

April 14, 2017

Dear Commissioners,

Roats Water System, Inc. (Roats) makes this filing in compliance with Order No. 17-123 as stated below:

Staff and Roats both propose to apply the \$5,400 monthly wheeling fee revenue as a rate credit for Roats irrigation customers, through a separate tariff rider, to be credited in proportion to the irrigation rate paid by each irrigation customer class. The rate credit should be passed through to Roats' customers through the separate rider, rather than a direct reduction to irrigation rates, due to the potential temporary nature of the agreement between Roats and Avion.

Based on the supplemental filings by Staff and Roats, we adopt the treatment of the Avion wheeling revenues proposed by Staff. Roats and Staff agree that the revenue was not included in their stipulations and that it will be received by Roats unless and until the contract is terminated. We agree that it should be recognized as a proportionate credit to Roats' other irrigation rates.

The Commission did not designate the amounts of the customer credits in Order No. 17-123. The Order only references the \$5,400 monthly revenue from Avion. Therefore, Roats submits the following proposal to comply with the Commission's decision regarding the customer irrigation credits.

In summary, Roats proposes:

- 1) A new tariff establishing irrigation credits with their application and process.
- 2) Amending the two existing irrigation tariffs to add an additional rate charge with the credit already included, which would apply during the time Avion purchases the irrigation water from Roats.
- 3) Amending the Index Page tariff.

The reasons underlying Roats' customer credit proposal are explained below in Roats' testimony, exhibits, and proposed tariffs. Roats proposes three amended tariffs and one new tariff. They are: (1) First Revised Sheet No. 2, Index Page; (2) First Revised Sheet No. 5, Schedule No. 3 Irrigation Flat Rates; (3) First Revised Sheet No. 6, Schedule No. 4 Mobile Home and RV Parks Irrigation Flat Rates; and (4) Original Sheet No, 16A, Wheeling Revenue Fee and Customer Irrigation Credits.

TESTIMONY BY BILL ROATS

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

A. My name is Bill Roats. I am the president and owner of Roats. My business address is 61147 Hamilton Ln., Bend, Oregon, 97702.

Q. PLEASE DESCRIBE YOUR EXPERIENCE AS A WATER PROVIDER.

A. I have worked in the water industry for over 50 years. Roats Water System Inc. was started in 1963 by my father when I was 12 years old as a family owned and operated water system. In 1989 my father retired, and I became President. Since then I have worked full time running Roats as owner and operator. Roats has grown from a small rural water system operating outside of Bend's city limits to a modern organization serving numerous subdivisions and commercial accounts within the city's limits.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide a mechanism to comply with the Commission's desire that Roats establish and apply customer credits to address the additional revenues from Avion for the delivery of irrigation water to Avion's Nottingham customers by Roats.

The annual revenues from Avion will be \$64,800, or \$5,400 per month. There was no contract with Avion at the time Roats filed its recent rate case; therefore, Avion revenues were not included in the irrigation revenue requirement.

Q. PLEASE EXPLAIN WHAT IS THE WHEELING FEE BETWEEN AVION AND ROATS.

A. The wheeling fee represents an agreement between Avion and Roats in which Avion pays Roats to deliver Arnold Irrigation District water to Avion's Nottingham customers. Nottingham customers are located at the end of Roats' irrigation system; therefore, the water must pass through Roats' main line serving all of Roats' irrigation customers before it reaches Avion's Nottingham customers.

Q. WHAT IS THE ANNUAL WHEELING FEE TO BE PAID FROM AVION TO ROATS?

A. The agreement between Roats and Avion for the wheeling fee is an annual charge of \$64,800, or \$5,400 per month.

Q. WHY ARE CUSTOMER CREDITS A REASONABLE WAY TO ADDRESS THE REVENUE GAIN?

A. Customer credits are the easiest and most reasonable way to address the revenue gain because the wheeling fee from Avion is not certain in the future. Avion has stated that it is considering putting in its own pumping station. If this happens, Avion would no longer require irrigation water to be delivered by Roats.

Monthly customer credits would serve to offset the stipulated standard and mobile home/RV parks irrigation rates (\$48.80 and \$23.16, respectively), as long as Roats collects the monthly wheeling fee revenue from Avion. If Avion terminates its arrangement to purchase

irrigation water from Roats, these credits would simply become ineffective, and Roats would discontinue the credits and begin charging the full tariffed rates for irrigation service. Using this approach, Roats would not suffer revenue loss due to lag time inherent in seeking Commission approval to change rates back to the stipulated rates.

Q. HOW WOULD THE REVENUE GAIN BE ADDRESSED.

A. The \$64,800 annual revenue gain would be returned to customer as a credit to reduce their monthly irrigation bill. Reasonable percentages reflecting the proportionate use of irrigation water between subdivision homes and the mobile home/RV parks would be applied to the revenue to determine the customer credits.

