Oregon

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April 30, 2007

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
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RE: **Docket No. UW 119** - In the Matter of AGATE WATER COMPANY. Application for Rate Increase.

Enclosed for electronic filing in the above-captioned docket is the Staff Direct Testimony of Kathy Miller and Michael Dougherty.

/s/ Kay Barnes
Kay Barnes
Regulatory Operations Division
Filing on Behalf of Public Utility Commission Staff
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c: UW 119 Service List (parties)

PUBLIC UTILITY COMMISSION
OF OREGON

UW 119

STAFF DIRECT TESTIMONY
In Support
of the Stipulation Between
Staff and Agate Water Company

In the Matter of
AGATE WATER COMPANY
Application for Rate Increase

April 30, 2007

CASE: UW 119
WITNESS: K. Miller/M. Dougherty

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 100

Direct Testimony
In Support
of the Stipulation Between
Staff and Agate Water Company

April 30, 2007

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

A. My name is Kathy Miller. I am a Senior Utility Analyst for the Public Utility Commission of Oregon. My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

My name is Michael Dougherty. I am the Program Manager of the Corporate Analysis and Water Regulation Section of the Utility Program with the Public Utility Commission of Oregon. My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

Q. WHAT IS THE PURPOSE OF STAFF TESTIMONY?

A. The purpose of this Joint Testimony is to introduce and support the Stipulation entered into by Staff and Agate Water Company (Agate or Company) in settlement of all issues in this Docket. The interveners: David Westoby, Stephanie Michelsen, Lawrence Riser, Tim Kelley, David Anderson, Timothy Rogers, and Corine Fraser have not signed on to the stipulation.

Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?

A. Yes. Staff prepared Exhibit Staff/101, consisting of 14 pages.

Q. HOW IS STAFF'S TESTIMONY ORGANIZED?

A. In the testimony, Staff will:

1. Describe Agate Water Company and summarize the results of its two previous rate cases, UW 72 and UW 108.
2. Explain the Company's general rate increase proposal.
3. Address customer concerns.

4. Describe Staff's recommendations.
5. Explain Staff's proposed adjustments.
6. Explain Staff's proposed rate design.
7. Address Intervenor Testimony.
8. Summarize the stipulation.

Q. PLEASE DESCRIBE AGATE WATER.

A. Agate is a medium sized privately-owned water company that currently provides service to approximately 1,116 customers outside of Bend in the Deschutes River Woods area. Agate came under PUC regulation on August 2, 1999, when PUC notified Agate it had received petitions from over 20 percent of its customers requesting PUC rate regulation.

The owners of Agate also owned Apache Water Company (Apache). Apache came under PUC regulation in June 1999 when its customer count reached the 500 threshold for rate regulation. Agate and Apache merged and are now known as Agate Water Company.[1]

Q. PLEASE DESCRIBE THE RESULTS OF AGATE'S FIRST RATE CASE, UW 72.

A. Agate filed its first rate case, UW 72, in November 1999. In UW 72, the parties stipulated to an annual revenue requirement of $159,275. The major cost drivers were Salaries and Wages and Repairs and Maintenance Expenses. As part of UW 72, the Company went from a flat rate to a three-tiered metered rate design. Customers who paid the Company's system development charge

[1] The merger of Agate and Apache was approved by the Commission in Commission Order No. 02- 889 (UP 198), dated December 24, 2002.

(SDC) prior to PUC regulation were charged $3.02 less in the monthly base rate than the customers who came on after PUC regulation and did not pay a SDC.

Q. PLEASE DESCRIBE THE RESULTS OF AGATE'S SECOND RATE CASE, UW 108.

A. In its second rate case, UW 108, filed on March 7, 2005, all but one party stipulated to an annual revenue requirement of $564,710.

The major cost driver of the UW 108 increase was the addition of $2,323,307 of utility plant.[2] At the time of the filing, the Company was in the final stages of closing a $3.5 million capital improvement project financed by the Safe Drinking Water State Revolving Loan Fund (SDWSRLF) at 1 percent interest. Staff included the majority of improvement project plant into rate base, but held back some utility plant that was not yet used and useful.

In addition, Staff increased the differential between the two base rates for the customers who paid the SDC and the customers who did not pay the SDC, from $3.02 to $7.64. The change provides a 30-year payback to customers who paid the SDC, which paid for original utility plant. This was a reasonable approach because it matches the average plant life of 30 years.

It is important to note that the new plant added in both UW 108 and UW 119 serves all customers. As such, all customers are paying a return on and recovery of the plant. As previously mentioned, the rate of return on Agate's plant was set at a low 1 percent.

[2] As a result of continuing construction, actual net plant included in UW 108 was $3,207,621.

UW 119

Q. PLEASE SUMMARIZE THE UW 119 EVENTS LEADING UP TO THE FILING OF THIS TESTIMONY.

A. On October 31, 2006, Agate filed an application with the Commission requesting a general rate increase in the amount of $202,800. Staff recommended at the Commission's Public Meeting on November 21, 2006, that the tariffs sheets be suspended for six months to give adequate time for Staff to investigate the rate filing. The Commission suspended Agate's tariff sheets per Order No. 06-647, entered November 24, 2006. The suspension expires on June 1, 2007.

A public comment meeting and prehearing conference were held on February 16, 2007. Seven persons intervened in the case. On April 12, 2007, a settlement conference was held in Bend. The Company and Staff stipulated. The interveners are not signatories to the stipulation.

Q. WHAT REVENUE REQUIREMENT DID AGATE PROPOSE IN ITS CURRENT UW 119 APPLICATION?

A. In its application, Agate proposed an increase of $202,800 or 45.6 percent over test period revenues for a total annual revenue requirement of $646,732. The Company requested a 1.75 percent return on a rate base of $3,420,714.

Q. WHAT ARE AGATE'S CURRENT RATES AND WHAT RATES DID THE COMPANY PROPOSE IN ITS APPLICATION?

A. Agate's current rates and proposed rates are shown in the table below. The variable rate is for every 100 cubic feet (cf) of water used. Agate proposed changing the current variable rate structure from three tiers to two tiers. See Table 1 below:

Table 1 – Current and Company Proposed Rates

	Did Not Pay SDC Base Rate	Paid SDC Base Rate	0-2000 cf Tier 1 Rate per 100 cf	2001-4000 Tier 2 Rate per 100 cf	4001 & Above Tier 3 Rate per 100 cf
Current	$31.19	$23.55	$.68	$1.75	$2.04
Proposed	$34.68	$27.04	$1.04	$2.75	

Q. WHAT CONCERNS DID THE CUSTOMERS HAVE?

A. Staff has reviewed customer prehearing comments and all written and oral comments received throughout the case. Staff identified the following customer concerns:

1. Low Water Pressure

Neither the Commission nor the Company received any complaints regarding water pressure since March 2005. However, at the public comment meeting, three customers voiced concern regarding their water pressure during the summer of 2006.

The new system improvements, including a new 560,000 gallon reservoir, are complete and are on line. This should alleviate any pressure problems. Customers with a pressure problem should contact Agate immediately so the Company can investigate the cause of the low pressure.

2. Compensation for Customers Who Paid a SDC

At the public comment meeting, a customer(s) requested Staff consider changing the $7.64 difference in the base rates between those customers who paid the SDC and those that did not. Staff reviewed the previous methodology concerning the difference in base rates and concluded that the difference between the two base rates is fair and reasonable and should not be changed.

3. <u>The Capital Improvement Project is to Serve Future Expansion</u>

As explained below, the improvements to date to Agate's infrastructure have been to serve only the existing customers (Priority I Improvements).

Staff contacted Mike Solt, Regional Coordinator for the Oregon Economic and Community Development Department (OECDD). Mr. Solt is the Project Administrator of Agate's Capital Improvement Project. He oversees the loan and monitors the progress of the project activities to confirm that payment is appropriate for the work accomplished.

Mr. Solt provided a copy of Agate's engineered Capital Improvement Program, which was used to secure the loan from the SDWSRLF. In the document, the improvements were broken into three priorities. Water system improvements identified in the original master plan for Apache Water System were incorporated into the Priority I Improvements.

<u>Priority I Improvements</u> included the installation of a new reservoir and minimal improvements to the distribution system to correct primary system deficiencies.

<u>Priority II Improvements</u> include construction items that extend the systems to cover the entire service area and improves system hydraulic capabilities.

Priority III Improvements include upgrades to the pumping system that will be needed for future demands.

Mr. Solt noted that capacity to serve future expansion will require an additional 860,000 gallon tank and distribution improvements in the neighborhood of $2,690,004, plus an additional $58,823 to upgrade the pumping capacity. Staff has attached a copy of the Capital Improvement Program priorities as Staff/101 Miller-Dougherty/11-12.

4. Customers Request for Last Payment to be Printed on the Current Bill

Agate is investigating whether its billing software can include the customers' last payments on the bills. The Company is working with the software company and, if possible, will add this to their bills.

5. Poor Customer Service

To address concerns regarding customer service, Agate has adopted a written Customer Service Policy that states, among other things, "customers will be treated in a professional and understanding environment regarding their service." This policy is displayed in Agate's office. The policy also contains contact information for PUC's Consumer Services Section.

The Consumer Services Section reports that from March 2005 to December 2005, the Commission received 8 service complaints; during 2006, the Commission received only four service complaints; and to date, the Commission has received only one service complaint. Rate protests are not included.

6. Inaccurate Billings

Agate uses computerized billings. If a customer believes there is a discrepancy on a bill, the customer should call the Company as soon as possible and it will be immediately addressed. Also, in the future, the Company will be including a message on its bills with the Company's telephone number to call if there are any problems.

Consumer Services Section reports receiving 2 billing complaints since March 2005. One was regarding an installation fee and the other was concerning a transfer.

7. Whom to Call When Customers Have Issues with the Company

Customers may call the Commission's Consumer Services Section at 1-800-522-2404 or TTY 711.

8. Agate Failed to Provide Adequate Business Services

No specific business services were identified by the customer. Any services that are not provided need to be brought to the attention of the Company so it may have an opportunity to address the problems.

9. Transparency of Business Records

With minor exceptions, Staff had available for review at the Settlement Conference, all the documentation of Agate's revenues, consumption, customer usage charts, expenses, capital expenditures, and other facts for the years 2005 and 2006, and Staff worksheets summarizing the above mentioned documents for years 2003 and 2004.

10. Staff Should Use Averages Instead of a Regulatory Snapshot to Calculate Revenue Requirement

    As suggested by the customers in the UW 119 public comment meeting, Staff used (when applicable) three or four year averages (depending on the documentation) to determine expenses, consumption, and other items as appropriate.

11. Water Service is Getting Worse

    No specific services or issues were identified to address. Inadequate service must be reported to the Company to allow it a chance to resolve the problem.

Q. WHAT ARE THE MAJOR CHANGES DRIVING THE INCREASE IN THE REVENUE REQUIREMENT?

A. The major cost drivers are the addition of $266,170 in utility plant from the capital improvement project that is now used and useful, and large increases in power, materials and supplies, property tax, and depreciation expenses.

Q. AFTER INVESTIGATING THE COMPANY'S REQUEST, WHAT IS STAFF'S RECOMMENDATION?

A. Staff recommends an increase of $100,324 or 19.07 percent over test period revenues, resulting in total annual revenues of $626,443, with a 1 percent return on a rate base of $3,167,532. Please see Revenue Requirement, Staff/101 Miller-Dougherty/1.

Please note that during the 2005 test period, Agate did not realize the revenues approved in its last rate case UW 108. The percentage increase of the recommended revenues in UW 119 over what was approved in UW 108 is actually 10.9 percent.

Q. WHAT ARE STAFF'S RECOMMENDED RATES?

A. Staff proposes rates as shown in the table below. The unit of measure for consumption is 100 cf.

Table 2 – Staff Recommended Rates for Agate

	Did Not Pay SDC Base Rate	Paid SDC Base Rate	1-2000 cf Tier 1 Rate per 100 cf	2001 & Above Tier 2 Rate per 100 cf
Staff Proposed	**$34.27**	**$26.63**	**$1.00**	**$2.56**

In UW 72, the rates were designed with a low first tier rate and a sizeable rate hike in tier 2. In UW 108, Staff kept the first tier (0-2000 cf) low to avoid rate shock.

