



# Oregon

Theodore R. Kulongoski, Governor

## Public Utility Commission

550 Capitol St NE, Suite 215

**Mailing Address:** PO Box 2148

Salem, OR 97308-2148

**Consumer Services**

1-800-522-2404

Local: (503) 378-6600

**Administrative Services**

(503) 373-7394

August 8, 2005

### ***Via Electronic Filing and U.S. Mail***

OREGON PUBLIC UTILITY COMMISSION  
ATTENTION: FILING CENTER  
PO BOX 2148  
SALEM OR 97308-2148

RE: **Docket No. UW 108** - In the Matter of AGATE WATER COMPANY General Rate Increase.

Enclosed for filing in the above-captioned docket is the Public Utility Commission Staff's Direct Testimony and Stipulation. This document is being filed by electronic mail with the PUC Filing Center.

*/s/ Lois Meerdink*

Lois Meerdink  
Regulatory Operations Division  
Filing on Behalf of Public Utility Commission Staff  
(503) 378-8959  
Email: Lois.Meerdink@state.or.us

cc: UW 108 Service List

**PUBLIC UTILITY COMMISSION  
OF OREGON**

**UW 108**

**STIPULATION**

**Entered into by  
Public Utility Commission Staff  
Agate Water Company  
Intervenors**

**AGATE WATER COMPANY  
General Rate Case**

**August 5, 2005**



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4.

Staff, the three intervenors, and the Company agree that the Company may charge rates according to the rate schedule set forth in tariff sheet designated PUC Oregon No. 2, Original Sheet No. 4, Schedule No. 2, Residential Metered Rates for Customers Who Did Not Pay a SDC.

5.

Staff, the three intervenors, and the Company agree that the Company may charge Miscellaneous Service Charges according to the rate schedule set forth in tariff sheet designated PUC Oregon No. 2, Original Sheet No. 5, Schedule No. 3, Miscellaneous Service Charges.

6.

By entering into this stipulation, no party shall be deemed to have approved, accepted, or consented to the facts, principles methods, or theories employed by any other party in arriving at the agreed revenue requirement and rate spread and design.

7.

The parties recommend that the Commission adopt this stipulation in its entirety. The parties have negotiated this stipulation as an integrated document. Accordingly, if the Commission rejects all or any material portion of this stipulation, each party reserves the right, upon written notice to the Commission and all parties to this proceeding within 15 days of the date of the Commission's order, to withdraw from the stipulation and request an opportunity for the presentation of additional evidence and argument.

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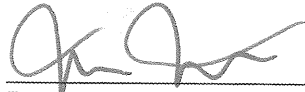
8.

The parties understand that this stipulation is not binding on the Commission in ruling on this application and does not foreclose the Commission from addressing other issues.

DATED this 8th day of July 2005.

Respectfully submitted,

HARDY MYERS  
Attorney General



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

DATED this 1 day of August, 2005.




John Fred Schilling  
Agate Water Company

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8.

The parties understand that this stipulation is not binding on the Commission in ruling on this application and does not foreclose the Commission from addressing other issues.

DATED this 31 day of July 2005.

  
\_\_\_\_\_  
Jack Gassaway

8.

The parties understand that this stipulation is not binding on the Commission in ruling on this application and does not foreclose the Commission from addressing other issues.

DATED this \_\_\_\_\_ day of August 2005.

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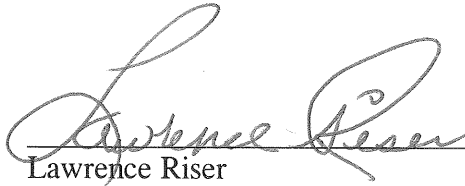
Stephanie Michelsen

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8.

The parties understand that this stipulation is not binding on the Commission in ruling on this application and does not foreclose the Commission from addressing other issues.

8/1/05  
DATED this \_\_\_\_\_ day of July 2005.

  
Lawrence Riser

8/1/05  
DATED this \_\_\_\_\_ day of July 2005.

  
Vera Riser

8.





AGATE WATER COMPANY

UW 108

Test Year: 2003

Company Case 77.83%

Per Application

Staff Case

30.9%

ATTACHMENT A

| WATER    |                                  | A                       | B                            | C                        | D                            | E                        | F                                         | G                        | H                          | I                        |
|----------|----------------------------------|-------------------------|------------------------------|--------------------------|------------------------------|--------------------------|-------------------------------------------|--------------------------|----------------------------|--------------------------|
| Revenues |                                  | Balance Per Application | Proposed Company Adjustments | Adjusted Results (A+B=C) | Company Proposed Rev Changes | Proposed Results (C+D=E) | Proposed Staff Adjustments to Test Period | Adjusted Results (A+F=G) | Staff Proposed Rev Changes | Proposed Results (G+H=I) |
| 1        | Residential Wtr Sales Rev        | 431,309                 |                              |                          | 335,708                      | 767,017                  | 1,466                                     | 432,775                  | 131,935                    | 564,710                  |
| 2        | Commer/Indust Wtr Rev            | 0                       | 0                            | 0                        | 0                            | 0                        | 0                                         | 0                        |                            | 0                        |
| 3        | Irrigation Wtr Sales Rev         | 0                       | 0                            | 0                        | 0                            | 0                        | 0                                         | 0                        |                            | 0                        |
| 4        | TOTAL REVENUE                    | 431,309                 | 0                            | 0                        | 335,708                      | 767,017                  | 1,466                                     | 432,775                  | 131,935                    | 564,710                  |
| 5        |                                  |                         |                              |                          |                              |                          |                                           |                          |                            |                          |
| 6        | <u>Operating Expenses</u>        |                         |                              |                          |                              |                          |                                           |                          |                            |                          |
| 7        | Salaries & Wages                 | 105,314                 | 55,680                       | 160,994                  |                              | 160,994                  | 83,686                                    | 189,000                  |                            | 189,000                  |
| 8        | Salaries/Wages Officers          | 38,899                  | 0                            | 38,899                   |                              | 38,899                   | 1,945                                     | 40,844                   |                            | 40,844                   |
| 9        | Communications                   | 5,692                   | 1,000                        | 6,692                    |                              | 6,692                    | ( 1,647)                                  | 4,045                    |                            | 4,045                    |
| 10       | Purchased Power                  | 49,564                  | 9,800                        | 59,364                   |                              | 59,364                   | ( 1,834)                                  | 47,730                   |                            | 47,730                   |
| 11       | Chemicals                        | 0                       | 0                            | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| 12       | Office Supplies                  | 11,500                  | 3,000                        | 14,500                   |                              | 14,500                   | ( 4,691)                                  | 6,809                    |                            | 6,809                    |
| 13       | O&M Materials & Supplies         | 35,061                  | 7,000                        | 42,061                   |                              | 42,061                   | ( 24,032)                                 | 11,029                   |                            | 11,029                   |
| 14       | Repairs & Maintenance            | 10,194                  | 77,534                       | 87,728                   |                              | 87,728                   | ( 9,086)                                  | 1,108                    |                            | 1,108                    |
| 15       | Contract Serv - Engineering      | 3,494                   | 2,000                        | 5,494                    |                              | 5,494                    | ( 2,190)                                  | 1,304                    |                            | 1,304                    |
| 16       | Contract Service - Accounting    | 2,500                   | 0                            | 2,500                    |                              | 2,500                    | 120                                       | 2,620                    |                            | 2,620                    |
| 17       | Contract Service - Legal         | 651                     | 1,000                        | 1,651                    |                              | 1,651                    | ( 551)                                    | 100                      |                            | 100                      |
| 18       | Contract Service - Testing       | 2,273                   | 9,790                        | 12,063                   |                              | 12,063                   | 7,252                                     | 9,525                    |                            | 9,525                    |
| 19       | Contract Service - Labor         | 3,406                   | 0                            | 3,406                    |                              | 3,406                    | ( 1,406)                                  | 2,000                    |                            | 2,000                    |
| 20       | Rental of Building/Property      | 15,600                  | 0                            | 15,600                   |                              | 15,600                   | ( 3,600)                                  | 12,000                   |                            | 12,000                   |
| 21       | Small Tools                      | 8,768                   | 2,000                        | 10,768                   |                              | 10,768                   | ( 8,168)                                  | 600                      |                            | 600                      |
| 22       | Computer/Electronics             | 671                     | 3,000                        | 3,671                    |                              | 3,671                    | ( 71)                                     | 600                      |                            | 600                      |
| 23       | Transportation                   | 23,558                  | 0                            | 23,558                   |                              | 23,558                   | ( 8,011)                                  | 15,547                   |                            | 15,547                   |
| 24       | Insurance - Vehicle              | 3,927                   | 0                            | 3,927                    |                              | 3,927                    | 0                                         | 3,927                    |                            | 3,927                    |
| 25       | Insurance - General Liability    | 2,149                   | 0                            | 2,149                    |                              | 2,149                    | 795                                       | 2,944                    |                            | 2,944                    |
| 26       | Insurance - Wkman Comp           | 2,942                   | 0                            | 2,942                    |                              | 2,942                    | ( 2,420)                                  | 522                      |                            | 522                      |
| 27       | Reg Commission                   | 1,079                   | 0                            | 1,079                    |                              | 1,079                    | ( 1)                                      | 1,078                    | 330                        | 1,408                    |
| 28       | Bad Debt Expense                 | 2,000                   | 500                          | 2,500                    |                              | 2,500                    | 0                                         | 2,000                    |                            | 2,000                    |
| 29       | Cross Connection Control         | 1,282                   | 1,282                        | 2,564                    |                              | 2,564                    | ( 912)                                    | 370                      |                            | 370                      |
| 30       | Training/Certification Expense   | 2,260                   | 1,000                        | 3,260                    |                              | 3,260                    | ( 883)                                    | 1,377                    |                            | 1,377                    |
| 31       | Consumer Confidence Rept Exp     | 400                     |                              | 400                      |                              | 400                      | 32                                        | 432                      |                            | 432                      |
| 32       | Miscellaneous Exp                | 1,885                   | 19,464                       | 21,349                   |                              | 21,349                   | ( 794)                                    | 1,091                    |                            | 1,091                    |
| 33       | TOTAL OPERATING EXPENSE          | 335,069                 | 194,050                      | 529,119                  | 0                            | 529,119                  | 23,533                                    | 358,602                  | 330                        | 358,932                  |
| 34       |                                  |                         |                              |                          |                              |                          | 23,533                                    | 358,602                  |                            |                          |
| 35       | Depreciation Expense             | 42,794                  | 7,000                        | 49,794                   |                              | 49,794                   | 3,535                                     | 46,329                   |                            | 46,329                   |
| 36       | Amortization Expense             |                         |                              | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| 37       | Property/Payroll Tax             | 26,497                  |                              | 26,497                   | 0                            | 26,497                   | 5,354                                     | 31,851                   |                            | 31,851                   |
| 38       | Oregon Income Tax                | 16,303                  |                              | 16,303                   |                              | 16,303                   | ( 18,188)                                 | ( 1,885)                 | 8,686                      | 6,801                    |
| 39       | Federal Income Tax               | 53,465                  |                              | 53,465                   | 0                            | 53,465                   | ( 57,465)                                 | ( 4,000)                 | 18,438                     | 14,438                   |
| 40       | TOTAL REVENUE DEDUCTION          | 474,128                 | 201,050                      | 675,178                  | 0                            | 675,178                  | ( 43,231)                                 | 430,897                  | 27,454                     | 458,351                  |
| 41       | NET OPERATING INCOME             | ( 42,819)               | ( 201,050)                   | ( 675,178)               | 335,708                      | 91,839                   | 44,697                                    | 1,878                    | 104,481                    | 106,359                  |
| 42       |                                  |                         |                              |                          |                              |                          | 44,697                                    | 1,878                    | 104,481                    | 106,359                  |
| 43       | Utility Plant in Service         | 952,676                 | 3,332,844                    | 4,285,520                |                              | 4,285,520                | 2,323,307                                 | 3,275,983                |                            | 3,275,983                |
| 44       | Less:                            |                         |                              |                          |                              |                          |                                           |                          |                            |                          |
| 45       | Depreciation Reserve             | 346,176                 | 0                            | 346,176                  |                              | 346,176                  | ( 277,815)                                | 68,361                   |                            | 68,361                   |
| 46       | Contributions in Aid of Const    | 0                       | 0                            | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| 47       | Unamortized Retired Plant        | 0                       | 0                            | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| 48       | Amortization of CIAC             | 0                       | 0                            | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| 49       | Net Utility Plant                | 606,500                 | 3,332,844                    | 3,939,344                | 0                            | 3,939,344                | 2,601,121                                 | 3,207,621                | 0                          | 3,207,621                |
| 50       | Plus: ( working capital)         |                         |                              |                          |                              |                          | 2,601,121                                 |                          |                            |                          |
| 51       | Materials and Supplies Inventory | 35,061                  | 10,000                       | 45,061                   |                              | 45,061                   | 0                                         | 35,061                   |                            | 35,061                   |
| 52       | Working Cash ( 1/12 Total Op E   | 27,922                  | 16,171                       | 44,093                   |                              | 44,093                   | 1,962                                     | 29,884                   | 27                         | 29,911                   |
| 53       | TOTAL RATE BASE                  | 669,483                 | 3,359,015                    | 4,028,498                | 0                            | 4,028,498                | 2,603,083                                 | 3,272,566                | 27                         | 3,272,593                |
| 54       |                                  |                         |                              |                          |                              |                          |                                           |                          |                            |                          |
| 55       | Rate of Return                   | -6.40%                  |                              | -16.76%                  |                              | 2.28%                    |                                           | 0.06%                    |                            | 3.25%                    |

**CERTIFICATE OF SERVICE**

**UW 108**

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 860-13-0070, to all parties or attorneys of parties.

Dated at Salem, Oregon, this 8th day of August, 2005.



