

1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 UW 166

4 In the Matter of

5 ROATS WATER SYSTEM, INC.,

6 Request for a General Rate Revision  
7

PARTIAL STIPULATION

8 This Partial Stipulation is among Roats Water System, Inc. (Roats or Company)  
9 appearing by and through its President, William Roats, and the Public Utility Commission of  
10 Oregon Staff (Staff), appearing by and through its attorney, Sommer Moser, Assistant Attorney  
11 General (hereafter, collectively referred to as the Stipulating Parties). The other parties to this  
12 case are intervenors William Burton, Pat McCabe, James Pease, James Powell, Richard Rotondi,  
13 and Avion Water Company. Intervenors Avion Water Company and James Powell support this  
14 Partial Stipulation. Intervenors James Pease, Pat McCabe, and Richard Rotondi take no position  
15 on this Partial Stipulation. At the time that this Stipulation was filed, William Burton had not  
16 indicated his position on the Partial Stipulation.

17 **I. INTRODUCTION**

18 On March 15, 2016, Roats filed a Request for a General Rate Revision, seeking to  
19 increase its revenue requirement, to include in rates costs and revenues related to its proposed  
20 acquisition of the Juniper Utility system from the City of Bend, the establishment of rates for  
21 irrigation service, and for approval of a power cost adjustment tariff.

22 The parties reviewed the Company's filing and data responses, and held several  
23 workshops and settlement conferences to understand and address the issues in this case. As a  
24 result of those discussions, the Company and Staff have reached an agreement on all but one  
25 issue in this case, as set forth below. The implementation date for new rates remains a contested  
26

1 issue in this case. The Stipulating Parties respectfully request that the Commission issue an  
2 order adopting this Partial Stipulation.

## 3 II. TERMS OF STIPULATION

4 1. The Stipulating Parties agree to recommend and support the revenue requirements  
5 included in Attachment A to this Partial Stipulation, which shows revenue requirements both  
6 inclusive of and without the Juniper Utility system acquisition. The Stipulating Parties agree on  
7 the following timelines for implementing new rates in this case:

8 A. If the Juniper Utility system acquisition closes prior to the rate effective date,  
9 Roats agrees to charge newly acquired domestic customers pursuant to its  
10 current tariffs until new rates, inclusive of the Juniper acquisition, become  
11 effective. For standard irrigation service, and irrigation and domestic service  
12 for The Pines and Crown Villa, Roats agrees to make an advice filing with the  
13 Commission requesting standard irrigation rates for Juniper customers and  
14 domestic rates and irrigation for The Pines and Crown Villa be approved,  
15 subject to refund, equivalent to the “with Juniper” rates agreed to by the  
16 Stipulating Parties.

17 B. If the sale has not closed by the rate effective date, Roats agrees to charge  
18 current customers stipulated rates without the Juniper acquisition. If the sale  
19 closes after the rate effective date but before September 1, 2017, Roats agrees  
20 to file compliance tariffs to implement stipulated rates inclusive of the Juniper  
21 acquisition within three business days of the date of the closure.

22 C. If Roats proceeds with the purchase but it does not close prior to September 1,  
23 2017, Roats agrees that it will file a new general rate case in order to include  
24 the Juniper acquisition in rates no later than three months following the  
25 closing date of the sale.

26 2. All rate spread and rate design issues are settled as follows:

1 A. Rates inclusive of the Juniper acquisition were determined by allocating costs  
 2 driven by irrigation customers to that class and in consideration of the  
 3 seasonal nature of these customers. Overall revenue requirement is allocated  
 4 20.32% to irrigation customers, and 79.68% to domestic customers. Rates  
 5 inclusive of the Juniper acquisition for each customer class are as follows:  
 6

