

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 166

In the Matter of

ROATS WATER SYSTEM, INC.,

Request for a General Rate Revision.

ORDER

DISPOSITION: STIPULATIONS ADOPTED

I. SUMMARY

In this order, we adopt stipulations and approve rates based on the acquisition by Roats Water System, Inc. (Roats) of the Juniper Water system (Juniper).¹ The amount of the domestic water rate increase requested by Roats was \$442,253, or 32.51 percent. The amount of the increase approved is \$234,747, an increase of 17.25 percent.

In addition, we adopt rates for irrigation service provided by Roats to certain former Juniper customers. The irrigation revenue requirement proposed by Roats was \$445,451. The irrigation revenue requirement in the stipulation is \$406,724. However, that amount is reduced to \$341,924 after taking into account supplemental wheeling revenues discussed below.²

II. BACKGROUND

Roats serves 1749 customers³ in the vicinity of Bend, Oregon. In addition to its existing customers, Roats has acquired a portion of Juniper from the city of Bend.⁴ With the Juniper purchase, Roats has acquired 821 residential customers as well as 839 irrigation customers⁵. (Roats did not have any irrigation customers.) Almost all of the Juniper

¹ In their stipulations, the parties agreed to two sets of rates – including and excluding Juniper and customers. Roats' acquisition of Juniper has since closed, so the stipulation provisions excluding Juniper are no longer relevant to this order.

² In Advice 16-04, we approved domestic water schedules for these same former Juniper customers as well as domestic customers of Crown Villa and The Pines.

³ Staff/100 at 6. In its application, Roats states that it has 1665 customers. (Application at 14).

⁴ Because Juniper was owned by a municipality not subject to this Commission's jurisdiction, Roats did not need to seek our approval of acquisition of a portion of Juniper's system. However, because Roats planned to finance the acquisition through a \$1,400,000 loan from the City of Bend, Roats was required to obtain our approval authorizing the company to enter into the loan transaction. We approved Roats' application for approval of its financing of the Juniper acquisition at a Regular Public Meeting, as stated in Order No. 16-423 (Docket No. UF 4298) (Jun 21, 2016).

⁵ Staff/100 at 5. In its application, Roats states that it will add 821 residential customers and 786 irrigation customers. (Application at 1).

customers will take both residential and irrigation service from Roats. The 1660 new customers represents about a 95 percent increase in customers for Roats.

Juniper was acquired by the City of Bend in 2002. Juniper consists of a dual pipe system that separately delivers domestic potable drinking water as well as non-potable irrigation water. The City of Bend had planned to abandon the irrigation portion of the system and upgrade the domestic portion to the city's standards. However, as a result of discussions between Juniper customers, the City of Bend, and Roats, Roats agreed to acquire a portion of the Juniper system and maintain the dual services. Roats acquired the portion of the Juniper that serves Tillicum Village, Timber Ridge, Mountain High, Blue Ridge, as well as other properties including The Pines Mobile Home Park and Crown Villa RV Park.⁶

On March 15, 2016, Roats filed this application for a general rate revision. The company had last filed a general rate case in 2005. The company's application reflects the inclusion of the Juniper plant, customers, consumption and costs in Roats' proposed rates, in addition to Roats' own system costs and revenues.

In its application, Roats proposed to increase annual domestic revenues from \$1,360,277 to \$1,802,530 (\$442,253), which Roats calculates as an overall increase of 32.51 percent. Roats also proposed to incorporate annual irrigation revenues of \$445,451, for a total revenue requirement of \$2,247,981.

In its Customer Notice, Roats informed its customers of the filing of its application to increase rates and of its plan to purchase portions of Juniper. Roats indicated that it proposed an overall 32.51 percent increase in rates for domestic service.⁷

On May 5, 2016, we held a public comment hearing and prehearing conference in Bend, Oregon. The public comment hearing was well-attended with many customers asking questions and making comments, mostly in regard to the amount of the proposed rate increase and the acquisition of Juniper. The following persons intervened and participated as parties: James Pease, James Powell, the Woodside Ranch Homeowners Association (filed by Pat McCabe) (Woodside Ranch), Dr. Richard Rotondi, Dr. William Burton, Avion Water Company (Avion), and Richard Scott.

On December 6, 2017, Roats and Commission Staff filed a first partial stipulation that resolved all issues in this case, except for the implementation date for the new rates. In their filing, the stipulating parties report that intervenors Avion and Powell support the stipulation, intervenors Pease, McCabe, and Rotondi take no position on the stipulation, and intervenor Burton had not indicated his position on the stipulation.

On December 9, 2016, Roats and Staff filed a second partial stipulation, settling the issue of the effective date of the rates to be adopted. In their second stipulation, Roats and Staff did not indicate the positions taken by any of the intervenors.

