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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

In the Matter of Tariffs for Water Service)
in the State of Oregon filed by Long Butte)
Water System, Inc.)
)
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)
)
)
_____)

UW 110
REPLY IN SUPPORT OF LONG
BUTTE WATER SYSTEM, INC.'S
MOTION FOR INTERIM RELIEF
AND RATE INCREASE

Petitioner Long Butte Water System, Inc. (LBWS) replies to the responses filed by Staff and Intervenors to LBWS' Motion for Interim Relief.

LBWS has requested interim relief under ORS 757.215 in the form of an Order for a temporary rate increase based upon the application materials that Petitioner has submitted in this action. The information submitted by LBWS with its application included detailed expense records for 2004 and a worksheet comparing 2004 revenues and expenses to itemized projected 2005 expenses.

With the attached Affidavit of Rebecca Hodge, LBWS has updated that worksheet and has also provided information to support the adjustments for expenses incurred to date in 2005. (See Affidavit, Exhibit 7). As further support for its proposed rate and its Motion for Interim Relief, LBWS submits balance sheets and profit and loss

statements for 2004 and 2005. (Affidavit, Exhibits 1 through 6). The accounts payable records that support the 2005 profit and loss and balance sheets are also included.

The 2005 year-to-date balance sheet (Affidavit, Exhibit 4) shows current LBWS accounts payable as of October 18, 2005, to be \$27,060.51. Current liquid assets amount to \$5,774.69. (Id.) LBWS is currently facing an operating shortfall in the amount of \$21,285.82.

The materials submitted by LBWS support their application for a rate increase and demonstrate the need for interim relief in this case in the form of a temporary rate increase pursuant to ORS 757.215. The primary adjustments during 2005 to the operating expenses for LBWS, as shown in Exhibit 7, are for renting an office to take the LBWS out of the residence of its shareholders, and to pay salary for the operation of LBWS, rather than paying for the same services on an independent contractor basis as before. Contrary to the objections from staff and Intervenors, the expenses for the office rental and salaries are current expenses and payables that have already accrued. As shown in Exhibit 4, LBWS has no cash reserves and limited liquid assets due to these increased expenses. There is nothing prospective about the shortfall for LBWS. Interim relief is necessary to maintain the financial integrity of the business.

It must be remembered that this is the first such application for a rate increase that Petitioner has made in its thirteen year history. Even the Intervenors in this case have acknowledged that some kind of rate increase will result from these proceedings, and their objection to an interim rate increase on the basis of the likelihood of success of Petitioner's application is disingenuous. The likelihood of success on the merits of

the LBWS application is directly relevant to the request for interim relief because it shows the minimal risk to consumers from the interim rate.

The overwhelming evidence supporting the requested increase is shown in the materials and updated materials submitted with Petitioner's brief and application. That application included a worksheet completed by LBWS showing revenues and expenses for its test year 2004 as well as adjusted figures for 2005. These materials have been available to Intervenors. The worksheet showing the financial picture of LBWS and supporting the increased rate has now been updated by LBWS. (Affidavit, Exhibit 7). Despite having the LBWS application materials, Intervenors' response is limited to two non-persuasive arguments: (1) that an increase of 78% should be invalid per se; and (2) that because the LBWS application proposes adjustments to the operating expenses from its test year, that those are not expenses that have actually accrued. Intervenors fail to rebut or seriously call into question the adjusted expenses and costs that support petitioner's Motion for Interim Relief. Also, LBWS has in fact already incurred drastically increased operating expenses, as shown in the accounts payable records provided with the attached Affidavit.

ORS 757.215 provides for an interim rate increase pending a suspension order. Just because petitioners did not request and the initial Suspension Order did not provide an interim rate does not mean that the Order cannot be modified for the duration of this proceeding. There is no prejudice to either the Intervenors or the customers of LBWS because of the delay in requesting interim relief. On the other hand, LBWS faces severe hardship because of the increased expenses and decreased revenues demonstrated in its materials. Due to the enormity of the shortfall

demonstrated by LBWS, it is now necessary for LBWS to request interim relief to protect the well being of the company. Petitioner requests that its Motion for Interim Relief be granted.