| Rate Summary                         |                     |            |
|--------------------------------------|---------------------|------------|
| Rate                                 | Domestic            | Irrigation |
| Resi/Comm 3/4" and 5/8" Base Rate    | \$33.45             |            |
| Resi/Comm 1" Base Rate               | \$48.17             |            |
| Resi/Comm 1 1/2" Base Rate           | \$57.80             |            |
| Resi/Comm 2" Base Rate               | \$74.26             |            |
| Resi/Comm 3" Base Rate               | \$501.75            |            |
| Resi/Comm 4" Base Rate               | \$836.26            |            |
| Resi/Comm 6" Base Rate               | \$1,672.51          |            |
| Resi/Comm Commodity Rate             | \$0.95              |            |
| The Pines/Crown Villa Base Rate      | \$17.58             |            |
| The Pines/Crown Villa Commodity Rate | \$1.86 <sup>1</sup> |            |
| 4" Private Fire                      | \$5.34              |            |
| 6" Private Fire                      | \$10.67             |            |
| 8" Private Fire                      | \$17.07             |            |
| 10" Private Fire                     | \$24.54             |            |
| 12" Private Fire                     | \$33.94             |            |
| Public Fire                          | \$0.46              |            |
| Irrigation - Standard                |                     | \$48.80    |
| Irrigation - Pines/Crown Villa       |                     | \$23.16    |

26 <sup>1</sup> The Pines/Crown Villa commodity rate will change in accordance with rate changes for bulk water from the City of Bend.



1 B. Rates exclusive of the Juniper acquisition for each customer class are as  
 2 follows:

| Rate Summary                      |             |
|-----------------------------------|-------------|
| Resi/Comm 3/4" and 5/8" Base Rate | \$ 40.24    |
| Resi/Comm 1" Base Rate            | \$ 57.94    |
| Resi/Comm 1 1/2" Base Rate        | \$ 69.53    |
| Resi/Comm 2" Base Rate            | \$ 89.32    |
| Resi/Comm 3" Base Rate            | \$ 603.53   |
| Resi/Comm 4" Base Rate            | \$ 1,005.89 |
| Resi/Comm 6" Base Rate            | \$ 2,011.77 |
| Resi/Comm Commodity Rate          | \$ 0.95     |

|                                      |     |
|--------------------------------------|-----|
| The Pines/Crown Villa Base Rate      | N/A |
| The Pines/Crown Villa Commodity Rate | N/A |

|                  |          |
|------------------|----------|
| 4" Private Fire  | \$ 5.34  |
| 6" Private Fire  | \$ 10.67 |
| 8" Private Fire  | \$ 17.07 |
| 10" Private Fire | \$ 24.54 |
| 12" Private Fire | \$ 33.94 |
| Public Fire      | \$ 0.68  |

|                                |     |
|--------------------------------|-----|
| Irrigation - Standard          | N/A |
| Irrigation - Pines/Crown Villa | N/A |

3. The Stipulating Parties agree that the Company should be permitted to implement a power cost adjustment tariff in order to recover increased costs attributable to increased electric power rates charged by Roats' electricity suppliers. The tariff will apply as an addition to the domestic commodity rate shown in Roats' Schedule No. 1 per 100 cubic feet of water used. The power cost adjustment rate will be set to zero until such time that the Company files an updated tariff sheet triggered by an increase in power cost rates charged by one or more of its electricity suppliers. If the Company chooses to file for such increases, Roats agrees to file for subsequent decreases in such costs. Changes to the power cost adjustment rate will be computed as follows:

1 [Power Cost per 100 cf] x [Supplier Allocator %] x [Supplier Increase/Decrease %]. For use in  
2 this case, the tariff will establish a Power Cost of \$0.282 per 100 cf and Supplier Allocators of  
3 78.77% for Pacific Power and 21.23% for Central Electric Cooperative (CEC). The Supplier  
4 Increase % will reflect the overall percentage rate increase (or decrease) put in place by the  
5 respective supplier.

6 4. The Stipulating Parties agree to remove expenses and offsetting revenues related  
7 to the Company's cross-connection program from the revenue requirement of this case.

