

1 **BEFORE THE PUBLIC UTILITY COMMISSION**

2 **OF OREGON**

3 **UW 110**

4	In the Matter of)	
5	LONG BUTTE WATER SYSTEM, INC.)	
6	Application for authorization to increase the)	JOINT BRIEF OF STAFF AND LBWS
7	Company's total annual revenues by \$97,354)	
	or 78 percent.)	

8
9 **INTRODUCTION**

10 Public Utility Commission of Oregon Staff ("Staff") and Long Butte Water System
11 ("LBWS" or "Company") recommend that the Commission adopt the stipulation entered into by
12 Staff and the Company on November 15, 2005. As described in the joint testimony of Staff and
13 LBWS, the revenue requirement proposed in the Stipulation results in overall rates that are just
14 and reasonable.

15 **ARGUMENT**

16 **A. The Required Number of Full-Time Employees ("FTE") Contained in the**
17 **Stipulation is Just and Reasonable.**

18 The Intervenors direct testimony suggests that the Company can be efficiently operated
19 with only 2 FTE. Staff and the Company respectfully disagree with the Intervenors and maintain
20 that 2.5 FTE are reasonable for proper operation of the water system. Under the stipulation,
21 LBWS will be staffed with two full-time positions. These two positions include a certified
22 system operator/manger and an office person. The additional part-time (0.5 FTE) employee,
23 agreed to by Staff and the Company, will be trained to cover both the office duties and the
24 system operator duties. In addition to regularly assigned duties, this employee is targeted to
25 provide coverage to both positions in the event that either full-time employee is ill or takes
26 vacation time. In addition, the .5 FTE will be on call 24/7 to respond to emergency calls after

1 normal business hours, including weekends, and will be available to assist the system operator
2 during emergency situations. As a result, hiring a part-time employee is a benefit to customers
3 because the position will:

- 4 • Allow LBWS to reduce potential overtime requirements for the water
5 operator/manager (no overtime pay was calculated in the Company's revenue
6 requirement);
- 7 • Allow a second person to respond to emergencies and trouble calls if the water
8 operator/manger is unavailable or on another call;
- 9 • Assist the operator/manager on jobs that require more than one person, which would
10 reduce contracting costs;
- 11 • Perform routine duties including meter reading, regular maintenance, and parts and
12 supply runs;
- 13 • Allow a second person to fill-in for the office person when the office person is
14 unavailable; and
- 15 • Assist the office person during heavy workload periods.

16 As part of the Stipulation, Staff and the Company agreed that Staff would conduct
17 semi-annual audits of time sheets of the three employees (2.5 FTE), which would include a
18 review of the duties of LBWS personnel and an evaluation of the prudence of the additional part-
19 time employee based on need and utilization. According to the Stipulation, LBWS is required to
20 report to the Commission within 120 days of the approval of this docket on the status of hiring of
21 personnel. It is important to note that LBWS did not request, nor receive, revenue for health
22 benefits for the part-time employee. The exclusion of health benefits for this employee allowed
23 LBWS to keep costs at a minimum.

24 **1. The Statement of Margery Weimer does not accurately reflect the time required
25 to operate a regulated utility.**

26 The statement of Margery Weimar (Intervenor Exhibit B) does not accurately reflect the
time required to fill the office position. Although Ms. Weimar contends she has extensive
office/bookkeeping experience, her incomplete assessment is flawed and unreliable for at least
the following reasons:

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- There is no indication that Ms. Weimar performed a time-study or visited the LBWS office or interviewed the LBWS owners about the office position;
- There is no indication that Ms. Weimar has experience working in a regulatory business that has multiple regulatory bodies such as the Oregon Public Utility Commission and the Department of Human Services, Drinking Water Program that impose numerous and exact requirements upon a water company;
- There is no indication that Ms. Weimar is aware of the requirements for annual and other reporting required by Oregon Administrative Rules, Chapter 36. Additionally, there was no discussion on the format and context of forms (i.e., Annual Reports, Budget of Expenditures, and Rate Schedules) that are time intensive and require a high level of accuracy;
- Various tasks were assigned as taking no time, not accurately reflecting the necessary inputs and outputs to perform these tasks; and
- No time was allotted for handling phone calls, which could potentially be time consuming based on numerous factors such as, billing dates, water outages, emergency problems, etc.