Respectfully submitted this 19th day of October, 2005.

FRANCIS HANSEN & MARTIN, LLP

/s Martin E. Hansen

Martin E. Hansen, OSB #80052

Of Attorneys for Long Butte Water System

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

In the Matter of Tariffs for Water Service)	UW 110
in the State of Oregon filed by Long Butte)	
Water System, Inc.)	AFFIDAVIT OF REBECCA HODGE
_____)	IN SUPPORT OF MOTION FOR
)	INTERIM RELIEF

STATE OF OREGON)	
)	ss.
County of Deschutes)	

I, Rebecca Hodge, being first duly sworn, do hereby depose and state:

1. I am the secretary of Long Butte Water System, Inc. (LBWS), petitioner in this docket. I conduct all day-to-day bookkeeping for LBWS. I make this affidavit based upon my personal knowledge.

2. LBWS has always maintained detailed financial records including detailed accounts payable records. LBWS's expenses have historically included costs for power, telephone service, postage and delivery, office supplies, transportation and equipment rentals, as well as for contract services. Those expenses for the 2004 test year in this case are reflected in the Revenue, Expenses and base Rate Worksheet submitted previously by LBWS with their application for rate increase.

3. I am attaching with this affidavit as Exhibit 1 a profit and loss statement for LBWS, together with supporting documentation for the accounts payables for January 1 through October 1, 2005. Exhibit 2 is the profit and loss statement for LBWS for the same period in 2004. Exhibit 3 is a comparison of the profit and loss statements for those 2004 and 2005 periods. Exhibit 4 is the balance sheet for LBWS that I have compiled as of October 18, 2005. Exhibit 5 is the balance sheet for the same period

during 2004, and Exhibit 6 is a comparison of the balance sheets for those 2004 and 2005 periods. Finally, Exhibit 7 is a copy of an updated revision of the revenue and operating expenses worksheet that shows the proposed LBWS adjustments to the current revenues and operating expenses on file.

4. The 2004 financial information and much of the 2005 information provided in this affidavit was already reflected in the original revenue and expenses worksheet submitted by LBWS in this action. This material is provided to supplement the application and testimony by LBWS for its proposed rate increase. It is also provided in support of LBWS’ Motion for Interim Relief, since the balance sheet comparison in Exhibit 3 demonstrates that LBWS has experienced an increase in expenses of 18.3% just since 2004 for the year to date. Total operating revenues for the same period are down 4.4%. Additional expenses associated with LBWS moving to an independent office, such as costs for rent and office equipment, are newly incurred in 2005. Based on increased expenses and decreased revenue LBWS is currently experiencing an operating shortfall in 2005 of approximately \$21,285.82 as of October 18, 2005, as demonstrated in Exhibit 4.

DATED this 19th day of October, 2005.

 /s Rebecca Hodge
 Rebecca Hodge
 Secretary for Long Butte Water System, Inc.

SUBSCRIBED AND SWORN to me this _____ day of October 2005.

 Notary Public for Oregon

CERTIFICATE OF TRUE COPY

I hereby certify that the foregoing **PETITIONER'S REPLY REGARDING MOTION FOR INTERIM RATE INCREASE AND AFFIDAVIT** is a true, exact and full copy of the original thereof.

DATED this 19th day of October 2005.

FRANCIS, HANSEN & MARTIN, LLP

By: _____
Michael H. McGean, OSB #00473
Of Attorneys for Long Butte Water
System, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **PETITIONER'S REPLY REGARDING MOTION FOR INTERIM RATE INCREASE AND AFFIDAVIT** to:

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(Without attachments)

by causing a full, true, and correct copy thereof to be sent by the following indicated method or methods, on the date set forth below:

xx by email to the addresses listed above.

_____ by mailing in a sealed, first-class postage-prepaid envelope, addressed to the last-known office address of the party, and deposited with the United States Postal Service at Bend, Oregon and by e-mail.

DATED this 19th day of October 2005.

FRANCIS, HANSEN & MARTIN, LLP

By: /s Michael McGean
Michael H. McGean, OSB #00473
Of Attorneys for Long Butte Water System, Inc.