



Oregon

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Public Utility Commission

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November 7, 2023

Via Electronic Filing

OREGON PUBLIC UTILITY COMMISSION ATTENTION: FILING CENTER
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RE: Docket No. UW 197 – In the Matter of LAKESHORE WATER COMPANY, LLC, Request for a General Rate Revision

Attached for filing are the following exhibits:

Joint Testimony in support of Stipulation Exh 100-105 public version

Joint Testimony in support of Stipulation Exh 100-105 confidential and
Stipulation

Complete with Service List and Certificate of Service

/ s/ Kay Barnes

Oregon Public Utility Commission

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CERTIFICATE OF SERVICE

UW 197

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 7th day of November, 2023 at Salem, Oregon

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UW 197
SERVICE LIST

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CASE: UW 197
WITNESS: YAMADA-PUTTMAN

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 100

**Joint Testimony
in Support of
the Stipulation**

November 7, 2023

1 **Q. Who is sponsoring this testimony?**

2 A. This testimony is jointly sponsored by Public Utility Commission of Oregon
3 (PUC or Commission) Staff and Lakeshore Water Company, LLC (Lakeshore
4 or Company), collectively, Parties or Stipulating Parties.

5 **Q. Please state your name and qualifications.**

6 A. My name is Stephanie Yamada. I am a Senior Utility Analyst in the Rates and
7 Telecommunications Section of the Rates, Safety and Utility Performance
8 Program of the Public Utility Commission of Oregon (Commission). My witness
9 qualification statement is included in Exhibit Stipulating Parties/101.

10 My name is Thomas J. Puttman, PE, AICP, LEED AP. I have served as
11 Manager of Lakeshore Water Company, LLC since its acquisition in 2018. I
12 am a licensed professional engineer and certified planner, specializing in utility
13 investment, development, and management. I currently manage a portfolio of
14 utilities across the western US. My witness qualification statement is included
15 in Exhibit Stipulating Parties/101.

16 **Q. What is the purpose of your joint testimony?**

17 A. The purpose of this testimony is to introduce and support the Stipulation
18 entered into by the Stipulating Parties in Docket No. UW 197, Lakeshore's
19 request for a general rate revision.

20 **Q. Who are the parties in Docket No. UW 197?**

21 A. The parties in Docket No. UW 197 are Lakeshore and Staff (each a Party).
22 There are no intervenors in this docket.

23 **Q. Did the parties reach a settlement in this docket?**

1 A. Yes. The Stipulation was entered into by Lakeshore and Staff (the Stipulating
2 Parties) and resolves all issues in this docket.¹

3 **Q. Please discuss the process by which settlement was reached.**

4 A. After reviewing the Application and the Company’s responses to Staff’s Data
5 Requests (DRs), Staff provided an initial settlement offer to the Company on
6 August 9, 2023. The Parties held a settlement conference in this docket on
7 August 15, 2023, and also exchanged proposals via email. The Parties
8 reached agreement in principle on all issues in this case on
9 September 15, 2023. Counsel for Staff filed a motion to suspend the
10 procedural schedule on October 2, 2023.

11 **Q. Is there any known opposition to the Stipulation?**

12 A. No.

13 **Q. Did you prepare any exhibits for this docket?**

14 A. Yes. We prepared Exhibit Stipulating Parties/101, consisting of one page,
15 Exhibit Stipulating Parties/102, consisting of four pages, Exhibit Stipulating
16 Parties/103, consisting of seven pages, Exhibit Stipulating Parties/104,
17 consisting of 34 pages, and Exhibit Stipulating Parties/105, consisting of two
18 pages.

19 **Q. How is your testimony organized?**

20 A. Our testimony is organized as follows:

21	Exhibit 100 – Joint Testimony	
22	Issue 1 – Summary Recommendation.....	5
23	Issue 2 – Company Description and Regulatory History	7
24	Issue 3 – Summary of Lakeshore’s General Rate Filing.....	8

¹ See UW 197, Stipulation, p.1.

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17	DR 3 Response	2
18	DR 7 Response	3
19	DR 4 Response	6
20		
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22	DR 2 Response	1

1	Exhibit 105 – Customer Comments	
2	Ennis Comments	1
3	Smith Comments	2

ISSUE 1 – SUMMARY RECOMMENDATION

Q. Please summarize The Stipulating Parties' recommendation in this case.

A. The Stipulating Parties recommend that the Commission adopt in its entirety the Stipulation agreed to in Docket No. UW 197. The Stipulating Parties' agreed-upon revenue requirements reflect a 1.17 percent rate of return in Year 1 and a 7.63 percent rate of return in Year 2, as summarized on the Revenue Requirement summary found in Exhibit Stipulating Parties/102, Yamada-Puttman/1-2.

The Parties agreed to a Year 1 revenue requirement of \$45,250, which represents an increase of 148.04 percent, or \$22,007, compared to test year revenues of \$18,243. The Parties agreed to a Year 2 revenue requirement of \$62,847, which represents an increase of 244.5 percent, or \$44,602, over test year revenues. The agreed-upon Year 1 and Year 2 revenue totals are equal to those requested in the Company's rate case application. However, Stipulating Parties note that the Company's test year revenues of \$18,243 reflect 2022 actuals, which do not include the effects of Lakeshore's most recently approved rate increase, in Docket No. UW 192.²

Q. How do the rates approved in Docket No. UW 192 impact this case?

A. Rates approved in Docket No. UW 192 became effective January 1, 2023.

UW 192 is relevant to understand the rate increase that will be experienced by

² See, *In the Matter of Lakeshore Water Company*, Order No. 22-443, Docket No. UW 192 (Nov. 10, 2022).

1 customers. Customers' current rates are the 2023 rates approved in UW 192,
2 not the 2022 test year revenues. When restated to reflect the rates approved in
3 Docket No. UW 192, Lakeshore's test year revenue totals \$27,091. Compared
4 to that amount, the Stipulating Parties' agreed-upon Year 1 revenue
5 requirement represents an increase of 67.03 percent, and the agreed-upon
6 Year 2 revenue requirement represents an increase of 131.99 percent from
7 2023 rates.

8 **Q. This is a very large rate increase, with an increase of 67 percent in**
9 **Year 1 and an additional increase of 39 percent in Year 2. What are the**
10 **major drivers that are causing such a large increase?**

11 A. The increase is largely driven by the construction of a new water treatment
12 plant and other capital improvements associated with that project.

13 **Q. Please describe the impact of the Company's initial request on the**
14 **Stipulating Parties' agreed-upon revenues.**

15 A. The costs demonstrated by the Company exceed those reflected in the initial
16 rate case application. Consequently, the effects of these cost inclusions would
17 result in revenues exceeding the amount that was requested in the Company's
18 initial application and customer notice. The Stipulating Parties therefore agree
19 to revenues equal to the Company's initially-requested Year 1 and Year 2
20 revenue amounts. The individual cost components agreed to by the Stipulating
21 Parties are discussed throughout this testimony, although their aggregated
22 effects are not fully reflected in the agreed-upon revenue requirement amounts.

1 **ISSUE 2 – COMPANY DESCRIPTION AND REGULATORY HISTORY**

2 **Q. Please describe Lakeshore.**

3 A. Lakeshore is a rate- and service-regulated water utility serving 49 domestic
4 customers in the vicinity of Veneta, Oregon. The system was originally
5 constructed and began providing service in 1990. The utility is owned by
6 Infrastructure Capital Holdings, LLC (ICH), which is in turn owned 82.5 percent
7 by Concentric Equity Partners (CEP) and 17.5 percent by Puttman Capital.³
8 Puttman Capital is owned by Thomas J. Puttman.

9 **Q. Has Lakeshore experienced any recent changes in ownership?**

10 A. Yes. The sale of Lakeshore was previously approved by the Commission in
11 Order No. 19-070.⁴ The present case is the Company's second rate case
12 under current ownership.

13 **Q. When was Lakeshore's last rate case?**

14 A. Lakeshore's last general rate case was Docket No. UW 192, with rates
15 effective January 1, 2023.

³ Exhibit Stipulating Parties/103, Yamada-Puttman/1, Lakeshore's response to Staff's DR 1.

⁴ *In the Matter of Lakeshore Water District, Inc. Application for Sale, Transfer, or Merger of a water utility to Lakeshore Water Company, LLC*, Order No. 19-070, Docket No. UP 386 (March 1, 2019).

ISSUE 3 – SUMMARY OF LAKESHORE’S GENERAL RATE FILING**Q. Please describe Lakeshore’s general rate case application.**

A. Lakeshore filed its Application for a General Rate Revision (Application) in the present docket on April 26, 2023. The Company selected a test year of January 1, 2022 to December 31, 2022. In its Application, Lakeshore proposed to implement the increase in two phases, with total Year 1 revenues of \$45,250 and Year 2 revenues of \$62,847. The Company’s request reflected a Rate of Return (ROR) of 7.75 percent on a rate base of \$319,646.