8 5. The Stipulating Parties agree that Roats' decision to acquire the Juniper Utility  
9 system from the City of Bend was prudent. For ratemaking purposes, the Stipulating Parties  
10 agree that the gross book value of the Juniper Utility system is \$1,400,000.00. Roats agrees to  
11 apply the 50 year NARUC asset life to that asset. The remaining net book value will represent  
12 the value of the acquired property for ratemaking purposes in subsequent rate cases. The  
13 Stipulating Parties also agree to include the following Juniper-related capitalized costs in rates:  
14 (A) \$10,596 related to acquisition-related accounting and legal fees, and (B) \$11,484 related to  
15 an engineering study. Roats will also apply the 50 year NARUC asset life to these assets. The  
16 Stipulating Parties further agree that the Commission should approve rates that reflect the  
17 Company's prudently incurred costs and benefits of acquisition after closing and upon the rate  
18 effective date, with the following conditions:

19 A. Roats will file an attestation that the purchase of the Juniper Utility system  
20 from the City of Bend has closed within ten days of closing or a status update  
21 to the parties to this docket no later than March 15, 2017 as to an expected  
22 close date.

23 B. Roats will file a general rate case no later than three years and six months  
24 after a final order is issued in this case, with a test year reflective of the  
25 Company's most recent full fiscal year of actuals.  
26

- 1 C. In the event that Roats sells its Arnold Irrigation water rights and incurs a  
2 liability to the City of Bend pursuant to paragraph 3.7 of the Asset Purchase  
3 Agreement, Roats agrees that it will not seek reimbursement from its  
4 customers for those costs.
- 5 D. The Company will charge customers in The Pines and Crown Villa the same  
6 domestic commodity rate as the bulk water rate charged by the City of Bend.  
7 Roats agrees to make a tariff filing with the Commission to update rates for  
8 The Pines and Crown Villa within 30 days of any rate change from the City  
9 of Bend.
- 10 E. Roats agrees to file an application pursuant to ORS 757.480(5) in the event  
11 that it seeks to dispose of its right to provide service to The Pines and Crown  
12 Villa pursuant to paragraph 1.3 of the Asset Purchase Agreement. Roats  
13 agrees that it will not cease providing service to The Pines and Crown Villa  
14 absent approval by the Commission, or as a result of condemnation  
15 proceedings instituted by the City of Bend.

16 6. The Stipulating Parties agree that stipulated rates in this case reflect the complete  
17 removal of Contributions in Aid of Construction (CIAC) from Utility Plant, equal to \$1,706,782,  
18 and the complete removal of Accumulated Amortization of CIAC from Accumulated  
19 Depreciation, equal to \$545,555. The Stipulating Parties agree that the Depreciation Expense of  
20 \$86,555 includes depreciation on invested assets only and excludes depreciation on CIAC assets.  
21 The Stipulating Parties agree that the CAIC may be raised in a subsequent rate case

22 7. The Stipulating Parties agree that stipulated rates in this case reflect rate base  
23 additions and accumulated depreciation through September 30, 2016, with the following  
24 exceptions:

- 25 A. The Juniper Utility system acquisition is included in Utility Plant at total of  
26 \$1,422,080.00, as discussed in Paragraph 7, above.



1           B. The Stipulating Parties agree that depreciation expense on the Juniper Utility  
2           system assets, inclusive of the engineering study and legal services, is  
3           \$14,220.00, which represents six months of depreciation expense.

4           8. The Stipulating Parties recommend and request that the Commission approve this  
5           Stipulation as an appropriate and reasonable resolution of the issues described therein.

6           9. The Stipulating Parties agree that this Stipulation is in the public interest and will  
7           result in rates that are fair, just and reasonable and will meet the standard set forth in ORS  
8           756.040.

9           10. The Stipulating Parties agree that this Stipulation represents a compromise in the  
10          positions of the Parties. By entering into this Stipulation, no party shall be deemed to have  
11          approved, accepted, or consented to the facts, principles, methods, or theories employed by any  
12          other party in arriving at the agreed settlement on any issue in this case.

13          11. The Signing parties have negotiated this Stipulation as an integrated document.  
14          Pursuant to OAR 860-001-0350(9), if the Commission rejects all or any material part of this  
15          Stipulation, or adds any material condition to any final order that is not consistent with this  
16          Stipulation, each Stipulating Party reserves the right, upon written notice to the Commission and  
17          all Parties to this proceeding within 15 days of the date of the Commission's order, to withdraw  
18          from the Stipulation and request an opportunity for the presentation of additional evidence and  
19          argument.

20          12. The Signing Parties understand that this Stipulation is not binding on the  
21          Commission in ruling on this application and does not foreclose the Commission from  
22          addressing other issues.

