of company's under their jurisdiction. Fortunately, your Board of Director's addressed this problem in 1999 and this company is extremely financially stable.

Only the first pages have been included due to lack of space, however, they are available in full on the PUC website if you are interested in reading them. If you do not have internet access and would like to read the entire document, contact the Water Company and we will provide a copy to you.


James Rooks, General Manager

13845 S.W. Commercial Loop • P.O. Box 1388 • Crooked River Ranch, Oregon 97760
Office (541) 923-1041 • Fax (541) 923-5936 • E-mail jr@crrwc.com

ATTACHMENT 28
Page 5 of 24

Trucke Wayne

From: WILLIAM HOBBS [willhobbs5@msn.com]
Sent: Sunday, June 04, 2006 10:57 AM
To: Trucke Wayne; rodwfishing@yahoo.com; DOUGHERTY Michael
Cc: charlien@blazerind.com; kchu@bendbulletin.com; MILLER Kathy
Subject: CRRWCO Assessment Fund money



January
assessment Fund.bmp (67 K...



June Assessment
Fund.jpg (67 K...

Gentlemen

Attached are two files. 1st is the breakdown of assessment dollars collected as of December 19th, 2005. 2nd is the same breakdown of assessment dollars as of June 3rd 2006 and handed out at the annual board meeting.

You all know I'm not an accountant. I do remember the rules of math taught to me in grammar school, high school and college. $2+2=4$. The numbers from the water company don't seem to follow the rules unless you do a bit of creative shuffling of funds.

First off the money spent on the "Dump Truck" of \$26,950.00 and "Hammer" of \$25,000 are not listed in the June 3rd break down.

Take the amount list as "Total on hand" 12/19/05, of \$77,897.70 and add the assessment collected to date in 2006, of \$54,207.92 and you get \$132,105.62. This is a far different number than the \$173,325.98 listed by the water company.

If you add the "Dump Truck" \$26,950.00 and the "Hammer" \$25,000.00 back into the \$132,105.62 you get a total of \$184,055.62. Now compare the money spent under "Building" on both break downs and you'll see the water company has spent an additional \$13,000 on the building in the past six months. Subtract the \$13,000 from the \$184,055.62 equals \$171,055.62. This number is "CLOSE" to the amount shown by the water company as "Total on Hand" of the assessment monies collected to date on the June 3rd Break Down.

Here is my question. Is it legal to take money from the assessment fund, spend it on an item(s) and then put the money back later? Is this what was actually done?

Who can find out the truth from the water company?

More later

Bill Hobbs

Express yourself instantly with MSN Messenger! Download today - it's FREE!
<http://messenger.msn.click-url.com/go/onm0020047lave/direct/01/>



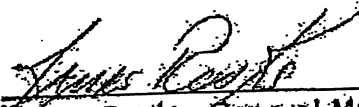
Staff/102
Dougherty/17

In an effort to keep our members informed, we are including a breakdown showing the assessment dollars that have been collected, and the expenditures to date. As you can see, the purchase of the land, the engineering, and the surveying have been completed. A dump truck was purchased out of necessity for upcoming projects. The property payments are on our office building and are in addition to the regular monthly payment. Our goal is to continue this practice each month when in order to pay the building off as soon as possible. There are some months that we are not able to make the additional payment, but most months we have:

TOTAL COLLECTED AS OF 12/19/05	\$ 197,871.47
LAND FOR WELL	\$ 30,475.96
DUMP TRUCK	\$ 26,950.00
SURVEY OF LAND	\$ 3,550.00
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HAMMER	\$ 25,000.00
BUILDING	\$ 11,000.00
TOTAL SPENT	\$ 119,973.77
TOTAL ON HAND	\$ 77,897.70

We have also attached five orders that the Public Utility Commission issued in 2005 regarding water rates. These are included for your information to show you the kind of requests that water companies have submitted to the PUC and that the PUC has approved them. One of the primary functions of the Public Utility Commission is to insure financial stability of company's under their jurisdiction. Fortunately, your Board of Director's addressed this problem in 1999 and this company is extremely financially stable.

