



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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August 16th, 2006

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

RE: **Docket No. UW 116** - In the Matter of SEVENTH MOUNTAIN GOLF
VILLAGE WATER COMPANY Request for a General Rate Increase.

Enclosed for electronic filing in the above-captioned docket is the Public Utility
Commission Staff's Direct Testimony in Support of the Stipulation.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

(503) 378-5763

Email: kay.barnes@state.or.us

c: UW 116 Service List - parties

**PUBLIC UTILITY COMMISSION
OF OREGON**

UW 116

STAFF DIRECT TESTIMONY OF

Michael Dougherty

**In the Matter of
SEVENTH MOUNTAIN GOLF VILLAGE WATER
COMPANY
Request for a General Rate Increase**

August 16, 2006

CASE: UW 116
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Direct Testimony
In Support of the
Stipulation**

August 16, 2006

1 **Q. PLEASE STATE YOUR NAME AND POSITION.**

2 A. My name is Michael Dougherty. I am employed by the Public Utility
3 Commission of Oregon as Program Manager, Corporate Analysis and Water
4 Regulation in the Economic Research and Financial Analysis section of the
5 Utility Program. My business address is 550 Capitol Street NE, Salem, Oregon
6 97301-2551.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK
8 EXPERIENCE.**

9 A. My Witness Qualification Statement is found in Exhibit Staff/101, Dougherty/1.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my Testimony is to introduce and support the Stipulation
12 entered into by Staff, Seventh Mountain Golf Village Water Company (SMGV
13 or Company), and members of the Homeowners Association Water Committee
14 (Intervenors).

15 **Q. WHO ARE THE PARTIES IN THIS DOCKET?**

16 A. The Parties in this docket are Staff, the Company, and Intervenors.

17 **Q. DID YOU PREPARE ANY EXHIBITS FOR THIS DOCKET?**

18 A. Yes. Exhibit Staff/102 contains exhibits in support of the Direct Testimony.

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

20 A. The Testimony is organized as follows:

- 21 1) Description of Seventh Mountain Golf Village Water Company and an
22 Explanation of why Widgi Creek Golf Course is no longer a customer of SMGV;
23 2) Summary of SMGV's Application;

- 1 3) Staff's analysis of SMGV's filing;
- 2 4) Staff's adjustments to SMGV's filing; and
- 3 5) Summary of the Stipulation agreed to by Staff, SMGV, and Intervenors.

4 **SEVENTH MOUNTAIN GOLF VILLAGE WATER COMPANY**

5 **Q. PLEASE DESCRIBE SEVENTH MOUNTAIN GOLF VILLAGE WATER**

6 **COMPANY.**

7 A. SMGV is an investor-owned water utility located in the vicinity of Bend,

8 Oregon. The water system consists of one well, a 250,000 gallon two-

9 chambered storage reservoir, pump station, various pumps, and distribution

10 pipe lines. The water system currently serves 165 residential customers and

11 two commercial customers. The two commercial customers are associated

12 with Widgi Creek Golf Course (Club House and Pool area). Until recently,

13 the Company provided irrigation water to Widgi Creek Golf Course; however,

14 due to the transfer of land and water rights associated with the land, Widgi

15 Creek is no longer a customer of SMGV.

16 **Q. PLEASE EXPLAIN IN MORE DETAIL WHY WIDGI CREEK GOLF**

17 **COURSE IS NO LONGER A CUSTOMER OF SMGV.**

18 A. As a brief history, Widgi Creek was previously partly owned by the owner of

19 SMGV; however, Widgi Creek filed for Chapter 7 Bankruptcy in 2004, going

20 into Receivership in March 2004. Widgi Creek was auctioned in December

21 2004 and purchased by a third party not affiliated with SMGV.

22 In 2005, Widgi Creek's owner obtained legal counsel who researched the

23 chain of title and history of the water permit for the irrigation, commercial, and

1 pond water for the golf course and concluded that Widgi Creek was the
2 absolute owner of the irrigation, commercial, and pond water. As a result,
3 Widgi Creek sent a letter to SMGV on November 2, 2005, stating that it will no
4 longer pay for water that it owns.

5 Subsequent to the letter notifying SMGV of water rights, SMGV and Widgi
6 Creek entered into a Reciprocal Easement Agreement that will allow SMGV to
7 draw all of its water for its operation from the well located on Widgi Creek's
8 property. As part of the agreement, Widgi Creek will allow SMGV a permanent,
9 non-exclusive easement to access, maintain, repair, replace, and use the water
10 pump, well, and cisterns located on Widgi Creek property. The agreement
11 states that SMGV will maintain ownership of the electrical pump located in the
12 well. Widgi Creek will not charge SMGV for use of the easement.

