



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

June 27, 2014

Sarah Rowe
Administrative Law Judge
Public Utility Commission of Oregon
3930 Fairview Industrial Dr. SE
Salem, OR 97302-1166

Re: UW 158 Salmon Valley Water Company – STAFF ERRATA FILING

Dear ALJ Rowe:

The Public Utility Commission of Oregon Staff (Staff) has discovered errors in its supporting testimony. We file this errata file to correct those errors. Specifically, the errors are:

In Staff/100; Hari/3, beginning at line 17, Table 1 should be replaced with this table:

Table 1 - Revenue Requirement Details

| | Salmon Valley 2012 Test Year As Filed | Salmon Valley Requested | Stipulated Amounts |
|----------------------|---|----------------------------|-----------------------|
| Total Revenues | 244,259 | 339,307 | 324,748 |
| Water Sales Revenues | 241,817 | 339,307 | 324,748 |
| Operating Expenses | 243,172 | 262,721 | 258,315 |
| Total Deductions | 282,389 | 302,239 | 300,113 |
| Net Income | (38,130) | 37,068 | 24,636 |

In Staff/100; Hari/4, at line 12, "UW 43" should be changed to "UW 45."

In Staff/11; Hari/11, at line 7, "32.93" percent should be changed to "32.95" percent.

Staff has attached corrected replacement pages that reflect these errata changes. If you have any questions about this errata filing, please do not hesitate to contact me.

Sincerely,

Jason W. Jones
Assistant Attorney General
Business Activities Section

JWJ:mal/#5499122
Attachments
cc: UW 158 Service List

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ISSUE 4, STAFF'S ANALYSIS OF SALMON VALLEY'S

APPLICATION AND STAFF ADJUSTMENTS

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

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

Q. PLEASE DESCRIBE STAFF'S ANALYSIS OF SALMON VALLEY'S APPLICATION.

A. Staff analysis of Salmon Valley's application indicated that a 32.95 percent or \$80,489 increase in test year water sales revenue was warranted, resulting in a revenue requirement of \$324,748 with a 7.6 percent return on a rate base of \$324,110.

Q. PLEASE DESCRIBE STAFF'S ADJUSTMENTS TO SALMON VALLEY'S TEST PERIOD REVENUES.

A. Staff made one adjustment to the test year revenues. Staff redistributed revenue from commercial water sales into residential water sales. Staff found that the existing rate design was inappropriately weighted on the larger commercial customers. To resolve the inequity, Staff adjusted the test year revenues to reflect the actual split calculated between the residential and the commercial customer revenues to reflect the new rate spread and rate design. The inequity between the residential and commercial customers is explained in detail further in my testimony.

Q. PLEASE DESCRIBE STAFF'S MAJOR ADJUSTMENTS TO SALMON VALLEY'S TEST PERIOD EXPENSES.

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ISSUE 2,

SALMON VALLEY'S DESCRIPTION AND REGULATORY HISTORY

Q. PLEASE DESCRIBE SALMON VALLEY WATER COMPANY, INC.

A. Salmon Valley is located near Welches, Oregon, and is a privately owned, for-profit water utility. Salmon Valley provides water service to approximately 913 customers located in and around Welches. The Company was formed in 1962, incorporated in 1968, and is currently owned by JoAnn Bowman and Joyce Sewell. Michael Bowman is the President and Manager for Salmon Valley.

Q. PLEASE DESCRIBE SALMON VALLEY'S REGULATORY HISTORY.

A. Salmon Valley is a rate-regulated water utility under the jurisdiction and authority of the Commission. The Company became rate regulated by customer petition and filed its first rate case, Docket UW 45, in 1994. The Commission approved the Company's first tariffed rates in Order No. 94-984. There have been no further regulatory actions since 1994.

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ISSUE 3,

APPLICATION FOR A RATE INCREASE

Q. PLEASE DESCRIBE SALMON VALLEY'S CURRENT APPLICATION FOR A GENERAL RATE INCREASE, DOCKET NO. UW 158.

A. The Company filed an application for a general rate increase on November 25, 2013, using a January 1, 2012, through December 31, 2012, test year. In its application, the Company proposed an overall increase of 38.91 percent or \$95,048 over test period revenues of \$244,259, resulting in an annual revenue requirement of \$339,307. The Company proposed a rate base of \$312,268 with an 11.87 percent rate of return. Staff notes that the application stated a 10.31 percent rate of return; however, upon Staff's calculation of the data supplied by the Company, the actual rate of return reflected in the application is 11.87 percent.

Q. WHAT REASONS DID THE COMPANY GIVE FOR SEEKING A RATE INCREASE?

A. Salmon Valley stated in its application that it is seeking the increase to improve the Company's cash position, make system repairs and improvements, and cover the rising costs of operations. The Company also pointed out that this is the first rate increase it has requested since becoming regulated in July of 1994.

Q. PLEASE EXPLAIN HOW THE RATES WERE ESTABLISHED IN UW 45.

A. Salmon Valley's application in UW 45 requested flat and metered rates. The Company was installing meters and requested a transition from unmetered to

1 **CERTIFICATE OF SERVICE**

2 I certify that on June 27, 2014, I served the foregoing Staff Errata Filing upon all parties
3 of record in this proceeding by delivering a copy by electronic mail only as all parties waive
4 paper service.

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