



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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October 16, 2006

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

RE: **Docket No. UW 117** - In the Matter of PETE'S MOUNTAIN WATER CO., INC.
Requests for an increase in total annual revenues from \$111,079 to \$212,300.

Enclosed for electronic filing in the above-captioned docket is the
Joint Testimony of Renee Sloan, Michael Dougherty, Suzanne Webber, David
Pollack and Kay Pollack.

/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 117 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UW 117

JOINT TESTIMONY OF

**Renee Sloan
Michael Dougherty**

**In the Matter of
PETE'S MOUNTAIN WATER CO., INC.
Request for an increase in total annual revenues
from \$111,079 to \$212,300.**

October 16, 2006

CASE: UW 117
WITNESS: Renee Sloan
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Direct Testimony
In Support of the
Stipulation**

OCTOBER 16, 2006

1 **Q. PLEASE STATE YOUR NAMES AND POSITIONS.**

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

6 My name is Michael Dougherty. I am the Program Manager of the
7 Corporate Analysis and Water Regulation Section of the Utility Program with
8 the Public Utility Commission of Oregon. My business address is 550 Capitol
9 Street NE Suite 215, Salem, Oregon 97301-2551.

10 My name is Suzanne Webber. I am an owner, Certified System Operator,
11 Office Manager, Corporate Secretary and Director of Pete's Mountain Water
12 Company Inc (Pete's Mountain or Company).

13 My name is David Pollack. I am a Pete's Mountain customer residing at
14 2120 SW Schaeffer Road, West Linn, Oregon, and I am an Intervener in this
15 proceeding.

16 My name is Kay Pollack. I am a Pete's Mountain customer and I am an
17 Intervener in this proceeding. My address is 2120 SW Schaeffer Road, West
18 Linn, Oregon.

19 **Q. WHAT IS THE PURPOSE OF THIS JOINT TESTIMONY?**

20 A. The purpose of this Joint Testimony is to introduce and support the Stipulation
21 entered into by Staff, Pete's Mountain, and David and Kay Pollack (Stipulating
22 Parties).

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

2 A. The parties are Staff, the Company through its attorney James A. Cox, and
3 Intervenor Jo Becker, Chris Cabbage, Donald Kidd, Lynda Mueller, David
4 and Kay Pollack, and Kenneth E. Roberts.

5 **Q. HAVE ALL PARTIES ENTERED INTO THE STIPULATION.**

6 A. No. Intervenor Jo Becker, Chris Cabbage, Donald Kidd, Lynda Mueller,
7 and Kenneth E. Roberts are not signatories to the Stipulation.

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

9 A. Yes. Exhibit No. 101 contains exhibits in support of the Joint Testimony.

10 **Q. WHAT IS EXHIBIT 102?**

11 A. Exhibit 102 contains comments prepared by David and Kay Pollack, which they
12 requested be included in the record for this proceeding.

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

14 A. The Testimony is organized as follows:

- 15 1) Description of Pete's Mountain Water Co Inc;
16 2) Summary of Pete's Mountain's Application;
17 3) Staff's analysis of the Company's filing;
18 4) Staff's adjustments to Pete's Mountain's filing; and
19 5) Summary of the Stipulation agreed to by Staff, the Company,
20 and David and Kay Pollack.

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PETE'S MOUNTAIN WATER CO INC

Q. PLEASE DESCRIBE PETE'S MOUNTAIN WATER CO INC.

A. Pete's Mountain Water Co Inc is a small investor-owned water company located in West Linn, Oregon. The water system consists of two wells¹, a concrete in ground 140,000-gallon storage reservoir, pump station, various pumps, and distribution pipe lines. The water system currently provides service to 89 residential customers and 2 irrigation customers.

Q. WHEN WAS THE COMPANY'S LAST RATE INCREASE?

A. The Commission approved the Company's current rates in docket UW 13 (Order No. 87-604, issued June 1, 1987). In September 1990, a number of Pete's Mountain customers filed a petition with the Commission requesting an investigation into their claim that the Company's rates were excessive. As a result, the Commission opened an investigation docketed as UW 34. Following its investigation, Staff determined the Company was charging rates according to tariffs approved by the Commission in UW 13. In addition, Staff concluded the Company's earnings would not be excessive in the near future, if it maintained the current level of revenues. On July 2, 1991, the Commission issued Order No. 91-853 ordering the tariffs on file for Pete's Mountain to remain in effect.

As noted by the date of the UW 13 Commission order, the Company's rates have remained the same for over 19 years.

¹ Well #1 is currently out of service. The Company intends to apply for a loan from the Safe Drinking Water Revolving Loan Fund in 2008 in order to repair this well.

1 **Q. PLEASE DESCRIBE THE COMPANY'S CURRENT AND PROPOSED**
2 **IRRIGATION RATES AS STATED IN THE APPLICATION.**

3 A. The Company did not make a distinction between residential and irrigation
4 customers in its Application. The Company's current rate design is the same
5 for all customers, with one exception: the Company has been charging the
6 base rate to one of the irrigation³ customers for only the months it uses water
7 instead of for 12 months.

8

9 **STAFF'S ANALYSIS OF THE COMPANY'S RATE FILING**

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

12 A. Staff's analysis of the Company's Application results in a recommended revenue
13 requirement of \$152,880, which is an increase of \$41,801, 34.6 percent, above
14 the Company's filed test year revenues of \$111,079. Staff recommends
15 collection of the revenue requirement as follows: \$148,614 from residential
16 customers and \$4,266 from irrigation customers (rounded). In addition, Staff
17 recommends Pete's Mountain be allowed the opportunity to earn an 8 percent
18 rate of return on its investment.

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³ The Irrigation customer in this case is the entrance to the Stafford Hill Homeowners Association.

STAFF ADJUSTMENTS**Q. DID STAFF ADJUST THE COMPANY'S TEST PERIOD EXPENSES?**

A. Yes. Staff/101, page 6 shows Staff's expense adjustments and a brief description of each; however, below is additional explanation of significant adjustments made by Staff.

Account No. 606, Salaries and Wages - Employees

In the test year, Pete's Mountain paid \$756 to a Webber family member to read meters for a six-month period. Staff disallowed the amount for this expense because the Application lists reading meters as one of Suzanne Webber's duties as the System Operator. As such, no additional amount for this expense is justified, and Staff adjusted out the full \$756 from test year expenses. The Company also proposed an increase of \$2,000 for Employee Salaries and Wages to hire a landscaping company to perform lot maintenance at the well site. Staff moved the \$2,000 to Account No. 639, Contract Services - Landscaping.

Account No. 603, Salaries and Wages - Officers

The \$43,094 test year amount includes \$42,192 paid to Suzanne Webber for performing the duties as Certified System Operator, Office Manager, and Corporate Secretary and Director of Pete's Mountain. In addition, Terry Webber, President and Director of Pete's Mountain, was paid \$902 during the test year. The Application states that Terry Webber is paid \$25 per hour to perform repairs and maintenance, install meters, and provide backup to Suzanne Webber. According to the Application, Terry Webber averages

1 72 hours per year performing those duties. However, Staff's review of the
2 Company's responses to data requests revealed that Terry Webber performs
3 additional work for the Company without receiving compensation. As a result,
4 Staff increased his hours to 80 per year and revised his annual salary to
5 \$2,000. Staff recommends a total of \$44,192 for Officer Salaries and Wages,
6 which is \$1,098 above the test year amount.

7 The Stipulating Parties believe that the wages paid to the Webbers are
8 reasonable. Staff compared the Webbers' wages against the Oregon
9 Employment Department's Oregon Labor Market Information System (OLMIS -
10 www.olmis.org) for Water and Liquid Wastewater Treatment Plant and System
11 Operators and General and Operation Managers. The OLMIS median hourly
12 wage for system operators in Clackamas County is \$20.75. This amount is
13 in line with the \$20.32 hourly wage that the Company pays Suzanne Webber.
14 The 75th percentile⁴ OLMIS hourly wage for system operators is \$25.44, which
15 is very close to the \$25 per that Pete's Mountain pays Terry Webber. It is
16 reasonable for Terry Webber to receive the higher wage with over 20 years
17 of experience as an owner/operator of the water system. Although this wage
18 is approximately the same as the 75th percentile for system operators, it is
19 considerably lower than the median wage for a General and Operations
20 Manager (\$40.94) in Clackamas County. See Staff/101, page 1.

⁴ Wage percentiles describe the distribution of earnings within published occupations. At the 75th percentile, one-fourth of Water Operations Managers are paid the same as or more than the rate shown.

1 As a means to substantiate the Manager/System Operator salaries, Staff
2 examined the American Water Works' Association (AWWA), 2005 Water
3 Utility Compensation Survey.⁵ The salary paid to Suzanne Webber by the
4 Company was between the middle (\$39,692) and maximum (\$45,025) salary
5 range for Senior/Lead Water Treatment Plant Operator for utilities with under
6 25 employees. The salary paid to Terry Webber was slightly lower than the
7 middle average salary range for a Water Operations Manager for utilities
8 with fewer than 25 employees.⁶ See Staff/101, pages 2 and 3.