⁶ A separate utility, Avion Water Company, had planned to acquire the portions of Juniper that serve the Nottingham Square and Stonegate neighborhoods.

⁷ As discussed below, the sufficiency of that notice became an issue in this proceeding.

In separate filings, intervenors Pease and McCabe filed comments on the stipulations, styled as testimony. Each explicitly disavowed a request for a hearing on their comments.

On January 5, 2017, Staff filed testimony and exhibits in support of the stipulations. On January 23, 2017, Roats filed testimony in support of the stipulations. The stipulations are attached to this order as Appendices A and B.

On January 30, 2017, intervenor Scott filed comments in regard to Roats' allowed use of a planned water tank.

On February 1, 2017, the administrative law judge (ALJ) issued an order directing the settling parties to supplement the record with information relating to Roats' provision of water to Avion to serve a portion of the former Juniper system. Staff and Roats each filed a response, and Staff subsequently filed a motion for leave to file testimony in response to the filing by Roats. The ALJ granted Staff's motion, and allowed Roats to file a reply. Roats filed its reply on March 6, 2017.

On February 2, 2017, we received a letter from Roats confirming that its Juniper acquisition has closed.

III. ROATS' APPLICATION

As set forth in its application, Roats submitted two revenue requirements, the first for domestic service, and the second for the new irrigation customers.

Domestic Customers

For domestic customers, the company proposed an increase of \$442,303 (32.51 percent). In addition, Roats proposed to establish tariffs for service to Crown Villa and The Pines. Roats proposes to purchase water to serve these properties from the City of Bend at \$1.82 per 100 cubic foot.

In addition, Roats proposed a new fire protection rate to be charged to all customers who use domestic water (residential and commercial, including Juniper customers). The purpose of the rate is to provide revenues to cover maintenance costs of Roats' current 92 public hydrants and the addition of 36 public hydrants from Juniper. The proposed monthly rate is \$0.37. The proposed annual rate is \$4.47.

Irrigation Service

For irrigation customers, Roats calculated a revenue requirement of \$445,451. Because irrigation customers are not metered, Roats proposed a flat rate of \$47.23 per month (based on 786 irrigation customers, as shown in the application).

Power Cost Adjustment Tariff

Roats also requested approval of a Power Cost Adjustment tariff. According to the company, a Power Cost Adjustment Tariff was approved by the Commission on August 7, 2001 (Advice No. 01-7). However, it was inadvertently left out of Roats' tariffs in the company's last rate case (docket UW 107). Roats seeks to have the tariff reestablished in this rate case filing.

Rate of Return

Roats requested a 10.03 percent rate of return. According to the company, that is a reasonable return considering the inherent internal and external risks associated with small water companies. The proposed return reflects a 1.95 percent cost of debt and an 8.07 percent cost of equity.

IV. STIPULATIONS AND SUPPORTING TESTIMONY

A. The Stipulations

In their first partial stipulation, Roats and Staff settled all issues except for the implementation dates for the new rates. In their second partial stipulation, Roats and Staff agreed that the approved rates should be implemented "as soon as practicable" upon a final commission order approving rates in this proceeding.

Due to the uncertainty of the closing date for Roats' acquisition of its portion of the Juniper system, the settling parties agreed to two sets of rates – with and without the Juniper customers – and three alternate provisions related to the closing date. However, on February 2, 2017, we were notified by Roats that its acquisition of Juniper had closed on February 1, 2017. Thus, the stipulation provisions reflecting the exclusion of the Juniper system and customers are moot.

A sample of the stipulated rates inclusive of the Juniper acquisition is as follows:

Rate	Domestic	Irrigation
Resi/Comm 3/4" & 5/8" Base Rate	\$33.45	
Resi/Comm 1" Base Rate	\$48.17	
Resi/Comm 1 1/2" Base Rate	\$57.80	
Resi/Comm Commodity Rate	\$0.95 per 100 cf	
The Pines/Crown Villa Base Rate	\$17.58	
The Pines/Crown Villa Commodity Rate ⁸	\$1.86 per 100 cf	
Public Fire	\$0.46	
Irrigation – Standard		\$48.80
Irrigation – Pines/Crown Villa		\$23.16

⁸ The Pines/Crown Villa commodity rate will change in accordance with rate changes for bulk water from the City of Bend.

Roats and Staff agree that the company should be permitted to implement a power cost adjustment tariff to recover increased costs attributable to increased electric power rates. The tariff will apply as an addition to the domestic commodity rate. The adjustment will recognize increases and decreases in power costs.

With regard to Roats' decision to acquire Juniper, the stipulating parties agree the acquisition was prudent and that, for ratemaking purposes, the gross book value of the Juniper system is \$1,400,000. The parties further agree to include capitalized costs of \$10,596 related to acquisition-related accounting and legal fees and \$11,282 related to an engineering study in rates. Thus, the total Juniper acquisition costs included in utility plant is \$1,422,080.