Q. What rate changes did Lakeshore propose in its Application?

A. Lakeshore’s proposed rate changes are summarized in Table 1 as follows.

Table 1: Company Proposed Rate Changes

	Current	Proposed Year 1	Proposed Year 2
5/8” Residential Base Rate	\$30.63	\$46.17	\$64.13
Residential Variable Rate per 100 Gal	\$0.30	\$0.60	\$0.83

Q. What are the primary drivers for Lakeshore’s requested revenue increase?

A. Lakeshore’s Application states that it is “seeking changes in rates because current revenues are insufficient to cover the ongoing costs of continuing to provide safe, reliable, and adequate service while allowing an opportunity for a reasonable return on the utility’s needed capital investment.”⁵ The Company also states that it built a new treatment plant in 2022 “in the interest of replacing aging equipment and improving customer water quality.”⁶ That

⁵ UW 197, Lakeshore Application for a General Rate Revision, Question 11.

⁶ UW 197, Lakeshore Application for a General Rate Revision, Question 11.

1 project consisted of the disposal of aging tanks, treatment fixtures, plumbing,
2 and treatment plant structure; a new storage tank; a new treatment plant
3 building, including electrical and plumbing; new chemical feed, backwash filter,
4 and media purifier; gravel and liner; and a gated chain link fence.

5 **Q. What effect do the Stipulating Parties' agreed-upon rates have on**
6 **average customer bills?**

7 A. The change in average bills resulting from the Parties' agreed-upon rates is
8 summarized in Table 2 as follows.

Table 2: Bill Impacts

Current Average Bill	Stipulated Year 1	Change from Current	Stipulated Year 2	Change from Current
\$46.07	\$74.65	62%	\$103.68	125%

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ISSUE 4 – AFFILIATED INTERESTS

Q. Please describe the relationships between Lakeshore and its affiliates.

A. As explained previously, Lakeshore is owned by ICH, which is in turn owned by CEP and Puttman Capital.⁷ Puttman Capital is owned by Thomas J. Puttman, who also owns Puttman Infrastructure, Inc. (Puttman Infrastructure).⁸ While all of these entities share affiliated interest relationships with Lakeshore as defined in ORS 757.015, the Company transacts only with Puttman Capital and Puttman Infrastructure (each an Affiliate, collectively Affiliates) for the provision of certain management, operations and maintenance (O&M), and customer-related services.⁹

Q. Has the Commission approved affiliated interest agreements between Lakeshore and the Affiliates?

A. Yes. Such agreements were previously approved with Order No. 20-060, issued March 3, 2020, in Docket No. UI 431. The Company states that there has been no change in the provision of goods and/or services since the conclusion of that docket.¹⁰

Q. What is the lower of cost or market requirement found in OAR 860-036-2230(2)(e)?

⁷ Exhibit Stipulating Parties/103, Yamada-Puttman/1, Lakeshore’s response to Staff’s DR 1.
⁸ Exhibit Stipulating Parties/103, Yamada-Puttman/1, Lakeshore’s response to Staff’s DR 1.
⁹ Docket No. UI 431, Staff Report, p.2 (Jan. 15, 2020).
¹⁰ Exhibit Stipulating Parties/103, Yamada-Puttman/2, Lakeshore’s response to Staff’s DR 3.

1 A. OAR 860-036-2230(2)(e) states that when services or supplies are sold to a
2 water utility by an affiliate, sales must be recorded in the water utility's
3 accounts at the affiliate's cost or the market rate, whichever is lower.

4 **Q. Please describe the goods and/or services provided to Lakeshore by
5 Puttman Infrastructure.**

6 A. Pursuant to the Services Agreement between Lakeshore and Puttman
7 Infrastructure, Puttman Infrastructure provides certain management,
8 development, O&M, and customer-related services to Lakeshore.¹¹

9 **Q. What affiliate costs did Lakeshore propose to include in rates in the
10 present proceeding, and what costs did the Stipulating Parties agree to
11 include?**

12 A. The proposed and agreed-upon hourly affiliate labor rates attributable to
13 Puttman Infrastructure are summarized in Table 3 as follows.

Table 3: Affiliate Labor Rates

Position	Company Proposed	Stipulated
General Manager	\$195.00	\$72.70
Project Manager	\$91.00	\$57.62
Customer Service	\$56.00	\$31.68
Accounting	\$80.00	\$51.45

14 These rates reflect the fully loaded cost of employment, including benefits and
15 other non-salary employer costs. The stipulated labor rates are used in
16 Operating Expense Accounts 634 (Contract Services – Management), 636

¹¹ Confidential Exhibit Stipulating Parties/104, Yamada-Puttman/1-34, Lakeshore's response to Staff's DR 2.

1 (Contract Services – Labor), 637 (Contract Services – Billing & Collection), and
2 666 (Amortization of Rate Case).

3 **Q. How did the Stipulating Parties calculate agreed-upon affiliate labor**
4 **rates?**

5 A. The stipulated affiliate labor rates reflect a blending of market rates for
6 comparable labor as provided by the American Water Works Association
7 (AWWA) and the Oregon Employment Department (OED). The Stipulating
8 Parties began with 2019 AWWA rates for each position and escalated those
9 figures to 2022 amounts based on changes in the CPI. The result was then
10 averaged with 2022 OED rates for each position and further escalated by
11 4.5 percent to reflect 2023 market rates. Finally, that amount was escalated by
12 an additional 41.84 percent to account for non-salary employment costs, such
13 as employee benefits.

14 **Q. Do the Stipulating Parties agree that the use of the stipulated Puttman**
15 **Infrastructure hourly labor rates is appropriate?**

16 A. No. As discussed previously, the Stipulating Parties agreed to the revenue
17 requirement initially requested in the Company's Application, which is less than
18 what would otherwise result from the full inclusion of the Stipulating Parties'
19 agreed-upon costs. In the absence of that agreement, the Company would
20 advocate to include Puttman Infrastructure labor at higher rates than what the
21 Stipulating Parties ultimately agreed to. The stipulated Puttman Infrastructure
22 labor rates reflect Staff's calculated market labor rates.

1 **Q. Does the provision of goods and services to Lakeshore by the**
2 **Affiliates comply with the requirement in OAR 860-036-2230(2)(e) that**
3 **such transactions be booked at the lower of the affiliate's cost or the**
4 **market rate?**

5 A. Yes. The stipulated labor rates for services provided by Puttman Infrastructure
6 were developed using blended market labor rates provided by the Oregon
7 Employment Department and the American Water Works Association (AWWA).
8 Because these market rates are lower than the affiliate's cost, they comply with
9 the "lower of cost or market" requirement.

ISSUE 5 – OPERATING EXPENSES

1
2 **Q. Please summarize the operating expenses agreed to by the Stipulating**
3 **Parties.**

4 A. The Stipulating Parties agreed to Year 2 operating expenses totaling \$27,385.
5 The Stipulating Parties did not agree to separate amounts for Year 1 (the
6 Year 1 revenue requirement is calculated at 72 percent of the Year 2 total and
7 therefore does not reflect separate cost inclusions). The agreed-upon amounts
8 included in each account are summarized in the Adjustment Summary,
9 included as Exhibit Stipulating Parties/102, Yamada-Puttman/3-4, and
10 explained in more detail below.

11 **Q. Please explain the amount included in Account 611**
12 **(Telephone/Communications).**

13 A. The Stipulating Parties agreed to include the test year amount of \$2,386 in this
14 account. This reflects payments to CenturyLink for telephone and internet
15 services. These services are necessary because certain equipment utilized by
16 the Company requires connectivity.

17 **Q. Please explain the amount included in Account 615 (Purchased Power).**

18 A. The Stipulating Parties included the test year amount of \$2,463, reflecting
19 amounts paid to Lane Electric for electricity. This cost is necessary to power
20 certain equipment utilized by the Company, such as the pump that draws water
21 from the well.

22 **Q. Please explain the amount included in Account 618**
23 **(Chemical/Treatment).**

1 A. The Company initially requested to include the test year amount of \$401 in this
2 account. The Stipulating Parties agreed to increase this amount by \$290, to
3 \$691, to reflect additional treatment expenses. Treatment is necessary for
4 water quality and safety, and this amount is reasonable for a utility of this size.

5 **Q. Please explain the amount included in Account 619 (Office Supplies).**

6 A. The Stipulating Parties agreed to include the test year amount of \$310, which
7 is reasonable for a utility of this size.

8 **Q. Please explain the amount included in Account 619.1 (Postage).**

9 A. The Stipulating Parties made no adjustment to the test year amount of \$360,
10 which is reasonable for a utility of this size.

11 **Q. Please explain the amount included in Account 620 (O&M**
12 **Materials/Supplies).**

13 A. The Stipulating Parties included the test year amount of \$52, which is
14 reasonable for a utility of this size.

15 **Q. Please explain the amount included in Account 621 (Repairs to Water**
16 **Plant).**

17 A. The Stipulating Parties included the test year amount of \$405, which is
18 reasonable for a utility of this size.

19 **Q. Please explain the amount included in Account 634 (Contract**
20 **Services – Management).**

21 A. This account reflects the cost of affiliate labor provided by Puttman
22 Infrastructure for management services. The Stipulating Parties agreed to
23 include \$1,511 in this account, as summarized in Table 4 as follows.