9 Staff has previously used OLMIS wages and substantiation of wages
10 using the AWWA Wage Survey in Long Butte Water System (UW 110),
11 Commission Order No. 06-027, dated January 23, 2006.

12 In addition to system operator and office duties, the Webbers, as owners
13 of the Company, are also responsible for corporate governance duties. The
14 Webbers maintain the responsibility of ensuring that Pete's Mountain is a
15 stable company that will continue to provide water service to its customers.
16 The Webbers are accountable to their customers for service delivery; tax,
17 financial, risk, and facilities management; community and public relations;
18 and regulatory matters. Although the Webbers have not requested or
19 received any additional compensation for their duties as officers, it does
20 not minimize this responsibility.

⁵ Published September 2005, by the American Water Works Association (AWWA).

⁶ The Average Salary for the Middle Range is \$52,100. \$52,100 divided by 2,076 equals \$25.10 per hour.

1 The Stipulating Parties also agree that the hours worked, 173 hours per
2 month for Suzanne Webber and 6.67 hours per month for Terry Webber are
3 reasonable. Combined, the Webbers account for 1.04 full-time equivalents
4 (FTE). Although the Company has not kept time cards, Suzanne Webber
5 performs multiple and myriad duties on a daily basis. For Suzanne Webber's
6 job description, see Staff/101, Pages 4 and 5. Additionally, the Webbers must
7 be available on call for emergencies at all times, seven days a week, 24 hours
8 a day. No overtime compensation is requested or added to the salaries of the
9 Webbers.

10 Account No. 604, Employee Pension and Benefits

11 This expense is to provide medical, dental, vision, and a small amount of life
12 insurance for the Webbers. Pete's Mountain purchased the policy through
13 Terry Webber's Union Membership under COBRA. Because both Suzanne
14 and Terry Webber have existing medical conditions, it is important to them to
15 continue under the same provider. Based on documentation provided by the
16 Company, Staff recommends an increase of \$1,551 over the test year amount
17 of \$10,593 for a total of \$12,144 for this expense.

18 The Commission has previously allowed a Class "C" water company
19 to recover pension and benefit expenses in Long Butte Water System
20 (UW 110), Commission Order No. 06-027, dated January 23, 2006.

21 Account No. 610, Purchased Water

22 While Pete's Mountain does not usually purchase water, a September 2006
23 emergency caused the Company to shut down the system for several days.

1 Since Pete's Mountain currently has no back-up system, it was necessary to
2 purchase water and have it delivered to the Company's reservoir until Well #2
3 was back in service. The total cost for purchase and delivery of the water was
4 \$7,012.50. Because this was an extraordinary, one-time transaction cost that
5 is not likely to be repeated in subsequent years, Staff recommends averaging
6 the total over five years, at \$1,403 per year, as an expected water replacement
7 cost until Well #1 is returned to service as a backup to Well #2.

8 Account No. 611, Telecommunications

9 Although the Application shows \$0 for this expense, an amount of \$2,629
10 for Telephone Expense was included in Account No. 657, General Expense.
11 Staff's review of invoices totaling \$2,696.29 shows a breakdown of test year
12 amounts in this account billed as follows: \$422.29 from Verizon for a pump
13 station alarm; \$1,097.80 from Canby Telephone for a business phone and fax;
14 \$926.49 from Verizon for wireless service; \$179.55 from Canby Telephone for
15 Office Gold Web-ster Broadband; and \$69.96 for a Verizon cell phone. Based
16 on the Company's response to data requests, Staff allocated 10 percent of the
17 Broadband expense to the Webber's personal use. In addition, Staff allowed
18 50 percent of the cost for a new cell phone rather than 100 percent.⁷ Because
19 of these changes, Staff recommends a total of \$2,595 for this expense.

20 Account No. 615, Purchased Power

21 A review of Portland General Electric Company (PGE) invoices for Pete's
22 Mountain shows the test year amount billed was \$16,060 rather than \$15,950

⁷ Based on Verizon calling plans, a two-year amortization for the purchase of a replacement cell phone is reasonable.

1 as shown in the Application. Staff proposes an addition of 5 percent of the
2 costs to account for any possible PGE rate increase that may result from the
3 current UE 180 proceedings before the Commission. Additionally, Staff
4 proposes \$52 (rounded) per year to pay for electricity use in a room in the
5 Webber's home used as an office for Pete's Mountain.⁸ Based on these
6 adjustments, Staff proposes a total Purchased Power Expense of \$16,915.

7 Account No. 618, Chemical/Treatment Expense

8 Pete's Mountain proposed \$500 for this expense for chemicals used to
9 control plant growth in the well lot area. Account No. 618 is for chemicals
10 used to treat water, such as chlorine, not for weed control chemicals. Staff
11 moved the proposed \$500 to Account No. 620, O & M Materials and Supplies
12 resulting in zero expense for this account.

13 Account No. 619, Office Supplies

14 Staff adjusted the Company's stated test year amount of \$2,776 for Office
15 Supplies Expense by moving \$555 to Account No. 619.1, Postage, and moving
16 \$628.84 to Account No. 648, Computer/Electronic Expense. After making the
17 adjustments, Staff finds \$1,591 a reasonable amount for this expense.

18 Account No. 619.1, Postage

19 As stated above, Staff moved \$555 into this account from Account No. 619.
20 After reviewing additional information provided by the Company and including
21 the 2006 postal rate increase, Staff made a \$31.35 upward adjustment to the

⁸ Approved at the Commission's October 10, 2006, public meeting (UI 254).

1 test year amount. As a result, Staff recommends a total of \$586.35 for this
2 expense.

3 Account No. 620, O & M Materials and Supplies

4 In the Application, Pete's Mountain submitted a proposed expense of \$712.
5 Staff moved \$409.48 to Account No. 151, Materials and Supplies Inventory.
6 The remaining \$306 includes miscellaneous testing supplies and tools. As
7 stated in Staff's discussion of Account No. 618, Staff moved the Company's
8 requested amount of \$500 for chemicals from Account No. 618 into Account
9 No. 620. After reviewing test year documentation, Staff reduced the amount for
10 chemicals to \$406 resulting in \$712 for this expense.

11 Account No. 621, Repairs to Plant

12 Pete's Mountain proposed an increase of \$8,000 above the \$1,415 test year
13 amount shown in the Application.⁹ After reviewing invoices for test year costs,
14 Staff reclassified certain expenses as Plant and moved other expenses to their
15 appropriate accounts. With these adjustments, Staff recommends \$977 for
16 this expense.

17 Account No. 631, Contract Services - Engineering

18 The Company submitted a proposed expense of \$5,000. According to the
19 Company, this anticipated cost concerns repairs needed to bring Well #1 back
20 on line and in updates to water rights with the Oregon Water Resources

⁹ The Company stated that the proposed increase is an estimate of costs involved to repair the pump station and construct a pump house over Well #2. A bid from Charbonneau Construction Co. for this project includes all materials, labor, and equipment. As a result, the entire project is capitalized rather than expensed. Staff added the amount of the bid to Plant.

1 Department. Staff recommends amortizing the requested amount over three
2 years for a total annual amount of \$1,667.

3 Account No. 632, Contract Services - Accounting

4 After reviewing test year invoices, Staff accepted the Company's proposed
5 expense of \$1,342.

6 Account No. 633, Contract Services - Legal

7 Pete's Mountain submitted \$2,675 in proposed expenses. Staff's review of
8 invoices shows a test year cost of \$1,875 relating to water rights, Measure 37
9 claims, an easement agreement, and the Company's annual meeting. The
10 Company's proposed \$800 increase is for anticipated expenses relating to the
11 ongoing water rights issue. Legal expense during the test year for the water
12 rights issue amounted to \$1,350. Staff recommends a three-year amortization
13 of the proposed \$800 increase, and adding the resulting \$267 to the \$1,875
14 test year amount for a total expense of \$2,142.

15 Account No. 635, Contract Services - Testing

16 In its Application, Pete's Mountain stated its 2005 Testing Expense as
17 \$2,235. Staff recalculated the proposed Testing Expense of \$3,235 using a
18 three-year average of the costs for scheduled tests based on documentation
19 provided by Alexin Analytical Laboratories Inc. After the adjustment, Staff
20 recommends \$692 for this expense.

21 Account No. 636, Contract Services - Labor

22 In the Application, Pete's Mountain submitted proposed expenses of
23 \$10,500. The Company stated the amount is an estimate for tank cleaning,

1 hiring a backhoe operator, and labor for pump station repairs and construction
2 of a pump house over Well #2.

3 After submitting its Application, Pete's Mountain obtained a bid of \$850 for
4 tank cleaning. Because the Company does not clean the tank annually, Staff
5 applied a two-year amortization for an annual amount of \$425.

6 As stated in the discussion under Account No. 621, Staff included an
7 amount in Plant for the pump station repairs and pump house construction.¹⁰
8 Because the project bid includes labor, no additional labor cost is included in
9 this account.

10 Pete's Mountain subcontracts all work that requires large equipment, such
11 as backhoe work to repair broken mains. Staff estimates the Company would
12 need a backhoe operator approximately 40 hours per year. Forty hours at the
13 \$17.53 average wage for a backhoe operator provided by OLMIS results in an
14 annual cost of \$722.

