

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 UW 166

4 In the Matter of

5 ROATS WATER SYSTEM, INC.,

6 Request for a General Rate Revision
7

PARTIAL STIPULATION

8 This Partial Stipulation is among Roats Water System, Inc. (Roats or Company)
9 appearing by and through its President, William Roats, and the Public Utility Commission of
10 Oregon Staff (Staff), appearing by and through its attorney, Sommer Moser, Assistant Attorney
11 General (hereafter, collectively referred to as the Stipulating Parties). The other parties to this
12 case are intervenors William Burton, Pat McCabe, James Pease, James Powell, Richard Rotondi,
13 and Avion Water Company. Intervenors Avion Water Company and James Pease support this
14 Partial Stipulation. Intervenors James Pease and Pat McCabe take no position on this Partial
15 Stipulation. Intervenor Richard Rotondi objects to the Stipulation. At the time that this
16 Stipulation was filed, William Burton had not indicated his position on the Partial Stipulation.

17 **I. INTRODUCTION**

18 On March 15, 2016, Roats filed a Request for a General Rate Revision, seeking to
19 increase its revenue requirement, to include in rates costs and revenues related to its proposed
20 acquisition of the Juniper Utility system from the City of Bend, the establishment of rates for
21 irrigation service, and for approval of a power cost adjustment tariff.

22 The parties reviewed the Company's filing and data responses, and held several
23 workshops and settlement conferences to understand and address the issues in this case. As a
24 result of those discussions, the Company and Staff have reached an agreement on all but one
25 issue in this case, as set forth below. The implementation date for new rates remains a contested
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1 issue in this case. The Stipulating Parties respectfully request that the Commission issue an
2 order adopting this Partial Stipulation.

3 II. TERMS OF STIPULATION

4 1. The Stipulating Parties agree to recommend and support the revenue requirements
5 included in Attachment A to this Partial Stipulation, which shows revenue requirements both
6 inclusive of and without the Juniper Utility system acquisition. The Stipulating Parties agree on
7 the following timelines for implementing new rates in this case:

8 A. If the Juniper Utility system acquisition closes prior to the rate effective date,
9 Roats agrees to charge newly acquired domestic customers pursuant to its
10 current tariffs until new rates, inclusive of the Juniper acquisition, become
11 effective. For irrigation service, and domestic for The Pines and Crown Villa,
12 Roats agrees to make an advice filing with the Commission requesting
13 irrigation rates be approved, subject to refund, equivalent to the irrigation
14 rates agreed to by the Stipulating Parties.

15 B. If the sale has not closed by the rate effective date, Roats agrees to charge
16 current customers stipulated rates without the Juniper acquisition. If the sale
17 closes after the rate effective date but before September 1, 2017, Roats agrees
18 to file compliance tariffs to implement stipulated rates inclusive of the Juniper
19 acquisition within three business days of the date of the closure.

20 C. If Roats proceeds with the purchase but it does not close prior to September 1,
21 2017, Roats agrees that it will file a new general rate case in order to include
22 the Juniper acquisition in rates no later than three months following the
23 closing date of the sale.

24 2. All rate spread and rate design issues are settled as follows:

25 A. Rates inclusive of the Juniper acquisition were determined by allocating costs
26 driven by irrigation customers to that class and in consideration of the

seasonal nature of these customers. Overall revenue requirement is allocated 20.32% to irrigation customers, and 79.68% to domestic customers. Rates inclusive of the Juniper acquisition for each customer class are as follows:

Rate Summary		
Rate	Domestic	Irrigation
Resi/Comm 3/4" and 5/8" Base Rate	\$33.45	
Resi/Comm 1" Base Rate	\$48.17	
Resi/Comm 1 1/2" Base Rate	\$57.80	
Resi/Comm 2" Base Rate	\$74.26	
Resi/Comm 3" Base Rate	\$501.75	
Resi/Comm 4" Base Rate	\$836.26	
Resi/Comm 6" Base Rate	\$1,672.51	
Resi/Comm Commodity Rate	\$0.95	
The Pines/Crown Villa Base Rate	\$17.58	
The Pines/Crown Villa Commodity Rate	\$1.86 ¹	
4" Private Fire	\$5.34	
6" Private Fire	\$10.67	
8" Private Fire	\$17.07	
10" Private Fire	\$24.54	
12" Private Fire	\$33.94	
Public Fire	\$0.46	
Irrigation - Standard		\$48.80
Irrigation - Pines/Crown Villa		\$23.16