Table 4: Puttman Management Services

Position	Hours	Rate	Total
General Manager	10	\$72.70	\$727
General Manager	3	\$72.70	\$218
Accounting	8	\$51.45	\$412
Accounting	3	\$51.45	\$154
Total			\$1,511

1 **Q. Please explain the amount included in Account 635 (Contract**
2 **Services – Testing).**

3 A. The Stipulating Parties agreed to include \$1,849, reflecting the annualized total
4 of the Company's projected testing costs, summarized in Table 5 as follows.

Table 5: Testing Costs

Test	Frequency	Avg per Year	Cost	Cost per Year
Lead & Copper	Every 3 years	0.33	\$55	\$18.15
DBP	Annual	1	\$320	\$320.00
VOC	Every 3 years	0.33	\$280	\$92.40
SOC	Every 3 years	0.33	\$1,595	\$526.35
RAD	Every 6 years	0.17	\$325	\$55.25
Nitrate	Annual	1	\$53	\$53.00
Bacteria (dist)	Monthly	12	\$56	\$672.00
Bacteria (src AA)	Annual	1	\$56	\$56.00
Bacteria (src AB)	Annual	1	\$56	\$56.00
Total				\$1,849.15

5 The Company is required to engage in this testing to ensure that the water
6 quality is safe for consumption.

7 **Q. Please explain the amount included in Account 636 (Contract**
8 **Services – Labor).**

9 A. This account includes the cost of monthly system operation and other services
10 provided by Oregon Water Services (OWS) as well as affiliate labor provided
11 by Puttman Infrastructure, as summarized in Table 6 as follows.

Table 6: Account 636 Stipulated Inclusions

Affiliate Costs			
Position	Hours	Rate	Total
Accounting	10	\$51.45	\$514
General Manager	11	\$72.70	\$800
Total Affiliate Costs			\$1,314
Non-Affiliate Costs			
OWS – Monthly Operation			\$7,800
OWS – Materials			\$70
OWS – Labor & Misc.			\$430
Total Non-Affiliate Costs			\$8,300
Account 636 Total			\$9,614

1 OWS performs the day-to-day operation and maintenance for the system, as
2 described in the Operations Agreement between the Company and OWS.¹²

3 The Company contracts with OWS for these services because Lakeshore does
4 not directly employ any employees. Contracting with OWS is likely more cost
5 effective than maintaining and staffing an office in the utility's vicinity on a full-
6 time basis.

7 **Q. Please explain the amount included in Account 637 (Contract**
8 **Services – Billing/Collection).**

9 A. This account includes the cost of affiliate labor provided by Puttman
10 Infrastructure, summarized in Table 7 as follows.

Table 7: Puttman Labor Inclusions

Position	Hours	Rate	Total
Accounting	9	\$51.45	\$463
Accounting	2	\$51.45	\$103
General Manager	10	\$72.70	\$727
Customer Service	10	\$31.68	\$317
Customer Service	78.5	\$31.68	\$2,487
Capitalization	N/A	-56.8%	(\$2,326)
Total			\$1,770

¹² Exhibit Stipulating Parties/103, Yamada-Puttman/3-5, Lakeshore's response to Staff's DR 7.

1 **Q. Please explain the amount included in Account 638 (Contract**
2 **Services – Meter Reading).**

3 A. While the Company initially proposed \$7,800 in this account, the Stipulating
4 Parties agreed to reduce this account to \$0. The initial \$7,800 was attributable
5 to monthly system operation services provided by OWS. The Parties included
6 that amount in Account 636 (Contract Services – Labor).

7 **Q. Please explain the amount included in Account 639 (Contract**
8 **Services – Other).**

9 A. The Stipulating Parties agreed to include the test year amount of \$51, which is
10 reasonable for a utility of this size.

11 **Q. Please explain the amount included in Account 650 (Transportation).**

12 A. The Stipulating Parties agreed to include the test year amount of \$144, which
13 is reasonable for a utility of this size. The Parties also agreed to move a \$252
14 mileage expense from Account 637 into Account 650. The resulting total in this
15 account is \$396.

16 **Q. Please explain the amount included in Account 657 (General Liability**
17 **Insurance).**

18 A. The Company initially proposed to include \$410 in this account and later
19 revised the test year amount to \$2,440.¹³ This amount is attributable to
20 general liability insurance provided by Cincinnati Insurance. The Stipulating
21 Parties agreed to include the revised test year amount of \$2,440, which is
22 reasonable for a utility of this size.

¹³ See Exhibit Stipulating Parties/103, Yamada-Puttman/6-7, Lakeshore's response to Staff's DR 4.

1 **Q. Please explain the amount included in Account 659 (Insurance –**
2 **Other).**

3 A. The Company initially proposed to include \$1,807 in this account, but the
4 Stipulating Parties agreed to reduce this amount to \$0. The associated
5 amounts are already included in Account 657 (General Liability Insurance).

6 **Q. Please explain the amount included in Account 666 (Amortization of**
7 **Rate Case).**

8 A. This account includes the cost of affiliate labor attributable to Puttman
9 Infrastructure. The costs attributable to the present rate case are summarized
10 in Table 8 as follows.

Table 8: Puttman Rate Case Labor

Position	Hours	Rate	Total
Accounting	4.0	\$51.45	\$206
General Manager	26.0	\$72.70	\$1,890
Project Manager	85.5	\$57.62	\$4,927
Total			\$7,023

11 The Stipulating Parties agreed to add this amount to the unamortized expense
12 from the previous rate case (totaling \$4,161) and amortize the sum over five
13 years. The resulting total in this account is \$2,237.

14 **Q. Please explain the amount included in Account 667 (PUC Gross**
15 **Revenue Fee).**

16 A. The Stipulating Parties agreed to include \$270 in this account, which reflects
17 the current PUC Fee rate of 0.43 percent of gross revenues.

18 **Q. Please explain the amount included in Account 674 (Consumer**
19 **Confidence Report).**

1 A. The Stipulating Parties agreed to include the test year amount of \$355, which
2 is reasonable for a utility of this size.

3 **Q. Please explain the amount included in Other Expense Account 2**
4 **(Permit Fees).**

5 A. This Stipulating Parties agreed to include \$225 in this account, which is
6 attributable to a required payment to the Oregon Health Authority.

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ISSUE 6 – OTHER REVENUE DEDUCTIONS

Q. Please explain the amount included in Account 403 (Depreciation Expense).

A. The Stipulating Parties agreed to include \$10,083 in this account, representing 2023 depreciation expense. This includes a full 12 months of depreciation on new assets placed into service during the test year, incorporating adjustments to the original cost of certain assets as discussed elsewhere in this testimony.

Q. Please explain the amount included in Account 409.10 (Federal Income Tax).

A. The Stipulating Parties included \$3,441 in this account, representing a federal tax rate of 21 percent applied to federal taxable income of \$16,384.

Q. Please explain the amount included in Account 409.11 (Oregon Income Tax).

A. The Stipulating Parties included \$1,158 in this account, representing a state tax rate of 6.6 percent applied to state taxable income of \$17,542.

ISSUE 7 – RATE BASE

1
2 **Q. Please summarize the utility rate base agreed to by the Stipulating**
3 **Parties.**

4 A. The Stipulating Parties' agreed-upon rate base is summarized in Table 9 as
5 follows.

Table 9: Rate Base Summary

Account		Utility Proposed	Adjustments	Stipulated
101	Utility Plant in Service	\$321,657	\$(28,268)	\$293,389
108	- Accumulated Depreciation	\$4,552	\$18,620	\$23,171
WC	+ Working Cash	\$2,541	\$(259)	\$2,282
Total Rate Base		\$319,646	\$(47,147)	\$272,499

6 **Q. Please explain the amount included in Account 101 (Utility Plant in**
7 **Service).**

8 A. As shown in the Plant schedule submitted with the Application, Lakeshore's
9 proposed Utility Plant in Service of \$321,657 consisted of the items shown in
10 Table 10 as follows.

Table 10: Company Proposed Utility Plant in Service

301	Organization	\$22,204
303	Land and Land Rights	\$12,525
304	Structures and Improvements	\$62,500
305	Collecting and Impounding Reservoirs	\$123,021
311	Pumping Equipment	\$16,683
320	Water Treatment Equipment	\$68,529
330	Distribution Reservoir and Standpipes	\$1,301
331	Transmission and Distribution Mains	\$2,531
333	Services	\$1,921
334	Meters and Meter Installations	\$817
347	Electronic/Computer Equipment	\$9,625
TOTAL		\$321,657

11 The Stipulating Parties agreed to remove a \$10,492 "System Acquisition Due
12 Diligence" item from Account 301 (Organization) because it related to the initial

1 acquisition cost of the system rather than the provision of service to customers.
 2 The Parties also removed a \$7,324 item from Account 305 (Collecting and
 3 Impounding Reservoirs) and a \$798 item from Account 320 (Water Treatment
 4 Equipment) because they had inadvertently been included twice. The Parties
 5 also removed two additional items from Account 320, with original costs of
 6 \$1,043 and \$2,679. Finally, the Stipulating Parties agreed to reduce the
 7 portion of each asset that is attributable to capitalized affiliate labor by
 8 28 percent. Following these adjustments, the Stipulating Parties agree to a
 9 Utility Plant in Service total of \$293,389, as summarized in Table 11 as follows.