23          13. This Stipulation may be signed in any number of counterparts, each of which will  
24          be an original for all purposes, but all of which taken together will constitute a complete  
25          agreement.

26          //

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

//  
DATED this 9 day of December, 2016.

  
\_\_\_\_\_  
ROATS WATER SYSTEM, INC.

\_\_\_\_\_  
STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

//  
DATED this 12<sup>th</sup> day of December, 2016.

\_\_\_\_\_  
ROATS WATER SYSTEM, INC.



\_\_\_\_\_  
STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

Roats Water System Inc.  
 Docket # UW 166  
 Test Year: Oct 1, 2014 to Sept 30, 2015

Combined Domestic & Irrigation Revenue Requirement

| Acct No. | REVENUES                              | Test Year           | Proposed Company Adjustments | Proposed Company Totals | Total PUC Adjustments | PUC Proposed Results With Juniper | Adjustments to Remove Juniper | PUC Proposed Results Without Juniper |
|----------|---------------------------------------|---------------------|------------------------------|-------------------------|-----------------------|-----------------------------------|-------------------------------|--------------------------------------|
| 460      | Unmetered Water Sales                 | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 461.1    | Residential Water Sales (Domestic)    | \$ 790,675          | \$ 296,977                   | \$ 1,087,652            | \$ 265,548            | \$ 1,353,199                      | \$ (217,458)                  | \$ 1,135,742                         |
| 461.2    | Commercial Water Sales (Domestic)     | \$ 225,517          | \$ 84,704                    | \$ 310,221              | \$ (97,851)           | \$ 212,370                        | \$ 22,117                     | \$ 234,488                           |
| 462      | Fire Protection (Domestic)            | \$ 14,200           | \$ 4,797                     | \$ 18,997               | \$ 10,407             | \$ 29,404                         | \$ -                          | \$ 29,404                            |
|          | JUNIPER Residential                   | \$ 220,793          | \$ 82,929                    | \$ 303,722              | \$ (303,722)          | \$ -                              | \$ -                          | \$ -                                 |
|          | The Pines (Domestic)                  | \$ 49,651           | \$ 18,648                    | \$ 68,299               | \$ (68,299)           | \$ -                              | \$ -                          | \$ -                                 |
|          | Crown Villa (Domestic)                | \$ 9,914            | \$ 3,724                     | \$ 13,638               | \$ (13,638)           | \$ -                              | \$ -                          | \$ -                                 |
| 465      | JUNIPER Irrigation                    | \$ -                | \$ 399,443                   | \$ 399,443              | \$ 7,281              | \$ 406,724                        | \$ (406,724)                  | \$ -                                 |
|          | JUNIPER Irrigation - Common Areas     | \$ -                | \$ 46,008                    | \$ 46,008               | \$ (46,008)           | \$ -                              | \$ -                          | \$ -                                 |
| 471      | Miscellaneous Revenues                | \$ 539              | \$ (539)                     | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 472      | Cell Tower/Rent from Util. Property   | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 475      | Cross Connection Control Revenue      | \$ 48,988           | \$ (48,988)                  | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 0        | Juniper Surcharge                     | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
|          | <b>TOTAL REVENUE</b>                  | <b>\$ 1,360,277</b> | <b>\$ 887,704</b>            | <b>\$ 2,247,981</b>     | <b>\$ (246,283)</b>   | <b>\$ 2,001,698</b>               | <b>\$ (602,064)</b>           | <b>\$ 1,399,633</b>                  |
|          | <b>OPERATING EXPENSES</b>             |                     |                              |                         |                       |                                   |                               |                                      |
| 601      | Salaries and Wages - Employees        | \$ 94,570           | \$ 95,900                    | \$ 190,470              | \$ 5,077              | \$ 195,547                        | \$ -                          | \$ 195,547                           |
| 603      | Salaries and Wages - Officers         | \$ 217,100          | \$ 32,566                    | \$ 249,666              | \$ 16,635             | \$ 266,301                        | \$ -                          | \$ 266,301                           |
| 604      | Employee Pension & Benefits           | \$ 75,469           | \$ 15,768                    | \$ 91,237               | \$ 23,466             | \$ 114,704                        | \$ -                          | \$ 114,704                           |
| 610      | Purchased Water                       | \$ -                | \$ 71,093                    | \$ 71,093               | \$ (10,198)           | \$ 60,895                         | \$ (60,895)                   | \$ -                                 |