13 As part of the agreement, SMGV will allow Widgi Creek a permanent, non-
14 exclusive easement to access, maintain, and repair, replace, and use its
15 irrigation equipment that is located on SMGV property. SMGV will not charge
16 Widgi Creek for use of the easement; however, Widgi Creek will continue to
17 pay its pro-rata share of the utility operations and maintenance expenses
18 concerning the delivery of water as long as the delivery facilities are located on
19 SMGV property. In addition, Widgi Creek comprises the two commercial
20 customers of SMGV and will continue to pay the commercial water rate since
21 the commercial water is delivered by SMGV's distribution system.

1

SUMMARY OF SMGV'S RATE APPLICATION

2

Q. PLEASE SUMMARIZE THE COMPANY'S GENERAL RATE FILING.

3

A. Pursuant to ORS 757.205, the Company filed tariffs on April 11, 2006. In its

4

Application, the Company requests an increase in revenues from \$54,718 to

5

\$77,542, or 41.7 percent. SMGV also requests a 9.5 percent return on a rate

6

base of \$123,257.

7

Q. PLEASE DESCRIBE THE COMPANY'S CURRENT AND PROPOSED

8

RESIDENTIAL RATES.

9

A. SMGV currently charges a flat rate of \$16.00. This rate was approved by the

10

Commission in Order No. 04-156 (UW 95), dated March 15, 2004.

Residential

Meter Size	Current Flat Rate	Proposed Flat Rate
1"	\$16.00	\$38.22

11

SMGV filed a proposed residential rate of \$38.22 per month.

12

13

14

Q. PLEASE DESCRIBE THE COMPANY'S CURRENT AND PROPOSED

15

COMMERCIAL RATES AS STATED IN THE APPLICATION.

16

A. Commercial customers include a Golf Course Club House and Golf Course

17

Swimming Pool¹ that includes shower facilities.

Commercial

Meter Size	Current Flat Rate	Proposed Flat Rate
1"	\$130.17	\$193.85

18

SMGV filed a proposed commercial rate of \$193.85 per month.

19

¹ Staff was unaware of this second customer at the time of the July 5, 2006 Settlement Conference. This customer was also not recorded in SMGV's previous rate case, UW 95.

1 Although rates are flat (non-metered), the Company is currently in the
2 process of purchasing and installing meters. The meter installation is
3 anticipated to be completed during the Summer of 2006. Once all the meters
4 are installed, the Company will record approximately 12 months of readings
5 and file a subsequent rate application for metered rates.

6 **STAFF'S ANALYSIS OF THE COMPANY'S RATE FILING**

7 **Q. WHAT ARE THE RESULTS OF STAFF'S ANALYSIS OF THE COMPANY'S**
8 **APPLICATION?**

9 A. Staff's analysis of the Company's Application results in a recommended revenue
10 requirement of \$46,160, which is a decrease of \$8,558, or 15.64 percent, from
11 SMGV's filed test year revenues of \$54,718. The decrease is primarily a result
12 of the loss of the golf course irrigation revenue. The revenue requirement is to
13 be collected as follows: \$43,564 from residential customers and \$2,595 from
14 commercial customers (rounded). In addition, Staff recommends the Company
15 be allowed to earn a 9.5 percent rate of return on rate base of \$70,506. Exhibit
16 Staff/102, Dougherty/1 and 2 shows the revenue requirement calculations.

17 **STAFF ADJUSTMENTS**

18 **Q. DID STAFF MAKE ANY ADJUSTMENTS TO THE COMPANY'S TEST**
19 **PERIOD EXPENSES?**

20 A. Yes. Staff/102, Dougherty/2 shows Staff's expense adjustments and a brief
21 description of each; however, below is additional explanation of significant
22 adjustments made by Staff.

1 Account No. 610 – Purchased Water

2 In its Application, SMGV included a test year (January 2005 – June 2005)
3 Purchased Water expense of \$900. After reviewing the purchased water
4 invoice, Staff determined that the \$900 expense occurred in 2003 and should
5 not have been included as a test year expense. As a result, Staff adjusted out
6 the full \$900 from test year expenses.

7 Account No. 611 – Telephone/Communications

8 In its Application, the Company proposed a \$695 Telephone / Communications
9 expense. After reviewing invoices, Staff adjusted from expenses international
10 telephone costs associated with UP 221, Commission Order No. 05-928, dated
11 August 18, 2006. In UP 221, the Commission approved the sale of two-thirds
12 share of the Company to the current owner who previously owned the
13 remaining one-third share. This was an extraordinary, one-time transaction
14 cost that would not be repeated in subsequent years. Staff's adjustment
15 resulted in a stipulated amount of \$390.

