

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

In the Matter of)	UW 110
)	
LONG BUTTE WATER SYSTEM, INC.)	STIPULATED TESTIMONY
)	IN REBUTTAL TO INTERVENORS'
Application for authorization to increase)	TESTIMONY
the company's total annual revenues by)	
\$97,354.00 or 78 percent)	
_____)	

Pursuant to their Stipulation in this matter, Long Butte Water System Inc. ("LBWS"), by and through counsel Martin E. Hansen, and the Public Utilities Commission of Oregon Staff ("PUC Staff") offer the following joint testimony in rebuttal to the Direct Testimony provided by Intervenors by and through their attorney Tim Elliott.

1. Intervenors' Item 1: Salaries and Wages—Employees/ Officers

Intervenors' testimony incorrectly summarizes the proposed Salaries and Wages analysis.

a. Officers' Salaries

LBWS and PUC Staff have proposed Officer salaries for 10 hours per month per officer, not 20 hours per officer as suggested by Intervenors. Intervenors contest the reasonableness of paying Officer salaries at all, arguing that the officers' duties are subsumed in the employees' duties. (Intervenors' Testimony at 5:21-22). This statement fails to recognize that LBWS officers have duties of financial and legal oversight for the Company, and assume risks and responsibilities for the

company from a legal, regulatory and tax standpoint that they would not have as employees.

The correct current proposed officer salary is not \$6000 per year (Intervenors at 5:21-26), but rather \$3,727.00 per officer for a total of \$7454.00 per year officer compensation.

b. Contract Services

Intervenors also mistakenly claim that the proposed \$3000 for contract labor or services somehow represents gratuitous or duplicative compensation for LBWS' employees. (Intervenors at 2:17-19). To the contrary, the \$3000 per year for contract labor jointly proposed is necessary because LBWS must hire licensed electricians, water pump or well experts, and other specialized services or equipment for tasks that cannot be performed by LBWS staff. These costs represent only outside labor and not LBWS employee labor.

c. Service Charges

Intervenors misunderstand the service charges set and collected by agency rule as compensation for "tasks to be performed" in the course of ordinary business. (Intervenors at 2:18). In fact, the miscellaneous connection/ disconnection charges incurred by and collected from new and existing customers do not represent duplicative services in the course of business for LBWS. Instead, these are customer-caused charges that would not be incurred by LBWS but for particular customers. The charges collected from that customer offset the extra services provided to that customer, and as such the charges are not included in the system-wide rate making calculations.

Intervenors are simply incorrect that these customer-caused charges that LBWS passes through to particular customers by rule provide full compensation for weekend and off-hours staffing. (Intervenors at 3:7-9). The charges are designed to offset the particular costs caused by the customer, but they do not provide compensation for the overhead to ensure all-hours emergency overhead coverage by LBWS. Intervenors confuse customer-caused charges with officer and employee compensation throughout their testimony.

d. Stipulation For 2.5 FTE Positions

Intervenors mischaracterize the basis for the Staff/ LBWS stipulation on 2.5 FTEs for Employee Salaries. The additional .5 FTE is proposed not just as backup for the administrative employee, (Intervenors at 2:23-24) but also for labor in the field and most importantly to ensure that LBWS can maintain continuous qualified on-call coverage for off hours and weekends. LBWS employs only one water specialist, Pat Hodge, so it is imperative that when that one water specialist is not working, e.g. after hours, on weekends, and on vacation or sick days, that the additional .5 employee who has been trained to perform on-call water services can be available.

e. Customer “Self-Reading” of Meters

Intervenors’ suggestion that LBWS could avoid personnel expense by allowing customers to read their own meters once per year (Intervenors’ Exhibit B) is novel and may not be proposed by Intervenors. In any event, Oregon law requires LBWS to read meters in one-month intervals. OAR 860-036-0120.

