

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UW 169

In the Matter of)
) **SUNRIVER OWNERS ASSOCIATION’S**
SUNRIVER WATER, LLC) **MOTION TO COMPEL PRODUCTION**
) **OF DOCUMENTS AND INFORMATION**
)
)

Certificate of Conferral

Pursuant to OAR 860-001-0500(7), Sunriver Owners Association (SROA) certifies that the parties have conferred (June 14, 2017) and been unable to resolve the dispute.

Motion to Compel

Pursuant to OAR 860-001-0500(7), ORCP 46 A (OAR 860-001-0000(1)), and OAR 860-001-0540, Sunriver Owners Association (SROA) moves the Commission for an order compelling Sunriver Water to produce the documents requested in Data Request No. 6 (see below).

I. INTRODUCTION

SROA is an association of homeowners who live in Sunriver. The largest number of Sunriver Water’s customers are members of the association—making SROA a quintessential customer association. In addition, SROA is itself a customer of Sunriver Water. Sunriver Water is an affiliate of Sunriver Environmental, the wastewater utility that serves the essentially the same customer base. Over the last several years, rates for

wastewater service have dramatically (and erratically) increased from year to year. Sunriver Environmental has had a history of paying certain expenses incurred by Sunriver Water to provide water service and (presumably) collecting for those expenses in wastewater rates. By this mechanism, the affiliated utilities have avoided regulatory review of those expenses. SROA seeks production of the ordinary books of account of Sunriver Environmental to discover whether one of the reasons that Sunriver Environmental's rates have increased so dramatically is due to its payment and collection of expenses to provide water service.

In addition, one of the issues in this proceeding is whether Sunriver Environmental's leases to Sunriver Water of Office Space and the North Reservoir site are reasonable. The leases were (tentatively) approved in [Order No. 15-245](#) (UI 355) subject to their being reviewed in this, Sunriver Water's next rate case. SROA contends that the Office Space is CIAC as to Sunriver Water. *Re Sunriver Utilities Co.*, Order No. 90-1413 (OPUC 1990); *Re Sunriver Utilities Co.*, UP 148, Order No. 98-110 (OPUC 1998).

Although the leased structures were built prior to 1998, it appears Sunriver Environmental invested money in the leased structures after Sunriver Utilities transferred the structures to Sunriver Environmental in 1998. SROA needs Sunriver Environmental's plant accounts and depreciation schedules to determine the effect of those later investments on the appropriate lease rate. Sunriver Environmental has produced its plant accounts as of August 2014, but not for any other time period. The

plant accounts and depreciation schedules, of course, are another part of the ordinary books of account of Sunriver Environmental.

Sunriver has refused to produce these documents, necessitating this motion.

II. DOCUMENTS SOUGHT IN REQUEST NO. 6 AND OBJECTION MADE

SROA served Request No. 6 on May 26, 2017.

6. Books of account as well as other documents, data, or records that provide a report of operations for Sunriver Environmental for years 2012, 2013, 2014, 2015, and 2016. The reports should be in the same or similar level of detail as found in Sunriver Water's Annual [Results] of Operations Report to the Oregon Public Utility Commission, or as close to that level of detail as Sunriver Environmental has.

Sunriver Water objected as follows:

Sunriver Water, LLC objects to this data request. This data request is likely to lead to a discovery dispute and Sunriver Water, LLC requests the opportunity to resolve the dispute informally.

Pursuant to OAR 860-001-0500(1) "Discovery must be commensurate with the needs of the case, the resources available to the parties, and the importance of the issues to which the discovery relates." ORCP 36 B(1) provides that parties may inquire regarding any matter, not privileged, which is relevant to the claim or defense of the party seeking discovery[.] Finally, OAR 860-001-0500(2) provides that "[d]iscovery that is unreasonably cumulative, duplicative, burdensome, or overly broad is not allowed."

DR-6 is neither commensurate with the needs of the case nor relevant to the rate case. The SROA seeks information from Sunriver Environmental LLC generally corresponding to the information provided in Sunriver Water LLC's Annual Results of Operations Report submitted annually to the Oregon PUC (the "Annual Report"). The Annual Report covers nine separate general categories of revenue and expenses, including: (1) consumption and revenue; (2) revenue other than water sales; (3) average monthly consumption and billing; (4) taxes other than income tax; (5) income taxes; (6) deferred and provision for deferred income taxes; (7) gains and losses from utility property sales; (8) expenses; and

(9) plant assets. It is difficult, at best, to comprehend how any of the above categories of income and expense are relevant to the rate case.

Counsel for Sunriver Water LLC has requested that the SROA narrow its request or provide specific detail regarding the information sought by the SROA. These requests were made telephonically, at the initial settlement conference and through subsequent email between counsel for Sunriver Water LLC and counsel for the SROA. To date, the SROA has not responded to this request. [The parties have conferred. See Certificate of Conferral.]

III. SCOPE OF DISCOVERY

OAR 860-001-0540(1) provides, in relevant part: “A party may submit data requests to any other party, subject to the discovery rules in the ORCP. Data requests are written interrogatories or requests for production of documents.” OAR 860-001-0000(1) provides “[t]he Oregon Rules of Civil Procedure (ORCP) also apply in contested case and declaratory ruling proceedings unless inconsistent with these rules, a Commission order, or an Administrative Law Judge (ALJ) ruling.” ORCP 36 B(1) provides:

For all forms of discovery, parties may inquire regarding any matter, not privileged, which is relevant to the claim or defense of the party seeking discovery or to the claim or defense of any other party.... It is not ground for objection that the information sought will be inadmissible at the trial if the information sought appears reasonably calculated to lead to the discovery of admissible evidence.

See also OAR 860-001-0520(4) (“A party may examine a deponent on any matter not privileged that appears reasonably calculated to lead to the discovery of relevant evidence.”). Finally, OAR 860-001-0500 provides, in relevant part:

(1) Discovery must be commensurate with the needs of the case, the resources available to the parties, and the importance of the issues to which the discovery relates.

(2) Discovery that is unreasonably cumulative, duplicative, burdensome, or overly broad is not allowed. ...