16 Account No. 615 – Purchased Power

17 In its Application, the Company removed \$6,310 from test year costs of
18 \$14,832 resulting in a proposed expense of \$8,522. This reduction in
19 expenses was due to Widgi Creek agreeing to pay its share of electrical power
20 to pump water from the well and into irrigation ponds. After a review of invoices
21 and the Company's previous rate application, UW 95, Staff further reduced the
22 test year amount to \$7,767.

1 This amount resulted from multiplying test year costs by 49.97 percent (the
2 agreed upon residential and commercial customer allocation in UW 95) and
3 adding 5 percent of the costs to account for any possible PacifiCorp rate
4 increase that may result from the current UE 179 proceedings.

5 Included as part of the Stipulation, the Company agreed to work with the
6 other Parties to the Stipulation to determine the proper methodology for
7 allocating power costs to ensure a fair allocation between SMGV and Widgi
8 Creek.

9 Account No. 620 – O&M Materials & Supplies

10 In its Application, the Company submitted \$1,379 in proposed expenses. After
11 reviewing invoices, Staff reclassified these expenses either into Account
12 No. 621, Repairs to Water Plant or into Plant resulting in a zero expense in this
13 account.

14 Account No. 621 – Repairs to Water Plant

15 In its Application, the Company submitted \$4,156 in proposed expenses. After
16 reviewing invoices, Staff recommends \$1,943 in expenses that includes a 5-
17 year amortization of a \$1,000 pump house painting expense that occurred in
18 2006. Staff reclassified certain expenses as Plant and removed \$3,060 in
19 pump repairs that was paid by an insurance claim due to a flooding that
20 occurred in the pump sump during the summer of 2005.

21 Account No. 631 - Contract Services – Engineering

22 In its Application, the Company submitted a proposed expense of \$600 for
23 appraisal of telemetry costs. Staff removed this cost from Account No. 631 and

1 placed it into Account No. 666, Amortization of Rate Case Expense. The
2 Company incurred this cost to determine the value of telemetry equipment that
3 was previously and inadvertently excluded from utility plant. Since this cost
4 was incurred to determine the telemetry value to place into Plant, Staff
5 reclassified the cost into Account No. 666 and then amortized the cost over
6 three years.

7 Account No. 632 - Contract Services – Accounting

8 In its Application, the Company submitted a proposed expense of \$6,405. After
9 reviewing test year invoices, Staff adjusted this amount to \$3,611.

10 Account No. 633 - Contract Services – Legal

11 In its Application, the Company submitted \$1,200 in proposed expenses.
12 According to the Company, these costs are anticipated costs concerning future
13 easement agreements with Widgi Creek. Since costs have not yet occurred,
14 Staff did not allow an amount to be recovered in rates. Since the Company
15 plans to re-file in approximately one year for metered rates, the Company has
16 the option of including any legal costs in a subsequent filing for Staff's review.

17 Account No. 635 – Contract Services - Testing

18 In its Application, SMGV stated its 2005 Testing Expense as \$2,423. Staff
19 recalculated the proposed Testing Expense of \$1,831 using a two-year average
20 of the costs for scheduled tests based on documentation that was provided by
21 the Company.

1 Account No. 636 – Contract Services - Labor

2 In its Application, SMGV submitted \$2,000 in labor costs. After a review of
3 invoices, the \$2,000 was a prepayment to the contract operator. These costs
4 were included in repair invoices and Staff removed the cost to prevent any
5 doubling of expenses.

6 Account No. 657 – General Liability Insurance

7 In its Application, SMGV submitted an expense of \$1,723. Based on a
8 Company submitted invoice, Staff accepted the amount and added \$167. This
9 addition reflects a 3-year amortization of an insurance deductible expense.
10 Since Staff removed the repair amounts in Account No. 621 that was paid by
11 insurance, Staff allowed an amortization of the \$500 deductible expense.

12 Account No. 675 – General Expense

13 In its Application, the Company submitted \$10,413 for general expense. Staff
14 recommends including only \$578 to cover Oregon Association of Water Utilities
15 (OAWU) dues and bank charges. Staff removed \$4,800 in proposed landscape
16 maintenance costs and \$4,973 in proposed amortization of back utility
17 (equipment) property tax.

18 SMGV submitted landscape maintenance fees for the upkeep of
19 landscaping on utility land. However, landscaping has yet to be performed on
20 the land. In addition, the scope and content of landscaping still needs to be
21 agreed upon by the Company and the Homeowners Association (HOA). Since
22 discussions are in its early stages, Staff did not include this cost since it is not
23 known and measurable at this time. Since the Company plans to re-file in

1 approximately one year for metered rates, the Company has the option of
2 including any landscape maintenance costs in a subsequent filing for
3 Commission review.