Q. PLEASE DESCRIBE STAFF'S RATE DESIGN IN UW 119.

A. To determine Staff's proposed rate design, Staff divided the recommended revenue requirement of $626,443, into a 40 percent and a 60 percent split between the variable rate and the base rate, respectively. *Staff's standard target split for water utilities for variable and fixed expenses is 40/60, respectively.*

Using these percentages, Staff assigned $250,577 to the variable rate and $375,865 to the base rate. Staff then calculated the rates necessary for both the base and variable rates to generate the required revenue. Staff agreed with the Company's proposal to reduce the rate tiers from three to two.

Q. WHY DID STAFF AGREE TO GO FROM A THREE-TIERED RATE TO A TWO-TIERED RATE?

A. Staff agreed to a two-tiered rate design based on the customer usage patterns in 2005 and 2006. On average 80 percent of Agate's customers' water use was between 0 and 2,000 cubic feet (cf). In 2004, the customer percentage use between 0 and 2000 cf was 60 percent. The effect of the two-tier variable rate structure is that customers who use low or average amounts of water will pay less; customers using larger volumes will pay relatively more.

Staff proposes keeping the first tier separation at 2,000 cf. Using 2,001 cf and above for the second tier results in a significant difference in price between the first tier rate and the second tier rate.

Q. PLEASE EXPLAIN THE BASIS FOR STAFF'S RECOMMENDED BASE RATE.

A. Staff recommends the following base rates:

Table 3 – Staff's Recommended Base Rates

Monthly Base Rate for Customers Who Paid the SDC	$26.63
Monthly Base Rate for Customers Who Did Not Pay the SDC	$34.27

The base rate (60 percent of the revenue requirement) is divided between the customers that paid the SDC and those that did not. In UW 72, the difference between the two monthly base rates was $3.02. In UW 108, the difference between the two monthly base rates increased to $7.64 per month.

In UW 119, Staff has maintained the same $7.64 difference in the base rates. Staff believes it is appropriate for the customers to recover the SDC payments (which paid for utility plant) consistent with the average utility plant service life of 30 years. It is equitable and appropriate that there should be a difference in the base rate until such time that the SDC customers have recouped the money that was paid for the system infrastructure.

Q. PLEASE EXPLAIN THE BASIS FOR STAFF'S RECOMMENDED VARIABLE TIERED RATES.

A. The variable rate tiers were determined on the customers' usage patterns for 2005 and 2006. Staff recommends the following variable tiered rates:

Table 4 – Staff's Recommended Variable Rates

Tier 1	Tier 2
1-2,000 cubic feet	2,001 and Above
$1.00 per 100 cf	$2.56 per 100 cf

Staff designed rates to capture the majority of customer usage in the first tier (0-2000 cf). *Two thousand cf of water equals 14,962 gallons per month.*

Q. WHAT EFFECT DOES STAFF'S PROPOSED RATES HAVE ON THE CUSTOMERS' MONTHLY BILLS?

A. The effect of Staff's proposed rates on customer bills based on a range of monthly consumption is shown below:

Table 5 – Rate Comparison – CUSTOMERS WHO PAID A SDC

MONTHLY CONSUMPTION	COMPANY CURRENT	STAFF PROPOSED	DIFFERENCE BETWEEN CURRENT AND STAFF PROPOSED RATES	
Measured In Cubic Feet (cf)	Bill per Customer Per Month	Bill per Customer Per Month	Dollar Increase	Percentage Increase
0	$23.55	$26.63	$3.08	13.08%
1000	$30.35	$36.64	$6.29	20.73%
1312	**$32.47**	**$39.77**	**$7.30**	**22.47%**
1500	$33.75	$41.65	$7.90	23.40%
2000	$37.15	$46.66	$9.51	25.59%
3000	$54.65	$72.22	$17.57	32.16%
4000	$72.15	$97.79	$25.64	35.54%
5000	$89.65	$123.36	$33.71	37.60%
6000	$107.15	$148.93	$41.78	38.99%
8000	$147.95	$200.06	$52.12	35.22%
10000	$188.75	$251.20	$62.45	33.09%

Table 6 - Rate Comparisons – CUSTOMERS WHO DID NOT PAY A SDC

MONTHLY CONSUMPTION	COMPANY CURRENT	STAFF PROPOSED	DIFFERENCE BETWEEN CURRENT AND STAFF PROPOSED RATES	
Measured In Cubic Feet (cf)	Bill per Customer Per Month	Bill per Customer Per Month	Dollar Increase	Percentage Increase
	$	$	$	
0	$31.19	$34.27	$3.08	9.87%
1000	$37.99	$44.28	$6.29	16.56%
1312	**$40.11**	**$47.41**	**$7.30**	**18.19%**
1500	$41.39	$49.29	$7.90	19.08%
2000	$44.79	$54.30	$9.51	21.22%
3000	$62.29	$79.86	$17.57	28.21%
4000	$79.79	$105.43	$25.64	32.14%
5000	$97.29	$131.00	$33.71	34.65%
6000	$114.79	$156.57	$41.78	36.39%
8000	$155.59	$207.71	$52.12	33.49%
10000	$196.39	$258.84	$62.45	31.80%

The increase to both base rates is $3.08. However, the most significant percentage increase effect on customers is the second tier variable rate.

Depending upon the monthly usage, some customers could experience a 38.99 percent increase.

The most significant impact on the majority of customers is in the first tier. In UW 72, the first tier rate was $.69 per 100 cf of water consumed, resulting in customers who use less than the average amount of water paid a lower per unit rate. In UW 108, Staff maintained a low rate of $0.68 per 100 cf of water consumed for a total variable cost of $8.92 per month, based on the current average monthly consumption of 1,312 cf.

In UW 119, Staff recommends a first tier rate of $1.00 per 100 cf, resulting in a $4.20 increase in the variable rate for the same amount of usage. The change is designed to cover 80 percent of Agate's monthly costs through the base rate and first tier, leaving the remaining 20 percent more at risk to the Company given variations in year-by-year water use. Should weather or another unexpected problem arise, the Company is at additional risk of not realizing even 80 percent earnings during the winter months.

Q. PLEASE EXPLAIN STAFF'S ADJUSTMENTS TO REVENUE AND EXPENSES.

A. Staff's adjustments, including a short summary, to Agate's revenue and expenses are shown in Staff/101 Miller-Dougherty/2. To determine annual expenses, Staff performed a rigorous review using actual documentation, such as invoices, checks, receipts, etc., for the years 2003, 2004, 2005, and 2006 (depending on documentation). Staff removed non-utility items, normalized, amortized, corrected accounts, capitalized, and/or made other appropriate adjustments to each expense category for each year. For most expenses, Staff then averaged the expense over the number of years of documentation. For each item below, Staff's adjustments are to Agate's 2005 test year values.

1. <u>Revenue</u>

   Staff's upward adjustment to revenue of $82,187 represents a total calculation of $526,119 annual revenue. Agate's documentation for revenue included such things as hook-up fees, return check charges, disconnect visit charges, etc. Staff removed these charges from revenues to determine the annual revenues. Staff also calculated the estimated additional revenues for the increased number of customers. Inclusive of these adjustments yields estimated revenues of $626,443.

2. <u>Salaries and Wages</u>

   Staff made an upward adjustment of $3,871 to salaries and wages-employees that resulted in total salaries and wages for employees of $182,862. To determine employee wages for the 6.5 full time equivalents (FTE), Staff used the American Water Work Association (AWWA) 2006 Water Utility Compensation Survey and Deschutes County Prevailing Wages for each employee's occupation, adjusted for years of service. Staff then averaged the two wages and finally made a downward adjustment for reasonableness. Although Agate's employees and officer are paid a monthly salaries, Staff has broken out the hourly rate to highlight the comparison between the Company's current hourly wage, AWWA hourly wage, and hourly wages taken from the Oregon Employment Department's – Oregon Labor Information System (OLMIS or prevailing wages).

Table 7 – Wage Comparisons

Employees		Current Hourly Wage	Selected AWWA Compen-sation	Deschutes OLMIS Wages	Avg of AWWA & OLMIS Wage	**Staff Proposed Hourly Wage**
Water Operations Manager	Drew Johnson	$16.76	$33.51	$26.83	$30.17	$17.33
Admin Services Manager	Lynn Johnson	$13.87	$22.69	$22.01	$22.35	$14.34
Intermediate Plant Operator	Brandon Johnson	$11.56	$18.74	$19.52	$19.13	$11.95
Office & Administrative Support Worker	Laura Cortes	$13.64	n/a	$14.73	$14.73	$14.11
Maintenance & Repair Worker General	Greg Carder	$12.02	$18.74	$14.23	$16.49	$12.43
Installation, Maintenance & Repair Worker, All Other	Irven Howell	$8.38	$16.82	$15.50	$16.16	$8.67
Bookkeeping, Acct & Auditing Clerks	Marybeth Schilling	$9.25	$22.70	$18.57	$20.64	$18.50
Officer						
Top Operations & Maint Executive	Fred Schilling	$26.88	$48.66	$63.19	$55.93	$53.76

As can be seen from the above tables, wages to all employees of Agate are lower than market rates. In addition to lower than market wages, because of cash flow, Agate has not been able to provide health and life insurance benefits to employees. The result is a considerably low overall wage expense in customer rates. Since employees are paid on a monthly basis, no overtime is included in the proposed wage expense. It is also important to note that office hours and hours worked are not one in the same. Employees are required to perform numerous tasks that are outside the scheduled office hours. In addition, operators are on-call 24 hours a day, seven days a week.

Considering these facts, the result is a considerably low overall wage expense in customer rates.

Staff has previously used the OLMIS wages and substantiation of wages using the AWWA Wage Survey in recent water rate applications including Long Butte Water System (UW 110), Pete's Mountain (UW 117), and Sunriver (UW 118).

In addition to the employee wages for 6.5 FTE, Agate's 100 percent shareholder is receiving remuneration as an officer (0.5 FTE). Staff removed ($1,450) from the owner'/officer test period salary. Mr. Schilling, as owner of the Company, is responsible for corporate governance duties. He maintains the responsibility of ensuring that Agate is a stable company that continues to provide water service to its customers. Mr. Schilling, in addition to performing management and operator duties, is accountable to customers for service delivery; tax, financial, risk, and facilities management; community and public relations; and regulatory matters. Mr. Schilling's officer salary affiliate interest agreement, Docket UI 263, is pending before the Commission.

Pursuant to OAR 860-036-0739, Allocation of Costs by a Water Utility, the amount paid by a utility to an affiliated interest is required to be at cost or the market rate, whichever is lower. Given the nature of the proposed contract, between the Company and a majority shareholder, Staff's affiliated interest review focused on analyzing the market rates since in these cases the terms "market" and "cost" are the same given the uniqueness of the affiliated interest relationship and its human capital services.

To perform these analyses, Staff Analyst Marion Anderson used both the OLMIS and the American Water Works Association Water Utility Compensation Survey for a proxy to determine the market rate. As a result of the lower of cost or market analysis, Staff concluded that the proposed wages to Mr. Shilling are fair, reasonable, and not contrary to the public interest.

It is important to note that the affiliated interest application docketed as UI 263 satisfies the requirement of Commission Order No. 06-627; however, the actual determination of wage amounts in rates will be determined in the Commission's final order in the matter of UW 119. Staff's recommended condition No. 2 in UI 263 specifically states that the Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any rate proceeding or alternative form of regulation. As previously mentioned, Staff's Analyst Marion Anderson performed a rigorous review of the UI 263 application.

The following table compares overall wages and benefits between the Commission's three Class B water utilities in Central Oregon (Agate, Roats, Crooked River Ranch Water Company[3]) with a similar customer base, that are not a subsidiary of a parent corporation. Staff did not include Cline Butte Utility,

[3] Crooked River Ranch Water Company (CRRWC) was brought under the Commission's regulation pursuant to Commission Order No. 06-642 (WJ 8), dated December 20, 2006. CRRWC has filed its first rate application, docketed as UW 120, on April 23, 2007. Because of the filing date, Staff has not had an opportunity to review CRRWC's books and records, and as such, has not verified the reported costs with actual costs.

which is located in Eagle Crest, because many of the employee functions are contracted out to its parent company. Although Staff includes the following table as a comparison, a simple comparison of wages among utilities is not a sufficient analysis from which to base revenue requirement recommendations.