---

Jason Jones  
Assistant Attorney General  
Of Attorneys for Public Utility Commission's Staff  
1162 Court Street NE  
Salem, Oregon 97301-4096  
Telephone: (503) 378-6322

**Containing Rules and Regulations  
Governing Water Utility Service**

**NAMING RATES FOR**

**AGATE WATER COMPANY**

**60107 MINNETONKA LANE  
BEND, OREGON 97702**

**541 382-2855**

**SERVING WATER IN THE VICINITY OF  
BEND, OREGON**

|            |                              |                |  |
|------------|------------------------------|----------------|--|
| Issue Date |                              | Effective Date |  |
| Issued By  | <b>AGATE WATER COMPANY</b>   |                |  |
| Signed By  | <b>FRED SCHILLING, OWNER</b> |                |  |

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|            |                            |                |  |
|------------|----------------------------|----------------|--|
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| Issued By  | <b>AGATE WATER COMPANY</b> |                |  |
| Signed By  | FRED SCHILLING, OWNER      |                |  |

**SCHEDULE NO. 1**

**RESIDENTIAL METERED RATES**

Customer Who Paid a System Development Charge

Available: To customers of the Utility at Bend, Oregon, and vicinity.

Applicable: To residential premises.

**Base Rate**

| Service Meter Size | Monthly Base Rate | Usage Allowance | Unit of                                        |
|--------------------|-------------------|-----------------|------------------------------------------------|
| 5/8 or 3/4 inch    | \$23.55           | none            | <input checked="" type="checkbox"/> cubic feet |

**Commodity Usage Rate**

|        | Commodity Rate | Number of Units | Unit of Measure                                |       | Tier Consumption | Unit of Measure                                |
|--------|----------------|-----------------|------------------------------------------------|-------|------------------|------------------------------------------------|
| Tier 1 | \$.68          | Per 100         | <input checked="" type="checkbox"/> cubic feet | Up to | 2000             | <input checked="" type="checkbox"/> cubic feet |
| Tier 2 | \$1.75         | Per 100         | <input checked="" type="checkbox"/> cubic feet | From  | 2001 to 4000     | <input checked="" type="checkbox"/> cubic feet |
| Tier 3 | \$2.04         | Per 100         | <input checked="" type="checkbox"/> cubic feet | Above | 4001 & above     | <input checked="" type="checkbox"/> cubic feet |

**Special Provisions:**

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc., shall be metered. Charges shall be made at the rates specified in this schedule. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

|            |                            |                |  |
|------------|----------------------------|----------------|--|
| Issue Date |                            | Effective Date |  |
| Issued By  | <b>AGATE WATER COMPANY</b> |                |  |
| Signed By  | FRED SCHILLING, OWNER      |                |  |

**SCHEDULE NO. 2**

**RESIDENTIAL METERED RATES**

Customer Who DID NOT Pay a System Development Charge

Available: To customers of the Utility at Bend, Oregon, and vicinity.

Applicable: To residential premises.

**Base Rate**

| Service Meter Size | Monthly Base Rate | Usage Allowance | Unit of Measure                                |
|--------------------|-------------------|-----------------|------------------------------------------------|
| 5/8 or 3/4 inch    | \$31.19           | none            | <input checked="" type="checkbox"/> cubic feet |

**Commodity Usage Rate**

|        | Commodity Rate | Number of Units | Unit of Measure                                |       | Tier Consumption | Unit of Measure                                |
|--------|----------------|-----------------|------------------------------------------------|-------|------------------|------------------------------------------------|
| Tier 1 | \$.68          | Per 100         | <input checked="" type="checkbox"/> cubic feet | Up to | 2000             | <input checked="" type="checkbox"/> cubic feet |
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|            |                            |                |  |
|------------|----------------------------|----------------|--|
| Issue Date |                            | Effective Date |  |
| Issued By  | <b>AGATE WATER COMPANY</b> |                |  |
| Signed By  | FRED SCHILLING, OWNER      |                |  |

**SCHEDULE NO. 3**

**MISCELLANEOUS SERVICE CHARGES**

This schedule lists the miscellaneous charges included in the utility's Rules and Regulations; refer to the appropriate rules for an explanation of charges and conditions under which they apply.

|                                                                 |                                                       |
|-----------------------------------------------------------------|-------------------------------------------------------|
| <b><u>Connection Charge for New Service</u></b> (Rule No. 9)    |                                                       |
| Standard ¾-inch service                                         | \$450.00                                              |
| Nonstandard ¾ inch service                                      | At cost                                               |
| Larger than ¾-inch                                              | \$450.00 (plus additional costs)                      |
| Irrigation hookup (if provided on separate system)              | \$450.00                                              |
| <b><u>Meter Test</u></b> (Rule No. 21)                          |                                                       |
| First test within 12-month period                               | N/C                                                   |
| Second test within 12-month period                              | \$20.00                                               |
| <b><u>Pressure Test</u></b> (Rule No. 40)                       |                                                       |
| First test within 12-month period                               | N/C                                                   |
| Second test within 12-month period                              | \$20                                                  |
| <b><u>Late-Payment Charge</u></b> (Rule No. 22)                 |                                                       |
| Charged on amounts more than 30 days past due                   | Pursuant to OAR 860-036-0130<br>(as of 1/1/05 – 1.7%) |
| <b><u>Deposit for Service</u></b> (Rule No. 5)                  |                                                       |
| Pursuant to OAR 860-036-0040(2)                                 | Pursuant to OAR 860-036-0050<br>(as of 1/1/05 – 2%)   |
| <b><u>Returned-Check Charge</u></b> (Rule No. 23)               | \$20                                                  |
| <b><u>Trouble-Call Charge</u></b> (Rule No. 36)                 |                                                       |
| During normal office hours                                      | \$25/hr                                               |
| After normal office hours on special request                    | \$35/hr                                               |
| <b><u>Disconnection/Reconnect Charge</u></b> (Rule No. 28 & 29) |                                                       |
| During normal office hours                                      | \$25                                                  |
| After normal office hours on special request                    | \$35                                                  |
| <b><u>Unauthorized Restoration of Service</u></b> (Rule No. 30) | Reconnection charge plus costs                        |
| <b><u>Damage/Tampering Charge</u></b> (Rule No. 34)             | At cost                                               |
| <b><u>Disconnect-Visit Charge</u></b> (Rule No. 29)             | \$20                                                  |

|            |                            |                |  |
|------------|----------------------------|----------------|--|
| Issue Date |                            | Effective Date |  |
| Issued By  | <b>AGATE WATER COMPANY</b> |                |  |
| Signed By  | FRED SCHILLING, OWNER      |                |  |



## RULES AND REGULATIONS

### Rule 1: Jurisdiction of the Commission

The Rules and Regulations herein shall be subject to the rules and regulations of the Public Utility Commission of Oregon.

### Rule 2: Definitions

- A. **“Utility” shall mean AGATE WATER COMPANY.**
- B. “Applicant” shall mean any person, business, or organization who applies for service or reapplies for service at a new existing location after service has been discontinued, except as noted in the definition of “Customer.”
- C. “Commission” shall mean the Public Utility Commission of Oregon.
- D. “Customer” shall mean any person, business, or organization who has applied for, been accepted to receive, or is currently receiving service. A customer who voluntarily discontinues service at the same or different premises within 20 (twenty) days after discontinuance retains customer status.
- E. “Residential customer premises” shall mean any dwelling and its land including, but not limited to, a house, apartment, condominium, townhouse, cottage, cabin, mobile home, or trailer house.
- F. “Commercial customer premises” shall mean any premises at which a customer carries on any major activity of gaining a livelihood or performing a public service. Such activity may be of a business, industrial, professional, or public nature.
- G. “Main” shall mean the pipe laid in the street, alley, or other right-of-way for the distribution of water to customers. It shall not include service lines.
- H. “Service connection” shall mean the pipe, stops, fittings, meter, and meter box laid from the main to the property line of the premises served.
- I. “Customer line” shall mean the pipe, stops, and fittings leading from the property line to the premises served.
- J. Point of Delivery is the property line or the outlet swivel/union of the meter defining where the service connection stops and the customer line starts.

|            |                            |                |  |
|------------|----------------------------|----------------|--|
| Issue Date |                            | Effective Date |  |
| Issued By  | <b>AGATE WATER COMPANY</b> |                |  |
| Signed By  | FRED SCHILLING, OWNER      |                |  |

### APPLICATION FOR SERVICE

**Rule 3: Customer/Applicant Information (OAR 860-036-0015)**

The utility shall provide or be able to provide customers or applicants with the following information:

- A. Instructions on how to read meters, either in writing or by explanation;
- B. Application and contract forms;
- C. Utility rules and regulations;
- D. Commission rules and regulations;
- E. Approved tariffs;
- F. Rights and Responsibilities Summary for Oregon Utility Consumers;
- G. Notices in foreign languages, if applicable;
- H. The utility's business address, telephone number, and emergency telephone number; and
- I. Notices approved by the Commission.

**Rule 4: Application for Service (OAR 860-036-0035)**

Application for water service must be made for each individual service. The application shall identify the applicant, the premises to be served, the billing address if different, the type of use to which the water is to be put, and an agreement to conform to the Rules and Regulations of the utility as a condition for receiving such service. The applicant shall, at this time, pay any scheduled fees or deposits. An application is a request for water utility service and shall not be accepted until the applicant establishes credit as set forth in OAR 860-036-0040.

An application for water service must be made where:

- A. An applicant who has not previously been served by the water utility requests service;
- B. Service has been involuntarily discontinued in accordance with the utility and Commission rules, and service is sought;
- C. Service has been voluntarily discontinued and a request to restore service has not been made within 20 days; or
- D. There is a change in the identity of a customer, the type of use to which the water is put, or the number of premises served.

**Rule 5: Deposit for Service (OAR 860-036-0040)**

In accordance with the Commission's rules for credit establishment and deposit waiver, an applicant or a customer may be required to make a deposit to secure payment of bills for service. The deposit shall not exceed one-sixth (1/6) the amount of reasonable estimated billings for one year's use of service at the premises during the prior year or upon the type and size of the customer's equipment that will use the service. (OAR 860-036-0040)

|            |                            |                |  |
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The utility shall pay interest on deposits at the rate established by the Commission. After the customer has paid bills for service for 12 consecutive months without having had service discontinued for nonpayment, or more than two occasions in which a shut-off notice was issued, and the customer is not then delinquent in the payment of bills, the utility shall promptly and automatically refund the deposit plus accrued interest by (**check one**):

- 1) issuing the customer a refund check
- 2) crediting the customer's account

**Rule 6: Customer Service Line**

The customer shall own and maintain the customer service line and promptly repair all breaks and leaks. The utility shall not be responsible for any damage or poor service due to inadequacy of the customer line or any portion of the customer's plumbing. All leaks in the customer line, faucets, and all other parts of the plumbing owned or controlled by the customer shall be promptly repaired so as not to waste water.

**Rule 7: Separate Control of Service**

All premises supplied with water will be served through service lines so placed as to enable the utility to control the supply to each individual premises using a valve placed within and near the line of the street, the utility right-of-way, or at the meter.

**Rule 8: Service Connections (OAR 860-036-0060)**

The utility shall furnish and install at its own expense all necessary trenching, pipe, valves, and fittings between its main line and the customer's service line. Such installation shall be designated as the service connection. The utility shall own, operate, maintain, and replace the service connection when necessary and promptly repair all breaks and leaks. The customer shall not be responsible for any damage or poor service due to inadequacy of the service lines or any portion of the utility's plumbing.

**Rule 9: Service Connection Charge**

An applicant requesting permanent water service to premises not previously supplied with permanent water service by the utility shall be required to pay the service connection charge listed in the utility's Miscellaneous Service Charges Schedule.

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Rule 10: Main Line Extension Policy (OAR 860-036-0065)

The utility shall specify the size, character, and location of pipes and appurtenances in any main line extension. Main line extensions shall normally be along streets, roads, highways, or other satisfactory rights-of-way. All construction work shall conform to all applicable rules, regulations, codes, and industry standards. Each main line extension shall normally extend along applicant's property line to the point the applicant's service line would be at a 90-degree angle to the street or main line.

Rule 11: Main Line Advances and Refunds Policy

Each new customer requesting a main line extension shall advance the utility the cost-base amount necessary to extend the main line to provide service.

**For a period of two (2) years** after construction of the requested main line extension, the utility shall also collect from any additional applicants whose service connections or service lines shall connect to said main line extension an amount per foot equal to the new applicant's proportionate share of the main line extension cost for that portion used. The utility will then refund the share differential amount to those customers who previously shared the cost of said main line extension. Refunds shall not exceed the amount originally advanced.

No part of the distribution system installed prior to the request for a main line extension shall be used to calculate any customer advance or refund.

Rule 12: Types of Use

Water service may be supplied for residential, commercial, irrigation, temporary construction, special contracts, fire prevention, and other uses. The utility shall file separate rate schedules for each type of use and basis of supply.

Rule 13: Multiple Residences

An apartment building, mobile home park, motel, trailer camp, duplex, townhouse, or any other property consisting of more than one residential unit, if served through one service line, shall be considered to be equivalent to the number of dwelling units when determining the customer count.

Rule 14: Utility Access to Private Property (OAR 860-036-0120(3)(b) and OAR 860-036-0205(3))

Customers shall provide access during reasonable hours to utility-owned service lines that extend onto the premises of the customer for the purposes of reading meters, maintenance, inspections, or removal of utility property at the time service is to be discontinued. Where the customer does not cooperate in

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providing reasonable access to the meter or to the premises, as required by law or to determine if a health or safety hazard exists, it is grounds for disconnection.

Rule 15: Restriction on Entering a Customer Residence (OAR 860-036-0085)

No water utility employee shall enter the residence of its customers without proper authorization except in an emergency when life or property is endangered.

**REFUSAL OF SERVICE**

Rule 16: Refusal of Service Due to Customer Accounts (OAR 860-036-0080(1-3))

The utility may refuse to serve an applicant until receipt of full payment of overdue amounts, or other obligations related to a prior account of the applicant with the utility, when the following circumstances exist:

- A. An overdue amount remains outstanding by a customer at the service address;
- B. The applicant resided at the service address indicated in (A) during the time the overdue charges were incurred; or
- C. The person indicated in (A) will reside at the location to be served under the new application. (OAR 860-036-0080)

Service shall not be refused for matters not related to water service. Residential service shall not be refused due to obligations connected with nonresidential service.

If service is refused under this rule, the utility shall inform the applicant or customer of the reasons for the refusal and of the Commission's dispute resolution process.