Only the first pages have been included due to lack of space, however, they are available in full on the PUC website if you are interested in reading them. If you do not have internet access and would like to read the entire document, contact the Water Company and we will provide a copy to you.


James Rooks, General Manager

ATTACHMENT 28
Page 7 of 24

**ASSESSMENT MONIES
BREAK DOWN**

ASSESSMENT COLLECTED 2004
ASSESSMENT COLLECTED 2005
ASSESSMENT COLLECTED 2008
TOTAL COLLECTED TO DATE

\$	64,908.42
\$	135,238.41
\$	64,207.92
\$	264,354.75

LAND FOR WELL
SURVEY OF LAND
ENGINEERS
BUILDING
TOTAL SPENT

\$	30,476.96
\$	3,560.00
\$	22,987.82
\$	24,000.00

TOTAL ON HAND

\$	(173,326.98)
----	--------------

Assessment collection

[Handwritten signature]

6/3/06

Harry Brown
6223 SW Rim Road
Crooked River Ranch, OR 97760

Staff/102
Dougherty/19
copy

December 7, 2006

Mr. John Combs, Director
Crooked River Ranch Water Co.
P.O. Box 2319
Terrebonne, OR 97760

*add up
space 2*

Dear Mr. Combs,
Your recent remarks in The Bulletin, dated November 22, 2006 "don't have the guts enough to come to us. Instead, they go to any government agency that will listen to them". I wish to remind you that I sent you a certified letter concerning the lack of our meter not being read. I tried to prove to you that it had not been read asking you to come take a look. However, you stated you had not received it. It was signed for by J. Rooks.

Now I come to you with the following questions:

1. Is the Water Company paying J.R. Rook's lawyers when defending his charge (found guilty) of careless driving?
2. Is the Water Company paying J.R. Rooks lawyers when defending the charges pertaining to the destruction of trees on Ranch property?
3. Is the Water Company paying J.R. Rooks while he is spending his time working on his private land?
4. Exactly what equipment do we (the Water Company) own?
5. Exactly what monies have been spent and for what from the \$8.00 monthly "assessment".

If you choose, you can answer these questions in a letter to each customer or directly to me.

Sincerely,

Harry Brown

Harry Brown

John M. Combs, Director
Crooked River Ranch Water Co. P.O. Box 2319 Terrebonne, OR 97760

December 13, 2006

Harry Brown
6223 SW Rim Road
Crooked River Ranch, OR 97760

Dear Mr. Brown:

This letter is in response to your letter of December 7, 2006. All five of your questions are legitimate. I am glad to answer them.

#1. Yes, the Water Company did pay Mr. Rooks' lawyers to defend his charge of careless driving. Mr. Rooks was engaged in Water Company business; therefore, the Water Company defended him.

#2. Yes, the Water Company is paying Mr. Rooks' defense lawyers for the charges pertaining to the destruction of trees on Ranch property. The removal of trees and brush by Mr. Rooks, creating a firebreak to protect the Water Company office, was done in the best interest of all residents of Crooked River Ranch. Water is a vital resource for all of us, not only necessary to sustain life on a daily basis, but to protect Ranch residents against the ever-present danger of wildfire. The only water available on the Ranch to fight fires of any kind comes through Water Company wells and infrastructure. The Water Company office contains an electronic system that controls all of the wells, pumps and storage facilities. This system, as well as the entire office and its contents, must be protected.

#3. No, the Water Company is not paying Mr. Rooks' for the time he spends working on his own property. Mr. Rooks is paid a salary based on a 40-hour workweek, with overtime payment. He does not work a strict 8:00 to 5:00 workday. He is on call 24 hours a day, seven days a week. He has not taken a vacation off the Ranch since he became a Water Company employee. You may see him working on his personal property during what you consider to be Water Company time. Be assured that he is devoting the work hours that his contract calls for.