| 611      | Telephone/Communications              | \$ 11,179           | \$ 1,118                     | \$ 12,297               | \$ (798)              | \$ 11,499                         | \$ -                          | \$ 11,499                            |
| 615      | Purchased Power                       | \$ 117,321          | \$ 119,660                   | \$ 236,981              | \$ (20,790)           | \$ 216,191                        | \$ (98,116)                   | \$ 118,076                           |
| 616      | Fuel for Power Production             | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 617      | Other Utilities                       | \$ 2,032            | \$ 203                       | \$ 2,235                | \$ (196)              | \$ 2,039                          | \$ -                          | \$ 2,039                             |
| 618      | Chemical / Treatment Expense          | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 619      | Office Supplies                       | \$ 12,109           | \$ 1,211                     | \$ 13,320               | \$ (4,589)            | \$ 8,731                          | \$ (794)                      | \$ 7,937                             |
| 619.1    | Postage                               | \$ 977              | \$ 1,821                     | \$ 2,798                | \$ (1,028)            | \$ 1,770                          | \$ (878)                      | \$ 892                               |
| 620      | O&M Materials/Supplies                | \$ 26,176           | \$ 188,833                   | \$ 215,009              | \$ (1,963)            | \$ 213,046                        | \$ (170,732)                  | \$ 42,314                            |
| 621      | Repairs to Water Plant                | \$ 14,848           | \$ 742                       | \$ 15,590               | \$ (737)              | \$ 14,854                         | \$ -                          | \$ 14,854                            |
| 631      | Contract Svcs - Engineering           | \$ 315              | \$ 31                        | \$ 346                  | \$ (31)               | \$ 315                            | \$ -                          | \$ 315                               |
| 632      | Contract Svcs - Accounting            | \$ 15,289           | \$ 1,529                     | \$ 16,818               | \$ (4,064)            | \$ 12,754                         | \$ -                          | \$ 12,754                            |
| 633      | Contract Svcs - Legal                 | \$ 9,374            | \$ 937                       | \$ 10,311               | \$ (9,564)            | \$ 748                            | \$ -                          | \$ 748                               |
| 634      | Contract Svcs - Management Fees       | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 635      | Contract Svcs - Testing               | \$ 5,463            | \$ (2,535)                   | \$ 2,928                | \$ -                  | \$ 2,928                          | \$ -                          | \$ 2,928                             |
| 636      | Contract Svcs - Labor                 | \$ 1,022            | \$ 109,912                   | \$ 110,934              | \$ (10,085)           | \$ 100,849                        | \$ (99,827)                   | \$ 1,022                             |
| 637      | Contract Svcs - Billing/Collection    | \$ 19,253           | \$ 16,286                    | \$ 35,539               | \$ (2,170)            | \$ 33,369                         | \$ (16,753)                   | \$ 16,616                            |
| 638      | Contract Svcs - Meter Reading         | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 639      | Contract Svcs - Other                 | \$ 8,841            | \$ 884                       | \$ 9,725                | \$ (1,238)            | \$ 8,487                          | \$ -                          | \$ 8,487                             |
| 641      | Rental of Building/Real Property      | \$ 97,400           | \$ 22,857                    | \$ 120,257              | \$ 5,779              | \$ 126,036                        | \$ -                          | \$ 126,036                           |
| 642      | Rental of Equipment                   | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 643      | Small Tools                           | \$ 948              | \$ 95                        | \$ 1,043                | \$ (132)              | \$ 910                            | \$ -                          | \$ 910                               |
| 648      | Computer/Electronic Expenses          | \$ 3,659            | \$ 366                       | \$ 4,025                | \$ (366)              | \$ 3,659                          | \$ -                          | \$ 3,659                             |
| 650      | Transportation                        | \$ 36,142           | \$ 7,228                     | \$ 43,370               | \$ (2,920)            | \$ 40,451                         | \$ -                          | \$ 40,451                            |
| 656      | Vehicle Insurance                     | \$ 8,117            | \$ 1,000                     | \$ 9,117                | \$ (335)              | \$ 8,782                          | \$ -                          | \$ 8,782                             |
| 657      | General Liability Insurance           | \$ 10,891           | \$ 2,739                     | \$ 13,630               | \$ 5,957              | \$ 19,587                         | \$ -                          | \$ 19,587                            |
