

CASE: UW 166
WITNESS: STEPHANIE YAMADA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

ROATS WATER SYSTEM, INC.

STAFF EXHIBIT 200

**Testimony in Response
to Direction to Supplement Record**

February 23, 2017

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Stephanie Yamada. I am a Utility Analyst in the
4 Telecommunications and Water Division of the Utility Program at the Oregon
5 Public Utility Commission (Commission). My business address is 201 High St
6 SE, Suite 100, Salem, Oregon 97301.

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

9 A. Please see my Witness Qualification Statement, which was filed previously in
10 this docket as Exhibit Staff/101, Yamada/1.

11 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?**

12 A. Yes. I previously provided Testimony in Support of the December 6, 2016
13 Stipulation and the Second Partial Stipulation, filed December 9, 2016.

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

15 A. The purpose of my testimony is to respond to the ruling issued by Judge
16 Patrick Power on February 1, 2017. Specifically, I will elaborate on the
17 inclusion of Wheeling Fee revenues from the delivery of irrigation water to
18 customers of Avion Water Company, Inc. (Avion) in Roats' Revenue
19 Requirement.

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

21 A. Yes. I prepared Exhibit Staff/201, consisting of 3 pages. Staff Exhibit 201 is
22 the Bulk Water Delivery Agreement in place between Roats and Avion, which
23 Roats provided in response to Staff Data Request (DR) 109b.

1 **Q. HOW MUCH WHEELING FEE REVENUE DO YOU EXPECT ROATS TO**
2 **COLLECT FROM AVION FOR THE DELIVERY OF IRRIGATION WATER**
3 **TO THE NOTTINGHAM SQUARE SUBDIVISION?**

4 A. In response to Staff Data Request 109b, Roats provided a copy of the contract
5 that memorializes the agreement between Roats and Avion on a wheeling fee
6 for Nottingham Square.¹ Pursuant to that Agreement, Avion will pay Roats a
7 wheeling fee of \$30 per month for each of Avion's 180 irrigation customers in
8 the Nottingham Square subdivision. The resulting expected wheeling fee
9 revenue to Roats is \$5,400 per month, or \$64,800 annually.

10 **Q. WAS THIS WHEELING FEE REVENUE INCLUDED IN THE REVENUE**
11 **REQUIREMENT AS SHOWN IN EXHIBIT STAFF/102, YAMADA/1?**

12 A. No. Roats and Avion had not formed a wheeling agreement for the delivery of
13 irrigation water to Nottingham Square customers when the Stipulating Parties
14 agreed to and signed the Partial Stipulation and Second Partial Stipulation in
15 December 2016. As such, while the Stipulating Parties agreed to remove the
16 cost of the Nottingham Square irrigation water itself from Roats' revenue
17 requirement (See Exhibit Staff/100, Yamada/17), no adjustment was made for
18 the wheeling fee that Roats and Avion have since agreed to.

19 **Q. WHAT TREATMENT DO YOU PROPOSE FOR THE WHEELING**
20 **REVENUE?**

21 A. Staff proposes to apply the aforementioned \$5,400 monthly wheeling fee
22 revenue in the form of a rate credit, through a separate tariff rider, to Roats'

¹ Staff Exhibit 201.

1 irrigation customers, to be credited in proportion to the irrigation rate paid by
2 each irrigation customer class. Roats should be required to file a tariff
3 reflecting the credit to customers within fifteen days of receiving wheeling
4 revenue from Avion pursuant to their contract. Roats should also be required
5 to make an Advice Filing upon notice of termination of the Bulk Water Delivery
6 Agreement from Avion so that the credit will end concurrent with the end of
7 payments from Avion.

8 **Q. PLEASE EXPLAIN WHY STAFF PROPOSES TO APPLY THE CREDIT**
9 **THROUGH A SEPARATE TARIFF RIDER.**

10 A. The rate credit should be passed through to Roats customers through a
11 separate tariff rider, rather than a direct reduction to irrigation rates, due to the
12 potential temporary nature of the Bulk Water Delivery Agreement between
13 Roats and Avion. The Agreement automatically renews in one year
14 increments, unless either party gives the other at least ninety days of notice.
15 By passing through the wheeling fee revenue credit through a separate tariff
16 rider, Roats irrigation customers enjoy a credit so long as Roats is receiving
17 wheeling revenues from Avion. Conversely, if Avion terminates the Agreement
18 with Roats, Roats is not required to pass through a revenue credit for revenues
19 it is no longer receiving.

20 **Q. PLEASE EXPLAIN WHY STAFF PROPOSES TO APPLY THE CREDIT IN**
21 **PROPORTION TO THE IRRIGATION RATE PAID BY EACH IRRIGATION**
22 **CUSTOMER CLASS.**

1 A. The monthly irrigation rates previously agreed to by the Stipulating Parties and
2 shown in the Partial Stipulation were developed such that irrigation customers
3 in The Pines and Crown Villa would pay lower rates than standard irrigation
4 customers due to their comparatively small lot size. In order to preserve this
5 relationship between standard irrigation rates and those paid by irrigation
6 customers in The Pines and Crown Villa, Staff asserts that the rate credits
7 should be passed through in the same proportions as the rates themselves.

