



Oregon

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June 6, 2014

Via Electronic Filing

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
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**RE: Docket No. UW 159 – In the Matter of
ALSEA PROPERTIES, INC., WESTWOOD WATER SYSTEM,
Request for a General Rate Revision and Interim Rate Increase.**

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

/s/ Kay Barnes

Kay Barnes

Filing on Behalf of Public Utility Commission Staff

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c: UW 159 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UW 159

**STAFF TESTIMONY
OF
LAUREL ANDERSON**

**In the Matter of
ALSEA PROPERTIES, INC., WESTWOOD WATER
SYSTEM,
Request for a General Rate Revision and Interim
Rate Increase.**

June 6, 2014

CASE: UW 159
WITNESS: Laurel Anderson

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Testimony in Support of the Stipulation

June 6, 2014

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

3 A. My name is Laurel Anderson. I am a Water Utility Analyst in the
4 Telecommunication and Water Division of the Utility Program for the Public
5 Utility Commission of Oregon (Commission). My business address is 3930
6 Fairview Industrial Drive SE, Salem, Oregon, 97302.

7 **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE AT THE COMMISSION.**

8 A. My Witness Qualification Statement is included as Exhibit
9 Staff/102,Anderson/1.

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

11 A. The purpose of my testimony is to introduce and support the Stipulation agreed
12 to by the parties in Docket UW 159.

13 **Q. WHO ARE THE PARTIES TO THE STIPULATION?**

14 A. The parties are Commission staff (Staff), appearing by and through its attorney
15 Jason Jones, Assistant Attorney General; Alsea Properties, Inc. (Alsea or
16 Company), appearing by and through its owner Sidney Grimstad; and
17 Intervener Steven Hartwig (Intervener) representing himself; hereafter
18 collectively referred to as the "Parties."

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

20 A. Yes. I prepared Exhibits Staff/101 and 102, see below:

21	Revenue Requirement	Staff/101, Anderson/1
22	Staff Adjustments	Staff/101, Anderson/2
23	Revenue Sensitive Costs	Staff/101 Anderson /3
24	Plant and Depreciation	Staff/101, Anderson /4-5
25	Stipulated Rates	Staff/101, Anderson /6

1	Stipulated Rates Impact	Staff/101, Anderson /7
2	List of Repairs/Improvements	Staff/101,Anderson/8-9
3	Witness Qualification Sheet	Staff/102, Anderson/1

4

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

6 A. My testimony is organized as follows:

7	Issue 1, Staff's Summary Recommendation	2
8	Issue 2, Alsea Description and Regulatory History.....	3
9	Issue 3, Alsea's Application for a Rate Increase	3
10	Issue 4, Customer Concerns.....	6
11	Issue 5, Staff Analysis of Alsea's Application and Staff Adjustments.....	10
12	Issue 6, Rate Spread and Rate Design.....	13
13	Issue 7, The Stipulation.....	16

14

15 **ISSUE 1, STAFF'S SUMMARY RECOMMENDATION**

16 **Q. BRIEFLY SUMMARIZE STAFF'S RECOMMENDATION.**

17 A. Staff recommends that the Commission adopt the Stipulation agreed to by the
18 Parties. The Parties stipulated to a revenue requirement of \$51,107 resulting in
19 a 141 percent increase over test year revenue, a rate base of \$85,172 with a 10
20 percent rate of return. The Parties also stipulated to a monthly residential base
21 rate of \$31.55 and a commodity rate of \$.0067 per gallon used. The table below
22 summarizes the revenue requirement as filed in the Company's application, the
23 Company's proposed revenue requirement, and the revenue requirement agreed
24 to in the Stipulation:

25

Table 1 – Revenue Requirement Details

	Test Year As Filed	Company Proposed	Stipulated Revenue Req
Revenues	20,839	51,107	51,107
Operating Expenses	27,539	34,583	31,776
Total Deductions	30,195	37,239	42,804
Net Income	(9,142)	14,082	8,517

ISSUE 2, ALSEA DESCRIPTION AND REGULATORY HISTORY

Q. PLEASE DESCRIBE ALSEA.

A. Alsea is a small, for-profit corporation that provides water service to approximately 81 customers in Tidewater, Oregon, on Oregon's central coast. The Company's water source is two wells, one of which is not currently available for use. Water flows by gravity from a 75,000 gallon, redwood reservoir in which a tank liner was installed in December 2005.

Q. PLEASE DESCRIBE ALSEA'S REGULATORY HISTORY.

A. Alsea is rate and service regulated by the Commission. The Company became regulated after the Commission received sufficient petitions from customers seeking rate regulation. Alsea's first and only previous rate case was filed in 1999, Docket Number UW 67. Rates were established by the Commission in Order No. 99-690.

ISSUE 3, ALSEA'S APPLICATION FOR A GENERAL RATE CASE

Q. PLEASE DESCRIBE ALSEA'S CURRENT APPLICATION, UW 159, FOR A GENERAL RATE INCREASE.

1 A. Alsea filed an application for a general rate increase on November 26, 2013,
2 using a February 1, 2012, to January 31, 2013, test year. The Company
3 proposed an overall increase of 145 percent,¹ or \$30,268 over test year
4 revenues of \$20,839, resulting in an annual revenue requirement of \$51,107.
5 The Company proposed a total rate base of \$78,068 with a 10 percent rate of
6 return. In its application, Alsea also requested monthly residential interim base
7 rates of \$25.25 and commodity rates of \$.007 per gallon compared to Alsea's
8 current base rates of \$15.25 and commodity rates of \$.0021 per gallon.

9 **Q. WHAT PROCEDURAL ACTIONS HAVE TAKEN PLACE IN THIS DOCKET**
10 **SINCE ALSEA FILED ITS APPLICATION?**

- 11 A. Since the filing of the application on November 26, 2013, the following procedural
12 actions have taken place:
- 13 1. At the Commission's Public Meeting on December 19, 2013, Staff
14 recommended suspension of the proposed tariffs for six months and an
15 interim monthly residential base rate of \$23 and a continuing commodity rate
16 of \$.0021 per gallon. The suspension and interim rates were approved by the
17 Commission, subject to refund, in Commission Order Number 13-488,
18 entered December 20, 2013;
 - 19 2. A Public Comment Meeting and Prehearing Conference were held on
20 January 30, 2014, in Waldport, Oregon, attended by approximately 30

¹ The Company estimates an average monthly bill of \$53.43 using a commodity rate of \$.007 per one gallon resulting in a 145 percent increase over the test year average monthly bill of \$21.81. Staff calculated the average monthly bill at \$52.58 or 141 percent increase using a commodity rate of \$.0067.