Rule 17: Refusal of Service Due to Utility Facilities (OAR 860-036-0080(7))

The utility shall not accept an application for service or materially change service to a customer if the utility does not have adequate facilities or water resources to render the service applied for, or if the desired service is of a character that is likely to unfavorably affect reasonable service to other customers.

For refusal of service under this rule, the utility shall provide a written letter of refusal to the applicant informing applicant that the details upon which the utility's decision was based may be requested. A copy of such notice will be sent to the Commission. The details will include, but not be limited to:

- A. Current capacity and load measured in gallons or cubic feet per minute;
- B. Current capacity and load measured in pounds per square inch;

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- C. Cost to the utility for additional capacity in order to provide the additional service; and
- D. Information regarding the appeal process of the utility's refusal to provide service is available through the Commission's dispute resolution process pursuant to OAR 860-036-0025.

**Rule 18: Refusal of Service Due to Customer Facilities (OAR 860-036-0080(4-6))**

The utility shall refuse service to an applicant or customer whose facilities do not comply with applicable plumbing codes or, if in the best judgment of the utility, are of such a character that safe and satisfactory service cannot be given.

If service is refused under this rule, the utility will provide written notification to the customer within 10 working days stating the reason(s) for refusal and providing information regarding the Commission's complaint process. A copy of the notification will also be sent to the Commission.

**METERS**

**Rule 19: Utility Meters (OAR 860-036-0105)**

The utility shall own, maintain, and operate all meters. Meters placed in service shall be adequate in size and design for the type of service, set at convenient locations, accessible to the utility, subject to the utility's control, and placed in a meter box or vault between the street curb and property line. Each meter box or vault shall be provided with a suitable cover.

Where additional meters are furnished by the utility or relocated for the convenience of the customer, a reasonable charge may be made in accordance with a schedule approved by the Commission.

The water utility shall have the right to set meters or other devices for the detection and prevention of fraud or waste without notice to the customer.

Each customer shall provide the utility with regular access to the meter on the customer's property. Failure to permit access at reasonable times and after reasonable notice by the utility requesting access is grounds for disconnection. (OAR 860-036-0120) Should damage result to the meter from molesting, tampering, or willful neglect on the part of the customer, the utility shall repair or replace the meter and may bill the customer for the reasonable cost. (OAR 860-036-0105(6))

**Rule 20: Meter Testing (OAR 860-036-0110)**

The meter shall be tested prior to or within 30 (thirty) days of installation to determine if it is accurate to register not more than 2 percent error. No meter shall be allowed to remain in service if it registers an error in excess of 2 percent under normal operating conditions.

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The utility shall maintain a record of all meter tests and results. Meter test result records shall include:

- A. Information necessary to identify the meter;
- B. Reason for making the test;
- C. Date of test;
- D. Method of testing;
- E. Meter readings;
- F. Test results; and
- G. Any other information required to permit convenient checking of methods employed.

**Rule 21: Customer-Requested Meter Test (OAR 860-036-0115)**

A customer may request that the utility test the service meter; such test shall be made within 20 working days of the receipt of such request at no cost to the customer. The customer has the right to be present during said test, which is to be scheduled at a mutually agreeable time. A written report shall be provided to the customer stating:

- A. Customer's name;
- B. Date of the customer's request;
- C. Address at which the meter has been installed;
- D. Meter identification number;
- E. Date of actual test; and
- F. Test results.

If a customer requests a meter test more often than once in any 12-month period, the deposit listed on the Miscellaneous Service Charges Schedule may be required to recover the cost of the test. If the meter is found to register more than 2 percent fast under conditions of normal operation, the utility shall refund the deposit to the customer.

**BILLING**

**Rule 22: Billing Information/Late-Payment Charge (OAR 860-036-0120, OAR 860-036-0125 and OAR 860-036-0130)**

Bills are due and payable when rendered by deposit in the mail or other reasonable means of delivery. As near as practical, **meters shall be read at  monthly,  bimonthly,  quarterly, or  annual intervals** on the corresponding day of each meter reading or billing period. The bill shall be rendered immediately thereafter. (OAR 860-036-0120(3) requires water utilities to bill at monthly intervals. A utility may request upon application special authority by the Commission to bill at intervals other than monthly.) The utility shall make reasonable efforts to prepare opening and closing bills from actual

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meter readings. When there is good reason for doing so, estimated bills may be submitted. Any estimated billings shall be clearly designated as such.

The late-payment charge determined by the Commission and listed on the Miscellaneous Service Charges Schedule shall be applied to all overdue balances at the time of preparing the subsequent months' bill or balances owing that are 30 days old.

**All bills become delinquent if not paid within 15 days** of the date of transmittal of the bill. (OAR 860-036-0125 requires a minimum of 15 days.) If permitted to become delinquent, water service may be terminated after proper notice as provided in Rule 29, Disconnection/Reconnection Visit Charge.

All water service bills shall show:

- A. Beginning and ending meter readings for the billing period;
- B. Beginning and ending dates of the period of service to which the bill applies;
- C. For all metered bills, beginning and ending meter readings for the period for which the bill is rendered;
- D. Number of units of service supplied stated in gallons or cubic feet;
- E. Schedule number under which the bill was computed;
- F. Delinquent date of the bill;
- G. Total amount due; and
- H. Any other information necessary for the computation of the bill.

Rule 23: Returned-Check Charge

The returned-check charge listed on the Miscellaneous Service Charges Schedule shall be billed for each occasion a customer submits a check for payment that is not honored, for any reason, by a bank or other financial institution.

Rule 24: Prorating of Bills

Initial and final bills will be prorated according to the number of days service was rendered and on the basis of a 31-day month. For metered services, the meter will be read upon opening and closing a customer's account. Consumption will be charged at scheduled rates. Any minimum monthly charge will be prorated.

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Rule 25: Adjustment of Bills (860-036-0135)

When an underbilling or overbilling occurs, the utility shall provide written notice to the customer detailing the circumstances, period of time, and the amount of the adjustment. If it can be shown that the error was due to an identifiable cause, the date of which can be fixed, the overcharge or undercharge shall be computed back to such date. If no date can be fixed, the utility shall refund the overcharge or rebill the undercharge for no more than six months' usage. In no event shall an overbilling or underbilling be for more than three years' usage. No billing adjustment shall be required if a meter registers less than 2 percent error under conditions of normal operation.

When a customer is required to repay an underbilling, the customer shall be entitled to enter into a time-payment agreement without regard to whether the customer already participates in such an agreement. If the customer and the utility cannot agree upon payment terms, the Commission shall establish terms and conditions to govern the repayment obligation. The utility shall provide written notice advising the customer of the opportunity to enter into a time-payment agreement and of the Commission's complaint process.

**DISCONNECTION OF WATER SERVICE**

Rule 26: Voluntary Discontinuance (OAR 860-036-0210)

Except for emergencies, customers who (for any reason) wish to have service discontinued shall provide the utility with at least five days' advance notice of the requested date of discontinuance of service. Until the utility receives such notice, the customer shall be held responsible for all service rendered. Should the customer wish to recommence service within 12 months at the same premises, the customer will be required to pay the customary minimum monthly charge as if service had been continuous. The reconnection charge listed on the Miscellaneous Service Charges Schedule will be applicable at the time of reconnection.

Rule 27: Emergency Disconnection (OAR 860-036-0215)

The utility may terminate service in emergencies when life or property is endangered without following the procedures set forth in OAR 860-036-0245. Immediately thereafter, the utility will notify the customer and the Commission. When the emergency termination was through no fault of the customer, there shall be no charge made for restoration of service.

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Rule 28: Disconnection of Water Service Charge for Cause (OAR 860-036-0205 and 0245)

When a customer fails to comply with the utility's rules and regulations, or permits a bill or charge for regulated services to become delinquent (except for nonpayment of a time-payment agreement\*), the utility shall give at least five days' written notice before water may be shut off. The notice shall state:

- A. The reason(s) for the proposed disconnection;
- B. The earliest date for disconnection;
- C. The amount to be paid to avoid disconnection;
- D. An explanation of the time-payment provision of OAR 860-036-0125;
- E. Information regarding the Commission's dispute resolution process; and
- F. The Commission's Consumer Services toll-free number, 1-800-522-2404.

Prior to disconnection on the day that the water utility expects to disconnect service, the utility must make a good-faith effort to physically contact the customer to be disconnected or an adult at the customer's premise to be disconnected to advise the customer or adult of the proposed

disconnection. If contact is not made, the utility shall leave a notice in a conspicuous place at the customer's premise informing the customer that service has been or is about to be disconnected. The utility shall document its efforts to provide notice and make that documentation available to the customer upon request.

Service shall not be shut off for nonemergencies on a Friday or the day of a state- or utility-recognized holiday or the day prior to such holiday. (OAR 860-036-0220)

The utility shall not disconnect residential service due to the failure to pay or meet obligations associated with nonresidential service. (OAR 860-036-0225)

A water utility may not disconnect residential service for nonpayment if a customer enters into a written time-payment plan. The utility will offer such customers a choice of payment agreements between a levelized-payment plan and an equal-pay arrearage plan or some other mutually agreeable alternate payment arrangement agreed to in writing. (OAR 860-036-0125)

\*When a customer fails to comply with the terms of a written time-payment agreement between the customer and/or the utility permits a time-payment agreement charge to become delinquent, the utility shall give at least 15 days' written notice before the water may be shut off.

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Rule 29: Reconnection Charge and Disconnection Visit Charge (OAR 860-036-0080 and 0245(7))

Service shall not be restored until the utility's rules and regulations are complied with and/or payment is made in the amount overdue and any additional disconnection, reconnection, or disconnection visit charges incurred as listed on the Miscellaneous Service Charges Schedule are paid.

Rule 30: Unauthorized Restoration of Service

After the water has been disconnected or shut off at the curb stop or at the meter, if any person not authorized by the utility should turn it on, the water service line may be disconnected without notice. Service shall not be reconnected until all arrearages, all cost-of-service disconnection and reconnection, and the reconnection charge listed on the Miscellaneous Service Charges Schedule are paid in full.

Rule 31: Unauthorized Use

No person shall be allowed to make connection to the utility mains, or to make any alteration to service connections, or to turn a curb stop off or on to any premises, without written permission of the utility. Meter tampering, diverting service, or any other unauthorized use of service will automatically cause a disconnection of the water service and meter removal. All fees, costs of disconnection and reconnection, past-due billings, and service charges listed on the Miscellaneous Service Charges Schedule must be paid in full before any service is restored. An advance deposit for restoration of service may be required.

Rule 32: Interruption of Service (OAR 860-036-0075)

The utility shall have the right to shut off the water supply temporarily for repairs and other necessary purposes. The utility shall use all reasonable and practicable measures to notify affected customers in advance of such discontinuance of service except in the case of emergency repairs. The utility shall not be liable for any inconvenience suffered by the customer or damage to the customer's property arising from such discontinuance of service.

The utility shall keep a record of all service interruptions affecting its whole system or a major section thereof, including the time and date of interruption, duration, and cause or purpose of interruption.

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Rule 33: Water Supply/Usage Restrictions (OAR 860-036-0325)

The utility shall exercise due diligence to furnish a continuous and adequate supply of water to its customers. If water restrictions are necessary to equitably apportion its available water supply among its customers with due regard to public health and safety, the utility shall provide written notification to its customers and the Commission including:

- A. Reason for the restriction;
- B. Nature and extent of the restriction;
- C. Effective date of the restriction; and
- D. Probable date of termination of such restriction.

Rule 34: Damages/Tampering

Should damage result to any of the utility's property from molesting or willful neglect by the customer to a meter or meter box located in the customer's building, the utility will repair or replace such equipment and will bill the customer for the costs incurred.

**SERVICE QUALITY**

Rule 35: System Maintenance (OAR 860-036-0305)

The utility shall have and maintain its entire plant, distribution system, and hydrants in such condition that it will furnish safe, adequate, and reasonable continuous service. The utility shall inspect its facilities in such manner and with such frequency as may be necessary to ensure a reasonably complete knowledge of its condition and adequacy at all times.

The utility shall keep such records of all routine maintenance as considered necessary for the proper maintenance of its system, including regular flushing schedules, exercising of valves, and valve inspections.

Rule 36: Trouble Call

The trouble-call charge listed on the Miscellaneous Service Charges Schedule may be billed whenever a customer requests that the utility visit the customer's premises to remedy a service problem and the problem is due to the customer's facilities.

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Rule 37: Water Purity (OAR 860-036-0310)

The utility shall deliver water for domestic purposes free from bodily injurious physical elements and disease-producing bacteria and shall cause such tests to be made and precautions taken as will ensure the constant purity of its supply.

The utility shall keep a record of all water quality testings, results, monitoring, and reports.

The utility shall deliver domestic water that is reasonably free from elements that cause physical damage to customer property such as pipes, valves, appliances, and personal property. A water supply that causes such damage will be remedied until the conditions are such as to not reasonably justify the necessary investment.

Rule 38: Water Pressure (OAR 860-036-0315)

Each water utility shall maintain pressure at a minimum of 20 pounds per square inch (psi) for health reasons to each customer at all times and not exceed a maximum of 125 psi. The 20 psi and 125 psi standards are not presumed to be adequate service and do not restrict the authority of the Commission to require improvements where water pressure or flow is inadequate.

In general, 40 psi of water pressure in the water mains is usually adequate for the purposes of this rule. Adequate pressure may vary depending on each individual water system and its customers' circumstances. In the case of a dispute, the Commission will determine the appropriate water pressure for the water utility.

Rule 39: Pressure Surveys (OAR 860-036-0320)

The utility shall have a permanently placed pressure gauge located on a main that is representative of the system's pressure. A portable gauge in good working condition shall be available for checking pressure conditions in any part of the distribution area.

Rule 40: Customer-Requested Pressure Test (OAR 860-036-0320)

Upon customer request, the utility will perform a water pressure test within 20 working days of the request at no cost to the customer. If the customer requests more than one pressure test within any 12-month period, a deposit to recover the reasonable cost of the additional test may be required of the customer. The deposit shall be returned if the pressure test indicates less than 20 psi or more than 125 psi. The customer or designated representative has the right to be present at the pressure test, and said test shall be conducted at a mutually agreeable time.

