



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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July 27th, 2006

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

RE: **Docket No. UW 113** - In the Matter of METOLIUS MEADOWS PROPERTY OWNERS ASSOCIATION's Application To Establish Rates Resulting in total Annual Revenues of \$67,600.

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Direct Testimony.

/s/ Kay Barnes

Kay Barnes
Regulatory Operations Division
Filing on Behalf of Public Utility Commission Staff
(503) 378-5763
Email: kay.barnes@state.or.us

c: UW 113 Service List - parties

**PUBLIC UTILITY COMMISSION
OF OREGON**

UW 113

Staff Direct Testimony of

Renee Sloan

**In the Matter of
Metolius Meadows Property Owners Association's
Application To Establish Rates Resulting in total
Annual Revenues of \$67,600**

July 27, 2006

CASE: UW 113
WITNESS: Renee Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Direct Testimony
In Support of
The Stipulation**

July 27, 2006

1 **Q. PLEASE STATE YOUR NAME AND POSITION.**

2 A. My name is Renee Sloan. My business address is 550 Capitol Street NE
3 Suite 215, Salem, Oregon 97301-2148. I am employed with the Public Utility
4 Commission of Oregon (Commission) as a utility analyst assigned to review
5 regulated water utility general rate case dockets.

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

7 A. The purpose of my Testimony is to introduce and support the Stipulation
8 entered into by Staff and Metolius Meadows Property Owners Association
9 (MMPOA or Company).

10 **Q. WHO ARE THE PARTIES IN THIS DOCKET?**

11 A. The Parties in this docket are Staff and the Company.

12 **Q. DID YOU PREPARE ANY EXHIBITS FOR THIS DOCKET?**

13 A. Yes. Exhibit No. 100 is Direct Testimony in support of the Stipulation, and
14 Exhibit No. 101 contains exhibits in support of the Direct Testimony.

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

16 A. The Testimony is organized as follows:

- 17 1) Description of Metolius Meadows Property Owners Association;
18 2) Explanation of how MMPOA came under Commission rate regulation;
19 3) Summary of MMPOA's Application;
20 4) Staff's analysis of MMPOA's filing;
21 5) Staff's adjustments to MMPOA's filing; and
22 6) Summary of the Stipulation agreed to by Staff and MMPOA.

23

1 Commission concluded that Metolius Meadows Property Owners Association
2 is a public utility providing water service “to and for” the public. As such, the
3 Company is subject to Commission jurisdiction pursuant to ORS 757.005 and
4 ORS 757.061.

5 Under ORS 757.061, public water utilities that serve fewer than 500
6 customers are exempt from Commission rate regulation unless 20 percent or
7 more of the customers file a petition requesting the utility be rate regulated and
8 the company’s average annual monthly residential rate exceeds the maximum
9 rate established by the Commission.

10 As a result of MMPOA’s proposal to increase the residential base rate
11 to \$29.50 in Spring 2005, over 20 percent of the customers filed petitions with
12 the Commission requesting an investigation of the proposed rate increase. In
13 Order No. 05-889 (WJ 6), entered August 3, 2005, the Commission concluded
14 that, pursuant to ORS 757.005 and ORS 757.061, Metolius Meadows Property
15 Owners Association is a financially regulated public utility that is subject to
16 Commission jurisdiction. Order No. 05-889 also directed the Company to file
17 appropriate tariffs with the Commission pursuant to ORS 757.205.

18 **SUMMARY OF MMPOA’S RATE APPLICATION**

19 **Q. PLEASE SUMMARIZE THE COMPANY’S GENERAL RATE FILING.**

20 A. In compliance with Order No. 05-889, the Company filed tariffs on January 24,
21 2006. In its Application, the Company requested an increase in revenues from
22

1 \$44,291 to \$67,632, or 52.7 percent. MMPOA also requested a 10 percent
2 return on a rate base of \$41,877.

3 **Q. PLEASE DESCRIBE THE COMPANY'S CURRENT AND PROPOSED**
4 **RESIDENTIAL RATES.**

5 A. The current base rate includes a total of 5,000 cubic feet over the months of
6 May through October.¹ Because many of the residential customers are in
7 residence only during the summer months, the Company charges for usage
8 only during those months. Under the current rate design, meters are read in
9 May and October. Tier 1 rates are charged for total usage between 5,001 and
10 9,000 cubic feet that occurs up through the October meter reading. Similarly,
11 any usage above 9,000 cubic feet is charged at Tier 2 rates. No usage charge
12 is applied for consumption that occurs during winter months. The table below
13 shows MMPOA's current and proposed residential rates as stated in the
14 Application.

Residential

Meter Size²	Current Base Includes usage	Proposed Base <i>Includes usage</i>	Current Tier 1 Per 100 cubic feet	Proposed Tier 1 <i>Per 100 cubic feet</i>	Current Tier 2 Per 100 cubic feet	Proposed Tier 2 <i>Per 100 cubic feet</i>
3/4" or 5/8"	\$21.00	\$25.00	\$0.50	\$2.45	\$1.50	NA ³

15
16 **Q. PLEASE DESCRIBE THE COMPANY'S CURRENT AND PROPOSED**
17 **COMMERCIAL RATES AS STATED IN THE APPLICATION.**

¹ The rates stipulated to by the Parties do not include a consumption allowance in the base rate.