1 customers. Generally, these same customers attended all of the scheduled
2 meetings;

3 3. A workshop was held in Waldport, Oregon, on February 27, 2014;

4 4. A Settlement Conference was held in Waldport, Oregon, on March 20, 2014;

5 and

6 5. A second Settlement Conference was held in Waldport, Oregon, on May 1,

7 2014, where settlement was reached.

8 **Q. WHAT ARE ALSEA'S CURRENT RATES?**

9 A. Alsea currently provides domestic water service to residential customers.

10 Table 2 below shows the customers, the base rate prior to the interim rate, the
11 interim base rate, and the commodity rate, which remains the same as before
12 interim rates were granted.

13 **Table 2 – Alsea Properties, Inc.'s Rates Before Interim Rates**

		Base Rate	Interim Base Rate	Commodity Rate
1	Residential	\$15.25	\$23	.0021 per gal

14
15 Under the interim rates, the customer's average monthly bill is \$29.56.

16 **Q. WHAT RATES DID ALSEA PROPOSE IN ITS APPLICATION?**

17 A. Alsea proposed rate as stated in its application are:

18 **Table 3 – Alsea Properties, Inc.'s Proposed Rates**

	CURRENT	Base Rate	Commodity Rate
1	Residential	\$31.55	.007

19

20 **Q. WHAT REASONS DID ALSEA GIVE FOR SEEKING A RATE INCREASE?**

1 A. Alsea stated in its application that it is seeking the change in rates because the
2 Company has not had a rate increase since 1999. Revenue has remained flat
3 while expenses had increased by 72 percent. Repairs on the aging system
4 have accelerated in the last three years.

5 **Q. WHY IS ALSEA ASKING FOR A 10 PERCENT RATE OF RETURN?**

6 A. Alsea's application states that it is seeking a 10 percent return on rate base
7 because expenses have been exceeding revenue due to an increase in repairs
8 to an aging system, testing, filing requirements, and employee expenses.

9 **ISSUE 4, CUSTOMER CONCERNS**

10 **Q. WHAT CONCERNS WERE BROUGHT TO YOUR ATTENTION BY THE**
11 **CUSTOMERS, AND WHAT ACTION DID YOU TAKE TO ADDRESS THESE**
12 **CONCERNS THROUGHOUT THE RATE CASE PROCESS?**

13 A. At the Public Comment Meeting, customers expressed dissatisfaction with their
14 water service. Their concerns were regarding poor water quality and needed
15 repairs and improvements to the water system. The Company stated in its
16 application that it had not received any water service complaints. The following
17 highlights the customer concerns and Staff's responses to these concerns:

18 **Rust and corrosion of pipes and hot water tanks**

19 Customers stated that they had to replace hot water heaters every 2-3 years
20 due to corrosion. Staff investigated the corrosion issue and found the following:

21 1. The Company confirmed that it had received no complaints about corrosion
22 and water quality since 2004.

1 2. Staff contacted a Circuit Rider, Rob Henry of HBH Consulting Engineers, to
2 inspect the water system and file a report with the Company and Staff
3 regarding the conditions of the system and what improvements could be
4 done to improve water quality. Mr. Henry reported that the recent pH
5 problems were caused by exhausted media in the calcite contactor. The
6 calcite contactor is a water treatment device that controls the pH in order to
7 control corrosion, which is the cause of the lead and copper excursions
8 evident in the water system. Staff's research indicates that many times the
9 failure of a calcite contactor can be due to exhausted calcium carbonate
10 media that can be resolved by routinely changing the media.

11 3. According to Amy Chapman of Lincoln County Health and Human Services,
12 Alsea's corrosion issues are probably caused by the pH level in the water
13 dropping below 7.2. The level of pH in water is measured on a scale of 1 to
14 14 with 7 being neutral; anything below 7 is acidic, and anything above is
15 alkaline. A pH of 7.2 is the minimum allowed by the Oregon Health
16 Authority Drinking Water Section (DWS). Alsea is required to test and
17 record pH levels on a daily basis. The levels are reported to the DWS every
18 month. Alsea had pH problems in 2004 and 2012. Since then, according to
19 the DWS test results, the Company had only one day in May 2013 when the
20 pH dropped below 7.2.

21 *No locks on the tank and the fence surrounding the tank*

22 Customers complained that there was no lock on tank or the gate to the tank.

23 Staff reviewed Alsea's DWS Water System Survey completed on July 19, 2013,

1 by Amy Chapman, Lincoln County Environmental Health Program Manager. In
2 the survey, Ms. Chapman recommended that the hatch on the tank be
3 adequately secured and a flap valve, screen, or equivalent be installed on the
4 drain. These problems, including the lock on the gate, were corrected on or
5 before October 23, 2013.

6 In addition, the survey also recommended that: 1) Alsea issue a Consumer
7 Confidence Report as required by DWS, and 2) Alsea create and maintain an
8 Operations and Maintenance Manual. At the time of this testimony, the Circuit
9 Rider had agreed to help with Alsea with these documents, and the Company
10 agreed to contact the Circuit Rider for help.

11 *Water has a bad taste and is not safe to drink*

12 At the Public Comment Meeting, a customer brought a sample of water taken
13 from his home that day. He complained that the water tasted bad and was
14 undrinkable. Staff observed that the sample water appeared murky and
15 contained particulates. Several customers also complained of bad tasting
16 water; however, other customers stated that their water tasted fine.

17 Although the taste of water may be unpalatable for certain customers,
18 Alsea's test results indicate the water is safe for consumption. If houses are
19 unoccupied for long periods, the customer should let the water run for a period
20 of time before using the water. The taste may improve through treatment.

21 The Circuit Rider did not observe these water quality issues during his
22 inspection, but added that if the quality problems were intermittent, they may
23 not reveal themselves during an inspection.

1 Exposed pipes and deterioration of pipes

2 Customers stated that pipes throughout the system are old and will need to
3 be replaced. In addition, the main line running from the reservoir to the base
4 of the hill is exposed and vulnerable. These deficiencies were confirmed by
5 the Circuit Rider. To resolve the exposed main line pipe, Staff allowed
6 \$14,750 in Plant as Construction Work in Progress (CWIP). This issue is
7 scheduled to be completed within six months of the date of the order
8 approving the Stipulation.

9 Redwood tank and tank liner

10 Customers stated that redwood tank is in poor condition and could fail. The
11 Circuit Rider and the certified operators who inspected the system stated that
12 the redwood tank should eventually be replaced; however, it could be relined
13 until the replacement of the reservoir can be funded.