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For metered service, the pressure will be tested at a point adjacent to the meter on the customer's service line. For nonmetered service, the pressure will be tested at the customer's service line or hose bibb or other reasonable point likely to best reflect the actual service pressure.

Rule 41: Maps/Records (OAR 860-036-0335)

The utility shall keep on file current maps and records of the entire plant showing size, location, character, and date of installation of major plant items, including shut-off valves.

Rule 42: Utility Line Location (One Call Program) (OAR 860-036-0345)

The utility and its customers will comply with the requirements of OAR 952-001-0010 through and including OAR 952-001-0090 (One Call Program) regarding identification and notification of underground facilities.

Rule 43: Cross Connection/Backflow Prevention Program

Agate does not provide Backflow Prevention Device Services. Customer Notice:

**Backflow Program**  
**Agate Water Company**

60107 Minnetonka Lane, Bend, Oregon 97702 541-382-2855

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**IMPORTANT INFORMATION**

In 1994, Agate Water adopted a Cross Connection Control Program (BACKFLOW PREVENTION PROGRAM) as required by the State Drinking Water Program (DWP). A copy of which is included in Agate's tariffs filed with the PUC (Original Tariff Sheet No. 19, Rule 43).

It is our mission with this program to provide safe and clean water to our customers. To do this we eventually want all of Agate service connections to be equipped with a **BACKFLOW PREVENTION ASSEMBLY (BPA)**.

The following listing of served properties **must have a BPA installed by the water meter and tested on the domestic service line**. In most cases, a Double Check Valve Assembly (DCVA) will suffice. If any special device is required, Agate Water will notify the property owner in writing.

1. Any new connection,

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2. Any property which is sold or transferred,
3. Any rental property that changes occupancy,
4. Any property on which any change in water use is made, i.e., new sprinkler system, hot tub, solar panels, dark room, etc., and
5. Any property on which Agate Water personnel detect a potential threat for the system.

What this means is that Agate Water cannot serve water to any property that has a new occupant until there is a BACKFLOW PREVENTION ASSEMBLY installed (using Agate's guidelines) on the domestic service line as close as it is practical to the water meter.

**Agate Water may not install any Backflow Prevention Assemblies on the customer's service line unless it is a new hook-up. The property owner may hire a plumber or do the installation him/herself. A copy of the guidelines for small BPA'S is available at our office.**

All Backflow Prevention Assemblies must pass Agate Water's inspection after installation. The property owner is responsible to have the Backflow Prevention Assembly tested and a copy of the test report sent to our office.

**If you have any further questions, please call our office at 382-2855 to schedule an appointment with our certified inspector. (Agate is required by OAR 333-061-0070 to have a certified inspector). At that time, he will be able to answer any of your questions at no charge. Agate Water does not offer any backflow prevention assembly installations (except for new hook-ups), maintenance, repairs, or testing. Thank you for your cooperation regarding this matter.**

**With your help we are ensuring safe water!**

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| Issue Date |                              | Effective Date |  |
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**PUBLIC UTILITY COMMISSION  
OF OREGON**

**UW 108**

**STAFF TESTIMONY OF  
KATHY MILLER**

**In the Matter of  
AGATE WATER COMPANY  
Application for Rate Increase**

**August 5, 2005**



**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 1**

**Direct Testimony  
In  
Support of the Stipulation**

**August 5, 2005**

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

3 A. My name is Kathy Miller. I am a Senior Utility Analyst for the Public Utility  
4 Commission of Oregon. My business address is 550 Capitol Street NE Suite  
5 215, Salem, Oregon 97301-2551.

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

8 A. I have been with the PUC since 1987 and have participated in water utility  
9 dockets involving rate filings, finance applications, property dispositions,  
10 exclusive service territory, adequacy of service, water and wastewater  
11 rulemakings, formal complaints, and affiliated interest matters.

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

13 A. The purpose of my testimony is to provide support for the stipulation entered  
14 into by Staff, Agate Water Company, and intervenors: Jack Gassaway,  
15 Stephanie Michelsen, and Lawrence and Vera Riser in settlement of all issues  
16 in this docket. The fourth intervenor, David Anderson, did not attend the  
17 Settlement Conference.

18 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

19 A. Yes. I prepared Exhibit Staff/2, consisting of 9 pages.

20 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

21 A. In my testimony I will:

22 • Describe Agate Water Company and summarize its UW 108 rate application  
23 and the results of the Company's last rate case UW 97.

- 1 • Explain Staff's analysis of the Company's general rate increase.
- 2 • Describe Staff's recommendations.
- 3 • Explain Staff's adjustments.
- 4 • Explain Staff's rate design.
- 5 • Address customer concerns.
- 6 • Summarize the Stipulation.

7 **Q. PLEASE DESCRIBE AGATE WATER COMPANY (AGATE OR**  
8 **COMPANY).**

9 A. In Oregon, Agate is a medium sized privately-owned water company that  
10 currently provides service to approximately 1,061 customers outside of Bend in  
11 the Deschutes River Woods area. Agate came under PUC regulation on  
12 August 2, 1999, when PUC Staff notified Agate it had received petitions from  
13 over 20 percent of its customers requesting PUC rate regulation. Agate filed its  
14 first rate case, UW 72, in November 1999.

15 The owners of Agate also owned Apache Water Company (Apache). Apache  
16 came under PUC regulation when it informed Staff in June 1999, that Apache  
17 customers had reached the 500 customer threshold for rate regulation. A  
18 subsequent merger of Agate and Apache (now known as Agate Water  
19 Company) brought the Company to approximately 1,000 customers.

20 **Q. PLEASE DESCRIBE THE RESULTS OF AGATE'S FIRST RATE CASE**  
21 **UW 72.**

22 A. In its first rate case UW 72, the parties stipulated to an annual revenue  
23 requirement of \$159,275. The major increases were to Salaries and Wages

1 and Repairs and Maintenance Expenses. The Company went from a flat rate  
2 to a three-tiered metered rate. Customers who paid the Company's system  
3 development charge (SDC) prior to PUC regulation were charged \$3.02 less in  
4 the monthly base rate than the customers who came on after PUC regulation  
5 and did not pay a SDC.

6 At the time of the PUC Order No. 00-237 approving the new rates,  
7 issued May 3, 2000, Agate was in the planning stage of a capital construction  
8 improvement project. The Company was seeking financing for the project and  
9 the improvement project was expected to take three years to complete.

10 **Q. DID THE COMPANY FIND ADEQUATE FINANCING AND COMPLETE ITS**  
11 **CAPITAL CONSTRUCTION PROJECT?**

12 A. The Company applied for and received a low interest loan from the Safe  
13 Drinking Water State Revolving Loan Fund (SDWSRLF). The amount of the  
14 loan is for approximately \$3.5 million. Most of the construction has been  
15 completed. Agate's engineer, Eric Nyquist of Tye Engineering, assures me  
16 that the completed project will be in service by November 2005. According to  
17 the SDWSRLF contract, the project must be completed by November 2005 to  
18 receive a \$250,000 loan forgiveness.

19 **Q. WHAT INCREASE IN REVENUE DID THE COMPANY REQUEST IN ITS**  
20 **UW 108 RATE APPLICATION?**

21 A. Agate requested an increase of \$335,708 or 77.83 percent, resulting in total  
22 annual revenues of \$767,017, with a 10 percent rate of return on a rate base of  
23 \$4,028,498.

1 **Q. WHAT ARE AGATE’S CURRENT RATES AND WHAT RATES DID THE**  
2 **COMPANY PROPOSE IN ITS APPLICATION?**

3 A. The current rates and the Company’s proposed rates are shown in the table  
4 below. The variable rate is for every 100 cubic feet (cf) of water used.

|          | <b>Did Not Pay<br/>SDC Base</b> | <b>SDC Paid<br/>Base</b> | <b>1-1700 cf<br/>Tier 1</b> | <b>1701- 2500<br/>Tier 2</b> | <b>2501 up<br/>Tier 3</b> |
|----------|---------------------------------|--------------------------|-----------------------------|------------------------------|---------------------------|
| Current  | \$19.99                         | \$16.97                  | \$.69                       | \$1.60                       | \$2.00                    |
| Proposed | \$36.00                         | \$36.00                  | \$.75                       | \$1.65                       | \$2.07                    |

5  
6 **Q. WHAT IS THE EFFECT OF AGATE’S PROPOSED INCREASE UPON**  
7 **RATES?**

8 A. The impact of the Company proposed rates over a range of usage, is as  
9 follows:

| <b>RESIDENTIAL<br/>CUSTOMERS USAGE</b> | <b>CURRENT MONTHLY BILL</b> |                    | <b>PROPOSED<br/>MONTHLY BILL</b> |
|----------------------------------------|-----------------------------|--------------------|----------------------------------|
|                                        | <b>SDC Paid</b>             | <b>No SDC paid</b> |                                  |
| 1500 cubic ft                          | \$27.32                     | \$30.34            | \$47.25                          |
| 2000 cubic ft                          | \$33.50                     | \$36.52            | \$53.70                          |
| 2500 cubic ft                          | \$41.50                     | \$44.52            | \$61.95                          |
| 3000 cubic ft                          | \$70.17                     | \$73.19            | \$90.96                          |

10  
11 **Q. WHAT WAS STAFF’S EVALUATION OF AGATE’S APPLICATION?**

12 A. Staff’s review of the Company’s application discovered some departures  
13 from Commission policy on rate regulation. Agate admittedly made some  
14 mistakes in its application and during the investigation made modifications  
15 to its application. Please see Staff’s Summary of Expenses, Exhibit No. 2,  
16 Page 3, Staff/2 Miller/3, showing what was approved in UW 72, Agate’s

1 original requested expenses, Agate's modified expenses, and Staff's  
2 recommended expenses.

3 **Q. AFTER INVESTIGATING THE COMPANY'S REQUEST, WHAT IS**  
4 **STAFF'S RECOMMENDATION?**

5 A. Staff recommends an increase of \$133,401 (\$131,935 + \$1,466) or 30.9  
6 percent, resulting in total annual revenues of \$564,710, with a 3.25 percent  
7 return on a rate base of \$3,272,593. Please see Revenue Requirement,  
8 Staff Exhibit 2, Page 1, Staff/2 Miller/1.

9 **Q. WHAT IS THE MAJOR REASON FOR THE INCREASE IN THE REVENUE**  
10 **REQUIREMENT?**

11 A. The majority of the increase in the revenue requirement is driven by the  
12 addition of approximate \$3.2 million improvement project that is added into  
13 rate base.

14 **Q. WHAT ARE STAFF'S RECOMMENDED RATES?**

15 A. Staff's proposed rates are shown in the table below:

|                  | Did Not Pay<br>SDC Base | SDC<br>Paid<br>Base | 1-2000 cf<br>Tier 1 | 2001- 4000<br>cf<br>Tier 2 | 4001 cf<br>& up<br>Tier 3 |
|------------------|-------------------------|---------------------|---------------------|----------------------------|---------------------------|
| Staff's Proposed | \$31.19                 | \$23.55             | \$.68               | \$1.75                     | \$2.04                    |

16  
17 **Q. WHAT EFFECT DOES STAFF'S PROPOSED RATES HAVE ON THE**  
18 **CUSTOMERS' MONTHLY BILLS?**

19 A. The effect of Staff's proposed rates on customer bills based on a range of  
20 monthly consumption is shown below:

21

**CUSTOMERS WHO PAID THE SDC**

| MONTHLY CONSUMPTION         | COMPANY CURRENT             | COMPANY PROPOSED            | STAFF PROPOSED              | DIFFERENCE BETWEEN CURRENT AND STAFF PROPOSED RATES |                     |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------------------------------|---------------------|
| Measured In Cubic Feet (cf) | Bill per Customer Per Month | Bill per Customer Per Month | Bill per Customer Per Month | In Dollars                                          | Percentage Increase |
| 0                           | \$16.97                     | \$36.00                     | \$23.55                     | \$6.58                                              | 38.77%              |
| 500                         | \$20.42                     | \$39.75                     | \$26.95                     | \$6.53                                              | 31.98%              |
| 1000                        | \$23.87                     | \$43.50                     | \$30.35                     | \$6.48                                              | 27.15%              |
| 1500                        | \$27.32                     | \$47.25                     | \$33.75                     | \$6.43                                              | 23.54%              |
| 2000                        | \$33.50                     | \$53.70                     | \$37.15                     | \$3.65                                              | 10.90%              |
| 3000                        | \$51.50                     | \$76.05                     | \$54.65                     | \$3.15                                              | 6.12%               |

1

**CUSTOMERS WHO DID NOT PAY THE SDC**

| MONTHLY CONSUMPTION         | COMPANY CURRENT             | COMPANY PROPOSED            | STAFF PROPOSED              | DIFFERENCE BETWEEN CURRENT AND STAFF PROPOSED RATES |                     |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------------------------------|---------------------|
| Measured In Cubic Feet (cf) | Bill per Customer Per Month | Bill per Customer Per Month | Bill per Customer Per Month | In Dollars                                          | Percentage Increase |
| 0                           | \$19.99                     | \$36.00                     | \$31.19                     | \$11.20                                             | 56.03%              |
| 500                         | \$23.44                     | \$39.75                     | \$34.59                     | \$11.15                                             | 47.57%              |
| 1000                        | \$26.89                     | \$43.50                     | \$37.99                     | \$11.10                                             | 41.28%              |
| 1500                        | \$30.34                     | \$47.25                     | \$41.39                     | \$11.05                                             | 36.42%              |
| 2000                        | \$36.52                     | \$53.70                     | \$44.79                     | \$8.27                                              | 22.65%              |
| 3000                        | \$54.52                     | \$72.30                     | \$62.29                     | \$7.77                                              | 14.25%              |

2

**Q. PLEASE EXPLAIN STAFF'S ADJUSTMENTS TO AGATE'S PROPOSED EXPENSES.**

A. Staff Exhibit No. 2, Page 4, Staff/2 Miller/4, provides a summary of Staff's adjustments. However, some expense adjustments require further explanation. As mentioned previously, the Company recognized some mistakes in its application and modified its expenses by requesting less than it had originally submitted for the following expenses: Communications, Power,

9

1 Office Supplies, Postage, Materials and Supplies, Repairs, Engineering, Small  
2 Tools, Computer, Transportation, Bad Debt, Cross Connection Program, and  
3 Training and Certification Expenses.