2. Intervenor's Item 2: Employee Pensions and Benefits

The Group Plan quote is included in the record. Intervenor's have ignored the record in this case by making an inappropriate comparison of an individual insurance plan with minimal coverage to the Group Plan proposed by Staff and LBWS that is more accurate, advantageous and cost effective. The Intervenor's proposal is so different and speculative that it cannot meaningfully be compared to the Staff/ LBWS Group Plan.

The plan selected by Intervenor's has minimal coverage that does not even extend to spouses or dependent children, unlike the LBWS Group Plan. Further, Intervenor's have offered an average of individual plan premiums based on age groups that may not even apply to the 2.5 FTE employed by LBWS. By contrast the Group Plan premium in the record that Staff and LBWS proposed represents an actual quote that will apply to LBWS regardless of who is employed.

3. Intervenor's Item 3: Transportation

Staff and LBWS have provided data for the record that is accurate and actually taken from the test year in question. For its transportation costs LBWS and Staff have included actual lease payment figures as well as actual mileage figures for the vehicles used for LBWS business. (See, e.g., Staff/ LBWS Testimony at pp. 15-16). There is no justification for Intervenor's to complain that they are forced to guess regarding the information in the record. (Intervenor's at p. 8:1-3). In this case the record shows that one half of the lease for Vehicle #1, which is used by LBWS, is \$234.70 per month, and not the \$465.00 that the Intervenor's mistakenly attribute to the lease. Staff/ LBWS Testimony at pp. 15-16).

Intervenors incorrectly characterize the inclusion of 50% of the auto Lease cost for Vehicle 1 in the test year as compensation for solely personal driving expenses. (Intervenors at p. 8:1). To the contrary, the leased vehicle #1 was and is routinely used in the course of business by LBWS. Specifically, a vehicle other than the Ranger (which is used for carrying pipe, parts and equipment for service) was and is necessary for daily post office runs (30 miles per week), travel from the office to the plant facilities, for meter reading, and for officer duties (meetings with accountants and lawyers).

Finally, the Intervenors' comparison of the federal mileage rate to the actual documentation of mileage and vehicle usage relied upon by staff and LBWS is misguided. First, the current Internal Revenue Code mileage rate for business is 48.5 cents per mile, not the 40.5 cents proposed by Intervenors (Intervenors at p. 8:9). See *IRS Rev. Proc.* 2005-99. Second, the Intervenors fault the Staff/ LBWS proposal by claiming that \$445 should not be included for annual maintenance for the reason that the federal mileage rate is meant to include maintenance expenses. (Intervenors at p. 8:10-11). However, as Staff/ LBWS explains in the joint testimony, a separate fuel expense was calculated and broken out from maintenance based on actual test year data, not the federal rate for mileage. (Staff/ LBWS Testimony at pp. 15-16). The fuel expenses are therefore exclusive of maintenance costs and the lease costs. Staff notes that if the federal mileage rate had been used for compensation instead of the Company's actual test year fuel and maintenance costs, that expense for mileage alone would be over twice as much (\$8342.00) as

that proposed for annual fuel cost and maintenance (\$3104 plus \$445). (See Stipulated Testimony at p. 16, n. 2).

4. The Stipulated Audit Will Ensure The Accuracy Of The Rate

The record provided by Staff and LBWS is based on actual data that is documented and supported in the record. In contrast, the Intervenor's testimony amounts to speculation and often misunderstanding about LBWS' expenses and operations. When the Intervenor underestimates those expenses, their proposals risk inadequate coverage for all LBWS customers. On the other hand, if Staff and LBWS have overestimated the stipulated rates, LBWS customers are still protected because LBWS and Staff have agreed to a series of periodic time card audits that will ensure the accuracy of the proposed rates. These audits alleviate the Intervenor's concerns and provide overwhelming justification for the adoption of the rate that LBWS and PUC Staff have reached by analysis and stipulation.

CONCLUSION

Staff and LBWS therefore request an Order affirming the stipulated proposed rates based upon the supporting documentation submitted herein.

SUBMITTED this 30th day of November 2005.

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