² The Company later stated that all meters are one inch.

³ The Company did not propose a Tier 2 rate.

1 A. Commercial customers include a swimming pool and pool house and indoor
2 and outdoor horse arenas. The swimming pool is metered; however, the
3 Company does not read the meter or charge for water used by the pool and
4 pool house. Any water cost for the commercial customers has been absorbed
5 by the property owners association. The Company did not propose a rate
6 design for commercial customers.

7 **Q. WHY DID MMPOA LATER PROPOSE TO CHARGE HIGHER RATES THAN**
8 **STATED IN ITS APPLICATION AND ORIGINAL NOTICE TO CUSTOMERS?**

9 A. After discussing Staff's Results of Analysis at the June 15, 2006, Settlement
10 Conference, the Company realized that average monthly usage should have
11 been based on the number of customers that actually use water, and not
12 include the number of undeveloped lots. The result is a larger consumption
13 per customer, and, thus, average bills higher than stated in the Company's
14 customer notice. Per Commission policy, Staff informed the Company that it
15 could not charge higher rates than stated in its customer notice; however,
16 MMPOA could send a notice informing customers of new proposed higher
17 rates.

18 **Q. WERE CUSTOMERS NOTIFIED THAT MMPOA WAS PROPOSING HIGHER**
19 **RATES THAN STATED IN THE APPLICATION AND ORIGINAL NOTICE TO**
20 **CUSTOMERS?**

21 A. Yes. On June 30, 2006, MMPOA mailed a notice to inform customers that the
22 rates proposed in the Application and first notice were too low to generate the
23 revenue requirement requested in the Application. The second notice stated

1 that proposed average monthly rates would be approximately \$41.50 instead
2 of \$37.00 as stated in the first notice.

3 **Q. HOW MANY CUSTOMERS RESPONDED TO THE SECOND NOTICE?**

4 A. None. Although the notice informed customers they could object to the new
5 proposed rate or request a hearing within 10 days of the date of the notice,
6 no such objections or requests for hearing were filed with the Commission.

7 **Q. DID ANY CUSTOMERS PARTICIPATE IN SETTLEMENT DISCUSSIONS?**

8 A. No. Even though the Company came under the Commission's jurisdiction as a
9 result of customer petitions, no customers intervened to become parties in the
10 rate case. To facilitate resolution of the issues in this case, Staff and MMPOA
11 held settlement discussions on June 15, 2006, and July 18, 2006. Notice of the
12 meetings was sent to all customers who had indicated an interest in receiving
13 such notices, and requested to be placed on the official service list for docket
14 UW 113. About five customers were present at the beginning of the June 15
15 meeting, but left after about 15 minutes. No customers attended the July 18
16 meeting.

17

18

STAFF'S ANALYSIS OF THE COMPANY'S RATE FILING

19

**Q. WHAT ARE THE RESULTS OF STAFF'S ANALYSIS OF THE COMPANY'S
20 APPLICATION?**

20

21

A. Staff recommends an increase of \$21,644, or 48.9 percent, resulting in total
22 annual revenues of \$65,935. The revenue requirement is to be collected as

22

23

follows: \$61,001 from residential customers, \$1,829 from commercial customers,

1 and \$3,105 in Property Owners Association (POA) Operational Assessments. In
2 addition, Staff recommends the Company be allowed to earn an 8.65 percent
3 rate of return on Materials and Supplies Inventory, Working Capital, and an
4 \$85,000 loan.

5 **Q. WHY IS THE RATE OF RETURN APPLIED ONLY TO MATERIALS AND**
6 **SUPPLIES INVENTORY, WORKING CAPITAL, AND THE LOAN?**

7 A. MMPOA is a property owners association whereby all members form one body.
8 As a nonprofit entity, all debt and all investment is derived from assessments
9 and contributions of the customers. Since revenues equal expenses, no rate
10 of return is allowed on Plant and Accumulated Depreciation. However, Staff
11 proposes to allow the Company to earn a return of its investment through
12 Depreciation Expense. As previously mentioned, Staff proposes that MMPOA
13 be allowed to earn a return on Materials and Supplies, Working Capital (1/12 of
14 Operating Expenses), and the \$85,000 loan. The rate of return was based on
15 the interest rate of the loan, 8.65 percent.

16
17 **STAFF ADJUSTMENTS**

18 **Q. DID STAFF MAKE ANY ADJUSTMENTS TO THE COMPANY'S TEST**
19 **PERIOD EXPENSES?**

20 A. Yes. Staff/101, Sloan/2 shows Staff's expense adjustments and a brief
21 description of each; however, below is further explanation of adjustments
22 to Repairs, Legal, and Testing expenses.