15 Combining the amounts for tank cleaning and backhoe operator results in
16 a recommendation of \$1,147 for this expense.

17 Account No. 636, Contract Services - Landscaping

18 As stated in Staff's discussion under Account No. 606, Staff moved the
19 Company's proposed \$2,000 expense for well lot maintenance into Account
20 No. 626. The Company estimates a landscape employee will average four
21 hours per month to maintain the well lot. Staff recommends using the hourly

¹⁰ A bid from Charbonneau Construction Co. for this project includes all materials, labor, and equipment. As a result, the entire project is capitalized rather than expensed. Staff added the amount of the bid to Plant.

1 wage shown in the 50th percentile of the OLMIS website for landscaping and
2 groundskeeping workers in Clackamas County. Payment of \$10.94 per hour
3 for four hours per month results in an annual expense of \$525.12.

4 Account No. 641, Rental of Building/Real Property

5 Pete's Mountain uses one room in the Webber's home as an office at a
6 cost of \$125 per month. The monthly fee includes all utilities. In its Application,
7 the Company unintentionally omitted a proposed adjustment for this expense.
8 Consequently, in response to Data Request No. 11, Pete's Mountain requested
9 an adjustment of \$500 above test year amount of \$1,500. The \$166.67 per
10 month would include water, heat, and cleaning. In addition, the Company
11 requested \$30 per month for electricity used in the home office. The Webber's
12 own both the water company and the home that contains the office space;
13 therefore, pursuant to Oregon Revised Statutes (ORS) 757.015, ORS 757.490,
14 ORS 757.495, and Oregon Administrative Rule 860-036-0730, Pete's Mountain
15 is required to file an affiliated interest application with the Commission. Staff
16 recommends total expenses of \$1,902 for rent and \$52 for electricity (see
17 discussion under Account No. 615), as approved by the Commission in docket
18 UI 254.¹¹

19 Account No. 642, Rental of Equipment

20 In the Application, the Company submitted a proposed amount of \$2,000
21 for anticipated costs related to rental of equipment needed to repair the pump
22 station and set a pump house over Well #2. Charbonneau Construction Co.

¹¹ See Order No. 06-579.

1 submitted a bid for this project that includes all materials, labor, and equipment.
2 Staff reclassified the proposed amount as Plant resulting in a zero expense in
3 this account.

4 Account No. 648, Computer/Electronic Expense

5 While the Application shows \$0 for this expense, Staff moved \$628.84
6 for QuickBooks updates and hard drive backup to this account from Account
7 No. 619, Office Supplies. Staff amortized the cost over three years resulting
8 in a recommended annual expense of \$210.

9 Account No. 650, Transportation

10 In its Application, Pete's Mountain submitted an expense of \$17,465.
11 During the test year, the Company paid \$8,168.88 on a vehicle lease,
12 \$2,242.23 for vehicle maintenance and \$3,906.88 for fuel expense.

13 Vehicle Lease

14 In March 2006, the Company leased a Ford F250 for \$680.74 per month.¹²
15 Pete's Mountain uses the vehicle to travel to the water system almost daily,¹³
16 plus twice per month during summer months to check on the well and pumps.
17 In addition, the Company uses the vehicle when purchasing supplies, testing
18 water, picking up mail, dealing with system repairs, handling builder requests,
19 and following up on locate requests. Based on a review of the Company's
20 payment history, Staff supports the lease cost of \$8,168.88.

21

¹² The previous lease payment amount was \$657.63.

¹³ 27.4 miles round trip

1 Vehicle Maintenance

2 After reviewing invoices for this cost, Staff reclassified as Plant \$1,612 for
3 a canopy, street flares, and mud flaps. This reduced the test year amount for
4 vehicle maintenance to \$630.23.

5 Fuel Cost

6 In response to a data request, the Company stated it travels 15,000 miles
7 annually on water company business. Invoices submitted by Pete's Mountain
8 support a test year fuel cost of \$3,906.88, or about \$0.26 per mile. Because of
9 increasing fuel costs, the Company proposed an increase of \$2,400. Based on
10 information available at the time of Staff's analysis for this docket, Staff
11 calculated annual fuel expense at \$4,071 using \$2.85 per gallon for 15,000
12 mile at 10.5 miles per gallon. If Staff had used the federal government
13 mileage rate, this expense would have been considerably higher than the
14 calculated fuel expense.¹⁴

15 Account No. 656, Vehicle Insurance

16 Although the Application shows \$0 in the account for this expense, Staff
17 moved \$537 from Account No. 619, Office Supplies. The policy covers the
18 Company's 2005 Ford truck and a 1954 International farm truck owned by the
19 Webbers but used by Pete's Mountain. Staff's review of a Premium Bill dated
20 May 9, 2006, revealed an increase to \$548.94 for a six-month term. Staff
21 recommends an annual amount of \$1,098.

¹⁴Using the federal government mileage rate, fuel cost would have been \$6,675 (15,000 miles times \$0.445).

1 Account No. 657, General Liability Insurance

2 After reviewing the Company's policy renewal, Staff accepts the test year
3 amount of \$676. Pete's Mountain would like to provide increased liability,
4 excess liability, plus property coverage for the Company's buildings and the
5 pumps inside them. Upon review of a quote for the added insurance submitted
6 by the Company's insurance carrier, Staff recommends an expense of \$1,394.

7 As a result of the recent casualty to Well #2's pump motor (\$7,012.50 for
8 purchased water, \$16,399 in capital costs), obtaining property insurance is a
9 prudent business decision by the Company that may reduce future expenses
10 resulting from a casualty.

11 Account No. 658, Workers' Compensation

12 In its Application, the Company submitted a proposed expense of \$250.
13 After reviewing SAIF Corporation documents, Staff supports the proposed
14 amount.

15 Account No. 666, Amortization of Rate Case Expense

16 In its Application, Pete's Mountain did not propose an expense for this
17 account, but in response to a data request, the Company provided invoices
18 from its accountant. After reviewing the documents and estimating attorney
19 costs through the conclusion of UW 117, Staff determined that the Company's
20 rate case expenses included \$201 in accounting costs, \$3,448 in legal costs,
21 plus \$100 in miscellaneous costs.¹⁵ Staff amortized the total over three years,
22 resulting in an expense of \$1,263.

¹⁵ Cost for copying documents and postage to send to Parties.

1 Account No. 672, System Capacity Development Program

2 In its Application, Pete's Mountain submitted \$10,000 in proposed expenses
3 to use toward future system capacity needs. Because the Company has no
4 current expenses related to System Development, Staff recommends a zero
5 expense in this account.

6 Account No. 675, General Expense

7 In the Application, Pete's Mountain submitted a proposed expense of
8 \$21,850. Staff reallocated \$3,166 to other accounts and removed \$150 for
9 donations and \$1,945 in interest payments (recovered through rate of return).
10 In addition, Staff removed the Company's proposed \$15,612 in anticipated
11 interest payments on a \$250,000 loan from the Safe Drinking Water Revolving
12 Loan Fund because the Company has not yet applied for the loan. After these
13 adjustments, Staff recommends an expense of \$681.

14 Account No. 408.11, Property Tax and Account No. 408.12, Payroll Tax

15 The Company's Application proposed an expense of \$9,377. After
16 reviewing the Company's documentation supporting the amounts, Staff
17 recommends \$5,452 for Property Tax Expense and \$4,189 for Payroll
18 Tax Expense.

19 Account No. 407, Amortization Expense

20 In September 2006, a pump failure at Well #2 caused the Company to
21 make an emergency replacement. Staff recommends \$212 for this expense

22

23

1 to allow the Company to recover a return of the undepreciated value of the
2 failed pump.¹⁶

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

4 A. Yes. After reviewing the Application and responses to data requests, Staff
5 determined that the Company's Utility Plant in Service is actually \$306,334
6 rather than \$345,215 as shown in the Application. Staff's amount includes
7 the addition of the estimated cost of new projects scheduled for completion
8 within the next 12 months as well as Plant listed in information provided after
9 the Company filed the Application.

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

11 A. Yes. Staff's calculation of Accumulated Depreciation, using Average Service
12 Lives consistent with the method that was originally developed by the National
13 Association of Regulatory Utility Commissioners, resulted in an Accumulated
14 Depreciation amount of \$95,158 rather than the amount of \$167,158 shown in
15 the Application.

16 **Q. DID STAFF ADJUST THE REQUESTED RATE OF RETURN?**

17 A. Yes. In its Application, the Company requested a 4 percent return on a rate
18 base of \$428,056. The 4 percent return resulted in a possible net income
19 of \$17,248. Because Staff made significant adjustments and reduced the
20 Company's rate base to \$222,934, Staff recommends an 8 percent return.
21 The 8 percent rate of return results in a slightly higher possible net income
22 of \$17,248. The Stipulating Parties agree that the rate of return and resulting

¹⁶ \$3,187 divided by the remaining 15 years of service life of the pump equals \$212 per year.