IV. A REGULATED UTILITY CANNOT AVOID RATE REGULATION BY SHUTTLING COSTS OFF TO AN UNREGULATED AFFILIATE

ORS 757.020 provides in relevant part that “the charges made by any public utility for any service rendered or to be rendered in connection therewith shall be reasonable and just, and every unjust or unreasonable charge for such service is prohibited.” To that end, ORS 757.210(1)(a) provides:

Whenever any public utility files with the Public Utility Commission any rate or schedule of rates...increasing an existing rate or schedule of rates, the commission may...conduct a hearing to determine whether the rate or schedule is fair, just and reasonable. ...At the hearing the utility shall bear the burden of showing that the rate or schedule of rates proposed to be...increased or changed is fair, just and reasonable. The commission may not authorize a rate or schedule of rates that is not fair, just and reasonable.

In *Publishers Paper Co. v. Davis*, 28 Or App 189, 196, 559 P2d 891 (1977), the Court of Appeals said:

The commissioner set forth in his order [*Re Portland General Electric Co.*, Order No. 74-998 UF-3091, 8 PUR4th 393, 415 (OPUC 1974)] one of the principles he adopted in the rate spread decision:

‘* * * The touchstone of ratemaking, and of the Commissioner’s responsibility to prevent rate discrimination, is the concept that each customer should pay the costs imposed upon the company in meeting that customer’s energy needs.’

Although the issue here is a little different, the same principle applies. The Commission has a responsibility to ensure that rates for water service are just and reasonable under ORS 757.020. In discharging that responsibility, the Commission is guided by the same principle that each customer should pay the costs imposed upon the company in meeting that customer's water needs. A functionally combined water-wastewater utility should not be able to evade effective rate regulation by taking costs imposed on Sunriver Water in meeting that customer's water needs and shuttling those costs off to Sunriver Environmental where they can be collected free of a reasonableness determination by the Commission.

These same principles are at work in the statutes and administrative rules (i) giving the Commission the power of regulation over the budgets of expenditures of utilities as to items covering payments to an affiliated interest for services (ORS 757.105(1)(f)), and (ii) requiring utilities to file with the Commission any contracts to make payments to an affiliated interest for service or relating to the leasing, use, or purchase of property, and then, requiring the Commission to promptly examine and investigate those contracts. ORS 757.495(1) – (3); *accord* OAR 860-036-2200 – 2230 (affiliated interest rules for water utilities), 860-036-2360 (annual affiliated interest report).

This is important here because, as will be explained below, Sunriver Environmental has a history of paying Sunriver Water operating expenses, and

Sunriver Environmental's rates have gone up at a much faster rate than Sunriver Water's rates. SROA wants to ensure that Sunriver Water and Sunriver Environmental are not evading rate regulation by shuttling other costs from Sunriver Water to Sunriver Environmental.

V. SUNRIVER ENVIRONMENTAL AND SUNRIVER WATER ARE AFFILIATED ENTITIES, WERE PART OF A COMBINED SUNRIVER UTILITIES, AND THERE IS A HISTORY OF SUNRIVER WATER EXPENSES BEING SHUTTLED TO SUNRIVER ENVIRONMENTAL

Sunriver Water and Sunriver Environmental (wastewater) are affiliated entities. They are commonly owned by Sunriver Resort Limited Partnership. Their offices are commonly located at 57850 W Cascade Road. Through 2014, Sunriver Water did not maintain its own books of account—all three entities maintained common books of account. [Order No. 14-405](#), UW 160 (Nov. 19, 2014), p. 2 ("Sunriver will separate the accounting for the water utility from the accounting for Sunriver Environmental, LLC and the Resort.").

Sunriver Water and Sunriver Environmental are successors to Sunriver Utilities Co. Sunriver Utilities was formed in 1969

1. To own and maintain water distribution systems and sewer collection and treatment systems, together with facilities and properties related thereto.
2. To provide water for residents within such areas in the State of Oregon as the corporation may establish from time to time as its service areas.
3. To provide a sewage collection and treatment service for residents within such areas in the State of Oregon as the corporation may establish from time to time as its service areas.

[Sunriver Utilities, Articles of Incorporation \(June 20, 1969\).](#)

In 1990, in UW 29, the Commission found that \$3,427,592 of Sunriver Utilities' purported rate base consisted of contributions in aid of construction (CIAC) that should be excluded from rate base. *Re Sunriver Utilities Co.*, Order No. 90-1413 (OPUC 1990).

The Commission determined that ratepayers had paid for the utility system once, in the price of their lots, and that they should not be required to pay for the system again through rates. Specifically, the evidence showed that "minimum lot prices" in Sunriver were set to cover the "developer's costs" and "generate a certain level of profit," and that "direct and indirect utility costs (except hookup fees) [were] included as development costs." The Commission conclude[d] that before [Sunriver] Properties undertook all but the initial sales of cluster cabins, it determined that it could recoup all its costs, including utility costs, and still have a good likelihood of generating its desired profit margins." *Id.* at 19. Both "Water" and "Sewer" were included as "utilities." *Id.* at 5.

In 1998, Sunriver Utilities divided its property and operations between Sunriver Water and Sunriver Environmental—Sunriver Water providing water utility service, and Sunriver Environmental (nominally, at least) providing wastewater utility service to virtually identical ratepayers. *Re Sunriver Utilities Co.*, UP 148, Order No. 98-110 (OPUC 1998). As a part of its order approving the "sale" of assets to Sunriver Water, the Commission adopted the Staff's recommendation to approve the sale as proposed

with conditions. That recommendation, in turn, noted Staff's "concerns regarding the proper allocation of any costs associated with the proposed property transfer and the appropriate division and recording of the assets." The recommendation said "[i]t is important to provide appropriate safeguards in the order to ensure that the customers are not harmed by the requested transaction," and that "[i]n particular, staff believes that Sunriver's Contributions in Aid of Construction balance totaling \$3, 779,952, as determined by PUC staff during Sunriver's last rate case, UW 29, should be transferred to SR Water along with the utility's assets. *Id.* Appendix A, at 2.

This is important here because Sunriver Utilities acquired the 57850 W Cascade Road property from Sunriver Properties for nominal consideration (\$1) in 1980—before the division. (Sunriver Properties is the predecessor of Sunriver Resort Limited Partnership.) The transfer was a part of the transfer of the Sewage Treatment Plant, Domestic Water Storage, Well Site, and Well and Lift Station Site. Quitclaim Deed, [Deschutes County Deed Records Vol. 319](#), Page 682 (April 1, 1980). In addition, it appears from Sunriver Water's response to Staff Data Request No. 20 that the buildings in which Sunriver Water leases space were constructed in 1972, 1987, and 1988. SW Response to Staff Data Request No. 20 (The response attached Sunriver Water's filings in UI 355. Those filings, in turn, can be found at [UI 355, Initial Filing](#), p. 15, 21, 24, 27; [UI 355 Letter to PUC from Sunriver Water's lawyer \(June 19, 2015\)](#), p. 43. Excerpts are also attached.)