Table 11: Stipulated Utility Plant in Service

301	Organization	\$9,373
303	Land and Land Rights	\$12,455
304	Structures and Improvements	\$62,500
305	Collecting and Impounding Reservoirs	\$115,228
311	Pumping Equipment	\$16,683
320	Water Treatment Equipment	\$63,085
330	Distribution Reservoir and Standpipes	\$1,301
331	Transmission and Distribution Mains	\$2,531
334	Meters and Meter Installations	\$608
347	Electronic/Computer Equipment	\$9,625
TOTAL		\$293,389

10 **Q. Please explain the amount included in Account 108 (Accumulated**
 11 **Depreciation).**

12 A. In anticipation of a 2024 rate effective date, the Stipulating Parties agreed to
 13 include Accumulated Depreciation through December 31, 2023. In conjunction
 14 with the adjustments to Utility Plant in Service discussed previously, the total in
 15 this account is \$23,171.

16 **Q. Please explain the amount included in Working Cash.**

- 1 A. The Stipulating Parties agreed to include Working Cash of \$2,282, which
- 2 represents one twelfth of total operating expenses. This is the standard
- 3 methodology for calculating Working Cash in water rate cases.

1

ISSUE 8 – CAPITAL STRUCTURE

2

Q. What cost of capital did Lakeshore propose in its Application?

3

A. In its Application, Lakeshore proposed an overall rate of return (ROR) of

4

7.75 percent in Year 2, summarized in Table 12 as follows.

Table 12: Company ROR Proposal

Item	Capital Structure	Cost	Weighted Cost
Debt	50.00%	6.00%	3.00%
Equity	50.00%	9.50%	4.75%
Total Debt + Equity	100.00%		7.75%

5

The Company's proposal to set the Year 1 revenue requirement at 72 percent

6

of the Year 1 total would have resulted in a Year 1 ROR of 2.24 percent on the

7

Company's proposed rate base of \$319,646.

8

Q. What cost of capital did the Stipulating Parties agree to?

9

A. The Stipulating Parties agreed to an overall ROR of 7.75 percent in Year 2,

10

which is computed using a Return on Equity (ROE) of 9.5 percent and a debt

11

cost of 6.0 percent. The calculation of Lakeshore's weighted capital costs is

12

summarized in Table 13, following.

Table 13: Weighted Capital Costs

Item	Amount	Capital Structure	Cost	Wtd. Cost
Debt (SBA Loan)	\$136,250	50.00%	6.00%	3.00%
Total Equity	\$136,250	50.00%	9.50%	4.75%
Total Debt + Equity	\$272,499	100.00%		7.75%

13

Q. Please describe the debt and equity amounts included in the Cost of

14

Capital calculation.

1 A. While Lakeshore has no debt, the Stipulating Parties agreed to a hypothetical
2 capital structure consisting of 50 percent debt and 50 percent equity. This
3 produces a lower overall ROR than would be reflected with equity alone.

4 **Q. Does the agreed-upon revenue requirement result in the parties'**
5 **stipulated 7.75 percent ROR?**

6 A. No. As discussed previously, the Stipulating Parties agreed to a lesser overall
7 revenue requirement than would otherwise result from the full inclusion of the
8 Parties' stipulated cost inclusions. Consequently, although the Parties agreed
9 on a 7.75 percent ROR in Year 2, the agreed-upon revenue requirements
10 result in a Year 2 ROR of 7.63 percent and a Year 1 ROR of 1.17 percent.

1

ISSUE 9 – RATE SPREAD

2

Q. What rate spread did the Stipulating Parties agree to?

3

A. The Stipulating Parties agreed to the rate spread summarized in Table 14

4

below as follows.

Table 14: Rate Spread

Service	Year 1	Year 2
Residential	\$43,892	\$60,962
Miscellaneous Services	\$1,357	\$1,885
TOTAL REVENUE	\$45,250	\$62,847

5

Q. Please explain how revenues were allocated to Miscellaneous

6

Services.

7

A. The Stipulating Parties agreed to allocate three percent of the total revenue

8

requirement Miscellaneous Services. The remainder of the revenue

9

requirement is collected through Schedule No. 1 residential domestic rates.

ISSUE 10 – RATE DESIGN

1
2 **Q. Please describe the rate components for Lakeshore’s Schedule No. 1**

3 **Residential Domestic service.**

4 A. Lakeshore’s Schedule No. 1 service rates consist of a monthly base rate,
5 which is assessed regardless of the quantity of water used, and a commodity
6 rate (also known as a variable or usage rate), which is assessed per unit of
7 water consumed. Lakeshore’s water is measured in units of 100 gallons. The
8 base rate provides a reliable revenue stream that enables the Company to
9 cover its fixed costs even during the portions of the year when water
10 consumption is low.

11 **Q. Please describe the rate design associated with the agreed-upon**
12 **revenue allocation to Schedule No. 1 Residential Domestic service.**

13 A. In designing water rates, Staff typically prefers to allocate 60 percent of
14 associated revenues to base rates, and 40 percent to commodity rates. The
15 Stipulating Parties agreed to do the same in this case, resulting in a Year 1
16 allocation of \$26,335 to base rates and \$17,557 to commodity rates, and a
17 Year 2 allocation of \$36,577 to base rates and \$24,385 to commodity rates.

18 **Q. Please explain how base rates are developed.**

19 A. Water base rates are typically designed such that customers with larger meter
20 sizes pay higher rates than those with smaller meters. This is because “the
21 safe operating flow, or capacity, of a particular size of meter is essentially the
22 limiting factor in terms of the demand that can be exerted on the water system

1 through the meter.”¹⁴ Furthermore, “the potential demand or capacity
2 requirements placed on the water system...is generally an accepted basis for
3 determining the level of charge applicable to the customer.”¹⁵ As such, Staff
4 typically uses a standard set of factors, sometimes referred to as “AWWA
5 factors,” to determine the appropriate relative differences in base rates for
6 different meter sizes. For example, the standard factor for a five-eighths inch
7 base rate is one and the standard factor for a one inch base rate is 2.5, which
8 means that a customer with a one inch meter would typically pay a base rate
9 that is approximately 2.5 times that of a customer with a five-eighths inch
10 meter.

11 **Q. What are the Stipulating Parties’ agreed-upon base rates for Schedule**
12 **No. 1 Residential Domestic service?**

13 A. The Stipulating Parties agreed to use the standard factors to allocate base
14 rates in this case. The resulting Schedule No. 1 base rates are summarized in
15 Table 15 as follows.

¹⁴ American Water Works Association, Principles of Water Rates, Fees, and Charges (M1) (6th Edition), p.324, 2012.

¹⁵ *Id.*

Table 15: Stipulated Base Rate Design

Meter Size	Count	Factors	% of Total	Year 1 Base Rate	Year 2 Base Rate
5/8"	49	1.0	100%	\$44.79	\$62.21
3/4"	0	1.5	0%	\$67.18	\$93.31
1"	0	2.5	0%	\$111.97	\$155.51
1 1/2"	0	5.0	0%	\$223.94	\$311.03
2"	0	8.0	0%	\$358.30	\$497.65
3"	0	15.0	0%	\$671.82	\$933.08
TOTAL	49		100%		

1 **Q. Why did the Stipulating Parties include base rates for meter sizes for**
2 **which there are no current customers?**

3 A. The Stipulating Parties calculated base rates at various meter sizes to address
4 the hypothetical possibility of customers being added at new meter sizes in the
5 future. The Stipulating Parties recognize that, while such a scenario is unlikely,
6 the presence of rates for various meter sizes in Lakeshore's tariff would
7 provide clarity regarding the appropriate rates to be charged should such a
8 scenario arise.

9 **Q. What customer counts did the Stipulating Parties use to calculate base**
10 **rates?**

11 A. The Stipulating Parties used the current total customer count of 49.

12 **Q. Please explain how the Schedule No. 1 Residential Domestic**
13 **commodity rate was calculated.**

14 A. The Schedule No. 1 commodity rate was calculated based on annual
15 residential domestic consumption of 3,026,700 gallons (or 30,267 100-gallon
16 units). The commodity rate revenue allocation was divided by the number of

1 consumption units to arrive at a commodity rate. The resulting commodity rate
2 is \$0.58 per unit in Year 1 and \$0.81 per unit in Year 2.