4 Included as part of the Stipulation, the Company agreed to work with the
5 other Parties to the Stipulation regarding the proper timing of recovery and
6 method for categorizing future landscape plant costs and operating expenses.
7 The agreement concerning landscape issues will include a determination if
8 these costs are plant and water company expenses, or if SMGV's affiliate,
9 Braber Properties LLC., assumes the cost and charges the water company for
10 the annual maintenance cost and return on the improvement. The timing and
11 methods of including landscape charges will be agreed upon by the Parties.

12 Staff also removed \$4,973 in amortization of unpaid utility (equipment)
13 property tax from the year 1998 through 2003. This amount of unpaid taxes,
14 not including penalties and interest equals \$16,978. This amount and tax is
15 distinct and distinguishable from the property tax on the real property (land)
16 property tax.² The Company claims it believed these taxes were included in
17 the golf course taxes and paid by the Golf Course. Intervenors claim that the
18 Company should have been aware of these taxes, and that there was a
19 previous agreement between the Company and Intervenors that Intervenors
20 would not pursue collection of previously unpaid golf course water charges if

² The land where utility property is leased is owned by Braber Properties LLC, an affiliate of SMGV. In UI 246, Commission Order No. 06-017, dated January 17, 2006, the Commission approved this contract; however, since the land was assessed at zero value, no lease costs were included.

1 SMGV did not include, collection from customers, the unpaid utility property
2 back taxes.

3 Since records of previous agreements were not available during settlement
4 and additional research on this subject is required by all Parties, the Parties
5 agreed to defer this issue until the subsequent SMGV filing for metered rates
6 occurs. As a result, Staff adjusted out the amount submitted by the Company.

7 Account 408.1 – Property Tax

8 Staff included SMGV's 2005 utility (equipment) property tax expense of \$2,142.
9 However, the tax expense appears to include equipment that is now on Widgi
10 Creek property. As part of the Stipulation, the Company agreed to work with
11 the other Parties to the Stipulation to determine the correct property tax
12 allocation between SMGV and Widgi Creek Golf Course (Widgi Creek) in order
13 to ensure customers are not paying property taxes for equipment that Widgi
14 Creek owns. The proper allocation will be agreed upon prior to the Company
15 filing for a subsequent rate application.

16 Since the land utility property is located on is leased from SMGV's affiliate,
17 Braber Properties, LLC., real property tax is not included in rates. The
18 Company plans to appeal the current property tax assessment of zero, and if
19 the tax assessor revises the assessed value of the land, SMGV stated that is
20 will file an amended application to UI 246. Commission Order No. 06-017,
21 dated January 17, 2006.

1 **Q. DID STAFF MAKE ADJUSTMENTS TO UTILITY PLANT IN SERVICE?**

2 A. Yes. After reviewing the Application, analyzing responses to data requests,
3 and evaluating SMGV's Plant records, Staff determined that the Company's
4 Utility Plant in Service is actually \$106,889 and not \$150,639 as shown in the
5 Application. Staff's amount includes the cost of new projects to be completed
6 by July 2006.

7 As a result of the easement agreement, Staff removed the well-related plant
8 cost since it now is owned by Widgi Creek. This removal of well costs was
9 somewhat off-set by the addition of an emergency generator and telemetry
10 equipment that was not previously included in plant. For both the generator
11 and telemetry, Staff only included costs calculated at 1991 levels and allocated
12 34.48 percent of these costs to Widgi Creek based on the agreed-upon UW 95
13 allocation for real property expense.

14 Staff did not include meters in plant since the Company does not currently
15 own all residential meters. The Parties agreed by including meters into plant,
16 certain customers would be paying "twice" for meters; once from purchasing
17 their own meter, and twice by paying a return on meters in rate base.

18 Included as part of the Stipulation, the Company agreed to work with the
19 other Parties to the Stipulation to develop a plan for the Company to assume
20 ownership of all meters prior to meters being included in rate base. This plan
21 will include a method to purchase meters from homeowners and contain a
22 proper accounting of all meters demonstrating that the Company has ownership
23 of all meters.

1 Additionally, Staff removed the proposed back-up well pump from Plant to
2 Materials & Supplies. The pump was placed in Materials & Supplies at \$7,500,
3 which is the one-half of the estimated pump cost of \$15,000. Staff used the
4 one-half price based on the Company's discussions with Widgi Creek
5 concerning the sharing of costs.