14 **Q. CAN THE SERVICE ISSUES BE RESOLVED?**

15 A. Water quality, repairs, and improvements are the customers' highest priorities.

16 The customers realize that in order to improve the quality of their water service,
17 it is going to cost money to make the improvements and repairs required. At
18 the first settlement conference, the customers requested Staff explore the
19 possibility of increasing the revenue requirement and rates above the level Staff
20 had recommended in order to facilitate repairs and improvements now and in
21 the future. The customers stated they would be willing to pay higher rates
22 supporting a revenue requirement up to and equal to the Company's proposed
23 revenues, provided a prioritized improvement list with tentative deadlines was

1 produced that would assure the customers the needed repairs and
2 improvements would be made.

3 **Q. DID STAFF PROVIDE A PRIORITIZED LIST OF IMPROVEMENTS AS**
4 **REQUESTED BY THE CUSTOMERS?**

5 A. Yes. During the case, Staff was informed that a sale of the water system was
6 being negotiated between Alsea and Hiland Water Corporation (Hiland). Staff
7 consulted with Hiland regarding the proposed sale to determine Hiland's
8 interest and commitment to the sale and if Hiland had put together a project list
9 for the system. Hiland provided a list of prioritized projects tentatively planned
10 for Alsea should the sale be executed. The list is shown in Staff/101,
11 Anderson/8-9. Staff provided the list to all Parties and customers in its second
12 settlement package.

13 **Q. WERE THE CUSTOMERS AWARE OF THE PENDING SALE OF THE**
14 **SYSTEM?**

15 A. Not at first. The Company sent notice of the proposed sale to the customers on
16 April 30, 2014, just prior to the second Settlement Conference.
17 Representatives from Hiland attended the Settlement Conference and
18 discussed with the customers the water system's deficiencies and Hiland's
19 plans to make improvements. Given the pending sale of the system and
20 Hiland's proposed plans for improvements, the customers requested and
21 agreed to pay increased rates above Staff's original settlement proposal.

1 **Q. WHAT IS THE STATUS OF THE SALE OF THE SYSTEM?**

2 A. At the time of this writing, Hiland and Alsea had negotiated a sales agreement
3 and filed a property sales application on May 27, 2014, with the Commission
4 seeking approval of the sale under ORS 757.480.

5 **ISSUE 5, STAFF'S ANALYSIS OF ALSEA'S APPLICATION AND**
6 **STAFF ADJUSTMENTS**

7 **Q. WHAT IS THE PURPOSE OF THIS PORTION OF TESTIMONY?**

8 A. This portion of testimony provides support for the Stipulation.

9 **Q. PLEASE EXPLAIN STAFF'S ANALYSIS OF THE COMPANY'S**
10 **APPLICATION.**

11 A. Staff's analysis of Alsea's application originally indicated an annual revenue
12 requirement of \$43,086, with a 10 percent rate of return on a rate base of
13 \$78,335. However, based on the customers' request to increase the revenue
14 requirement to provide for improvements and repairs, Staff adjusted its
15 recommendation to an annual revenue requirement of \$51,107, with total
16 revenue deductions of \$42,804 and a net operating income of \$8,516, based on
17 a 10 percent return on rate base of \$85,172. This recommendation was
18 presented and agreed to at the second Settlement Conference.

19 **Q. WILL THE INCREASED REVENUE REQUIREMENT RESOLVE THE**
20 **SERVICE ISSUES?**

21 A. The increased revenue requirement is a step towards resolving the service
22 issues. The customers understand that improvement will take time and money.

1 Staff/101, Anderson/8-9 is the list of prioritized projects Hiland plans to
2 accomplish.

3 **Q. HOW DID STAFF JUSTIFY THE INCREASED REVENUE REQUIREMENT?**

4 A. Staff included additional adjustments increasing expenses for repairs, operations
5 and maintenance (O&M), and telecommunication to provide for better service,
6 operations, and preventative maintenance. Staff also included capitalized plant
7 as CWIP (discussed in detail below), which is schedule to be completed and in
8 service within six months of the Commission's order approving the Stipulation

9 **Q. PLEASE DESCRIBE STAFF'S FINAL ADJUSTMENTS TO ALSEA'S**
10 **PROPOSED EXPENSES.**

11 A. The majority of Staff's adjustments are the result of transferring expenses to their
12 appropriate accounts and removing expenses that cannot be verified. A
13 summary of Staff's adjustments is shown in Staff/101, Anderson/2. Below are
14 Staff's more significant adjustments.

15 1. Telecommunications: The Company plans to install an "auto dialer" to alert it
16 when the reservoir level is low. This requires a phone line; cost is estimated
17 at \$75/month, or \$900 annually.

18 2. Chemicals, Repairs, and O&M: Staff added \$750 to O&M to allow the
19 Company to be proactive in changing the media in the Calcite Contactor
20 every eight months as recommended. Staff added \$2,500 to repairs to allow
21 needed repairs to the water system. Staff moved \$1,074 of invoices listed in
22 chemicals to testing expense and disallowed an additional \$1,939 requested
23 because the Company did not substantiate the need for additional chemicals.

Table 4-Chemicals, O&M, and Repairs Accounts

Account	Utility Test Year	Utility Proposed	Staff Proposed
Chemicals	2,254	4,193	1,110
O&M	1,653	1,953	2,405
Repairs	2,746	3,746	5,246
TOTALS	6,653	9,892	8,761

3. Depreciation Expense: Staff adjusted depreciation expense to reflect the appropriate expense for 2014. Depreciation expense increases are due to Staff's allowance of Construction Work in Process (CWIP) projects due to be completed in 2014.

Q. DID STAFF MAKE ANY ADJUSTMENTS TO ALSEA'S UTILITY PLANT?

A. Staff thoroughly investigated Alsea's utility plant records, bringing the Company's plant and depreciation up to date. As shown above, Staff allowed as CWIP projects in the amounts of \$14,750 for main line repair, \$17,750 for development of the second well to be used for emergency backup, and Staff added an additional \$6,500 for expected engineering costs to the Company's estimate of \$1,075 to obtain a water right certificate.

Q. PLEASE EXPLAIN WHAT CWIP IS.

A. CWIP is a ratemaking methodology that allows the Commission to include utility plant that is not yet in service to be placed in rates. ORS 757.355(1) restricts public utilities from including plant in rates if it is not serving the customers. ORS 757.355(2) exempts water utilities from section (1) and allows the Commission to include the cost of a specific capital improvements in water rates as CWIP, as long as the additional water revenue is used solely for the purpose of completing

1 the capital improvement, and it is in the public interest to provide funding for the
2 capital improvement through rates.