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ISSUE 11 – CUSTOMER COMMENTS

Q. Did Lakeshore notify customers of its requested rate increase?

A. Yes. Pursuant to OAR 860-036-2030, customers must be notified within 15 days of the filing of a request for a general rate revision. Lakeshore also filed a copy of the customer notice along with its Application.

Q. Did any customers contact the Commission regarding Lakeshore’s proposed rate increase?

A. Yes. One customer contacted the Commission with comments relating to this docket. Additionally, one customer provided a comment directly to the Company, and the Company provided that comment to the Commission for inclusion in this docket. The comments themselves are attached as Exhibit 105.

Q. Please summarize the concerns expressed by customers in this docket.

A. Both customers expressed concerns regarding the frequency and degree of rate increases proposed by the Company. One customer also expressed that the Company should not have gone more than twenty years without implementing any rate increases, as multiple smaller rate increases would be easier on customers. One customer expressed that the water quality has not improved since the last rate increase was implemented.

Q. Please address the customer concerns expressed in this docket.

A. Regarding the degree of the rate increase, the Stipulating Parties note that the agreed-upon revenue requirement is based on actual, documented costs

1 incurred by the Company. Regarding the long period of time in which the
2 Company did not implement any rate increases, the Stipulating Parties note
3 that the Company was under different ownership at that time. The current
4 owner has engaged in multiple rate cases to recover its costs. Finally,
5 regarding water quality, the Stipulating Parties note that the Company is
6 currently in compliance with all applicable water quality requirements.

1

ISSUE 12 – RATE EFFECTIVE DATE

2

Q. Did the Stipulating Parties agree on a rate effective date?

3

A. Yes. The Stipulating Parties agreed on a Year 1 rate effective date of

4

January 1, 2024, and a Year 2 rate effective date of January 1, 2025.

5

Q. Does this conclude your testimony?

6

A. Yes.

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 101

Witness Qualification Statement

November 7, 2023

WITNESS QUALIFICATION STATEMENT

NAME: Stephanie Yamada

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst
Rates and Telecommunications Section
Rates, Safety and Utility Performance Program

ADDRESS: 201 High St SE, Suite 100, Salem, OR, 97301

EDUCATION: Master of Business Administration
Western Governors University

Bachelor of Science in Accounting
University of Oregon

EXPERIENCE: I have been employed with the Public Utility Commission of Oregon since 2013. I am currently a Senior Utility Analyst in the Rates and Telecommunications Section of the Rates, Safety and Utility Performance Program. My responsibilities include leading research and providing technical support on a wide range of technical and policy issues for water and telecommunications companies. I have analyzed and addressed numerous telecommunications issues including special contracts, promotional concessions, tariff changes, price listings, numbering issues, service abandonment, property sales, and price plans, and provided testimony in UM 1895. With regard to water, I have analyzed and addressed numerous issues including tariff changes, property sales, affiliated interest transactions, financing requests, revenue requirement calculations, cost of service, rate spread, and rate design. I have also served as case manager on several water rate cases, and have provided testimony in UW 163, UW 166, UW 173, UP 384, UW 176, UW 181, UW 189, UW 191, UW 192, and UW 195.

**PUBLIC UTILITY COMMISSION
OF
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EXHIBIT 102

Summary Tables

November 7, 2023

Company Proposed Increase Year 2
244.50%

Staff Proposed Increase Year 2	Staff Proposed Increase Year 1
244.50%	148.04%

Revenue Requirement

Test Year	Company Adjustments	Company Proposed Totals (Year 2)	Adjustments to Company Totals	Stipulated Totals (Year 2)	Stipulated Totals (Year 1)
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REVENUES

461.1	Residential	\$ 18,243	\$ 44,604	\$ 62,847	\$ (1,885)	\$ 60,962	\$ 43,892
471	Miscellaneous Services			\$ -	\$ 1,885	\$ 1,885	\$ 1,357
Total Revenue		\$ 18,243	\$ 44,604	\$ 62,847	\$ -	\$ 62,847	\$ 45,250

Acct . **OPERATING EXPENSES**

601	Salaries and Wages - Employees			\$ -	\$ -	\$ -	\$ -
603	Salaries and Wages - Officers			\$ -	\$ -	\$ -	\$ -
604	Employee Pension & Benefits			\$ -	\$ -	\$ -	\$ -
610	Purchased Water			\$ -	\$ -	\$ -	\$ -
611	Telephone/Communications	\$ 2,550		\$ 2,550	\$ (164)	\$ 2,386	\$ 2,386
615	Purchased Power	\$ 1,520		\$ 1,520	\$ 943	\$ 2,463	\$ 2,463
616	Fuel for Power Production			\$ -	\$ -	\$ -	\$ -
617	Other Utilities			\$ -	\$ -	\$ -	\$ -
618	Chemical / Treatment Expense	\$ 401		\$ 401	\$ 290	\$ 691	\$ 691
619	Office Supplies	\$ 310		\$ 310	\$ -	\$ 310	\$ 310
619.1	Postage	\$ 360		\$ 360	\$ -	\$ 360	\$ 360
620	O&M Materials/Supplies	\$ 52		\$ 52	\$ -	\$ 52	\$ 52
621	Repairs to Water Plant	\$ 405		\$ 405	\$ -	\$ 405	\$ 405
631	Contract Svcs - Engineering			\$ -	\$ -	\$ -	\$ -
632	Contract Svcs - Accounting			\$ -	\$ -	\$ -	\$ -
633	Contract Svcs - Legal			\$ -	\$ -	\$ -	\$ -
634	Contract Svcs - Management Fees	\$ 3,368		\$ 3,368	\$ (1,857)	\$ 1,511	\$ 1,511
635	Contract Svcs - Testing	\$ 643		\$ 643	\$ 1,206	\$ 1,849	\$ 1,849
636	Contract Svcs - Labor	\$ 3,300		\$ 3,300	\$ 6,314	\$ 9,614	\$ 9,614
637	Contract Svcs - Billing/Collection	\$ 3,515		\$ 3,515	\$ (1,745)	\$ 1,770	\$ 1,770
638	Contract Svcs - Meter Reading	\$ 7,800		\$ 7,800	\$ (7,800)	\$ -	\$ -
639	Contract Svcs - Other	\$ 51		\$ 51	\$ -	\$ 51	\$ 51
641	Rental of Building/Real Property			\$ -	\$ -	\$ -	\$ -
642	Rental of Equipment			\$ -	\$ -	\$ -	\$ -
643	Small Tools			\$ -	\$ -	\$ -	\$ -
648	Computer/Electronic Expenses			\$ -	\$ -	\$ -	\$ -
650	Transportation	\$ 144		\$ 144	\$ 252	\$ 396	\$ 396
656	Vehicle Insurance			\$ -	\$ -	\$ -	\$ -
657	General Liability Insurance	\$ 410		\$ 410	\$ 2,030	\$ 2,440	\$ 2,440
658	Workers' Comp Insurance			\$ -	\$ -	\$ -	\$ -
659	Insurance - Other	\$ 1,807		\$ 1,807	\$ (1,807)	\$ -	\$ -
666	Amortz. of Rate Case	\$ 3,453		\$ 3,453	\$ (1,216)	\$ 2,237	\$ 2,237
667	Gross Revenue Fee (PUC)	\$ 51		\$ 51	\$ 220	\$ 270	\$ 270
670	Bad Debt Expense			\$ -	\$ -	\$ -	\$ -
671	Cross Connection Control Program			\$ -	\$ -	\$ -	\$ -
673	Training and Certification			\$ -	\$ -	\$ -	\$ -
674	Consumer Confidence Report	\$ 355		\$ 355	\$ -	\$ 355	\$ 355
675	Miscellaneous Expense			\$ -	\$ -	\$ -	\$ -
OE1	Other Expense 1 - Professional Services			\$ -	\$ -	\$ -	\$ -
OE2	Other Expense 2 - Permit Fees			\$ -	\$ 225	\$ 225	\$ 225
OE3	Other Expense 3 - PUC			\$ -	\$ -	\$ -	\$ -
OE4	Other Expense 4 - Master Plan Amort.			\$ -	\$ -	\$ -	\$ -
OE5	Other Expense 5			\$ -	\$ -	\$ -	\$ -
TOTAL OPERATING EXPENSE		\$ 30,494	\$ -	\$ 30,494	\$ (3,110)	\$ 27,385	\$ 27,385

OTHER REVENUE DEDUCTIONS

403	Depreciation Expense	\$ 2,185		\$ 2,185	\$ 7,898	\$ 10,083	\$ 10,083
406	Amort of Plant Acquisition Adjustment			\$ -	\$ -	\$ -	\$ -
407	Amortization Expense			\$ -	\$ -	\$ -	\$ -
408.11	Property Tax			\$ -	\$ -	\$ -	\$ -
408.12	Payroll Tax			\$ -	\$ -	\$ -	\$ -