#4. The following list is not presented as exact, however, it does represent the most important and valuable of the Water Company equipment assets.

- 2 backhoes
- 2 hydraulic rock hammers for the backhoes
- 1 dump truck

- 4 pick-up trucks
- 1 large diesel generator, capable of powering the well pumps in the event of a sustained power outage
- 1 double axle hydraulic dump trailer
- 1 35-ton crane
- an assortment of equipment use in line repairs and customer service

#5. The table below shows assessment funds collected and spent to date:

Assessment collected 2004	\$ 64,906.42
Assessment collected 2005	\$135,236.41
Assessment collected 2006	\$124,755.30
TOTAL COLLECTED TO DATE	\$324,898.13
Land for pending well #5	\$ 30,475.95
Crane purchase and repairs to date	\$ 15,200.00
Survey of land (see Note #1)	\$ 3,550.00
Engineering for pending #5 well site	\$ 29,372.33
Office building	\$ 41,000.00
Attorney fees (see Note #2)	\$ 15,168.83
Pipe for system improvement	\$ 32,748.54
TOTAL EXPENDITURES TO DATE	\$167,515.65
TOTAL FUNDS ON HAND	\$157,382.48

Note #1: This survey covers the land required to run a water line from the pending well #5 to the water tower and for land where the by-pass line around the golf course will be located.

Note #2: These attorney fees are a consequence of extended negotiations with the Ranch Association over easements for the above-mentioned water lines.

I hope this provides satisfactory answers to your questions.

Sincerely,



John M. Combs

Trucke Wayne

From: Craig Soule [soule300td@yahoo.com]
Sent: Friday, February 02, 2007 11:27 AM
To: Trucke Wayne
Subject: CRRWC - Special Assessment Resolution

Wayne,

On March 29, 2004 the CRRWC Board of Directors approved a resolution implementing the \$8 per month special assessment charge for the specific projects stated in the approved resolution (see attached).

The CRRWC has provide two documents to the membership stating specific item expenditures from special assessment funds (see attached).

The following expenditures from the special assessment fund where not approved in the founding resolution:

Land for Well #5 (#3)	\$30,475.95
Survey	\$ 3550.00
Attorney Fee's	\$15,168.83
Dump Truck	\$26,950.00
Rock Hammer	\$25,000.00
Crane (purchase/repair)	\$15,200.00
Pipe (system improvement)	<u>\$32,748.54</u>
Total	\$149,093.32

I have attached a spread sheet laying out and comparing the various projects and supporting documentation. If you have any questions please contact me.

~ Craig

Food fight? Enjoy some healthy debate
in the [Yahoo! Answers Food & Drink Q&A](#).

Mr. Harry Brown
6223 SW Rim Road
Crooked River Ranch, OR 97760

December 14, 2006

TO WHOM IT MAY CONCERN:

I sent a certified return receipt requested number 7006 1820 0004 9133 6425 letter December 7, 2006 to John Combs (member of Board of Director of Crooked River Ranch Water Company) with five questions I wished answered (copy of letter enclosed). I sent this letter to John Combs at the CRRWC's address in Terrebonne, Oregon. This letter was signed for by Barbara Oakley on December 11, 2006. I received the signed receipt on December 12, 2006.

On December 13 at about 9:30 a.m. I received a phone call from John Combs concerning the "answers" to these questions. He said he would answer them but first he wanted to know why I wanted these answers. I told him that I wanted to know and that I wanted to be able to pass this information on to those that ask me about them. After considerable conversation he stated he is compiling this information and would first run it by the other Board members and if they agreed he would send it to me.

There was some question on my part as to the what he wanted from me before he would answer these questions so I asked him to send me a letter of these questions. He stated that it would take awhile to compile these answers, run it by the Board but he would get back to me.