4 In its application, the Company requested two additional full-time labor  
5 positions. After carefully reviewing its needs, Agate asked to modify its request  
6 for the two new positions. The Company proposed that part of the wages of  
7 one of the new labor positions be used to upgrade the other labor position to a  
8 full-time backhoe/dump truck driver/repair position. Agate also requested that a  
9 portion of the remaining wages be used as raises for some current position  
10 wages.

11 Staff's analysis showed that generally the Company's wages were below  
12 the Deschutes County prevailing wages for the same positions. The Company  
13 did not have a backhoe/dump truck driver. Staff found Agate's modifications to  
14 Employee Wages and Salaries to be reasonable.

15 **Q. PLEASE EXPLAIN STAFF'S ADJUSTMENTS TO PLANT.**

16 A. Agate's original utility plant was financed by SDCs paid by the customers  
17 prior to regulation (1999). In the past, these payments would have been  
18 booked as Contributions In Aid of Construction (CIAC). The Company  
19 would have been entitled to depreciation expense on CIAC. Staff calculated  
20 the effect of the original plant, CIAC, depreciation, and the corresponding  
21 SDCs. The net effect would have been a negative rate base.

22 Current Commission policy no longer allows CIAC in water utility  
23 ratemaking. Therefore, in keeping with this policy, Staff removed all plant,



1 CIAC, and depreciation associated with plant prior to 2003. Staff included  
2 only plant purchased by the Agate in 2003, 2004, and 2005. This includes  
3 the capital improvement project and other small miscellaneous plant items.  
4 Using Staff's method, Agate's 2003-2005 original plant is \$3,275,983.  
5 Accumulated depreciation is \$68,361, resulting in a net plant of \$3,207,621.  
6 See Agate's Plant and Depreciation Schedule, Staff Exhibit 2, Page 5,  
7 Staff/2 Miller/5. Staff added \$35,061 in inventory and \$29,911 in working  
8 cash to Agate's net plant. Staff's proposed total rate base is \$3,272,593.

9 **Q. HOW DID STAFF DETERMINE A 3.25 PERCENT RATE OF RETURN ON**  
10 **RATE BASE?**

11 A. To determine the Agate's rate of return, Staff calculated the Company's  
12 Cost of Debt and Equity. Staff assumed a debt/equity capital structure of  
13 75/25 percent, respectively. Staff assigned 1 percent cost to the debt and  
14 10 percent cost to equity. This produced a 3.25 percent rate of return. See  
15 Staff Exhibit No. 2, Page 2, Staff/2 Miller/2.

16 **Q. PLEASE DESCRIBE STAFF'S RATE DESIGN.**

17 A. To determine Staff's proposed rate design, Staff divided the recommended  
18 revenue requirement of \$564,710, into a 43 percent and a 57 percent split  
19 between the variable rate and the base rate, respectively. This calculates to  
20 \$242,825 assigned to the variable rate and \$321,885 assigned to the base  
21 rate. Staff kept the Company's three-tier variable rate format. See Staff  
22 Exhibit No. 2, Page 6, Staff/2 Miller/6.

1 **Q. PLEASE EXPLAIN THE BASIS FOR STAFF'S RECOMMENDED BASE**  
2 **RATE.**

3 A. Staff recommends the following base rates:

|                                                         |         |
|---------------------------------------------------------|---------|
| Monthly Base Rate for Customers Who Paid the SDC        | \$23.55 |
| Monthly Base Rate for Customers Who Did Not Pay the SDC | \$31.19 |

4  
5 The base rate is divided between the customers that paid the SDC and those  
6 that did not. According to Staff's calculations, customers who paid the SDC  
7 have a balance of \$2,342.96 left to recover. Staff recommended a base rate of  
8 \$23.55 for the customers that paid the SDC and \$31.19 for the customers that  
9 did not pay the SEC. The difference between the two base rates is \$7.64 per  
10 month. The customers who paid the SDC will recoup their money within 30  
11 years (already counting the 52 months at the current rates). Staff believes it is  
12 reasonable for the customers to recover the SDC payments consistent with the  
13 average utility plant service life of 30 years. See Staff Exhibit No. 2, Page 7,  
14 Staff/2 Miller/7.

15 **Q. PLEASE EXPLAIN THE BASIS FOR STAFF'S RECOMMENDED**  
16 **VARIABLE TIERED RATES.**

17 A. Staff's recommended variable tiered rates are:

| Tier 1             | Tier 2                    | Tier 3          |
|--------------------|---------------------------|-----------------|
| 1-2,000 cubic feet | 2,001 to 4,000 cubic feet | 4,001 and above |
| \$.68              | \$1.75                    | \$2.04          |

1 Please see Staff Exhibit 2, Page 8, Staff/2 Miller/8. Staff determined that  
2 currently 72.66 percent of the water consumed by customers is within 1  
3 cubic foot to 4,000 cubic feet (cf) per customer per month. Staff designed  
4 tier 1 and tier 2 to capture the majority of usage. Four thousand cf of water  
5 per month equals 29,924 gallons per month. This compares to the Standard  
6 Water Usage published by the National Rural Water Association of 25,650  
7 gallons per customer per month. Staff calculated the standard consumption  
8 using the higher components of 125 gallons per day per person, 3 people  
9 per household, and irrigating 2,000 sq. feet of lawn or garden three times a  
10 week.

11 The Company's computer tracks water use in 2,000 cf segments. Staff  
12 changed the structure of the tiers in UW 72 to coincide with the Company's  
13 tracking system.

14 The original UW 72 rates were designed with a low rate first tier and a  
15 sizeable rate hike in tier 2. Staff followed that design in order to assure that  
16 the increase is shared by all customers.

17 Tier 3 captures the remaining customer use from 4,001 cf per month  
18 and above.

19 **Q. ARE THE NEW RATES JUST AND REASONABLE?**

20 A. Yes. Based on Staff's investigation and the documented costs provided by  
21 Agate, Staff believes the proposed new revenue requirement generates  
22 rates that are just and reasonable.

1 Q. WHAT CONCERNS DID THE CUSTOMERS HAVE AND WHAT STEPS  
2 DID STAFF TAKE TO ALLEVIATE OR RESOLVE THE CUSTOMER  
3 CONCERNS?

4 A. On May 27, 2005, Staff sent a letter to all customers that provided comments,  
5 interested persons, and all parties, identifying customer concerns to date. Staff  
6 continued to investigate the concerns during the remainder of the discovery  
7 period.

8 The following is a brief summary and/or response to the concerns voiced by  
9 the customers:

- 10 1. Low Water Pressure. The capital improvements are not on line at this  
11 time. All improvements should be on line by November 2005. These  
12 improvements should help or alleviate low water pressure problems.
- 13 2. Compensation for Customers Who Paid a SDC. Staff considered the SDC  
14 payments in its rate design. Staff designed rates so that the customers  
15 who paid the SDC will recoup their investment in 30 years, the average life  
16 of the utility plant.
- 17 3. The Capital Improvement Project. Staff investigated the improvement  
18 project, its financing, and loan repayment.
- 19 4. Estimated Billings During the Winter. PUC administrative rules allow  
20 water utilities to charge estimated billings to their customers when  
21 circumstances are such that meters cannot be read.

1 OAR 860-036-0120 (2) states that, "When there is good reason for so  
2 doing, estimated bills may be submitted. Any estimated reading shall be  
3 clearly designated as such on the bill.

- 4 5. Notification of Outages. OAR 860-036-0075 provides that a water utility  
5 shall make all reasonable efforts to prevent interruptions of service. The  
6 water utility shall make all reasonable efforts to notify every customer  
7 affected in advance of any scheduled work that will require an interruption  
8 of service. However, such notice shall not be required in case of  
9 interruptions due to emergency repairs or for repairs or maintenance work  
10 that result in an interruption of less than five minutes. Notice may be  
11 provided by mail, door hanger, telephone, or by a personal visit.

12 According to Paul Richardson, Deschutes County Utilities Inspector, any  
13 utility can work in the right of way. A construction company must obtain a  
14 permit from the County to work in the right of way. The County  
15 recommends that construction companies use door hangers to inform the  
16 customers that they will be doing construction work. The door hangers  
17 are not required, and the County does not monitor them. Mr. Richardson  
18 did confirm that the door hangers for the Capital Improvement Project  
19 were printed, but did not know if Clackamas Construction, Inc. delivered  
20 the notices to all customers.

- 21 6. Property and Road Disrepair Due to the Construction Work. Clackamas  
22 Construction, Inc. contracted to do the distribution system portion of the  
23 capital improvement project. This has cause customers to complain about

1 the condition of the roads, right of ways, and driveways. However, not all  
2 the construction is completed. Clackamas Construction, Inc. is  
3 responsible to return the roads and right of ways back to the condition  
4 prior to construction. Tye Engineering and the Deschutes County Road  
5 Department are monitoring this work. When the Company receives a  
6 complaint, it is forwarded to the engineer and the County Road  
7 Department. Tye Engineering has confirmed that payments to Clackamas  
8 Construction, Inc. may be withheld until the work is satisfactory.

9 7. Fire Protection. With the new improvements, fire protection is provided to  
10 almost all of Agate's customers. According to Agate's engineer, fire  
11 coverage to the last remaining customers is planned in a Capital  
12 Improvement Project Phase Two.

13 8. Adequate Capacity to Provide Service and Fire Protection. According to  
14 Tye Engineering, the new improvements were engineered to provide an  
15 adequate supply of water for service and fire protection.

16 9. Expense Comparison with Similar Companies. Staff completed a  
17 comparison between Agate, Roats Water Company, and Cline Butte Utility  
18 Company. See Staff Exhibit No. 2, Page 9, Staff/2 Miller/9. Though  
19 individual expenses may differ, the three companies are reasonably close  
20 in their total expenses.

21 10. Tower (Antenna) Lease Contracts. Water Program Staff personally visited  
22 the Company's water tanks and observed no antennas attached to the  
23 Company's facilities. Agate assures Staff that no leases have been

1           executed, and the Company does not plan to pursue such contracts at this  
2           time.

- 3           11. Confusion on Backflow Prevention Devices. The Cross Connection  
4           Control Program is required of all water companies. The rules are found  
5           in the State Drinking Water Program's Administrative Rules (OAR),  
6           Chapter 333, Division 061. Pursuant to the rules, each water company  
7           must identify all cross connection hazards present on the water system.  
8           When hazards are identified, property owners must install state approved  
9           backflow prevention devices at their own expense. In addition, each  
10          device must be tested annually by a certified tester, at the property  
11          owner's expense, and the results given to the Company for reporting  
12          requirements.

13                 Agate does not offer backflow protection device installation, testing,  
14                 repair, or replacement. The Company's backflow policy is included in the  
15                 Company's tariffs and consists of inspecting customer devices for  
16                 compliance, notifying customers regarding their annual device testing due  
17                 date, monitoring the results, and providing a report to the Oregon Drinking  
18                 Water Program.

- 19          12. Agate's Office Hours are:

20                 Monday through Thursday 8:00 a.m. to 4:30 p.m.

21                 Friday 8:00 a.m. to noon.

22                 The office is generally closed 12:00 pm to 1:00 pm for lunch.

23                 However, lunch can vary.

24                 Saturday and Sunday office is closed.

25                 Agate Staff is on call 24 hours, 7 days a week for emergencies.

- 1           13. Cost Justification. Staff did its own independent analysis of Agate's costs  
2           and made adjustments as necessary.
- 3           14. Company's Application. Staff is aware that the application was confusing  
4           to some customers. It was confusing for the Company to fill out. Some of  
5           the calculations and entries made were incorrect. Staff made corrections  
6           and adjustments in its rate analysis recommendation.
- 7           15. Meter Testing. PUC rule OAR 860-036-0115 states a customer may  
8           request the company perform a meter test to determine if the meter is  
9           recording usage accurately. The company must test the meter within 20  
10          working days of the request and provide the results to the customer within  
11          10 working days after the test. The first test in a 12-month period is free.  
12          Any subsequent test within the 12-month period will be charged according  
13          to the company's miscellaneous tariffs.
- 14          16. Proposed Rate Increase is Too High. Many customers protested the  
15          Company's proposal stating that a 78 percent increase was too much.  
16          Staff's recommended increase is 30.9 percent.
- 17          17. Improvement Project Funded by a Grant. The Improvement Project was  
18          funded by a low interest rate, not a grant, from the Safe Drinking Water  
19          State Revolving Loan Fund. Agate is eligible to receive at a maximum  
20          \$250,000 in loan forgiveness if it meets certain criteria.
- 21          18. UW 72 Included the Cost of the Improvement Project. Some customers  
22          were under the impression that UW 72 contained all or part of the Capital  
23          Improvement Project utility plant. PUC Order No. 00-237 approving rates



1 in UW 72 states that the Company was in the planning stage of its capital  
2 improvement project and was seeking financing. In Staff Analyst's,  
3 David T. Werner, Direct Testimony in Support of the Stipulation, Staff/2,  
4 Werner/2, line 5, the Question asks if Staff recommends the distribution  
5 system improvements be included in rates. Staff's answer is:

6 No, because the distribution system improvements are only in the  
7 planning stage. By law, the costs of system improvements cannot  
8 be included in rates until they are installed and providing service  
9 to customers.

10 No plant associated with the Capital Improvement Project was  
11 included in the UW 72 rate case.

12 19. Cloudy Water. Cloudy Water is a result of air in the mainline after a repair  
13 has been made and the lines are being flushed. This should be  
14 temporary. However, if it persists more the 48 hours, the customer should  
15 notify the Company.

16 **Q. WHY IS STAFF ALLOWING THE CAPITAL IMPROVEMENT PROJECT**  
17 **COSTS IN UTILITY PLANT IN UW 108 WHEN IT WILL NOT BE ON LINE**  
18 **UNTIL NOVEMBER 2005.**

19 A. New legislation passed in 2003 allows water utilities to include in utility  
20 plant, "costs of a specific capital improvement if the water utility is required  
21 to use the additional revenues solely for the purpose of completing the  
22 capital improvement," see ORS 757.355(2). This accounting method is  
23 called Construction Work in Progress (CWIP). Agate's improvement project

1 is in progress, will be completed within six months, and meets the  
2 requirement for inclusion in utility plant.