3 **ISSUE 6, RATE SPREAD AND RATE DESIGN**

4 **Q. PLEASE DESCRIBE HOW STAFF DETERMINED THE APPROPRIATE**
5 **RATE DESIGN.**

6 A. Staff's recommended rate design was crafted keeping the following principles
7 in mind:

- 8 1. Provide sufficient revenue to cover the cost of the annual expenses
9 necessary to operate and make repairs to the water system;
- 10 2. Provide the Company with the opportunity to earn a reasonable rate of
11 return; and
- 12 3. Provide sufficient revenues based on the percentage of fixed operating
13 expenses to cover the operating cost during low volume usage. Having a
14 high ratio of base rate to variable rate reflects the high degree of seasonal
15 usage and allows Alsea to pay its expenses during the low usage winter
16 months.

17 **Q. PLEASE DESCRIBE STAFF'S RECOMMENDED REVENUE SPLIT**
18 **BETWEEN THE BASE RATE AND THE COMMODITY RATE.**

19 A. Staff generally allocates the revenue requirement at 60 percent to the base
20 rate and 40 percent to the commodity rate in typical water rate cases. Staff
21 followed this standard in designing Alsea rates. The revenue split allows Alsea
22 to recover sufficient revenues in the winter months to pay their expenses when

1 water usage is low and also accounts for the high customer usage in the
2 summer months.

3 **Q. PLEASE DESCRIBE HOW STAFF DETERMINED THE APPROPRIATE**
4 **BASE RATES.**

5 A. To determine base rates, Staff took the revenue requirement allocated to the
6 base rate, divided it by the number of customers, and divided it by 12 months.
7 This results in an equitable monthly base rate among all customers.

8 **Q. PLEASE DESCRIBE HOW STAFF DETERMINED THE COMMODITY**
9 **RATE.**

10 A. To determine the appropriate commodity rate, Staff used the revenue
11 requirement allocated to the commodity rate and divided it by the number of
12 gallons consumed by the customers. Customer consumption changes
13 according to the weather. In this case, Staff based its consumption on the
14 Company's total annual consumption for the test year.

15 **Q. PLEASE DESCRIBE STAFF'S FINAL RECOMMENDED RATES AND RATE**
16 **DESIGN.**

17 A. Staff recommends a simple rate design composed of a residential base rate of
18 \$31.55 and a commodity rate of \$.0067 per gallon used. Alsea only serves
19 residential customers.

20 **Q. PLEASE EXPLAIN HOW THE NEW RATES IMPACT THE CUSTOMERS.**

21 A. The stipulated rates increase Alsea's current base rate of \$15.25 to \$31.55.
22 The commodity rate changed from the current rate of \$.0070 to \$.0067 per
23 each gallon of water used. The impact of Staff's recommended rates is shown

1 in Staff/101, Anderson/6 - 7. As indicated in the exhibit, the average monthly
2 bill is approximately \$53.43. A customer using 5,000 gallons will pay a 153
3 percent higher bill under the stipulated rates, and a customer using 10,000
4 gallons will pay a 173 percent increase.

5 **Q. DOES THE MONTHLY BASE RATE OF \$31.55 ENSURE THAT THE**
6 **REVENUE GENERATED WILL MEET THE LOW USAGE WINTER MONTHS'**
7 **EXPENSES?**

8 A. Yes. The Parties reviewed Alsea Properties, Inc.'s revenue requirement
9 expenses to estimate the minimum amount of revenue necessary to meet
10 Alsea's monthly expenses. The Parties agreed that a base rate of \$31.55 per
11 customer per month satisfies Alsea 's low usage winter months' expense
12 needs.

13 **ISSUE 7, THE STIPULATION**

14 **Q. DID ALL PARTIES AGREE AND SUPPORT THE STIPULATION?**

15 A. Staff and the Company have agreed to the Stipulation. The Intervener, Steven
16 Hartwig, tentatively agreed, but reserved his final decision until after reviewing
17 the Stipulation and Staff's testimony. Staff received Mr. Hartwig's signed
18 Stipulation on June 4, 2014. All parties have agreed to the Stipulation. The
19 customers present at the second Settlement Conference all agreed to and
20 support this stipulated resolution.

21 **Q. PLEASE RESTATE THE REVENUE REQUIREMENT AGREED TO IN THE**
22 **STIPULATION.**

- 1 A. The Stipulation supports a 141 percent or \$30,268 increase in annual revenue
2 over test year revenue of \$20,839. This results in an annual revenue
3 requirement of \$51,107.

4 **Q. PLEASE RESTATE THE MONTHLY RATES SUPPORTED BY THE**
5 **STIPULATION.**

- 6 A. The Parties agreed to a base rate of \$31.55 and a commodity rate of \$.0067 for
7 each gallon of water used.

8 **Table 5 –Monthly Rates in the Stipulation**

	Customer Class	Base Rate (per meter)	Commodity Rate (per gallon)
1	Residential	\$31.55	.0067

9
10 **Q. DID THE PARTIES RECOMMEND AN EFFECTIVE DATE FOR THE NEW**
11 **RATES IN THE STIPULATION?**

- 12 A. Yes. The effective date recommended by the Parties and agreed to in the
13 Stipulation is for service rendered on and after July 1, 2014.

14 **Q. DOES STAFF BELIEVE THE RESULTING RATES ARE FAIR AND**
15 **REASONABLE?**

- 16 A. Yes.

17 **Q. WHAT IS STAFF'S RECOMMENDATION?**

- 18 A. Staff recommends the Commission receive the Stipulation and attachments and
19 staff testimony and exhibits into the UW 159 record and adopt the Stipulation in
20 its entirety.

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

- 22 A. Yes.