Table 8 – Class B Water Utilities Wage and Benefit Comparison

	Agate	Crooked River	Roats
Total Full Time Equivalents (FTE)	7	6.5	6
Wages – Employees	$182,862	$343,500	$116,103
Wages – Officers	$55,800		$101,518
Pension & Benefits	$19,444	$33,000	$22,683
Total Payments	**$258,106**	**$376,500**	**$240,304**
Employee Expense per Revenue	$0.41	$0.50	$0.30
Total Operating Expense per Customer per Year	$356	$427	$457

Although Agate's wages are slightly higher than Roats Water Company, they are lower than Crooked River Ranch Water Company, as Table 8 indicates. Agate's overall operating expense per customer per year is lower than both Roats Water Company and Crooked River Ranch Water Company.

Staff also believes Intervenor Tim Kelly's comparison to Connecticut Water Services (Connecticut) is irrelevant. As a result of economies of scale, it is reasonable to expect a declining employee to customer ratio as companies become larger. However, it is interesting to note that the pay of Connecticut's five executives is almost five times the amount of Agate's entire payroll. Because it is important to use comparative companies when making a comparison,[4] Staff believes that the comparisons of Agate to Roats and Crooked River Ranch Water Company are more relevant. As previously mentioned, a simple comparison of wages among utilities is not a sufficient analysis from which to base revenue requirement recommendations.

3. Purchased Power

Staff's upward adjustment of $9,799 to power expense represents total 2006 annual power costs of $51,162. Staff determined the amount using 2006 actual power invoices. Staff then applied PacifiCorp's percentage increase, approved by the Commission in Order No. 06-564 (UE 179), effective in 2007, to the appropriate rate schedules. The total power expense is the combination of 2006 actual power costs adjusted for PacifiCorp's rate increase.

4. Materials and Supplies

Staff's upward adjustment of $4,369 to materials and supplies represents a total annual expense of $7,458. The total annual expense is a three-year average of actual costs. Staff determined the amount using actual documentation for the years 2004, 2005, and 2006.

5. Testing

Staff's downward adjustment of ($2,300) to testing represents a total annual expense of $5,000. Staff used the expertise of Umpqua Research Company to

[4] Staff did not consider the other companies presented by Mr. Kelley, since they are not water utilities and are not comparative companies.

project Agate's testing cost over a three-year testing cycle (2007, 2008, and 2009). Staff then averaged the three years to determine the total actual annual expense of $4,993, rounded up to $5,000 annually.

6. <u>Transportation Expense</u>

Staff's upward adjustment of $2,924 represents a total annual expense of $17,128. To determine this amount, Staff used actual (adjusted) documented costs for the years 2004, 2005, and 2006. Staff then averaged the three years to determine the annual expense.

7. <u>Vehicle Insurance Expense</u>

Staff downward adjustment of ($1,262) to vehicle insurance expense represents the actual annual cost of $2,080 for vehicle insurance expense. Since the last rate case, Agate no longer uses or insures the following vehicles: 1966 GMC Pickup w/Compressor, 1991 Ford F250, and 1965 Ford Dump Truck.

8. <u>General Liability Insurance</u>

Staff's upward adjustment to general liability insurance of $984 represents an annual expense of $3,188. Staff used the actual insurance policy premium invoice to document the cost.

9. <u>Amortization of Rate Case Expense</u>

Staff's downward adjustment of ($200) represents a disallowance of any rate case expenses. The work associated with the rate case is embedded in the normal day to day expenses of the Company.

10. Bad Debt Expense

Staff's upward adjustment of $2,189 represents the annual bad debt expense. Staff used four years of actual bad debt expense, minus collection, to determine a four-year average annual expense. The Company inadvertently did not include this expense in its application, but the expense does exist and is documented.

11. Training and Certification

Staff's downward adjustment of ($475) to training and certification expense represents an annual expense of $1,280. Staff determined this amount from actual training invoices and receipts. Staff removed $135 for Company discounts and reimbursements.

12. Miscellaneous Expense

Staff's downward adjustment of ($1,671) to miscellaneous expense represents an annual expense of $2,320. The miscellaneous expense is made up of dues and subscriptions, the One Call Program, and bank charges. Staff used actual documented costs for the years 2004, 2005, and 2006. Staff then averaged the three years to determine the total annual expense.

13. Depreciation Expense

Staff's upward adjustment of $78,811 to depreciation expense represents a total annual depreciation expense of $132,655. Each year Agate is entitled to a depreciation expense on all utility plant in service (in this case from 2002 forward) for wear and tear on the property. *Each year's depreciation expense* *is then added together to determine the accumulated depreciation. The accumulated depreciation is then deducted from utility plant and Agate's rate base*.

14. Property Tax

Staff's upward adjustment of $35,514 to property tax represents an annual expense of $49,941. Staff used the Company's 2006-2007 property tax statement to determine the annual expense. Adding $3.5 million in infrastructure resulted in a higher property value, thus the taxes on the property increased. The property taxes for the office building are not included in this amount. The office building is leased from the Johnsons, and the Johnsons, and not Agate, are responsible for these taxes.

Q. STAFF MENTIONED THE AFFILIATED INTEREST CONTRACT REGARDING MR. SHILLING'S WAGE. DOES AGATE HAVE ANY OTHER AFFILIATED INTEREST (AI) CONTRACTS?

A. Yes, Agate has an approved AI contract for rental of the office building. The office building is rented from Lynn and Drew Johnson. Lynn Johnson is the daughter of the owner, Mr. Shilling.

On March 30, 2005, the Company filed an affiliated interest application under ORS 757.015, 757.495, and OAR 860-036-0730 for rental of a 1,100 square foot office facility with outbuildings for equipment, work area, and storage of 720 square feet for $1,000 per month.

Staff Analyst Marion Anderson investigated the application and determined compliance with the lower of cost or market by contacting five Bend commercial property management companies for square footage cost quotes. The estimations resulted in charges higher than Agate's request for $1,000 rent per month. The AI contract was approved in Order No. 05-204, entered April 29, 2005. The rental amount for the office was maintained at $1,000 per month in the application.

However, an additional rental expense of $300 per month was included in the application for the lease payments of the property that the reservoir tank is located on. The property is leased from a third party and did not require an affiliated interest application.

Q. PLEASE GIVE SOME EXAMPLES OF ADJUSTMENTS TO EXPENSE INVOICES IN WHICH YOU REMOVED A PORTION OF THE EXPENSE.

A. As previously mentioned Staff adjusted expenses to remove non-utility items, (including 50 percent of beverages bought on the same invoice), normalized, amortized, corrected accounts, capitalized, and other expense adjustments, including, but not limited to: removing duplicate charges, late fees, interest on suppliers' accounts, company credits, company returns, and customers' backflow prevention devices for each invoice/receipt for each year. The following are samples of Agate's expenses where Staff adjusted individual items:

1. <u>Office Supplies</u>

Table 9 – Office Supplies

Year	2004	2005	2006
Total Invoices/Receipts	$4,205	$1,602	$3,526
Total Adjustment	($2,803)	($239)	($2,110)

2. Materials and Supplies

Table 10 – Materials and Supplies

Year	2004	2005	2006
Total Invoices/Receipts	$11,820	$12,331	$13,843
Total Adjustment	($875)	($6,942)	($7,666)

3. (Outside) Labor Expense

Table 11 – Outside Labor Expense

Year	2004	2005	2006
Total Invoices/Receipts	$3,194	$6,845	$11,682
Total Adjustment	($2,649)	($3,883)	($1,750)

4. Computer/Electronic Expense

Table 12 – Computer/Electronic Expense

Year	2003	2004	2005	2006
Total Invoices/Receipts	$671	$455	$1,431	$1,677
Total Adjustment	($0)	($0)	($850)	($928)

5. Transportation

Table 13 – Transportation Expense

Year	2004	2005	2006
Total Invoices/Receipts	$18,886	$20,317	$18,026
Total Adjustment	($5,350)	($643)	($2,563)

6. Training

Table 14 – Training Expense

Year	2004	2005	2006
Total Invoices/Receipts	$1,452	$0	$1,415
Total Adjustment	($260)	($0)	($135)

As can be seen from the above adjustments, Staff was extremely thorough in its review of operating expenses.

Q. PLEASE EXPLAIN STAFF'S ADJUSTMENTS TO PLANT AND RATE BASE.

A. Agate's original utility plant, constructed in 1981, was financed by the SDCs paid by the customers prior to regulation (1999). The SDC payments would have been booked as Contributions in Aid of Construction (CIAC) if the Company had been regulated. Staff determined in UW 108 that the net effect of the SDCs would result in a negative rate base.

In UW 119, Staff has included only the plant in service from 2002 to date in Agate's utility plant. Since the construction of the new project commenced in 2002, Staff believes starting with 2002 plant is reasonable. Staff adjustments to plant are:

<u>Utility Plant</u>

Staff's upward adjustment of $266,170 to utility plant represents a total utility plant of $3,751,767.

<u>Depreciation Reserve or Accumulated Depreciation</u>

Staff's upward adjustment of $270,799 represents a 2007 total accumulated depreciation of 366,852. Although the adjustment appears to be an upward adjustment, it is a deduction from utility plant and represents all depreciation taken on plant from 2002 through 2007. A larger depreciation reserve results in a lower rate base, which results in lower net income.

<u>Contributions in Aid of Construction (CIAC)</u>

Staff upward adjustment of $250,000 to CIAC is also a deduction to utility plant and represents the $250,000 loan forgiveness given to Agate from the Oregon Economic and Community Development Department and the Drinking Water Program as part of its loan from the Safe Drinking Water State Revolving Loan Fund. It is deducted to ensure that the customers do not pay for plant that was gifted to the Company at no cost. See Agate's Plant and Depreciation Schedule, Staff/101, Miller-Dougherty/7-10.

Staff added $20,034 in inventory and $32,618 in working cash to Agate's net plant resulting in a proposed rate base of $3,167,533.

Q. HOW DID YOU DETERMINE A 1 PERCENT RATE OF RETURN ON RATE BASE?

A. Agate's cost of debt is one percent. The Company is 100 percent debt. Applying percent return on Staff's proposed rate base of $3,167,533 results in $31,675 net income. While other utilities are generally allowed between 9.5 to 10.4 percent on rate base, Agate's financing is through an EPA/State 1 percent loan. Therefore, Staff recommended, and the Company agreed to, a 1 percent rate of return. Agate's proposed return of $31,675 provides Agate with funds to cover the annual interest payment on its loan. The Company understands that it has only a small annual revenue "buffer" in its net operating income should Agate realize the revenues in Staff's proposal. Agate has agreed to take the financial risk in order to keep rates as low as possible.

Q. ALTHOUGH THE RATE DESIGN SOFTENS THE RATE IMPACT ON AVERAGE AND LOW USERS, IS IT TRUE THAT LARGE USERS WILL SEE RATE INCREASES AS HIGH AS 38.99 PERCENT.

A. Yes, depending on how much water is used per month. However, all customers control the amount of water they use and can take actions to conserve water and reduce consumption to maintain lower monthly bills.

Q. WHERE DOES THE PRINCIPAL PAYMENT FOR THE LOAN COME FROM?

A. The principal payment for Agate's loan comes from the depreciation expense. Staff aligned the Company's depreciation expense by using a shortened service life for some plant to match the expense with the payment stream on the loan.

Q. PLEASE SUM UP THE DIFFERENCE IN THE COMPANY'S RESULT OF OPERATONS AND STAFF'S RESULT OF OPERATIONS?

A. The best way to summarize the difference between the Company's proposed case and Staff's proposed case is to use a table.

Table 15 – Comparison of Agate's and Staff's Proposed Results of Operations

	Results of Operations	
	Company Case	Staff Case
Proposed percentage increase	45.60%	19.07%
Proposed increase in dollars	$202,800	$100,324
Proposed annual revenues	$646,732	$626,443
Proposed rate of return	1.75%	1.00%
Proposed rate base	$3,420,714 (corrected)	$3,167,532

	Proposed Rates	
Proposed Base Rate for SDC customers	$27.04	$26.63
Proposed Base Rate for NON-SDC customers	$34.68	$34.27
Proposed tier 1 variable rate	$1.04	$1.00
Proposed tier 2 variable rate	$2.75	$2.56

DISCUSSION OF INTERVENOR TESTIMONY

Q. DO YOU BELIEVE THAT THE COMPANY SHOULD STAY OUT OF A RATE CASE AND ALLOW MORE TIME TO DETERMINE IF THE CURRENT RATES ARE SUFFICIENT TO MEET ITS CURRENT OPERATING EXPENSES AND OTHER REVENUE DEDUCTIONS?