In 2014, in its initial rate case in UW 160, Sunriver Water proposed a revenue requirement that provided \$33,600 as an operating expense item for Rental of Building/Real Property. [Initial Filing, at 9](#). Despite ORS 757.495(2)'s requirement (see above), Sunriver Water had no approved affiliated interest agreement, and [Order No. 14-405 \(p. 4\)](#) disallowed the entire \$33,600 building rental expense. At the same time, however, PUC Staff recognized that a portion of the building rental expense included “costs for the electric and gas utility service associated with the building” and moved those expenses to a separate account. *Id.* at 4, see Appendix A, p. 7 (Staff Adjustment – Other Utilities, \$3,501). These “utilities expenses” are important because they are an example of an expense incurred to provide water service that was being paid for and collected by Sunriver Environmental. It is evidence of a pattern whereby Sunriver Water expenses are paid for by Environmental and collected in Environmental's rates. SROA wants to discover whether this practice still goes on—whether it is a reason for Sunriver Environmental's rate increases. See below.

Thereafter, in UI 355, Sunriver Water filed its lease with Sunriver Environmental for the shared office/shop/storage space at 57850 W Cascade Road. In [Order No. 15-245](#), the Commission adopted PUC Staff's recommendation that the lease be approved, but the approval was subject to the condition the Commission reserved the right to review, for reasonableness, all financial aspects of the transaction in any rate proceeding. *Id.*, Appendix A, at 1, 4 (“approval of the contract in this docket does not constitute rate

making treatment and that these costs will only be considered in the context of overall fair and reasonable rates in the Company's next rate setting proceedings").

Consistent with SROA's argument in this proceeding that the leased property had never lost its character as CIAC with respect to Sunriver Water, the Staff Report noted that "the Office Space has been used by the Company for many years without payment of rent and rent has not been included in their previous rate cases to set rates...." *Id.* at 4. That said, it does appear from the documents submitted by Sunriver that in the period after 1998, Sunriver Environmental has invested money in the buildings. See below. To prepare its case, SROA needs Sunriver Environmental's plant accounts and its depreciation schedules.

VI. SUNRIVER ENVIRONMENTAL RATES HAVE INCREASED AT A GREATER RATE THAN REGULATED SUNRIVER WATER RATES

In addition to the history of Sunriver Environmental's paying and collecting Sunriver Water expenses, there are other reasons for discovering whether other expenses of Sunriver Water are being paid and collected by Sunriver Environmental. SROA is a customer of Sunriver Water and Sunriver Environmental. It has records of their billings going back years. These billings show that unregulated Sunriver Environmental rates have been going up at a much faster rate than regulated Sunriver Water rates, as the following table shows. Sunriver Environmental's ratepayers have experienced a 43.32% rate increase in 2013; 27.39% in 2014; and 21.29% in 2015.

(Sunriver Environmental uses "special" assessments.) During that same period,

Sunriver Water has had one 10.84% rate increase. Keep in mind that for the most part, Sunriver Environmental's ratepayers are the same as Sunriver Water's ratepayers.

Year	Sunriver Water Rates				Sunriver Environmental Sewer Rates				Fire Protection	
	Rate Per 1,000 gal	% CHG	Water Residential Base Rate	% CHG	Sewer Rates (with no assessments)	% CHG	Sewer Rates (with assessments)	% CHG	Fire Protection	% CHG
2011	\$ 1.19		\$ 27.11		\$ 45.50		\$ 62.56		\$ 15.88	
2012	\$ 1.19	0.00%	\$ 27.11	0.00%	\$ 47.78	5.01%	\$ 65.09	4.04%	\$ 15.88	0.00%
2013	\$ 1.19	0.00%	\$ 27.11	0.00%	\$ 68.48	43.32%	\$ 93.29	43.32%	\$ 15.88	0.00%
2014	\$ 1.19	0.00%	\$ 27.11	0.00%	\$ 48.96	-28.50%	\$ 67.74	27.39%	\$ 15.88	0.00%
2015	\$ 1.39	16.81%	\$ 30.05	10.84%	\$ 40.29	-17.71%	\$ 53.32	21.29%	\$ 17.67	11.27%
2016	\$ 1.39	0.00%	\$ 30.05	0.00%	\$ 42.30	4.99%	\$ 55.33	3.77%	\$ 17.67	0.00%
2017	\$ 1.39		\$ 30.05		\$ 58.10		\$ 58.10		\$ 17.67	
Total % Change 2011 - 2017		16.81%		10.84%		27.69%		-7.13%		11.27%

See supporting Declaration of Joe Healy.

VII. DOCUMENTS SOUGHT

In their Request No. 6, SROA seeks:

Books of account as well as other documents, data, or records that provide a report of operations for Sunriver Environmental for years 2012, 2013, 2014, 2015, and 2016.

The reports should be in the same or similar level of detail as found in Sunriver Water's Annual [Results] of Operations Report to the Oregon Public Utility Commission, or as close to that level of detail as Sunriver Environmental has.

The basis of Request No. 6 for information about Sunriver Environmental is the Annual Report of Results of Operations that water utilities are required to file by May of each year on a form provided by the Commission. OAR 860-036-2350;

<http://www.puc.state.or.us/Pages/Information-for-Water-Utility-Companies.aspx>; [Annual Results of Operations Report \(PUC form\)](#). Sunriver Water files an Annual Report each year.

The information sought is straight-forward and directly pertinent to the operation of any utility, whether it be a water utility or a wastewater utility. The PUC's form is Excel workbook, with separate worksheets for the following. SROA has designated the particular information it is interest in:

- Affiliates – listing of products and services sold to or purchased from Affiliated Interests
- Revenues – Annual Consumption and revenue; number of customers; non-utility revenues
- Taxes & property sales – gains and losses from utility property sales
- Expenses – list of expenses following standard NARUC accounts
- Plant – list of plant in service following standard NARUC accounts
- CIAC & Advances for Construction – Beginning, additions, subtractions, end of year balance
- Depreciation – list of accrued and annual depreciation following standard NARUC accounts

- Retained earnings – list of retained earnings items following standard NARUC accounts
- Other accounts – catch-all for balance sheet and income statement information not already provided

The information sought is information that Sunriver Environmental keeps as a matter of course. After all, its books of account were combined with Sunriver Water until 2016. In essence, the information sought consists of standard detailed balance sheet, income statement, plant accounts, and depreciation schedule. In fact, Sunriver Water has already produced Sunriver Environmental's Plant Accounts as of August 14, 2014. SW Response to Staff Data Request No. 20 (excerpts attached) (The response attached Sunriver Water's filings in UI 355. Those filings, in turn, can be found at [UI 355, Initial Filing](#), p. 31-34. Excerpts are also attached.)