CASE: UW 159
WITNESS: LAUREL ANDERSON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

**Exhibits in Support
Of Testimony**

June 6, 2014

Revenue Requirement

Acct No.	REVENUES	A	B	C	D	E	F	G	H
		Company	Company	Company	Staff	Staff	Staff	Staff	Total
		Balance per Application	Proposed Company Adjustments	Proposed Company Totals	Staff Adjustments	Adjusted Results	Revenue-Sensitive Adjustments	Total PUC Adjustments	PUC Proposed Results
				A+B=C		C+D=E		D+F=G	C+G=H
461.1	Residential Water Sales	\$ 20,839	\$ 30,268	\$ 51,107	\$ -	\$ 51,107	\$ (0)	\$ (0)	\$ 51,107
461.2	Commercial Water Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
462.1	Public Fire Protection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
464	Water Sales to Public Authorities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
465	Irrigation -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
466	Sales for Resale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
467	Golf Course	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
468	Special Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
471	Misc. Revenues	\$ 214	\$ -	\$ 214	\$ -	\$ 214	\$ (0)	\$ (0)	\$ 214
	Cross Connection Control Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Other - Specify	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Other - Specify	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL REVENUE	\$ 21,053	\$ 30,268	\$ 51,321	\$ -	\$ 51,321	\$ (0)	\$ (0)	\$ 51,321
	OPERATING EXPENSES								
601	Salaries and Wages - Employees	\$ 10,789	\$ -	\$ 10,789	\$ (1,024)	\$ 9,765	\$ -	\$ (1,024)	\$ 9,765
603	Salaries and Wages - Officers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
604	Employee Pension & Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
610	Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
611	Telephone/Communications	\$ -	\$ -	\$ -	\$ 900	\$ 900	\$ -	\$ 900	\$ 900
615	Purchased Power	\$ 1,820	\$ 55	\$ 1,875	\$ 71	\$ 1,946	\$ -	\$ 71	\$ 1,946
616	Fuel for Power Production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
617	Other Utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
618	Chemical / Treatment Expense	\$ 2,254	\$ 1,939	\$ 4,193	\$ (3,083)	\$ 1,110	\$ -	\$ (3,083)	\$ 1,110
619	Office Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
619.1	Postage	\$ 534	\$ 16	\$ 550	\$ (0)	\$ 550	\$ -	\$ (0)	\$ 550
620	O&M Materials/Supplies	\$ 1,653	\$ 300	\$ 1,953	\$ 450	\$ 2,403	\$ -	\$ 450	\$ 2,403
621	Repairs to Water Plant	\$ 2,746	\$ 1,000	\$ 3,746	\$ 1,500	\$ 5,246	\$ -	\$ 1,500	\$ 5,246
631	Contract Svcs - Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
632	Contract Svcs - Accounting	\$ 1,370	\$ -	\$ 1,370	\$ 0	\$ 1,370	\$ -	\$ 0	\$ 1,370
633	Contract Svcs - Legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
634	Contract Svcs - Management Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
635	Contract Svcs - Testing	\$ -	\$ 2,000	\$ 2,000	\$ (442)	\$ 1,558	\$ -	\$ (442)	\$ 1,558
636	Contract Svcs - Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
637	Contract Svcs - Billing/Collection	\$ 5,665	\$ -	\$ 5,665	\$ (464)	\$ 5,101	\$ -	\$ (464)	\$ 5,101
638	Contract Svcs - Meter Reading	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
639	Contract Svcs - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
641	Rental of Building/Real Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
642	Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
643	Small Tools	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
648	Computer/Electronic Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
650	Transportation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
656	Vehicle Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
657	General Liability Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
658	Workers' Comp Insurance	\$ 598	\$ 22	\$ 560	\$ (20)	\$ 540	\$ -	\$ (20)	\$ 540
659	Insurance - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
660	Public Relations/Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
666	Amort. of Rate Case	\$ -	\$ 680	\$ 680	\$ (340)	\$ 340	\$ -	\$ (340)	\$ 340
667	Gross Revenue Fee (PUC)	\$ 52	\$ 65	\$ 117	\$ -	\$ -	\$ 11	\$ 11	\$ 128
668	Water Resources Conservation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
670	Bad Debt Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
671	Cross Connection Control Program	\$ -	\$ 400	\$ 400	\$ -	\$ 400	\$ -	\$ -	\$ 400
672	System Capacity Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
673	Training and Certification	\$ -	\$ 45	\$ 45	\$ (45)	\$ -	\$ -	\$ (45)	\$ -
674	Consumer Confidence Report	\$ -	\$ 200	\$ 200	\$ -	\$ 200	\$ -	\$ -	\$ 200
675	Miscellaneous Expense	\$ 218	\$ 322	\$ 540	\$ (322)	\$ 218	\$ -	\$ (322)	\$ 218
OE1	Capital Improvement Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OE2	Other Expense 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OE3	Other Expense 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL OPERATING EXPENSE	\$ 27,539	\$ 7,044	\$ 34,583	\$ (2,818)	\$ 31,648	\$ 11	\$ (2,807)	\$ 31,776
	OTHER REVENUE DEDUCTIONS								
403	Depreciation Expense	\$ 2,050	\$ -	\$ 2,050	\$ 5,355	\$ 7,405	\$ -	\$ 5,355	\$ 7,405
406	Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
407	Amortization Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
408.11	Property Tax	\$ 388	\$ -	\$ 388	\$ (0)	\$ 388	\$ -	\$ (0)	\$ 388
408.12	Payroll Tax	\$ -	\$ -	\$ -	\$ 1,024	\$ 1,024	\$ -	\$ 1,024	\$ 1,024
408.13	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
409.1	Federal Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,503	\$ 1,503	\$ 1,503
409.11	Oregon Income Tax	\$ 218	\$ -	\$ 218	\$ -	\$ -	\$ 490	\$ 490	\$ 708
409.13	Extraordinary Items Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL REVENUE DEDUCTIONS	\$ 30,195	\$ 7,044	\$ 37,239	\$ 3,561	\$ 40,465	\$ 2,004	\$ 5,565	\$ 42,804
	NET OPERATING INCOME	\$ (9,142)	\$ 23,224	\$ 14,082	\$ (3,561)	\$ 10,856	\$ (2,005)	\$ (5,566)	\$ 8,516
	UTILITY RATE BASE								
101	Utility Plant in Service	\$ 113,772	\$ 134,274	\$ 248,046	\$ 6,497	\$ 254,543	\$ -	\$ 6,497	\$ 254,543
272	Amortization of CIAC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Less:								
108.1	Depreciation Reserve	\$ 98,300	\$ 74,560	\$ 172,860	\$ (841)	\$ 172,019	\$ -	\$ (841)	\$ 172,019
271	Contributions in Aid of Const	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
281	Accumulated Deferred Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Net Utility Plant	\$ 15,472	\$ 59,714	\$ 75,186	\$ 7,338	\$ 82,524	\$ -	\$ 7,338	\$ 82,524
	Plus: (working capital)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
151	Materials and Supplies Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
WkCash	Working Cash (Total Op Exp /12)	\$ 2,295	\$ 587	\$ 2,882	\$ (234)	\$ 2,648	\$ -	\$ (234)	\$ 2,648
	TOTAL RATE BASE	\$ 17,767	\$ 60,301	\$ 78,068	\$ 7,105	\$ 85,172	\$ -	\$ 7,105	\$ 85,172
	Rate of Return	-51.46%		18.04%		12.75%			10.00%