D. The Stipulating Parties agree to the following rates for the Juniper customer class without the Juniper acquisition.

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¹ The Pines/Crown Villa commodity rate will change in accordance with rate changes for bulk water from the City of Bend.

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B. Rates exclusive of the Juniper acquisition for each customer class are as follows:

Rate Summary	
Resi/Comm 3/4" and 5/8" Base Rate	\$ 40.24
Resi/Comm 1" Base Rate	\$ 57.94
Resi/Comm 1 1/2" Base Rate	\$ 69.53
Resi/Comm 2" Base Rate	\$ 89.32
Resi/Comm 3" Base Rate	\$ 603.53
Resi/Comm 4" Base Rate	\$ 1,005.89
Resi/Comm 6" Base Rate	\$ 2,011.77
Resi/Comm Commodity Rate	\$ 0.95

The Pines/Crown Villa Base Rate	N/A
The Pines/Crown Villa Commodity Rate	N/A

4" Private Fire	\$ 5.34
6" Private Fire	\$ 10.67
8" Private Fire	\$ 17.07
10" Private Fire	\$ 24.54
12" Private Fire	\$ 33.94
Public Fire	\$ 0.68

Irrigation - Standard	N/A
Irrigation - Pines/Crown Villa	N/A

3. The Stipulating Parties agree that the Company should be permitted to implement a power cost adjustment tariff in order to recover increased costs attributable to increased electric power rates charged by Roats' electricity suppliers. The tariff will apply as an addition to the domestic commodity rate shown in Roats' Schedule No. 1 per 100 cubic feet of water used. The power cost adjustment rate will be set to zero until such time that the Company files an updated tariff sheet triggered by an increase in power cost rates charged by one or more of its electricity suppliers. If the Company chooses to file for such increases, Roats agrees to file for subsequent

1 decreases in such costs. Changes to the power cost adjustment rate will be computed as follows:
2 [Power Cost per 100 cf] x [Supplier Allocator %] x [Supplier Increase/Decrease %]. For use in
3 this case, the tariff will establish a Power Cost of \$0.282 per 100 cf and Supplier Allocators of
4 78.77% for Pacific Power and 21.23% for Central Electric Cooperative (CEC). The Supplier
5 Increase % will reflect the overall percentage rate increase (or decrease) put in place by the
6 respective supplier.

7 4. The Stipulating Parties agree to remove expenses and offsetting revenues related
8 to the Company's cross-connection program from the revenue requirement of this case.

9 5. The Stipulating Parties agree that Roats' decision to acquire the Juniper Utility
10 system from the City of Bend was prudent. For ratemaking purposes, the Stipulating Parties
11 agree that the gross book value of the Juniper Utility system is \$1,400,000.00. Roats agrees to
12 apply the 50 year NARUC asset life to that asset. The remaining net book value will represent
13 the value of the acquired property for ratemaking purposes in subsequent rate cases. The
14 Stipulating Parties also agree to include the following Juniper-related capitalized costs in rates:
15 (A) \$10,596 related to acquisition-related accounting and legal fees, and (B) \$11,484 related to
16 an engineering study. Roats will also apply the 50 year NARUC asset life to these assets. The
17 Stipulating Parties further agree that the Commission should approve rates that reflect the
18 Company's prudently incurred costs and benefits of acquisition after closing and upon the rate
19 effective date, with the following conditions:

20 A. Roats will file an attestation that the purchase of the Juniper Utility system
21 from the City of Bend has closed within ten days of closing or a status update
22 to the parties to this docket no later than March 15, 2017 as to an expected
23 close date.

