

**PUBLIC UTILITY COMMISSION
OF
OREGON**

UW 165

SHADOW WOOD WATER SERVICE, LLC

REQUEST FOR A GENERAL RATE REVISION

**Company Testimony In Support of the
Stipulation**

JUNE 24, 2016

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INTRODUCTION

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Silas Olson. I am the General Manager of Hiland Water Corporation and the designated agent of Shadow Wood Water Service, LLC. Our business address is 700 N. College St. Newberg, OR 97132 and our mailing address is PO Box 699, Newberg, OR 97132.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. I have a bachelor's degree in Business Administration (Concentration in Accounting) along with a Master's degree in Business Administration (Concentration in Innovation/Entrepreneurship). I began working in waterworks 1997 and have worked in every aspect of waterworks, including operations, new construction, compliance, customer service, accounting, and business administration. I have worked as a full-time manager for Hiland Water since 2011 and have been involved as a shareholder of Hiland Water since 1997. I currently oversee business operations and supervise the other managers who oversee the field operations, projects, drinking water compliance, and customer service.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support the Stipulation entered into by Commission Staff (Staff) and Shadow Wood Water Service, LLC (Shadow

1 Wood or Company) in docket UW 165, Shadow Wood’s request for a general
2 rate revision.

3 **Q. WHO IS TESTIFYING IN THIS DOCKET?**

4 A. I am testifying as the Company witness in UW 165.

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

6 A. My testimony is organized as follows:

7	Issue 1 ----- Wells & Water Rights.....	2
8	Issue 2 ----- Mainline replacement since 2005 Rate Case	6

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ISSUE 1

11

WELLS & WATER RIGHTS

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**Q. PLEASE DESCRIBE THE WATER SOURCES THAT CURRENTLY SERVE
13 SHADOW WOOD WATER SERVICE, LLC.**

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A. There are two wells currently serving Shadow Wood, termed Well #1 and Well
15 #3. Well #1 is a water source believed to be about 120’ deep. Well #3 is a
16 water source 440’ deep.

17

**Q. ARE THERE ANY OTHER POTENTIAL WATER SOURCES FOR
18 SHADOW WOOD WATER SERVICE, LLC?**

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A. The Company applied to the Water Resources Department for a water right to
20 the following four well sites and wells (priority date November 9, 2004 with
21 perfection by 2024):

22

Well #1, which was existing at the time of application.

1 Well #2, which serves the Mossy Brae Water District and is located near the
2 Company's service territory but is not owned by the company and is not
3 currently used to serve Shadow Wood.

4 Well #3 (site), which was later drilled to a depth of 440' in 2009.

5 Well #4 (site), which has not yet been drilled.

6 **Q. WHY DID THE COMPANY APPLY FOR A WATER RIGHT IN 2004?**

7 A. The Company applied for a Water Right due to the good advice received by its
8 engineer, John Borden, who is a Certified Water Rights Examiner in the State
9 of Oregon. Mr. Borden informed the Company that not all water use from Well
10 #1 was allowed without a water right. In particular, fire protection and irrigation
11 were not allowed or very limited. Additionally, allowable domestic use would
12 likely be exceeded. Obtaining a Water Right would alleviate these issues and
13 add security to the ability to provide water service to the Shadow Wood
14 customers.

15 **Q. WHY DID THE COMPANY APPLY FOR A WATER RIGHT FOR FOUR**
16 **WELLS WHEN ONLY ONE WAS SERVING SHADOW WOOD?**

17 A. It would be impossible to obtain a Water Right Certificate for Well #1 without
18 taking it out of commission to reconstruct it according the requirements issued
19 by the Oregon Water Resources Department. Mr. Borden also had concerns
20 that Well #1 will not yield adequate volume when drilled to the proper depth.
21 Ultimately, in Mr. Borden's professional opinion, Shadow Wood should have at
22 least two sources (redundancy) to guarantee a sufficient water supply as well

1 as for emergencies, such as a fire or an event where one well becomes
2 temporarily inoperable.

3 Knowing that Well #1 may not be available for long-term use, and to assure
4 redundancy, two new well sites were included in the Water Right application. At
5 that time, however, it was unknown what capacity of water could be expected
6 from the two proposed well sites. Since Mr. Borden had a positive working
7 relationship with Mossy Brae Water District and a number of scenarios could be
8 envisioned whereby the Mossy Brae well would have been a vital source of
9 water, it was also included in the Water Right application with the permission of
10 Mossy Brae Water District.

11 The marginal cost to apply for a Water Right Permit encompassing both
12 existing wells and two future well sites rather than one well was minimal. Since
13 this cost was not capitalized as part of the plant value, it had no impact on the
14 Company's calculation of requested customer rates and has no impact on the
15 recommended customer rates shown in the stipulation. From an operational
16 standpoint, the additional cost was weighed against the high likelihood that
17 Oregon Water Resources Department would discontinue issuance of Water
18 Rights in the Shadow Wood area in the future. Ultimately, Shadow Wood is not
19 bound to complete the Water Right Certificate for all four wells listed in the
20 Water Right Permit. Rather, it may complete its Water Right for any
21 combination of the four wells/sites included in the permit, subject to meeting the
22 conditions set forth by the Water Resources Department in the Water Right
23 Permit. This gives flexibility to decide, at the appropriate time and armed with

1 the best information, whether one, two, three, or four wells will be most suitable
2 for Shadow Wood.

