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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)	(\$3,282)	(\$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)

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

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

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

10 In UW 119, Staff has included only the plant in service from 2002 to date in  
11 Agate's utility plant. Since the construction of the new project commenced in  
12 2002, Staff believes starting with 2002 plant is reasonable. Staff adjustments  
13 to plant are:

14 Utility Plant

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

17 Depreciation Reserve or Accumulated Depreciation

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

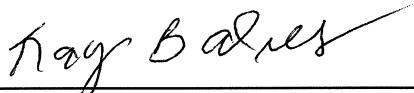
23 Contributions in Aid of Construction (CIAC)

**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 1st day of June, 2007.



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Kay Barnes  
Public Utility Commission  
Regulatory Operations  
550 Capitol St NE Ste 215  
Salem, Oregon 97301-2551  
Telephone: (503) 378-5763

**UW 119  
Service List (Parties)**

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