24 B. Roats will file a general rate case no later than three years and six months
25 after a final order is issued in this case, with a test year reflective of the
26 Company's most recent full fiscal year of actuals.

1 C. In the event that Roats sells its Arnold Irrigation water rights and incurs a
2 liability to the City of Bend pursuant to paragraph 3.7 of the Asset Purchase
3 Agreement, Roats agrees that it will not seek reimbursement from its
4 customers for those costs.

5 D. The Company will charge customers in The Pines and Crown Villa the same
6 domestic commodity rate as the bulk water rate charged by the City of Bend.
7 Roats agrees to make a tariff filing with the Commission to update rates for
8 The Pines and Crown Villa within 30 days of any rate change from the City
9 of Bend.

10 E. Roats agrees to file an application pursuant to ORS 757.480(5) in the event
11 that it seeks to dispose of its right to provide service to The Pines and Crown
12 Villa pursuant to paragraph 1.3 of the Asset Purchase Agreement. Roats
13 agrees that it will not cease providing service to The Pines and Crown Villa
14 absent approval by the Commission, or as a result of condemnation
15 proceedings instituted by the City of Bend.

16 6. The Stipulating Parties agree that stipulated rates in this case reflect the complete
17 removal of Contributions in Aid of Construction (CIAC) from Utility Plant, equal to \$1,706,782,
18 and the complete removal of Accumulated Amortization of CIAC from Accumulated
19 Depreciation, equal to \$545,555. The Stipulating Parties agree that the Depreciation Expense of
20 \$86,555 includes depreciation on invested assets only and excludes depreciation on CIAC assets.
21 The Stipulating Parties agree that the CAIC may be raised in a subsequent rate case

22 7. The Stipulating Parties agree that stipulated rates in this case reflect rate base
23 additions and accumulated depreciation through September 30, 2016, with the following
24 exceptions:

25 A. The Juniper Utility system acquisition is included in Utility Plant at total of
26 \$1,422,080.00, as discussed in Paragraph 7, above.

1 B. The Stipulating Parties agree that depreciation expense on the Juniper Utility
2 system assets, inclusive of the engineering study and legal services, is
3 \$14,220.00, which represents six months of depreciation expense.

4 8. The Stipulating Parties recommend and request that the Commission approve this
5 Stipulation as an appropriate and reasonable resolution of the issues described therein.

6 9. The Stipulating Parties agree that this Stipulation is in the public interest and will
7 result in rates that are fair, just and reasonable and will meet the standard set forth in ORS
8 756.040.

9 10. The Stipulating Parties agree that this Stipulation represents a compromise in the
10 positions of the Parties. By entering into this Stipulation, no party shall be deemed to have
11 approved, accepted, or consented to the facts, principles, methods, or theories employed by any
12 other party in arriving at the agreed settlement on any issue in this case.

13 11. The Signing parties have negotiated this Stipulation as an integrated document.
14 Pursuant to OAR 860-001-0350(9), if the Commission rejects all or any material part of this
15 Stipulation, or adds any material condition to any final order that is not consistent with this
16 Stipulation, each Stipulating Party reserves the right, upon written notice to the Commission and
17 all Parties to this proceeding within 15 days of the date of the Commission's order, to withdraw
18 from the Stipulation and request an opportunity for the presentation of additional evidence and
19 argument.

20 12. The Signing Parties understand that this Stipulation is not binding on the
21 Commission in ruling on this application and does not foreclose the Commission from
22 addressing other issues.

23 13. This Stipulation may be signed in any number of counterparts, each of which will
24 be an original for all purposes, but all of which taken together will constitute a complete
25 agreement.

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DATED this 6th day of December, 2016.

ROATS WATER SYSTEM, INC.



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

1 DATED this 6th day of December, 2016.

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6 ROATS WATER SYSTEM, INC.

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9 STAFF OF THE PUBLIC UTILITY
10 COMMISSION OF OREGON

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