	Test Year	Company Adjustments	Company Proposed Totals (Year 2)	Adjustments to Company Totals	Stipulated Totals (Year 2)	Stipulated Totals (Year 1)
408.13	Other		\$ -	\$ -	\$ -	\$ -
409.10	Federal Income Tax	\$ 4,036	\$ 4,036	\$ (595)	\$ 3,441	\$ 3,441
409.11	Oregon Income Tax	\$ 1,358	\$ 1,358	\$ (200)	\$ 1,158	\$ 1,158
409.13	Extraordinary Items Income Tax		\$ -	\$ -	\$ -	\$ -
	TOTAL REVENUE DEDUCTIONS	\$ 38,074	\$ -	\$ 38,074	\$ 3,993	\$ 42,067
	Net Operating Income	\$ (19,831)	\$ 44,604	\$ 24,773	\$ (3,993)	\$ 20,780

UTILITY RATE BASE

101	Utility Plant in Service	\$ 321,657		\$ 321,657	\$ (28,268)	\$ 293,389	\$ 293,389
105	Construction Work in Progress			\$ -	\$ -	\$ -	\$ -
108	- Accumulated Depreciation of Plant	\$ 4,552		\$ 4,552	\$ 18,620	\$ 23,171	\$ 23,171
271	- Contributions in Aid of Construction			\$ -	\$ -	\$ -	\$ -
272	+ Accumulated Amortization of CIAC			\$ -	\$ -	\$ -	\$ -
281	- Accumulated Deferred Income Tax			\$ -	\$ -	\$ -	\$ -
	- Excess Capacity			\$ -	\$ -	\$ -	\$ -
	= NET RATE BASE INVESTMENT	\$ 317,105	\$ -	\$ 317,105	\$ (46,888)	\$ 270,217	\$ 270,217
	Plus: (working capital)						
151	Materials and Supplies Inventory			\$ -	\$ -	\$ -	\$ -
	Working Cash (Total Op Exp /12)	\$ 2,541		\$ 2,541	\$ (259)	\$ 2,282	\$ 2,282
	TOTAL RATE BASE	\$ 319,646	\$ -	\$ 319,646	\$ (47,147)	\$ 272,499	\$ 272,499
	Rate of Return						
		-6.20%		7.75%		7.63%	1.17%

Adjustment Summary

Company Proposed Totals (Year 2)	Adjustments to Company Totals	Stipulated Totals (Year 2)	Explanation of Adjustment	
REVENUES				
Unmetered	\$ -	\$ -		
Residential	\$ 62,847	\$ (1,885)	\$ 60,962	
Commercial	\$ -	\$ -	\$ -	
Fire Protection Sales	\$ -	\$ -	\$ -	
Irrigation Water Sales	\$ -	\$ -	\$ -	
Water Sales for Resale	\$ -	\$ -	\$ -	
Miscellaneous Services	\$ -	\$ 1,885	\$ 1,885	3% of Revenue Requirement
Cross Connection Control	\$ -	\$ -	\$ -	
Other	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
Total Revenue	\$ 62,847	\$ -	\$ 62,847	

Acct. **OPERATING EXPENSES**

601	Salaries and Wages - Employees	\$ -	\$ -	\$ -	
603	Salaries and Wages - Officers	\$ -	\$ -	\$ -	
604	Employee Pension & Benefits	\$ -	\$ -	\$ -	
610	Purchased Water	\$ -	\$ -	\$ -	
611	Telephone/Communications	\$ 2,550	\$ (164)	\$ 2,386	Adjusted to DR 4 amount.
615	Purchased Power	\$ 1,520	\$ 943	\$ 2,463	Adjusted to DR 4 amount.
616	Fuel for Power Production	\$ -	\$ -	\$ -	
617	Other Utilities	\$ -	\$ -	\$ -	
618	Chemical / Treatment Expense	\$ 401	\$ 290	\$ 691	No adjustment.
619	Office Supplies	\$ 310	\$ -	\$ 310	No adjustment.
619.1	Postage	\$ 360	\$ -	\$ 360	No adjustment.
620	O&M Materials/Supplies	\$ 52	\$ -	\$ 52	No adjustment.
621	Repairs to Water Plant	\$ 405	\$ -	\$ 405	No adjustment.
631	Contract Svcs - Engineering	\$ -	\$ -	\$ -	
632	Contract Svcs - Accounting	\$ -	\$ -	\$ -	
633	Contract Svcs - Legal	\$ -	\$ -	\$ -	
634	Contract Svcs - Management Fees	\$ 3,368	\$ (1,857)	\$ 1,511	Reduced affiliate labor to market rates.
635	Contract Svcs - Testing	\$ 643	\$ 1,206	\$ 1,849	Increased to annualized amount.
636	Contract Svcs - Labor	\$ 3,300	\$ 6,314	\$ 9,614	Moved from other accounts; adjusted affiliate labor to market rates.
637	Contract Svcs - Billing/Collection	\$ 3,515	\$ (1,745)	\$ 1,770	Reduced affiliate labor to market rates.
638	Contract Svcs - Meter Reading	\$ 7,800	\$ (7,800)	\$ -	Included in Account 636
639	Contract Svcs - Other	\$ 51	\$ -	\$ 51	No adjustment.
641	Rental of Building/Real Property	\$ -	\$ -	\$ -	
642	Rental of Equipment	\$ -	\$ -	\$ -	
643	Small Tools	\$ -	\$ -	\$ -	
648	Computer/Electronic Expenses	\$ -	\$ -	\$ -	
650	Transportation	\$ 144	\$ 252	\$ 396	No adjustment.
656	Vehicle Insurance	\$ -	\$ -	\$ -	
657	General Liability Insurance	\$ 410	\$ 2,030	\$ 2,440	Increased to DR 4 amount.

	Company Proposed Totals (Year 2)	Adjustments to Company Totals	Stipulated Totals (Year 2)	Explanation of Adjustment
658 Workers' Comp Insurance	\$ -	\$ -	\$ -	
659 Insurance - Other	\$ 1,807	\$ (1,807)	\$ -	Included in Account 657.
666 Amortz. of Rate Case	\$ 3,453	\$ (1,216)	\$ 2,237	Reduced affiliate labor to market rates. 5 year amortization.
667 Gross Revenue Fee (PUC)	\$ 51	\$ 220	\$ 270	0.43% of revenue.
670 Bad Debt Expense	\$ -	\$ -	\$ -	
671 Cross Connection Control Program	\$ -	\$ -	\$ -	
673 Training and Certification	\$ -	\$ -	\$ -	
674 Consumer Confidence Report	\$ 355	\$ -	\$ 355	No adjustment.
675 Miscellaneous Expense	\$ -	\$ -	\$ -	
OE1 Other Expense 1 - Professional Services	\$ -	\$ -	\$ -	
OE2 Other Expense 2 - Permit Fees	\$ -	\$ 225	\$ 225	
OE3 Other Expense 3 - PUC	\$ -	\$ -	\$ -	
OE4 Other Expense 4 - Master Plan Amort.	\$ -	\$ -	\$ -	
OE5 Other Expense 5	\$ -	\$ -	\$ -	
TOTAL OPERATING EXPENSE	\$ 30,494	\$ (3,110)	\$ 27,385	

OTHER REVENUE DEDUCTIONS

403 Depreciation Expense	\$ 2,185	\$ 7,898	\$ 10,083	Increased to 2023 amount (full year on new assets).
406 Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	
407 Amortization Expense	\$ -	\$ -	\$ -	
408.11 Property Tax	\$ -	\$ -	\$ -	
408.12 Payroll Tax	\$ -	\$ -	\$ -	
408.13 Other	\$ -	\$ -	\$ -	
409.10 Federal Income Tax	\$ 4,036	\$ (595)	\$ 3,441	21% of federal taxable income.
409.11 Oregon Income Tax	\$ 1,358	\$ (200)	\$ 1,158	6.6% of state taxable income.
409.13 Extraordinary Items Income Tax	\$ -	\$ -	\$ -	
TOTAL REVENUE DEDUCTIONS	\$ 38,074	\$ 3,993	\$ 42,067	
Net Operating Income	\$ 24,773	\$ (3,993)	\$ 20,780	

UTILITY RATE BASE

101 Utility Plant in Service	\$ 321,657	\$ (28,268)	\$ 293,389	Corrections; reduced Puttman assets for estimated capitalized labor.
105 Construction Work in Progress	\$ -	\$ -	\$ -	
108 - Accumulated Depreciation of Plant	\$ 4,552	\$ 18,620	\$ 23,171	Increased through to December 31, 2023.
271 - Contributions in Aid of Construction	\$ -	\$ -	\$ -	
272 + Accumulated Amortization of CIAC	\$ -	\$ -	\$ -	
281 - Accumulated Deferred Income Tax	\$ -	\$ -	\$ -	
- Excess Capacity	\$ -	\$ -	\$ -	
= NET RATE BASE INVESTMENT	\$ 317,105	\$ (46,888)	\$ 270,217	
Plus: (working capital)				
151 Materials and Supplies Inventory	\$ -	\$ -	\$ -	
Working Cash (Total Op Exp /12)	\$ 2,541	\$ (259)	\$ 2,282	1/12th of operating expenses.
TOTAL RATE BASE	\$ 319,646	\$ (47,147)	\$ 272,499	
Rate of Return	7.75%	0.00%	7.63%	Hypothetical 50/50 debt/equity capital structure.