A. The decision to request a rate increase solely rests upon the Company; however, based on a review of Agate's financial records, it does not appear that the current rates will result in sufficient revenue to cover Agate's current and future obligations.

As an illustration, Staff has included the following table that only focuses on net income (to pay interest expense) and depreciation expense (to pay loan principal) and highlights the financial strain the Company is currently experiencing. Staff used a four-year review since customers requested that Staff average out expenses over a three- to four-year time period. Please note that negatives (losses) are annotated in parenthesis. All data is taken from the Company's federal income tax returns.

Table 16 – Comparison of Company's Income and Depreciation Expense for the Previous Four Years and Current Loan Obligations

	2003	2004	2005	2006	Need Based on SDWRLF[5]
Net Income	($53,255)	($22,769)	$11,897	$51,133	$31,485
Depreciation Expense	$42,794	$40,247	$33,108	$26,536	$100,064
Total	**($8,458)**	**$19,482**	**$47,010**	**$79,675**	**$131,549**
4-Year average Net Income	($12,904)				
4-Year average Depreciation Expense	$35,671				
4-Year average Total	**$22,767**				

As the above table illustrates, the 2006 total return on and of plant was only approximately 61 percent of the funds the Company needs to recover in order to make payments on the SDWSRLF loan. The four-year average of total payments shows a bleaker picture, it is only 17 percent of what is needed for annual loan payments.

Although Staff is illustrating a four-year average of loan payments, the actual 2006 payment was set at $172,390. As the amounts for 2006 indicate, the Company did not recover enough revenue to make this payment. This inability to recover enough to make the loan payment is partially attributed to the current low first tier rate of $0.68 and customer consumption patterns.

[5] The SDWSRLF interest and principal payments are a four-average (2007 – 2010). Payment information was taken from information provided by the Oregon Economic and Community Development Department.

Without some type of change to the rate design including an increase in first tier rate, it is highly unlikely that Agate will recover enough revenue to make its loan payment. The inability to service its loan would be detrimental to both the Company and customers.

Q. WHAT IS THE STATUS OF THE LOAN PAYMENT TO OREGON ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT?

A. According to Mr. Solt at OECDD, Agate is behind in its 2006 loan payment. OECDD is working with the Company on the loan schedule and payments. At this time, no amendment to the schedule of payments has been made for the 2006 payment. In discussions with Mr. Solt, he is concerned that Agate's return on and of the investment will generate sufficient funds to cover the loan payments.

Q. REVIEWING STAFF/101, MILLER-DOUGHERTY/1, IT APPEARS THAT DEPRECIATION EXPENSE AND NET INCOME IS LESS THAN THE 2006 PAYMENT. PLEASE EXPLAIN.

A. The combined depreciation expense and net income equals $164,330. This is $8,360 less than the 2006 payment, but $18,640 above the three-year average payment of $145,690. The recommended rate design is only projected to recover 80 percent of the required revenue in the base rate and first tier consumption rate. As a result, if Agate only recovers 80 percent of required revenue, the Company will earn a return on and recovery of its investment of $131,464, which is approximately equal to the annual loan payment of $131,550.

As a result of Staff's rate design, the low 1 percent rate of return assigned to the Company, and customer consumption patterns, Agate will continue to be at risk of insufficient earnings if customer usage is low due to conservation or if rainfall is greater than average.

Q. TABLE 16 INDICATES THAT THE FINANCIAL STATUS OF THE COMPANY HAS IMPROVED OVER THE FOUR-YEAR PERIOD. IS THERE A RISK OF THE COMPANY OVER EARNING?

A. Over earning is a possibility; however, because of the low rate of return, Staff's rigorous review of expenses, and recommended rate design, Staff believes that the opportunity for the Company to over earn is low.

Q. BECAUSE CUSTOMERS ARE CONCERNED WITH THE POSSIBILITY THAT THE COMPANY COULD OVER EARN, WHAT PROCESSES ARE IN PLACE TO ENSURE CUSTOMERS ARE NOT PAYING MORE IN RATES THAN THE COST OF SERVICE INDICATES?

A. The Commission re-initiated an audit function several years ago, which has conducted approximately 40 energy utility audits and three water utility audits in the past four years. These audits included an operational audit of Cascade Natural Gas that led to a show cause of Cascade (UG 173) due to over earning. These audits incorporate thorough examinations of a utility's books and records. Additionally, Staff examines the annual reports of all water utilities, including a review of the actual rate of return.

As a result of previous audits, and the Commission's statutes and rules, Staff has confidence that Commission Staff would be able to adequately review all information concerning Agate's earnings, earning trends, and operations.

Table 16 indicates that Agate has consistently under earned over the past few years. This is true for the vast majority of water utilities.

Q. CAN YOU ADDRESS INTERVENOR TIM KELLY'S REFERENCE OF THE COMMISSION'S FOSTERING THE USE OF COMPETITIVE MARKETS?

A. Yes. Mr. Kelly is correct about the Commission's mission statement about fostering the use of competitive markets; however, this statement refers to Direct Access Regulation (ORS 757.600 – 691) concerning electricity and is not relevant to water utilities.

Agate's exclusive service territory was approved in WA 39, Commission Order No. 02-848 and WA 38, Commission Order No. 02-847 (Apache). As such no other water utility can serve in the exclusive territory of Agate.

The filings of exclusive territory make complete sense since water is delivered through transmission and distribution piping. If another company desired to serve in Agate's service territory, duplicate and unnecessary piping would be required to be placed in rights of way. Additionally, any Company that would want to serve this area would have to make a similar intensive capital investment as Agate has been required to do.

On July 14, 1999, Governor Kitzhaber signed into law Chapter 695, OR Laws 1999 (SB 712) to become effective October 23, 1999, a law that required all public water utilities to apply to the Commission for an exclusive service territory allocation by February 22, 2000. At the time Agate applied for a service territory, it was required. Since that time, the law has been changed from mandatory to voluntary.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S ITEM NO. 1 REGARDING THE 2005 TEST YEAR.

A. The Company filed a 2005 test year; however, as previously mentioned, 2005 did not represent a normal year for Agate. Therefore, Staff used a three- to four-year review, where appropriate, which resulted in a more normalized and reliable picture of Agate's financial status.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S ITEM NO. 2 REGARDING HOOK UP FEES REVENUE.

A. Staff does not include hook up fees in the ratemaking process. Rates are based on water sales. Hook up fees are set to approximately cover the cost of the connection. The expenses (material and labor) for hook ups are considered CIAC and are not included in Agate's rate base. Including revenue from hook ups, but excluding expenses of hook ups would be a violation of Generally Accepted Accounting Principles (GAAP) matching principle.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S ITEM NO. 4 REGARDING THE SCHEDULE OF LOAN PAYMENTS TO THE SDWSRLF.

A. Per OEDCC, Agate's current schedule of loan payments is shown in Staff/101, Miller-Dougherty/13-14. This should answer any questions regarding the amount of the payments on the SDWSRLF loan.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S ITEM NO. 5 REGARDING THE BASE RATE LISTED IN THE COMPANY'S APPLICATION.

A. Agate's application is a statement of the Company's finances during the test year and what the Company proposes for the near future. It may or may not be correct; however, it is not the final result. In its case, Staff has taken what the Company stated in its application and made adjustments. The final results are Staff's rate proposal.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S ITEM NO. 6 REGARDING TRANSPORTATION EXPENSE FOR FRED AND BETH SCHILLING.

A. Staff's proposed transportation expense represents transportation adjusted costs. Staff adjusted the expenses and removed any fuel purchased out of the Bend area.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S ITEM NO. 8 REGARDING VARIOUS EXPENSES.

A. Mr. Riser questions various expenses in the Company's application. Listed below are the specific expenses Mr. Riser is concerned with. The first four columns in Table 17 shows the expense category, the Company's test year expense, the additional funds requested by the Company in its application, and the total Company requested expense.

Staff also questioned these expenses. The last column shows Staff's recommended adjusted expenses.

Table 17 – Expenses

Expenses	Company Test Year	Company Add'l Request	Total Company Request	Staff per its Rate Proposal
Engineering	0	81,000	81,000	0
Legal	88	1,000	1,088	745
Testing	7,300	8,225	15,525	5,000
Miscellaneous	3,991	98,579	102,570	2,320

As can be seen from the above table, Staff thoroughly reviewed these expenses, and made major adjustments to these expenses.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S ITEM NO. 10 REGARDING THE LATE CONSTRUCTION COMPLETION DATE OF JULY 3, 2006, AND ITS RELEVANCE TO ORS 757.355(2).

A. ORS 757.355 states (emphasis added):

> Costs of property not presently providing utility service excluded from rate base; exception. (1) Except as provided in subsection (2) of this section, a public utility may not, directly or indirectly, by any device, charge, demand, collect or receive from any customer rates that include the costs of construction, building, installation or real or personal property not presently used for providing utility service to the customer.
>
> **(2) The Public Utility Commission may allow rates for a water utility that include the costs of a specific capital improvement if the water utility is required to use the additional revenues solely for the purpose of completing the capital improvement.**

In 2003, the Legislature allowed the ratemaking principle of Construction Work in Progress (CWIP) exclusively to water utilities. The application of CWIP is that utility plant that is in progress of construction may be included in rate base upon Commission approval.

In UW 108, Staff allowed CWIP that was scheduled to be completed in six months into rates. Timely construction is subject to many delays and lingering items are not unusual. The law does not specify any specific time line by which the CWIP must be completed in order to include it in rates. As previously mentioned, in UW 108, Staff also withheld utility plant that was not used and useful.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S ITEM NO. 13 REGARDING INCOMPLETE REPORTING.

A. Generally, water utility applications and documentation are not as good or accurate as the Commission would like. This does not deter Staff from performing a rigorous review of revenues and expenses. Staff thoroughly researches missing information. Whenever available, Staff uses actual documentation to determine its recommendation. At times, Staff must use its judgment and estimate the monthly expenses based on the previous balance due, the monthly expense prior to and after the missing documents, or an amount based on a reasonable basis.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S ITEM NO. 14 REGARDING COMPARISON OF RATES WITH OTHER COMPANIES.

A. The most relevant comparison would be between companies that are approximately the same size and in the same geological area. However, making comparisons between water utilities can be misleading. No two companies are the same. A specific comparison cannot be made. Not only would the companies need to have the same number of customers and be in the same geographical area, both companies would have to have (but not limited to) the same number of wells, reservoirs, pumps, pipes, topography, gravitational flow, water capacity, distance to transmit and deliver the water, and employees.

Q. PLEASE ADDRESS INTERVENOR LAWRENCE RISER'S CONCLUSION TO HIS TESTIMONY REGARDING HIS RECOMMENDATION THAT THE COMMISSION APPOINT A REGENT TO OPERATE AND MANAGE THE SYSTEM PURSUANT TO OAR 860-036-0365.

A. OAR 860-036-0365 states (emphasis added):

> **Compliance Enforcement by Commission Appointment of Regent(s) to Operate and Manage a Water System**
>
> (1) In **extreme circumstances** when the water utility owner, operator, or representative demonstrates to the Commission's satisfaction an **unwillingness or incapacity or refusal to effectively operate and manage the water system to provide safe and adequate service to its customers** in compliance with Oregon statutes, rules, and standards, the Commission may appoint a regent(s) to operate and manage the water system. This procedure will be accomplished under an Interim Operating Agreement until long-term water provision can be ensured.
> (2) The regent(s) appointed to operate, maintain, and repair the system must be a certified operator(s) or a qualified water utility(ies).
> (3) The appointment of the regent(s) may also include responsibility for billing and collection, customer service, and administration of the system.
> (4) If the Commission authorizes an operating account for receiving and dispersing funds by the regent(s), a Commission staff member will be a signator on such account to monitor all transactions.
> (5) The regent will record all transactions in a general ledger and shall supply a copy of the ledger and bank statement to Commission staff member each month.
> (6) At the end of the Interim Operating Agreement, Commission staff will make a final accounting of all monies received and transacted. Disbursement of surplus funds will be determined by the Commission.