6 As part of the Stipulation, the Company agreed to work with the other
7 Parties to the Stipulation to determine the proper allocation of the well pump
8 once metering of usage by residential/commercial customers and Widgi Creek
9 is completed.

10 The Parties agreed also agreed that no other access road costs, except for
11 widening of the current road, will be incurred by customers.

12 **Q. DID STAFF MAKE ANY ADJUSTMENTS TO ACCUMULATED**
13 **DEPRECIATION?**

14 A. Yes. Staff's calculation of Accumulated Depreciation resulted from the
15 additions and deletions to plant and equaled \$46,494 rather than the Company
16 proposed amount of \$34,174 shown in the Application. Staff/102, Dougherty/4
17 shows Staff's Plant in Service and Accumulated Depreciation calculations.

18 **SUMMARY OF THE STIPULATION AGREED TO BY THE PARTIES**

19 **Q. PLEASE DESCRIBE THE REVENUE REQUIREMENT STIPULATED TO BY**
20 **THE PARTIES.**

21 A. The Stipulation is composed of Staff's recommended revenue requirement
22 and rates, as shown in SMGV's tariffs attached to the Stipulation. The
23 Stipulation supports a decrease of \$8,558, or 15.64 percent below the

1 Company's proposed test year revenues, for a total revenue requirement of
 2 \$46,160. As previously mentioned, the decrease in revenue is primarily a
 3 result of the loss of golf course irrigation revenue. In addition, the Parties
 4 stipulated to a 9.5 percent rate of return on rate base. The stipulated Revenue
 5 Requirement is shown in Staff/102, Dougherty/1.

6 **Q. WHAT ARE THE STIPULATED RESIDENTIAL RATES?**

7 A. Residential rates under the Stipulation are proposed to be set at a fixed rate of
 8 \$21.14. The following table shows a comparison of current rates, proposed
 9 rates, and stipulated rates.

Residential Rate Design	Current Rates	SMGV Proposed Rates	Stipulated Rates
Flat	\$16.00	\$38.22	\$21.14

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12 **Q. WHAT ARE THE STIPULATED COMMERCIAL RATES?**

13 A. Commercial rates under the Stipulation are proposed to be set at a fixed rate of
 14 \$173.00. The following table shows a comparison of current rates, proposed
 rates, and stipulated rates.

Residential Rate Design	Current Rates	SMGV Proposed Rates	Stipulated Rates
Flat	\$130.17	\$193.85	\$173.00

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17 **Q. PLEASE EXPLAIN IN MORE DETAIL THE CHANGE FROM ONE
 COMMERCIAL CUSTOMER TO TWO COMMERCIAL CUSTOMERS.**

18 A. After the July 5, 2006, Settlement Conference, it was brought to Staff's
 19 attention that Widgi Creek should be charged as two commercial accounts, one
 20 for water service to the club house, and the second for water service to the

1 pool area. Water service for the two accounts is delivered by separate service
2 piping and each could be metered separately. In addition, there is a significant
3 physical distance between the two areas.

4 **Q. ARE PARTIES TO THE STIPULATION IN AGREEMENT THAT WIDGI**
5 **CREEK SHOULD BE CHARGED FOR TWO ACCOUNTS?**

6 A. Yes. The Parties to the Stipulation conducted a follow-on settlement
7 conference call on July 27, 2006, and are in agreement that Widgi Creek
8 should be charged as two accounts. However, because the Pool area only
9 operates from Memorial Day weekend to Labor Day weekend, the Parties
10 agreed that Widgi Creek will pay the higher commercial rate for the months of
11 June through August and the lower residential rate for the months September
12 through May.

13 **Q. DID WIDGI CREEK PETITION THE COMMISSION TO INTERVENE IN**
14 **THIS DOCKET PRIOR TO THE SETTLEMENT CONFERENCE?**

15 A. No. Although Widgi Creek requested Interested Party status, Widgi Creek did
16 not petition the Commission prior to the July, 5, 2006, Settlement Conference,
17 or the July 27, 2006, follow-on conference call.

18 **Q. IS WIDGI CREEK AWARE OF THIS RATE STRUCTURE FOR THE POOL**
19 **AREA?**

20 A. Yes. A representative from Widgi Creek participated in the July 27, 2006,
21 Conference Call and agrees with the rate structure accepted by the Parties.

22 **Q. DID THE PARTIES STIPULATE TO ANY CHANGES IN MISCELLANEOUS**
23 **FEES?**

1 A. No. The parties agreed to maintain the current miscellaneous service charges
2 set forth in Schedule No. 3 in Attachment B to the Stipulation.