If, however, for some reason Sunriver Environmental does not have the information requested, it can fall back upon the last part of SROA's request, which specifies that Sunriver Environmental is only called upon to provide that "level of detail as Sunriver Environmental has."

Going through the items, with respect to Affiliated Interests, SROA is interested in listing of products and services sold to or purchased from Sunriver Water. SROA is only interested in any produces or services that Sunriver Water has not included in its Annual Reports and Affiliated Interests filings. With respect to the other items, SROA needs the books of account information so it can discover whether Sunriver Environmental is paying for expenses incurred to provide water service, and whether it is collecting those expenses

in wastewater rates. This second part, whether it is collecting the expenses in rates, is why SROA needs the revenue and retained earnings information. If those accounts showed that Sunriver Environmental's revenues are not sufficient to cover its expenses and that its retained earnings were decreasing, that could be evidence that Sunriver Environmental is not collecting water service expenses that are being incurred in its rates. SROA needs to be able to see the full picture.

In addition, SROA needs information about Plant, CIAC & Advances for Construction, and Depreciation in order to prepare for its arguments about the reasonableness of the Office Space and the North Reservoir leases. As noted above, the leased structures appear to be pre-1998 CIAC. According to documents that Sunriver has produced in this proceeding from [UI 355 Letter to PUC from Sunriver Water's lawyer \(June 19, 2015\)](#), p. 42, it appears that Sunriver Environmental has made some investments in the structures, including in 1999, 2000, 2007, 2012, 2013, and 2014. SROA needs to see the original cost information and the depreciation schedules so that it can determine how much of Sunriver Environmental's investment remains.

VIII. CONCLUSION

The documents sought are directly relevant to the determination whether rates are just and reasonable, a matter on which Sunriver Water has the burden of proof; and they are directly relevant to the arguments SROA intends to make on those matters. The

information sought appears reasonably calculated to lead to the discovery of relevant and admissible evidence. The motion should be allowed.

DATED this 16th day of June, 2017.

ESLER, STEPHENS & BUCKLEY

By: /s/ John W. Stephens
John W. Stephens

Of Attorneys for Sunriver Owners Association

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UW 169

In the Matter of)
) **DATA REQUESTS NO. 2 THROUGH 6**
SUNRIVER WATER, LLC) **OF SUNRIVER OWNERS**
) **ASSOCIATION**
)
)

Please provide a copy of your responses to the following data requests to:

Sunriver Owners Association
P.O. Box 3278
Sunriver, OR 97707
Telephone: (541) 593-2411
Facsimile: (541) 593-5669
Hughp@srowners.org

Josh Newton, Esq.
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stephens@eslerstephens.com; ortez@eslerstephens.com

The responses should be sent via electronic mail to the above email addresses. Please produce:

2. All books of account as well as all other documents, data, and records that pertain to any transactions involving the Company and Sunriver Environmental provided to the Commission (including PUC Staff) in connection with UI 355 or in response to Order No. 15-245.
3. All books of account as well as all other documents, data, and records that pertain to any transactions involving the Company and Sunriver Resort Limited Partnership provided to the Commission (including PUC Staff) in connection with UI 378 or in response to Order No. 16-452.
4. All books of account as well as all other documents, data, and records that pertain to any transactions involving the Company and Sunriver Environmental provided to the Commission (including PUC Staff) since Order No. 15-245.
5. All books of account as well as all other documents, data, and records that pertain to any transactions involving the Company and Sunriver Resort Limited Partnership provided to the Commission (including PUC Staff) since Order No. 16-452.
6. Books of account as well as other documents, data, or records that provide a report of operations for Sunriver Environmental for years 2012, 2013, 2014, 2015, and 2016. The reports should be in the same or similar level of detail as found in Sunriver Water's Annual Report of Operations Report to the Oregon Public Utility Commission, or as close to that level of detail as Sunriver Environmental has.

DATED this 26th day of May, 2017.

ESLER, STEPHENS & BUCKLEY

By: /s/ John W. Stephens
John W. Stephens

Of Attorneys for Sunriver Owners Association

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

Docket No. UW 169

In the Matter of)
SUNRIVER WATER, LLC) RESPONSE TO SROA DATA REQUESTS NOS. 2-6
Request for a General Rate Revision)

2. *All books of account as well as all other documents, data, and records that pertain to any transactions involving the Company and Sunriver Environmental provided to the Commission (including PUC Staff) in connection with UI 355 or in response to Order No. 15-245.*

Response: These materials are being delivered to the SROA under separate cover.

3. *All books of account as well as all other documents, data, and records that pertain to any transactions involving the Company and Sunriver Resort Limited Partnership provided to the Commission (including PUC Staff) in connection with UI 378 or in response to Order No. 16-452.*

Response: These materials are being delivered to the SROA under separate cover.

4. *All books of account as well as all other documents, data, and records that pertain to any transactions involving the Company and Sunriver Environmental provided to the Commission (including PUC Staff) since Order No. 15-245.*

Response: These materials are being delivered to the SROA under separate cover.

5. *All books of account as well as all other documents, data, and records that pertain to any transactions involving the Company and Sunriver Resort Limited Partnership provided to the Commission (including PUC Staff) since Order No. 16-452.*

Response: These materials are being delivered to the SROA under separate cover.

6. *Books of account as well as other documents, data, or records that provide a report of operations for Sunriver Environmental for years 2012, 2013, 2014, 2015, and 2016. The reports should be in the same or similar level of detail as found in Sunriver Water's Annual Report of Operations Report to the Oregon Public Utility Commission, or as close to that level of detail as Sunriver Environmental has.*

Response: Sunriver Water, LLC objects to this data request. This data request is likely to lead to a discovery dispute and Sunriver Water, LLC requests the opportunity to resolve the dispute informally.