12 The above indicates that Ms. Weimar’s analysis is incomplete and does not correctly
13 reflect the necessary time to complete the assigned tasks of the proposed office employee. The
14 better and more precise analysis would be that of the Company owners, who have testified that
15 the stipulated expense accurately reflects the time obligations of the office position. The owners
16 have been the persons actually doing the tasks for over thirteen years, and their estimation of
17 time required is the best indication of actual need. As stated above, Staff and the Company
18 agreed that Staff would conduct semi-annual audits of time sheets of the 2.5 FTE, which would
19 include a review of the duties of LBWS personnel, and an evaluation of the prudence of the
20 additional part-time employee based on need and utilization.

21 **B. The Officer Salaries expense is just and reasonable.**

22 The Intervenors incorrectly argue that the two LBWS officers do not spend a total of 20
23 hours per month performing duties required of officers. In fact, the Company officers easily
24 expend 10 hours each per month for education, legal, and financial requirements that can only be
25 performed by a corporate officer. Patrick Hodge, as President, and Rebecca Hodge, as Secretary,
26 maintain the responsibility for service delivery; financial, tax, risk, and facilities management;

1 human resources management; community and public relations; and regulatory matters. Staff
2 and the Company also support the stipulated amount of \$31.06 per hour for a total annual
3 amount of \$7,454 for Officer Salaries. The stipulation is reasonable and establishes rates that
4 are overall just and reasonable.

5 **C. The Employee Health Insurance expense is just and reasonable.**

6 The Intervenors incorrectly contend that LBWS should provide only minimal health
7 insurance that does not extend to spouses or dependent children. The table below is a
8 comparison of actual quotes obtained by Staff and demonstrates what a reasonable health
9 insurance plan will cost for 2 FTE (as mentioned above, no health care expense was included for
10 the part-time position). Because the Company has not yet hired employees, we used two
11 possible scenarios on which to base insurance costs:

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Scenario 1

Position	Sex	Age	Health Plan	LifeWise*	Blue Cross	Clear Choice
System Operator	Male	51	Employee/Spouse	\$720.85	\$631.80	\$701.17
Office Worker	Male	18	Employee Only	\$335.30	\$300.85	\$318.72
Monthly Totals				\$1,056.15	\$932.65	\$1,019.89
Annual Totals				\$12,673.80	\$11,191.80	\$12,238.68

NOTE: Although all plans are based on \$500 deductible, there are some variations in co-pay and annual maximum out-of-pocket.
**Amount in Staff/LBWS proposal is based on this quote.*

Scenario 2

Position	Sex	Age	Plan	LifeWise	Blue Cross	Clear Choice
System Operator	Male	46	Employee/Family	\$832.10	\$950.05	\$834.74
Office Worker	Female	28	Employee Only	\$291.95	\$316.70	\$292.89
Monthly Totals				\$1,124.05	\$1,266.75	\$1,127.63
Annual Totals				\$13,488.60	\$15,201.00	\$13,531.56

NOTE: Although all plans are based on \$500 deductible, there are some variations in co-pay and annual maximum out-of-pocket.

AVERAGES	LifeWise	Blue Cross	Clear Choice
Scenario 1	\$12,673.80	\$11,191.80	\$12,238.68
Scenario 2	\$13,488.60	\$15,201.00	\$13,531.56
Total	\$26,162.40	\$26,392.80	\$25,770.24
Average by Insurance Co.	\$13,081.20	\$13,196.40	\$12,885.12

The \$12,674 stipulated to by Staff and LBWS for this expense is below the average of the lowest cost health plan shown in the tables above. The \$12,674 is a just reasonable health insurance expense for LBWS.