| 658      | Workers' Comp Insurance               | \$ 5,906            | \$ 4,433                     | \$ 10,339               | \$ (136)              | \$ 10,203                         | \$ -                          | \$ 10,203                            |
| 659      | Insurance - Other                     | \$ 85               | \$ -                         | \$ 85                   | \$ (85)               | \$ -                              | \$ -                          | \$ -                                 |
| 666      | Amortz. of Rate Case                  | \$ -                | \$ 2,800                     | \$ 2,800                | \$ 6,667              | \$ 9,467                          | \$ -                          | \$ 9,467                             |
|          | Gross Revenue Fee (PUC)               | \$ -                | \$ 6,744                     | \$ 6,744                | \$ (738)              | \$ 6,005                          | \$ (1,806)                    | \$ 4,199                             |
| 670      | Bad Debt Expense                      | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 671      | Cross Connection Control Program      | \$ 22,495           | \$ 2,250                     | \$ 24,745               | \$ (24,745)           | \$ -                              | \$ -                          | \$ -                                 |
| 673      | Training and Certification            | \$ 1,570            | \$ 658                       | \$ 2,228                | \$ 601                | \$ 2,828                          | \$ -                          | \$ 2,828                             |
| 674      | Consumer Confidence Report            | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 675      | Miscellaneous Expense                 | \$ 13,329           | \$ 1,333                     | \$ 14,662               | \$ 5,671              | \$ 20,333                         | \$ (8,043)                    | \$ 12,290                            |
| OE1      | Public Relations/Advertising          | \$ 189              | \$ 19                        | \$ 208                  | \$ (19)               | \$ 189                            | \$ -                          | \$ 189                               |
| OE2      | Wheeling Fee                          | \$ 12,589           | \$ 1,259                     | \$ 13,848               | \$ (362)              | \$ 13,486                         | \$ -                          | \$ 13,486                            |
| OE3      | Meter Change Out                      | \$ 8,475            | \$ (5,650)                   | \$ 2,825                | \$ 6,998              | \$ 9,823                          | \$ (9,823)                    | \$ -                                 |
| OE4      |                                       | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| OE5      |                                       | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
|          | <b>TOTAL OPERATING EXPENSE</b>        | <b>\$ 853,133</b>   | <b>\$ 704,090</b>            | <b>\$ 1,557,223</b>     | <b>\$ (20,438)</b>    | <b>\$ 1,536,786</b>               | <b>\$ (467,666)</b>           | <b>\$ 1,069,119</b>                  |
|          | <b>OTHER REVENUE DEDUCTIONS</b>       |                     |                              |                         |                       |                                   |                               |                                      |
|          | Depreciation Expense                  | \$ 136,081          | \$ -                         | \$ 136,081              | \$ (49,526)           | \$ 86,555                         | \$ (14,221)                   | \$ 72,335                            |
| 406      | Amort of Plant Acquisition Adjustment | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 407      | Amortization Expense                  | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 408.11   | Property Tax                          | \$ 14,759           | \$ 22,738                    | \$ 37,497               | \$ (2,512)            | \$ 34,985                         | \$ (21,368)                   | \$ 13,617                            |
| 408.12   | Payroll Tax                           | \$ 32,189           | \$ 15,720                    | \$ 47,909               | \$ 488                | \$ 48,397                         | \$ -                          | \$ 48,397                            |
| 408.13   | Other                                 | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
| 409.1    | Federal Income Tax                    | \$ -                | \$ 54,991                    | \$ 54,991               | \$ (1,521)            | \$ 53,470                         | \$ (2,844)                    | \$ 50,625                            |
| 409.11   | Oregon Income Tax                     | \$ -                | \$ 27,594                    | \$ 27,594               | \$ (14,871)           | \$ 12,723                         | \$ (515)                      | \$ 12,208                            |
| 409.13   | Extraordinary Items Income Tax        | \$ -                | \$ -                         | \$ -                    | \$ -                  | \$ -                              | \$ -                          | \$ -                                 |
|          | <b>TOTAL REVENUE DEDUCTIONS</b>       | <b>\$ 1,036,162</b> | <b>\$ 825,133</b>            | <b>\$ 1,861,295</b>     | <b>\$ (88,379)</b>    | <b>\$ 1,772,917</b>               | <b>\$ (506,615)</b>           | <b>\$ 1,266,301</b>                  |