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 103

Data Request Responses & Attachments

November 7, 2023

Staff DR 1

Request:

Please describe the ownership structure of the Company and its affiliates, including the applicable ownership percentages attributable to each affiliate.

Company Response:

Lakeshore Water Company ("SLWC") is 100% owned by Infrastructure Capital Holdings, LLC ("ICH"). ICH is owned by Concentric Equity Partners ("CEP") and Puttman Capital. CEP owns 82.5% of ICH and Puttman Capital owns 17.5%. As such, CEP owns 82.5% of SLWC and Puttman Capital owns 17.5% of SLWC. There are three (3) Managers of the ICH Board, one Manager is from Puttman Capital and two Managers are from CEP.

Puttman Capital is an affiliate of Puttman Infrastructure, Inc. Puttman Infrastructure, Inc. provides services to Lakeshore Water Company. Both Puttman Capital and Puttman Infrastructure are owned 100% by Thomas J. Puttman.

Staff DR 3

Request:

Has there been any change in the provision of goods and/or services since the conclusion of Docket No. UI 431? If so, please describe such changes.

Company Response:

No.

Staff DR 7

Request:

The Company's response to Question 3 in its rate case application identifies Oregon Water Services as the system operator. Please provide a copy of the agreement between the Company and Oregon Water Services for system operation.

Company Response:

See Attachment D – Oregon Water Services Agreement.



30086 Federal Lane, Eugene, OR 97402
Phone: (541) 342-1718, Fax: (541) 342-1746
CCB#: 133505 / 7-103 CPI

OPERATIONS AGREEMENT

August 27, 2019

Water System Owner:
Puttman Infrastructure, Inc.
620 SW 5th Ave, Ste 1100
Portland, OR 97204

Water System Location:
Lakeshore Water Company, LLC
PWS #41-000284
Eugene, OR 97487

Under this agreement, the Lakeshore Water Company, LLC (LWC), would contract with Oregon Water Services, Inc (OWS) to oversee the operation and maintenance of the above water system. The system would be operated to ensure a potable and reliable supply of water to the users to comply with all Department of Human Services (DHS) requirements. LWC would be responsible for all costs associated with the system. The following sections cover costs and responsibilities for the system.

Operations & Maintenance

OWS would provide personnel services and supplies for the following:

- Weekly inspection of the system to ensure its proper operation. This would include pumps, alarms, electrical, water production, and any routine checks deemed necessary for the system.
- Flush system every other Wednesday for Iron control
- Maintain appropriate operation and maintenance records for the system.
- Perform routine maintenance on pumps, valves, alarms and distribution system.
- Collection of all routine samples required by the State for compliance, as required. (Lab costs billed in addition to maintenance cost).
- Provide correspondence and onsite inspections with the State for the systems operations.
- Provide locate services, as needed
- Take monthly meter readings at each residence. Meter readings to be submitted to LWC for billing.
- Be available for emergency call out to handle alarms and system problems. (Additional charges on a time and materials basis will be incurred per event. Repairs of up to \$300.00 per event can be made without prior LWC approval).

*****SEE ATTACHED DOCUMENT FOR MONTHLY FEES*****

Monthly charges and fees are for routine operation and maintenance of the system. It does not include any additional work outside the scope of services listed. Additional charges could include but not be limited to the following:

- Inspection, work or repairs to the distribution system or homeowner connections.
- Supplies, such as Chlorine
- Testing required by the Department of Human Services.
- Any equipment, parts or chemicals required to keep the system operating in compliance.

Agreement

▪ SCOPE

Oregon Water Service, Inc (OWS) agrees to perform the services described in this proposal at the rates included in the fee schedules. Unless modified by the parties involved, the duties of OWS shall not be construed to exceed those services specifically set forth in this agreement.

▪ COMPENSATION

LWC agrees to pay for the listed services in accordance with the compensation provisions described in this proposal. Payment will be made to OWS within 30 days after the date of billing. Late payments will accrue interest on the unpaid balance at a rate of 1.5 percent per month. LWC agrees to reimburse OWS on a time-and-expense basis for services related to litigation to which OWS is not a party arising from the performance of services.

▪ WARRANTY

OWS warrants only that it will operate, perform testing, obtain findings, and prepare reports in accordance with generally acceptable principles and practices. Under no circumstance will OWS be liable for any damages or claims except those resulting solely from its own or its employee's negligent performance or its deviation from acceptable protocol.

The exclusive remedy of any breach of this warranty will be, at OWS discretion, a refund of the agreed price or in the case of laboratory services, a rerun of a similar sample. No other remedy is available under this agreement.

▪ INSURANCE

OWS or its contractors shall maintain Commercial general liability insurance for personal injury liability, and property damage liability. Automobile bodily injury and property damage liability insurance covering owned, non-owned, and hired vehicles. Also Workers Compensation Insurance in accordance with State of Oregon law.

▪ TERMINATION OF WORK


Either party may terminate work in this agreement in the event the other party fails to perform in accordance with the terms. Termination of the work is accomplished by a 30-day prior written notice from the party initiating termination to the other. Notice of termination shall be delivered by certified mail.

OWS shall be compensated for work actually performed prior to the effective date of termination plus any costs which may be necessary for the orderly closing of the project.

▪ INTEGRATION

This proposal, fee schedules and agreement represent the entire understanding of the client and OWS. No prior oral or written understanding shall be of any force or effect with the respect to those matters covered herein. The terms may not be modified except in writing by both parties.

The undersigned parties have read this agreement and are duly authorized agents of the parties involved.



Dan Reitz, Vice President, Oregon Water Services, Inc

Date 08/27/2019

Thomas J Puttman, Puttman Infrastructure, Inc.

Date _____

Staff DR 4

Request:

The Company proposes to include the following operating expenses exceeding \$500.

Item	Account		2022 (Test Year)	Change	Total
A.	611	Telephone/Communications	\$2,550	\$0	\$2,550
B.	615	Purchased Power	\$1,520	\$0	\$1,520
C.	634	Contract Svcs - Management Fees	\$3,368	\$0	\$3,368
D.	635	Contract Svcs - Testing	\$643	\$0	\$643
E.	636	Contract Svcs - Labor	\$3,300	\$0	\$3,300
F.	637	Contract Svcs - Billing/Collection	\$3,515	\$0	\$3,515
G.	638	Contract Svcs - Meter Reading	\$7,800	\$0	\$7,800
H.	659	Insurance - Other	\$1,807	\$0	\$1,807

For each line item (A-H) shown above, please provide:

- a. A summary showing each item included in the test year amount (for example, this may consist of an account summary generated from the Company's accounting software), and
- b. Documentation (e.g., receipts, invoices) supporting the test year amount. Alternatively, if such documentation was included with the Company's rate case filing, please identify the specific document and page number(s) where such documentation may be found. Please clearly identify the account with which each piece of documentation is associated.

Company Response:

- a. See Attachment B – Operating Expenses.
- b. See Attachment B – Operating Expenses.