8 **Q. PLEASE EXPLAIN WHY STAFF PROPOSES TO APPLY THE CREDIT TO**
9 **IRRIGATION RATES ONLY.**

10 A. Staff proposes to apply the credit only to irrigation customers because the
11 wheeling fee is specifically attributable to the use of Roats' irrigation system for
12 the provision of irrigation water to Avion customers. As discussed in the
13 testimony that I submitted previously, the irrigation system that Roats is
14 acquiring from the City of Bend is entirely physically separate from the
15 domestic system. As such, the use of Roats' irrigation system to serve Avion's
16 customers in Nottingham Square would impact only Roats' irrigation
17 customers.

18

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**PUBLIC UTILITY COMMISSION
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STAFF EXHIBIT 201

Exhibits in Support of Testimony

February 23, 2017

BULK WATER DELIVERY AGREEMENT

This Bulk Water Delivery Agreement (this "Agreement") dated effective as of February 2, 2017 is entered into by and among AVION WATER COMPANY, INC., an Oregon corporation ("Avion"), and ROATS WATER SYSTEM, INC., an Oregon corporation ("Roats").

RECITALS

A. Avion and Roats are both licensed by the Oregon Public Utility Commission ("PUC") as a public water utility.

B. Avion has requested and Roats has agreed to provide Avion with bulk water delivery under the terms and conditions set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing, the mutual promises set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Agreements.** Roats covenants and agrees to provide Avion with bulk water delivery during the term of this Agreement at a location and at such times as reasonably requested by Avion. In consideration for the foregoing, Avion shall pay Roats an amount equal to \$30 per month for each residential equivalent; provided, however that Avion and Roats acknowledge and agree that such amount may be adjusted by the PUC in its sole and absolute discretion. Roats will provide an invoice to Avion on or before the 10th day of each month for prior month. Payment will be due upon receipt of invoice from Roats.

2. **Term; Termination.** This Agreement shall commence as of the date of this Agreement and shall continue in effect for a period of one (1) year. Thereafter, this Agreement shall automatically renew for successive (1) year periods unless either party gives the other at least ninety (90) days prior written notice of its intent not to renew this Agreement. Notwithstanding anything contained herein, either party may terminate this Agreement in its sole, absolute and unreviewable discretion, with or without cause, upon ninety (90) days prior written notice.

3. **Miscellaneous.**

(a) **Time of Essence.** Time is of the essence with respect to all dates and time periods in this Agreement.

(b) **Binding Effect.** This Agreement will be binding on the parties and their respective heirs, personal representatives, successors, and permitted assigns, and will inure to their benefit.

(c) **Amendment.** This Agreement may be amended only by a written document signed by the party against whom enforcement is sought.

(d) **Notices.** All notices or other communications required or permitted by this Agreement:

(1) must be in writing;

(2) must be delivered to the parties at the addresses set forth below, or any other address that a party may designate by notice to the other parties; and

(3) are considered delivered:

(A) upon actual receipt if delivered personally or by fax or an overnight delivery service; and

(B) at the end of the third business day after the date of deposit in the United States mail, postage pre-paid, certified, return receipt requested.

To Avion:

Avion Water Company, Inc.
60813 Parrell Road
Bend, Oregon 97702
Attn: President

To Roats:

Roats Water System, Inc.
61147 Hamilton Lane
Bend, Oregon 97702
Attention: President

(e) **Severability.** If a provision of this Agreement is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Agreement will not be impaired.

(f) **Further Assurances.** The parties will sign other documents and take other actions reasonably necessary to further effect and evidence this Agreement.

(g) **Remedies.** The parties will have all remedies available to them at law or in equity. All available remedies are cumulative and may be exercised singularly or concurrently.

(h) **Governing Law.** This Agreement is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Agreement.

(i) **Venue.** Any action or proceeding arising out of this Agreement will be litigated in courts located in Deschutes County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Deschutes County, Oregon.

(j) **Attorney's Fees.** If any arbitration or litigation is instituted to interpret, enforce, or rescind this Agreement, including but not limited to any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's reasonable attorney's fees and other fees, costs, and expenses of every kind, including but not limited to the costs and disbursements specified in ORCP 68 A(2), incurred in connection with the arbitration, the litigation, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

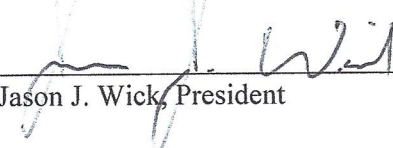
(k) **Entire Agreement.** This Agreement contains the entire understanding of the parties regarding the subject matter of this Agreement and supersedes all prior and contemporaneous negotiations and agreements, whether written or oral, between the parties with respect to the subject matter of this Agreement.

(I) **Signatures.** This Agreement may be signed in counterparts. A fax transmission of a signature page will be considered an original signature page. At the request of a party, a party will confirm a fax-transmitted signature page by delivering an original signature page to the requesting party.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement effective as of the date first set forth above.

AVION:

AVION WATER COMPANY, INC.,
an Oregon corporation

By: 
Jason J. Wick, President

ROATS:

ROATS WATER SYSTEM, INC.,
an Oregon corporation

By: 
Name: W.K. ROATS
Title: PRESIDENT