1 possible net income is reasonable. The recent casualty to Well #2 (\$7,012.50
2 for purchased water, \$16,399 in capital costs) highlights the necessity of
3 having a reasonable rate of return to ensure a sustainable net income.
4

5 **SUMMARY OF THE STIPULATION**

6 **Q. PLEASE DESCRIBE THE REVENUE REQUIREMENT AGREED TO BY THE** 7 **STIPULATING PARTIES.**

8 A. The Stipulation is composed of Staff's recommended revenue requirement,
9 rates, and rate designs, as shown in the Company's tariffs attached to the
10 Stipulation. The Stipulation supports an increase of \$39,266, or 34.6 percent
11 above test year revenues, for a total revenue requirement of \$152,880. The
12 Stipulating Parties also support an 8 percent rate of return on a rate base
13 of \$222,968. Staff/101, page 7 contains the stipulated Revenue Requirement.

14 **Q. DID THE STIPULATING PARTIES AGREE TO ANY CHANGES IN THE** 15 **RATE DESIGN CURRENTLY IN EFFECT?**

16 A. Yes. The Company currently charges all customers the same base rate. The
17 Stipulating Parties support a rate design that uses a modification of factors
18 developed by the American Water Works Association (AWWA) to allocate base
19 rates by meter size. Additionally, the Stipulating Parties agreed to replace the
20 current one-tiered variable rate with a two-tiered variable rate.
21
22

1 **Q. PLEASE EXPLAIN WHY STAFF PROPOSES USING A MODIFICATION**
 2 **OF THE AWWA FACTORS TO ALLOCATE BASE RATES BY METER**
 3 **SIZE.**

4 A. As previously mentioned, Staff was not initially aware that Pete's Mountain
 5 customers had different meter sizes. In the instance where a company has
 6 different meter sizes, Staff's practice is to apply AWWA factors, or modified
 7 factors to the different size meters. Pete's Mountain water rates are based
 8 upon a cost of service rate structure which includes the cost of providing
 9 water and operating and maintaining the water system. The effect of using
 10 the AWWA factors, is to increase the rates charged to customers with larger
 11 meters. This is a fair and reasonable result because they place a greater
 12 potential demand on the water system. The AWWA factors are multiplied to
 13 the base rate of the 5/8" and 3/4" meter size to obtain the base rate of larger
 14 size meters. As an example, if using the AWWA factors, the base rate of a 1"
 15 meter would be 2.5 times greater than the base rate of 5/8" or 3/4" meter.

16 To soften the base rate increase as a result of moving to AWWA factors,
 17 Staff used modified factors for customers having 1" or greater size meters.

18 The following table compares the AWWA factors to those used by Staff.

Meter Size	AWWA Factor	Staff Modified Factor
5/8" and 3/4"	1	1
1"	2.5	1.2
1.5"	5	1.25
2"	8	2

19
 20 As illustrated by the above table, increases for the larger size meters
 21 were reduced by the modified factors Staff proposed as compared to strict

1 application of the AWWA factors. The Stipulating Parties agree that using
2 the modified factors is reasonable because:

- 3 ▪ AWWA factors were not previously used by the Company;
- 4 ▪ The rate increase to larger user meters would not be acceptable
5 especially when considering the increased expense recovery the
6 Company requested;
- 7 ▪ The use of modified AWWA factors would still take into account that
8 larger meters do place a greater potential demand on the water system,
9 and customers with larger meters should pay higher base rates because
10 of this potential demand; and
- 11 ▪ If Staff ignored the factors completely, customers with smaller meters
12 (5/8" and 3/4") would pay more in base rates than the potential demand
13 they place on the system.

14 **Q. PLEASE EXPLAIN WHY STAFF PROPOSED A TWO-TIER COMMODITY**
15 **RATE.**

16 A. During its analysis, Staff noted a large variance in water usage among the
17 Company's customers. Average monthly use was as low as 509 cf and as
18 high as 23,528 cf. Because of this wide range in usage, and because
19 Pete's Mountain currently has only one operating well, Staff developed a
20 two-tier consumption rate to better reflect cost causation. In addition to
21
22

1 Pete's Mountain, six other rate-regulated utilities have a two or greater tier
2 consumption rate.¹⁷

3 The effect of the two-tier commodity rate structure is that customers who
4 use low or average amounts of water will pay less; customers using excessive
5 volumes will pay relatively more when they exceed average use. Staff
6 proposed separating the tier at 1,600 cf. This separation was based on 2005
7 consumption data, where 48 of 91 (52.7%) of current customers use less than
8 1600 cf. Secondly, at the 1600 cf separation, Staff was able to design rates
9 with a significant difference in price between the first tier rate and the second
10 tier rate.

11 In addition, Interveners David and Kay Pollack's main concern during
12 the rate application process was to assure the long-term availability and
13 sustainability of an adequate water supply to the system and to Pete's
14 Mountain customers. David and Kay Pollack provided data on average
15 usage to Staff during the first Settlement Conference and noted that during
16 the 1991 rate case, UW 34, a group of customers proposed a conservation-
17 based rate structure, which is not so materially different from Staff's current
18 proposal.

19
20
21

¹⁷ The six water utilities are Salmon River, Metolius Meadows, Squaw Creek, Long Butte Water System, Agate, and Running Y.

1 **Q. PETE’S MOUNTAIN CURRENT RATES INCLUDE A CONSUMPTION**
2 **ALLOWANCE OF 600 CF IN THE BASE RATE; DID STAFF CONTINUE**
3 **THE USE OF THIS ALLOWANCE?**

4 A. Although Staff will frequently recommend against consumption allowances
5 in base rates, the Stipulating Parties were concerned about large rate
6 increases for small users. Because of data surrounding usage and the
7 proposed increase in revenue requirement, the Stipulating Parties agreed to
8 continue the use of a consumption allowance in base rates.

9 **Q. DID THE STIPULATING PARTIES AGREE TO OTHER RATE DESIGN**
10 **CHANGES?**

11 A. Yes. The Stipulating Parties support having the two irrigation customers billed
12 on the base rate for 2” meters since water is delivered through the 2” meters.
13 The Stipulating Parties agreed that the irrigation customers, like all other
14 customers, would be required to pay the base rate for all 12 months. As
15 previously mentioned, the Company has been charging the base rate to
16 one of the irrigation customers for only the months it uses water instead of
17 for 12 months. And, the Stipulating Parties agreed that the HOA would not
18 receive a separate rate design.

19 If the irrigation customers choose to reduce the size of their meters, then
20 they can arrange with Pete’s Mountain for a new connection and pay the
21 Company for the costs of a new connection. Changing to a smaller meter
22 would significantly reduce the water costs to the irrigation customers.

1 **Q. WHAT ARE THE STIPULATED RATES?**

2 A. The Stipulating Parties agreed to use the same rates for residential and
3 irrigation customers. See Staff/101, page 8. The following table compares
4 current rates, proposed rates filed with the Application, and final rates agreed
5 to by the Stipulating Parties:

Residential and Irrigation Rate Design	Current Rates	Company Proposed Rates	Stipulated Rates
Base (Includes 600 cf) 3/4 & 5/8"	\$30.00	\$75.00	\$35.09
Base (Includes 600 cf) 1"	\$30.00	\$75.00	\$42.11
Base (Includes 600 cf) 1.5"	\$30.00	\$75.00	\$43.86
Base (Includes 600 cf) 2"	\$30.00	\$75.00	\$70.18
Tier 1 Variable (per 100 cf from 600 cf to 1600 cf)	\$3.25	\$5.50	\$3.50
Tier 2 Variable (per 100 cf above 1600 cf)	N/A	N/A	\$4.61

6

7 **Q. WHAT EFFECT DO THE STIPULATED RATES HAVE ON CUSTOMERS?**

8 A. Staff/101, pages 9 through 12 contains the rate impacts of the stipulated rates
9 for each meter size.

10 **Q. DID THE STIPULATING PARTIES AGREE TO ANYTHING ELSE IN THE**
11 **STIPULATION?**

12 A. Yes. The Stipulating Parties agreed that Staff would perform semi-annual
13 audits of the Company's time cards for a period of two years after approval
14 of this docket.

15

16

17

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

2 A. Yes. Based on Staff's investigation and the documented costs provided by
3 Pete's Mountain, the Stipulating Parties believe the proposed new revenue
4 requirement generates rates that are just and reasonable.

5 **Q. DOES THE COMPANY HAVE ANY AFFILIATED INTEREST CONTRACTS**
6 **THAT REQUIRE COMMISSION APPROVAL?**

7 A. No. On September 26, 2006, the Company filed an application for an affiliated
8 interest agreement with Suzanne and Terry Webber regarding the use of a
9 room in the Webber's home as an office for Pete's Mountain. The Commission
10 approved Staff's recommendation regarding the contract (Docket UI 254) at the
11 October 10, 2006, public meeting.

12 **Q. WHAT DO STAFF AND THE STIPULATING PARTIES RECOMMEND**
13 **REGARDING THE STIPULATION?**

14 A. We recommend that the Commission admit the Stipulation into the UW 117
15 record and adopt the Stipulation in its entirety.