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Counsel for Sunriver Water LLC has requested that the SROA narrow its request or provide specific detail regarding the information sought by the SROA. These requests were made telephonically, at the initial settlement conference and through subsequent email between counsel for Sunriver Water LLC and counsel for the SROA. To date, the SROA has not responded to this request.

RADLER WHITE PARKS & ALEXANDER, LLP

/s/ Steven P. Hultberg
Steven P. Hultberg
OSB 963137
Attorneys for Sunriver Water, LLC

March 2, 2015

VIA EMAIL AND FIRST CLASS U.S. MAIL

Oregon Public Utility Commission
Filing Center
PO Box 2148
Salem, Oregon 97308-2148

puc.filingcenter@state.or.us

RE: Sunriver Water, LLC Affiliated Interest Application

Sir or Madam:

Enclosed for filing is an affiliated interest application for Sunriver Water, LLC. The application is being filed in connection with Condition No. 1 to PUC Order 14-405. As discussed in the enclosed application, Sunriver Water is seeking approval for two new affiliated interest agreements with Sunriver Environmental, LLC. The agreements pertain to two leases for real property owned by Sunriver Environmental, LLC. One parcel is for the recently approved North Reservoir Project, and the other is for shared office/shop/storage space on real property owned by Sunriver Environmental, LLC. Sunriver Water, LLC does not propose to amend or adjust the existing Management Agreement approved in consolidated PUC Order UW 86/UI 168.

Pursuant to Sunriver Water's initial rate case filing in UW 160, the PUC removed a number of proposed expenses from the application either because the PUC considered the expenses covered by the existing Management Agreement between Sunriver Resort Limited Partnership and Sunriver Water, or the expenses constituted affiliated interest transactions for which there was no approved affiliated interest agreement. The following major expenses were removed:

1. General Manager Salary \$21,827. The PUC determined that this position was covered within the approved Management Agreement and disallowed this expense. Sunriver Water now understands that this salary falls within the existing Management Agreement. Sunriver Water is not seeking an additional affiliated interest contract for this position, nor does it seek to amend the existing Management Agreement to account for the wages of the General Manager. Consequently, Sunriver Water will not seek rate recovery for this expense in its next rate application independent of the approved Management Agreement. Sunriver Water will continue to rely on the existing Management Agreement for this cost.

2. Contract Accounting Services \$20,000. The PUC determined that this fee, attributable to Sunriver Water's portion of the audit expense for its parent company, Sunriver

EXHIBIT A

PREMISES FLOOR PLAN

Treatment Plant Room Square Footage

Room	Length	Width	Total	% Water	% Sewer	Water	Sewer
						Sq. Ft.	Sq. Ft.
Office	37	22	814	75%	25%	610.5	203.5
Lab	20	22	440	5%	95%	22	418
Lunch	30	16	480	60%	40%	288	192
Timecard	10	16	160	50%	50%	80	80
Locker	15	30	450	50%	50%	225	225
Generator	23	18	414	50%	50%	207	207
Blower	26	18	468	0%	100%	0	468
AB Pump Lower Level	29	15	435	0%	100%	0	435
AB Pump Upper Level	20	18	360	0%	100%	0	360
AB Control	18	10	180	0%	100%	0	180
Paint	17	12	204	50%	50%	102	102
Shop	22	58	1276	75%	25%	957	319
Shop - Mez.	24	14	336	10%	90%	33.6	302.4
Chlorine	8	12	96	0%	100%	0	96
Irrigation	8	11	88	0%	100%	0	88
Effluent	16	15	240	0%	100%	0	240
Lime	29	8	232	0%	100%	0	232
Ras	18	15	270	0%	100%	0	270
Belt Press	32	36	1152	0%	100%	0	1152
Belt Press Mez.	31	25	775	0%	100%	0	775
Camel	37	22	814	15%	85%	122.1	691.9
Aquatech	27	34	918	50%	50%	459	459
Barn	46	27	1242	50%	50%	621	621
Barn Mez.	10	27	270	90%	10%	243	27
Sewer Inventory rm.	8	9	72	0%	100%	0	72
Camera Room	7	9	63	25%	75%	15.75	47.25
Office Records	11	9	99	80%	20%	79.2	19.8
Screen	24	25	600	0%	100%	0	600
Backwash Storage	13	8	104	0%	100%	0	104
Total			13,052			4,065	8,987

Total Office Sq. Ft.	1305
Total Warehouse Sq. Ft.	2,760
Treatment Plant Land Sq. Ft. ¹	8,648
North Reservoir Site Land Sq. Ft. ²	42,640

¹ - Land has been calculated for number of vehicles and equipment stored, materials and inventory stored, and access to these areas on Environmental's property - see map.

² - Land has been calculated to provide space for two 1.5MG reservoirs and new well field

**Power per month for the WWTP site averages \$5,200 / SRWLLC should pay 10% or \$520/month

*** Natural Gas bills should be split to 75% Environmental and 25% SRWLLC

EXHIBIT A

PREMISES

Treatment Plant Room Square Footage

Room	Length	Width	Total	% Water	% Sewer	Water	Sewer
						Sq. Ft.	Sq. Ft.
Office	37	22	814	75%	25%	610.5	203.5
Lab	20	22	440	5%	95%	22	418
Lunch	30	16	480	60%	40%	288	192
Timecard	10	16	160	50%	50%	80	80
Locker	15	30	450	50%	50%	225	225
Generator	23	18	414	50%	50%	207	207
Blower	26	18	468	0%	100%	0	468
AB Pump Lower Level	29	15	435	0%	100%	0	435
AB Pump Upper Level	20	18	360	0%	100%	0	360
AB Control	18	10	180	0%	100%	0	180
Paint	17	12	204	50%	50%	102	102
Shop	22	58	1276	75%	25%	957	319
Shop - Mez.	24	14	336	10%	90%	33.6	302.4
Chlorine	8	12	96	0%	100%	0	96
Irrigation	8	11	88	0%	100%	0	88
Effluent	16	15	240	0%	100%	0	240
Lime	29	8	232	0%	100%	0	232
Ras	18	15	270	0%	100%	0	270
Belt Press	32	36	1152	0%	100%	0	1152
Belt Press Mez.	31	25	775	0%	100%	0	775
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Barn	46	27	1242	50%	50%	621	621
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Sewer Inventory rm.	8	9	72	0%	100%	0	72
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Screen	24	25	600	0%	100%	0	600
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Total **13,052** **4,065** **8,987**

