

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

WJ 8, UW 120, UI 281, UI 282, UCR 100

In the Matters of

CROOKED RIVER RANCH WATER
COMPANY

An Investigation Pursuant to ORS
756.515 to Determine Jurisdiction
(WJ 8)

And

Request for a General Rate Revision
(UW 120)

And

An Affiliated Interest Agreement with
James Rooks (UI 281)

And

An Affiliated Interest Agreement with
Jacque Rooks (UI 282)

G. T. & T. T.,

v.

CROOKED RIVER RANCH WATER
COMPANY (UCR 100)

JOINT FINANCIAL STATEMENT

Pursuant to Commission Order No. 11-060, dated February 18, 2011, Public Utility Commission Staff ("Staff") and the Crooked River Ranch Water Company ("Crooked River" or "Company") (jointly the "Parties") file this joint financial statement ("Statement"). As part of this filing, the Parties recommend the following:

1. Crooked River will provide Staff quarterly periodic cash reports for two years after Commission approval of the joint financial statement. The first report will be for the first quarter after Commission approval of this financial statement and continue for the next 7 quarters.
2. Crooked River has deposited and will retain the \$130,656.26 collected as part of a special assessment fund in the Company's bank account specifically established for these funds (General Ledger account No. 1006). Crooked River will:
 - a. Only use these funds for major repairs and capital improvements. Funds will not be used for operation, maintenance, administrative, and general costs.
 - b. File semi-annual reports (including bank statements) to Staff that include the semi-annual beginning balance, semi-annual ending balance, expenditures, and deposits (interest, other) into the funds. The first report will be for the first quarter after Commission approval and continue for the next three semi-annual periods.
 - c. Will publish on its website or otherwise make available for its members the semi-annual reports described in paragraph 2(b) above.
 - d. Confer with Staff on individual, or project, expenditures that exceed \$10,000. This requirement will end when the July 1, 2013, report described in paragraph 2(e) below is submitted to the Commission.
 - e. Report to the Commission on the status of these funds on July 1, 2013. This report will include beginning balance, ending balance, expenditures, and deposits (interest, other) into the funds.
3. Crooked River will continue to charge its current rates as established by the Company until filing a general rate case application. Included in this recommendation, Crooked River will:
 - a. Adopt the Commission's System of Accounts for Water Utilities as prescribed in OAR 860-036-0765, *Uniform System of Accounts for Water Utilities – Class A, B, and C*. The Commission's System of Accounts was forwarded to the Company on April 20, 2011.
 - b. Maintain all 2011 invoices and receipts for operations and maintenance expenses, administrative and general expenses, and capital expenses.
 - c. File a general rate case application no later than February 18, 2012, using a test year of January 2011 through December 2011.

The following information is provided to the Commission as part of this joint statement:

Company Status of Funds

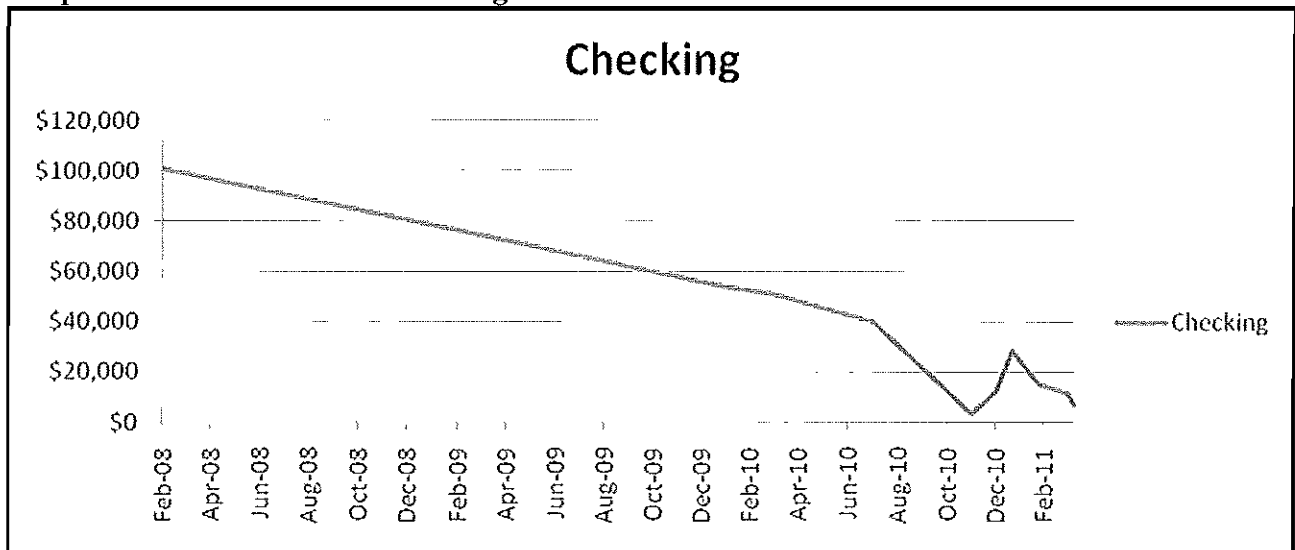
The following table highlights the Company’s status of funds since the beginning of 2011.

Table 1 – Crooked River’s Status of Funds

Date	Checking	Savings	Customer Deposit	Certificate of Deposit ¹	Assessment (includes Treasury check)	Total
28-Feb-08	\$100,908	\$35,703	\$0	\$120,288	\$118,368	\$375,267
29-Jan-10	\$53,711	\$16,241	\$0	\$47,617	\$130,656	\$248,225
31-Mar-10	\$50,744	\$16,245	\$0	\$47,690	\$130,656	\$245,335
30-Jul-10	\$40,308	\$6,244	\$0	\$47,929	\$130,656	\$225,137
30-Nov-10	\$3,248	\$6,245	\$0	\$48,050	\$130,656	\$188,199
30-Dec-10	\$12,044	\$11,020	\$0	\$48,170	\$130,656	\$201,890
21-Jan-11	\$28,256	\$11,022	\$0	\$48,170	\$130,656	\$218,104
23-Feb-11	\$15,181	\$18,622	\$100	\$48,170	\$130,656	\$212,729
30-Mar-11	\$11,358	\$26,222	\$300	\$48,282	\$130,756	\$216,917
7-Apr-11	\$6,712	\$26,228	\$300	\$48,289	\$130,756	\$212,285

The funding trend in the checking account is illustrated in the following graph.

Graph 1 - Crooked River’s Checking Account Balances



Although funds in the checking account have decreased since the beginning of the year, a significant reason for the decrease is that the Company is attempting to set aside \$7,500 per month to pay legal fees associated with the *Nichols v. Crooked River Ranch Water Company* lawsuit. In addition, during the first quarter of 2011, the Company was required to fund

¹ The Certificate of Deposit amounts are based on dates (February 8, 2010, March 8, 2010, June 8, 2010, September 9, 2010, and December 9, 2010) that differ from the checking/savings accounts dates.

temporary services to staff a receptionist position, fund settled lawsuits, and fund outstanding repairs and maintenance that was not conducted by previous management.

The *Nichols v. Crooked River Ranch Water Company* lawsuit was filed in the Jefferson County Circuit Court, where the court found that “the dissolution of the Crooked River Ranch Company and the creation of the Crooked River Ranch Water Cooperative was invalid.”² The Company currently holds a note payable for the charges of \$83,919.56. This amount is payable for the settlement of the Nichols lawsuit and amounts over \$1,000 that certain members contributed to the legal process. The note, approved by the Board and members, was advanced by a member of the Water Company as a 12-month, 6 percent interest note. The note is due December 1, 2011. According to the Company, additional funds will be set aside during the summer months, if possible, when revenues increase due to increased consumption.