3 **Q. DID THE PARTIES AGREE TO ANYTHING ELSE IN THE STIPULATION?**

4 A. Yes. Staff and SMGV also stipulated to the following:

5 1. The Company agrees to work with the other Parties to the Stipulation to
6 develop a plan for the Company to assume ownership of all meters prior
7 to meters being included in rate base. This plan will include a method to
8 purchase meters from homeowners and contain a proper accounting of all
9 meters demonstrating that the Company has ownership of all meters.

10 2. The Company agrees to work with the other Parties to the Stipulation to
11 determine the correct property tax allocation between SMGV and Widgi
12 Creek Golf Course (Widgi Creek) in order to ensure customers are not
13 paying property taxes for equipment that Widgi Creek owns. The Parties
14 agreed to work towards resolution of this issue amongst themselves prior
15 to SMGV's next rate application.

16 3. The Company agrees to work with the other Parties to the Stipulation to
17 determine the proper methodology for allocating power costs to ensure a
18 fair allocation between SMGV and Widgi Creek. The Parties agreed to
19 work towards resolution of this issue amongst themselves prior to
20 SMGV's next rate application.

21 4. The Company agrees to work with the other Parties to the Stipulation to
22 determine the proper methodology for allocating plant costs concerning

1 the well pumps and turbine meter to ensure a fair allocation between
2 SMGV and Widgi Creek. The Parties agreed to work towards resolution
3 of this issue amongst themselves prior to SMGV's next rate application.

4 5. The Company agrees to work with the other Parties to the Stipulation to
5 determine the proper timing and method to determine categorizing future
6 landscape plant costs and operating expenses. The agreement
7 concerning landscape issues will include a determination if these costs
8 are Company Plant and expenses, or if SMGV's affiliate, Braber
9 Properties LLC., assumes these costs and charges the Company for the
10 annual maintenance cost and return on the improvement. The Parties
11 agreed to work towards resolution of this issue amongst themselves prior
12 to SMGV's next rate application.

13 6. The Company agrees that all Cistern repairs will be performed by the
14 Company. Additionally, the Company will properly and promptly inform
15 Staff and customers of the status of any repairs to the Cisterns that may
16 result in water outage

17 7. The Parties agree that the back-up pump for the well will be placed in rate
18 base (Materials and Supplies) at 50 percent of the estimated costs. The
19 Company agrees to work with the other Parties to the Stipulation to
20 determine the proper allocation of the well pump once metering of usage
21 by residential/commercial customers and Widgi Creek is completed. The

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Parties agreed to work towards resolution of this issue amongst themselves prior to SMGV's next rate application.

Q. ARE THESE PROVISIONS OF THE STIPULATION REASONABLE?

A. Yes. The provisions of the Stipulation are reasonable.

Q. ARE THE NEW RATES JUST AND REASONABLE?

A. Yes. Based on Staff's investigation and the documented costs provided by SMGV, Staff believes the proposed new revenue requirement generates rates that are just and reasonable.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

DATED this 1 day of August 2006.



Michael Dougherty
Staff, Oregon Public Utility Commission

DATED this 3rd day of August 2006.

A handwritten signature in black ink, appearing to read "Dale Bernards", is written over a solid horizontal line.

Dale Bernards, President and Owner
Seventh Mountain Golf Village Water Company

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DATED this _____ day of August 2006.

Dale Bernards, President and Owner
Seventh Mountain Golf Village Water Company

DATED this _____ day of August 2006.

Thomas J. Clifford, Intervenor

DATED this _____ day of August 2006.

Robert J. Selder, Intervenor

DATED this 2 day of August 2006.



Leo Mottau, Intervenor

DATED this _____ day of August 2006.

Charles Heinrich, Intervenor

Docket UW 116

Staff/100
Dougherty/20

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DATED this _____ day of August 2006.

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Thomas J. Clifford, Intervenor

DATED this _____ day of August 2006.

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Robert J. Selder, Intervenor

DATED this _____ day of August 2006.

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Leo Mottau, Intervenor

DATED this 4th day of August 2006.

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Charles Heinrich

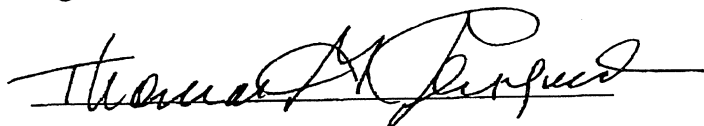
Charles Heinrich, Intervenor

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Staff/100
Dougherty/20

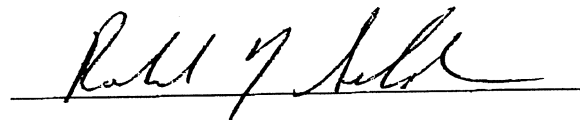
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DATED this 7th day of August 2006.