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Blower	26	18	468	0%	100%	0	468
AB Pump Lower Level	29	15	435	0%	100%	0	435
AB Pump Upper Level	20	18	360	0%	100%	0	360
AB Control	18	10	180	0%	100%	0	180
Paint	17	12	204	50%	50%	102	102
Shop	22	58	1276	75%	25%	957	319
Shop - Mez.	24	14	336	10%	90%	33.6	302.4
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Initial Filing, p. 24

WWTP Room Sq. Footage



DR #42 PLANT ACCOUNTS

(4) a. Plant accounts Environmental (DR42)

Sunriver Environmental (5022)

File Listing Report

Book = Tax
 FYE Month = December

Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Vendor/Mfg	Disposal Date	Acquired Value
G/L Asset Acct No = 5022-001-1630-0000													
000230		000 A	2447	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				8,454.00
		000 A	2702	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				13,663.00
000236		000 A	884	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				29,565.00
000237		000 A	885	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				366.00
000238		000 A	886	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				297,727.00
000239		000 A	887	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				183.00
000240		000 A	888	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				823.00
000241		000 A	889	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				115,024.00
000242		000 A	902	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				1,279.00
000243		000 A	903	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				1,325.00
000245		000 A	1131	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				43,136.00
000246		000 A	1257	SEWER	SI	5022-001-1630-0000	07/01/98	R	MF150				731.00
000247		000 A	1403	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				125,489.00
000248		000 A	1531	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				2,696.00
000249		000 A	1576	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				2,650.00
000250		000 A	1577	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				28,788.00
000251		000 A	1740	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				111,916.00
000252		000 A	1743	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				3,564.00
000253		000 A	1858	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				8,316.00

August 14, 2014 at 2:16 PM

Sunriver Environmental (5022)
File Listing Report

Book = Tax
FYE Month = December

Sys No	Ext	A C Co Asset No	Location	Cl	GL Asset Acct No	In Svc Date	P T	Depr Meth	Department	Vendor/Mfg	Disposal Date	Acquired Value
GL Asset Acct No = 5022-001-1630-0000												
000254		OFFICE LAB EXPANSION (S) AND (G) 000 A 2260	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				29,747.00
000255		ODOR CONTROL STRUCTURE 000 A 2262	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				39,526.00
000256		DMJM TANK REPAIR 000 A 2290	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				14,485.00
000257		AQUA TECH GARAGE (22) 000 A 2322	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				1,919.00
000258		AQUA TECH DUMP SITE 000 A 2323	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				2,330.00
000259		PARKING LOT PAVING 000 A 2400	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				7,448.00
000260		F.E.B. PUMP 90 000 A 2444	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				7,083.00
000261		ODOR CONTROL 90 000 A 2448	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				11,861.00
000262		ODOR CONTROL 91 000 A 2545	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				1,462.00
000263		WASHWATER DIVERSION 000 A 2703	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				503.00
000305		MOBILE HOME 1987 000 A 1917	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF200				1,234.00
000408		ODOR CONTROL FILTER 000 A 3501	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				665.00
000409		LIME STABILIZATION 000 A 3503	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				12,246.00
000410		PAVE HANDICAP RAMP 000 A 3504	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				274.00
000412		MOBILE HOME ROOF REPAIR 000 A 3506	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF200				2,140.00
000419		FENCE REPLACEMENT 000 A 3513	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				1,919.00
000427		SUBMURSABLE PUMP 000 A 3521	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				3,610.00
000435		PAINT METAL ROOFS 000 A 3529	SEWER	B	5022-001-1630-0000	07/01/98	P	MF150				2,148.00
000436		ASPHALT DRIVE & PARKING										

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Page 4

Sunriver Environmental (5022)
File Listing Report

Book = Tax
FYE Month = December

Sys No	Ext	C	Co Asset No	Location	Cl	Gl Asset Acct No	In Svc Date	P T	Depr Meth	Department	Vendor/Mfg	Disposal Date	Acquired Value
Gl Asset Acct No = 5022-001-1630-0000													
000458		A	3530	SEWER	I	5022-001-1630-0000	07/01/98	R	MF150				1,782.00
		A		SEWER	B	5022-001-1630-0000	07/01/98	P	MF200				3,336.00
000476		A		SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				1,058.00
000477		A		SEWER	I	5022-001-1630-0000	07/01/98	P	MF150				2,995.00
000481		A		SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				9,483.00
000484		A		SEWER	I	5022-001-1630-0000	07/01/98	P	MF150				791,602.00
000491		A		SEWER	I	5022-001-1630-0000	09/10/98	P	MF150				7,166.85
000495		A		SEWER PLANT	E	5022-001-1630-0000	11/15/99	P	MF150				0.00
000496		A		SEWER PLANT	E	5022-001-1630-0000	11/23/99	P	MF150				0.00
000497		A		SEWER PLANT	I	5022-001-1630-0000	12/08/99	P	MF150				12,789.59
000501		A		SEWER PLANT	E	5022-001-1630-0000	03/02/99	P	MF150				7,900.00
000508		A		SEWER PLANT	E	5022-001-1630-0000	10/30/00	R	MF100				6,503.70
000516		A		LAKE PENHOLLOW	B	5022-001-1630-0000	01/01/00	R	MF100				142,437.00
000517		A		LAKE PENHOLLOW	I	5022-001-1630-0000	01/01/00	R	MF100				406,599.78
000522		A		lake penhollow	I	5022-001-1630-0000	11/01/01	P	MF150				152,724.69
000523		A		lake penhollow	I	5022-001-1630-0000	05/16/01	P	MF150				22,139.55
000543		A		Plant	I	5022-001-1630-0000	03/31/03	P	MA150				12,863.29
000550		A		ENV	I	5022-001-1630-0000	06/30/04	P	MA150	720	Various		44,741.37
000555		A		ENV	I	5022-001-1630-0000	06/30/04	P	MA150	725			455,245.81