The parties agree that we should approve rates that reflect the Juniper acquisition costs after closing with the following conditions:

- A. Roats will file an attestation that the purchase of the Juniper Utility system from the City of Bend has closed within ten days of closing or a status update to the parties in this docket no later than March 15, 2017 as to an expected close date;⁹
- B. Roats will file a general rate case no later than three years and six months after a final order is issued in this case, with a test year reflective of the company's most recent full fiscal year of actuals;
- C. In the event that Roats sells its Arnold Irrigation water rights and incurs a liability to the City of Bend pursuant to paragraph 3.7 of the Juniper Asset Purchase Agreement, Roats agrees that it will not seek reimbursement from its customers for those costs;
- D. Roats will charge customers in The Pines and Crown Villa the same domestic commodity rate as the bulk water rate charged by the City of Bend. The company agrees to make a tariff filing to update rates within 30 days of any rate change from the City of Bend;
- E. Roats agrees to file an application pursuant to ORS 757.480(5) in the event that it seeks to dispose of its rights to provide service to The Pines and Crown Villa.

The parties stipulate that the rates reflect rate base additions and accumulated depreciation through September 30, 2016, except for the Juniper acquisition. They agree that the depreciation expense on the Juniper system assets is \$14,220 which represents six months of depreciation expense.

⁹ This filing was made on February 3, 2017.

B. Supporting Testimony

Staff and Roats filed separate testimony in support of the stipulations. Both parties contend that the stipulation results in rates that are just and reasonable and recommend that we adopt them in their entirety.

Regarding the revenue requirement, Staff describes its review of Roats' expenses and adjustments made in the categories of Salaries and Wages, Employee Pension and Benefits, Purchased Water, Purchased Power, Operation and Maintenance Materials/Supplies, Contract Services – Accounting, Contract Services – Legal, Contract Services – Labor, Rental of Building/Real Property, and Cross Connection Control. Staff also describes its adjustments to Roats' proposed plant and rate base.

Regarding rate of return, Staff explains that the parties agreed to a 7.89 percent cost of capital for Roats' domestic system and a 9.5 percent cost of capital for the irrigation system, resulting in an overall cost of capital of 7.91 percent. That cost of capital is based on a cost of debt of 6.55 percent and a return on equity of 9.5 percent.

Regarding rate spread, Staff explains the allocation of costs between domestic service and irrigation service. Where costs could not be directly assigned, Staff explains the bases for different allocation methods.

Regarding rate design, the irrigation service is unmetered, so the stipulating parties propose a flat rate, with the monthly rate derived by spreading the revenue requirement among the customers. With Juniper included, for domestic service, Staff notes that the base rate for the majority of customers is about 9 percent less than proposed by Roats' for customers served through 5/8" and 3/4" meters, while the commodity rate is about 30 percent lower. For customers served through larger meters, the stipulated base rates are higher than the base rates proposed by Roats.

Staff notes that some customers also were concerned about the adequacy of the notice by Roats to its customers. Roats had posted notice of its proposed rate increase in the local newspaper, but had not notified customers individually. Some customers determined that their own rate increases would be larger than the 32.51 percent increase reported by Roats. Staff acknowledges that "the 32.51 percent figure may not accurately reflect the overall bill increases that current Roats customers experience."¹⁰ Staff states that it advised customers to calculate their own bill impacts, and believes that, given the media attention and customer engagement, Roats' customers were adequately apprised of the company's request.

Roats' testimony focused on the amount of the overall rate increase. Roats finds misleading Staff's observation in its testimony that the company's rate case revenue requirement, inclusive of Juniper, "represents an increase of 108 percent over test year revenues."¹¹ Roats contends the statement fails to recognize the fact that its revenues will increase given the acquisition of a portion of the Juniper system, and improperly compares the revenues from Roats' current service to 1,749 customers with the proposed

¹⁰ Staff/100, Yamada/11.

¹¹ *Id.* at 5.

revenue requirement for Roats to serve 3,409 customers after the Juniper acquisition. Roats contends a more accurate comparison of revenues results in an overall 35.28 percent increase.¹²

V. INTERVENOR COMMENTS

Although they did not request a hearing, intervenors Pease and Woodside Ranch filed comments opposing the stipulations.

Both intervenors contend that the commodity rate of \$0.95 per 100 cf is too high for Woodside Ranch homeowners who have to use potable water for irrigation to maintain defensible space around their homes. They believe that a slightly higher base rate and lower commodity rate would be beneficial to customers and to Roats.

The intervenors also dispute that the acquisition of Juniper by Roats is prudent. They are concerned about potential liabilities of the Juniper system infrastructure and do not agree that rates for existing customers will be lower on account of the Juniper acquisition.

They also contend that Roats' original published notice was insufficient, and ask that Roats be required to directly notify its customers with its next general rate case filing.