| NET OPERATING INCOME |  | \$ | 324,115   | \$ | 62,571 | \$ | 386,686   | \$ | (157,904)   | \$ | 228,781   | \$ | (95,449)    | \$ | 133,332   |
|----------------------|--|----|-----------|----|--------|----|-----------|----|-------------|----|-----------|----|-------------|----|-----------|
| UTILITY RATE BASE    |  |    |           |    |        |    |           |    |             |    |           |    |             |    |           |
|                      | Utility Plant Invested by Company      | \$ | 5,847,599 | \$ | -      | \$ | 5,847,599 | \$ | (1,238,296) | \$ | 4,609,303 | \$ | (1,422,080) | \$ | 3,187,223 |
| 271                  | + Contributions in Aid of Construction | \$ | -         | \$ | -      | \$ | -         | \$ | 1,706,782   | \$ | 1,706,782 | \$ | -           | \$ | 1,706,782 |
|                      | - Excess Capacity                      | \$ | -         | \$ | -      | \$ | -         | \$ | -           | \$ | -         | \$ | -           | \$ | -         |
|                      | Equals: Total Utility Plant            | \$ | 5,847,599 | \$ | -      | \$ | 5,847,599 | \$ | 468,486     | \$ | 6,316,085 | \$ | (1,422,080) | \$ | 4,894,005 |
|                      | - Accum. Depreciation--Invested Plant  | \$ | 2,170,031 | \$ | -      | \$ | 2,170,031 | \$ | (300,095)   | \$ | 1,869,936 | \$ | (14,221)    | \$ | 1,855,716 |
|                      | - Accum. Depreciation--CIAC            | \$ | -         | \$ | -      | \$ | -         | \$ | 545,555     | \$ | 545,555   | \$ | -           | \$ | 545,555   |
| 271                  | - Contributions in Aid of Construction | \$ | -         | \$ | -      | \$ | -         | \$ | 1,706,782   | \$ | 1,706,782 | \$ | -           | \$ | 1,706,782 |
| 281                  | - Accumulated Deferred Income Tax      | \$ | -         | \$ | -      | \$ | -         | \$ | -           | \$ | -         | \$ | -           | \$ | -         |
| 272                  | + Accum. Amortization of CIAC          | \$ | -         | \$ | -      | \$ | -         | \$ | 545,555     | \$ | 545,555   | \$ | -           | \$ | 545,555   |
|                      | Equals: Net Invested Utility Plant     | \$ | 3,677,568 | \$ | -      | \$ | 3,677,568 | \$ | (938,201)   | \$ | 2,739,367 | \$ | (1,407,859) | \$ | 1,331,508 |
|                      | Plus: (working capital)                |    |           |    |        |    |           |    |             |    |           | \$ | -           | \$ | -         |
| 151                  | Materials and Supplies Inventory       | \$ | 50,000    | \$ | -      | \$ | 50,000    | \$ | (25,000)    | \$ | 25,000    | \$ | -           | \$ | 25,000    |
| WrkCash              | Working Cash (Total Op Exp /12)        | \$ | 71,094    | \$ | 58,224 | \$ | 129,318   | \$ | (1,253)     | \$ | 128,065   | \$ | (38,972)    | \$ | 89,093    |
|                      | TOTAL RATE BASE                        | \$ | 3,798,662 | \$ | 58,224 | \$ | 3,856,886 | \$ | (964,454)   | \$ | 2,892,432 | \$ | (1,446,831) | \$ | 1,445,601 |
|                      | Rate of Return                         |    | 8.53%     |    |        |    | 10.03%    |    |             |    | 7.91%     |    | 1.31%       |    | 9.22%     |