August 14, 2014 at 3:16 PM

Sunriver Environmental (5022)
File Listing Report

Book = Tax
FYE Month = December

Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Vendor/Mfg	Disposal Date	Acquired Value
G/L Asset Acct No = 5022-001-1630-0000													
000561		Roofing 000 A		ENV	I	5022-001-1630-0000	05/30/04	P	MA150	730			8,451.20
000562		Basin Improvements No 168 000 A		ENV	I	5022-001-1630-0000	05/30/04	P	MF150	720	Various		25,108.51
000571		Plant Expansion Insurance 000 A		Sewer	e	5022-001-1630-0000	12/31/05	P	MF150				16,173.00
000572		Roof Main Plant 000 A		Sewer	bu	5022-001-1630-0000	12/31/05	R	MF100				8,534.63
000586		BLOWER AT TREATMENT PLANT (ADJUST VALVES) 000 A P				5022-001-1630-0000	05/30/06	P	MF150				30,217.21
000599		furnace 000 A		plant	e	5022-001-1630-0000	09/01/07	R	MF100				6,640.80
000600		plant improvements 000 A		plant	i	5022-001-1630-0000	09/01/07	R	MF150				13,157.85
000616		Sewer Plant Planning 000 A				5022-001-1630-0000	12/31/09	R	MF100				22,742.69
000617		Waste Water Treatment Plant Expansion Studies Grant Refund 000 A		Sewer Plant		5022-001-1630-0000	03/31/10	R	MF100				(41,996.09)
000638		Office Expansion Design 000 A				5022-001-1630-0000	05/30/12	R	MF100				502.50
000645		Utilities Bldg/Office Upgrades 000 A				5022-001-1630-0000	12/31/12	R	MF100				5,054.44
000648		Office Improvements 000 A				5022-001-1630-0000	08/01/13	P	MA200				7,690.30
000649		Wastewater Treatment plan improvements 000 A				5022-001-1630-0000	12/01/13	P	MA100				78,365.01

Steven P. Hultberg
shultberg@radlerwhite.com
541.585.3697

June 11, 2015

Via Email (puc.datarequests@state.or.us)

Public Utilities Commission
Attn: Kay Barnes
PO Box 1088
Salem, OR 97308-1088

Re: Docket No. UI 355, Data Request 1-9

Dear Ms. Barnes:

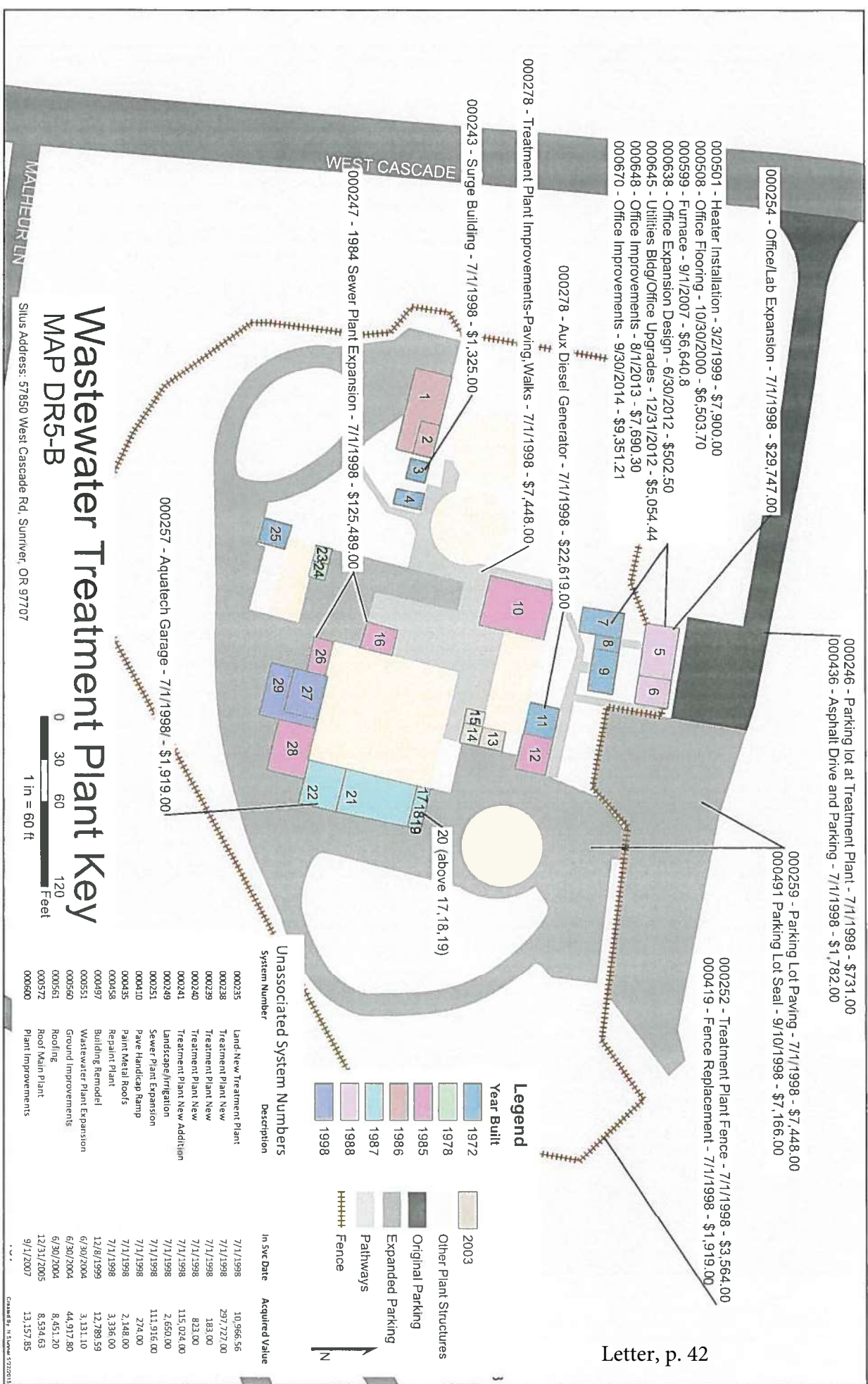
On March 2, 2015, Sunriver Water, LLC ("SRW") filed an affiliated interest application seeking approval of two lease agreements with Sunriver Environmental, LLC ("SRE"). As explained in the original filing, SRW and SRE are "affiliated" as defined by ORS 757.015 due to the fact that they are owned by the same parent company.

On May 7, 2015, the PUC sent SRW Data Request 1-9. Pursuant to discussions with PUC staff and counsel, the PUC extended the deadline for filing the response to the data request. Attached to this letter is the formal response to the data request, together with the relevant schedules and supporting information. Should the PUC have any questions regarding the enclosed, please call Thomas Samwel directly at 541.593.4629 or the undersigned at 541.585.3697.