Finally, intervenor Pease proposes an April 1, 2017, effective date for the rate increase.

In his comments, intervenor Scott asks that we include in the record an acknowledgment that language in the deed for a particular lot where Roats intends to build a water tank for storage (that is included in Roats' cost-of-service) limits that use of the lot "to the operation and other uses compatible with Woodside Ranch phase 1 and Woodside Ranch phase 2 water systems. (Copy of deed attached to comments) Thus, according to Mr. Scott, use of the tank for other than service to Woodside ranch would violate the limitation in the deed and would be illegal.

VI. SUPPLEMENTAL ISSUES

Following the parties' stipulations in this case, two issues arose relating to Roats' future revenues. First, on January 30, 2017, Avion submitted an advice filing that describes a wheeling arrangement with Roats. In Advice No. 17-01, Avion is seeking new charges to serve the Nottingham subdivision, which is part of Avion's purchase of Juniper Utility. Avion explains that the subdivision "has a system which delivers bulk water through a second party, Roats Water Company."¹³ Avion indicates that to serve the Nottingham subdivision it will pay a wheeling fee to Roats of \$30 per customer per month.

On February 1, 2017, the ALJ issued a ruling directing Roats and Staff to supplement the record to indicate whether the wheeling fee revenues are included in the stipulated revenue requirement. Both Staff and Roats filed separate responses to the ALJ ruling on February 23, 2017. They both note that the Avion revenue was not included in its rate

¹² Roats' Testimony at 3. (Jan 23, 2017). This figure is not directly comparable to the 32.51 percent increase noticed by Roats to its customers, which was for domestic service only.

¹³ Avion Letter re: Advice Filing 17-01. (docket ADV 505) (Jan 30, 2017).

case filing because there was no agreement between Roats and Avion at the time the rate case was filed.

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.

In its response, Roats raises a second issue – the loss of Crown Villa as an irrigation customer. Crown Villa is a recreational vehicle park with 65 irrigation multipliers. In its application, Roats had included irrigation service to Crown Villa. However, on February 3, 2017, Crown Villa informed Roats that it no longer wants to receive irrigation service. Roats states that the loss of these irrigation customers results in an annual revenue loss of \$18,065. Roats proposes to incorporate these two changes to its revenue requirement by offsetting the reduction in irrigation revenue from Crown Villa against the increase in irrigation revenue from Avion. Subtracting the revenue loss (\$18,065) from the revenue increase (\$64,800) results in a net revenue gain of \$46,735.

Staff opposes Roats' proposal and claims that the Crown Villa issue is beyond the scope of the bench request and that the proposed revenue offset is contrary to the stipulation. Staff believes that it would be problematic to update rates after a stipulation is in place because the update might not take into account other increased revenues or decreased costs that may become known during the same time period.

VII. DISCUSSION

A. The Stipulations

We find the stipulations to be a reasonable resolution of the issues and adopt them in their entirety.

The handling of this case was made more complicated by Roats' acquisition of Juniper and the inclusion of the Juniper system costs and customers in Roats' costs, compounded by the uncertainty surrounding the closing date of the acquisition. We observed some inconsistencies in the figures submitted by Roats and Staff, apparently due to whether Juniper customers were included at their current rates (paid to the City of Bend) or at Roats' current rates. However, those inconsistencies are immaterial to the decision in this case.

The uncertainty over the closing date of the Juniper acquisition resulted in the settling parties submitting two sets of rates. As noted above, the acquisition having closed, the proposed rates excluding Juniper are no longer relevant. However, that exercise of deriving the two sets of rates did produce decisive evidence to the effect that there are significant benefits now for Roats existing customers from the Juniper acquisition. As noted above, in their stipulation Staff and Roats do not indicate the impact of their proposed rates on average customer bills—either for existing Roats customers or for

former Juniper customers. However, it can be derived from a comparison of the current rates with the rates proposed in the first partial stipulation.

Average Residential (Juniper Included)

Meter Size	Current Base Rate	Current Commodity Charge	Current Monthly Bill	Stipulated Base Rate	Stipulated Commodity Charge	Monthly Bill	Percent Increase
5/8" and 3/4"	\$26.80	\$0.76	\$36.47	\$33.45	\$0.95	\$45.53	25%
1"	\$32.16	\$0.76	\$59.88	\$48.17	\$0.95	\$82.81	38%
1 1/2"	\$38.59	\$0.76	\$104.38	\$57.80	\$0.95	\$140.04	34%

Average Commercial (Juniper Included)

Meter Size	Current Base Rate	Current Commodity Charge ¹⁴	Current Monthly Bill	Stipulated Base Rate	Stipulated Commodity Charge	Monthly Bill	Percent Increase
5/8" and 3/4"	\$26.80	\$0.76	\$36.47	\$33.45	\$0.95	\$45.53	25%
1"	\$32.16	\$0.76	\$59.88	\$48.17	\$0.95	\$82.81	38%
1 1/2"	\$38.59	\$0.76	\$104.38	\$57.80	\$0.95	\$140.04	34%
2"	\$49.50	\$0.76	\$155.80	\$74.26	\$0.95	\$207.14	33%

Nowhere in Roats' application, the stipulation, or Staff's testimony, are the rates previously charged by the City of Bend to its Juniper customers reported. As can be inferred from the numerical relationship between Roats' overall percentage increase relative to the percentage increases for Roats' existing customers, the Juniper customers to be served by Roats generally will receive a reduction in their monthly bills.