D. The Transportation Expense is just and reasonable.

The Intervenors object to including half of the lease cost (\$2,816.34 annually) for Vehicle No. 1 in this expense. Until LBWS hires an office employee, Rebecca Hodge will continue to perform the duties of that position using Vehicle No. 1 for transportation required to perform

1 those duties. Even after an office employee is hired, it is reasonable to expect that Mrs. Hodge
2 will need to travel to the Company's office location for a period of time for purposes of training
3 the employee. Vehicle No. 1 is also used for duties performed by Rebecca Hodge as a corporate
4 officer. LBWS estimated the vehicle is used 5,200 miles per year for Company business. At the
5 current federal reimbursement rate of \$0.485 per mile, LBWS should be allowed \$2,522 for
6 mileage for Vehicle No. 1; however, Staff and the Company stipulated to \$899 for fuel cost for
7 this vehicle.¹

8 Although the Intervenors suggest that Mrs. Hodge will only travel 100 miles per month
9 on Company business, there is no indication how this amount was calculated. If Staff and
10 LBWS agreed to this estimation of mileage and used the federal mileage reimbursement rate of
11 \$.0485 per mile, 1,200 miles per year would result in an annual cost \$582. Although this is a
12 savings for Vehicle No. 1, the cost for Vehicle No. 2 would increase. At 12,000 annual miles,
13 the reimbursement for Vehicle No. 2 would be \$5,820 instead of the stipulated amount of
14 \$2,205. In that case, \$582 mileage reimbursement for Vehicle No. 1 plus \$5,820 mileage
15 reimbursement for Vehicle No. 2 totals \$6,402. That is \$37 more than the \$6,465 Transportation
16 Expense (which includes the Vehicle No. 1 lease expense and maintenance expense for both
17 vehicles) stipulated to by Staff and LBWS. Staff and the Company performed a thorough review
18 of transportation costs using actual known data and this cost is reasonable in context of the
19 overall stipulated rates and should be accepted.

20 CONCLUSION

21 The Commission should approve the Stipulation agreed to by Staff and the Company. A
22 thorough review of expenses was conducted by Staff and agreed to by the Company, using
23 known and measurable costs. The revenue requirement proposed by Staff and LBWS generates
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26 ¹ For 2006, these rate will be lowered by the Internal Revenue Service to \$0.445; however, even using this new rate,
the fuel costs stipulated to by Staff and LBWS are still lower than the mileage reimbursement (\$2,314).

1 rates that are just and reasonable. In addition, the agreement to allow Staff to audit time sheets
2 on a semi-annual basis will ensure costs for personnel are correct in a prospective basis.

3 For the foregoing reasons, Staff respectfully requests that the Commission approve the
4 stipulation.

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6 DATED this 15th day of December 2005.

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Respectfully submitted,

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HARDY MYERS
Attorney General

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/s/ Jason W. Jones
Jason W. Jones, #00059
Assistant Attorney General
Of Attorneys for Oregon Public Utility
Commission Staff

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1 **CERTIFICATE OF SERVICE**

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3 I certify that on December 15, 2005, I served the foregoing upon the parties hereto by
4 sending a true, exact and full copy by regular mail, postage prepaid and by electronic mail to:

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6 7 8 9 10	TIMOTHY ELLIOTT -- CONFIDENTIAL ELLIOTT ANDERSON LLP 42 NW GREELEY AVE BEND OR 97701-2912 timelliott@bendbroadband.com	MARTIN HANSEN FRANCIS HANSEN & MARTIN, LLP 1148 NW HILL ST BEND OR 97701-1914 meh@francishansenmartin.com
11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26	PATRICK R HODGE LONG BUTTE WATER SYSTEM INC PO BOX 7648 BEND OR 97708-7648 lbws@earthlink.net	

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Legal Secretary
Department of Justice
Regulated Utility & Business Section