Adjustment Summary

Acct No.	Company	PUC		PUC Proposed Results	Reason for Adjustment
		Proposed	Adjustments		
REVENUES					
461.1	Residential Water Sales	\$ 51,107	\$ (0)	\$ 51,107	Base rate of \$28.69 plus average commodity price of \$15.45. Ave monthly bill of \$44.14
461.2	Commercial Water Sales	\$ -	\$ -	\$ -	No Adjustment
462.1	Public Fire Protection	\$ -	\$ -	\$ -	No Adjustment
464	Water Sales to Public Authorities	\$ -	\$ -	\$ -	No Adjustment
465	Irrigation -	\$ -	\$ -	\$ -	No Adjustment
466	Sales for Resale	\$ -	\$ -	\$ -	No Adjustment
467	Golf Course	\$ -	\$ -	\$ -	No Adjustment
468	Special Contracts	\$ -	\$ -	\$ -	No Adjustment
471	Misc. Revenues	\$ 214	\$ (0)	\$ 214	Calculated based on gross revenue
	Cross Connection Control Revenue	\$ -	\$ -	\$ -	No Adjustment
	Other - Specify	\$ -	\$ -	\$ -	No Adjustment
	Other - Specify	\$ -	\$ -	\$ -	No Adjustment
	TOTAL REVENUE	\$ 51,321	\$ (0)	\$ 51,321	
OPERATING EXPENSES					
601	Salaries and Wages - Employees	\$ 10,789	\$ (1,024)	\$ 9,765	Payroll taxes were moved to payroll tax expense 408.12
603	Salaries and Wages - Officers	\$ -	\$ -	\$ -	No Adjustment
604	Employee Pension & Benefits	\$ -	\$ -	\$ -	No Adjustment
610	Purchased Water	\$ -	\$ -	\$ -	No Adjustment
611	Telephone/Communications	\$ -	\$ 900	\$ 900	A telephone autodialer will be added to alert company when reservoir level is low
615	Purchased Power	\$ 1,875	\$ 71	\$ 1,946	Adjusted to amount of test year invoices, plus Nov 2013 rate increase percentage
616	Fuel for Power Production	\$ -	\$ -	\$ -	No Adjustment
617	Other Utilities	\$ -	\$ -	\$ -	No Adjustment
618	Chemical / Treatment Expense	\$ 4,193	\$ (3,083)	\$ 1,110	Moved \$1,074 of invoiced expenses to Testing. Waiting for justification of \$1,939 requested.
619	Office Supplies	\$ -	\$ -	\$ -	No Adjustment
619.1	Postage	\$ 550	\$ (0)	\$ 550	No Adjustment
620	O&M Materials/Supplies	\$ 1,953	\$ 450	\$ 2,403	Adjusted to amount of test year invoices, added \$750 as estimate for proactive replacement of calcite media
621	Repairs to Water Plant	\$ 3,746	\$ 1,500	\$ 5,246	Added \$2,500 to test year based on notes from Hiland, more proactive R&M is expected
631	Contract Svcs - Engineering	\$ -	\$ -	\$ -	No Adjustment
632	Contract Svcs - Accounting	\$ 1,370	\$ 0	\$ 1,370	No Adjustment
633	Contract Svcs - Legal	\$ -	\$ -	\$ -	No Adjustment
634	Contract Svcs - Management Fees	\$ -	\$ -	\$ -	No Adjustment
635	Contract Svcs - Testing	\$ 2,000	\$ (442)	\$ 1,558	Moved \$1,074 of invoiced expenses from Chem/Treatment Exp and adj to 3 year average.
636	Contract Svcs - Labor	\$ -	\$ -	\$ -	No Adjustment
637	Contract Svcs - Billing/Collection	\$ 5,565	\$ (464)	\$ 5,101	Reduced to agree with test year invoices
638	Contract Svcs - Meter Reading	\$ -	\$ -	\$ -	No Adjustment
639	Contract Svcs - Other	\$ -	\$ -	\$ -	No Adjustment
641	Rental of Building/Real Property	\$ -	\$ -	\$ -	No Adjustment
642	Rental of Equipment	\$ -	\$ -	\$ -	No Adjustment
643	Small Tools	\$ -	\$ -	\$ -	No Adjustment
648	Computer/Electronic Expenses	\$ -	\$ -	\$ -	No Adjustment
650	Transportation	\$ -	\$ -	\$ -	No Adjustment
656	Vehicle Insurance	\$ -	\$ -	\$ -	No Adjustment
657	General Liability Insurance	\$ -	\$ -	\$ -	No Adjustment
658	Workers' Comp Insurance	\$ 560	\$ (20)	\$ 540	Adjusted to agree with invoice
659	Insurance - Other	\$ -	\$ -	\$ -	No Adjustment
660	Public Relations/Advertising	\$ -	\$ -	\$ -	No Adjustment
666	Amort. of Rate Case	\$ 680	\$ (340)	\$ 340	Rate case expense amortized over two years
667	Gross Revenue Fee (PUC)	\$ 117	\$ 11	\$ 128	Adjusted to calculated gross revenue
668	Water Resources Conservation	\$ -	\$ -	\$ -	No Adjustment
670	Bad Debt Expense	\$ -	\$ -	\$ -	No Adjustment
671	Cross Connection Control Program	\$ 400	\$ -	\$ 400	Program expense, no adjustment
672	System Capacity Development	\$ -	\$ -	\$ -	No Adjustment
673	Training and Certification	\$ 45	\$ (45)	\$ -	Certified by City of Waldport, no invoice for additional amount.
674	Consumer Confidence Report	\$ 200	\$ -	\$ 200	This amount allowed for the Consumer Confidence Report
675	Miscellaneous Expense	\$ 540	\$ (322)	\$ 218	Waiting for invoices for increase in miscellaneous amount.
OE1	Other Expense 1	\$ -	\$ -	\$ -	No Adjustment
OE2	Other Expense 2	\$ -	\$ -	\$ -	No Adjustment
OE3	Other Expense 3	\$ -	\$ -	\$ -	No Adjustment
	TOTAL OPERATING EXPENSE	\$ 34,583	\$ (2,807)	\$ 31,776	
OTHER REVENUE DEDUCTIONS					
403	Depreciation Expense	\$ 2,050	\$ 5,355	\$ 7,405	Depreciation expense adjusted to updated Plant Schedule
406	Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	No Adjustment
407	Amortization Expense	\$ -	\$ -	\$ -	No Adjustment
408.11	Property Tax	\$ 388	\$ (0)	\$ 388	No Adjustment
408.12	Payroll Tax	\$ -	\$ 1,024	\$ 1,024	Payroll taxes were moved from Salaries and Wages-Employees 601
408.13	Other	\$ -	\$ -	\$ -	No Adjustment
409.1	Federal Income Tax	\$ -	\$ 1,503	\$ 1,503	Federal income tax as calculated on projected income
409.11	Oregon Income Tax	\$ 218	\$ 490	\$ 708	State income tax as calculated on projected income
409.13	Extraordinary Items Income Tax	\$ -	\$ -	\$ -	No Adjustment
	TOTAL REVENUE DEDUCTIONS	\$ 37,239	\$ 5,565	\$ 42,804	
	NET OPERATING INCOME	\$ 14,082	\$ (5,566)	\$ 8,516	
UTILITY RATE BASE					
101	Utility Plant in Service	\$ 248,046	\$ 6,497	\$ 254,543	Added \$6,500 to cost of filing for water rights to CWIP. \$3 other adjustments to correct depreciation.
272	Amortization of CIAC	\$ -	\$ -	\$ -	No Adjustment
	Less:				
108.1	Depreciation Reserve	\$ 172,860	\$ (841)	\$ 172,019	Adjusted by amounts for previous years accumulated posted in test year
271	Contributions in Aid of Const	\$ -	\$ -	\$ -	No Adjustment
281	Accumulated Deferred Income Tax	\$ -	\$ -	\$ -	No Adjustment
	Net Utility Plant	\$ 75,186	\$ 7,338	\$ 82,524	Added \$6,500 to cost of filing for water rights to CWIP. \$841 other adjustments to correct depreciation.
	Plus: (working capital)				
151	Materials and Supplies Inventory	\$ -	\$ -	\$ -	No Adjustment
WrkCash	Working Cash (Total Op Exp /12)	\$ 2,882	\$ (234)	\$ 2,648	Adjusted to 1/12 of annual expenses
	TOTAL RATE BASE	\$ 78,068	\$ 7,105	\$ 85,172	