3 **Q. PLEASE SUMMARIZE THE STIPULATION AGREED TO IN THIS CASE.**

4 A. The Stipulation is made up of Staff's recommended revenue requirement  
5 and rates, as shown in the Company tariffs, attached to the Stipulation. The  
6 Stipulation agrees to increase total annual revenues by \$133,401 or 30.9  
7 percent, resulting in total revenue of \$564,710. The revenue requirement is  
8 generated by the following rates:

9  
10 **Base Rates**

|                                                         |         |
|---------------------------------------------------------|---------|
| Monthly Base Rate for Customers Who Paid the SDC        | \$23.55 |
| Monthly Base Rate for Customers Who Did Not Pay the SDC | \$31.19 |

11  
12 **Variable Rates**

| Tier 1             | Tier 2                    | Tier 3          |
|--------------------|---------------------------|-----------------|
| 1-2,000 cubic feet | 2,001 to 4,000 cubic feet | 4,001 and above |
| \$.68              | \$1.75                    | \$2.04          |

13  
14 **Q. DID ALL PARTIES STIPULATE TO STAFF'S RECOMMENDATIONS?**

15 A. All parties present at the Settlement Conference agreed with Staff's  
16 recommendation and agreed to enter into a Stipulation in settlement of all  
17 issues in UW 108. The fourth intervenor, David Anderson, did not attend the  
18 Settlement Conference.

19 **Q. DOES THE FOURTH INTERVENOR, DAVID ANDERSON, AGREE TO THE**  
20 **STIPULATION?**

21

1 A. Subsequent to the Settlement Conference, Staff briefed Mr. Anderson  
2 regarding Staff's recommendations. To date, Mr. Anderson has not indicated  
3 whether he agrees to the Stipulation or not.

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 A. Yes.

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I hereby confirm that I have reviewed this testimony.

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Signature – John Fred Schilling, Owner

8-1-05

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Date

1 A. Subsequent to the Settlement Conference, Staff briefed Mr. Anderson  
2 regarding Staff's recommendations. To date, Mr. Anderson has not indicated  
3 whether he agrees to the Stipulation or not.

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 A. Yes.

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I hereby confirm that I have reviewed this testimony.

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Jack Gassaway      8-1-5  
Signature – Jack Gassaway, Intervenor      Date

1 A. Subsequent to the Settlement Conference, Staff briefed Mr. Anderson  
2 regarding Staff's recommendations. To date, Mr. Anderson has not indicated  
3 whether he agrees to the Stipulation or not.

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 A. Yes.

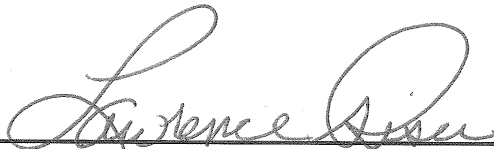
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I hereby confirm that I have reviewed this testimony.

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Signature - Lawrence Riser, Intervenor 8/1/05  
Date

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I hereby confirm that I have reviewed this testimony.

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Signature - Vera Riser, Intervenor 8-1-05  
Date

1 A. Subsequent to the Settlement Conference, Staff briefed Mr. Anderson  
2 regarding Staff's recommendations. To date, Mr. Anderson has not indicated  
3 whether he agrees to the Stipulation or not.

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 A. Yes.

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I hereby confirm that I have reviewed this testimony.

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Signature – Stephanie Michelsen

Date

1 A. Subsequent to the Settlement Conference, Staff briefed Mr. Anderson  
2 regarding Staff's recommendations. To date, Mr. Anderson has not indicated  
3 whether he agrees to the Stipulation or not.

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 A. Yes.

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.....  
I hereby confirm that I have reviewed this testimony.

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Signature – David Anderson, Intervenor Date

CASE: UW 108  
WITNESS: Kathy Miller

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 2**

**Exhibits  
In  
Support of Direct Testimony**

**August 5, 2005**



AGATE WATER COMPANY

UW 108

Test Year: 2003

Company Case

77.83%

Per Application

Staff Case

30.9%

Staff/2  
Miller/1

|                                  | A                       | B                            | C                        | D                            | E                        | F                                         | G                        | H                          | I                        |
|----------------------------------|-------------------------|------------------------------|--------------------------|------------------------------|--------------------------|-------------------------------------------|--------------------------|----------------------------|--------------------------|
| WATER                            | Balance Per Application | Proposed Company Adjustments | Adjusted Results (A+B=C) | Company Proposed Rev Changes | Proposed Results (C+D=E) | Proposed Staff Adjustments to Test Period | Adjusted Results (A+F=G) | Staff Proposed Rev Changes | Proposed Results (G+H=I) |
| <b>Revenues</b>                  |                         |                              |                          |                              |                          |                                           |                          |                            |                          |
| Residential Wtr Sales Rev        | 431,309                 |                              |                          | 335,708                      | 767,017                  | 1,466                                     | 432,775                  | 131,935                    | 564,710                  |
| Commer/Indust Wtr Rev            | 0                       | 0                            | 0                        | 0                            | 0                        | 0                                         | 0                        |                            | 0                        |
| Irrigation Wtr Sales Rev         | 0                       | 0                            | 0                        | 0                            | 0                        | 0                                         | 0                        |                            | 0                        |
| <b>TOTAL REVENUE</b>             | <b>431,309</b>          | <b>0</b>                     | <b>0</b>                 | <b>335,708</b>               | <b>767,017</b>           | <b>1,466</b>                              | <b>432,775</b>           | <b>131,935</b>             | <b>564,710</b>           |
| <b>Operating Expenses</b>        |                         |                              |                          |                              |                          |                                           |                          |                            |                          |
| Salaries & Wages                 | 105,314                 | 55,680                       | 160,994                  |                              | 160,994                  | 83,686                                    | 189,000                  |                            | 189,000                  |
| Salaries/Wages Officers          | 38,899                  | 0                            | 38,899                   |                              | 38,899                   | 1,945                                     | 40,844                   |                            | 40,844                   |
| Communications                   | 5,692                   | 1,000                        | 6,692                    |                              | 6,692                    | (1,647)                                   | 4,045                    |                            | 4,045                    |
| Purchased Power                  | 49,564                  | 9,800                        | 59,364                   |                              | 59,364                   | (1,834)                                   | 47,730                   |                            | 47,730                   |
| Chemicals                        | 0                       | 0                            | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| Office Supplies                  | 11,500                  | 3,000                        | 14,500                   |                              | 14,500                   | (4,691)                                   | 6,809                    |                            | 6,809                    |
| O&M Materials & Supplies         | 35,061                  | 7,000                        | 42,061                   |                              | 42,061                   | (24,032)                                  | 11,029                   |                            | 11,029                   |
| Repairs & Maintenance            | 10,194                  | 77,534                       | 87,728                   |                              | 87,728                   | (9,086)                                   | 1,108                    |                            | 1,108                    |
| Contract Serv - Engineering      | 3,494                   | 2,000                        | 5,494                    |                              | 5,494                    | (2,190)                                   | 1,304                    |                            | 1,304                    |
| Contract Service - Accounting    | 2,500                   | 0                            | 2,500                    |                              | 2,500                    | 120                                       | 2,620                    |                            | 2,620                    |
| Contract Service - Legal         | 651                     | 1,000                        | 1,651                    |                              | 1,651                    | (551)                                     | 100                      |                            | 100                      |
| Contract Service - Testing       | 2,273                   | 9,790                        | 12,063                   |                              | 12,063                   | 7,252                                     | 9,525                    |                            | 9,525                    |
| Contract Service - Labor         | 3,406                   | 0                            | 3,406                    |                              | 3,406                    | (1,406)                                   | 2,000                    |                            | 2,000                    |
| Rental of Building/Property      | 15,600                  | 0                            | 15,600                   |                              | 15,600                   | (3,600)                                   | 12,000                   |                            | 12,000                   |
| Small Tools                      | 8,768                   | 2,000                        | 10,768                   |                              | 10,768                   | (8,168)                                   | 600                      |                            | 600                      |
| Computer/Electronics             | 671                     | 3,000                        | 3,671                    |                              | 3,671                    | (71)                                      | 600                      |                            | 600                      |
| Transportation                   | 23,558                  | 0                            | 23,558                   |                              | 23,558                   | (8,011)                                   | 15,547                   |                            | 15,547                   |
| Insurance - Vehicle              | 3,927                   | 0                            | 3,927                    |                              | 3,927                    | 0                                         | 3,927                    |                            | 3,927                    |
| Insurance - General Liability    | 2,149                   | 0                            | 2,149                    |                              | 2,149                    | 795                                       | 2,944                    |                            | 2,944                    |
| Insurance - Wkman Comp           | 2,942                   | 0                            | 2,942                    |                              | 2,942                    | (2,420)                                   | 522                      |                            | 522                      |
| Reg Commission                   | 1,079                   | 0                            | 1,079                    |                              | 1,079                    | (71)                                      | 1,078                    | 330                        | 1,408                    |
| Bad Debt Expense                 | 2,000                   | 500                          | 2,500                    |                              | 2,500                    | 0                                         | 2,000                    |                            | 2,000                    |
| Cross Connection Control         | 1,282                   | 1,282                        | 2,564                    |                              | 2,564                    | (912)                                     | 370                      |                            | 370                      |
| Training/Certification Expense   | 2,260                   | 1,000                        | 3,260                    |                              | 3,260                    | (883)                                     | 1,377                    |                            | 1,377                    |
| Consumer Confidence Rept Exp     | 400                     |                              | 400                      |                              | 400                      | 32                                        | 432                      |                            | 432                      |
| Miscellaneous Exp                | 1,885                   | 19,464                       | 21,349                   |                              | 21,349                   | (794)                                     | 1,091                    |                            | 1,091                    |
| <b>TOTAL OPERATING EXPENSE</b>   | <b>335,069</b>          | <b>194,050</b>               | <b>529,119</b>           | <b>0</b>                     | <b>529,119</b>           | <b>23,533</b>                             | <b>358,602</b>           | <b>330</b>                 | <b>358,932</b>           |
| Depreciation Expense             | 42,794                  | 7,000                        | 49,794                   |                              | 49,794                   | 3,535                                     | 46,329                   |                            | 46,329                   |
| Amortization Expense             |                         |                              | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| Property/Payroll Tax             | 26,497                  |                              | 26,497                   | 0                            | 26,497                   | 5,354                                     | 31,851                   |                            | 31,851                   |
| Oregon Income Tax                | 16,303                  |                              | 16,303                   |                              | 16,303                   | (18,188)                                  | (1,885)                  | 8,686                      | 6,801                    |
| Federal Income Tax               | 53,465                  |                              | 53,465                   | 0                            | 53,465                   | (57,465)                                  | (4,000)                  | 18,438                     | 14,438                   |
| <b>TOTAL REVENUE DEDUCTIONS</b>  | <b>474,128</b>          | <b>201,050</b>               | <b>675,178</b>           | <b>0</b>                     | <b>675,178</b>           | <b>(43,231)</b>                           | <b>430,897</b>           | <b>27,454</b>              | <b>458,351</b>           |
| <b>NET OPERATING INCOME</b>      | <b>(42,819)</b>         | <b>(201,050)</b>             | <b>(675,178)</b>         | <b>335,708</b>               | <b>91,839</b>            | <b>44,697</b>                             | <b>1,878</b>             | <b>104,481</b>             | <b>106,359</b>           |
| Utility Plant in Service         | 952,676                 | 3,332,844                    | 4,285,520                |                              | 4,285,520                | 2,323,307                                 | 3,275,983                |                            | 3,275,983                |
| Less:                            |                         |                              |                          |                              |                          |                                           |                          |                            |                          |
| Depreciation Reserve             | 346,176                 | 0                            | 346,176                  |                              | 346,176                  | (277,815)                                 | 68,361                   |                            | 68,361                   |
| Contributions in Aid of Const    | 0                       | 0                            | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| Unamortized Retired Plant        | 0                       | 0                            | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| Amortization of CIAC             | 0                       | 0                            | 0                        |                              | 0                        | 0                                         | 0                        |                            | 0                        |
| Net Utility Plant                | 606,500                 | 3,332,844                    | 3,939,344                | 0                            | 3,939,344                | 2,601,121                                 | 3,207,621                | 0                          | 3,207,621                |
| Plus: (working capital)          |                         |                              |                          |                              |                          | 2,601,121                                 |                          |                            |                          |
| Materials and Supplies Inventory | 35,061                  | 10,000                       | 45,061                   |                              | 45,061                   | 0                                         | 35,061                   |                            | 35,061                   |
| Working Cash (1/12 Total Op E    | 27,922                  | 16,171                       | 44,093                   |                              | 44,093                   | 1,962                                     | 29,884                   | 27                         | 29,911                   |
| <b>TOTAL RATE BASE</b>           | <b>669,483</b>          | <b>3,359,015</b>             | <b>4,028,498</b>         | <b>0</b>                     | <b>4,028,498</b>         | <b>2,603,083</b>                          | <b>3,272,566</b>         | <b>27</b>                  | <b>3,272,593</b>         |
| Rate of Return                   | -6.40%                  |                              | -16.76%                  |                              | 2.28%                    |                                           | 0.06%                    |                            | 3.25%                    |

( Net operating income divided by total rate base)

Oregon Income Tax Rate: 6.60%  
Federal Income Tax Rate: 15.00%  
Net to Gross Factor: 1.2628

REVENUE SENSITIVE COSTS

|                               |        |        |
|-------------------------------|--------|--------|
| Revenues                      |        | 1.0000 |
| O&M - Uncollectibles          |        | 0.0000 |
| Franchise Fees                |        | 0.0000 |
| OPUC Fee                      |        | 0.0025 |
| Short-term Interest           |        | 0.0000 |
| State Taxable Income          |        | 0.9975 |
| State Income Tax @            | 6.60%  | 0.0658 |
| Federal Taxable Income        |        | 0.9317 |
| Federal Income Tax @          | 15.00% | 0.1397 |
| Total Income Taxes            |        | 0.2056 |
| Total Revenue Sensitive Costs |        | 0.2081 |
| Utility Operating Income      |        | 0.7919 |
| Net-to-Gross Factor           |        | 1.2628 |