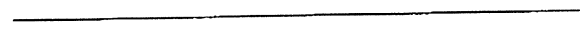
Thomas G. Clifford, Intervenor

DATED this 7th day of August 2006.



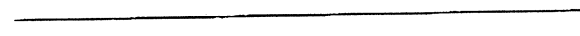
Robert J. Selder, Intervenor

DATED this _____ day of August 2006.



Leo Mottau, Intervenor

DATED this _____ day of August 2006.



Charles Heinrich, Intervenor

CASE: UW 116
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

August 16, 2006

WITNESS QUALIFICATION STATEMENT

NAME: MICHAEL DOUGHERTY

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: PROGRAM MANAGER, CORPORATE ANALYSIS AND WATER REGULATION

ADDRESS: 550 CAPITOL STREET, SUITE 215, NE, SALEM, OR 97301-2551

EDUCATION: Master of Science, Transportation Management, Naval Postgraduate School, Monterey CA (1987)

Bachelor of Science, Biology and Physical Anthropology, City College of New York (1980)

EXPERIENCE: Employed with the Oregon Public Utility Commission as the Program Manager, Corporate Analysis and Water Regulation. Also serve as Lead Auditor for the Commission's Audit Program.

Performed a five-month job rotation as Deputy Director, Department of Geology and Mineral Industries, March through August 2004.

Employed by the Oregon Employment Department as Manager - Budget, Communications, and Public Affairs from September 2000 to June 2002.

Employed by Sony Disc Manufacturing, Springfield, Oregon, as Manager – Manufacturing; Manager - Quality Assurance; and Supervisor - Mastering and Manufacturing from April 1995 to September 2000.

Retired as a Lieutenant Commander, United States Navy. Qualified naval engineer.