Q. PLEASE EXPLAIN WHY ROATS BELIEVES THAT THE REVENUE GAIN SHOULD NOT BE APPLIED EQUALLY BETWEEN THE REGULAR IRRIGATION CUSTOMERS AND THE MOBILE HOME PARK AND RV IRRIGATION CUSTOMERS.

A. The mobile home and RV parks have less irrigation area per customer than the regular irrigation customers. The regular irrigation customers include the Mountain High, Timber Ridge, and Tillicum Village subdivisions with irrigation areas of approximately .51 acres per house, .54 acres per house, and .62 acres per house, respectively. The mobile home and RV park irrigation area is approximately .12 acres per space.¹ See comparison table below:

Subdivision	Acres	Customer & Common	Average Acreage	
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¹ This data is taken from the Deschutes County Property Information for Account 121008 and Juniper Utility Subdivision Areas email from Eric Forster, PE, PLS, PMP - Project Manager, City of Bend, EIPD, issued September 7, 2016.

		Areas		
Mtn High	145	284	0.51	acres per house
Timber Ridge	53	98	0.54	acres per house
Tillicum Vlg	112	182	0.62	acres per house
			0.56	average acres per house
Mobile Home & RV Parks	31.62	275	0.12	acres per mh/rv

Using the average acreage information above, I determine a reasonable percentage to be applied to the Avion's wheeling fee revenue.

	Avg Acreage Per Customer	Number of Customers	Acreage Times Customer	Percent
Reg Irrig	0.56	564	315.84	90.54%
MHP/RV	0.12	275	33	9.46%

The average acreage per customer times the number of customers gives a truer reflection of the comparison of irrigation usage between the subdivision customers and the mobile home/RV park customers. The above percentages applied to the revenue result in the following customer credits.

	Revenue Gain	Percentage	Assigned Rev	# of Customers	Months	Customer Credit
Regular Irrig Cust	\$64,800	90.54%	58,669.92	564	12	\$8.67
MHP & RV Parks	\$64,800	9.46%	6,130.08	275	12	\$1.86

Q. HOW DO YOU PROPOSED TO INCORPORATE THE CUSTOMER CREDITS INTO THE IRRIGATION TARIFFS?

- A. Roats includes the offsetting customer credits in the attached proposed tariffs, specifically Schedule No. 3. Irrigation Flat Rates and Schedule No. 4 Mobile Home and RV Parks Irrigation Flat Rates. The credit will be applied to the customers' monthly irrigation charges as long as Avion pays its monthly wheeling fee.

These irrigation tariffs (Schedule No. 3 Irrigation Flat Rate and Schedule No. 4 Mobile Home and RV Parks Irrigation Flat Rates) show two irrigation rates: (1) the amount of the monthly charge with the Wheeling Fee In Effect, and (2) the Commission approved monthly irrigation rate (Without the Wheeling Fee In Effect). The amount on the customers' bills will show one amount, the total due with the credit already incorporated into the monthly charge. This approach is necessary due to Roats' billing software that cannot accommodate the space necessary to show the approved rate, the credit, and the net charge all as separate line items. This will also reduce customer confusion and resulting service calls regarding their irrigation bills.

Q. PLEASE SHOW THE COMMISSION APPROVED IRRIGATION RATES, THE CREDIT FOR THE STANDARD IRRIGATION CUSTOMERS AND THE CREDIT FOR THE MHP/RV CUSTOMERS, AND THE NET IRRIGATION MONTHLY CHARGE FOR BOTH CUSTOMER CLASSES.

- A. The chart below shows the Commission's approved irrigation rates as recorded in Order No. 17-123, the amount of the proposed credits, and what the net monthly charge would be with the credit included for both customer classes.

STANDARD IRRIGATION APPROVED RATE	\$48.80
PROPOSED RATE CREDIT	\$8.67
MONTHLY RATE WITH CREDIT	\$40.13

MHP/RV IRRIGATION APPROVED RATE	\$23.16
PROPOSED RATE CREDIT	\$1.86
MONTHLY RATE WITH CREDIT	\$21.30

Q. WHAT MECHANISM DO YOU PROPOSE TO PROTECT ROATS FROM LOSS OF REVENUE IF AVION TERMINATES ITS CONTRACT WITH ROATS TO PURCHASE IRRIGATION WATER?

A. The proposed Wheeling Fee Revenue and Customer Irrigation Credits tariff, Schedule 11, Page 16A, establishes the revenue credits and the application of those credits. The tariff specifies that if the Bulk Water Delivery Agreement is terminated, the rate credit will end concurrent with the end of payments from Avion.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.