Concerning question #5, I stated that as far as I could remember that this assessment was for a new well and water tank. He told me it was for (and I can't remember his exact word) was for needed equipment which appeared to be anything they choose to spend it on.

This conversation was about 15 minutes which much of it was repeats.

Sincerely,

Harry Brown

Harry Brown,
Enc.

Harry Brown
6223 SW Rim Road
Crooked River Ranch, OR 97760

copy Staff/102
Dougherty/24.

December 7, 2006

Mr. John Combs, Director
Crooked River Ranch Water Co.
P.O. Box 2319
Terrebonne, OR 97760

*add if
space 2*

Dear Mr. Combs,
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If you choose, you can answer these questions in a letter to each customer or directly to me.

Sincerely,

Harry Brown

Harry Brown

Copy

Staff/102
Dougherty/25,

John M. Combs, Director
Crooked River Ranch Water Co. P.O. Box 2319 Terrebonne, OR 97760

December 13, 2006

Harry Brown
6223 SW Rim Road
Crooked River Ranch, OR 97760

Dear Mr. Brown:

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I hope this provides satisfactory answers to your questions.

Sincerely,



John M. Combs

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 120

1
2
3
4 In the Matter of

5 CROOKED RIVER RANCH WATER
6 COMPANY

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

STAFF SUPPLEMENTAL RESPONSE TO
RECONSIDERATION

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

19 **DISCUSSION**

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

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

Page 1 - STAFF SUPPLEMENTAL RESPONSE TO RECONSIDERATION

Department of Justice
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Salem, OR 97301-4096
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1 156) to the Company. The Company partially responded to Staff's requests and as a result, Staff
2 has received additional information on Company accounts.

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

4

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

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

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

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

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

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

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

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

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

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

25 ///

26 ///

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

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

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

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

15 If the Company properly only used the capital assessment fund for the Board
16 intended purposes, the balance would have been \$345,602 as of November 30,
17 2007. This indicates that the Company has not implemented proper
18 controls surrounding this capital assessment fund and appears to be
19 using the capital assessment fund as an extension to its operating account.
20 This is in violation of the Company's Board Resolution, dated March 29,
21 2004.

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

24 CONCLUSION

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

29 Staff believes that the Commission could either order the reimbursement based on the
30 \$118,368.01 held in the Community First Bank or the combined balance of \$118,368.01 plus the

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

4 DATED this 8th day of April 2008.

5 Respectfully submitted,

6 HARDY MYERS
7 Attorney General

8 s/ Jason W. Jones
9 Jason W. Jones, #00059
10 Assistant Attorney General
11 Of Attorneys for the Public Utility Commission
12 of Oregon
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Page 5 - STAFF SUPPLEMENTAL RESPONSE TO RECONSIDERATION

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CRRWC - April Update - Assessment Funds - CDs and Other Accounts