Taking official notice of the City of Bend water rates as shown on the city's website, the bill comparison is as follows:¹⁵

Base Rate (Bend)	Commodity Charge	Monthly Bill	Base Rate (Roats)	Commodity Charge	Monthly Bill	Percent Decrease
\$26.80	\$1.82	\$49.95	\$33.45	\$0.95	\$45.53	9%

Several intervenors expressed concern about the adequacy of the notice provided by Roats. The notice issue was compounded by Roats' claim that it was requesting a 32.51 percent increase, where the amount of the proposed increase for its existing customers was substantially greater. However, in its Customer Notice, Roats did include rate comparison tables that showed the higher increases for existing customers, so that

¹⁴ Per 100 cf.

¹⁵ OAR 860-01-0460. Parties have 15 days from the date of this order to object to the official notice. (OAR 860-01-0460(2)).

those customers were well aware of the proposed increases at the time of the public meeting,

The reason for the anomaly in the percentage amount of the proposed rate increase and the percentage amounts of the rate increases for Roats' existing customers is that the Juniper customers' rates were to be reduced if Roats were to complete the acquisition and include the Juniper customers as Roats customers. A rate reduction for the Juniper customers in the context of a rate increase for Roats customers is the result of applying the same rates to all Roats customers. That outcome is satisfactory, where the Roats customers have been shown to gain a substantial advantage from the addition of the Juniper customers to the Roats' system.

The settling parties agreed that the approved rates should be implemented "as soon as practicable" upon a final commission order approving rates in this proceeding. Roats is authorized to file tariffs to be effective April 1, 2017.

B. The Supplemental Filings

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.

We decline to adopt Roats' additional request to offset a portion of the Avion revenue to reflect the potential loss of irrigation service to Crown Villa. We acknowledge that, in reaching their stipulation, both Staff and Roats included \$18,065 in revenues attributable to Crown Villa irrigation service. As Staff notes, however, we do not have sufficient information in this record to determine the actual revenue impact associated with the potential loss of this customer. Roats' claim that the elimination of irrigation service to Crown Villa would result in no reduction to its costs is undermined by the parties' stipulation, which includes over \$4000 in labor costs specifically attributable to the provision of Crown Villa irrigation service.¹⁶ We agree with Staff that further information would be needed before we could determine the potential cost savings Roats might experience from not providing irrigation service to Crown Villa—and the effects these cost savings could have on the allocation of costs to all of Roats' customers. For this reasons, we decline to adopt an offset to reflect the potential loss of irrigation service to Crown Villa based upon the record in this case.

¹⁶ Staff/103, Yamada/17.

VIII. ORDER

IT IS ORDERED that:

1. The stipulations between Roats Water System, Inc. and the Staff of the Public Utility Commission of Oregon, attached as Appendices A and B, are adopted.
2. Advice No. 16-02 is permanently suspended.
3. Roats Water System, Inc. is authorized to file its tariffs in accord with the stipulations and this order, with rates effective April 1, 2017.

Made, entered, and effective MAR 29 2017.

Lisa D. Hardie
Chair

COMMISSIONER SAVAGE WAS
UNAVAILABLE FOR SIGNATURE

John Savage
Commissioner



Stephen M. Bloom
Commissioner



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UW 166

In the Matter of

ROATS WATER SYSTEM, INC.,

Request for a General Rate Revision

PARTIAL STIPULATION

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

I. INTRODUCTION

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

The parties reviewed the Company's filing and data responses, and held several workshops and settlement conferences to understand and address the issues in this case. As a result of those discussions, the Company and Staff have reached an agreement on all but one issue in this case, as set forth below. The implementation date for new rates remains a contested

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 standard irrigation service, and irrigation and domestic service
12 for The Pines and Crown Villa, Roats agrees to make an advice filing with the
13 Commission requesting standard irrigation rates for Juniper customers and
14 domestic rates and irrigation for The Pines and Crown Villa be approved,
15 subject to refund, equivalent to the "with Juniper" rates agreed to by the
16 Stipulating Parties.

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

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

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

A. Rates inclusive of the Juniper acquisition were determined by allocating costs 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

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

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 decreases in such costs. Changes to the power cost adjustment rate will be computed as follows:

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

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

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

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

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

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

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

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

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

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

A. The Juniper Utility system acquisition is included in Utility Plant at total of \$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.