The specific purpose of the rule above is to provide a recourse the Commission may use should a company exhibit egregious behavior, such as refusal to operate the system. The Commission has used this remedy only once. In that situation, the owner of the system notified the customers not to call him about any problems because he would do nothing about it. Basically, the owner walked away from the responsibility of the system, while still claiming financial benefits.

Agate demonstrates no such egregious behavior. It is willing and able to operate and manage the water system to provide safe and adequate service to its customers in compliance with Oregon statutes, rules, and standards. As previously mentioned, the Commission's Consumer Services Section received eight service complaints from March to December 2005, four service complaints in 2006, and only one service complaints in 2007 so far. The low number of complaints, considering the customer count of 1,116, shows a strong commitment to service by the Company.

Q. BECAUSE OF CUSTOMER CONCERNS, SHOULD STAFF EXTEND THE PROFIT PERIOD OF AGATE PER INTERVENOR TIM KELLY'S TESTIMONY?

A. No. Staff does not have this authority. Because there was no stay out provision in UW 108, the Company is allowed to file a rate application whenever the Company believes it is necessary. As previously mentioned, Staff performed a complete, thorough, and independent review of the Company's rate application. As a result of Staff's rigorous review, the requested percent revenue increase was reduced from 45.68 percent to 19.07 percent and overall revenue requirement was reduced by $20,000. Please see Table 15.

Q. DID STAFF MAINTAIN A NEUTRAL STANCE DURING THE REVIEW AND SETTLEMENT PROCESS?

A. Yes. Staff has provided an independent, expert analysis, and has made recommendations to the Commission based on this analysis. As required, Staff critically examined all pertinent positions and facts presented by Agate and all parties. Unfortunately, the interveners did not present any specific information for Staff to consider during discovery or at the settlement conference. It is only now, through testimony, the interveners are bringing issues to Staff.

Staff continues to review its proposal even after the settlement conference. Staff found two minor errors that it did not previously catch. Staff has corrected the errors, which are reflected in Staff's proposal in this testimony. However, the changes Staff made did not have any effect on the proposed rates. The Company has agreed with Staff's changes and they are reflected in the Stipulation.

STIPULATED RESULTS

Q. WHAT ARE THE STIPULATED RESULTS OF UW 119?

A. The Stipulation is made up of Staff's recommended revenue requirement and rates, as shown in the Company tariffs, attached to the Stipulation. Staff and the Company stipulated to total annual revenues of $626,443 and the following rates:

Table 18 – Stipulated Rates

	Did Not Pay SDC Base Rate	SDC Paid Base Rate	1-2000 cf Tier 1 Rate per 100 cf	2001 & Above Tier 2 Rate per 100 cf
Stipulated Rates	**$34.27**	**$26.63**	**$1.00**	**$2.56**

Q. ARE THE NEW RATES JUST AND REASONABLE?

A. Yes. Based on Staff's thorough investigation and documentation, the stipulated revenue requirement and rates are just and reasonable. As a result, the Commission should adopt the Stipulation. Despite the many claims made by interveners, the stipulated revenue requirement is based on actual, examined data. The review was done at the invoice level. As previously mentioned on several occasions, the Company is still at risk of not recovering the required revenue to make its loan payments. A rejection of the stipulation would increase this risk and have a possible detrimental result for both the Company and customers.

Q. DID ALL PARTIES STIPULATE TO STAFF'S RECOMMENDATIONS?

A. No. Only the Company and Staff stipulated to Staff's proposal. The seven interveners in the case have not expressed support to the stipulation.

Q. DOES THIS CONCLUDE STAFF DIRECT TESTIMONY?

A. Yes.

CASE: UW 119
WITNESS: K. Miller/M. Dougherty

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 101

Exhibits
In
Support of Direct Testimony

April 30, 2007

Agate Water Company
Rate Application UW 119
Test Year: 2005

Company Case: 45.68%   Staff Case: 19.07%

UW 108 564,710
UW 119 626,443
% Above UW108 10.9%
CPI 9.3%

	Acct. No.	REVENUES	A Balance Per Application Test Year: 2005	B Proposed Company Adjustments	C Adjusted Results (A+B=C)	Interest Expense Tax Affect	D Proposed Staff Adjustments	E Adjusted Results (A+D=E)	F Staff Proposed Rev Changes	G Proposed Results (E+F=G)	
1	461.1	Residential Water Sales	443,932	202,800	646,732		82,187	526,119	100,323	626,442	$100,881
2	461.2	Commercial Water Sales			0		0	0	0	0	man input j col
3	462.1	Public Fire Protection			0		0	0	0	0	
4	462.2	Private Fire Protection			0		0	0	0	0	
5	471	Misc. Revenues			0		0	0	0	0	
6		Special Contracts			0		0	0	0	0	
7		TOTAL REVENUE	443,932	202,800	646,732		82,187	526,119	100,324	626,443	
8					646,732			526,119	100,323	~~626,442~~	
9		**OPERATING EXPENSES**									
10	601	Salaries and Wages - Employees	178,991	3,579	182,570		3,871	182,862		182,862	
11	603	Salaries and Wages - Officers	57,250		57,250		(1,450)	55,800		55,800	
12	604	Employee Pension & Benefits	19,464		19,464		0	19,464		19,464	
13	610	Purchased Water	0		0		0	0		0	
14	611	Telephone/Communications	4,591		4,591		(266)	4,325		4,325	
15	615	Purchased Power	41,363	2,068	43,431		9,799	51,162		51,162	
16	618	Chemical / Treatment Expense	0		0		0	0		0	
17	619	Office Supplies	1,357	24	1,381		36	1,393		1,393	
18	619.1	Postage	7,028	380	7,408		(1,080)	5,948		5,948	
19	620	Materials/Supplies	3,089		3,089		4,369	7,458		7,458	
20	621	Repairs to Water Plant	696		696		968	1,664		1,664	
21	631	Contract Svcs - Engineering	0	81,000	81,000		0	0		0	
22	632	Contract Svcs - Accounting	1,000		1,000		(150)	850		850	
23	633	Contract Svcs - Legal	88	1,000	1,088		657	745		745	
24	634	Contract Svcs - Management Fees	0		0		0	0		0	
25	635	Contract Svcs - Testing	7,300	8,225	15,525		(2,300)	5,000		5,000	
26	636	Contract Svcs - Labor	3,793		3,793		403	4,196		4,196	
27	637	Contract Svcs - Billing/Collection	0		0		0	0		0	
28	638	Contract Svcs - Meter Reading	0		0		0	0		0	
29	639	Contract Svcs - Other (Repairs)	0		0		0	0		0	
30	641	Rental of Building/Real Property	15,600		15,600		0	15,600		15,600	
31	642	Rental of Equipment	0		0		0	0		0	
32	643	Small Tools	334		334		83	417		417	
33	648	Computer/Electronic Expenses	746		746		(17)	729		729	
34	650	Transportation	14,204		14,204		2,924	17,128		17,128	
35	656	Vehicle Insurance	3,342		3,342		(1,262)	2,080		2,080	
36	657	General Liability Insurance	2,204		2,204		984	3,188		3,188	
37	658	Workers' Comp Insurance	4,347	217	4,564		(505)	3,842		3,842	
38	659	Insurance - Other	0		0		0	0		0	
39	660	Public Relations/Advertising	0		0		0	0		0	
40	666	Amortz. of Rate Case	200		200		(200)	0		0	
41	667	Gross Revenue Fee (PUC)	1,110	507	1,617		205	1,315	252	1,568	
42	668	Water Resource Conservation	0		0		0	0		0	
43	670	Bad Debt Expense	0		0		2,189	2,189		2,189	
44	671	Cross Connection Control Program	0		0		0	0		0	
45	672	System Capacity Dev Program	0		0		0	0		0	
46	673	Training and Certification	1,755		1,755		(475)	1,280		1,280	
47	674	Consumer Confidence Report	200		200		0	200		200	
48	675	General Expense	3,991		3,991		(1,671)	2,320		2,320	
48a	675		0		0		0	0		0	
49		TOTAL OPERATING EXPENSE	374,043	97,000	471,043		17,112	391,155	252	391,407	
					471,043			391,155		391,407	
		OTHER REVENUE DEDUCTIONS									
50	403	Depreciation Expense	53,844		53,844		78,811	132,655		132,655 *	
51	407	Amortization Expense			0		0	0		0	
52	408.11	Property Tax	14,427		14,427		35,514	49,941		49,941	
53	408.12	Payroll Tax	10,818		10,818		7,228	18,046		18,046	
54	408.13	Other	0		0		0	0		0	
55	409.11	Oregon Income Tax	10	4,725	4,735	(2,176)	(3,560)	(5,727)	6,605	878	
56	409.10	Federal Income Tax	0	10,030	10,030	(4,620)	(7,558)	(12,177)	14,020	1,843	
57		TOTAL REVENUE DEDUCTIONS	453,142	111,755	564,897	(6,796)	127,546	573,892	20,877	594,769	594,769
58		NET OPERATING INCOME	(9,210)	91,045	81,835	6,796	(45,359)	(47,773)	79,448	31,675	
					564,897		127,546	(47,773)			31,674
59	101	Utility Plant in Service	3,485,597		3,485,597		266,170	3,751,767		3,751,767	
60		Less:									
61	108.1	Depreciation Reserve	96,053		96,053		270,799	366,852		366,852	
62	271	Contributions in Aid of Const	0		0		250,000	250,000		250,000	
63	272	Amortization of CIAC	0		0		0	0		0	
64	281	Accumulated Deferred Income Tax	0		0		0	0		0	
65		Net Utility Plant	3,389,544	0	3,389,544		(254,629)	3,134,915	0	3,134,915	
66		Plus: (working capital)			3,389,544			3,134,915		3,134,915	
67	151	Materials and Supplies Inventory	0		0		20,034	20,034		20,034	
68		Working Cash (Total Op Exp /12)	31,170		31,170		1,426	32,596	21	32,617	
69		TOTAL RATE BASE	3,420,714	0	3,420,714		(253,203)	3,167,511	21	3,167,532	
70		Rate of Return	-0.27%		2.39%			-1.51%		1.00%	
								3,167,511		3,167,532	

cash flow	$164,330
op exp/cuct/year	$356

2006 Payment	172,690
2007 Payment	131,550 *
3-Yr ave. payment	145,690
2007 Interest	32,974

Return on & of recover	164,330
over 3-yr ave	18,640
over 2007 payment	32,780
under 2006	(8,360)