Certificate	Initial Issue Date	Initial Amount	Current Amount	Last Statement Date	Comments
8000003266 - Columbia River Bank	4/16/1999	\$20,000.00	\$26,155.00	2/28/2008	Current Yield = 2.47%; Term - 180 days
8000003355 - Columbia River Bank	5/18/1999	\$10,000.00	\$12,504.60	3/17/2008	Current Yield = 2.95%; Term - 90 days
501000167 - Community First Bank	4/12/1999	\$10,177.75	\$12,178.07	11/1/2006	Yield = 0.70%; Term - 90 days
501000168 - Community First Bank	4/12/1999	\$10,185.77	\$12,206.90	9/1/2006	Yield = 3.28%; Term - 90 days
501000178 - Community First Bank	5/2/1999	\$35,474.67	\$42,207.08	6/30/2006	Yield = 3.30%; Term - 90 days
501000179 - Community First Bank	5/5/1999	\$10,221.92	\$12,301.89	11/3/2006	Yield = 3.30%; Term - 90 days
50511082 - Community First Bank	11/9/2006	\$86,060.11	\$78,895.72		
50511088 - Community First Bank	11/9/2006	\$42,361.11	\$43,747.98	6/8/2007	Yield = 4.58%; Term - 12 months
50511090 - Community First Bank	11/9/2006	\$12,178.94	\$12,581.87	6/4/2007	Yield = 4.56%; Term - 12 months
50511106 - Community First Bank	11/9/2006	\$12,184.98	\$12,586.88	6/8/2007	Yield = 4.58%; Term - 12 months
		\$12,308.07	\$12,711.96	6/8/2007	Yield = 4.58%; Term - 12 months
		\$79,022.10	\$81,628.49		
Contingency Account	circa 1998		\$35,702.58	2/29/2008	\$15,000 Check paid (1001) - 04/21/2008
Total CD and Contingency Accounts			\$155,990.67		
All CDs and Contingency Account was established prior to the Assessment Fund. Should not be considered assessment funds.					
Capital (MMDA) - Community First	9/2/2005	\$47,264.00	\$18,368.01	2/28/2008	Yield = 1.01%; \$68,000 deposit 02/9/2007.
Operating Account			\$100,908.24	2/29/2008	
Total Accounts			\$375,266.92		

CRRWC - April Update - Assessment Funds - Summary

Credits		
2004	\$64,906.42	
2005	\$196,234.41	
2006	\$196,741.24	
2007	\$141,056.89	
Total	\$477,938.13	
Intended Expenditures		
2004	\$21,187.09	
2005	\$64,210.75	
2006	\$36,146.23	
2007	\$23,246.20	
2008	\$31,247.09	
Total	\$176,022.36	
Vendor		
Washington Mutual	\$108,002.57	Building
Harts Group	\$20,642.99	Engineering Fees
Allen, Sheridan & McClenahan	\$3,708.81	Easement Rights
Cooney & Crew	\$26,482.01	Easement Rights
Glenn Sites & Reeder	\$11,317.98	Easement Rights
Total	\$179,022.36	
Purpose		
Easement Rights	\$40,476.80	
Engineering	\$20,642.99	
Building	\$108,002.57	
Total	\$179,022.36	
Unintended Expenditures		
Years		
2004	\$8,001.31	
2005	\$63,674.81	
2006	\$2,058.46	
2007	\$4,081.00	
2008	\$0.00	
Total	\$66,345.38	
Purpose		
Accounting	\$6,572.00	
Maintenance	\$142.60	
Assessment Booklets	\$3,727.60	
Piping	\$36,603.88	
Hammer	\$23,400.00	
Total	\$66,345.38	
Pre-Assessment Expenditures		
Pre-Assessment 2004 Pipe		
	\$1,200.00	
	\$2,819.29	
	\$4,254.92	
Total	\$8,336.53	
Pre-Assessment Booklets		
	\$4,800.00	
	\$2,000.82	
Total	\$7,561.87	
Pre-Assessment Building		
	\$3,500.00	
	\$10,680.24	
	\$10,680.24	
	\$10,680.24	
Total	\$35,600.88	
Pre-Assessment Land		
	\$15,000.00	
	\$16,476.95	
Total	\$30,476.95	
Pre-Assessment Crane		
	\$13,500.00	
Paint	\$532.38	
Paint	\$400.00	
Paint	\$427.50	
Total	\$14,859.88	
Total Pre-Assessment	\$97,835.13	

Attachment 1
Page 2 of 2

CERTIFICATE OF SERVICE

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

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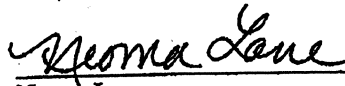
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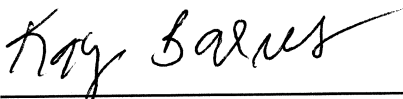
Neoma Lane
Legal Secretary
Department of Justice
Regulated Utility & Business Section

CERTIFICATE OF SERVICE

UM 1381

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 10th day of September, 2008.



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

**UM 1381
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