Attachment B - Operating Expenses
UW 197

Account #	Account Name	Invoice #	Date	Vendor/Service	Amount	Description		
611	Telephone/Communications		12/2/22	CenturyLink	\$197	Internet - December		
			11/5/22	CenturyLink	\$196	Internet - November		
			10/2/22	CenturyLink	\$197	Internet - October		
			9/2/22	CenturyLink	\$198	Internet - September		
			8/2/22	CenturyLink	\$210	Internet - August		
			7/2/22	CenturyLink	\$198	Internet - July		
			6/2/22	CenturyLink	\$208	Internet - June		
			5/2/22	CenturyLink	\$196	Internet - May (Invoice missing)		
			4/2/22	CenturyLink	\$206	Internet - April		
			3/2/22	CenturyLink	\$194	Internet - March		
			2/2/22	CenturyLink	\$193	Internet - February		
			1/2/22	CenturyLink	\$193	Internet - January		
				Subtotal			\$2,386	
		615	Purchased Power		11/30/22	Lane Electric	\$205	Power - November
	10/27/22			Lane Electric	\$178	Power - October		
	9/29/22			Lane Electric	\$212	Power - September		
	8/31/22			Lane Electric	\$246	Power - August		
	7/28/22			Lane Electric	\$218	Power - July		
	6/30/22			Lane Electric	\$207	Power - June		
	5/26/22			Lane Electric	\$185	Power - June		
	4/28/22			Lane Electric	\$177	Power - May		
	3/31/22			Lane Electric	\$190	Power - April		
	2/28/22			Lane Electric	\$210	Power - March		
	1/27/22			Lane Electric	\$221	Power - February		
	12/28/21			Lane Electric	\$213	Power - January		
				Subtotal			\$2,463	
634	Contract Services - Management Fees <i>Cincinnati Insurance line items moved to Account 657.</i>	#4751	11/30/22	Puttman Infrastructure	\$470	Management Services - November		
		#4672	10/31/22	Puttman Infrastructure	\$570	Management Services - October		
		#4582	9/30/22	Puttman Infrastructure	\$498	Management Services - September		
		#4534	8/31/22	Puttman Infrastructure	\$275	Management Services - August		
		#4472	7/31/22	Puttman Infrastructure	\$275	Management Services - July		
		#4424	6/30/22	Puttman Infrastructure	\$275	Management Services - June		
		#4377	5/31/22	Puttman Infrastructure	\$275	Management Services - May		
		#4302	4/30/22	Puttman Infrastructure	\$275	Management Services - April		
		#4260	3/31/22	Puttman Infrastructure	\$315	Management Services - March		
		#4220	2/28/22	Puttman Infrastructure	\$315	Management Services - February		
		#4178	1/31/22	Puttman Infrastructure	\$315	Management Services - January		
#4119	12/30/21	Puttman Infrastructure	\$275	Management Services - December '21				
		Subtotal			\$4,133			
635	Contract Services - Testing <i>For clarity, testing-related line items have been moved back to Account 636.</i>					\$0		
636	Contract Services - Labor <i>CenturyLink line items moved to Account 611.</i>	#4755	11/30/22	Puttman Infrastructure	\$1,288	O&M Services - November		
		#4673	10/31/22	Puttman Infrastructure	\$3,604	O&M Services - October		
		#4606	9/30/22	Puttman Infrastructure	\$1,866	O&M Services - September 2 of 2		
		#4583	9/30/22	Puttman Infrastructure	\$1,968	O&M Services - September 1 of 2		
		#4535	8/31/22	Puttman Infrastructure	\$866	O&M Services - August		
		#4474	7/31/22	Puttman Infrastructure	\$1,052	O&M Services - July		
		#4406	6/30/22	Puttman Infrastructure	\$1,009	O&M Services - June		
		#4371	5/31/22	Puttman Infrastructure	\$1,009	O&M Services - May		
		#4320	4/30/22	Puttman Infrastructure	\$1,075	O&M Services - April		
		#4275	3/31/22	Puttman Infrastructure	\$1,166	O&M Services - March		
		#4229	2/28/22	Puttman Infrastructure	\$1,091	O&M Services - February		
		#4157	1/31/22	Puttman Infrastructure	\$1,062	O&M Services - January		
		#4121	12/30/21	Puttman Infrastructure	\$1,002	O&M Services - December '21		
				Subtotal			\$18,057	
637	Contract Services - Billing/Collection	#4750	11/30/22	Puttman Infrastructure	\$2,587	Customer Services - Nov - mailings, Dec. billing, collections		
		#4668	10/31/22	Puttman Infrastructure	\$1,470	Customer Services - October		
		#4579	9/30/22	Puttman Infrastructure	\$678	Customer Services - September		
		#4516	8/31/22	Puttman Infrastructure	\$664	Customer Services - August		
		#4470	7/31/22	Puttman Infrastructure	\$888	Customer Services - July		
		#4431	6/30/22	Puttman Infrastructure	\$440	Customer Services - June		
		#4370	5/31/22	Puttman Infrastructure	\$440	Customer Services - May		
		#4318	4/30/22	Puttman Infrastructure	\$482	Customer Services - April		
		#4259	3/31/22	Puttman Infrastructure	\$379	Customer Services - March		
		#4202	2/28/22	Puttman Infrastructure	\$379	Customer Services - February		
		#4156	1/31/22	Puttman Infrastructure	\$174	Customer Services - January		
		#4120	12/30/21	Puttman Infrastructure	\$174	Customer Services - December '21		
				Subtotal			\$8,759	
638	Contract Svcs - Meter Reading <i>For clarity, meter reading-related line items have been moved back to Account 636.</i>					\$0		
659	General Liability Insurance			<i>Cincinnati Insurance</i>	\$198	<i>P&C Insurance - December (invoice missing)</i>		
		10/20/22		Cincinnati Insurance	\$198	P&C Insurance - November		
		10/12/22		Cincinnati Insurance	\$223	P&C Insurance - October		
		9/12/22		Cincinnati Insurance	\$198	P&C Insurance - September		
		8/12/22		Cincinnati Insurance	\$223	P&C Insurance - August		
		7/12/22		Cincinnati Insurance	\$198	P&C Insurance - July		
				<i>Cincinnati Insurance</i>	\$198	<i>P&C Insurance - June (invoice missing)</i>		
		5/19/22		Cincinnati Insurance	\$212	P&C Insurance - May		
		4/20/22		Cincinnati Insurance	\$198	P&C Insurance - April		
		3/21/22		Cincinnati Insurance	\$198	P&C Insurance - March		
		2/17/22		Cincinnati Insurance	\$198	P&C Insurance - February		
1/20/22		Cincinnati Insurance	\$198	P&C Insurance - January				
		Subtotal			\$2,440			
666	Amortization of Rate Case	#4692	3/31/22	Puttman Infrastructure	\$1,494	PUC rate case labor		
		#4319	4/30/22	Puttman Infrastructure	\$584	PUC rate case labor		
		#4372	5/31/22	Puttman Infrastructure	\$1,380	PUC rate case labor		
		#4636	5/31/22	Puttman Infrastructure	\$626	PUC rate case labor		
		#4418	6/30/22	Puttman Infrastructure	\$286	PUC rate case labor		
		#4419	6/30/22	Puttman Infrastructure	\$754	PUC rate case labor		
		#4471	7/31/22	Puttman Infrastructure	\$969	PUC rate case labor		
		#4517	8/31/22	Puttman Infrastructure	\$809	PUC rate case labor		
		#4580	9/30/22	Puttman Infrastructure	\$5,684	PUC rate case labor		
		#4671	10/31/22	Puttman Infrastructure	\$585	PUC rate case labor		
		Subtotal			\$13,171			

**PUBLIC UTILITY COMMISSION
OF
OREGON**

**EXHIBIT 104
Redacted**

**Confidential Data Request Responses &
Attachments**

November 7, 2023

Staff DR 2

Request:

Please provide all agreements between the Company and any affiliated interests for the provision of goods and services, including the following as described in Docket No. UI 431:

- a. Management Services – Services provided by Puttman Infrastructure.
- b. Operations and Maintenance Services – Services provided by Puttman Infrastructure.
- c. Customer Services – Services provided by Puttman Infrastructure

Company Response:

See Attachment A – Services Agreement.

Attachment A - Services Agreement is Confidential.

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 105

Public Comments

November 7, 2023

Michael Ennis Comments (Provided to Lakeshore Water Company)

I am absolutely shocked by the amount that the water bill will be costing as of January 1st 2025. During the summer months my electricity bill barely runs over a \$100 let alone my water bill! I find it very unsettling that you guys have waited 20 years before addressing the problem of needing additional dollars when it could have been addressed with much smaller rate increases along that 20 year span to achieve the necessary funds to not result in these astronomical proposed monthly bills to try and recoup the money all at once by gouging your customers, knowing that we have no other alternative source of water service. It certainly seems that better management of possible future expenditures could have very much avoided this problem, by accruing funds in a more methodical and systematic manner, thus reducing the "got to recoup all our funds immediately" burden on your customers. It might be somewhat tolerable if sewer services, like within city limits, were included in this but of course they're not. So will this be a short time bill increase until these Improvements have been paid for or will you continue to charge these astronomical rates long after those improvement bills have been paid off? I also did not appreciate the way it was addressed previously on the rate increase when you knew obviously that it was going to be taking this additional step to increase. It seems you were trying to avoid the sticker shock that would come with it initially just to slide a huge increase in later, but of course you've got everyone over a barrel and there's nothing we can do about it without an alternative service option. I'm not sure how I'll ever be able to afford a monthly bill of over a \$100.

Feeling extremely violated, Michael Ennis.

Amy Smith Comments to PUC

To Whom it may concern,

I am writing this in opposition to the request of Lakeshore Water District asking to raise our rates. This will be the second time they have requested this in a short period of time.

As a 20 year customer, I was understanding last time when they choose to raise our rates. I had hoped it would have made the water quality better. Unfortunately, we didn't see that happen. It's still pretty cloudy with sand and dirt clogging our home filters. Now as for the financial strain it has on customers is another topic.

As of now they are charging a \$30.63 base fee, which isn't including the cost of water. Then, if a person is late on their bill that is other \$14.88. That is a total of \$45.51 being added to customers bill. My concern is not just about me but for customers with low incomes within our community. Usually if a customer is late it is because of a financial hardship.

I do hope this letter with these concerns are taken into consideration. This area where we live is a lower-middle class community with a lot of elderly people. I am speaking out for those who can not, asking that this be denied. I want to thank you for your time,

Amy Smith

[Contact information redacted for privacy.]