26 //

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DATED this 9 day of December, 2016.


ROATS WATER SYSTEM, INC.

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

//

DATED this 12th day of December, 2016.

ROATS WATER SYSTEM, INC.


STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

Roats Water System Inc.
Docket # UW 168
Test Year: Oct 1, 2014 to Sept 30, 2015

Combined Domestic & Irrigation Revenue Requirement

Acct No.	REVENUES	Test Year	Proposed Company Adjustments	Proposed Company Totals	Total PUC Adjustments	PUC Proposed Results With Juniper	Adjustments to Remove Juniper	PUC Proposed Results Without Juniper
460	Unmetered Water Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
461.1	Residential Water Sales (Domestic)	\$ 790,675	\$ 296,977	\$ 1,087,652	\$ 265,548	\$ 1,353,199	\$ (217,458)	\$ 1,135,742
461.2	Commercial Water Sales (Domestic)	\$ 225,517	\$ 84,704	\$ 310,221	\$ (97,851)	\$ 212,370	\$ 22,117	\$ 234,488
462	Fire Protection (Domestic)	\$ 14,200	\$ 4,797	\$ 18,997	\$ 10,407	\$ 29,404	\$ -	\$ 29,404
	JUNIPER Residential	\$ 220,793	\$ 82,929	\$ 303,722	\$ (303,722)	\$ -	\$ -	\$ -
	The Pines (Domestic)	\$ 49,651	\$ 18,648	\$ 68,299	\$ (68,299)	\$ -	\$ -	\$ -
	Crown Villa (Domestic)	\$ 9,914	\$ 3,724	\$ 13,638	\$ (13,638)	\$ -	\$ -	\$ -
465	JUNIPER Irrigation	\$ -	\$ 399,443	\$ 399,443	\$ 7,281	\$ 406,724	\$ (406,724)	\$ -
	JUNIPER Irrigation - Common Areas	\$ -	\$ 46,008	\$ 46,008	\$ (46,008)	\$ -	\$ -	\$ -
471	Miscellaneous Revenues	\$ 539	\$ (539)	\$ -	\$ -	\$ -	\$ -	\$ -
472	Cell Tower/Rent from Util. Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
475	Cross Connection Control Revenue	\$ 48,988	\$ (48,988)	\$ -	\$ -	\$ -	\$ -	\$ -
0	Juniper Surcharge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL REVENUE	\$ 1,360,277	\$ 887,704	\$ 2,247,981	\$ (246,283)	\$ 2,001,698	\$ (602,064)	\$ 1,399,633
	OPERATING EXPENSES							
601	Salaries and Wages - Employees	\$ 94,570	\$ 95,900	\$ 190,470	\$ 5,077	\$ 195,547	\$ -	\$ 195,547
603	Salaries and Wages - Officers	\$ 217,100	\$ 32,566	\$ 249,666	\$ 16,635	\$ 266,301	\$ -	\$ 266,301
604	Employee Pension & Benefits	\$ 75,469	\$ 15,768	\$ 91,237	\$ 23,466	\$ 114,704	\$ -	\$ 114,704
610	Purchased Water	\$ -	\$ 71,093	\$ 71,093	\$ (10,198)	\$ 60,895	\$ (60,895)	\$ -
611	Telephone/Communications	\$ 11,179	\$ 1,118	\$ 12,297	\$ (798)	\$ 11,499	\$ -	\$ 11,499
615	Purchased Power	\$ 117,321	\$ 119,660	\$ 236,981	\$ (20,790)	\$ 216,191	\$ (98,116)	\$ 118,076
616	Fuel for Power Production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
617	Other Utilities	\$ 2,032	\$ 203	\$ 2,235	\$ (196)	\$ 2,039	\$ -	\$ 2,039
618	Chemical / Treatment Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
619	Office Supplies	\$ 12,109	\$ 1,211	\$ 13,320	\$ (4,589)	\$ 8,731	\$ (794)	\$ 7,937
619.1	Postage	\$ 977	\$ 1,821	\$ 2,798	\$ (1,028)	\$ 1,770	\$ (878)	\$ 892
620	O&M Materials/Supplies	\$ 26,176	\$ 188,833	\$ 215,009	\$ (1,963)	\$ 213,046	\$ (170,732)	\$ 42,314
621	Repairs to Water Plant	\$ 14,848	\$ 742	\$ 15,590	\$ (737)	\$ 14,854	\$ -	\$ 14,854
631	Contract Svcs - Engineering	\$ 315	\$ 31	\$ 346	\$ (31)	\$ 315	\$ -	\$ 315
632	Contract Svcs - Accounting	\$ 15,289	\$ 1,529	\$ 16,818	\$ (4,064)	\$ 12,754	\$ -	\$ 12,754