Agate Water Company
Rate Application UW 119
SUMMARY OF ADJUSTMENTS

			Company Adjustments to Rev Req Column	Brief Explanation of Staff Adjustments
		REVENUES		
1	461	Residential Water Sales	82,187	Adjusted to reflect actual income 2006 plus revenue from additional customers
2	461	Commercial Water Sales	0	
3	465	Public Fire Protection	0	
4	462	Private Fire Protection	0	
5	471	Misc. Revenues	0	
6		Special Contracts	0	83040
7		TOTAL REVENUE	82,187	
8				
9		**OPERATING EXPENSES**		
10	601	Salaries and Wages - Employees	3,871	Adjust employee wages
11	603	Salaries and Wages - Officers	(1,450)	Adjust officer wage
12	604	Employee Pension & Benefits	0	No adjustment; Yvonne Katter Pension
13	610	Purchased Water		
14	611	Telephone/Communications	(266)	3-year average of Communications Expense
15	615	Purchased Power	9,799	Cost of 2006 power and 1/1/07 PacifiCorp increase
16	618	Chemical / Treatment Expense		
17	619	Office Supplies	36	3-year average; office supplie, garbage, paper,
18	619	Postage	(1,080)	Based on 1116 customers; .39 per stamp; 13 mailouts
19	620	Materials/Supplies	4,369	3 year average; valves, bushings, pipe, fittings
20	621	Repairs to Water Plant	968	3 yr average; fil material, pump repair, propane,
21	631	Contract Svcs - Engineering	0	No engineering exp, capital expenditure
22	632	Contract Svcs - Accounting	(150)	Adjust down to $850 - 2006 annual expense
23	633	Contract Svcs - Legal	657	Amortization of $1456+ 2004 + 2005 expense averaged.
24	634	Contract Svcs - Management Fees	0	
25	635	Contract Svcs - Testing	(2,300)	3 year estimated testing expense testing based on testing schedule.
26	636	Contract Svcs - Labor	403	4-yr avg; electrician; pot holing
27	637	Contract Svcs - Billing/Collection	0	
28	638	Contract Svcs - Meter Reading		
29	639	Contract Svcs - Other (Repairs)		
30	641	Rental of Building/Real Property	0	No adjustment; $15,600 annual
31	642	Rental of Equipment	0	
32	643	Small Tools	83	4-yr average; cable pulls, blower, lazer level
33	648	Computer/Electronic Expenses	(17)	4-yr average; software, computer repair, maintenance agree
34	650	Transportation	2,924	3-year average; gas & auto parts & maintenance
35	656	Vehicle Insurance	(1,262)	Annual expense $2,080 per insur policy
36	657	General Liability Insurance	984	Annual expense $3,188 per insur policy
37	658	Workers' Comp Insurance	(505)	Annual premium (per SAIF) is $3842
38	659	Insurance - Other		
39	660	Public Relations/Advertising		
40	666	Amortz. of Rate Case	(200)	None allowed
41	667	Gross Revenue Fee (PUC)	205	Calculated
42	668	Water Resource Conservation		
43	670	Bad Debt Expense	2,189	4-yr average
44	671	Cross Connection Control Program		
45	672	System Capacity Dev Program	0	
46	673	Training and Certification	(475)	OAWU conf; operator renewals; excavation safety
47	674	Consumer Confidence Report	0	No Adjustment; 200 annual contract service
48	675	General Expense	(1,671)	bank chgs; dues & subscriptions; & One Call service
48a	675		0	
49		TOTAL OPERATING EXPENSE	17,112	Calculated
		OTHER REVENUE DEDUCTIONS		
50	403	Depreciation Expense	78,811	Staff Plant minus Company Figure
51	407	Amortization Expense	0	
52	408	Property Tax	35,514	Per actual 2006-2007 assessment
53	408	Payroll Tax	7,228	Per quarterly tax statements
54	408	Other	0	
55	409	Oregon Income Tax	(3,560)	Calculated
56	409	Federal Income Tax	(7,558)	Calculated
57		TOTAL REVENUE DEDUCTIONS	127,546	Calculated
58		NET OPERATING INCOME	(45,359)	Calculated
59	101	Utility Plant in Service	266,170	Staff Plant minus Company Figure
60		Less:		
61	108	Depreciation Reserve	270,799	Less Accumulated Depreciation (See Plant Schedule)
62	271	Contributions in Aid of Const	250,000	Less $250,000 loan forgiveness
63	272	Amortization of CIAC	0	
64	281	Accumulated Deferred Income Tax	0	
65		Net Utility Plant	(254,629)	Calculated
66		Plus: (working capital)		
67	151	Materials and Supplies Inventory	20,034	Staff's adjusted total inventory
68		Working Cash (Total Op Exp /12)	1,426	1/12 Lead/Lag to cover time differential between paid bills and received income
69		**TOTAL RATE BASE**	(253,203)	
70		**Rate of Return**	1.00%	

Agate Water Company
Rate Application UW 119

REVENUE SENSITIVE COSTS

Revenues			1.0000
O&M - Uncollectibles			0.0000
Franchise Fees			0.0000
OPUC Fee			0.0025
Short-term Interest			0.0000
State Taxable Income			0.9975
State Income Tax @		6.60%	0.0658
Federal Taxable Income			0.9317
Federal Income Tax @		15.00%	0.1397
Total Income Taxes			0.2056
Total Revenue Sensitive Costs			0.2081
Utility Operating Income			0.7919
Net-to-Gross Factor			1.2628

COST OF CAPITAL

		Capital		Weighted
Debt		Structure	Cost	Cost
Bank	$0	0.00%	0.00%	0
Bank	$0	0.00%	0.00%	0
SDWSRLF*	$3,395,000	100.00%	1.00%	1.00%
Cost of Debt	$3,395,000			**1.00%**
Equity	$0	0.00%	10.00%	0.00%
Rate of Return	$3,395,000	100.00%		**1.00%**
* Loan minus $250,000 Loan Forgiveness				
* Loan over 30 years				

Agate Water Company
Rate Application UW 119
RESIDENTIAL RATE DESIGN

Proposed Revenues of: $626,442

Base/Commodity Split

Variable Rate	Proposed Rev			
40.00%	$626,442	=	$250,577	
Base Rate	Proposed Rev			
60.00%	$626,442	=	$375,865	$375,874
			$626,442	

Current Company Rates			Est Consumption		SDC Avg User/mo	Non SDC Avg User/mo
Avg Usage	SDC	$23.55		Base	$23.55	
1,312	Non SDC	$31.19		Base		$31.19
Per 100 cf of below 2000	Tier 1	$0.68	8,200,200	Variable	$8.92	$8.92
Per 100 cf of 2001-4000	Tier 2	$1.75	4,937,900	Variable	$0.00	$0.00
Per 100 cf 40001 & ab	Tier 3	$2.04	4,943,900	Total		
			18,082,000		$32.47	$40.11

SDC	Staff Proposed Rates		Est Consumption		SDC Avg User/mo	Non SDC Avg User/mo
Avg Usage	SDC	$26.63		Base	$26.63	
1,312	Non SDC	$34.27		Base		$34.27
Per 100 cf of below 2000	Tier 1	$1.00	12,762,600	Variable	$13.13	13.13
Per 100 cf of above 2000	Tier 2	$2.56	4,802,200	Variable	$0.00	$0.00
			17,564,800		$39.76	$47.40

BASE RATE

Size of Line	Number of Customers	Current Monthly Base Rate	Proposed Monthly Base Rate	Total Annual Revenues	Revenue at Current Rates
SDC					
5/8'	906	$23.55	$26.63	$289,515	$256,036
3/4"			$26.63	$0	$0
1"			$0.00	$0	$0
1.5"			$0.00	$0	$0
2"			$0.00	$0	$0
3"			$0.00	$0	$0
	906				
Non-SDC					
5/8" or 3/4"	210	$31.19	$34.27	$86,359	$78,599
1"		$0.00	$0.00	$0	$0
1.5"		$0.00	$0.00	$0	$0
2"		$0.00	$0.00	$0	$0
3"		$0.00	$0.00	$0	$0
4"		$0.00	$0.00	$0	$0
6"		$0.00	$0.00	$0	$0
	210				
TOTALS	**1,116**			**$375,874**	**$334,634**
				$375,865	
			12.3%		12.3%
			PERCENT		% increase

							$375,865	$375,874		
SDC		Meter Size	Present rates	Factors Used	Rate Required	AWWA Factors	Difference
906		5/8"	$23.55	1.00	$26.63	1	$3.08
0		3/4"	$0.00	1.00	$26.63	1	
0		1"	$0.00		$0.00	2.5	
0		1.5"			$0.00	5	
0		2"			$0.00	8	
0		3"			$0.00	15	
Non-SDC	($7.64 differential between SDC and Non-SDC per				$7.64 ck		
210		3/4" or 5/8"	$31.19	1.00	$34.27	1	$3.08
0		1"			$0.00	2.5	
0		1.5"			$0.00	5	
0		2"			$0.00	8	
0		3"			$0.00	15	
0		4"			$0.00	25	
0		6"			$0.00	50	

VARIABLE/COMMODITY RATE
Revenue to be collected $250,577

TIER ONE	Rate				Current	Plugged
% of Assigned Revenue	$1.00	PER 100 CUBIC FEET			$0.68	
51.00%		Consumption				< 2,000
$127,794	divided by	127,626	=		$1.00	

0.80 % of revenues
2,000

TIER TWO	Rate				Current	Plugged
% of Assigned Revenue	$2.56	PER 100 CUBIC FEET			$1.75	
49.00%		Consumption				> 2,000
$122,783	divided by	48,022	=		$2.56	
	$3.56	17,564,833			1600 cf = 14,961 gallons	
$250,577					1,312 Average use	

2,000

Estimated Consumption % by Tier		
0.00%	0	Allowance
72.66%	12,762,608	T1Usage
27.34%	4,802,225	T2 Usage
TOT/	17,564,833	

Estimated Consumption based on customer consumption UW 108

SDC	Current	Proposed	Increase
3/4"	$32.47	$39.76	22.46%
1"	$0.00	$0.00	0.00%
1 ½"	$0.00	$0.00	0.00%

Comsumption - SDC (Test)		
5/8" x 3/4"	14,754,460	cf
1"		cf
1 ½"		cf

Comsumption - SDC (Projected)		
5/8" x 3/4"	14,403,163	cf
1"		cf
1 ½"		cf

	Current	Proposed	Increase
2"	$0.00	$0.00	0.00%
3"	$0.00	$0.00	0.00%
NonSDC			
5/8" x 3/4"	$40.11	$47.40	18.18%
1"	$0.00	$0.00	0.00%
1 ½"	$0.00	$0.00	0.00%
2"	$0.00	$0.00	0.00%
3"	$0.00	$0.00	0.00%
4"	$0.00	$0.00	0.00%
6"	$0.00	$0.00	0.00%

2"		cf
3"		cf
	14,754,460	
Consumption - Non-SDC (Test)		
5/8" x 3/4"	2,810,373	cf
1"	0	cf
1 ½"	0	cf
2"	0	cf
3"	0	cf
4"	0	cf
6"	0	cf
	2,810,373	
	17,564,833	Test
	$205,960	

2"		cf
3"		cf
	14,403,163	
Consumption - Non-SDC (Projected)		
5/8" x 3/4"	3,162,982	cf
1"		cf
1 ½"		cf
2"		cf
3"		cf
4"		cf
6"		cf
	3,162,982	
	17,566,145	
	$250,577	

	Annual
Consumption	17,564,833
Customer	1,116
Average Usage	1,312

	Consumption	# of Cust	Avg Use/Cust
2003	0	0	
2004	17,924,338	1,052	1,420
2005	16,610,559	1,065	1,300
2006	18,159,602	1,116	1,356
	52,694,499		
	3		
Average	17,564,833	1,312	

Use Avg Consumpt	**17,564,833**
Avg use/person	**1312**
UW 108	1358

Basis for Base Rates		Pd SDC
		Did Not Pay
net left to recou	divided by diff	months left to pay
2342.96	7.64	306.6701571 months left
		12 divided by 12 months
		25.55584642 left to recoup in years
		4.4 already recouped in years
		29.95584642 total years to recoup SDC
		avg plant life is approx 30 yrs

2500	original SDC	3.02	difference in base rate
-157.04	already recoup	52	months at old rate
2342.96	left to recoup	157.04	prev rate effect

Agate Water Company
Rate Application UW 119
RATE IMPACT - RESIDENTIAL 2 TIER (3/4 x 5/8)

Variable Rates

Commodity Rate - 1st Tier	<	2,000	cf	$1.00
Commodity Rate - 2nd Tier	>	2,000	cf	$2.56

SDC

Monthly Consumptions Customer Usage	Current Base Rate	Current Commodity Rate 1st Tier	Current Commodity Rate 2nd Tier	Current Commodity Rate 3rd Tier	**Total Current Average Monthly Rate**	Proposed Customer Base Rate	Proposed Commodity Rate 1st Tier	Proposed Commodity Rate 2nd Tier	Total Proposed Monthly Rate	Difference	Percentage Difference
0	$23.55	$0.68	$1.75	$2.04	$23.55	$26.63	$1.00	$2.56	$26.63	$3.08	13.08%
1000	$23.55	$0.68	$1.75	$2.04	$30.35	$26.63	$1.00	$2.56	$36.64	$6.29	20.73%
1312	**$23.55**	**$0.68**	**$1.75**	**$2.04**	**$32.47**	**$26.63**	**$1.00**	**$2.56**	**$39.77**	**$7.30**	**22.47%**
1500	$23.55	$0.68	$1.75	$2.04	$33.75	$26.63	$1.00	$2.56	$41.65	$7.90	23.40%
2000	$23.55	$0.68	$1.75	$2.04	$37.15	$26.63	$1.00	$2.56	$46.66	$9.51	25.59%
3000	$23.55	$0.68	$1.75	$2.04	$54.65	$26.63	$1.00	$2.56	$72.22	$17.57	32.16%
4000	$23.55	$0.68	$1.75	$2.04	$72.15	$26.63	$1.00	$2.56	$97.79	$25.64	35.54%
5000	$23.55	$0.68	$1.75	$2.04	$89.65	$26.63	$1.00	$2.56	$123.36	$33.71	37.60%
6000	$23.55	$0.68	$1.75	$2.04	$107.15	$26.63	$1.00	$2.56	$148.93	$41.78	38.99%
8000	$23.55	$0.68	$1.75	$2.04	$147.95	$26.63	$1.00	$2.56	$200.06	$52.11	35.22%
10000	$23.55	$0.68	$1.75	$2.04	$188.75	$26.63	$1.00	$2.56	$251.20	$62.45	33.09%
					$817.57				**$1,084.91**		