COST OF CAPITAL

|              | Remaining<br>Balance | Convert to<br>75/25 split | Capital<br>Structure | Cost   | Weighted<br>Cost | WTDDEBT              |
|--------------|----------------------|---------------------------|----------------------|--------|------------------|----------------------|
| DEBT @ 75%   | \$3,261,627          | \$2,418,536               | 75.00%               | 1.00%  | 0.7500%          | 0.7500%              |
| EQUITY @ 25% | \$193,424            | \$1,036,515               | 25.00%               | 10.00% | 2.5000%          | 2.5000%              |
|              | \$3,455,051          | \$3,455,051               | 100.00%              |        | 3.2500%          | 3.25% Rate of Return |

SUMMARY OF EXPENSES

|                                      | Approved in<br>UW 72 | Requested<br>Application | Company<br>Modifications | Staff<br>Recommendation |
|--------------------------------------|----------------------|--------------------------|--------------------------|-------------------------|
| Salaries and Wages                   | 40,060               |                          | 189,000                  | 189,000                 |
| Officer Salaries & Wages             | 26,022               |                          | 38,899                   | 40,844                  |
| Telephone/Communication              | 1,725                | 6,692                    | 5,692                    | 4,045                   |
| Purchased Power                      | 14,314               | 59,364                   | 43,614                   | 47,730                  |
| Chemicals (Wtr. Samples)             |                      |                          |                          |                         |
| Office Supplies                      | 2,352                | 5,886                    | 4,886                    | 1,402                   |
| Postage                              | 1,792                | 8,614                    | 6,614                    | 5,407                   |
| Materials and Supplies               | 1,247                | 42,061                   | 10,915                   | 11,029                  |
| Repairs - Water Plant                | 17,509               | 87,728                   | 10,194                   | 1,108                   |
| Contract Service - Eng.              | 0                    | 5,494                    | 3,494                    | 1,304                   |
| Contract Service - Mgmt              |                      |                          |                          |                         |
| Contract Service - Acct.             | 8,493                | 2,500                    |                          | 2,620                   |
| Contract Service - Legal             | 0                    | 1,651                    |                          | 100                     |
| Contract Service - Testing           | 3,391                | 12,063                   |                          | 9,525                   |
| Contract Service - Labor             | 530                  | 3,406                    |                          | 2,000                   |
| Rental of Bldg/Real Property         | 5,676                | 15,600                   |                          | 12,000                  |
| Rental of Equipment                  |                      |                          |                          |                         |
| Purchase Small Tools                 | 318                  | 10,768                   | 1,930                    | 600                     |
| Computer/Electronic (noncapitalized) | 0                    | 3,671                    | 671                      | 600                     |
| Transportation Expenses              | 6,050                | 23,558                   | 15,547                   | 15,547                  |
| Insurance - Vehicle                  | 0                    | 3,927                    |                          | 3,927                   |
| Insurance - General Liability        | 2,668                | 2,149                    |                          | 2,944                   |
| Insurance - Workers' Comp            | 0                    | 2,942                    |                          | 522                     |
| Amort of Rate Case Expense           |                      |                          |                          |                         |
| Bad Debt Expense                     | 0                    | 2,500                    | 2,000                    | 2,000                   |
| Cross Connection Program Exp         | 0                    | 2,564                    | 1,282                    | 370                     |
| Training & Certification             | 0                    | 3,260                    | 2,260                    | 1,377                   |
| Consumer Confidence Rept             | 0                    | 400                      |                          | 432                     |
| Miscellaneous. Expense               | 1,406                | 21,349                   |                          | 1,091                   |
| Payroll Taxes                        | 4,857                | 12,718                   |                          | 18,072                  |
| Property Taxes                       | 7,624                | 13,779                   |                          | 13,779                  |

**SUMMARY OF STAFF ADJUSTMENTS**

|                                   | Amount    | Detail                                                                                                           | Total<br>Expense |
|-----------------------------------|-----------|------------------------------------------------------------------------------------------------------------------|------------------|
| 1 Residential Wtr Sales Rev       | 1,466     | Add'l revenues to account for 10 new customers                                                                   |                  |
| 2 Commer/Indust Wtr Rev           | 0         |                                                                                                                  |                  |
| 3 Irrigation Wtr Sales Rev        | 0         |                                                                                                                  |                  |
| 4 TOTAL REVENUE                   | 1,466     | Total Revenues                                                                                                   |                  |
| 5                                 |           |                                                                                                                  |                  |
| 6 OPERATING EXPENSE               |           |                                                                                                                  |                  |
| 7 Salaries & Wages                | 83,686    | Employee Wages increase to reflect current and raised wages and one additional position, loaded 5%.              | 189,000          |
| 8 Salaries/Wages Officers         | 1,945     | Officer Salary increase to reflect current wage @ 5% load..                                                      | 40,844           |
| 9 Communications                  | (1,647)   | Communications decrease to reflect Co adjusted 2004 expense (cancellation of pager service).                     | 4,045            |
| 10 Purchased Power                | (1,834)   | Power Expense decrease to reflect actual 2004 expense of \$44,194 w/an 8% increase.                              | 47,730           |
| 11 Chemicals                      | 0         | No expense, the Company does not treat the water.                                                                | 0                |
| 12 Office Supplies                | (4,691)   | Office Supplies decrease to reflect Co modifications & 2004 adjusted expense of \$1402 ofc exp & \$5407 postage. | 6,809            |
| 13 O&M Materials & Supplies       | (24,032)  | Oper & Maint Supplies decrease to reflect Co modifications to application, 2004 actuals, and staff adjustments.  | 11,029           |
| 14 Repairs & Maintenance          | (9,086)   | Repair decrease to reflect Co. modifications and 2004 actuals, and staff adjustments.                            | 1,108            |
| 15 Contract Servc - Engineering   | (2,190)   | Engineering Exp decrease to reflect 2004 actuals and staff adjustments capitalizing water rights expense.        | 1,304            |
| 16 Contract Service - Accounting  | 120       | Accounting Exp increase to reflect 2004 actuals per 2004 1099 tax form.                                          | 2,620            |
| 17 Contract Service - Legal       | (551)     | Legal Exp decrease to reflect 2004 actuals and staff adjustments (capitalize easement & disallow tower lease).   | 100              |
| 18 Contract Service - Testing     | 7,252     | Testing Exp increase to reflect average of three year future testing specific to Agate.                          | 9,525            |
| 19 Contract Service - Labor       | (1,406)   | Labor Exp decrease to reflect the average of 2003 and 2004 labor expense after staff adjustments.                | 2,000            |
| 20 Rental of Building/Property    | (3,600)   | Rental Exp decrease to reflect building rental @ \$1000 per month, per approved affiliated interest contract.    | 12,000           |
| 21 Small Tools                    | (8,168)   | Small Tools decrease to reflect the average of 2003 and 2004 expense after staff adjustments.                    | 600              |
| 22 Computer/Electronics           | (71)      | Electronic/Computer Exp decrease to reflect the average of 2003 and 2004 actual expense.                         | 600              |
| 23 Transportation                 | (8,011)   | Transportation Exp decrease to reflect Co modifications and staff adjustments.                                   | 15,547           |
| 24 Insurance - Vehicle            | 0         | No change in expense.                                                                                            | 3,927            |
| 25 Insurance - General Liability  | 795       | General Liability Ins Exp increase to reflect 2005 actual expense.                                               | 2,944            |
| 26 Insurance - Wkman Comp         | (2,420)   | Worker's Comp decrease to reflect actual cost.                                                                   | 522              |
| 27 Reg Commission                 | (1)       | PUC Gross Revenue Fee - calculation.                                                                             | calculation      |
| 28 Bad Debt Expense               | 0         | No change to Company's test period.                                                                              | 2,000            |
| 29 Cross Connection Control       | (912)     | Depreciation Exp to reflect depreciation on plant in service and Construction Work In Progress 2003 to 2006.     | 370              |
| 30 Training/Certification Expense | (883)     | Decrease to Trainin Exp to reflect more reasonable estimated costs.                                              | 1,377            |
| 31 Consumer Confidence Rept Exp   | 32        | Increase to Consumer Confidence Report to reflect actual cost.                                                   | 432              |
| 32 Miscellaneous Exp              | (794)     | Misc Exp decrease to reflect staff adjustments.                                                                  | 1,091            |
| 33 TOTAL OPERATING EXPENSES       | 23,533    |                                                                                                                  | 358,932          |
| 34                                |           | Subtotal                                                                                                         |                  |
| 35 Depreciation Expense           | 3,535     | Total                                                                                                            |                  |
| 36 Amortization Expense           | 0         | n/a                                                                                                              |                  |
| 37 Property/Payroll Tax           | 5,354     | Other then Income Tax Exp increase to reflect actual property tax of \$13779 and payroll tax of 18072.           | 31,851           |
| 38 Oregon Income Tax              | (18,188)  | Calculation - Taxes on Adjustments and Test Peiod Tax True Up                                                    | calculation      |
| 39 Federal Income Tax             | (57,465)  | Calculation - Taxes on Adjustments and Test Peiod Tax True Up                                                    | calculation      |
| 40 TOTAL REVENUE DEDUCTIONS       | (43,231)  | Calculation                                                                                                      | calculation      |
| 41 NET OPERATING INCOME           | 44,697    | Calculation                                                                                                      | calculation      |
| 42                                |           |                                                                                                                  |                  |
| 43 Utility Plant in Service       | 2,323,307 | Plant In Service increase to reflect actual plant inservice and construction work in progress.                   | 3,275,983        |
| 44 Less:                          | 0         |                                                                                                                  |                  |
| 45 Depreciation Reserve           | (277,815) | Accumulated Depreciation decrease to reflect accumulated depreciation from 2003 through 2006.                    | 68,361           |
| 46 Contributions in Aid of Const  | 0         |                                                                                                                  |                  |
| 47 Unamortized Retired Plant      | 0         |                                                                                                                  |                  |
| Amortization of CIAC              | 0         |                                                                                                                  |                  |
| Net Utility Plant                 | 2,601,121 | Total                                                                                                            | 3,207,621        |
| Plus: (working capital)           | 0         |                                                                                                                  |                  |
| Materials and Supplies Inventory  | 0         | No change to Company's application for Inventory.                                                                | 35,061           |
| Working Cash (1/12 Total Op Exp)  | 1,962     | Calculation of 1/12 of total operating expenses. Provides a 30 day lead/lag period.                              | 29,911           |
| TOTAL RATE BASE                   | 2,603,083 | Total                                                                                                            | 3,272,593        |

| Acct No.      | WATER PLANT Item                        | Date Acquired | Utility Plant Orig Cost | Asset Life | Annual Deprec | Dep Exp 2003 | Dep Exp 2004   | Dep Exp 2005    | Dep Exp 2006    | Accumulated Depreciation 2006 | Remaining Plant    |
|---------------|-----------------------------------------|---------------|-------------------------|------------|---------------|--------------|----------------|-----------------|-----------------|-------------------------------|--------------------|
| 301           | Organization                            |               |                         | 40         | \$0.00        |              |                |                 |                 |                               |                    |
| 302           | Franchise Fees                          |               |                         |            |               |              |                |                 |                 |                               |                    |
| 303           | Land/Land Rights (wtr rights fm engin)  | 2004          | \$1,223                 | none       | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$1,222.50         |
| 303           | Water Rights (moved from engin exp)     | 2004          | \$139                   | none       | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$138.75           |
| 304           | *Structures & Improvements - fence      | 5/1/05        | \$8,000                 | 40         | \$200.00      |              |                | \$100.00        | \$200.00        | \$300.00                      | \$7,700.00         |
| 305           | Collecting & Impounding Reservoirs      |               |                         | 75         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 306           | Lake River & Other Intakes              |               |                         | 45         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 307           | Wells & Springs                         |               |                         | 35         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 308           | Infiltraton Galleries & Tunnels         |               |                         | 50         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 309           | Supply Mains                            |               |                         | 75         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 310           | Power Generation Equipment              |               |                         | 40         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 311           | Pumping Equipment                       |               |                         | 20         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 320           | Water Treatment Equipment               |               |                         | 35         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 330           | *Distribution Reservoir & Standpipes    | 5/1/05        | \$413,400               | 60         | \$6,890.00    |              |                | \$3,445.00      | \$6,890.00      | \$10,335.00                   | \$403,065.00       |
| 331           | *Transmission/Distribution              | 1/14/04       | \$207,000               | n/a        | \$0.00        |              |                |                 |                 |                               |                    |
|               | Adjust-Deduction for lower lease equip  | 9/5/03        | (\$5,225)               | n/a        | \$0.00        |              |                |                 |                 |                               |                    |
| 331           | *207,000 (Net)Transmission/Distribution | 1/14/04       | \$212,225               | 75         | \$2,829.67    |              | \$2,829.67     | \$2,829.67      | \$2,829.67      | \$8,489.00                    | \$203,736.00       |
| 333           | Services                                |               |                         | 50         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 334           | Meters & Meter Installations            |               |                         | 20         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 335           | *Hydrant                                | 1/14/04       | \$6,000                 | 60         | \$100.00      |              | \$100.00       | \$100.00        | \$100.00        | \$300.00                      | \$5,700.00         |
| 331           | *Distribution (hydrants system)         | 5/1/05        | \$72,800                | 75         | \$970.67      |              |                |                 | \$970.67        | \$970.67                      | \$71,829.33        |
| 331           | *Distrubution Pipes                     |               | \$975,229               | 75         | \$13,003.05   |              |                |                 | \$13,003.05     | \$13,003.05                   | \$962,225.95       |
| 336           | Cross Connection (utility owned)        |               |                         | 20         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 339           | Miscellaneous Plant/Equip               |               |                         | 40         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 340           | Office Furniture                        | 3/9/05        | \$180                   | 25         | \$7.20        |              | \$7.20         | \$7.20          | \$7.20          | \$14.40                       | \$165.60           |
| 341           | Transportation Equipment                |               |                         | 7          | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 343           | Tools, Shop Equip - Asphalt Saw         | 12/21/04      | \$883                   | 15         | \$58.87       |              |                | \$58.87         | \$58.87         | \$117.73                      | \$765.27           |
| 344           | Laboratory Equipment                    |               |                         | 20         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 345           | Catapillar Thumb-Power Op Equip         | 12/22/03      | \$6,800                 | 15         | \$453.33      |              | \$453.33       | \$453.33        | \$453.33        | \$1,360.00                    | \$5,440.00         |
| 346           | Communications Equipment                |               |                         | 10         | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$0.00             |
| 347           | Electronic/Computer Equip - Computer    | 2004          | \$2,348                 | 5          | \$469.59      |              | 234.794        | 469.588         | \$469.59        | \$1,173.97                    | \$1,173.97         |
| 348           | Misc Equipment - Road Safety Signs      | 6/18/03       | \$464                   | 15         | \$30.93       | \$15.47      | \$30.93        | \$30.93         | \$30.93         | \$108.27                      | \$355.73           |
| 331           | *Distribution (hydrants system)         | 5/1/05        | \$67,200                | 75         | \$896.00      |              |                | \$448.00        | \$896.00        | \$1,344.00                    | \$65,856.00        |
| 331           | *Trans/Distribution - Canal Crossing    | 5/1/05        | \$14,500                | 75         | \$193.33      |              |                | \$96.67         | \$193.33        | \$290.00                      | \$14,210.00        |
| 331           | *Distribution Pipes                     | 5/1/05        | \$1,466,570             | 75         | \$19,554.27   |              |                | \$9,777.13      | \$19,554.27     | \$29,331.40                   | \$1,437,238.60     |
| 331           | *Sleeved Rd Crossing                    | 5/1/05        | \$24,301                | 75         | \$324.01      |              |                | \$162.01        | \$324.01        | \$486.02                      | \$23,814.98        |
| 331           | Excavation Main Line (pd by co)         | 2003          | \$2,105                 | 75         | \$28.07       | \$14.03      | \$28.07        | \$28.07         | \$28.07         | \$98.23                       | \$2,006.77         |
| 303           | Easements (moved from legal exp)        | 12/02/2004    | \$17.50                 | none       | \$0.00        |              |                |                 | \$0.00          | \$0.00                        | \$17.50            |
| 347           | New Computer                            | 1/24/05       | \$1,599                 | 5          | \$319.80      |              |                | \$319.80        | \$319.80        | \$639.60                      | \$959.40           |
| <b>Totals</b> |                                         |               | <b>\$3,275,983</b>      |            |               | <b>\$30</b>  | <b>\$3,677</b> | <b>\$18,326</b> | <b>\$46,329</b> | <b>\$68,361</b>               | <b>\$3,207,621</b> |