In addition to the note payable, the Company also settled two lawsuits that were outstanding from previous management (one in January and one in February). The two settlements totaled \$12,000. The Company was also confronted with numerous repair and maintenance issues that were deferred or ignored by previous management. These outstanding repairs totaled approximately \$7,607. Additionally, Crooked River just completed the additional following major repairs:

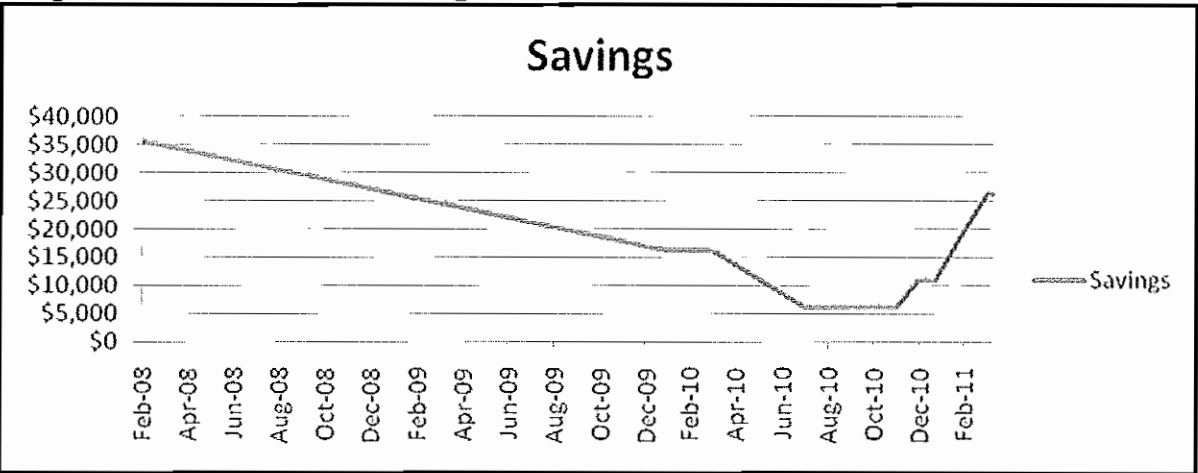
Table 2 – Recently Completed Significant Repair Costs

Project	Cost
Main Line Repair on Shad/Prairie	\$2,628
Hydrant Repair on Chinook	\$2,593
Well #4 Repair	\$17,284

It should be noted that under previous management, the checking accounts funds were reduced from \$100,908 in February 2008 to \$3,204 in November 2010.

The funding trend in the savings account is illustrated in the following graph.

Graph 2 – Crooked River’s Savings Account Balances



² Letter Opinion of the Honorable Gary Williams (July 13, 2010).

As noted in Table 1 and Graph 2, the Company's savings account balance has increased due to the previously mentioned \$7,500 per month transfers to pay the *Nichols v. Crooked River Ranch Water Company* lawsuit.

It should be noted that under previous management, the savings accounts funds were reduced from \$35,703 in February 2008 to \$6,245 in November 2010. Because the Company has taken care of many costs associated with or caused by previous management, the Parties believe the Company will have sufficient cash flow to operate the Company based on its current rate structure and current funds. As discussed later in this Statement, the Parties believe that the cost drivers underlying the current rates have likely changed under the Company's new management and that a general rate case is appropriate in the future to reflect long-term changes in the cost of operating and maintaining the Company's system. However, additional system problems are still being discovered, and the Parties agree that funds collected under current rates should remain available to correct discrepancies as they are discovered.

Although the Company has sufficient funds to operate the Company, it should be noted that funds were severely depleted by previous management in the two and one-half year period from February 2008 to November 2010. As Table 1 demonstrates, in February 2008, total Company funds equaled \$375,267; while in November 30, 2010, total funds equaled \$188,319. This was a decrease of almost 50 percent or \$187,068. Because of the potential cash flow issues that have resulted from the severe depletion of funds; ongoing expenditures; and significant one-time expenditures, the Parties recommend that:

1. Crooked River will provide Staff quarterly periodic cash reports for two years after Commission approval of the joint financial statement. The first report will be for the first quarter after Commission approval of this financial statement and continue for the next 7 quarters.