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

17 A. Yes.

18

19

20

21

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

22

23

Signature - James A. Cox, Attorney for Pete's Mountain Water Co

Date

10/4/2006

24

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Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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

David Pollack
Signature - David Pollack, Intervenor

10-11-06
Date

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

Kay Pollack
Signature - Kay Pollack, Intervenor

~~10-11-06~~
10-11-06
Date

CASE: UW 117
WITNESS: Renee Sloan
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

**Exhibits in Support of
Direct Testimony**

October 16, 2006

PETE'S MT UW 117
OFFICER SALARIES

Test Year \$43,094

Requested \$43,094

Staff Proposal \$ 44,192

Officers

Suzanne Webber, Corp Sec & Director Certified Operator	Hours worked 2,076 per year \$3,516 Monthly	Salary \$42,192 per year \$20.32 per hour	\$42,192
---	---	---	----------

RESPONSIBILITIES: Full operational duties, operation and daily inspection of equipment (including well pumps, reservoirs, and pumping station) hydrant flushing, well lot maintenance, water quality testing, collection and data, monthly meter reading. All office duties, billing, bookkeeping, accounts receivable, accounts payable, payroll, phones (emergency contact services on call 24 hours a day). Continuing Water Quality Education.

Terry Webber, President & Director	Hours worked 80 per year 6.67 per month	Wages \$25 per hour \$2,000 per year	\$2,000
------------------------------------	---	--	---------

RESPONSIBILITIES: Meters, Repairs, Maintenance
PLUS system operator duties when Suzanne needs assistance

\$44,192

OLMIS WAGE AND SALARY INFORMATION

Wages for Water And Liquid Waste Treatment Plant And System Operators							
----- 2006 Wages -----							
Region	Percentiles (hourly wages)					Avg Hourly (\$/hr)	Avg Annual
	10th	25th	50th (median)	75th	90th		
Oregon Statewide	\$14.49	\$16.87	\$19.84	\$22.87	\$26.48	\$20.04	\$41,684
Clackamas	14.74	16.15	20.75	25.44	27.57	20.93	43,517

Average of 25th & 50th
\$18.45

Wages for General And Operations Managers							
----- 2006 Wages -----							
Region	Percentiles (hourly wages)					Avg Hourly (\$/hr)	Avg Annual
	10th	25th	50th (median)	75th	90th		
Oregon Statewide	\$19.85	\$26.91	\$37.81	\$54.42	NA	\$44.11	\$91,743
Clackamas	22.93	26.10	30.84	55.40	NA	45.92	95,511

Average of 25th & 50th
\$34.57

\$22.17 average of Clackamas 25th percentile for System Operator and for General Manager

AMERICAN WATER WORKS ASSOCIATION

Job Number: 42
Job Title: Senior/Lead Water Treatment Plant Operator

ALL PARTICIPANTS

A. Summary of All Reported Data by Ownership/Management Type

Type	# of Utilities	# of Employees	Avg. # of Ees Sup	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
						Min	Mid	Max
Board Operated	192	482	7	\$44,884	\$47,293	\$37,342	\$44,847	\$50,662
City/County	241	502	6	\$43,113	\$44,559	\$35,676	\$42,047	\$49,131
Private	7	14	*	\$56,430	\$54,344	\$46,108	*	\$58,442
Other	20	52	*	\$43,370	\$46,013	\$35,418	\$41,565	\$49,533
All	460	1050	7	\$44,067	\$46,016	\$36,468	\$43,213	\$49,884

B. Summary of All Reported Data by Population Size

Population	# of Utilities	# of Employees	Avg. # of Ees Sup	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
						Min	Mid	Max
Over 250,000	41	189	*	\$54,898	\$56,285	\$43,416	\$52,258	\$60,136
100-250,000	70	232	*	\$48,746	\$48,156	\$39,454	\$46,161	\$55,786
50-100,000	65	182	*	\$47,839	\$46,519	\$38,625	\$45,642	\$52,659
25-50,000	76	147	*	\$44,113	\$42,871	\$36,117	\$42,562	\$49,249
10-25,000	114	194	*	\$40,716	\$40,101	\$33,897	\$39,895	\$45,693
<10,000	94	106	*	\$37,400	\$37,352	\$31,109	\$36,573	\$41,518

C. Summary of All Reported Data by Average Gallons Managed

Gallons	# of Utilities	# of Employees	Avg. # of Ees Sup	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
						Min	Mid	Max
Over 250 Mil	11	35	*	\$54,084	\$50,360	\$38,642	\$52,178	\$59,572
100-250 Mil	21	106	*	\$53,807	\$58,845	\$43,865	\$54,767	\$61,215
50-100 Mil	25	105	*	\$52,980	\$53,535	\$42,801	\$48,133	\$57,552
25-50 Mil	44	151	*	\$50,706	\$49,312	\$41,365	\$47,851	\$56,926
10-25 Mil	81	233	*	\$44,453	\$44,126	\$36,289	\$42,864	\$50,991
<10 Mil	278	420	4	\$40,943	\$40,401	\$33,921	\$40,006	\$45,513

D. Summary of All Reported Data by Total Employment

Employment	# of Utilities	# of Employees	Avg. # of Ees Sup	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
						Min	Mid	Max
Over 500	15	78	*	\$58,511	\$59,899	\$43,936	\$56,832	\$64,546
200-500	29	105	*	\$51,966	\$51,633	\$40,786	\$48,933	\$58,606
100-200	61	194	*	\$46,137	\$47,560	\$37,980	\$45,345	\$51,830
50-100	86	228	*	\$45,540	\$45,254	\$37,107	\$43,528	\$51,299
25-50	96	191	*	\$44,412	\$43,716	\$35,069	\$41,549	\$48,517
<25	173	254	*	\$39,964	\$40,667	\$34,290	\$39,692	\$45,025

AMERICAN WATER WORKS ASSOCIATION

Job Number: 14

Job Title: Water Operations Manager

ALL PARTICIPANTS

A. Summary of All Reported Data by Ownership/Management Type

Type	# of Utilities	# of Employees	AVG. # of Res Sup	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
						Min	Mid	Max
Board Operated	251	239	18	\$62,597	\$62,615	\$52,556	\$62,135	\$74,029
City/County	249	225	22	\$59,435	\$59,435	\$49,192	\$58,386	\$69,332
Private	13	13	14	\$87,586	\$87,586	\$56,989	\$68,400	\$81,060
Other	24	25	17	\$67,715	\$66,533	\$53,842	\$65,408	\$78,379
All	537	503	19	\$62,069	\$62,031	\$50,908	\$60,423	\$72,193

B. Summary of All Reported Data by Population Size

Population	# of Utilities	# of Employees	AVG. # of Res Sup	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
						Min	Mid	Max
Over 250,000	44	37	76	\$90,497	\$90,497	\$66,734	\$82,420	\$95,995
100-250,000	78	72	33	\$76,069	\$76,069	\$58,277	\$70,874	\$85,620
50-100,000	78	74	17	\$65,885	\$65,885	\$52,280	\$59,747	\$72,318
25-50,000	93	89	13	\$62,169	\$62,221	\$49,852	\$58,916	\$69,793
10-25,000	137	127	9	\$54,706	\$54,576	\$44,708	\$52,143	\$62,305
<10,000	107	103	6	\$48,253	\$48,253	\$39,177	\$46,369	\$56,338

C. Summary of All Reported Data by Average Gallons Managed

Gallons	# of Utilities	# of Employees	AVG. # of Res Sup	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
						Min	Mid	Max
Over 250 Mil	14	13	76	\$85,770	\$85,770	\$59,264	\$81,459	\$91,709
100-250 Mil	22	18	96	\$84,927	\$84,927	\$65,725	\$83,831	\$94,495
50-100 Mil	27	23	46	\$85,498	\$85,498	\$63,205	\$76,276	\$90,242
25-50 Mil	53	49	28	\$78,052	\$78,052	\$59,832	\$70,121	\$84,616
10-25 Mil	87	83	17	\$65,074	\$65,095	\$52,780	\$62,433	\$75,340
<10 Mil	334	316	9	\$54,806	\$54,753	\$45,190	\$52,951	\$63,370

D. Summary of All Reported Data by Total Employment

Employment	# of Utilities	# of Employees	AVG. # of Res Sup	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
						Min	Mid	Max
Over 500	18	16	137	\$89,652	\$89,652	\$64,998	\$87,315	\$99,857
200-500	30	26	55	\$85,106	\$85,106	\$61,291	\$74,189	\$89,455
100-200	65	60	19	\$68,792	\$68,759	\$56,875	\$66,878	\$78,596
50-100	91	87	21	\$66,798	\$66,798	\$52,029	\$62,571	\$74,377
25-50	119	110	12	\$62,014	\$62,014	\$47,984	\$55,803	\$69,069
<25	214	203	7	\$52,950	\$52,877	\$45,116	\$52,100	\$62,169

Suzanne Webber: Job description:

Pete's Mountain Water is required by state law to keep an office with regular office hours. As the Certified Water Operator, General Manager, and Office Worker/Bookkeeper for the company I maintain regular office hours. The following are normal tasks performed daily or on a regular schedule:

- 1) I travel daily from the office to the well lot with the exception of an illness or family emergency. Once there, I will monitor all systems until I am satisfied that every thing is running as should be. This has proven to ward off any potential mechanical problems with the system. Approx. 2 hours per day, sometimes more, is spent at the well lot. See paragraph 2.
- 2) While at the well lot I often respond to customer requests that have been received by phone or fax. Frequently these are requests received as part of our One Call Locate Service, another State required program. We have to be available for emergency locates. Also, while at the well lot I perform water testing and collection monthly. I take care of well lot maintenance (picking up garbage, etc.).
- 3) I read the meters on a monthly schedule, which takes approx. 8 hours.
- 4) I pick up the mail at the Post Office Box 5 or 6 days a week, One-half hour each day.
- 5) I deal with and work on regulatory issues and required governmental agency reports such as the Consumer Confidence reports, PUC construction budget reports, PUC affiliated Interest reports, PUC Gross Revenue reports, Hazardous Substance reports (State Police), Emergency Response Plans, Cross Connection Summary reports, Source Water Assessment Plans. One of my current projects is developing an Operations Manual.
- 6) I attend to billing issues, processing the billings, accounts receivable, accounts payable, budget planning and banking.
- 7) I answer phones and attend to any inquiries made by phone, mail, or electronic mail.
- 8) In addition to the time spent traveling to the well lot, to the bank and to the Post Office, my time is spent in the office performing the above duties listed in paragraphs 2, 4, 5, 6, and 7. At minimum, outside of meter reading days, scheduled water sampling days, etc., approximately 6 hours is spent in the office daily.
- 9) I (or Terry) must be available on call for emergencies at all times when I am not present in the office or at the well lot, 7 days a week, 24 hours a day.
- 10) As the General Manager I take the lead in attending to financial and legal oversight, planning, corporate affairs, dealing with accountants, engineers, attorneys and other professionals and assuming legal, regulatory, and tax responsibilities.

- 11) Terry and I are Certified Water Operators. As such we are the first defense against such things as water borne diseases. A Certified Water Operator's duty is to deliver an adequate quantity of water to meet users' needs, and to deliver water that is safe for drinking.
- 12) The above list is not necessarily complete. I must take care of anything that occurs out of the ordinary that is not included in the above eleven tasks.

Although I have not kept time records, I am quite certain that I spend equivalent to a full-time job on Water Company business. I have a wide range of responsibilities, and the job requires multiple skills.

Pete's Mountain Water Co., Inc.					
Test Year: 2005					
SUMMARY OF ADJUSTMENTS					
Staff					
Adjustments					
		Test	to Rev Req	Reason	
		Year	Column D		
REVENUES					
1	461	Residential Water Sales	111,079	(\$635)	(86*12*\$30)+(24,457*\$3.25)
3	465	Irrigation (Stafford Hill HOA & Wu)	0	\$3,170	(2*\$30*12)+(754*\$3.25)
7		TOTAL REVENUE	111,079	\$2,535	
8					
9		OPERATING EXPENSES			
10	601	Salaries and Wages - Employees	756	(\$756)	\$756 was paid for Meter Reader; \$0 allowed because reading meters is part of Suzanne Webber's duties. Moved the requested \$2,000 increase to Account 639 - Landscaping (adjusted after moving).
11	603	Salaries and Wages - Officers	43,094	\$1,098	\$42,192 Suzanne + \$2,000 for Terry (80 hrs per year @ \$25/hr).
12	604	Employee Pension & Benefits	10,593	\$1,551	Per Invoice dated April 28, 2006.
13	610	Purchased Water	0	\$1,403	Average expected water replacement cost until Well #1 is in service
14	611	Telephone/Communications	0	\$2,595	\$423 System Alarm, \$926 Cell, \$1,098 Phone, Fax & 90% of Broadband, \$162 90% ISP, \$35 cell phone amortized 2 years
15	615	Purchased Power	15,950	\$965	TY Invoices + 5% increase due to UE 180. Also includes \$52 annual electric cost for home office.
16	618	Chemical / Treatment Expense	0	\$0	Listed chemicals are not for water treatment, so the amount was moved to O&M.
17	619	Office Supplies	2,776	(\$1,185)	\$254 envelopes; \$90 PO Box; \$127 check printing; \$1,120 ink cartridges, billing cards, copy paper, reference books, etc. Moved \$555 Postage to Account 619.1 and moved \$457 Computer-related items to Account 648.
18	619	Postage	0	\$586	Moved from Office Supplies & included additional mailings
19	620	O&M Materials/Supplies	715	(\$3)	Moved \$406 weed killer, etc. from Account 618. Moved \$409 lubricant to M&S Supply Inventory.
20	621	Repairs to Water Plant	1,415	(\$438)	Moved \$69.99 to Acct. 611; moved \$96.99 to Acct. 619; moved \$300 truck equipment to Plant. \$8,000 request denied as it is for constructing pump house and making capital improvements to Pumping Station. Will be placed into plant when it occurs.
21	631	Contract Svcs - Engineering	0	\$1,667	3-year amortization of requested amount for expense related to repairs of Well #1 and updating water rights.
22	632	Contract Svcs - Accounting	1,342	(\$0)	Per Invoices for preparation of tax returns and depreciation schedule
23	633	Contract Svcs - Legal	1,875	\$267	Test year amount plus 2-year amortization of requested amount. Water Rights issues
24	634	Contract Svcs - Management Fees	0	\$0	N/A
25	635	Contract Svcs - Testing	2,235	(\$1,543)	3-year total \$1,607 (per Alexin Analytical) amortized & escalated for inflation.
26	636	Contract Svcs - Labor	0	\$1,147	Requested \$10,500 increase was for labor relating to constructing pump house and making capital improvements to Pumping Station. Will be placed into plant when it occurs.
28	639	Contractual Services - Landscaping	0	\$525	Adjusted after moving from Employee Wages. \$10.94 per hour (OLMIS) x 48 hours per year.
29	641	Rental of Building/Real Property	1,500	\$402	\$158.50 per month (\$1.21 per square ft for 131 square feet) AI
30	642	Rental of Equipment	0	\$0	Requested amount is for Capital Improvement project and was added to Plant
31	648	Computer/Electronic Expenses	0	\$210	Moved \$457 from Office Supplies and amortized 2 years.
32	650	Transportation	15,065	(\$1,808)	\$8,168.88 truck lease; \$630 maintenance; \$4,101 fuel (1,439 gal @ \$2.85) = \$13,228. Escalated by 3% for inflation. Moved \$1,612 canopy to Plant.
33	656	Vehicle Insurance	0	\$1,098	Policy for 2005 Ford F250 & 1954 Intl Farm/Dump Truck. Moved from Misc.
34	657	General Liability Insurance	676	\$718	Policy provided.
35	658	Workers' Comp Insurance	249	\$1	Per SAIF policy.
36	666	Amortz. of Rate Case	0	\$1,263	3-year amortization of accounting, legal (updated with 9/6 billing), misc rate case exp
37	667	Gross Revenue Fee (PUC)	295	(\$11)	Calculated
40	672	System Capacity Dev Program	0	\$0	No current expenses related to System Development
41	673	Training and Certification	0	\$0	None requested (included in Wages)
42	674	Consumer Confidence Report	0	\$0	None requested
43	675	General Expense	6,238	(\$5,557)	Moved: \$537 to Acct. 656; \$2,629 to Acct. 611; \$295 to Acct. 667. Disallowed: \$150 Donations; \$1,945 Interest; and proposed increase of \$15,623 for interest on loan that Company will apply for in 2007.
44		TOTAL OPERATING EXPENSE	104,774	\$4,193	
45					
46		OTHER REVENUE DEDUCTIONS			
47	403	Depreciation Expense	10,828	\$899	Based on Plant Work Sheet
48	407	Amortization Expense	0	\$212	Return of undepreciated pump replaced 9/2006 (\$3,187 / 15 years)
49	408	Property Tax	9,377	(\$3,927)	Moved \$5,208 to Payroll Tax. Company provided 2005 Property Tax Statement.
50	408	Payroll Tax	0	\$4,169	Moved from Property Tax. Amount based on 2005 Payroll Summary
52	409	Oregon Income Tax	10	(\$185)	Calculated
53	409	Federal Income Tax	0	(\$392)	Calculated
54		TOTAL REVENUE DEDUCTIONS	124,989	\$1,882	
55		NET OPERATING INCOME	(13,910)	\$652	
56					
57	101	Utility Plant in Service	345,215	(\$38,881)	Reflects removal of fully-depreciated plant and addition of new plant
58		Less:			
59	108	Depreciation Reserve	167,158	(\$72,000)	Accumulated Depreciation calculated using NARUC formula
63		Net Utility Plant	0	\$33,119	
64		Plus: (working capital)			
65	151	Materials and Supplies Inventory	0	\$2,711	Moved Mineral Oil from O&M; Added meters purchased for replacements
66		Working Cash (Total Op Exp /12)	8,731	\$350	
67		TOTAL RATE BASE	186,788	\$36,180	