1 Account No. 621 – Repairs to Plant

2 In its Application MMPOA stated test year (July 2004 – June 2005) Repairs
3 to Plant as \$1,279. The Company requested an increase of \$4,000, for a total
4 proposed annual amount of \$5,279 for this expense. Following the June 15,
5 2006, Settlement Conference, the Company provided Staff with documents
6 totaling \$4,750.98 in support of the Company's 2005-2006 repairs expense.
7 After reviewing the invoices, Staff determined that \$1,144.01 should be moved
8 to various Plant accounts and \$486.93 should be disallowed because it is for
9 items that had been returned for credit or were charges unrelated to water
10 system repairs. This results in \$3,119.69 documented by the 2005-2006
11 invoices. Staff added \$16.98 to that amount, for other 2005 repairs expenses
12 plus a 3 percent inflation adjustment, for a total proposed Repairs to Plant
13 expense of \$3,231.

14 Account No. 633 – Legal

15 MMPOA incurred the \$5,197 test year Legal Expense shown in the Application
16 during the process leading up to the Commission asserting jurisdiction over the
17 Company and the resulting rate case Application. Consequently, Staff moved
18 that amount into Account No. 666 – Amortization of Rate Case Expense and
19 amortized it over three years. This results in a proposed annual Amortization
20 of Rate Case Expense of \$1,732. The Company did not propose an amount for
21 Account No. 666 in its Application.

22 The Company proposed an annual total of \$8,000 for anticipated Legal
23 Expense in the near future. Because the proposed amount for legal expenses

1 would not be an annual expense on a continuing basis, Staff amortized the
2 amount over two years, resulting in a proposed Legal Expense of \$4,000.

3 Account No. 635 – Testing

4 In its Application, MMPOA stated its 2004-2005 Testing Expense as \$5,599.

5 Staff's review of supporting documentation showed that \$3,640 of this amount
6 was actually the cost for annual testing of backflow prevention devices, and
7 should have been recorded in Account No. 671 – Cross Connection Control
8 Program Expense. Staff calculated the proposed Testing Expense of \$1,221
9 using a five-year amortization of the costs for scheduled tests based on
10 information contained on the Department of Human Services Drinking Water
11 Program website.

12 **Q. DID STAFF MAKE ADJUSTMENTS TO UTILITY PLANT IN SERVICE?**

13 A. Yes. After reviewing the Application, analyzing responses to data requests,
14 and evaluating MMPOA's June 2004 Reserve Study, Staff determined that the
15 Company's Utility Plant in Service is actually \$314,271 rather than \$126,478 as
16 shown in the Application. Staff's amount includes the cost of new projects to be
17 completed by October 2006 in addition to other Plant described in information
18 provided after the Application was filed. Utility Plant is not factored into rates
19 because no Rate of Return is allowed;⁴ however, Plant in Service is included in
20 Staff's analysis for the purpose of calculating Depreciation Expense, which is
21 factored into rates.

⁴ A discussion of Rate of Return is located at Staff/100, Sloan/7, beginning at line 3.

1 **Q. DID STAFF MAKE ADJUSTMENTS TO ACCUMULATED DEPRECIATION?**

2 A. Yes. Staff's calculation of Accumulated Depreciation, using Average Service
3 Lives consistent with the method that was originally developed by the National
4 Association of Regulatory Utility Commissioners, resulted in an Accumulated
5 Depreciation amount of \$123,327 rather than the test year amount of \$91,036
6 shown in the Application. As with Utility Plant, no rate of return is allowed on
7 Accumulated Depreciation, and it is not factored into the rates.

8

9 **SUMMARY OF THE STIPULATION AGREED TO BY THE PARTIES**

10 **Q. PLEASE DESCRIBE THE REVENUE REQUIREMENT STIPULATED TO BY**
11 **THE PARTIES.**

12 A. The Stipulation is made up of Staff's recommended revenue requirement
13 and rates, as shown in MMPOA's tariffs attached to the Stipulation. The
14 Stipulation supports an increase of \$21,644, or 48.9 percent above test year
15 revenues, for a total revenue requirement of \$65,935. In addition, the Parties
16 stipulated to an 8.65 percent rate of return on Materials and Supplies Inventory,
17 Working Capitol, and an \$85,000 loan.⁵ The stipulated Revenue Requirement
18 is shown in Staff/101, Sloan/1.

19 **Q. WHAT ARE THE STIPULATED RESIDENTIAL RATES?**

20 A. Although the Company's filing proposed single tiers for residential variable
21 rates, the current residential rate design consists of two tiers for variable rates.
22 The Parties agreed to continue using a two-tiered residential variable rate. The

⁵ An explanation appears in Staff/100, Sloan/7, beginning on line 3.

1 following table compares current residential rates, proposed rates filed with the
2 Application, and final rates stipulated to by Staff and MMPOA:

Residential Rate Design	Current Rates	MMPOA Proposed Rates	Staff and MMPOA Stipulated Rates
Base	\$21.00	\$25.00	\$25.40
Variable (per 100 cf) Tier 1 (up to 5,000 cf/year)	\$0.50	\$1.57	\$0.93
Variable (per 100 cf) Tier 2 (above 5,000 cf/year)	\$1.50	N/A	\$1.53
Total Average Monthly Bill ⁶	\$24.28	\$37.00 ⁷	\$39.71

3

4 **Q. WHAT EFFECT DO THE STIPULATED RATES HAVE ON RESIDENTIAL**
5 **CUSTOMERS?**

6 A. Staff/101, Sloan/4 shows the rate impacts of the stipulated residential rates.

7 **Q. WHAT ARE THE STIPULATED COMMERCIAL RATES?**

8 A. Meters are not installed for all commercial customers and MMPOA does not
9 read meters for any commercial customers. The Parties stipulated to a flat rate
10 of \$50.80 per month.

11 **Q. WHAT IS THE STIPULATED POA OPERATIONAL ASSESSMENT FEE?**

12 A. The POA Operational Assessment represents a \$10.35 per month charge to
13 the owners of the 25 undeveloped lots to pay for their share of labor costs.
14 Since an employee is doing work that benefits all members of the association,
15 the assessment amount is calculated by multiplying 16.45 percent⁸ times the
16 stipulated expenses for Employee Salaries and Wages, Employee Pension and

⁶ MMPOA bills annually, but an average monthly rate is shown for comparison purposes.

⁷ MMPOA later renoticed a revised rate of \$41.50 (based on interest payments of the \$85,000 loan).

⁸ The 25 lots represent 16.45 percent of total lots served by MMPOA.

1 Benefits, Workers' Compensation Insurance, and Training. The Homeowners
2 Association currently assesses \$10.00 per month to owners of undeveloped lots.

3 **Q. DID THE PARTIES STIPULATE TO ANY MISCELLANEOUS FEES?**

4 A. Yes. The parties stipulated to the miscellaneous service charges set forth in
5 Schedule No. 5 in Attachment B to the Stipulation.

6 **Q. DID THE PARTIES AGREE TO ANYTHING ELSE IN THE STIPULATION?**

7 A. Yes. Staff and MMPOA also stipulated to the following:

- 8 1. Within 30 days of occurrence, the Company agrees to provide a copy of
9 the signed loan agreement and a recording of the deposit of funds to the
10 Commission.
- 11 2. The Company agrees that the loan funds will be used solely for capital
12 improvements of the water system. The monies will not be used for
13 any activity not directly related to provision of water service to MMPOA
14 customers.
- 15 3. Within 30 days of receipt, the Company agrees to provide Staff a copy
16 of the loan amortization schedule that was provided to MMPOA by the
17 lending institution.
- 18 4. Revenues in the current rate case include a rate of return on the loan to
19 cover the interest-only payments for the first two years of the loan. It is
20 the Company's obligation to decide whether to apply to the Commission
21 for a rate increase when funds are needed to begin paying principal
22 payments in the third year of the loan.

- 1 5. The Company agrees to bill customers annually; however, customers will
2 have the option of paying annually, quarterly, or monthly.

- 3 6. The Homeowners Association, through the Property Owners Association
4 Operational Assessment, agrees that the \$10.35 per month (\$124.20
5 collected annually per undeveloped lot) will be placed into MMPOA's
6 water system reserve account.

- 7 7. The Homeowners Association, through the Property Owners Association
8 Operational Assessment, agrees that a 3 percent discount will be applied
9 to POA Operational Assessment payments made within 30 days of billing.

- 10 8. In order for future commercial rates to be based on consumption, the
11 Company agrees to install meters for all commercial customers within
12 90 days of the Commission's final order in this docket. The Company
13 agrees to read meters for the arena and the equestrian facility on a
14 monthly basis for one year from the date of installation. The Company
15 agrees to read the swimming pool meter on a monthly basis from May
16 2007 through October 2007.

- 17 9. PUC Staff agrees to conduct an audit of MMPOA's books within one year
18 of the implementation of the stipulated rates.

- 19 10. The Parties agree to support an effective date of August 15, 2006, for the
20 stipulated rates.

CASE: UW 113
WITNESS: Renee Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

**Exhibits in Support
Of Direct Testimony**

July 27, 2006

Metolius Meadows
UW 113
Test Year: 2004-2005

Company Case
52.7%

Staff
48.9%

Actual Revenue Increase
21,644

Acct No.	REVENUES	A	B	C	D	E	F	G	H	I	
		Balance Per Application Test Year: 2004-2005	Proposed Company Adjustments	Adjusted Results (A+B=C)	Company Proposed Rev Changes	Proposed Results (C+D=E)	Proposed Staff Adjustments	Adjusted Results (A+F=G)	Staff Proposed Rev Changes	Proposed Results (G+H)	
1	461.1 Res/Comm Water Sales	44,291		44,291	23,341	67,632	0	44,291	18,538	62,829	
2	461.2 Commercial Water Sales			0		0	0	0	0	0	
3	465 Irrigation - Non GC			0		0	0	0	0	0	
4	462 Irrigation - GC			0		0	0	0	0	0	
5	471 Misc. Revenues			0		0	0	0	0	0	
6	POA Operational Assessment			0		0	2,189	2,189	916	3,105	
7	TOTAL REVENUE	44,291	0	44,291	23,341	67,632	2,189	46,480	19,455	65,935	
9	OPERATING EXPENSES										
10	601 Salaries and Wages - Employees	15,232	1,743	16,975		16,975	(1,049)	14,183		14,183	
11	603 Salaries and Wages - Officers			0		0	0	0		0	
12	604 Employee Pension & Benefits	488	0	488		488	(183)	305		305	
13	610 Purchased Water			0		0	0	0		0	
14	611 Telephone/Communications	351	49	400		400	69	420		420	
15	615 Purchased Power	3,714	0	3,714		3,714	510	4,224		4,224	
16	618 Chemical / Treatment Expense			0		0	0	0		0	
17	619 Office Supplies	847	0	847		847	0	847		847	
18	619.1 Postage	162	0	162		162	9	171		171	
19	620 O&M Materials/Supplies			0		0	0	0		0	
20	621 Repairs to Water Plant	1,279	4,000	5,279		5,279	1,952	3,231		3,231	
21	631 Contract Svcs - Engineering	1,906	0	1,906		1,906	(953)	953		953	
22	632 Contract Svcs - Accounting	2,280	0	2,280		2,280	0	2,280		2,280	
23	633 Contract Svcs - Legal	5,035	2,965	8,000		8,000	(1,035)	4,000		4,000	
24	634 Contract Svcs - Management Fees			0		0	0	0		0	
25	635 Contract Svcs - Testing	5,599	0	5,599		5,599	(4,378)	1,221		1,221	
26	636 Contract Svcs - Labor	4,212	0	4,212		4,212	0	4,212		4,212	
27	637 Contract Svcs - Billing/Collection			0		0	0	0		0	
28	638 Contract Svcs - Meter Reading			0		0	0	0		0	
29	639 Contract Svcs - Other			0		0	0	0		0	
30	641 Rental of Building/Real Property			0		0	0	0		0	
31	642 Rental of Equipment			0		0	0	0		0	
32	643 Small Tools			0		0	0	0		0	
33	648 Computer/Electronic Expenses			0		0	0	0		0	
34	650 Transportation			0		0	0	0		0	
35	656 Vehicle Insurance	362	0	362		362	(88)	274		274	
36	657 General Liability Insurance	2,122	0	2,122		2,122	(109)	2,013		2,013	
37	658 Workers' Comp Insurance	558	0	558		558	(92)	466		466	
38	659 Insurance - Other	404	0	404		404	(65)	339		339	
39	660 Public Relations/Advertising			0		0	0	0		0	
40	666 Amortz. of Rate Case			0		0	1,732	1,732		1,732	
41	667 Gross Revenue Fee (PUC)			0		0	116	116	49	165	
42	668 Water Resource Conservation			0		0	0	0		0	
43	670 Bad Debt Expense			0		0	0	0		0	
44	671 Cross Connection Control Program			0		0	3,640	3,640		3,640	
45	Loan Fee	0	0	0		0	283	283		283	
46	673 Training and Certification	915	0	915		915	(100)	815		815	
48	675 General Expense	0	0	0		0	254	254		254	
49	TOTAL OPERATING EXPENSE	45,466	8,757	54,223	0	54,223	514	45,980	49	46,029	
50	OTHER REVENUE DEDUCTIONS										
50	403 Depreciation Expense	7,976	0	7,976		7,976	2,178	10,154		10,154	
51	407 Amortization Expense			0		0	0	0	0	0	
52	408.11 Property Tax			0		0	1,000	1,000		1,000	
53	408.12 Payroll Tax			0		0	0	0		0	
54	408.13 Other Taxes	615	385	1,000		1,000	(615)	0		0	
55	409.11 Oregon Income Tax	0		0		0	0	0	0	0	
56	409.10 Federal Income Tax	0		0		0	0	0	0	0	
57	TOTAL REVENUE DEDUCTIONS	54,057	9,142	63,199	0	63,199	3,077	57,134	49	57,183	
58	NET OPERATING INCOME	(9,766)	(9,142)	(18,908)	23,341	4,433	(888)	(10,654)	19,406	8,762	
59	101 Utility Plant in Service	126,478	0	126,478		126,478	187,793	314,271		314,271	
60	Less:										
61	108.1 Depreciation Reserve	91,036	7,976	99,012		99,012	32,291	123,327		123,327	
62	271 Contributions in Aid of Const			0		0	0	0		0	
63	272 Amortization of CIAC			0		0	0	0		0	
64	281 Accumulated Deferred Income Tax			0		0	0	0		0	
65	Net Utility Plant	35,442	(7,976)	27,466	0	27,466	155,502	190,944	0	190,944	
66	Plus: (working capital)										
67	151 Materials and Supplies Inventory	12,350	0	12,350		12,350	0	12,350		12,350	
68	Working Cash (Total Op Exp /12)	3,789	730	4,519		4,519	44	3,833	0	3,833	
69	TOTAL-RATE BASE	51,581	(7,246)	44,335	0	44,335	155,546	207,127	0	207,127	
70	Rate of Return	-18.93%		-42.65%		10.00%		-5.14%		8.65%	

Staff %
48.87%

Co%
52.70%

Depreciation Expense

8.65%*(85,000+12,350+3,833)

M&S Inventory
Working Capital

85,000 On Loan amount,
12,350 M&S, and
3,833 Working Capital

Metolius Meadows
UW 113
SUMMARY OF ADJUSTMENTS

Application	Test Year Per	Staff Adjustments		Results	Reason	
		Column D	to Rev Req			
REVENUES						
1	461.1	Res/Comm Water Sales	44,291	0	44,291	No adjustment from Company's application
2	461.2	Commercial Water Sales	0	0	0	
3	465	Irrigation - Non GC	0	0	0	
4	462	Irrigation - GC	0	0	0	
5	471	Misc. Revenues	0	0	0	
6		Special Contract (System Standby)	0	2,189	2,189	= Revenue Required for 25 lots to meet allocated expenses.
7		TOTAL REVENUE	44,291	2,189	46,480	
OPERATING EXPENSES						
10	601	Salaries and Wages - Employees	15,232	(1,049)	14,183	33% allocation of wages (\$2,792 applied to POA Operational Assessment)
11	603	Salaries and Wages - Officers	0	0	0	
12	604	Employee Pension & Benefits	488	(183)	305	33% allocation of simple IRA for System Operator (\$60 applied to POA Operational Assessment)
13	610	Purchased Water	0	0	0	
14	611	Telephone/Communications	351	69	420	33% allocation (includes \$351 cost for line to pump house and low-pressure alarm pager)
15	615	Purchased Power	3,714	510	4,224	Actual total test year expense + 2.5% COLA adjustment
16	618	Chemical / Treatment Expense	0	0	0	
17	619	Office Supplies	847	0	847	33% allocation of total Association office supplies expense
18	619.1	Postage	162	9	171	33% allocation of total Association postage expense plus additional for increase in postage rates
19	620	O&M Materials/Supplies	0	0	0	
20	621	Repairs to Water Plant	1,279	1,952	3,231	2005-2006 expense amount adjusted upward for inflation
21	631	Contract Svcs - Engineering	1,906	(953)	953	2-year amortization of \$1,906 Engineering expense for anticipated system upgrade
22	632	Contract Svcs - Accounting	2,280	0	2,280	33% allocation of \$6,840 total Contract Accounting Expense
23	633	Contract Svcs - Legal	5,035	(1,035)	4,000	3-year amortization of \$8,000 request for anticipated legal expenses
24	634	Contract Svcs - Management Fees	0	0	0	
25	635	Contract Svcs - Testing	5,599	(4,378)	1,221	5-year amortization of actual testing cost of \$5,927 adjusted upward for inflation
26	636	Contract Svcs - Labor	4,212	0	4,212	Same as test year (Substitute System Operator plus other labor)
27	637	Contract Svcs - Billing/Collection	0	0	0	
28	638	Contract Svcs - Meter Reading	0	0	0	
29	639	Contract Svcs - Other	0	0	0	
30	641	Rental of Building/Real Property	0	0	0	
31	642	Rental of Equipment	0	0	0	
32	643	Small Tools	0	0	0	
33	648	Computer/Electronic Expenses	0	0	0	
34	650	Transportation	0	0	0	
35	656	Vehicle Insurance	362	(88)	274	33% allocation of actual cost of \$823.15
36	657	General Liability Insurance	2,122	(109)	2,013	33% allocation of \$6,041 actual cost
37	658	Workers' Comp Insurance	558	(92)	466	33% allocation of \$558 WC for 2 Employees (\$92 applied to POA Operational Assessment)
38	659	Insurance - Other	404	(65)	339	33% allocation of \$1,016 actual cost for blanket policy
39	660	Public Relations/Advertising	0	0	0	
40	666	Amortz. of Rate Case	0	1,732	1,732	Moved from Legal and amortized 3 years
41	667	Gross Revenue Fee (PUC)	0	116	116	Calculated
42	668	Water Resource Conservation	0	0	0	
43	670	Bad Debt Expense	0	0	0	
44	671	Cross Connection Control Program	0	3,640	3,640	Cost for testing Backflow Devices
45		Loan Fee	0	283	283	
46	673	Training and Certification	915	(100)	815	Projected cost for Certified Operator Training (\$161 applied to POA Operational Assessment)
48	675	General Expense	0	254	254	OAWU Dues, licenses
49		TOTAL OPERATING EXPENSE	45,466	514	45,980	
OTHER REVENUE DEDUCTIONS						
50	403	Depreciation Expense	7,976	2,178	10,154	Depreciation Expense on adjusted Plant
51	407	Amortization Expense	0	0	0	
52	408	Property Tax	0	1,000	1,000	33% of Property Tax Assessment for Metolius Meadows
53	408	Payroll Tax	0	0	0	
54	408.13	Other Taxes	615	(615)	0	Moved to Property Tax account
55	409.11	Oregon Income Tax	0	0	0	
56	409.1	Federal Income Tax	0	0	0	
57		TOTAL REVENUE DEDUCTIONS	54,057	3,077	57,134	
58		NET OPERATING INCOME	(9,766)	(888)	(10,654)	
59	101	Utility Plant in Service	126,478	187,793	314,271	Upward adjustment includes plant added in 2006 + plant omitted in application
60		Less:				
61	108.1	Depreciation Reserve	91,036	32,291	123,327	Actual Accumulated Depreciation on Adj Plant (Uses NARUC depreciation schedules)
62	271	Contributions in Aid of Const	0	0	0	
63	272	Amortization of CIAC	0	0	0	
64	281	Accumulated Deferred Income Tax	0	0	0	
65		Net Utility Plant	0	155,502	155,502	Actual Net plant
66		Plus: (working capital)		0	0	
67	151	Materials and Supplies Inventory	12,350	0	12,350	Actual M&S Inventory per documentation provided by MMPOA
68		Working Cash (Total Op Exp /12)	3,789	44	3,833	1/12 of Operating Expenses
69		TOTAL RATE BASE	51,581	155,546	207,127	

Metolius Meadows
UW 113
RESIDENTIAL/COMMERCIAL RATE DESIGN
2 TIER

152 Total Residential Lots
25 Undeveloped
127 Developed or Under Construction

Ave Usage = 1102 cf

Current Company Rates		Proposed Company Rates	
1000 per month	\$21.00	1000 per month	\$25.00
Tier 1 Per 100 of >5,000 -<9,000 cf per year	\$0.50 Variable 1	Tier 1 Per 100 of above 5,000 cf per year	\$2.45 Variable
Tier 2 Per 100 of >9,000 cf per year	\$1.50 Variable 2	Tier 2 Per 100 of above 9,000 cf per year	\$1.53 Variable 2
	\$23.01		\$28.98
	\$21.00		\$25.00
	\$0.51 (1100-1000)=100		\$12.00
	\$1.50		\$37.00
	\$23.01		\$37.00

Proposed Revenues of: \$62,829 \$61,000 from Res.

Base/Commodity Split
Variable Rate 35.00%
Proposed Rev \$62,829 = \$21,990

Base Rate 65.00%
Proposed Rev \$62,829 = \$40,839
40,839 check

BASE RATE	Number of Customers	Current Monthly Base Rate	Proposed Mo Base Rate	Total Annual Revenues	Revenue at Current Rates
Residential	0	\$0.00	\$0	\$0	
5/8"	0	\$0.00	\$0	\$0	
3/4"	0	\$0.00	\$0	\$0	
1"	128	\$21.00	\$25.40	\$32,556	\$32,556
1.5"	0	\$0.00	\$0	\$0	
2"	0	\$0.00	\$0	\$0	
3"	0	\$0.00	\$0	\$0	
4"	0	\$0.00	\$0	\$0	
Commercial	128				
5/8" or 3/4"	0	\$0.00	\$0	\$0	
1"	3	\$0.00	\$50.80	\$1,829	\$0
1.5"	0	\$0.00	\$0	\$0	
2"	0	\$0.00	\$0	\$0	
3"	0	\$0.00	\$0	\$0	
4"	0	\$0.00	\$0	\$0	
TOTALS	3		\$40,839	\$40,839	\$32,556
	131				
			26.6%		26.6%

COMMODITY RATE Revenue to be Collected \$21,990

TIER ONE	Rate	PER 100 CUBIC FEET Consumption	Up to 417 cf
% of Assigned Rev	\$0.93	6,400	5000 (417 * 12)
\$5,939 divided by			

TIER TWO	Rate	PER 100 CUBIC FEET Consumption	Above 417 cf
% of Assigned Rev	\$1.53	10,520	\$1,526
\$16,052 divided by			

\$21,990 \$2.45
37.82% Tier 1 % of total Variable Rate
1,692,019 Proposed Consumption per Application
- base consumpt ("free" water x cust x 12 months)
1,692,019 divided by unit of measure 100 cf
16,920

Meter Size	Average Rates Current	Proposed Rates	Percent Increase
Residential 1"	\$24.42	\$39.71	62.60%
Commercial 1"	\$0.00	\$50.80	#DIV/0!

Residential	Meter Size	Present rates	Factors Used	Rate Required	AWWA Factors
0	5/8"	\$0.00	1	\$25.40	1
0	3/4"	\$0.00	1	\$25.40	1
128	1"	\$21.00	1	\$25.40	2.5
0	1.5"	\$0.00	5	\$126.99	5
0	2"	\$0.00	8	\$203.18	8
0	3"	\$0.00	15	\$380.96	15
Commercial	0	\$0.00	1	\$25.40	1
3	1"	\$0.00	2	\$50.80	2.5
0	1.5"	\$0.00	5	\$126.99	5
0	2"	\$0.00	8	\$203.18	8
0	3"	\$0.00	15	\$380.96	15
0	4"	\$0.00	25	\$634.94	25

\$40,839 check

Non Residential Customers	Mo Flat Rate
Pool 1" Meter	\$50.80
Equine Facility No Meter	\$50.80
Arena No Meter	\$50.80
Total Flat Rate Rev per Month	\$152.39

Consumption - Residential 1" 1,692,019 (per application page 17)

640,005 37.82%
1,052,014 62.18%
3117 gallons

Metolius Meadows
UW 113
RATE IMPACT
2 TIER

Commodity Rate

Tier 1 \$0.93 Per 100 cf Up to 417 cf
Tier 2 \$1.53 Per 100 cf above 417 cf

CURRENT RATES		5000 Included In Base	Usage Charged at >5000 base Variable	Usage <9000	Usage = or > 9000	Tier 1 Variable \$	Tier 2 Variable \$	Total Annual Variable \$	Average Monthly Variable \$	Current Base Rate	Total Current Mo Rate
0	0	5000	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00	\$21.00	\$21.00
500	6,000	5000	1,000	1,000	0	\$5.00	\$0.00	\$5.00	\$0.42	\$21.00	\$21.42
1102	13,219	5000	8,219	8,219	0	\$41.09	\$0.00	\$41.09	\$3.42	\$21.00	\$24.42
1500	18,000	5000	13,000	9,000	4,000	\$45.00	\$60.00	\$105.00	\$8.75	\$21.00	\$29.75
2000	24,000	5000	19,000	9,000	10,000	\$45.00	\$150.00	\$195.00	\$16.25	\$21.00	\$37.25
2500	30,000	5000	25,000	9,000	16,000	\$45.00	\$240.00	\$285.00	\$23.75	\$21.00	\$44.75
3000	36,000	5000	31,000	9,000	22,000	\$45.00	\$330.00	\$375.00	\$31.25	\$21.00	\$52.25
3500	42,000	5000	37,000	9,000	28,000	\$45.00	\$420.00	\$465.00	\$38.75	\$21.00	\$59.75
4086	49,032	5000	44,032	9,000	35,032	\$45.00	\$525.48	\$570.48	\$47.54	\$21.00	\$68.54
5000	60,000	5000	55,000	9,000	46,000	\$45.00	\$690.00	\$735.00	\$61.25	\$21.00	\$82.25
6000	72,000	5000	67,000	9,000	58,000	\$45.00	\$870.00	\$915.00	\$76.25	\$21.00	\$97.25

Average Use

Highest TY Use

PROPOSED RATES		Usage Up to 5000 cf	Usage above 5000 cf	Tier 1 Variable \$	Tier 2 Variable \$	Total Annual Variable \$	Average Monthly Variable \$	Proposed Base (No Allowance)	Total Proposed Mo Rate	Difference of Current & Proposed	Percentage Difference
0	0	0	0	\$0.00	\$1.53	\$0.00	\$0.00	\$25.40	\$25.40	\$4.40	20.94%
500	6,000	5,000	1,000	\$46.40	\$15.26	\$61.65	\$5.14	\$25.40	\$30.54	\$9.12	42.58%
1102	13,219	5,000	8,219	\$46.40	\$125.40	\$171.80	\$14.32	\$25.40	\$39.71	\$15.29	62.60%
1500	18,000	5,000	13,000	\$46.40	\$198.35	\$244.75	\$20.40	\$25.40	\$45.79	\$16.04	53.93%
2000	24,000	5,000	19,000	\$46.40	\$289.90	\$336.30	\$28.02	\$25.40	\$53.42	\$16.17	43.42%
2500	30,000	5,000	25,000	\$46.40	\$381.45	\$427.84	\$35.65	\$25.40	\$61.05	\$16.30	36.43%
3000	36,000	5,000	31,000	\$46.40	\$473.00	\$519.39	\$43.28	\$25.40	\$68.68	\$16.43	31.45%
3500	42,000	5,000	37,000	\$46.40	\$564.54	\$610.94	\$50.91	\$25.40	\$76.31	\$16.56	27.71%
4086	49,032	5,000	44,032	\$46.40	\$671.84	\$718.23	\$59.85	\$25.40	\$85.25	\$16.71	24.38%
5000	60,000	5,000	55,000	\$46.40	\$839.19	\$885.58	\$73.80	\$25.40	\$99.20	\$16.95	20.60%
6000	72,000	5,000	67,000	\$46.40	\$1,022.28	\$1,068.68	\$89.06	\$25.40	\$114.45	\$17.20	17.69%

Average Use

Highest TY Use

Higher increases for lower usage result from no allowance in base rate. Test Year amounts include 5,000 per year cf in Base Rate.

CERTIFICATE OF SERVICE

UW 113

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 the following parties or attorneys of parties.

Dated at Salem, Oregon, this 27th day of July, 2006.



Stephanie Andrus
Assistant Attorney General
Of Attorneys for Public Utility Commission's Staff
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**UW 113
Service List (Parties)**

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