Disposition of the Special Assessment Fund

In Commission Order No. 08-177, dated March 24, 2008, the Commission ordered the Company to distribute capital assessment funds (\$118,028) to its current shareholders. In Commission Order No. 08-181, dated March 28, 2008, the Commission granted a stay on the distribution of the \$118,028 to shareholders. Subsequent to Order No. 08-181, the Company, in order to obtain a stay of the disbursement order on appeal, deposited \$130,656.26 with the State Treasury.

The Company subsequently worked with the Department of Justice to retrieve this money and has set up a special savings account to hold these funds. Although Commission Order No. 08-177 directed the funds to be returned to current Company members, the Parties respectfully request that the Company be allowed to use the funds for projected capital expenditures and major repairs. As previously mentioned, many necessary maintenance, repairs, and capital improvements were not performed by Crooked River under previous management. The following is a list of necessary capital investments. As can be seen from the list, the costs of

capital projects greatly exceed assessment funds and many of these improvements will continue to be deferred until cash from operations accumulates.

Project 1

According to the Company, pressure reduction valve sites require shut-off valves. The project includes installing water line shut off valves at the Pressure Reducer Vault and to overhaul the valve assemblies. The cost estimates for the four sites are:

Table 3 – Reduction Valve Sites

Buffalo Rd.	\$4,766
South Shad	\$4,866
North Shad	\$4,710
Sundown Canyon	\$4,390

Total cost of the project is estimated at \$18,732.

Project 2

According to the Company, many fire hydrants on the system are more than 5,000 feet apart. More hydrants are needed to help protect homeowners and firefighters. Fire hydrant installation (43 hydrants) where shortage exists is estimated to cost \$4,485 per hydrant for a total cost of \$192,855.

Project 3

According to the Company, Crooked River plans to replace current 6” lines with 8” lines to create loops to improve customer water pressure where water pressure is low. The cost estimate for this project is:

Table 4 – Main Line Improvements

Item	Description	Quantity	Net Price	Units	Total
8" line	Chinook to Perch on Mustang	1,164	\$50.00	FT	\$58,200
8" line	Haddock to Rim Road on Mustang	2,055	\$50.00	FT	\$102,750
6" Upgrade to 8"	Maverick South to Maverick North on Shad	2,341	\$50.00	FT	\$117,050
6" Upgrade to 8"	Cinder to Shad on Basalt	2,683	\$50.00	FT	\$134,150
6" Upgrade to 8"	Peninsula to Shad on Shad	1,342	\$50.00	FT	\$67,100
6" Upgrade to 8"	Cinder to Basalt on Crater Loop	5,049	\$50.00	FT	\$252,450
6" Upgrade to 8"	Peninsula to Shad on Peninsula	4,163	\$50.00	FT	\$208,150

Total cost of the project \$939,850.

Project 4

According to the Company, Crooked River needs to perform an inspection and cleaning of the water tower ("Tower") and the Cistern: \$2,950. If the inspection reveals that the Tower requires resurfacing due to improper maintenance, the Company may have to resurface the interior of the Tower at a cost of \$21 per square foot, total cost of \$189,344.

Project 5

According to Crooked River, the Company needs to perform additional investigation to address low pressure problems in the system. The cost of this project is unknown at this time.

Project 6

According to the Company, only having a single water storage unit creates situations where customers are without water due to maintenance issues or natural disasters. As a result, Crooked River projects that a future installation of a water storage facility comparable in capacity to the Tower is required to enhance the operational ability of the system. The Company would install a low level storage structure not to exceed the height of a single level residential home. Estimated cost for a concrete storage facility is \$750,000.