633	Contract Svcs - Legal	\$ 9,374	\$ 937	\$ 10,311	\$ (9,564)	\$ 748	\$ -	\$ 748
634	Contract Svcs - Management Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
635	Contract Svcs - Testing	\$ 5,463	\$ (2,535)	\$ 2,928	\$ -	\$ 2,928	\$ -	\$ 2,928
636	Contract Svcs - Labor	\$ 1,022	\$ 109,912	\$ 110,934	\$ (10,085)	\$ 100,849	\$ (99,827)	\$ 1,022
637	Contract Svcs - Billing/Collection	\$ 19,253	\$ 16,286	\$ 35,539	\$ (2,170)	\$ 33,369	\$ (16,753)	\$ 16,616
638	Contract Svcs - Meter Reading	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
639	Contract Svcs - Other	\$ 8,841	\$ 884	\$ 9,725	\$ (1,238)	\$ 8,487	\$ -	\$ 8,487
641	Rental of Building/Real Property	\$ 97,400	\$ 22,857	\$ 120,257	\$ 5,779	\$ 126,036	\$ -	\$ 126,036
642	Rental of Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
643	Small Tools	\$ 948	\$ 95	\$ 1,043	\$ (132)	\$ 910	\$ -	\$ 910
648	Computer/Electronic Expenses	\$ 3,659	\$ 366	\$ 4,025	\$ (366)	\$ 3,659	\$ -	\$ 3,659
650	Transportation	\$ 36,142	\$ 7,228	\$ 43,370	\$ (2,920)	\$ 40,451	\$ -	\$ 40,451
656	Vehicle Insurance	\$ 8,117	\$ 1,000	\$ 9,117	\$ (335)	\$ 8,782	\$ -	\$ 8,782
657	General Liability Insurance	\$ 10,891	\$ 2,739	\$ 13,630	\$ 5,957	\$ 19,587	\$ -	\$ 19,587
658	Workers' Comp Insurance	\$ 5,906	\$ 4,433	\$ 10,339	\$ (136)	\$ 10,203	\$ -	\$ 10,203
659	Insurance - Other	\$ 85	\$ -	\$ 85	\$ (85)	\$ -	\$ -	\$ -
666	Amort. of Rate Case	\$ -	\$ 2,800	\$ 2,800	\$ 6,667	\$ 9,467	\$ -	\$ 9,467
	Gross Revenue Fee (PUC)	\$ -	\$ 6,744	\$ 6,744	\$ (738)	\$ 6,005	\$ (1,806)	\$ 4,199
670	Bad Debt Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
671	Cross Connection Control Program	\$ 22,495	\$ 2,250	\$ 24,745	\$ (24,745)	\$ -	\$ -	\$ -
673	Training and Certification	\$ 1,570	\$ 658	\$ 2,228	\$ 601	\$ 2,828	\$ -	\$ 2,828
674	Consumer Confidence Report	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
675	Miscellaneous Expense	\$ 13,329	\$ 1,333	\$ 14,662	\$ 5,671	\$ 20,333	\$ (8,043)	\$ 12,290
OE1	Public Relations/Advertising	\$ 189	\$ 19	\$ 208	\$ (19)	\$ 189	\$ -	\$ 189
OE2	Wheeling Fee	\$ 12,589	\$ 1,259	\$ 13,848	\$ (362)	\$ 13,486	\$ -	\$ 13,486
OE3	Meter Change Out	\$ 8,475	\$ (5,650)	\$ 2,825	\$ 6,998	\$ 9,823	\$ (9,823)	\$ -
OE4		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OE5		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL OPERATING EXPENSE	\$ 853,133	\$ 704,090	\$ 1,557,223	\$ (20,438)	\$ 1,536,786	\$ (467,666)	\$ 1,069,119
	OTHER REVENUE DEDUCTIONS							
	Depreciation Expense	\$ 136,081	\$ -	\$ 136,081	\$ (49,526)	\$ 86,555	\$ (14,221)	\$ 72,335
406	Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
407	Amortization Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
408.11	Property Tax	\$ 14,759	\$ 22,738	\$ 37,497	\$ (2,512)	\$ 34,985	\$ (21,369)	\$ 13,617
408.12	Payroll Tax	\$ 32,189	\$ 15,720	\$ 47,909	\$ 488	\$ 48,397	\$ -	\$ 48,397
408.13	Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
409.1	Federal Income Tax	\$ -	\$ 54,991	\$ 54,991	\$ (1,521)	\$ 53,470	\$ (2,844)	\$ 50,625
409.11	Oregon Income Tax	\$ -	\$ 27,594	\$ 27,594	\$ (14,871)	\$ 12,723	\$ (515)	\$ 12,208
409.13	Extraordinary Items Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL REVENUE DEDUCTIONS	\$ 1,036,162	\$ 825,133	\$ 1,861,295	\$ (88,379)	\$ 1,772,917	\$ (506,616)	\$ 1,266,301