Pete's Mountain Water Co., Inc.
UW 117
Test Year: 2006

Company Case
91.1%

Staff
34.6%

Actual Revenue Increase
\$39,266

Acct.		A	B	C	D	E	F	G	H	I	J	Staff %
No.	REVENUES	Balance Per Application Test Year: 2006	Proposed Company Adjustments	Adjusted Results (A+B=C)	Company Proposed Rev Changes	Proposed Results (C+D=E)	Tax Adj	Proposed Staff Adjustments	Adjusted Results (A+F=G)	Staff Proposed Rev Changes	Proposed Results (G+H+I)	
1	461.1 Residential Water Sales	111,079		111,079	101,221	212,300		(635)	110,444	38,170	148,614	34.6%
2	461.2 Commercial Water Sales			0		0		0	0	0	0	
3	465 Irrigation (Stafford Hill HOA & Wu)			0		0		3,170	3,170	1,096	4,266	
4	462 Irrigation - GC			0		0		0	0	0	0	
5	471 Misc. Revenues			0		0		0	0	0	0	
6	Special Contracts			0		0		0	0	0	0	
7	TOTAL REVENUE	111,079	0	111,079	101,221	212,300		2,535	113,614	39,266	152,880	152,880
8				111,079	101,221	212,300		2,535	113,614		152,880	
9	OPERATING EXPENSES											
10	601 Salaries and Wages - Employees	756	2,000	2,756		2,756		(756)	0		0	
11	603 Salaries and Wages - Officers	43,094	0	43,094		43,094		1,098	44,192		44,192	
12	604 Employee Pension & Benefits	10,593	0	10,593		10,593		1,551	12,144		12,144	
13	610 Purchased Water	0	0	0		0		1,403	1,403		1,403	
14	611 Telephone/Communications	0	0	0		0		2,595	2,595		2,595	
15	615 Purchased Power	15,950	2,000	17,950		17,950		965	16,915		16,915	
16	618 Chemical / Treatment Expense	0	500	500		500		0	0		0	moved
17	619 Office Supplies	2,776	0	2,776		2,776		(1,185)	1,591		1,591	
18	619.1 Postage	0	0	0		0		586	586		586	
19	620 O&M Materials/Supplies	715	0	715		715		(3)	712		712	
20	621 Repairs to Water Plant	1,415	8,000	9,415		9,415		(438)	977		977	
21	631 Contract Svcs - Engineering		5,000	5,000		5,000		1,667	1,667		1,667	
22	632 Contract Svcs - Accounting	1,342	0	1,342		1,342		(0)	1,342		1,342	
23	633 Contract Svcs - Legal	1,875	800	2,675		2,675		267	2,142		2,142	amortized
24	634 Contract Svcs - Management Fees			0		0		0	0		0	
25	635 Contract Svcs - Testing	2,235	1,000	3,235		3,235		(1,543)	692		692	amortized
26	636 Contract Svcs - Labor		10,500	10,500		10,500		1,147	1,147		1,147	
27	638 Contract Svcs - Meter Reading			0		0		0	0		0	
28	639 Contractual Services - Landscaping	0	0	0		0		525	525		525	
29	641 Rental of Building/Real Property	1,500	0	1,500		1,500		402	1,902		1,902	
30	642 Rental of Equipment		2,000	2,000		2,000		0	0		0	
31	648 Computer/Electronic Expenses			0		0		210	210		210	
32	650 Transportation	15,065	2,400	17,465		17,465		(1,808)	13,257		13,257	
33	656 Vehicle Insurance	0	0	0		0		1,098	1,098		1,098	
34	657 General Liability Insurance	676	250	926		926		718	1,394		1,394	
35	658 Workers' Comp Insurance	249	1	250		250		1	250		250	
36	666 Amortz. of Rate Case			0		0		1,263	1,263		1,263	
37	667 Gross Revenue Fee (PUC)	295	0	295		295		(11)	284	98	382	
38	670 Bad Debt Expense			0		0		0	0		0	
39	671 Cross Connection Control Program			0		0		0	0		0	
40	672 System Capacity Dev Program		10,000	10,000		10,000		0	0		0	
41	673 Training and Certification			0		0		0	0		0	
42	674 Consumer Confidence Report			0		0		0	0		0	
43	675 General Expense	8,238	15,612	21,850		21,850		(5,557)	681		681	
44	TOTAL OPERATING EXPENSE	104,774	60,063	164,837	0	164,837		4,193	108,967	98	109,066	
45				164,837		164,837		4,193	108,967		109,066	
46	OTHER REVENUE DEDUCTIONS											
47	403 Depreciation Expense	10,828	10,000	20,828		20,828		899	11,727		11,727	
48	407 Amortization Expense			0		0		212	212	0	212	
49	408.11 Property Tax	9,377	0	9,377		9,377		(3,927)	5,450		5,450	
50	408.12 Payroll Tax			0		0		4,169	4,169		4,169	
51	408.13 Other			0		0		0	0		0	
52	409.11 Oregon Income Tax	10		10		10	(917)	(485)	(1,102)	2,585	1,483	
53	409.10 Federal Income Tax	0		0		0	(2,087)	(253)	(2,340)	5,487	3,148	
54	TOTAL REVENUE DEDUCTIONS	124,989	70,063	195,052	0	195,052	121,385	1,882	126,872	8,171	135,043	
55	NET OPERATING INCOME	(13,910)	(70,063)	(83,973)	101,221	17,248	(10,908)	652	(13,258)	31,096	17,837	17,837
56						17,248						
57	101 Utility Plant in Service	345,215	250,000	595,215		595,215		(38,881)	306,334		306,334	306,334
58	Less:											
59	108.1 Depreciation Reserve	167,158		167,158		167,158		(72,000)	95,158		95,158	95,158
60	271 Contributions in Aid of Const			0		0		0	0		0	
61	272 Amortization of CIAC			0		0		0	0		0	0
62	281 Accumulated Deferred Income Tax			0		0		0	0		0	
63	Net Utility Plant	178,057	250,000	428,057	0	428,057		33,119	211,176	0	211,176	211,176
64	Plus: (working capital)			428,057		428,057			211,176		211,176	
65	151 Materials and Supplies Inventory		0	0		0		2,711	2,711		2,711	
66	Working Cash (Total Op Exp /12)	8,731	5,880	14,611		14,611		350	9,081	0	9,081	9,081
67	TOTAL RATE BASE	186,788	255,880	442,668	0	442,668		36,180	222,968	0	222,968	222,968
68	Rate of Return	-7.45%		-18.97%	0.00%	3.90%			-5.95%		8.00%	8.00%

Cash Flow 38,076

Difference 8,511

29,564

Op exp/cust/year 1,199

Pete's Mountain Water Co., Inc.

UW 117

**RATE IMPACT 5/8" and 3/4"
2 TIER / 600 CF in BASE**

Commodity Rate

Revenues 152,880 8% ROR
Increase 34.6% 600 in BASE
\$35.09 Base 71 / 29
\$3.50 Tier 1 (>600 Up to 1600)
\$4.61 Tier 2 (> 1600)

\$3.50 Tier 1 >600 up to 1,600
\$4.61 Tier 2 >1,600

Monthly Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600		Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
					Proposed Commodity Rate Per 100 >600 to 1600	Proposed Commodity Rate Per 100 >1600				
0	\$30.00	\$3.25	\$30.00	\$35.09	\$3.50	\$4.61	0	\$35.09	\$5.09	17.0%
BASE 600	\$30.00	\$3.25	\$30.00	\$35.09	\$3.50	\$4.61	1	\$35.09	\$5.09	17.0%
1000	\$30.00	\$3.25	\$43.00	\$35.09	\$3.50	\$4.61	4	\$49.09	\$6.09	14.2%
1600	\$30.00	\$3.25	\$62.50	\$35.09	\$3.50	\$4.61	10	\$70.09	\$7.59	12.1%
1860	\$30.00	\$3.25	\$70.97	\$35.09	\$3.50	\$4.61	13	\$82.11	\$11.14	15.7%
2000	\$30.00	\$3.25	\$75.50	\$35.09	\$3.50	\$4.61	14	\$88.55	\$13.05	17.3%
4000	\$30.00	\$3.25	\$140.50	\$35.09	\$3.50	\$4.61	34	\$180.82	\$40.32	28.7%
5000	\$30.00	\$3.25	\$173.00	\$35.09	\$3.50	\$4.61	44	\$226.95	\$53.95	31.2%
6000	\$30.00	\$3.25	\$205.50	\$35.09	\$3.50	\$4.61	54	\$273.09	\$67.59	32.9%
7000	\$30.00	\$3.25	\$238.00	\$35.09	\$3.50	\$4.61	64	\$319.22	\$81.22	34.1%
8000	\$30.00	\$3.25	\$270.50	\$35.09	\$3.50	\$4.61	74	\$365.36	\$94.86	35.1%
9000	\$30.00	\$3.25	\$303.00	\$35.09	\$3.50	\$4.61	84	\$411.50	\$108.50	35.8%
10000	\$30.00	\$3.25	\$335.50	\$35.09	\$3.50	\$4.61	94	\$457.63	\$122.13	36.4%
11000	\$30.00	\$3.25	\$368.00	\$35.09	\$3.50	\$4.61	104	\$503.77	\$135.77	36.9%
12000	\$30.00	\$3.25	\$400.50	\$35.09	\$3.50	\$4.61	114	\$549.90	\$149.40	37.3%
15000	\$30.00	\$3.25	\$498.00	\$35.09	\$3.50	\$4.61	144	\$688.31	\$190.31	38.2%
20000	\$30.00	\$3.25	\$660.50	\$35.09	\$3.50	\$4.61	194	\$918.99	\$258.49	39.1%
23500	\$30.00	\$3.25	\$774.25	\$35.09	\$3.50	\$4.61	229	\$1,080.47	\$306.22	39.6%
T2			\$4,679.22					\$6,336.03		35.4%

Revenues 152,880 8% ROR
Increase 34.6% 600 in BASE
\$42.11 Base 71 / 29
\$3.50 Tier 1 (>600 Up to 1600)
\$4.61 Tier 2 (> 1600)

Pete's Mountain Water Co., Inc.