As can be seen from the above, funds are required to be available, and the Parties recommend the following:

2. Crooked River has deposited and will retain the \$130,656.26 collected as part of a special assessment fund in the Company's bank account specifically established for these funds (General Ledger account No. 1006). Crooked River will:
 - a. Only use these funds for major repairs and capital improvements. Funds will not be used for operation, maintenance, administrative, and general costs.
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 - c. Publish on its website or otherwise make available to its members the semi-annual reports described in paragraph 2(b) above.
 - d. Confer with Staff on individual or project expenditures that exceed \$10,000. This requirement will end when the July 1, 2013, report described in paragraph 2(e) below is submitted to the Commission.

- e. Report to the Commission on the status of these funds on July 1, 2013. This report shall include beginning balance, ending balance, expenditures, and deposits (interest, other) into the funds.

Rates and a General Rate Application

The following table compares the Commission approved UW 120 rates, the Staff recommended rates in 2008, and the Company’s current rates.

Table 5 – Rate Comparisons

	Base Rate	Commodity Rate (per 100 cubic feet (cf))	Average Rates (1,066 cf)
UW 120, Order No. 07-528	\$17.34	\$0.80	\$25.86
Staff August 2008 Rate Design	\$19.11	\$0.89	\$28.62
Company Current Rates	\$25.20 (includes a 300 cf consumption allowance)	\$0.80	\$31.28

As can be seen from the above table, Crooked River’s current average rate is \$2.66 greater (9.29 percent) than the Staff’s 2008 recommended rates. Although the Parties agree that the cost drivers between the previous and current management have changed, the Parties also believe that more time is required to develop a test year that demonstrates an accurate level of ongoing costs and removal of one-time extraordinary expenses such as certain legal expenses, settled lawsuits, and extraordinary repair and maintenance due to previous neglect.

Additionally, as previously mentioned, Crooked River’s bank account balances are significantly lower than the levels in 2008, and funds should be available to correct additional system discrepancies as they are discovered. Keeping rates at their current level will help to ensure Crooked River can continue to fund its operations until consistent, accurate records are received to establish a new basis for rates. As a result, the Parties recommend the following:

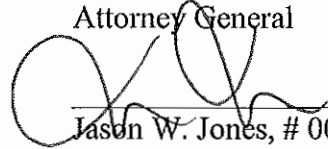
3. Crooked River will continue to charge its current rates as established by the Company until filing a general rate case application. Included in this recommendation, Crooked River will:
 - a. Adopt the Commission’s System of Accounts for Water Utilities as prescribed in OAR 860-036-0765, *Uniform System of Accounts for Water Utilities – Class A, B, and C*. The Commission’s System of Accounts was forwarded to the Company on April 20, 2011.
 - b. Maintain all 2011 invoices and receipts for operations and maintenance expenses, administrative and general expenses, and capital expenses.

- c. File a general rate case application no later than February 18, 2012, using a test year of January 2011 through December 2011.

DATED this 16th day of May 2011.

Respectfully submitted,

JOHN KROGER
Attorney General

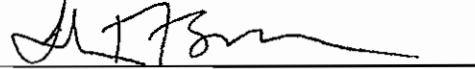


Jason W. Jones, # 00059
Assistant Attorney General
Of Attorneys for PUC Staff

DATED this 13th day of May 2011.

Respectfully submitted,

CABLE HUSTON BENEDICT
HAAGENSEN & LLOYD, LLP



Tommy A. Brooks, OSB No. 076071
Attorney for Crooked River Ranch Water Company

1 **CERTIFICATE OF SERVICE**

2 I certify that on May 16, 2011, I served the foregoing Joint Financial Statement upon the
3 parties in this proceeding by electronic mail and by sending a true, exact and full copy by regular
4 mail, postage prepaid, or by hand-delivery/shuttle, to the parties accepting paper service.

5 WJ 8

UW 120

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