3 **Q. WHAT CONDITIONS DID OREGON WATER RESOURCES PLACE ON**
4 **COMPLETING THE WATER RIGHT?**

5 A. According to the Oregon Water Resources Department, Shadow Wood will not
6 be able to secure a certificated (permanent) water right to its existing Well #1
7 unless it is drilled to a minimum depth of 275' below land surface or a new well
8 is drilled to the same minimum required depth next to this existing well.

9 Shadow Wood will not be able to secure a permanent water right to the Mossy
10 Brae well (Well #2) unless it is drilled to a minimum depth of 380' or a new well
11 is drilled next to it at the required minimum depth. Wells #3 and #4 were
12 required to be drilled to minimum depths of 330' and 300', respectively.

13 **Q. SINCE THE MINIMUM DEPTH OF WELL #3 WAS 330', WHY WAS IT**
14 **DRILLED TO 440'?**

15 A. The Oregon Water Resources Department requires that Shadow Wood use
16 only water from the Columbia River Basalt aquifer below the elevations noted
17 above. Well #3 is 440 feet deep because of this requirement. Although the
18 company detected water above the 330 foot level, it is not allowed to draw from
19 that shallow source. Any water above that level had to be sealed off and the
20 company had to drill deeper. At 440 feet, the company detected sufficient high
21 quality water that could be used for service to its customers.

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ISSUE 2

MAINLINE REPLACEMENT SINCE 2005 RATE CASE

**Q. PLEASE LIST THE SHADOW WOOD'S DISTRIBUTION LINE
REPLACEMENT PROJECTS SINCE ITS LAST RATE CASE IN 2005.**

A. The Company has executed four separate capital improvement projects to replace water lines since the last rate case in 2005. They are as follows:

2008: Replace 2" mainline along Shadow Wood Dr. with 8" mainline and install a new fire hydrant in order to bring all water users within the prescribed 1,000' radius for fire protection.

2009: Replace 2" mainline going across Stafford Rd. with 8" mainline.

2013: Replace a portion of 2" mainline on Sunset Dr.

2015: Replace the remaining sections of 2" mainline on Shadow Wood Dr.

and replace a large portion of 2" on Greenway Circle. New waterlines ranged in diameter from 4" to 8".

**Q. IN GENERAL, WHY HAVE MAINLINES NEEDED REPLACEMENT AT
SHADOW WOOD SINCE THE LAST RATE CASE IN 2005?**

A. After the last rate case, most mainlines in the distribution system were still original (installed in 1920's) and in very poor condition. Large portions of the oldest mainlines were replaced. There was a high water loss factor due to leaks in those lines and the frequency of required repairs reinforced the reality that the original mainlines were beyond their useful life. At this time, there are still some sections of the water system that have the original mainlines in service.

1 **Q. WHY WAS THE 2008 LINE REPLACEMENT NECESSARY AND WHAT**
2 **BENEFIT DID THIS PROJECT PROVIDE TO CUSTOMERS?**

3 A. The 2" line was very old, leaked, frequently ruptured, and did not allow enough
4 water flow for good water service or enough volume for fire suppression. As
5 has been the case with all line replacement projects, this work was overdue.
6 This extension addressed all issues to the extent that water line was replaced
7 while also fulfilling the directive from the 2005 rate case to bring fire protection
8 (fire hydrants) within 1,000 feet of all Shadow Wood customers.

9 **Q. WHY WAS THE 2009 LINE REPLACEMENT NECESSARY AND WHAT**
10 **BENEFIT DID THIS PROJECT PROVIDE TO CUSTOMERS?**

11 A. The 2" line was very old, leaked, frequently ruptured, and was overdue for
12 replacement. By completing this project in 2009 while Clackamas County was
13 moving and reconstructing Stafford Road, our staff estimates that Shadow
14 Wood Water Service LLC saved \$25,000. This cost savings is a benefit to
15 customers and their water rates. It also lessened water loss due to leaks while
16 eliminating the concern of pipe failure in this area.

17 **Q. WHY WAS THE 2013 LINE REPLACEMENT NECESSARY AND WHAT**
18 **BENEFIT DID THIS PROJECT PROVIDE TO CUSTOMERS?**

19 A. This 2" line was also very old and was leaking to the extent that it was causing
20 damage to private property. Its replacement was overdue, but also benefitted
21 the customers by eliminating potential legal costs to Shadow Wood Water
22 Service, which would have had an adverse effect on rates.

1 **Q. WHY WAS THE 2015 LINE REPLACEMENT NECESSARY AND WHAT**
2 **BENEFIT DID THIS PROJECT PROVIDE TO CUSTOMERS?**

3 A. Of the four line replacement projects, this one contained the largest scope of
4 work and largest benefit to the customers. This project was completed in 2015
5 just a few weeks before Clackamas County did a major road resurfacing.
6 Shadow Wood Water elected to complete this project at that time because the
7 lines were overdue to be replaced and there was significant concern that the
8 County road work would cause additional leaks, pipe failures, and subsequent
9 road damage during and after road construction. Additionally, by completing the
10 line replacement ahead of the road resurfacing, the project enjoyed substantial
11 financial savings. If the work would have been completed after County road
12 construction, our staff estimates it would have cost an additional \$50,000 to
13 return the streets to their newly resurfaced condition. Since pipe diameter was
14 increased, the customers also benefitted through increased flow, particularly
15 along Greenway Circle, where several homes had previously complained of low
16 flow during high demand periods.

17 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE STIPULATION?**

18 A. Company recommends that the Commission adopt the Stipulation in its
19 entirety.

20 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

21 A. Yes.