Revenues

Taxes assessed on Net Income

State Income Tax Rate:	6.60%
Federal Income Tax Rate:	15.00%

Test Year

\$21,053

Fees assessed on Gross Revenue

PUC Gross Revenue Fee	0.25%
Other	0.00%
Other	0.00%
Other	0.00%

Utility Proposed

\$51,321

Staff Adjustment

\$0

Staff Proposed

\$51,321

Net-to-Gross Factor

Gross Income	100.00%
Less: State Tax @ 6.6%	6.60%
Subtotal	93.40%
Less: Federal Tax @ 15.0% of subtotal	14.01%
Percent change in NOI	79.39%
Net-to-Gross Factor (1/% change in NOI)	1.25960

Revenue Requirement Calculation

Total Rate Base	\$ 85,172
Rate of Return	10.00%
Required Net Operating Income	\$ 8,517
Required Pretax NOI (Req. NOI x NTG)	\$ 10,728
Total Non-Revenue-Sensitive Deductions	\$ 40,464
Subtotal	\$ 51,192
Total Revenue Requirement	\$ 51,321
Company Proposed, After Staff Revenue Adjustments	\$ 51,321
Required Revenue Increase	\$ (0)

Gross Revenue Factor

Revenue	100.00%
Less: PUC Fee @ 0.25%	0.25%
Less: Other @ 0.00%	0.00%
Less: Other @ 0.00%	0.00%
Less: Other @ 0.00%	0.00%
Percent change in revenue	99.75%
Gross Revenue Factor	1.00251

Allocation of Required Revenue Increase

	Company Proposed Revenue	Company Proposed Revenue (Staff Adjusted)	Calculated Adjustments	Total Staff Proposed Revenue	Difference Between Utility Proposed and Staff Proposed	Difference Between Utility Proposed and Staff Proposed
Residential Water Sales	\$ 51,107	\$ 51,107	\$ (0)	\$ 51,107	\$ (0)	0.00%
Commercial Water Sales	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Public Fire Protection	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Water Sales to Public Authorities	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Irrigation -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Sales for Resale	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Golf Course	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Special Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Misc. Revenues	\$ 214	\$ 214	\$ (0)	\$ 214	\$ (0)	0.00%
Cross Connection Control Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Other - Specify	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Other - Specify	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
TOTAL REVENUE	\$ 51,321	\$ 51,321	\$ (0)	\$ 51,321	\$ (0)	

Residential Rate Design

Proposed Residential Revenues: \$51,107 Variable Rate: 40% Variable Revenues: \$20,443
Base Rate: 60% Base Revenues: \$30,664

BASE RATE

Size of Line	# of Customers	Current Monthly Base Rate	Revenue at Current Rates	Factors Used	AWWA Factors	Staff Proposed Monthly Base Rate	Staff Proposed Total Annual Revenues	% Increase
5/8"	81	\$15.25	\$14,823	1	1	\$31.55	\$30,664	107%
3/4"			\$0		1	\$0.00	\$0	0%
1"			\$0		2.5	\$0.00	\$0	0%
1.5"			\$0		5	\$0.00	\$0	0%
2"			\$0		8	\$0.00	\$0	0%
3"			\$0		15	\$0.00	\$0	0%
6"			\$0		50	\$0.00	\$0	0%
TOTAL	81		\$14,823				\$30,664	107%

COMMODITY RATE

Proposed consumption per application:	\$3,037,717
Divided by unit of measure:	1 gal
Equals total consumption:	\$3,037,717
Proposed Variable Revenue:	\$20,443
Divided by consumption:	\$3,037,717
Equals commodity rate:	\$0.0067 per 1 gal

CONSUMPTION

Size of Line	Annual Consumption (Test)	Annual Consumption per Customer	New Customers	Annual Consumption (Proposed)
5/8"	3,037,717	37,503		3,037,717
3/4"		-		-
1"		-		-
1.5"		-		-
2"		-		-
3"		-		-
6"		-		-
TOTAL	3,037,717	37,503	-	3,037,717

Alsea Properties, Inc.
Docket # UW 159
Test Year: January 31, 2012

Residential Rate Impact

Residential 5/8"