In the PUC's first data request, it sought additional information regarding the cost to provide the two leases pursuant to OAR 860-036-0739. Given that SRE has owned the two subject properties for a number of years, the cost of providing leased space to SRW is extremely low—if not zero—and significantly below market rate. For the reasons set forth below, SRW seeks a waiver from the standards of OAR 860-036-0739.

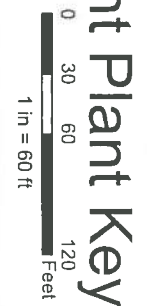
The office, shop and storage areas have been utilized by SRW for many years without the payment of rent. In other words, rent for this property has not been included in SRW's revenue requirement used to set rates, resulting in a benefit to rate payers for many years. The reservoir site has been owned by SRE for nearly 20 years, with a relatively low cost basis. SRE is under no obligation to provide either location to SRW for free and believes that it is appropriate to charge SRW reasonable rent for both locations. In the absence of receiving rent, SRE would seek other revenue-producing uses for the properties. In terms of efficiency and impact to rates, however, both SRE and SRW believe it is in the ratepayers' best interest to permit SRW to utilize real property owned by SRE.

If SRE were required to charge SRE's cost to provide the leased space, the amount would be extremely low, if not zero. Instead, both SRE and SRW believe that payment of a rental rate that is below market rate, but provides a reasonable return to SRE, is a fair compromise. It permits SRE to receive a reasonable return and avoids the need for SRW to seek alternate space elsewhere in the community for its facilities. As a consequence, SRW seeks a waiver from the requirements of OAR 860-036-0739(4)(e).



WEST CASCADE
 MALHEUR LN

Wastewater Treatment Plant Key
 MAP DR5-B
 Silus Address: 57850 West Cascade Rd, Sunliver, OR 97707



DR5-C

Map Legend #	Building	Year Built	Permits	Permit Valuation
1	Shop	1987	SP-86-52, 86-910C	\$41,000.00
2	Shop Mezzanine	1987	SP-86-52, 86-910C	
3	Backwash Storage	1972	Archived documents, not available from county	
4	Paint Room	1972	Archived documents, not available from county	
5	Office	1988	SP-88-52, 247-B25851, 247-E2885, 247-P1275	\$46,569.00
6	Lab	1988	SP-88-52, 247-B25851, 247-E2885, 247-P1275	
7	Locker Room	1972	Archived documents, not available from county	
8	Timecard Room	1972	Archived documents, not available from county	
9	Lunch Room	1972	Archived documents, not available from county	
10	Screen Room	1985	SP-85-16, 85-203C	\$58,000.00
11	Generator Room	1972	Archived documents, not available from county	
12	Blower Room	1985	SP-85-47, TU-85-22	\$92,000.00
13	AB Pump Lower	2003	SP-03-17	
14	AB Pump Upper	2003	SP-03-17	
15	AB Control	2003	SP-03-17	
16	RAS	1985	Archived documents, not available from county	
17	Power Room	1987	87-783C	
18	Office Records	1987	87-783C	
19	Camera Room	1987	87-783C	
20	Barn Mezzanine	1987	87-783C	\$99,319.00
21	Barn	1987	87-783C	
22	Aquatech Room	1987	87-783C	
23	Irrigation Room	1978	SP-78-1	
24	Chlorine Room	1978	SP-78-1	
25	Effluent Room	1978	SP-78-1	
26	Lime Room	1985	SP-85-47, TU-85-22	\$92,000.00
27	Belt Press Mezzanine	1998	SP-98-55, 2B-44-98, 247-B43062, 247-E49449, 247-P15646	\$35,506.00
28	Camel Room	1985	SP-85-47, TU-85-22	\$92,000.00
29	Belt Press Room	1998	SP-98-55, 2B-44-98, 247-B43062, 247-E49449, 247-P15646	\$35,506.00

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UW 169

In the Matter of

SUNRIVER WATER, LLC

)
) **DECLARATION OF JOE HEALY IN**
) **SUPPORT OF SUNRIVER OWNERS**
) **ASSOCIATION'S MOTION TO**
) **COMPEL**
)

I, Joe Healy, do declare and state:

1. I am the Controller for the Sunriver Owners Association (SROA).

2. SROA is a customer of Sunriver Water LLC, and Sunriver Environmental LLC. Sunriver Environmental is a wastewater utility and is affiliated with Sunriver Water. As I understand it, they are both owned by Sunriver Resorts Limited Partnership.

3. Hugh Palcic, the general manager of SROA, asked me to go through the billings by Sunriver Water and Sunriver Environmental from 2011 to the present and to

///

///

///

///

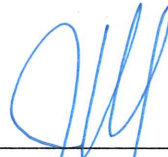
///

///

prepare a spreadsheet showing their rates for service. A copy is attached.

I hereby declare that the above statement is true to the best of my knowledge and belief, and that I understand it is made for use as evidence in court and is subject to penalty for perjury.

DATED this 16th day of June, 2017.



Joe Healy

C:\Users\John\OneDrive\Documents\Sunriver\SROA Declaration of Joe Healy 6-16-2017.docx

	2011 Rates	2012 Rates	% CHG	2013 Rates	% CHG	2014 Rates	% CHG	2015 Rates	% CHG	2016 Rates	% CHG	2017 Rates	Total % Change 2011 - 2017
Sunriver Water Rates													
Rate Per 1,000 gal	\$ 1.19	\$ 1.19	0.00%	\$ 1.19	0.00%	\$ 1.19	0.00%	\$ 1.39	16.81%	\$ 1.39	0.00%	\$ 1.39	16.81%
Water Residential Base	\$ 27.11	\$ 27.11	0.00%	\$ 27.11	0.00%	\$ 27.11	0.00%	\$ 30.05	10.84%	\$ 30.05	0.00%	\$ 30.05	10.84%
Sunriver Environmental Sewer Rates													
Sewer Rates (with no assessments)	\$ 45.50	\$ 47.78	5.01%	\$ 68.48	43.32%	\$ 48.96	-28.50%	\$ 40.29	17.71%	\$ 42.30	4.99%	\$ 58.10	27.69%
Sewer Rates (with assessments)	\$ 62.56	\$ 65.09	4.04%	\$ 93.29	43.32%	\$ 67.74	-27.39%	\$ 53.32	21.29%	\$ 55.33	3.77%	\$ 58.10	-7.13%
Fire Protection	\$ 15.88	\$ 15.88	0.00%	\$ 15.88	0.00%	\$ 15.88	0.00%	\$ 17.67	11.27%	\$ 17.67	0.00%	\$ 17.67	11.27%