Variable Rates

Commodity Rate - 1st Tier	<	2,000	cf	$1.00
Commodity Rate - 2nd Tier	>	2,000	cf	$2.56

No SDC

Monthly Consumptions Customer Usage	Current Base Rate	Current Commodity Rate 1st Tier	Current Commodity Rate 2nd Tier	Current Commodity Rate 3rd Tier	**Total Current Average Monthly Rate**	Proposed Customer Base Rate	Proposed Commodity Rate 1st Tier	Proposed Commodity Rate 2nd Tier	Total Proposed Monthly Rate	Difference	Percentage Difference
0	$31.19	$0.68	$1.75	$2.04	$31.19	$34.27	$1.00	$2.56	$34.27	$3.08	9.87%
1000	$31.19	$0.68	$1.75	$2.04	$37.99	$34.27	$1.00	$2.56	$44.28	$6.29	16.56%
1312	**$31.19**	**$0.68**	**$1.75**	**$2.04**	**$40.11**	**$34.27**	**$1.00**	**$2.56**	**$47.41**	**$7.30**	**18.19%**
1500	$31.19	$0.68	$1.75	$2.04	$41.39	$34.27	$1.00	$2.56	$49.29	$7.90	19.08%
2000	$31.19	$0.68	$1.75	$2.04	$44.79	$34.27	$1.00	$2.56	$54.30	$9.51	21.22%
3000	$31.19	$0.68	$1.75	$2.04	$62.29	$34.27	$1.00	$2.56	$79.86	$17.57	28.21%
4000	$31.19	$0.68	$1.75	$2.04	$79.79	$34.27	$1.00	$2.56	$105.43	$25.64	32.14%
5000	$31.19	$0.68	$1.75	$2.04	$97.29	$34.27	$1.00	$2.56	$131.00	$33.71	34.65%
6000	$31.19	$0.68	$1.75	$2.04	$114.79	$34.27	$1.00	$2.56	$156.57	$41.78	36.39%
8000	$31.19	$0.68	$1.75	$2.04	$155.59	$34.27	$1.00	$2.56	$207.70	$52.11	33.49%
10000	$31.19	$0.68	$1.75	$2.04	$196.39	$34.27	$1.00	$2.56	$258.84	$62.45	31.80%
					$901.61				**$1,168.95**		

Agate Water Company
Rate Application UW 119
PLANT & DEPRECIATION

						3,574,791	3,573,523							0		
		C	D	E	F	G	H	AB	AC	AD	AE	AF	AG	AH	AI	AJ
Acct No.	Account Description	Date Acquired	Utility Plant Orig Cost	Less Excess Capacity Adj to Plant	Total Adj Plant	Adjusted Asset Life	Annual Deprec	2002	2003	2004	2005	2006	2007	Accum Depr thru 2007	Remaining Plant 2007	Depr Exp 2007
301	Organization															
					0	0	0	0	0	0	0	0	0	0	0	0
					0	0	0	0	0	0	0	0	0	0	0	0
					0	0	0	0	0	0	0	0	0	0	0	0
					0	0	0	0	0	0	0	0	0	0	0	0
302	Franchises															
					0	0	0	0	0	0	0	0	0	0	0	0
					0	0	0	0	0	0	0	0	0	0	0	0
					0	0	0	0	0	0	0	0	0	0	0	0
					0	0	0	0	0	0	0	0	0	0	0	0
303	Land and Land Rights															
	Land Rights	Jan 2004	1,223		1,223	0	0	0	0	0	0	0	0	0	1,223	0
	Water Rigts	Jan 2004	139		139	0	0	0	0	0	0	0	0	0	139	0
	Easements	Dec 2004	18		18	0	0	0	0	0	0	0	0	0	18	0
	Land & Land Rights		3,601		3,601	0	0	0	0	0	0	0	0	0	3,601	0
304	Structures and Improvements															
	Fence	May 2005	8,000		8,000	30	267	0	0	0	178	267	267	712	7,288	267
	Fencing	1/1/03	28,209		28,209	30	940	0	940	940	940	940	940	3,760	24,449	940
	Land Improvements	7/1/02	7,406		7,406	30	247		247	247	247	247	247	988	6,418	247
	Land Improvements	1/1/03	13,588		13,588	30	453		453	453	453	453	453	1,812	11,776	453
	Land Improvements	1/1/03	10,873		10,873	30	362		362	362	362	362	362	1,448	9,425	362
	Land Improvements 1/3	1/3/03	7,740		7,740	30	258	0	258	258	258	258	258	1,032	6,708	258
	Misc Land Improvements	7/1/03	3,890		3,890	30	130		65	130	130	130	130	455	3,435	130
311	Fencing	8/14/06	410		410	30	14	0	0	0	0	6	14	6	404	6
305	Collecting and Impounding Reservoirs															
					0	50	0	0	0	0	0	0	0	0	0	0
					0	50	0	0	0	0	0	0	0	0	0	0
					0	50	0	0	0	0	0	0	0	0	0	0
					0	50	0	0	0	0	0	0	0	0	0	0
306	Lake, River and Other Intakes															
					0	35	0	0	0	0	0	0	0	0	0	0
					0	35	0	0	0	0	0	0	0	0	0	0
					0	35	0	0	0	0	0	0	0	0	0	0
					0	35	0	0	0	0	0	0	0	0	0	0
307	Wells and Springs															
					0	25	0	0	0	0	0	0	0	0	0	0
					0	25	0	0	0	0	0	0	0	0	0	0
					0	25	0	0	0	0	0	0	0	0	0	0
					0	25	0	0	0	0	0	0	0	0	0	0
308	Infiltration Galleries and Tunnels															
					0	25	0	0	0	0	0	0	0	0	0	0
					0	25	0	0	0	0	0	0	0	0	0	0
					0	25	0	0	0	0	0	0	0	0	0	0
					0	25	0	0	0	0	0	0	0	0	0	0
309	Supply Main															
					0	50	0	0	0	0	0	0	0	0	0	0
					0	50	0	0	0	0	0	0	0	0	0	0

					0	50	0	0	0	0	0	0	0	0	0	0
					0	50	0	0	0	0	0	0	0	0	0	0
310	**Power Generation Equipment**															
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
311	**Pumping Equipment**															
	Telemetry For Pumping	Jun 2006	59,000		59,000	20	2,950	0	0	0	0	1,967	2,950	4,917	54,083	2,950
	5HP pump	6/1/03	1,074		1,074	20	54	0	36	54	54	54	54	252	822	54
	New Pump	2/19/02	1,178		1,178	20	59	54	59	59	59	59	59	349	829	59
	Pump Motor Repair	6/1/03	1,506		1,506	20	75	0	50	75	75	75	75	350	1,156	75
	Pumps 1/3	1/2/03	7,740		7,740	20	387	0	32	387	387	387	387	1,580	6,160	387
	Pump and Motor	6/21/05	2,995		2,995	20	150	0	0	0	88	150	150	388	2,607	150
	500' Flat Pump Cable	6/21/05	547		547	20	27	0	0	0	16	27	27	70	477	27
					0	20	0	0	0	0	0	0	0	0	0	0
					0	20	0	0	0	0	0	0	0	0	0	0
					0	20	0	0	0	0	0	0	0	0	0	0
320	**Water Treatment Equipment**															
					0	20	0	0	0	0	0	0	0	0	0	0
					0	20	0	0	0	0	0	0	0	0	0	0
					0	20	0	0	0	0	0	0	0	0	0	0
					0	20	0	0	0	0	0	0	0	0	0	0
330	**Distribution Reservoir and Standpipes**															
	Distribution Reserves & Standpipes	May 2005	413,400		413,400	30	13,780	0	0	0	10,335	13,780	13,780	37,895	375,505	13,780
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
331	**Transmission and Distribution Mains**															
	Transmission/Distribution (adjusted, see UW 108)	Jan 2004	201,775		201,775	30	6,726	0	0	6,726	6,726	6,726	6,726	26,904	174,871	6,726
	Distribution (Hydrant System)	May 2005	72,800		72,800	30	2,427	0	0	0	1,820	2,427	2,427	6,674	66,126	2,427
	Distribution Pipes	Jan 2006	975,229		975,229	30	32,508	0	0	0	0	32,508	32,508	65,016	910,213	32,508
	Distribution (Hydrant System)	May 2005	67,200		67,200	30	2,240	0	0	0	1,680	2,240	2,240	6,160	61,040	2,240
	Distribution (Canal Crossing)	May 2005	14,500		14,500	30	483	0	0	0	362	483	483	1,328	13,172	483
	Distribution Pipes	May 2005	1,466,570		1,466,570	30	48,886	0	0	0	36,665	48,886	48,886	134,437	1,332,133	48,886
	Sleeved Road Crossing	May 2005	24,301		24,301	30	810	0	0	0	608	810	810	2,228	22,073	810
	Escavation Main Line	Jan 2003	2,105		2,105	30	70	0	70	70	70	70	70	350	1,755	70
	Transmission/Distribution	Jan 2006	40,815		40,815	30	1,361	0	0	0	0	1,361	1,361	2,722	38,093	1,361
	Transmission/Distribution	Sep 2005	120,433		120,433	30	4,014	0	0	0	1,338	4,014	4,014	9,366	111,067	4,014
	Trans/Dist - Tye Engineering	12/1/2005	52,011		52,011	30	1,734	0	0	0	289	1,734	1,734	3,757	48,254	1,734
	Trans/Dist - Tye Engineering	1/5/2006	1,229		1,229	30	41	0	0	0	0	41	41	82	1,147	41
	Trans/Dist - Tye Engineering	2/2/2006	2,175		2,175	30	73		0	0	0	73	73	146	2,029	73
	Trans/Dist - Tye Engineering	3/2/2006	2,653		2,653	30	88		0	0	0	81	88	169	2,484	88
	Trans/Dist - Tye Engineering	4/4/2006	805		805	30	27		0	0	0	23	27	50	755	27
	Trans/Dist - Tye Engineering	5/3/2006	6,938		6,938	30	231		0	0	0	173	231	404	6,534	231
	Trans/Dist - Tye Engineering	6/5/2006	775		775	30	26		0	0	0	17	26	43	732	26
	Trans/Dist - Tye Engineering	7/6/2006	2,895		2,895	30	97		0	0	0	49	97	146	2,749	97
	Trans/Dist - Tye Engineering	8/1/2006	3,330		3,330	30	111		0	0	0	56	111	167	3,163	111
	Trans/Dist - Tye Engineering	9/5/2006	2,330		2,330	30	78		0	0	0	33	78	111	2,219	78
	Trans/Dist - Tye Engineering	12/4/2006	3,711		3,711	30	124		0	0	0	21	124	145	3,566	124
	Trans/Dist - Tye Engineering	1/4/2007	649		649	30	22		0	0	0	0	2	2	647	2
	Trans/Dist - Tye Engineering	2/2/2007	4,604		4,604	30	153		0	0	0	0	153	153	4,451	153
	800 ft PVC	8/3/2005	720		720	30	24		0	0	12	24	24	60	660	24
	200 ft PVC	Jun 2005	341		341	30	11		0	0	6	11	11	28	313	11
					0	30	0		0	0	0	0	0	0	0	0
					0	30	0		0	0	0	0	0	0	0	0
					0	30	0		0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
	92.87%				0	30	0	0	0	0	0	0	0	0	0	0