NET OPERATING INCOME		\$	324,115	\$	62,671	\$	386,686	\$	(157,904)	\$	228,781	\$	(95,449)	\$	133,332
UTILITY RATE BASE															
	Utility Plant Invested by Company	\$	5,847,599	\$	-	\$	5,847,599	\$	(1,238,296)	\$	4,609,303	\$	(1,422,080)	\$	3,187,223
271	+ Contributions in Aid of Construction	\$	-	\$	-	\$	-	\$	1,706,782	\$	1,706,782	\$	-	\$	1,706,782
	- Excess Capacity	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	Equals: Total Utility Plant	\$	5,847,599	\$	-	\$	5,847,599	\$	468,486	\$	6,316,085	\$	(1,422,080)	\$	4,894,005
	- Accum. Depreciation-Invested Plant	\$	2,170,031	\$	-	\$	2,170,031	\$	(300,095)	\$	1,869,936	\$	(14,221)	\$	1,855,716
	- Accum. Depreciation-CIAC	\$	-	\$	-	\$	-	\$	545,555	\$	545,555	\$	-	\$	545,555
271	- Contributions in Aid of Construction	\$	-	\$	-	\$	-	\$	1,706,782	\$	1,706,782	\$	-	\$	1,706,782
281	- Accumulated Deferred Income Tax	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
272	+ Accum. Amortization of CIAC	\$	-	\$	-	\$	-	\$	545,555	\$	545,555	\$	-	\$	545,555
	Equals: Net Invested Utility Plant	\$	3,677,568	\$	-	\$	3,677,568	\$	(938,201)	\$	2,739,367	\$	(1,407,859)	\$	1,331,508
	Plus: (working capital)														
151	Materials and Supplies Inventory	\$	50,000	\$	-	\$	50,000	\$	(25,000)	\$	25,000	\$	-	\$	25,000
WkrCash	Working Cash (Total Op Exp /12)	\$	71,094	\$	58,224	\$	129,318	\$	(1,253)	\$	128,065	\$	(38,972)	\$	89,093
	TOTAL RATE BASE	\$	3,798,662	\$	58,224	\$	3,856,886	\$	(964,454)	\$	2,892,432	\$	(1,446,831)	\$	1,445,601
	Rate of Return		8.53%				10.03%				7.91%		1.31%		9.22%

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UW 166

In the Matter of

ROATS WATER SYSTEM, INC.,

Request for a General Rate Revision

SECOND PARTIAL STIPULATION

This Second Partial Stipulation is between Roats Water System, Inc. (Roats or Company) appearing by and through its President, William Roats, and the Public Utility Commission of Oregon Staff (Staff), appearing by and through its attorney, Sommer Moser, Assistant Attorney General (hereafter, collectively referred to as the Stipulating Parties). The other parties to this case are intervenors William Burton, Pat McCabe, James Pease, James Powell, Richard Rotondi, and Avion Water Company. This Second Partial Stipulation, in combination with the Partial Stipulation in UW 166 filed on December 6, 2016, constitute a global settlement of all issues in this case.

I. INTRODUCTION

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

On December 6, 2016, the Stipulating Parties filed the first Partial Stipulation in this proceeding, which resolved all issues in the case with the exception of the implementation date for new rates. On December 6, 2016, the parties held a settlement conference to discuss the implementation date for new rates and reached an agreement on that issue which is reflected in the body of this Second Partial Stipulation. The Stipulating Parties respectfully request that the Commission issue an order adopting this Second Partial Stipulation.

II. TERMS OF STIPULATION

1. The Stipulating Parties agree that approved rates should be implemented as soon as practicable upon a final Commission order approving rates in this proceeding.

2. The Stipulating Parties recommend and request that the Commission approve this Stipulation as an appropriate and reasonable resolution of the rate implementation date issue.

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

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

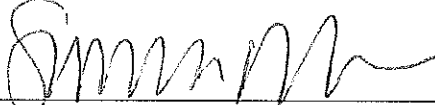
5. The Signing parties have negotiated this Second Partial Stipulation as an integrated document. Pursuant to OAR 860-001-0350(9), if the Commission rejects all or any material part of this Second Partial Stipulation, or adds any material condition to any final order that is not consistent with this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

6. The Signing Parties understand that this Second Partial Stipulation is not binding on the Commission in ruling on this application and does not foreclose the Commission from addressing other issues.

7. This Second Partial Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute a complete agreement.

1 DATED this 17 day of December, 2016.

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4 ROATS WATER SYSTEM, INC.

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7 STAFF OF THE PUBLIC UTILITY
8 COMMISSION OF OREGON
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DATED this 8 day of December, 2016.


ROATS WATER SYSTEM, INC.

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON