



# Oregon

Theodore R. Kulongoski, Governor

## Public Utility Commission

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March 18, 2009

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

RE: Docket No. UW 130 - In the Matter of CLEARWATER SOURCE LLC  
Request for a general rate revision.

Enclosed for electronic filing in the above-captioned docket is Staff's Testimony in  
Docket UW 130.

*/s/ Kay Barnes*

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

(503) 378-5763

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c: UW 130 Service List (parties)



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**PUBLIC UTILITY COMMISSION  
OF OREGON**

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**UW 130**

**STAFF TESTIMONY  
OF**

**KATHY MILLER**

**In the Matter of  
CLEARWATER SOURCE LLC  
Request for a General Rate Increase.**

**March 18, 2009**

CASE: UW 130  
WITNESS: Kathy Miller

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 100**

**Direct Testimony  
In Support of  
The Stipulation**

**March 18, 2009**

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

3     A. My name is Kathy Miller. I work for the Public Utility Commission of Oregon  
4     (Commission) as a Senior Utility Analyst in the Water Program. My business  
5     address is 550 Capitol Street NE Suite 215, Salem, Oregon 97308-2148.

6     **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.**

7     A. I have been with the Commission since 1987 and have participated in over  
8     100 water utility dockets involving rate filings, finance applications, property  
9     dispositions, exclusive service territory, adequacy of service investigations,  
10    water and wastewater rulemakings, formal complaints, and affiliated interest  
11    matters.

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

13    A. The parties in this docket (UW 130) are Loren Malcom, President and owner  
14    of Clearwater Source LLC (Clearwater or Utility); Intervenor Jerry L. Anderson  
15    (Intervenor or Mr. Anderson); and Commission Staff (Staff).

16    **Q. DID ALL PARTIES ENTER INTO A STIPULATION OF ALL ISSUES IN THE**  
17    **CASE?**

18    A. No. Clearwater agreed with Staff's proposal and entered into a Stipulation.  
19    At the time of the settlement conferences (January 8, 2009, and January 30,  
20    2009), Mr. Anderson did not agree or disagree with the stipulated settlement.  
21    As of the date of this filing, Mr. Anderson has not signed the Stipulation.

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

2 A. The purpose of my testimony is to introduce and support the Stipulation agreed  
3 to by Clearwater and Staff in Docket UW 130.

4 **Q. DID YOU PREPARE ANY EXHIBITS FOR DOCKET UW 130?**

5 A. Yes. I prepared Exhibit Staff/101 consisting of 14 pages in support of my  
6 testimony:

7	WATER Revenue Requirement	Staff/101, Miller/1
8	WATER Summary of Staff Adjustments	Staff/101, Miller/2
9	WATER Revenue Sensitive Costs	Staff/101, Miller/3
10	WATER Plant and Depreciation	Staff/101, Miller/4-5
11	WATER Residential Rate Design	Staff/101, Miller/6
12	WATER Residential Rate Impact	Staff/101, Miller/7
13		
14	WASTEWATER Revenue Requirement	Staff/101, Miller/8
15	WASTEWATER Summary of Staff Adjustments	Staff/101, Miller/9
16	WASTEWATER Revenue Sensitive Costs	Staff/101, Miller/10
17	WASTEWATER Plant and Depreciation	Staff/101, Miller/11-12
18	WASTEWATER Residential Rate Design	Staff/101, Miller/13
19	WASTEWATER Residential Rate Impact	Staff/101, Miller/14

20  
21 I also prepared Staff Exhibit 102 consisting of five pages in support of Staff  
22 testimony:

23	Landlord / Tenant Law	
24	ORS 90.315, .532, .534, and .536	Staff/102, Miller 1-5

25  
26 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

27 A. My testimony is organized as follows:

- 28 1. Utility Description and Regulatory History;  
29 2. Utility Application - Proposed Water Rates;  
30 3. Staff Analysis of Clearwater's Water Application;  
31 4. Landlord/Tenant Utility Charges Law;  
32 5. The Stipulated Water Revenue Requirement and Rates;  
33 6. Utility Application - Proposed Wastewater Rates;  
34 7. Staff Analysis of Clearwater's Wastewater Application; and  
35 8. The Stipulated Wastewater Revenue Requirement and Rates.

1 **1. Clearwater and Its Regulatory History**

2 **Q. PLEASE DESCRIBE CLEARWATER.**

3 A. Clearwater is a small privately-owned LLC providing water and wastewater  
4 services in Salem, Oregon. It provides domestic water service and wastewater  
5 service to approximately 21 residential customers and the common grounds in  
6 Central View Manufactured Home Park. Clearwater purchases its water and  
7 wastewater removal services from the City of Salem (City).

8 **Q. PLEASE EXPLAIN HOW CLEARWATER BECAME A RATE-REGULATED**  
9 **PUBLIC WATER UTILITY UNDER THE AUTHORITY AND JURISDICTION**  
10 **OF THE COMMISSION?**

11 A. On July 9, 2008, Clearwater filed a petition with the Commission requesting  
12 regulation (WJ 20) pursuant to ORS 757.061(6)(a). In addition, Clearwater's  
13 wastewater service is within the City's boundaries, which requires regulation.  
14 See ORS 757.061(3).

15 On August 8, 2008, the Commission issued Order No. 08-410, pursuant to  
16 ORS 757.005 and ORS 757.061, bringing Clearwater under the Commission's  
17 regulation for water and wastewater rates and service. In its Order, the  
18 Commission required Clearwater to file tariffs for both water and wastewater  
19 services.

20 On September 26, 2008, Clearwater filed its joint water and wastewater rate  
21 application and tariffs with the Commission. The Utility proposed increases to  
22 both water and wastewater rates.

1 **WATER**

2 **2. Clearwater's Application – Proposed Water Service Rates**

3 **Q. PLEASE DESCRIBE CLEARWATER'S RATE PROPOSAL FOR WATER**  
4 **SERVICE AS FILED IN ITS APPLICATION.**

5 A. In its application, Clearwater proposes a \$6,754 increase in annual water  
6 revenue. If approved, the increase would boost the annual water revenue  
7 from \$2,114 to \$8,868 or 319.5 percent. The Utility seeks a 2.5 percent rate  
8 of return on a water rate base of \$38,254.

9 According to the application, the proposed increase would generate an  
10 average monthly bill of approximately \$35.21, based on a customer's average  
11 monthly consumption of 471 cubic feet (cf). The current average monthly water  
12 bill is approximately \$11.54.

13 **3. Staff's Analysis of Clearwater's Water Service Proposal**

14 **Q. WHAT ARE THE RESULTS OF STAFF'S ANALYSIS OF CLEARWATER'S**  
15 **WATER RATE FILING?**

16 A. Staff's analysis of Clearwater's water rate application results in a 311.1 percent  
17 overall increase to its annual 2007 water revenues, for a total annual revenue  
18 of \$8,691, resulting in a 2.0 percent rate of return on a rate base of \$55,943.

19 This generates an average monthly water bill of \$34.51. See Staff/101,  
20 Miller/1.

1     **Q. PLEASE EXPLAIN STAFF'S ADJUSTMENTS TO CLEARWATER'S TEST**  
2     **YEAR 2007.**

3     A. I have summarized Staff's adjustments to Clearwater's 2007 water service test  
4     year in Staff/101, Miller/2. The adjustments includes moving expenses into the  
5     appropriate accounts, moving capital expenditures to utility plant, and other  
6     appropriate adjustments based on the documentation provided by the Utility.

7     I will highlight Staff's major adjustments:

- 8         1. Clearwater proposed \$3,388 for purchased water expense. Staff  
9         adjusted purchased water by (1) adding \$220 to recognize a 0.5 percent  
10         increase water usage, resulting from a 0.5 percent increase in the  
11         number of customers, and (2) adding a 6.5 percent increase to  
12         recognize the 2009 increase in City water rates.
- 13        2. Clearwater proposed \$0.0 in repairs expense. Staff adjusted repairs by  
14         adding \$442. This represents a three-year amortization of a \$1,127  
15         leak repair moved from labor expense to repair expense.
- 16        3. Clearwater proposed \$185 in legal expense. Staff adjusted legal  
17         expense by deducting \$185 of allocated legal expense because  
18         Clearwater did not provide supporting documentation.
- 19        4. Clearwater proposed \$1,436 in depreciation expense. Staff adjusted  
20         depreciation expense by adding \$600 for a total of \$2,036. This  
21         represents actual 2009 depreciation expense.



1           5. Clearwater proposed \$87,611 in water utility plant in service. Staff  
2           adjusted the water plant by deducting \$11,221 for a total water utility  
3           plant of \$76,390. This represents the utility plant Staff identified as  
4           in use and not a contribution.

5           6. Clearwater proposed \$48,946 in accumulated depreciation. Staff  
6           adjusted accumulated depreciation by deducting \$28,126. Staff used  
7           the National Association of Regulatory Utility Commissioners (NARUC)  
8           Depreciation Service Lives for Small Water Systems, as modified to  
9           represent certain service lives that are more appropriate for Oregon.  
10          The accumulated depreciation total is \$20,820.

11          7. Clearwater proposed a deduction of \$858 in Contributions in Aid of  
12          Construction (CIAC). Staff deducted the \$858 from the Utility's test  
13          period. Staff's did not include any CIAC in its utility plant in service  
14          calculation.

15          **Q. PLEASE SHOW THE RESULTS OF STAFF'S CALCULATION OF THE**  
16          **UTILITY'S WATER PLANT.**

17          A. Staff calculated Clearwater's water plant as broken out below:

- 18           1. Total Original Utility Plant of \$76,390;
- 19           2. Less Accumulated Depreciation of \$20,820;
- 20           3. Equals Total Net Plant of \$55,570.

1 **Q. PLEASE COMPARE CLEARWATER’S AND STAFF’S PROPOSED WATER**  
2 **RATE BASE COMPONENTS.**

3 A. The table below shows a summary of Clearwater’s proposed water rate base  
4 components and Staff’s proposed water rate base components.

5 **Table 1 - WATER Rate Base Comparison**

	<b>Utility Plant In Service</b>	<b>Less Accumulated Depreciation</b>	<b>Less CIAC</b>	<b>Net Utility Plant</b>	<b>Add Working Cash</b>	<b>Total Rate Base</b>	<b>Rate of Return</b>
Utility Proposed	\$87,611	- \$48,946	- \$858	\$37,807	+ \$447	\$38,252	2.50%
Staff Proposed	\$76,390	-\$20,820	-\$0.0*	\$55,570	+\$375	\$55,943	2.00%

6 \*Staff’s Utility Plant in Service does not include CIAC.  
7

8 **4. Landlord/Tenant Utility Service Charges Law**

9 **Q. DID CLEARWATER’S CUSTOMERS EXPRESS ANY CONCERNS**  
10 **REGARDING THE UTILITY AND ITS WATER SERVICE?**

11 A. The only customer to voice concern was Mr. Anderson, the Intervenor. Mr.  
12 Anderson’s concern was mostly related to the application of ORS Chapter 90  
13 (landlord / tenant law) and the statutes governing how and what landlords can  
14 charge their tenants for utility services in manufactured home parks;  
15 in particular, portions of ORS 90.315, 90.532, 90.534, and 90.536. I have  
16 attached each of those statutes for your convenience in Staff/102, Miller/1-5.

17 **ORS 90.315 Utility or service payments** states, in part:

18 (4)(b) A utility or service charge shall include only the value or  
19 cost of the utility or service as billed to the landlord.  
20

21 **ORS 90.534 Allocated charges for utility or service provided directly**

22 **to space or common area** states, in part:

1 (4) A landlord may not increase the utility or service charge to the  
2 tenant by adding any costs of the landlord, such as a handling or  
3 administrative charge, other than those costs billed to the landlord  
4 by the provider for utilities or services.  
5

6 **ORS 90.536 Charges for utilities or services measured by submeter**

7 **states, in part:**

8 (2) A utility or service charge to be assessed to a tenant under  
9 this section may consist of:

10 (a) The cost of the utility or service provided to the tenant's  
11 space and under the tenant's control, as measured by the  
12 submeter, at a rate no greater than the average rate billed to  
13 the landlord by the utility or service provider, not including any  
14 base or service charge;

15 (3) A utility or service charge to be assessed to a tenant under  
16 this section may not include:

17 (a) Any additional charge, including any costs of the landlord,  
18 for the installation, maintenance or operation of the utility or  
19 service system or any profit for the landlord; or  
20 (b) Any costs to provide a utility or service to common areas of  
21 the facility. [2005 c.619 §8]  
22

23 Under these statutes, a landlord may "pass" the cost of the utility service, as it  
24 is billed by the utility provider, on to the tenants in a manufactured home park.

25 ORS 90.532 provides several billing methods a landlord can use to do this.

26 In addition, ORS 90.532 (6) states:

27 (6) A landlord who provides utilities or services only to tenants  
28 of the landlord in compliance with this section and ORS 90.534  
29 and 90.536 is not a public utility for purposes of ORS Chapter  
30 757.  
31

32 Under this statute, if a landlord charges the tenants for utility service within  
33 the limitations of ORS 90.534 and 90.536, it is not a public utility subject to  
34 ORS Chapter 757. If it is a public utility under ORS Chapter 757.005, then the  
35 above statutes in ORS Chapter 90 do not apply.

1 Clearwater is a public utility. The landlord for Center View Estates  
2 Manufactured Home Park is Loren Malcom. Mr. Malcom also owns Clearwater.  
3 Although both business entities are owned by the same person, each entity is  
4 a separate business independent of the other.

5 As a regulated public water utility, Clearwater operates under the authority  
6 and jurisdiction of the Commission. Therefore, Clearwater is not bound by  
7 the charging limitations for utility service in ORS Chapter 90. The Commission  
8 sets rates for rate-regulated water and wastewater utilities to cover the cost of  
9 service and provide utilities an opportunity to earn a return on their net  
10 investments.

11 **5. The Stipulated Water Revenue Requirement and Rates**

12 **Q. DID THE PARTIES ENTER INTO A STIPULATION REGARDING WATER**  
13 **RATES?**

14 A. No. Clearwater agreed with Staff's proposal and entered into a Stipulation. At  
15 the time of settlement for both water and wastewater rates, Mr. Anderson had  
16 not finalized his position regarding the proposed water rates.

17 Although Mr. Anderson had applied for intervenor status, he had not received  
18 a grant of intervenor status at the time of the settlement conferences.

19 However, he participated in the settlement conferences as an intervenor.

20 Mr. Anderson's intervenor status was granted by Administrative Law Judge  
21 Hardie on February 19, 2009.

22 After reviewing the Stipulation and Staff draft testimony, Mr. Anderson did not  
23 stipulate on the water rates with Staff and Clearwater.

1     **Q. PLEASE DESCRIBE STAFF’S PROPOSED RATE DESIGN.**

2     A. The stipulated rate design assigns 50 percent of the revenue requirement to  
3     the base rate. Water customers currently pay a \$2.50 base rate per month.  
4     Staff proposes a monthly base rate of \$17.24.

5     Fifty percent of the revenue requirement is assigned to the variable rate,  
6     resulting in a metered volumetric rate of \$3.73 per 100 cf of water used. This  
7     compares to the water customers’ current volumetric rate of \$1.92 per 100 cf  
8     of water used. The average monthly water bill proposed by Staff is \$34.51  
9     compared to the current average monthly bill of \$11.54. See Staff/101, Miller/6.

10    **Q. PLEASE SUMMARIZE FOR WATER SERVICE: THE CURRENT RATES,**  
11    **CLEARWATER’S PROPOSED RATES, AND THE STIPULATED RATES.**

12    A. In Table 2 below, I have compared Clearwater’s current, Clearwater’s  
13    proposed, and the stipulated: (1) monthly base and variable water rates;  
14    (2) average monthly consumption; (3) calculated average monthly variable  
15    charges; and (4) the total average monthly water bill. The effect upon  
16    customers at different usages is shown in Staff/101, Miller/7.

1 **Table 2 - Summary of Water Rates**

<b>WATER</b>	<b>Monthly Base Rate</b>	<b>Variable Volumetric Rate</b>	<b>Average Monthly Consumption</b>	<b>Average Variable Monthly Charge</b>	<b>Average Monthly Bill</b>
<b>Current Rates</b>	\$2.50	\$1.92 per 100 cf	471 cf per customer	\$9.04	\$11.54
<b>Clearwater Proposed Rates</b>	\$17.59	\$3.74 per 100 cf	471 cf per customer	\$17.62	\$35.21
<b>Stipulated Rates</b>	\$17.24	\$3.73 per 100 cf	463 cf per customer	\$17.27	\$34.51

2

3 **Q. STAFF IS USING A DIFFERENT AVERAGE CONSUMPTION NUMBER**  
4 **FROM WHAT CLEARWATER REPORTED FOR 2007 AND PROPOSES IN**  
5 **FUTURE RATES. PLEASE EXPLAIN WHY.**

6 A. Staff is using a monthly average of 463 cf water consumed in its rate design.  
7 Clearwater used 471 cf of water consumed in its proposal. Staff adjusted the  
8 average monthly usage due to a downward trend of water usage over the last  
9 few years and an accurate usage for 2007. The City's records show that  
10 average monthly water usage was 775 cf in 2005, 666 cf in 2006; and 486 cf in  
11 2007. These averages did not break out the customer usage from total usage.

12 Staff was able to separate the customers' 2007 usage from common areas  
13 and leaks in the distribution system to determine the customers' exact use.

14 Staff took the actual use, added a 0.5 additional customer's usage and then  
15 determined an average use of 463 cf.

16 **Q. PLEASE SUMMARIZE CLEARWATER'S TEST YEAR WATER REVENUE**  
17 **REQUIREMENT, ITS PROPOSED REVENUE REQUIREMENT, AND**  
18 **STAFF'S PROPOSED REVENUE REQUIREMENT.**

1 A. I have summarized Clearwater's 2007 test year revenue requirement for  
2 water service, Clearwater's proposed water revenue requirement, and the  
3 stipulated water revenue requirement in Table 3 below.

4 **Table 3 - WATER Revenue Requirement Summary and Comparison**

	Clearwater Test Year Actuals	Clearwater Proposal Revenue Requirement	Stipulated Revenue Requirement
TOTAL REVENUE	\$2,114	\$8,868	\$8,691
TOTAL OPERATING EXPENSE	\$5,339	\$5,362	\$4,499
OTHER REVENUE DEDUCTIONS			
Depreciation Expense	\$1,436	\$1,436	\$2,036
Property Tax	\$866	\$866	\$749
Oregon Income Tax	\$10	\$84	\$93
Federal Income Tax	\$0	\$166	\$197
TOTAL REVENUE DEDUCTIONS	\$7,651	\$7,913	\$7,574
NET INCOME	\$(5,537)	\$955	\$1,119
Utility Plant in Service	\$87,611	\$87,611	\$76,390
Less CIAC	\$858	\$858	\$0.0 <sup>1</sup>
Less Depreciation Reserve	\$48,946	\$48,946	\$20,820
Net Utility Plant	\$37,807	\$37,807	\$55,570
Materials and Supplies Inventory			
Working Cash (Total Op Exp /12)	\$445	\$447	\$375
TOTAL RATE BASE	\$38,252	\$38,254	\$55,943

5  
6  
7  
8 **Q. ARE THE RESULTING WATER RATES FAIR AND REASONABLE?**

9 A. Yes. Staff has thoroughly investigated Clearwater's expenses, plant, and  
10 revenues for water service. Staff realizes that the proposed rate for 463 cf of  
11 water use is \$22.97 higher than the current rate. However, the current rates  
12 cannot cover the cost of providing water service. Staff believes the proposed  
13 rates for water service are fair and reasonable.

<sup>1</sup> CIAC was not included in Staff's utility plant and depreciation schedules.

1 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE STIPULATION**  
2 **AS IT PERTAINS TO CLEARWATER'S WATER SERVICE?**

3 A. I recommend that the Commission admit Staff's testimony regarding  
4 Clearwater's water service into the UW 130 record and adopt the Stipulation  
5 in its entirety. Clearwater also asks, and Staff agrees, that the rates be  
6 effective the first day of the month following the issuance of the order. The  
7 Stipulation also provides that Clearwater will read the meters on the last day  
8 of the month the Commission issues its order. Clearwater agrees to bill  
9 customers under the current rates for that usage.

10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON**  
11 **CLEARWATER'S WATER SERVICE?**

12 A. Yes.

13 **Q. DO YOU HAVE ANY FURTHER TESTIMONY?**

14 A. Yes. I performed an investigation and analysis of Clearwater's wastewater  
15 services.

16 **WASTEWATER**

17 **6. Utility Application - Proposed Wastewater Rates**

18 **Q. PLEASE DESCRIBE CLEARWATER'S WASTEWATER RATE**  
19 **PROPOSAL.**

20 A. Clearwater proposed a \$654 increase in annual wastewater revenue. If  
21 approved, the increase would boost the current annual wastewater revenue  
22 from \$6,480 to \$7,134 or 10.09 percent. The Utility seeks a 2.5 (2.53 after  
23 recalculating) percent rate of return on a wastewater rate base of \$40,463.



1 The proposed increase would generate an average monthly bill of  
2 approximately \$28.34. The current average wastewater monthly bill is \$28.27.

3 **7. Staff's Analysis of Clearwater's Wastewater Application**

4 **Q. WHAT ARE THE RESULTS OF STAFF'S ANALYSIS OF CLEARWATER'S**  
5 **WASTEWATER RATE FILING?**

6 A. Staff proposes a \$599 increase in annual wastewater revenue. If approved,  
7 the increase would boost the current annual wastewater revenue from \$6,480  
8 to \$7,120 or 9.88 percent. Staff recommends a 2.4 percent rate of return on a  
9 wastewater rate base of \$47,577. The proposed increase would generate an  
10 average monthly bill of approximately \$28.25. See Staff/101, Miller/8.

11 **Q. PLEASE EXPLAIN STAFF'S ADJUSTMENTS TO CLEARWATER'S**  
12 **WASTEWATER 2007 TEST YEAR.**

13 A. Staff summarized its adjustments to Clearwater's wastewater 2007 test year  
14 in Staff/101, Miller/9. Staff made appropriate adjustments based on the  
15 documentation provided by Clearwater. I will highlight Staff's major  
16 adjustments to Clearwater's wastewater 2007 test year below:

- 17 1. Clearwater proposed \$2,819 for purchased wastewater service.  
18 Staff adjusted purchased wastewater expense by adding \$183 to  
19 recognize a 0.5 percent increase in water usage, resulting from a  
20 0.5 percent increase in the number of customers, and adding a  
21 6.5 percent increase in City wastewater rates.

- 1           2. Clearwater proposed \$227 in legal expense. Staff adjusted legal  
2           expense by deducting \$227 of allocated legal expense because  
3           Clearwater did not provide supporting documentation.
- 4           3. Clearwater proposed \$1,433 in depreciation expense. Staff adjusted  
5           depreciation expense by deducting \$71, resulting in a total annual  
6           expense of \$1,362. This represents actual 2009 depreciation expense.
- 7           4. Clearwater proposed \$70,986 in wastewater plant. Staff adjusted  
8           wastewater plant by deducting \$5,079 resulting in a total water utility  
9           plant of \$65,907. This represents Clearwater's utility plant Staff  
10          identified as in use and not a contribution.
- 11          5. Clearwater proposed \$27,652 in accumulated depreciation. Staff  
12          adjusted accumulated depreciation by deducting \$9,039. Staff used the  
13          National Association of Regulatory Utility Commissioners Depreciation  
14          Service Lives for Small Water Systems, as modified, to determine the  
15          \$18,613 accumulated depreciation.
- 16          6. Clearwater proposed \$3,150 for CIAC. Staff deducted \$3,150 of CIAC  
17          to Clearwater's test year period prior to determining Staff's wastewater  
18          plant. Staff's wastewater plant and depreciation schedules do not  
19          include any CIAC.

20       **Q. PLEASE EXPLAIN STAFF'S CALCULATED WASTEWATER UTILITY**  
21       **PLANT.**

1 A. Staff calculated the Clearwater's wastewater plant as broken out below:

2 1. Total Original Utility Plant of \$65,907;

3 2. Less Accumulated Depreciation of \$18,613;

4 3. Equals Total Net Plant of \$47,294.

5 **Q. PLEASE COMPARE CLEARWATER'S PROPOSED AND STAFF'S**

6 **PROPOSED WASTEWATER RATE BASE COMPONENTS.**

7 A. I have summarized Clearwater's proposed wastewater rate base components

8 and Staff's proposed wastewater rate base components in Table 4 below:

9 **Table 4 - WASTEWATER Rate Base Comparison**

<b>WASTE-WATER</b>	<b>Utility Plant In Service</b>	<b>Less Accumulated Depreciation</b>	<b>Less CIAC</b>	<b>Net Utility Plant</b>	<b>Add Working Cash</b>	<b>Total Rate Base</b>	<b>Rate of Return</b>
Utility Proposed	\$70,986	-\$27,652	-\$3,150	\$40,184	+\$279	\$40,463	2.53%
Staff Proposed	\$65,907	-\$18,613	-\$0.0*	\$47,294	+\$284	\$47,577	2.40%

10 \* Staff's Utility Plant in Service does not include CIAC.

11

12 **Q. WHAT CONCERNS DID THE CUSTOMERS HAVE REGARDING**

13 **CLEARWATER'S WASTEWATER?**

14 A. Mr. Anderson, again, was the only customer to voice concerns. He had the

15 same concern regarding ORS Chapter 90 with wastewater as he did with water.

16 Staff's response is the same for wastewater as it is for water. See Staff/100,

17 Miller/7, line 7 through Staff/100, Miller/9, line 12 of this testimony.

1 **8. The Stipulated Revenue Requirement and Rates**

2 **Q. DID ALL PARTIES AGREE WITH STAFF'S ANALYSIS OF**  
3 **CLEARWATER'S WASTEWATER RATE APPLICATION AND ENTER**  
4 **INTO A STIPULATION?**

5 A. No. Clearwater agreed to Staff's proposal and entered into a Stipulation.  
6 Mr. Anderson had not finalized his position regarding wastewater at the  
7 settlement conferences. As of the date of this filing Mr. Anderson has not  
8 signed the stipulation.

9 **Q. PLEASE SUMMARIZE THE CURRENT WASTEWATER RATES,**  
10 **CLEARWATER'S PROPOSED RATES, AND THE STIPULATED RATES.**

11 A. In Table 5 below, I have compared Clearwater's current, Clearwater's  
12 proposed, and the stipulated: (1) monthly wastewater base and variable rates;  
13 (2) average monthly consumption; (3) calculated average monthly variable  
14 charges; and (4) the total average monthly water bill.

15 **Table 5 – WASTEWATER Summary of Current and Stipulated Rates**

<b>WASTE-WATER</b>	<b>Monthly Base Rate</b>	<b>Variable Rate</b>	<b>Average Monthly Consumption</b>	<b>Average Variable Monthly Charge</b>	<b>Average Monthly Bill</b>
<b>Current Rates</b>	\$17.15	\$2.36 per 100 cf	471 cf per customer	\$11.12	\$28.27
<b>Clearwater Proposed Rates</b>	\$14.16	\$3.01 per 100 cf	471 cf per customer	\$14.18	\$28.34
<b>Stipulated Rates</b>	\$14.13	\$3.05 per 100 cf	463 cf per customer	\$14.12	\$28.25

16

1 **Q. PLEASE DESCRIBE THE STIPULATED RATE DESIGN.**

2 A. The stipulated rate design assigns 50 percent of the wastewater revenue  
3 requirement to a monthly base rate and 50 percent to the volumetric rate.  
4 The results are a base rate of \$14.13 and a volumetric rate of \$3.05 per 100 cf.  
5 See Staff/101, Miller/13.

6 **Q. PLEASE DESCRIBE THE IMPACT UPON CUSTOMERS.**

7 A. The wastewater rate impact on customers is determined by the amount of  
8 water the customer uses. The proposed average monthly bill, based on  
9 estimated consumption, is \$28.25. The effect upon customers at different  
10 usages is shown in Staff/101, Miller/14.

11 **Q. PLEASE SUMMARIZE CLEARWATER'S WASTEWATER 2007 TEST**  
12 **YEAR REVENUE REQUIREMENT, ITS PROPOSED REVENUE**  
13 **REQUIREMENT, AND THE STIPULATED REVENUE REQUIREMENT.**

14 A. I have summarized Clearwater's wastewater 2007 test year revenue  
15 requirement, Clearwater's proposed wastewater revenue requirement, and the  
16 stipulated wastewater revenue requirement in the table below.

17 **Table 6 - WASTEWATER Revenue Requirements Summary**

Revenue Requirement	Clearwater 2007 Test Year Actuals	Clearwater Proposed Revenue Requirement	Stipulated Revenue Requirement
TOTAL REVENUE	\$6,480	\$7,134	\$7,120
TOTAL OPERATING EXPENSE	\$3,352	\$3,370	\$3,405
OTHER REVENUE DEDUCTIONS			
Depreciation Expense	\$1,433	\$1,433	\$1,362
Property Tax	\$1,058	\$1,058	\$915
Oregon Income Tax	\$0	\$83	\$95
Federal Income Tax	\$0	\$165	\$202
TOTAL REVENUE DEDUCTIONS	\$5,843	\$6,110	\$5,979

<b>Table 6 Revenue Requirement Continued</b>	<b>Clearwater 2007 Test Year Actuals</b>	<b>Clearwater Proposed Revenue Requirement</b>	<b>Stipulated Revenue Requirement</b>
NET INCOME	\$637	\$1,024	\$1,142
Utility Plant in Service	\$70,986	\$70,986	\$65,907
Less Contributions in Aid of Construction	\$3,150	\$3,150	\$0
Less Accumulated Depreciation	\$27,652	\$27,652	\$18,613
Net Utility Plant	\$40,184	\$40,184	\$47,294
Materials and Supplies Inventory	\$0	\$0	\$0
Working Cash (Total Op Exp /12)	\$279	\$279	\$284
<b>TOTAL RATE BASE</b>	<b>\$40,463</b>	<b>\$40,463</b>	<b>\$47,577</b>

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

A. Yes. Staff thoroughly investigated Clearwater’s wastewater expenses, revenues, and plant. Staff believes that the stipulated rates for wastewater service are both fair and reasonable.

**Q. WHAT IS YOUR RECOMMENDATION REGARDING THE STIPULATION BETWEEN CLEARWATER AND STAFF FOR WASTEWATER SERVICE?**

A. I recommend that the Commission admit Staff’s testimony regarding wastewater service and the Stipulation into the UW 130 record and adopt the Stipulation in its entirety. Clearwater asks that the rates be effective the first day of the month following the issuance of the order. The Stipulation also provides that Clearwater will read the water meters on the last day of the month the Commission issues its order. Clearwater agrees to bill customers under the current wastewater rates for that usage. The wastewater charges are based on the water meter reading.

1     **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON**  
2           **CLEARWATER'S WASTEWATER SERVICE?**

3     A. Yes.

4     **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN**  
5           **DOCKET UW 130?**

6     A. Yes.

7

CASE: UW 130  
WITNESS: Kathy Miller

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 101**

**Exhibits in Support  
Of Direct Testimony**

**March 18, 2009**



**WATER**

A B C D E F G

		Balance Per	Proposed	Adjusted	Proposed	Adjusted	Staff	Proposed	
	Acct.	Application	Company	Results	Staff	Results	Proposed	Results	
	No.	Test Year: 2007	Adjustments	(A+B=C)	Adjustments	(A+D=E)	Rev Changes	(E+F=G)	
1	461.1	Residential Water Sales	2,114	6,754	8,868	17	2,131	6,559	8,690
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		Special Contracts			0	0	0	0	0
7		<b>TOTAL REVENUE</b>	<b>2,114</b>	<b>6,754</b>	<b>8,868</b>	<b>17</b>	<b>2,131</b>	<b>6,560</b>	<b>8,691</b>
8			2,114	6,754	8,868	17	2,131	6,559	8,690
9		<b>OPERATING EXPENSES</b>							
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	Purchased Water	3,388		3,388	220	3,608		3,608
14	611	Telephone/Communications	90		90	(49)	41		41
15	615	Purchased Power	0		0	0	0		0
16	618	Chemical / Treatment Expense	0		0	0	0		0
17	619	Office Supplies	81		81	0	81		81
18	619.1	Postage	23		23	34	57		57
19	620	O&M Materials/Supplies			0	0	0		0
20	621	Repairs to Water Plant			0	442	442		442
21	631	Contract Svcs - Engineering			0	0	0		0
22	632	Contract Svcs - Accounting	126		126	(0)	126		126
23	633	Contract Svcs - Legal	185		185	(185)	0		0
24	634	Contract Svcs - Management Fees	0		0	0	0		0
25	635	Contract Svcs - Testing	0		0	0	0		0
26	636	Contract Svcs - Labor	1,327		1,327	(1,327)	0		0
27	637	Contract Svcs - Billing/Collection			0	0	0		0
28	638	Contract Svcs - Meter Reading			0	0	0		0
29	639	Contract Svcs - Other - backflow	94		94	0	94		94
30	641	Rental of Building/Real Property			0	0	0		0
31	642	Rental of Equipment			0	0	0		0
32	643	Small Tools			0	0	0		0
33	648	Computer/Electronic Expenses			0	0	0		0
34	650	Transportation			0	0	0		0
35	656	Vehicle Insurance			0	0	0		0
36	657	General Liability Insurance			0	0	0		0
37	658	Workers' Comp Insurance			0	0	0		0
38	659	Insurance - Other			0	0	0		0
39	660	Public Relations/Advertising			0	0	0		0
40	666	Amortz. of Rate Case			0	0	0		0
41	667	Gross Revenue Fee (PUC)		22	22	5	5	19	24
42	668	Water Resource Conservation			0	0	0		0
43	670	Bad Debt Expense			0	0	0		0
44	671	Cross Connection Control Program			0	0	0		0
45	672	System Capacity Dev Program			0	0	0		0
46	673	Training and Certification			0	0	0		0
47	674	Consumer Confidence Report			0	0	0		0
48	675	General Expense	25		25	0	25		25
49		<b>TOTAL OPERATING EXPENSE</b>	<b>5,339</b>	<b>22</b>	<b>5,362</b>	<b>(859)</b>	<b>4,480</b>	<b>19</b>	<b>4,499</b>
			5,339	22	5,362	(859)	4,480	19	4,499
		<b>OTHER REVENUE DEDUCTIONS</b>							
50	403	Depreciation Expense	1,436		1,436	600	2,036		2,036
51	407	Amortization Expense			0	0	0		0
52	408.11	Property Tax	866		866	(117)	749		749
53	408.12	Payroll Tax			0	0	0		0
54	408.13	Other			0	0	0		0
55	409.11	Oregon Income Tax	10	74	84	(349)	(339)	432	93
56	409.10	Federal Income Tax		166	166	(719)	(719)	916	197
57		<b>TOTAL REVENUE DEDUCTIONS</b>	<b>7,651</b>	<b>262</b>	<b>7,913</b>	<b>(1,444)</b>	<b>6,207</b>	<b>1,367</b>	<b>7,574</b>
58		<b>NET OPERATING INCOME</b>	<b>(5,537)</b>	<b>6,492</b>	<b>955</b>	<b>1,461</b>	<b>(4,076)</b>	<b>5,195</b>	<b>1,119</b>
			(5,537)	6,492	955	1,461	(4,076)	5,195	1,119
59	101	Utility Plant in Service	87,611		87,611	(11,221)	76,390		76,390
60		Less:			87,611		76,390		76,390
61	108.1	Depreciation Reserve	48,946		48,946	(28,126)	20,820		20,820
62	271	Contributions in Aid of Const	858		858	(858)	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	37,807	0	37,807	17,763	55,570	0	55,570
66		Plus: (working capital)	37,807	0	37,807	17,763	55,570	0	55,570
67	151	Materials and Supplies Inventory		0	0	0	0		0
68		Working Cash (Total Op Exp /12)	445	2	447	(72)	373	2	375
69		<b>TOTAL RATE BASE</b>	<b>38,252</b>	<b>2</b>	<b>38,254</b>	<b>17,691</b>	<b>55,943</b>		<b>55,943</b>
70		Rate of Return	-14.48%		2.50%		-7.29%		2.00%

CLEARWATER SOURCE LLC						Staff/101	
Test Year: 2007						Miller/2	
SUMMARY OF ADJUSTMENTS							
WATER SERVICE							
		Clearwater Test Year	Staff Adjustments to Rev Req Column D	Results			
REVENUES						check	
1	461	Residential Water Sales	2,114	\$17	2,131	2,131	Adjusted revenue to account for .5 additional customer
2	461	Commercial Water Sales	0	\$0	0	0	
3	465	Irrigation - Non GC	0	\$0	0	0	
4	462	Irrigation - GC	0	\$0	0	0	
5	471	Misc. Revenues	0	\$0	0	0	
6		Special Contracts	0	\$0	0	0	
7		TOTAL REVENUE	2,114	\$17	2,131	2,131	Total Revenue
8			2,114	17	2,131	2,131	
9		OPERATING EXPENSES				0	
10	601	Salaries and Wages - Employees	0	\$0	0	0	
11	603	Salaries and Wages - Officers	0	\$0	0	0	
12	604	Employee Pension & Benefits	0	\$0	0	0	
13	610	Purchased Water	3,388	\$220	3,608	3,608	Adj to recognize add'l .5 customer; recalculate add 6.5% increase
14	611	Telephone/Communications	90	(\$49)	41	41	10% of total cost; util allocation 45% to water-moved 55% to WW
15	615	Purchased Power	0	\$0	0	0	
16	618	Chemical / Treatment Expense	0	\$0	0	0	
17	619	Office Supplies	81	\$0	81	81	10% of total cost; utility allocation 45% to water. No adjustment
18	619	Postage	23	\$34	57	57	Total utility cost \$114.66; utility allocation 50/50 water/wastewater
19	620	O&M Materials/Supplies	0	\$0	0	0	
20	621	Repairs to Water Plant	0	\$442	442	442	Moved \$1,137 from Labor to Repairs, amortize 3 yrs, leak
21	631	Contract Svcs - Engineering	0	\$0	0	0	
22	632	Contract Svcs - Accounting	126	(\$0)	126	126	No Change
23	633	Contract Svcs - Legal	185	(\$185)	0	0	Unable to verify; removed allocated expense
24	634	Contract Svcs - Management Fees	0	\$0	0	0	
25	635	Contract Svcs - Testing	0	\$0	0	0	
26	636	Contract Svcs - Labor	1,327	(\$1,327)	0	0	Moved cost to Repairs
27	637	Contract Svcs - Billing/Collection	0	\$0	0	0	
28	638	Contract Svcs - Meter Reading	0	\$0	0	0	
29	639	Contract Svcs - Other - backflow	94	\$0	94	94	No Change
30	641	Rental of Building/Real Property	0	\$0	0	0	
31	642	Rental of Equipment	0	\$0	0	0	
32	643	Small Tools	0	\$0	0	0	
33	648	Computer/Electronic Expenses	0	\$0	0	0	
34	650	Transportation	0	\$0	0	0	
35	656	Vehicle Insurance	0	\$0	0	0	
36	657	General Liability Insurance	0	\$0	0	0	
37	658	Workers' Comp Insurance	0	\$0	0	0	
38	659	Insurance - Other	0	\$0	0	0	
39	660	Public Relations/Advertising	0	\$0	0	0	
40	666	Amortz. of Rate Case	0	\$0	0	0	
41	667	Gross Revenue Fee (PUC)	0	\$5	5	5	Calculation
42	668	Water Resource Conservation	0	\$0	0	0	
43	670	Bad Debt Expense	0	\$0	0	0	
44	671	Cross Connection Control Program	0	\$0	0	0	
45	672	System Capacity Dev Program	0	\$0	0	0	
46	673	Training and Certification	0	\$0	0	0	
47	674	Consumer Confidence Report	0	\$0	0	0	
48	675	General Expense	25	\$0	25	25	No Change, Corporation Fees \$50; 50/50 allocation to water & WW
49		TOTAL OPERATING EXPENSE	5,339	(\$859)	4,480	4,480	
			\$5,339	(\$859)	\$4,480	4,480	
		OTHER REVENUE DEDUCTIONS				0	
50	403	Depreciation Expense	1,436	\$600	2,036	2,036	Actual Depreciation Expense / see plant & depreciation schedule
51	407	Amortization Expense	0	\$0	0	0	
52	408	Property Tax	866	(\$117)	749	749	Property tax 08-09 18% allocated to utility 45% water allocation
53	408	Payroll Tax	0	\$0	0	0	
54	408	Other	0	\$0	0	0	
55	409	Oregon Income Tax	10	(\$349)	(339)	(339)	Calculation
56	409	Federal Income Tax	0	(\$719)	(719)	(719)	Calculation
57		TOTAL REVENUE DEDUCTIONS	7,651	(\$1,444)	6,207	6,207	
58		NET OPERATING INCOME	(5,537)	\$1,461	4,076	(4,076)	
			(\$5,537)	\$1,461	(\$4,076)	(4,076)	
59	101	Utility Plant in Service	87,611	(\$11,221)	76,390	76,390	*Actual plant / see plant & depreciation schedule
60		Less:			0	0	
61	108	Depreciation Reserve	48,946	(\$28,126)	20,820	20,820	*Actual Accumulated Depreciation / see plant & deprec sch
62	271	Contributions in Aid of Const	858	(\$858)	0	0	*Removed; represented plant portions attributed to sale of lots
63	272	Amortization of CIAC	0	\$0	0	0	
64	281	Accumulated Deferred Income Tax	0	\$0	0	0	
65		Net Utility Plant	37,807	\$17,763	55,570	55,570	Subtotal
66		Plus: (working capital)	37,807	\$17,763	55,570	55,570	
67	151	Materials and Supplies Inventory	0	\$0	0	0	
68		Working Cash (Total Op Exp /12)	445	(\$72)	373	373	Add'l working cash based on staff's other adjustments
69		TOTAL RATE BASE	38,252	\$17,691	55,943	55,943	Rate Base based on adjustments
			38,252	17,691	55,943		*Plant portions were adjusted to recognize sale of 3 lots







CLEARWATER SOURCE LLC Test Year: 2007 WATER RESIDENTIAL RATE DESIGN			WATER			Staff/101 Miller/6
Proposed Revenues of:	\$8,690					
<b>Base/Commodity Split</b>						
Variable Rate	Proposed Rev					
50.00%	\$8,690	=	\$4,345			
Base Rate	Proposed Rev					
50.00%	\$8,690	=	\$4,345			
			\$8,690			
<b>BASE RATE</b>						
		Current	Staff Proposed	Company Proposed		
Size of Line	Number of Customers	Monthly Base Rate	Monthly Base Rate	Total Annual Revenues	Monthly Base Rate	Revenue at Current Rates
<b>Residential</b>						
5/8 by 3/4"	21	\$2.50	\$17.24	\$4,345	17.59	\$630
1"						
1.5"						
2"						
3"						
	21					
<b>Commercial</b>						
5/8" or 3/4"						
1"						
1.5"						
2"						
3"						
4"						
6"						
<b>TOTALS</b>	<b>21</b>			<b>\$4,345</b>		<b>\$630</b>
				\$4,345		
			589.7%			
			PERCENT			589.7%
						% increase
<b>COMMODITY RATE</b>						
	\$3.73 per 100 cf.					
						Variable Rate
<b>Proposed Revenue</b>		<b>Consumption</b>		average rate	\$3.74	Co Proposed Rat
\$4,345	divided by	1,166	=	3.72655	\$1.92	Previous Rate
				per 100 cf	\$1.82	Increase
	116,596	Proposed Consumption per Application				
	116,596	- base consumpt ("free" water x cust x 12 months)				
	1,166	divided by unit of measure 100 cf				
<b>Meter Size</b>	<b>Avg Monthly @ Current Rates</b>	<b>Avg Monthly @ Proposed Rates</b>	<b>Percent Incease</b>			
<b>Residential</b>						
5/8" x 3/4"	\$11.54	\$34.51	199.05%			
1"						
1 1/2"						
2"						
3"						

CLEARWATER  
DOCKET NO. UW 130  
RATE IMPACT - RESIDENTIAL (3/4 x 5/8) - 1 TIER

**Staff/101  
Miller/7**

**WATER SERVICE**

Commodity Rate \$3.73

Monthly Consumptions Customer Usage	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
0	\$2.50	\$1.92	\$2.50	\$17.24	\$3.73	0.00	\$17.24	\$14.74	589.68%
100	\$2.50	\$1.92	\$4.42	\$17.24	\$3.73	1.00	\$20.97	\$16.55	374.40%
200	\$2.50	\$1.92	\$6.34	\$17.24	\$3.73	2.00	\$24.70	\$18.36	289.51%
300	\$2.50	\$1.92	\$8.26	\$17.24	\$3.73	3.00	\$28.42	\$20.16	244.09%
400	\$2.50	\$1.92	\$10.18	\$17.24	\$3.73	4.00	\$32.15	\$21.97	215.80%
<b>463</b>	<b>\$2.50</b>	<b>\$1.92</b>	<b>\$11.38</b>	<b>\$17.24</b>	<b>\$3.73</b>	<b>4.63</b>	<b>\$34.51</b>	<b>\$23.13</b>	<b>203.16%</b>
500	\$2.50	\$1.92	\$12.10	\$17.24	\$3.73	5.00	\$35.87	\$23.77	196.49%
600	\$2.50	\$1.92	\$14.02	\$17.24	\$3.73	6.00	\$39.60	\$25.58	182.46%
700	\$2.50	\$1.92	\$15.94	\$17.24	\$3.73	7.00	\$43.33	\$27.39	171.82%
1000	\$2.50	\$1.92	\$21.70	\$17.24	\$3.73	10.00	\$54.51	\$32.81	151.19%
			<b>\$85.14</b>				<b>\$276.79</b>		

CLEARWATER SOURCE LLC  
DOCKET NO. UW 130  
Test Year: 2007

Company Case  
10.09%

Staff Case  
9.88%

Staff/101  
Miller/8

**WASTEWATER**

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+D=E)	Staff Proposed Rev Changes	Proposed Results (E+F=G)	
1	461.1	Residential Water Sales	6,480	654	7,134	41	6,521	599	7,119
2	461.2	Commercial Water Sales	0	0	0	0	0	0	0
3	462.1	Public Fire Protection			0	0	0	0	0
4	462.2	Private Fire Protection			0	0	0	0	0
5	471	Misc. Revenues			0	0	0	0	0
6		Special Contracts			0	0	0	0	0
7		<b>TOTAL REVENUE</b>	<b>6,480</b>	<b>654</b>	<b>7,134</b>	<b>41</b>	<b>6,521</b>	<b>600</b>	<b>7,120</b>
8			6,480	654	7,134	41	6,521	599	7,119
9		<b>OPERATING EXPENSES</b>							
10	701	Salaries and Wages - Employees	0		0	0	0		0
11	703	Salaries and Wages - Officers	0		0	0	0		0
12		Telecommunications	0		0	50	50		50
13	710	Purchased Wastewater Treatment	2,819		2,819	183	3,002		3,002
14	711	Sludge Removal Expense	0		0	0	0		0
15	715	Purchased Power	0		0	0	0		0
16	716	Fuel for Power Production	0		0	0	0		0
17	718	Chemicals	0		0	0	0		0
18	719	Office Supplies	99		99	0	99		99
19	719.1	Postage	28		28	29	57		57
20	720	O&M Materials/Supplies	0		0	0	0		0
21	721	Repairs to Wastewater Plant	0		0	0	0		0
22	731	Contract Svcs - Engineering	0		0	0	0		0
23	732	Contract Svcs - Accounting	154		154	0	154		154
24	733	Contract Svcs - Legal	227		227	(227)	0		0
25	735	Contract Svcs - Testing	0		0	0	0		0
26	736	Contract Svcs -Other	0		0	0	0		0
27	737	Contract Svcs - Billing/Collection	0		0	0	0		0
28	741	Rental of Building/Real Property	0		0	0	0		0
29	742	Rental of Equipment	0		0	0	0		0
30	748	Computer/Electronic Expenses	0		0	0	0		0
31	750	Transportation	0		0	0	0		0
32	756	Vehicle Insurance	0		0	0	0		0
33	757	General Liability Insurance	0		0	0	0		0
34	758	Workers' Comp Insurance	0		0	0	0		0
35	759	Insurance - Other	0		0	0	0		0
36	760	Public Relations/Advertising	0		0	0	0		0
37	766	Amortz. of Rate Case	0		0	0	0		0
38	767	Gross Revenue Fee (PUC)	0	18	18	16	16	1	18
39	770	Bad Debt Expense	0		0	0	0		0
40	773	Training and Certification	0		0	0	0		0
41	775	General Expense	25		25	0	25		25
42		<b>TOTAL OPERATING EXPENSE</b>	<b>3,352</b>	<b>18</b>	<b>3,370</b>	<b>51</b>	<b>3,403</b>	<b>1</b>	<b>3,405</b>
43			3,352	18	3,370	51	3,403	1	3,405
44		<b>OTHER REVENUE DEDUCTIONS</b>							
45	403	Depreciation Expense	1,433		1,433	(71)	1,362		1,362
46	407	Amortization Expense	0		0	0	0		0
47	408.11	Property Tax	1,058		1,058	(143)	915		915
48	408.12	Payroll Tax	0		0	0	0		0
49	408.13	Other	0		0	0	0		0
50	409.11	Oregon Income Tax	0	83	83	55	55	39	95
51	409.10	Federal Income Tax	0	165	165	118	118	84	202
52		<b>TOTAL REVENUE DEDUCTIONS</b>	<b>5,843</b>	<b>284</b>	<b>6,110</b>	<b>10</b>	<b>5,854</b>	<b>125</b>	<b>5,979</b>
53		<b>NET OPERATING INCOME</b>	<b>637</b>	<b>370</b>	<b>1,024</b>	<b>31</b>	<b>667</b>	<b>475</b>	<b>1,142</b>
54			637	370	1,024	31	667	475	1,141
55	101	Utility Plant in Service	70,986		70,986	(5,079)	65,907		65,907
56		Less:			70,986		65,907		65,907
57	108.1	Depreciation Reserve	27,652		27,652	(9,039)	18,613		18,613
58	271	Contributions in Aid of Const	3,150		3,150	(3,150)	0		0
59	272	Amortization of CIAC			0	0	0		0
60	281	Accumulated Deferred Income Tax			0	0	0		0
64		Net Utility Plant	40,184	0	40,184	7,110	47,294	0	47,294
62		Plus: (working capital)	40,184	0	40,184	7,110	47,294	0	47,294
63	151	Materials and Supplies Inventory	0		0	0	0		0
64		Working Cash (Total Op Exp /12)	279		279	4	284		284
65		<b>TOTAL RATE BASE</b>	<b>40,463</b>	<b>0</b>	<b>40,463</b>	<b>7,114</b>	<b>47,577</b>	<b>0</b>	<b>47,577</b>
66		Rate of Return	1.57%		2.53%		1.40%		2.40%



Clearwater Source LLC						Staff/101	
UW 130						Miller/9	
Test Year: 2007							
SUMMARY OF ADJUSTMENTS							
			Test Year	Staff Adjustments to Test Year	Results	check	Reason for Adjustment
<b>REVENUES</b>							
1	461.1	Residential Water Sales	6,480	41	6,521	6,521	Revenues to account for additional .5 customer
2	461.2	Commercial Water Sales	0	0	0	0	
3	465	Public Fire Protection	0	0	0	0	
4	462.2	Private Fire Protection	0	0	0	0	
5	471	Misc. Revenues	0	0	0	0	
6		Special Contracts	0	0	0	0	
7		<b>TOTAL REVENUE</b>	<b>6,480</b>	<b>41</b>	<b>6,521</b>	6,521	
8			6,480	41	6,521		
9		<b>OPERATING EXPENSES</b>					
10	701	Salaries and Wages - Employees	0	0	0	0	
11	703	Salaries and Wages - Officers	0	0	0	0	
12		Telecommunications	0	50	50	50	10% of total cost; utility allocation 55% to WW
13	710	Purchased Wastewater	2,819	183	3,002	3,002	Added add'l City cost for .5 cust & recalculated add 6.5% increas
14	711	Sludge RemovalExpense	0	0	0	0	
15	715	Purchased Power	0	0	0	0	
16	716	Fuel for Power Production	0	0	0	0	
17	718	Chemicals	0	0	0	0	
18	719	Office Supplies	99	0	99	99	10% of cost to utility; allocate 55% to WW; no adjustment
19	719.1	Postage	28	29	57	57	\$114.66 total; 50% allocated to wastewater
20	720	O&M Materials/Supplies	0	0	0	0	
21	721	Repairs to Wastewater Plant	0	0	0	0	
22	731	Contract Svcs - Engineering	0	0	0	0	
23	732	Contract Svcs - Accounting	154	0	154	154	10% total cost to utility; allocate 55% to wastewater; no change
24	733	Contract Svcs - Legal	227	(227)	0	0	Unable to verify; removed expense
25	735	Contract Svcs - Testing	0	0	0	0	
26	736	Contract Svcs -Other	0	0	0	0	
27	737	Contract Svcs - Billing/Collection	0	0	0	0	
28	741	Rental of Building/Real Property	0	0	0	0	
29	742	Rental of Equipment	0	0	0	0	
30	748	Computer/Electronic Expenses	0	0	0	0	
31	750	Transportation	0	0	0	0	
32	756	Vehicle Insurance	0	0	0	0	
33	757	General Liability Insurance	0	0	0	0	
34	758	Workers' Comp Insurance	0	0	0	0	
35	759	Insurance - Other	0	0	0	0	
36	760	Public Relations/Advertising	0	0	0	0	
37	766	Amortz. of Rate Case	0	0	0	0	
38	767	Gross Revenue Fee (PUC)	0	16	16	16	Calculated
39	770	Bad Debt Expense	0	0	0	0	
40	773	Training and Certification	0	0	0	0	
41	775	General Expense	25	0	25	25	No change. 50% of corporation fees to wastewater
42		<b>TOTAL OPERATING EXPENSE</b>	<b>3,352</b>	<b>51</b>	<b>3,403</b>	3,403	
43			3,352	51	3,403		
44		<b>OTHER DEDUCTIONS</b>					
45	403	Depreciation Expense	1,433	(71)	1,362	1,362	*Actual Depreciation Expense / see plant & depreciation sch
46	407	Amortization Expense	0	0	0	0	
47	408	Property Tax	1,058	(143)	915	915	18% allocated to utility; 55% allocated to wastewater
48	408	Payroll Tax	0	0	0	0	
49	408.1	Other	0	0	0	0	
50	409.1	Oregon Income Tax	0	55	55	55	Calculated
51	409.1	Federal Income Tax	0	118	118	118	Calculated
52		<b>TOTAL REVENUE</b>	<b>5,843</b>	<b>10</b>	<b>5,853</b>	5,853	Subtotal
53		<b>NET OPERATING INCOME</b>	<b>637</b>	<b>31</b>	<b>667</b>	668	Net Operating Income based on adjustments
54			637	31	668	667.92	
55	101	Utility Plant in Service	70,986	(5,079)	65,907	65,907	*Actual plant / see plant & depreciation schedule
56		Less:					
57	108.1	Depreciation Reserve	27,652	(9,039)	18,613	18,613	*Actual Accumulated Depreciation / see plant & deprec sch
58	271	Contributions in Aid of Const	3,150	(3,150)	0	0	*Removed; represented plant portions attributed to sale 3 lots
59	272	Amortization of CIAC	0	0	0	0	
60	281	Accumulated Deferred Income	0	0	0	0	
61		<b>Net Utility Plant</b>	<b>40,184</b>	<b>7,110</b>	<b>47,294</b>	47,294	Subtotal
62		Plus: (working capital)	40,184	7,110	47,294		47,293.81
63	151	Materials and Supplies Inventory	0	0	0	0	
64		Working Cash (Total Op Exp /12)	279	4	284	284	Add'l working cash based on staff's other adjustments
65		<b>TOTAL RATE BASE</b>	<b>40,463</b>	<b>7,114</b>	<b>47,577</b>	47,577	Rate Base based on adjustments
			40,463	7,114	47,577		47,577.42
*All Plant accounts were adjusted to recognize sale of 3 lots							









CLEARWATER  
DOCKET NO. UW 130  
RATE IMPACT - RESIDENTIAL (3/4 x 5/8) - 1 TIER

Staff/101  
Miller/14

Commodity Rate \$3.05

Consumptions Customer Usage	Current Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Differenc e	Percentag e Difference
0	\$17.15	\$2.36	\$17.15	\$14.13	\$3.05	0.00	\$14.13	(\$3.03)	-17.64%
100	\$17.15	\$2.36	\$19.51	\$14.13	\$3.05	1.00	\$17.18	(\$2.33)	-11.95%
200	\$17.15	\$2.36	\$21.87	\$14.13	\$3.05	2.00	\$20.23	(\$1.64)	-7.50%
300	\$17.15	\$2.36	\$24.23	\$14.13	\$3.05	3.00	\$23.28	(\$0.95)	-3.91%
400	\$17.15	\$2.36	\$26.59	\$14.13	\$3.05	4.00	\$26.34	(\$0.25)	-0.95%
<b>463</b>	<b>\$17.15</b>	<b>\$2.36</b>	<b>\$28.07</b>	<b>\$14.13</b>	<b>\$3.05</b>	<b>4.63</b>	<b>\$28.25</b>	<b>\$0.18</b>	<b>0.64%</b>
500	\$17.15	\$2.36	\$28.95	\$14.13	\$3.05	5.00	\$29.39	\$0.44	1.52%
600	\$17.15	\$2.36	\$31.31	\$14.13	\$3.05	6.00	\$32.44	\$1.13	3.62%
700	\$17.15	\$2.36	\$33.67	\$14.13	\$3.05	7.00	\$35.49	\$1.82	5.42%
1000	\$17.15	\$2.36	\$40.75	\$14.13	\$3.05	10.00	\$44.65	\$3.90	9.58%
			<b>\$272.10</b>				<b>\$271.38</b>		

CASE: UW 130  
WITNESS: Kathy Miller

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 102**

**Exhibits in Support  
Of Direct Testimony**

**March 18, 2009**

**OREGON REVISED STATUTES CHAPTER 90  
PERTAINING TO LANDLORD/TENANT UTILITY CHARGES**

**90.315 Utility or service payments; additional charges; responsibility for utility or service; remedies.** (1) As used in this section, “utility or service” includes but is not limited to electricity, natural or liquid propane gas, oil, water, hot water, heat, air conditioning, cable television, direct satellite or other video subscription service, Internet access or usage, sewer service and garbage collection and disposal.

(2) The landlord shall disclose to the tenant in writing at or before the commencement of the tenancy any utility or service that the tenant pays directly to a utility or service provider that benefits, directly, the landlord or other tenants. A tenant’s payment for a given utility or service benefits the landlord or other tenants if the utility or service is delivered to any area other than the tenant’s dwelling unit.

(3) If the landlord knowingly fails to disclose those matters required under subsection (2) of this section, the tenant may recover twice the actual damages sustained or one month’s rent, whichever is greater.

(4)(a) Except for tenancies covered by ORS 90.505 to 90.840, if a written rental agreement so provides, a landlord may require a tenant to pay to the landlord a utility or service charge that has been billed by a utility or service provider to the landlord for utility or service provided directly to the tenant’s dwelling unit or to a common area available to the tenant as part of the tenancy. A utility or service charge that shall be assessed to a tenant for a common area must be described in the written rental agreement separately and distinctly from such a charge for the tenant’s dwelling unit. Unless the method of allocating the charges to the tenant is described in the tenant’s written rental agreement, the tenant may require that the landlord give the tenant a copy of the provider’s bill as a condition of paying the charges.

(b) A utility or service charge shall include only the value or cost of the utility or service as billed to the landlord by the provider as described in this subsection, except that a landlord may add an additional amount to that value or cost if:

(A) The utility or service charge to which the additional amount is added is for cable television, direct satellite or other video subscription service or for Internet access or usage;

(B) The additional amount added to the utility or service charge of each tenant is not more than 10 percent of the charge to that tenant for cable television, direct satellite or other video subscription service or Internet access or usage;

(C) The total of the utility or service charge plus the additional amount is less than the typical periodic cost that the tenant would incur if the tenant contracted for the cable television, direct satellite or other video subscription service or the Internet access or usage directly with the provider; and

(D) The written rental agreement providing for the utility or service charge describes the additional amount separately and distinctly from the charge itself and any bill or notice from the landlord to the tenant regarding the charge lists the additional amount separately and distinctly from the utility or service charge.

(c) A landlord may not require an existing tenant to modify a rental agreement, or terminate the tenancy of the tenant for refusing to modify a rental agreement, to obligate



the tenant to pay an additional amount for cable television, direct satellite or other video subscription service or Internet access or usage as provided in paragraph (b) of this subsection.

(d) A utility or service charge, including any additional amount added pursuant to paragraph (b) of this subsection, is not rent or a fee. Nonpayment of a utility or service charge is not grounds for termination of a rental agreement for nonpayment of rent under ORS 90.394 but is grounds for termination of a rental agreement for cause under ORS 90.392.

(e) If a landlord fails to comply with paragraph (a), (b) or (c) of this subsection, the tenant may recover from the landlord an amount equal to one month's periodic rent or twice the amount wrongfully charged to the tenant, whichever is greater.

(5)(a) If a tenant, under the rental agreement, is responsible for a utility or service and is unable to obtain the service prior to moving into the premises due to a nonpayment of an outstanding amount due by a previous tenant or the owner, the tenant may either:

- (A) Pay the outstanding amount and deduct the amount from the rent;
- (B) Enter into a mutual agreement with the landlord to resolve the lack of service; or
- (C) Immediately terminate the rental agreement by giving the landlord actual notice and the reason for the termination.

(b) If the tenancy terminates, the landlord shall return all moneys paid by the tenant as deposits, rent or fees within four days after termination.

(6) If a tenant, under the rental agreement, is responsible for a utility or service and is unable to obtain the service after moving into the premises due to a nonpayment of an outstanding amount due by a previous tenant or the owner, the tenant may either:

- (a) Pay the outstanding amount and deduct the amount from the rent; or
- (b) Terminate the rental agreement by giving the landlord actual notice 72 hours prior to the date of termination and the reason for the termination. The tenancy does not terminate if the landlord restores service or the availability of service during the 72 hours. If the tenancy terminates, the tenant may recover actual damages from the landlord resulting from the shutoff and the landlord shall return:

- (A) Within four days after termination, all rent and fees; and
- (B) All of the security deposit owed to the tenant under ORS 90.300.

(7) If a landlord, under the rental agreement, is responsible for a utility or service and the utility or service is shut off due to a nonpayment of an outstanding amount, the tenant may either:

- (a) Pay the outstanding balance and deduct the amount from the rent; or
- (b) Terminate the rental agreement by giving the landlord actual notice 72 hours prior to the date of termination and the reason for the termination. The tenancy does not terminate if the landlord restores service during the 72 hours. If the tenancy terminates, the tenant may recover actual damages from the landlord resulting from the shutoff and the landlord shall return:

(A) Within four days after termination, all rent prepaid for the month in which the termination occurs prorated from the date of termination or the date the tenant vacates the premises, whichever is later, and any other prepaid rent; and

- (B) All of the security deposit owed to the tenant under ORS 90.300.

(8) If a landlord fails to return to the tenant the moneys owed as provided in

subsection (5), (6) or (7) of this section, the tenant shall be entitled to twice the amount wrongfully withheld.

(9) This section does not preclude the tenant from pursuing any other remedies under this chapter. [Formerly 91.767; 1993 c.786 §2; 1995 c.559 §14; 1997 c.577 §16; 1999 c.603 §18; 2005 c.391 §19]

**90.532 Billing methods for utility or service charges; system maintenance;**

**restriction on charging for water.** (1) Subject to the policies of the utility or service provider, a landlord may provide for utilities or services to tenants by one or more of the following billing methods:

(a) A relationship between the tenant and the utility or service provider in which:

(A) The provider provides the utility or service directly to the tenant's space, including any utility or service line, and bills the tenant directly; and

(B) The landlord does not act as a provider.

(b) A relationship between the landlord, tenant and utility or service provider in which:

(A) The provider provides the utility or service to the landlord;

(B) The landlord provides the utility or service directly to the tenant's space or to a common area available to the tenant as part of the tenancy; and

(C) The landlord includes the cost of the utility or service in the tenant's rent or bills the tenant for a utility or service charge separately from the rent in an amount determined by apportioning the provider's charge to the landlord as measured by a master meter.

(c) A relationship between the landlord, tenant and utility or service provider in which:

(A) The provider provides the utility or service to the landlord;

(B) The landlord provides the utility or service directly to the tenant's space; and

(C) The landlord uses a submeter to measure the utility or service actually provided to the space and bills the tenant for a utility or service charge for the amount provided.

(2) To assess a tenant for a utility or service charge for any billing period, the landlord shall give the tenant a written notice stating the amount of the utility or service charge that the tenant is to pay the landlord and the due date for making the payment. The due date may not be less than 14 days from the date of service of the notice.

(3) A utility or service charge is not rent or a fee. Nonpayment of a utility or service charge is not grounds for termination of a rental agreement for nonpayment of rent under ORS 90.394, but is grounds for termination of a rental agreement for cause under ORS 90.630.

(4) The landlord is responsible for maintaining the utility or service system, including any submeter, consistent with ORS 90.730. After any installation or maintenance of the system on a tenant's space, the landlord shall restore the space to a condition that is the same as or better than the condition of the space before the installation or maintenance.

(5) A landlord may not assess a utility or service charge for water unless the water is provided to the landlord by a:

(a) Public utility as defined in ORS 757.005;

(b) Municipal utility operating under ORS chapter 225;

(c) People's utility district organized under ORS chapter 261;

- (d) Cooperative organized under ORS chapter 62;
- (e) Domestic water supply district organized under ORS chapter 264; or
- (f) Water improvement district organized under ORS chapter 552.

(6) A landlord who provides utilities or services only to tenants of the landlord in compliance with this section and ORS 90.534 and 90.536 is not a public utility for purposes of ORS chapter 757. [2005 c.619 §6; 2007 c.71 §24]

**90.534 Allocated charges for utility or service provided directly to space or common area.** (1) If a written rental agreement so provides, a landlord using the billing method described in ORS 90.532 (1)(b) may require a tenant to pay to the landlord a utility or service charge that has been billed by a utility or service provider to the landlord for a utility or service provided directly to the tenant's space or to a common area available to the tenant as part of the tenancy.

(2) A utility or service charge that is assessed to tenants for the tenants' spaces under this section must be allocated among the tenants by a method that reasonably apportions the cost among the affected tenants and that is described in the rental agreement. Methods that reasonably apportion the cost among the tenants include, but are not limited to, methods that divide the cost based on the number of occupied spaces in the facility or on the square footage in each dwelling, home or space.

(3) A utility or service charge to be assessed to a tenant for a common area must be described in the written rental agreement separately and distinctly from the utility or service charge for the tenant's space.

(4) A landlord may not increase the utility or service charge to the tenant by adding any costs of the landlord, such as a handling or administrative charge, other than those costs billed to the landlord by the provider for utilities or services. [2005 c.619 §7]

**.536 Charges for utilities or services measured by submeter.** (1) If a written rental agreement so provides, a landlord using the billing method described in ORS 90.532 (1)(c) may require a tenant to pay to the landlord a utility or service charge that has been billed by a utility or service provider to the landlord for utility or service provided directly to the tenant's space as measured by a submeter.

(2) A utility or service charge to be assessed to a tenant under this section may consist of:

(a) The cost of the utility or service provided to the tenant's space and under the tenant's control, as measured by the submeter, at a rate no greater than the average rate billed to the landlord by the utility or service provider, not including any base or service charge;

(b) The cost of any sewer service for stormwater or wastewater as a percentage of the tenant's water charge as measured by a submeter, if the utility or service provider charges the landlord for sewer service as a percentage of water provided; and

(c) A pro rata portion of any base or service charge billed to the landlord by the utility or service provider, including but not limited to any tax passed through by the provider.

(3) A utility or service charge to be assessed to a tenant under this section may not include:

(a) Any additional charge, including any costs of the landlord, for the installation,

UW 130  
Clearwater Source LLC

Staff/102  
Miller/5

maintenance or operation of the utility or service system or any profit for the landlord; or

(b) Any costs to provide a utility or service to common areas of the facility. [2005  
c.619 §8]

**CERTIFICATE OF SERVICE**

**UW 130**

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 18th day of March, 2009.

*Kay Barnes*

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

**UW 130  
Service List (Parties)**

JERRY L. ANDERSON	613 ROYALTY CIRCLE NE SALEM OR 97301
<b>CLEARWATER SOURCE LLC</b>  LOREN MALCOM	3445 HIDDEN VIEW LN NE SALEM OR 97305 injmalcom@aol.com
<b>DEPARTMENT OF JUSTICE</b>  JASON W JONES ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us
<b>PUBLIC UTILITY COMMISSION</b>  KATHY MILLER	550 NE CAPITOL ST STE 215 SALEM OR 97301-2551 kathy.miller@state.or.us