\* Construction Work In Progress

2003 Deprec Exp    2004 Deprec Exp    2005 Deprec Exp    2006 Deprec Exp    Accumulated Depreciation    Remaining Plant

Cost of Original Plant    \$3,275,983  
 Less Accum Depreciation    \$68,361  
 Net Plant    \$3,207,621

\$68,361    \$3,207,621

AGATE WATER COMPANY  
UW 108  
RESIDENTIAL RATE DESIGN

Proposed Revenues of: \$564,710

Base/Commodity Split

Variable Rate 43.00% Proposed Rev \$564,710 = \$242,825

Base Rate 57.00% Proposed Rev \$564,710 = \$321,885  
\$564,710

|        | Pd SDC                              | Did Not Pay SDC                     |
|--------|-------------------------------------|-------------------------------------|
|        | <b>Co Current Rates</b>             | <b>Co Current Rates</b>             |
| Base   | 16.97                               | 19.99                               |
| Tier 1 | .69 per 100 cf up to 1,700 cf       | .69 per 100 cf up to 1,700 cf       |
| Tier 2 | 1.60 per 100 cf from 1,701 to 2,500 | 1.60 per 100 cf from 1,701 to 2,500 |
| Tier 3 | 2.00 per 100 cf for 2,501 & above   | 2.00 per 100 cf for 2,501 and above |
|        | <b>Co Proposed Rates</b>            | <b>Co Proposed Rates</b>            |
| Base   | \$36.00                             | \$36.00                             |
| Tier 1 | .75 per 100 cf up to 1,700 cf       | .75 per 100 cf up to 1,700 cf       |
| Tier 2 | 1.65 per 100 cf from 1,701 to 2,500 | 1.65 per 100 cf from 1,701 to 2,500 |
| Tier 3 | 2.07 per 100 cf for 2,501 & above   | 2.07 per 100 cf for 2,501 and above |
|        | <b>Staff Proposed Rates</b>         | <b>Staff Proposed Rates</b>         |
| Base   | \$23.55                             | \$31.19                             |
| Tier 1 | \$.68 per 100 cf from 1 to 2000 cf  | \$.68 per 100 cf from 1 to 2000 cf  |
| Tier 2 | \$1.75 per 100 cf from 2001 to 4000 | \$1.75 per 100 cf from 2001 to 4000 |
| Tier 3 | \$2.04 per 100 cf from 4001 & above | \$2.04 per 100 cf from 4001 & above |

| BASE RATE    | # of | Current | Proposed | Total     |
|--------------|------|---------|----------|-----------|
| Size of Line | Cust | Mo Base | Mo Base  | Annual    |
|              |      | Rate    | Rate     | Revenues  |
| Paid SDC     |      |         |          |           |
| 3/4"         | 902  | \$16.97 | \$23.55  | \$254,905 |
| 1"           | 0    | \$0.00  | \$0.00   | \$0       |
| 1 1/2"       | 0    | \$0.00  | \$0.00   | \$0       |

| BASE RATE       | # of | Current | Proposed | Total    |
|-----------------|------|---------|----------|----------|
| Size of Line    | Cust | Mo Base | Mo Base  | Annual   |
|                 |      | Rate    | Rate     | Revenues |
| Did Not Pay SDC |      |         |          |          |
| 3/4"            | 179  | \$19.99 | \$31.19  | \$66,996 |
| 1"              | 0    | \$0.00  | \$0.00   | \$0      |
| 1 1/2"          | 0    | \$0.00  | \$0.00   | \$0      |

TOTAL BASE RATE REVENUES \$321,901

TOTAL REVENUE FROM VARIABLE RATE \$242,825

VARIABLE (or usage) RATE

| Tier 1                  |          |                    |           |
|-------------------------|----------|--------------------|-----------|
| Revenue to be Collectec | \$55,762 |                    |           |
| Percentage of Total     | 22.95%   |                    | 2000 cf = |
| 0 - 2000 cubic ft       |          |                    | 14,902    |
| Rate                    | \$0.68   | PER 100 CUBIC FEET | gallons   |
|                         |          | <u>Consumption</u> |           |
| Rev divided by          | 82,002   | =                  | 0.68000   |

| Tier 2                  |          |                    |           |
|-------------------------|----------|--------------------|-----------|
| Revenue to be Collectec | \$86,414 |                    |           |
| Percentage of Total     | 35.56%   |                    | 6000 cf = |
| 2001 -and above cubic   |          |                    | 44,886    |
| Rate                    | \$1.75   | PER 100 CUBIC FEET | gallons   |
|                         |          | <u>Consumption</u> |           |
| Rev divided by          | 49,379   | =                  | 1.75000   |

| Tier 3                  |           |                    |            |
|-------------------------|-----------|--------------------|------------|
| Revenue to be Collectec | \$100,846 |                    |            |
| Percentage of Total     | 41.50%    |                    | 30000 cf = |
| 6001 -and above cubic   |           |                    | 224,400    |
| Rate                    | \$2.04    | PER 100 CUBIC FEET | gallons    |
|                         |           | <u>Consumption</u> |            |
| Rev divided by          | 49,434    | =                  | 2.04000    |

Staff/2  
Miller/6

| Basis for Base Rates   |                   |                    | Pd SDC                          | \$23.55    |
|------------------------|-------------------|--------------------|---------------------------------|------------|
|                        |                   |                    | Did Not Pay                     | \$31.19    |
| net left to recoup     | divided by diff   | months left to pay |                                 |            |
| \$2,342.96             | \$7.64            | 307                | months left                     |            |
|                        |                   | 12                 | divided by 12 months            |            |
|                        |                   | 25.56              | left to recoup in years         |            |
|                        |                   | 4.4                | already recouped in years       |            |
|                        |                   | 29.96              | total years to recoup SDC       |            |
|                        |                   |                    | avg plant life is approx 30 yrs |            |
| 2500 original SDC      |                   | 3.02               | difference in base rate         |            |
| -157.04 already recoup |                   | 52                 | months at old rate              |            |
| 2342.96 left to recoup |                   | 157.04             | prev rate effect                | 05/03/2000 |
| PD SDC                 | rev for pd SDC    |                    |                                 | 05/03/2001 |
| Revenues               | # of Cust         | 12 Mos             | Rate                            | 05/03/2002 |
| \$254,905.20           | 902               | 12                 | \$23.55                         | 05/03/2004 |
|                        |                   |                    |                                 | 05/03/2005 |
|                        |                   |                    |                                 | 09/05/2005 |
| DID NOT PAY            |                   |                    |                                 |            |
| Revenues               | # of Cust         | 12 Mos             | Rate                            |            |
| \$66,996.12            | 179               | 12                 | \$31.19                         |            |
| \$321,901              | Total revenue     |                    |                                 |            |
| \$321,885              | Total Rev Require |                    |                                 |            |

Staff/2  
Miller/7





Agate Water Company  
UW 108

**Comparison  
To Other Similar Companies**  
**Total Operating Revenue**

|                         | AGATE         | ROATS         | CLINE BUTTE  |
|-------------------------|---------------|---------------|--------------|
| Total Operating Revenue | \$ 564,710.00 | \$ 674,987.00 | \$614,485.00 |

|                                      | Cost Per<br>Agate<br>Customer | Cost Per<br>Roats<br>Customer | Cost Per<br>Cline Butte<br>Customer |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------------|
| # of Customers                       | 1,081                         | 1,245                         | 972                                 |
| Salaries and Wages                   | \$174.84                      | \$71.33                       | \$60.59                             |
| Officer Salaries & Wages             | \$37.78                       | \$63.56                       |                                     |
| Telephone/Communication              | \$3.74                        |                               |                                     |
| Purchased Power                      | \$44.15                       | \$63.37                       | \$83.72                             |
| Chemicals (Wtr. Samples)             |                               | \$6.49                        |                                     |
| Office Supplies                      | \$1.30                        |                               | \$5.79                              |
| Postage                              | \$5.00                        |                               | \$1.98                              |
| Materials and Supplies               | \$10.20                       | \$49.23                       | \$20.06                             |
| Repairs - Water Plant                | \$1.03                        |                               | \$1.03                              |
| Contract Service - Eng.              | \$1.21                        | \$1.05                        | \$2.06                              |
| Contract Service - Mgmt              |                               |                               | \$53.83                             |
| Contract Service - Acct.             | \$2.42                        | \$7.72                        |                                     |
| Contract Service - Legal             | \$0.09                        | \$1.90                        |                                     |
| Contract Service - Testing           | \$8.81                        | \$3.47                        | \$3.31                              |
| Contract Service - Labor             | \$1.85                        |                               |                                     |
| Rental of Bldg/Real Property         | \$11.10                       |                               | \$1.39                              |
| Rental of Equipment                  |                               | \$14.46                       |                                     |
| Purchase Small Tools                 | \$0.56                        |                               |                                     |
| Computer/Electronic (noncapitalized) | \$0.56                        |                               |                                     |
| Transportation Expenses              | \$14.38                       | \$28.71                       | \$2.94                              |
| Insurance - Vehicle                  | \$3.63                        | \$15.23                       | \$1.09                              |
| Insurance - General Liability        | \$2.72                        | \$3.30                        | \$1.09                              |
| Insurance - Workers' Comp            | \$0.48                        |                               | \$0.21                              |
| Amort of Rate Case Expense           |                               | \$2.03                        | \$2.06                              |
| Bad Debt Expense                     | \$1.85                        |                               |                                     |
| Cross Connection Program Exp         | \$0.34                        |                               | \$0.51                              |
| Training & Certification             | \$1.27                        |                               | \$1.85                              |
| Consumer Confidence Rept             | \$0.40                        |                               |                                     |
| Miscellaneous Expense                | \$1.01                        | \$2.50                        | \$0.78                              |
| <b>TOTAL OPERATING EXP</b>           | <b>\$330.73</b>               | <b>\$334.35</b>               | <b>\$244.30</b>                     |
| Depreciation Expense                 | \$41.96                       | \$99.47                       | \$157.18                            |
| Amortization Expense                 |                               |                               |                                     |
| Payroll Taxes                        | \$16.72                       |                               |                                     |
| Property Taxes                       | \$12.75                       |                               |                                     |
| Taxes Other Than Income              |                               | \$33.85                       | \$18.31                             |

**CERTIFICATE OF SERVICE**

**UW 108**

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 860-13-0070, to all parties or attorneys of parties.

Dated at Salem, Oregon, this 8th day of August, 2005.



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Jason Jones  
Assistant Attorney General  
Of Attorneys for Public Utility Commission's Staff  
1162 Court Street NE  
Salem, Oregon 97301-4096  
Telephone: (503) 378-6322

**UW 108  
Service List (Parties)**

|                                                                                                                                                        |                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| DAVID ANDERSON<br>19780 FOSTER LANE<br>BEND OR 97702<br>casman8815@aol.com                                                                             | JACK GASSAWAY<br>19411 APACHE RD<br>BEND OR 97702<br>stumper@bendbroadband.com                                    |
| JASON W JONES<br>DEPARTMENT OF JUSTICE<br>REGULATED UTILITY & BUSINESS SECTION<br>1162 COURT ST NE<br>SALEM OR 97301-4096<br>jason.w.jones@state.or.us | STEPHANIE MICHELSEN<br>19420 INDIAN SUMMER RD<br>BEND OR 97702<br>joelsteph@peoplepc.com                          |
| LAWRENCE & VERA RISER<br>60251 WINNEBAGO LN<br>BEND OR 97702<br>lriser5000@cs.com                                                                      | FRED & BETH SCHILLING<br>AGATE WATER SYSTEM<br>60107 MINNETONKA LN<br>BEND OR 97702<br>agateh2o@bendbroadband.com |