	3,484,293				0	30	0	0	0	0	0	0	0	0	0	0
333	**Services**															
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
334	**Meters**															
	Meters (31 @ $38.50)	12/31/03	1,194		1,194	20	60	0	5	60	60	60	60	245	949	60
	Meters 1/3	1/1/03	7,740		7,740	20	387	0	387	387	387	387	387	1,935	5,805	387
	Flow Meter	Mar 2006	1,321		1,321	20	66	0	0	0	0	61	66	127	1,194	66
	Meters	Aug 2006	2,058		2,058	20	103	0	0	0	0	43	103	146	1,912	103
	Meters	Nov 2006	790		790	20	40	0	0	0	0	7	40	47	743	40
	Meter Boxes	Apr 2005	276		276	20	14	0	0	0	11	14	14	39	237	14
	Meters	Sep 2005	2,471		2,471	20	124	0	0	0	41	124	124	289	2,182	124
					0	20	0	0	0	0	0	0	0	0	0	0
					0	20	0	0	0	0	0	0	0	0	0	0
335	**Hydrants**															
	Hydrants	Jan 2004	6,000		6,000	40	150	0	0	150	150	150	150	600	5,400	150
					0	40	0	0	0	0	0	0	0	0	0	0
					0	40	0	0	0	0	0	0	0	0	0	0
					0	40	0	0	0	0	0	0	0	0	0	0
					0	40	0	0	0	0	0	0	0	0	0	0
					0	40	0	0	0	0	0	0	0	0	0	0
336	**Cross Connection Control (utility owned)**															
					0	15	0	0	0	0	0	0	0	0	0	0
					0	15	0	0	0	0	0	0	0	0	0	0
					0	15	0	0	0	0	0	0	0	0	0	0
					0	15	0	0	0	0	0	0	0	0	0	0
339	**Other Plant**															
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
					0	30	0	0	0	0	0	0	0	0	0	0
340	**Office Furniture and Equipment**															
	Office Furniture and Equipment	Mar 2005	180		180	20	9	0	0	0	8	9	9	26	154	9
					0	20	0	0	0	0	0	0	0	0	0	0
					0	20	0	0	0	0	0	0	0	0	0	0
					0	20	0	0	0	0	0	0	0	0	0	0
341	**Transportation Equipment**															
	Used Dump Truck	1/30/03	5,500		5,500	7	786	0	786	786	786	786	786	3,930	1,570	786
					0	7	0	0	0	0	0	0	0	0	0	0
					0	7	0	0	0	0	0	0	0	0	0	0
					0	7	0	0	0	0	0	0	0	0	0	0
343	**Tools, Shop, and Garage Equipment**															
	Asphalt Saw	Dec 2004	883		883	15	59	0	0	5	59	59	59	182	701	59
	Catapillar Thumb-Power Op Equip.	Dec 2003	6,800		6,800	15	453	0	38	453	453	453	453	1,850	4,950	453
	Shop & Hand Tools	Dec 2003	8,768		8,768	15	585	0	49	585	585	585	585	2,389	6,379	585
					0	15	0	0	0	0	0	0	0	0	0	0
344	**Laboratory Equipment**															
					0	15	0	0	0	0	0	0	0	0	0	0
					0	15	0	0	0	0	0	0	0	0	0	0
					0	15	0	0	0	0	0	0	0	0	0	0
					0	15	0	0	0	0	0	0	0	0	0	0
345	**Power Operated Equipment**															
	Excavator	1/15/02	30,100		30,100	10	3,010	3,010	3,010	3,010	3,010	3,010	3,010	18,060	12,040	3,010

	Backhoe	1/15/02	24,100		24,100	10	2,410	2,410	2,410	2,410	2,410	2,410	2,410	14,460	9,640	2,410
					0	10	0	0	0	0	0	0	0	0	0	0
					0	10	0	0	0	0	0	0	0	0	0	0
346	**Communication Equipment**															
	Communications Equipment (moved from 2005 O&M)	11/4/05	850	0	850	10	85	0	0	0	21	85	85	191	659	85
				0	0	10	0	0	0	0	0	0	0	0	0	0
					0	10	0	0	0	0	0	0	0	0	0	0
					0	10	0	0	0	0	0	0	0	0	0	0
347	**Electronic/Computer Equipment**															
	Computer System	Jan 2004	2,348		2,348	5	470	0	0	470	470	470	470	1,880	468	470
	Printer	May 2005	235		235	5	47	0	0	0	35	47	47	129	106	47
	Computer System for telemetry & Software	May 2005	1,764		1,764	5	353	0	0	0	265	353	353	971	793	353
	Computer Expeditors	Jun 2006	973		973	5	195		0	0	0	114	195	309	664	195
	Computer	1/1/04	3,524		3,524	5	705		0	59	705	705	705	2,174	1,350	705
						5	0	0	0	0	0	0	0	0	0	0
348	**Miscellaneous Equipment**															
	Road Safety Signs	Jun 2003	464		464	10	46	0	27	46	46	46	46	211	253	46
					0	10	0	0	0	0	0	0	0	0	0	0
					0	10	0	0	0	0	0	0	0	0	0	0
					0	10	0	0	0	0	0	0	0	0	0	0
					0	10	0	0	0	0	0	0	0	0	0	0
					0	10	0	0	0	0	0	0	0	0	0	0
	TOTALS		3,751,767	0	3,751,767		0	5,474	9,284	18,182	72,660	131,001	132,655	366,852	3,384,918	132,647

Original Plant In Service Cost	3,751,767
Less: Excess Capacity	0
"Used & Useful" Plant	3,751,767
Less CIAC ($250,000 Loan Forgiveness]	(250,000)
Less Accum Depreciation	(366,852)
NET PLANT	3,134,915

Depreciation Expense	132,655

CAPITAL IMPROVEMENT PROGRAM

The prioritization given below is the consultant's ranking of which needs are most important and thus should be corrected first. This ranking was developed based on the urgency of the system needs.

The information presented in this section is a summary of the recommendations. Table 6-1 gives the Summary of Proposed Water System Improvements with their associated cost. Table 6-2 gives the priority ranking and cost of the capital improvements for the next 10 years. The chronological order of the project signifies their priority. Water system improvements and their associated costs identified in the original master plan for the Apache water system have been incorporated into the proposed Priority I Improvements. The costs are shown in both 2002 dollars and the expected cost at the year of construction.

The priority was set considering the criteria shown below:

- Public Safety
- Meeting Customer Service Needs
- System Efficiency
- Operational Flexibility
- Operational Preferences

From the proposed improvements, as described in chapter 5 and shown on the proposed Master Plan drawings, the construction has been broken into three priorities. Priority I improvements include the installation of the storage tank and the minimal improvements to the distribution system to correct primary system deficiencies. Priority II improvements include construction items that extends the systems to cover the entire service area and improves system hydraulic capabilities. Priority III improvements includes upgrades to the pumping system that will be needed for future demands.

Priority I improvements include:

- Construction of the 540,000 gallon tank,
- 3305 feet of transmission main,
- an automated control system w/ telemetry,
- new access road and site improvements,
- 69,228 feet of distribution mains.

Priority II improvements include:

- Construction of 860,000 gallon tank
- 1300 feet of transmission main,
- automated control system w/telemetry,
- 38,080 feet of distribution main.

Priority III improvements include:

- Installing 3-phase power supply,
- Installing new 20 hp pumps at Indian Summer and Agate wells,
- Installing new 50 hp pump at Choctaw well.

A detailed listing of project costs are located in Appendix G, Table 6-1 is a summary of the improvements and their associated costs.

Table 6-1 Summary of Proposed Water System Improvements

Proposed Improvement	**Project Cost**
Priority I	
540,000 Gallon Tank & Transmission Main	$ 401,669
Phase 1 Distribution Improvements	$3,331,996
Priority I Sub-Total	**$3,733,665**
Priority II	
860,000 Gallon Tank Improvements	$ 823,392
Phase 2 Distribution Improvements	$1,866,612
Priority II Sub-Total	**$2,690,004**
Priority III	
Upgrade Pumping Capacity	$ 58,823
Priority I,II, & III Total	**$6,482,492**

Loan Payments

SAFE DRINKING WATER
SAFE DRINKING WATER FINANCING PROGRAM
*******ANNUAL PAYMENT*******

S03007

Agate Water Company

Water System Improvements
145263.4

PRINCIPAL AMOUNT:	$3,395,000
INTEREST RATE:	1.00%
LOAN TERM IN YEARS:	30
CLOSING DATE:	1-Dec-05

PAYMENT DATE	PAYMENT	INTEREST	PRINCIPAL	CUMULATIVE INTEREST	CUMULATIVE PRINCIPAL	UNPAID BALANCE
01-Dec-2006	172,690.39	75,090.54	97,599.84	75,090.54	97,599.84	3,297,400.16
01-Dec-2007	131,549.84	32,974.00	98,575.84	108,064.54	196,175.69	3,198,824.31
01-Dec-2008	131,549.84	31,988.24	99,561.60	140,052.78	295,737.29	3,099,262.71
01-Dec-2009	131,549.84	30,992.63	100,557.21	171,045.41	396,294.51	2,998,705.49
01-Dec-2010	131,549.84	29,987.05	101,562.79	201,032.46	497,857.30	2,897,142.70
01-Dec-2011	131,549.84	28,971.43	102,578.41	230,003.89	600,435.72	2,794,564.28
01-Dec-2012	131,549.84	27,945.64	103,604.20	257,949.53	704,039.92	2,690,960.08
01-Dec-2013	131,549.84	26,909.60	104,640.24	284,859.13	808,680.16	2,586,319.84
01-Dec-2014	131,549.84	25,863.20	105,686.64	310,722.33	914,366.81	2,480,633.19
01-Dec-2015	131,549.84	24,806.33	106,743.51	335,528.66	1,021,110.32	2,373,889.68
01-Dec-2016	131,549.84	23,738.90	107,810.94	359,267.56	1,128,921.27	2,266,078.73
01-Dec-2017	131,549.84	22,660.79	108,889.05	381,928.35	1,237,810.32	2,157,189.68
01-Dec-2018	131,549.84	21,571.90	109,977.94	403,500.25	1,347,788.27	2,047,211.73
01-Dec-2019	131,549.84	20,472.12	111,077.72	423,972.37	1,458,865.99	1,936,134.01
01-Dec-2020	131,549.84	19,361.34	112,188.50	443,333.71	1,571,054.50	1,823,945.50
01-Dec-2021	131,549.84	18,239.46	113,310.38	461,573.17	1,684,364.88	1,710,635.12
01-Dec-2022	131,549.84	17,106.35	114,443.49	478,679.52	1,798,808.37	1,596,191.63

PAYMENT DATE	PAYMENT	INTEREST	PRINCIPAL	CUMULATIVE INTEREST	CUMULATIVE PRINCIPAL	UNPAID BALANCE
01-Dec-2023	131,549.84	15,961.92	115,587.92	494,641.44	1,914,396.30	1,480,603.70
01-Dec-2024	131,549.84	14,806.04	116,743.80	509,447.48	2,031,140.10	1,363,859.90
01-Dec-2025	131,549.84	13,638.60	117,911.24	523,086.08	2,149,051.35	1,245,948.65
01-Dec-2026	131,549.84	12,459.49	119,090.35	535,545.57	2,268,141.70	1,126,858.30
01-Dec-2027	131,549.84	11,268.58	120,281.26	546,814.15	2,388,422.97	1,006,577.03
01-Dec-2028	131,549.84	10,065.77	121,484.07	556,879.92	2,509,907.04	885,092.96
01-Dec-2029	131,549.84	8,850.93	122,698.91	565,730.85	2,632,605.95	762,394.05
01-Dec-2030	131,549.84	7,623.94	123,925.90	573,354.79	2,756,531.86	638,468.14
01-Dec-2031	131,549.84	6,384.68	125,165.16	579,739.47	2,881,697.02	513,302.98
01-Dec-2032	131,549.84	5,133.03	126,416.81	584,872.50	3,008,113.84	386,886.16
01-Dec-2033	131,549.84	3,868.86	127,680.98	588,741.36	3,135,794.82	259,205.18
01-Dec-2034	131,549.84	2,592.05	128,957.79	591,333.41	3,264,752.62	130,247.38
01-Dec-2035	131,549.84	1,302.46	130,247.38	592,635.87	3,395,000.00	0.00

CERTIFICATE OF SERVICE

UW 119

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 30th day of April, 2007.

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 119
Service List (Parties)

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