

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**UP 384 and UP 391**

In the Matter of the Joint Application for  
Approval of the Sale of

**SUNRIVER WATER, LLC,**

**to**

**NW NATURALWATER OF OREGON,  
LLC,**

Pursuant to ORS 757.480 and OAR 860-  
036-2120 (UP 384)

**and**

In the Matter of the Application for  
Approval of the Assignment of Assets by

**SUNRIVER WATER, LLC**

**to**

**SUNRIVER RESORT LIMITED  
PARTNERSHIP,**

Pursuant to ORS 757.480 and OAR 860-  
036-2120 (UP 391)

**RESPONSIVE TESTIMONY OF HUGH PALCIC**

**SUNRIVER OWNERS ASSOCIATION**

February 21, 2019

1 **Q. Please state your name and title?**

2 A. I am Hugh Palcic, General Manager of Sunriver Owners Association (SROA). I  
3 have worked for SROA in various capacities since 1998. I have served as General  
4 Manager since September 16, 2013.

5 **Q. What is SROA?**

6 A. SROA is an association of unit owners owning property within Sunriver.  
7 SROA's members constitute the overwhelming majority of the customers of  
8 Sunriver Water and Sunriver Environmental. SROA was formed in 1974. In  
9 addition to providing generalized services to and a local government for unit  
10 owners, SROA is responsible for maintaining the common areas and roadways  
11 within Sunriver. SROA owns and operates a community center that includes an  
12 aquatic facility. At one time, SROA maintained and operated the Sunriver Fire  
13 Department and the Sunriver Police Department, but those services are now  
14 provided by the Sunriver Service District. As a consequence of these activities,  
15 SROA is itself a substantial customer of Sunriver Water and Sunriver  
16 Environmental. SROA has been an active participant in past Sunriver  
17 proceedings before the OPUC.

18 **Q. What are SROA's interests in this proceeding?**

19 A. We have two:

1           **Adequate and Safe Service at Just and Reasonable Rates; Firefighting Capacity**

2           First, we have a generalized interest in ensuring that any transfer of assets  
3           does not adversely affect the level of utility service provided to us and our  
4           members, or the rates that we are paying. In statutory terms, we want to ensure  
5           that we receive adequate and safe service at just and reasonable rates. ORS  
6           757.020. I particularly want to emphasize safety. With the experiences the last  
7           two years in California with fires in wildland-urban interfaces, we are  
8           particularly concerned that any transfer not adversely affect the firefighting  
9           capacity of the Sunriver Fire Department, the La Pine Rural Fire District (which  
10          serves a portion of the current water service territory outside the boundaries of  
11          Sunriver proper), and any agencies they might call upon in support.

12          **UP 391 – Transfer of Properties, including Well #12**

13          Second, in the UP 391 part of the case, Sunriver Water intends to transfer  
14          ownership of certain properties that have been used to provide utility service,  
15          particularly Well #12.

16          **Failure to Account to Ratepayers with respect to Value of Property Being**  
17          **Transferred**

18          Insofar as we are aware, ratepayers have contributed to those properties  
19          through depreciation and maintenance expenses, and return on rate base that has  
20          been included in Sunriver’s revenue requirement. I went back and looked at the

1 testimony of Sunriver’s consultant, Raymond Bartlett, in the 2006 case (UW 118)  
2 before the PUC. He testifies about how the revenue requirement associated with  
3 Well #12 is going to be reallocated so that it will be collected through irrigation  
4 rates, rather than residential rates. In Sunriver’s most recent rate case, there was  
5 a specific line item for Well #12 telemetry. It does not appear to us that Sunriver  
6 Water intends to account to ratepayers with respect to the value of the property  
7 that it is transferring that ratepayers have contributed to.

8 **Effect of Loss of Well #12 on Irrigation and Standby Domestic Capacity of**  
9 **Water System**

10 In addition, insofar as we are aware, Sunriver Water has treated at least  
11 some of the property to be transferred as being “used and useful” in providing  
12 utility service. We are not satisfied that the Joint Applicants have demonstrated  
13 that Well #12 is no longer “useful.” In its Water Management & Conservation  
14 Plan Update (July 2013), Sunriver Water said “Sunriver, Crosswater and Caldera  
15 Springs all have golf courses and common areas that have irrigation water  
16 supplied by irrigation wells. These irrigation wells include #4 (not currently in  
17 use), #12, GC 9 and GC 17. These wells are not connected to the domestic  
18 system.” Update, p. 3. In the Caldera Springs Annexation Water System Master  
19 Plan (August 2015), Sunriver Resorts and Parametrix (for Sunriver Water)  
20 indicated that Sunriver Water would provide water utility service to Caldera

1 Springs, and that “[i]rrigation water will be provided by Well #12 irrigation well  
2 and the domestic supply system as appropriate.” Plan, p. 5.

3 Back in the 2006 case before the PUC, Sunriver Water’s Terry Penhollow  
4 testified about Well #12. He explained that Well #12 was being used to provide  
5 domestic service, but that there were (gray-green) quality problems with the  
6 water. Sunriver Water was proposing to construct new Well #14, and to connect  
7 existing Well #12 to the irrigation system.

8 During the time that I have worked at SROA, there have been times where  
9 the water sources were low and the demand was high that we have understood  
10 that Sunriver drew water from Well #12 to provide domestic water service to its  
11 customers. When, from time to time, the water has been murkier, people would  
12 say, “They’re drawing water from the new well,” which I always understood to  
13 be a reference to Well #12. We are concerned that no provision has been made to  
14 replace the irrigation capacity and the standby domestic capacity that Well #12  
15 has provided all these years.

16 We are concerned that if Oregon Water needs to replace Well #12 and its  
17 associated water rights, any replacement water rights may be subject to a  
18 substantial Deschutes Groundwater Mitigation cost.

1 **Q. Does this conclude your testimony?**

2 A. It does. At the hearing, SROA does intend to offer as exhibits Sunriver Master  
3 Water Plan documents, copies of the past testimony I have referred to, as well as  
4 other documents obtained through discovery in this proceeding.

**CERTIFICATE OF SERVICE**

**UP 384 & UP 391**

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 860-001-0180, to the following parties or attorneys of parties.

DATED this 21st day of February, 2019.

By: s/ John W. Stephens  
John W. Stephens, OSB 773583

Of Attorneys for Sunriver Owners Association