CASE: UW 116
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

**Exhibits in Support
Of Direct Testimony**

August 16, 2006

Seventh Mountain						
Test Year: 2005						
SUMMARY OF ADJUSTMENTS						
			Staff Adjustments to Rev Req Column D	Results	Reason	
REVENUES						
1	461	Residential Water Sales	23,585	\$9,199	\$32,784	164 customers*\$16*12 plus 6 new customers* \$16*\$12 plus Pool at 9 months
2	461	Commercial Water Sales	1,562	\$391	\$1,953	1 customer plus Pool at 3 months
3	465	Irrigation - Non GC	0	\$0	\$0	
4	462	Irrigation - GC	29,571	(\$29,571)	\$0	
5	471	Misc. Revenues	0	\$0	\$0	
6		Special Contracts	0	\$0	\$0	
7		TOTAL REVENUE	54,718	(\$19,981)	\$34,737	
8						
9		OPERATING EXPENSES				
10	601	Salaries and Wages - Employees	0	\$0	\$0	
11	603	Salaries and Wages - Officers	0	\$0	\$0	
12	604	Employee Pension & Benefits	0	\$0	\$0	
13	610	Purchased Water	0	\$0	\$0	2003 costs - Not allowed.
14	611	Telephone/Communications	295	\$95	\$390	Minuses UP 221 costs.
15	615	Purchased Power	14,832	(\$7,065)	\$7,767	Excludes power expense for Golf Course, includes 5% increase due to current Pacificorp rate increase application.
16	618	Chemical / Treatment Expense	0	\$0	\$0	Testing under contract services.
17	619	Office Supplies	513	\$775	\$1,288	\$1,002 stationary, plus \$286 for misc. supplies (\$23.80 / month based on year to date) (DR 5 - invoices)
18	619	Postage	687	\$156	\$843	Test year cost escalated by 5.4% (increase in postage) plus \$38 for PUC mailings that will be duplicated in 2006/2007.
19	620	O&M Materials/Supplies	579	(\$579)	\$0	Included in Account 621.
20	621	Repairs to Water Plant	2,956	(\$1,013)	\$1,943	Invoices for 2005 work (includes labor). All repairs were specific and not related to golf course. Costs escalated by 5% going forward.
21	631	Contract Svcs - Engineering	0	\$0	\$0	See account 666.
22	632	Contract Svcs - Accounting	4,405	(\$794)	\$3,611	Based on 2005 invoices. 2006 tracking similarly.
23	633	Contract Svcs - Legal	0	\$0	\$0	No legal invoices provided.
24	634	Contract Svcs - Management Fees	6,140	\$3,820	\$9,960	UI 217 (1) escalated by 2.5%.
25	635	Contract Svcs - Testing	2,423	(\$592)	\$1,831	3-year average (2003-2005).
26	636	Contract Svcs - Labor	0	\$0	\$0	Accounted for in other accounts and capital.
27	637	Contract Svcs - Billing/Collection	0	\$0	\$0	
28	638	Contract Svcs - Meter Reading	0	\$743	\$743	
29	639	Contract Svcs - Landscape	0	\$0	\$0	Premature Cost - Landscaping issues not resolved yet.
30	641	Rental of Building/Real Property	5,043	(\$5,043)	\$0	UI 246
31	642	Rental of Equipment	0	\$0	\$0	
32	643	Small Tools	0	\$0	\$0	
33	648	Computer/Electronic Expenses	0	\$0	\$0	
34	650	Transportation	0	\$0	\$0	
35	656	Vehicle Insurance	0	\$0	\$0	
36	657	General Liability Insurance	278	\$1,612	\$1,890	Invoice provided plus 2005 deductible expense amortized 3-years.
37	658	Workers' Comp Insurance	0	\$0	\$0	
38	659	Insurance - Other	0	\$0	\$0	
39	660	Public Relations/Advertising	0	\$0	\$0	
40	666	Amortz. of Rate Case	0	\$200	\$200	3-year amortization of cost to value telemetry
41	667	Gross Revenue Fee (PUC)	0	\$83	\$83	Calculated
42	668	Water Resource Conservation	0	\$0	\$0	
43	670	Bad Debt Expense	0	\$0	\$0	
44	671	Cross Connection Control Program	0	\$0	\$0	
45	672	System Capacity Dev Program	0	\$0	\$0	
46	673	Training and Certification	0	\$0	\$0	
47	674	Consumer Confidence Report	200	\$0	\$200	
48	675	General Expense	91	\$487	\$578	Industry Dues / Bank Charges; removed landscaping expense and back property taxes.
49		TOTAL OPERATING EXPENSE	38,442	(\$7,115)	\$31,327	(7,115)
		OTHER REVENUE DEDUCTIONS				
50	403	Depreciation Expense	2,966	\$1,260	\$4,226	Based on Plant Work Sheet
51	407	Amortization Expense	0	\$0	\$0	
52	408	Property Tax	2,949	(\$807)	\$2,142	\$2142 (2005-2006) property tax.
53	408	Payroll Tax	0	\$0	\$0	
54	408	Other	0	\$0	\$0	
55	409	Oregon Income Tax	473	(\$668)	-\$195	Taxes based on Adjustments
56	409	Federal Income Tax	1,045	(\$1,459)	-\$414	Taxes based on Adjustments
57		TOTAL REVENUE DEDUCTIONS	45,875	(\$8,790)	\$37,085	
58		NET OPERATING INCOME	8,843	(\$11,191)	-\$2,348	
59	101	Utility Plant in Service	519,516	(\$412,627)	\$106,889	
60		Less:				
61	108	Depreciation Reserve	31,208	(\$77,702)	-\$46,494	
62	271	Contributions in Aid of Const	0	\$0	\$0	
63	272	Amortization of CIAC	0	\$0	\$0	
64	281	Accumulated Deferred Income Tax	0	\$0	\$0	
65		Net Utility Plant	488,308	(\$427,913)	\$60,395	
66		Plus: (working capital)		\$0	\$0	
67	151	Materials and Supplies Inventory	0	\$7,500	\$7,500	
68		Working Cash (Total Op Exp /12)	5,540	(\$2,929)	\$2,611	
69		TOTAL RATE BASE	493,848	(\$423,342)	\$70,506	
70		Rate of Return	1.79%			

CERTIFICATE OF SERVICE

UW 116

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 16th day of August, 2006.



Jason Jones

Assistant Attorney General
Of Attorneys for Public Utility Commission's Staff
1162 Court Street NE
Salem, Oregon 97301-4096
Telephone: (503) 378-6322

**UW 116
Service List (Parties)**

TOM CLIFFORD	60757 GOLF VILLAGE LP BEND OR 97702
CHARLES HEINRICH	4729 CAMBRIDGE CT LAKE OSWEGO OR 97035
LEO & JANICE MOTTAU	60780 CURRANT WAY BEND OR 97702 mottau@yahoo.com
DEPARTMENT OF JUSTICE JASON W JONES ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us
ELKAI WOODS HOA ROBERT J SELDER	PO BOX 5972 BEND OR 97708 rjselder@aol.com
SEVENTH MTN GOLF VLG WATER COMPANY DALE BERNARDS PRESIDENT	3030 SW MOODY AVE - STE 103 PORTLAND OR 97201-4867 dbernards@canterburyrealestate.net
NITA SLATER VP ADMINISTRATION	3030 SW MOODY AVE STE 103 PORTLAND OR 97201 nslater@crescoinc.net