Monthly Consumptions Customer Usage	Current Base Rate	Monthly Consumptions Customer Usage	Current Commodity Rate	Total Current Average Monthly Bill	Staff Proposed Customer Base Rate	Proposed Commodity Rate per 1 gal	Usage Factor	Total Proposed Monthly Bill	Difference	Percentage Difference
Average 3125	15.25	3125	\$0.00	\$21.81	\$31.55	\$0.01	3125	\$52.56	\$30.77	141%
0	15.25	0	\$0.00	\$15.25	\$31.55	\$0.01	0	\$31.55	\$16.30	107%
1000	15.25	1000	\$0.00	\$17.35	\$31.55	\$0.01	1000	\$38.28	\$20.93	121%
2000	15.25	2000	\$0.00	\$19.45	\$31.55	\$0.01	2000	\$45.01	\$25.56	131%
3000	15.25	3000	\$0.00	\$21.55	\$31.55	\$0.01	3000	\$51.74	\$30.19	140%
4000	15.25	4000	\$0.00	\$23.65	\$31.55	\$0.01	4000	\$58.47	\$34.82	147%
5000	15.25	5000	\$0.00	\$25.75	\$31.55	\$0.01	5000	\$65.20	\$39.45	153%
6000	15.25	6000	\$0.00	\$27.85	\$31.55	\$0.01	6000	\$71.93	\$44.08	158%
8000	15.25	8000	\$0.00	\$32.05	\$31.55	\$0.01	8000	\$85.38	\$53.33	166%
10000	15.25	10000	\$0.00	\$36.25	\$31.55	\$0.01	10000	\$98.84	\$62.59	173%



Phone: 503-554-8333
1-855-554-8333 (TF)
Mail: P.O. Box 699
Newberg, OR 97132
Email: info@hilandwater.com
Internet: www.hilandwater.com

April 30, 2014

Re: Future improvements for Westwood Village Water System

The following represent items and projects that Hiland Water plans to systematically address in the years following the sale of Westwood Village Water System. This list is tentative and subject to change due to additional findings and developments at the water system. The first three items on the list, however, are projects that are planned to begin immediately upon completion of the water system sale.

Exposed Mainline

Secure and bury vulnerable and exposed mainline coming from the 80,000 gallon reservoir down the hill and across the ditch at the base of hill. This section of mainline has been identified as a safety concern and there is high risk of distribution failure due to potential breaks in the line.

1. Excavation in the area to re-route natural water runoff from the hill and prevent washout in the soil covering the mainline.
2. Installation of bolted restraints at each joint in the mainline section in the steep embankment. Appropriate backfill and soil cover will be placed over the mainline after completion. All necessary restraints and thrust blocks will be installed in order to reduce the vulnerability of this mainline and preserve uninterrupted service into the future.
3. Replacement of the mainline exposed at the bottom of the hill and crossing the ditch. New 6" C900 PVC mainline will be installed at least 30" underground with appropriate backfill and soil cover.

Develop Backup Well

Develop the emergency well that is currently not in use (well #2), including installation of a well pump, new electrical, treatment, modifications in piping, and expansion of the existing well house. Currently, Westwood Village water system is depending on a single well source for which production is limited. Development of the currently unused source will allow flexibility for maintenance and additional security to the water system in the event of any mechanical or electrical failures at either source in the future.

1. Inspect and perform drawdown test the emergency well. Determine what improvements, if any, are needed for the well. Complete well improvements.
2. Install a new pump, motor, and drop pipe into the well.
3. Install chlorination for the well.
4. Install pH treatment as needed.
5. Expand the size of the well house as determined appropriate.

Complete Water Right

Work with a Certified Water Rights Examiner (CWRE) to determine the most appropriate course of action regarding the pending water right and execute a plan to complete the certificating process for the water right.

Fill Line Connection

Address the situation for the home near the reservoir that loses water during power outages. The single home is tapped directly into the reservoir fill line and loses pressure when the pump can't keep that line pressurized. In order to resolve the pressure loss, we would connect the fill line to the distribution line and put a check valve between the two. When

pressure is lost on the fill line side, the distribution line would pressurize it to cause water to flow back to the home by the well house.

Treatment

Inspect and evaluate the existing treatment system. Address deficiencies accordingly.

Storage

Replace the reservoir liner. Explore options to replace the redwood tank.

Replace and increase distribution lines

Systematically replace all water lines beyond their useful life.

CASE: UW 159
WITNESS: LAUREL ANDERSON

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

Witness Qualification Statements

June 6, 2014

WITNESS QUALIFICATION STATEMENT

NAME: LAUREL ANDERSON, CPA

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: UTILITY ANALYST, TELECOMMUNICATIONS AND WATER DIVISION

ADDRESS: 3930 FAIRVIEW INDUSTRIAL DRIVE, SE
SALEM, OR 97302-1166

EDUCATION: Certified Public Accountant

Bachelor of Science, Business, Accounting
Montana College of Mineral Science and Technology

Bachelor of Science, Agriculture, Animal Science
Montana State University

EXPERIENCE: Oregon Public Utility Commission since May 2007
Budget Analyst – May 2007 to July 2013
Utility Analyst – August 2013 to Present

Oregon Department of Human Services
Budget Analyst-May 2005 to May 2007

Oregon Employment Department
Employment Tax Auditor—October 2003 to April 2005

LaCie, Limited
Senior Corporate Accountant

Oxford Molecular Group
Business Segment Accountant

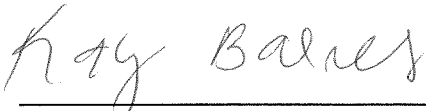
Fifteen years of Public Accounting experience including income tax, small
business accounting, and municipal auditing

CERTIFICATE OF SERVICE

UW 159

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 860-001-0180, to the following parties or attorneys of parties.

Dated this 6th day of June, 2014 at Salem, Oregon



Kay Barnes
Public Utility Commission
3930 Fairview Industrial Drive SE
Salem, Oregon 97302
Telephone: (503) 378-5763

UW 159
SERVICE LIST

STEVE H HARTWIG	47215 SE CLAUSEN RD ESTACADA OR 97023 steve_hartwig@yahoo.com
ALSEA PROPERTIES INC	
SIGNE GRIMSTAD OWNER-MANAGER	PO BOX 1930 NEWPORT OR 97365 sgrimstad@grimstad-assoc.com
PUBLIC UTILITY COMMISSION OF OREGON	
LAUREL ANDERSON UTILITY ANALYST	PO BOX 1088 SALEM OR 97308-1088 laurel.anderson@state.or.us
PUC STAFF--DEPARTMENT OF JUSTICE	
JASON W JONES ASSISTANT ATTORNEY GENERAL	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us