UW 117

RATE IMPACT 1"
2 TIER / 600 CF in BASE

\$3.50 Tier 1 >600 up to 1,600
\$4.61 Tier 2 >1,600

Commodity Rate

Monthly Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600		Proposed Commodity Rate Per 100	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
					Proposed Commodity Rate Per 100	Proposed Commodity Rate Per >1600					
0	\$30.00	\$3.25	\$30.00	\$42.11	\$3.50	\$4.61	0	\$42.11	\$12.11	40.4%	
BASE 600	\$30.00	\$3.25	\$30.00	\$42.11	\$3.50	\$4.61	1	\$42.11	\$12.11	40.4%	
1000	\$30.00	\$3.25	\$43.00	\$42.11	\$3.50	\$4.61	4	\$56.11	\$13.11	30.5%	
1600	\$30.00	\$3.25	\$62.50	\$42.11	\$3.50	\$4.61	10	\$77.11	\$14.61	23.4%	
2000	\$30.00	\$3.25	\$75.50	\$42.11	\$3.50	\$4.61	14	\$95.56	\$20.06	26.6%	
3024	\$30.00	\$3.25	\$108.78	\$42.11	\$3.50	\$4.61	24	\$142.81	\$34.03	31.3%	
4000	\$30.00	\$3.25	\$140.50	\$42.11	\$3.50	\$4.61	34	\$187.84	\$47.34	33.7%	
5000	\$30.00	\$3.25	\$173.00	\$42.11	\$3.50	\$4.61	44	\$233.97	\$60.97	35.2%	
6000	\$30.00	\$3.25	\$205.50	\$42.11	\$3.50	\$4.61	54	\$280.11	\$74.61	36.3%	
7000	\$30.00	\$3.25	\$238.00	\$42.11	\$3.50	\$4.61	64	\$326.24	\$88.24	37.1%	
8000	\$30.00	\$3.25	\$270.50	\$42.11	\$3.50	\$4.61	74	\$372.38	\$101.88	37.7%	
9000	\$30.00	\$3.25	\$303.00	\$42.11	\$3.50	\$4.61	84	\$418.51	\$115.51	38.1%	
10000	\$30.00	\$3.25	\$335.50	\$42.11	\$3.50	\$4.61	94	\$464.65	\$129.15	38.5%	
11000	\$30.00	\$3.25	\$368.00	\$42.11	\$3.50	\$4.61	104	\$510.79	\$142.79	38.8%	
12000	\$30.00	\$3.25	\$400.50	\$42.11	\$3.50	\$4.61	114	\$556.92	\$156.42	39.1%	
15000	\$30.00	\$3.25	\$498.00	\$42.11	\$3.50	\$4.61	144	\$695.33	\$197.33	39.6%	
20000	\$30.00	\$3.25	\$660.50	\$42.11	\$3.50	\$4.61	194	\$926.01	\$265.51	40.2%	
23500	\$30.00	\$3.25	\$774.25	\$42.11	\$3.50	\$4.61	229	\$1,087.49	\$313.24	40.5%	
									\$4,717.03	\$6,516.04	38.1%

Revenues 152,880 8% ROR
Increase 34.6% 600 in BASE
\$43.86 Base 71 / 29
\$3.50 Tier 1 (>600 Up to 1600)
\$4.61 Tier 2 (> 1600)

Pete's Mountain Water Co., Inc.
UW 117
RATE IMPACT 1.5"
2 TIER / 600 CF in BASE

\$3.50 Tier 1 >600 up to 1,600
\$4.61 Tier 2 >1,600

Commodity Rate	Monthly Consumptions	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	Proposed Commodity Rate Per 100	Proposed Commodity Rate Per >600 to 1600	Proposed Commodity Rate Per >1600	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference					
													0	1	4	10	14
BASE	0	\$30.00	\$3.25	\$30.00	\$43.86	\$3.50	\$4.61	\$4.61	0	\$43.86	\$13.86	46.2%					
	600	\$30.00	\$3.25	\$30.00	\$43.86	\$3.50	\$4.61	\$4.61	1	\$43.86	\$13.86	46.2%					
	1000	\$30.00	\$3.25	\$43.00	\$43.86	\$3.50	\$4.61	\$4.61	4	\$57.86	\$14.86	34.6%					
	1600	\$30.00	\$3.25	\$62.50	\$43.86	\$3.50	\$4.61	\$4.61	10	\$78.86	\$16.36	26.2%					
	2000	\$30.00	\$3.25	\$75.50	\$43.86	\$3.50	\$4.61	\$4.61	14	\$97.32	\$21.82	28.9%					
	2866	\$30.00	\$3.25	\$77.64	\$43.86	\$3.50	\$4.61	\$4.61	15	\$100.36	\$22.72	29.3%					
	4000	\$30.00	\$3.25	\$140.50	\$43.86	\$3.50	\$4.61	\$4.61	34	\$189.59	\$49.09	34.9%					
	5000	\$30.00	\$3.25	\$173.00	\$43.86	\$3.50	\$4.61	\$4.61	44	\$235.73	\$62.73	36.3%					
	6000	\$30.00	\$3.25	\$205.50	\$43.86	\$3.50	\$4.61	\$4.61	54	\$281.86	\$76.36	37.2%					
	7000	\$30.00	\$3.25	\$238.00	\$43.86	\$3.50	\$4.61	\$4.61	64	\$328.00	\$90.00	37.8%					
	8000	\$30.00	\$3.25	\$270.50	\$43.86	\$3.50	\$4.61	\$4.61	74	\$374.13	\$103.63	38.3%					
	9000	\$30.00	\$3.25	\$303.00	\$43.86	\$3.50	\$4.61	\$4.61	84	\$420.27	\$117.27	38.7%					
	10000	\$30.00	\$3.25	\$335.50	\$43.86	\$3.50	\$4.61	\$4.61	94	\$466.41	\$130.91	39.0%					
	11000	\$30.00	\$3.25	\$368.00	\$43.86	\$3.50	\$4.61	\$4.61	104	\$512.54	\$144.54	39.3%					
	12000	\$30.00	\$3.25	\$400.50	\$43.86	\$3.50	\$4.61	\$4.61	114	\$558.68	\$158.18	39.5%					
	15000	\$30.00	\$3.25	\$498.00	\$43.86	\$3.50	\$4.61	\$4.61	144	\$697.08	\$199.08	40.0%					
	20000	\$30.00	\$3.25	\$660.50	\$43.86	\$3.50	\$4.61	\$4.61	194	\$927.76	\$267.26	40.5%					
	23500	\$30.00	\$3.25	\$774.25	\$43.86	\$3.50	\$4.61	\$4.61	229	\$1,089.24	\$314.99	40.7%					
				\$4,685.89						\$6,503.42		38.8%					

Pete's Mountain Water Co., Inc.

UW 117

RATE IMPACT 2"
2 TIER / 600 CF in BASE

Revenues: 152,880 8% ROR
Increase: 34.6% 600 in BASE
\$70.18 Base 71 / 29
\$3.50 Tier 1 (>600 Up to 1600)
\$4.61 Tier 2 (> 1600)

\$3.50 Tier 1 >600 up to 1,600
\$4.61 Tier 2 >1,600

Commodity Rate

BASE	Monthly Consumptions Customer Usage	Current Base Rate Includes 600	Current Commodity Rate Per 100 cf	Total Current Average Monthly Rate	Proposed Customer Base Rate Includes 600	1,600		Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
						Proposed Commodity Rate Per 100	Proposed Commodity Rate Per >1600				
0		\$30.00	\$3.25	\$30.00	\$70.18	\$3.50	\$4.61	0	\$70.18	\$40.18	133.9%
600		\$30.00	\$3.25	\$30.00	\$70.18	\$3.50	\$4.61	1	\$70.18	\$40.18	133.9%
1000		\$30.00	\$3.25	\$43.00	\$70.18	\$3.50	\$4.61	4	\$84.18	\$41.18	95.8%
1600		\$30.00	\$3.25	\$52.50	\$70.18	\$3.50	\$4.61	10	\$105.18	\$42.68	68.3%
2079		\$30.00	\$3.25	\$78.07	\$70.18	\$3.50	\$4.61	15	\$127.29	\$49.22	63.0%
4203		\$30.00	\$3.25	\$147.08	\$70.18	\$3.50	\$4.61	36	\$225.25	\$78.17	53.1%
5000		\$30.00	\$3.25	\$173.00	\$70.18	\$3.50	\$4.61	44	\$262.04	\$89.04	51.5%
6000		\$30.00	\$3.25	\$205.50	\$70.18	\$3.50	\$4.61	54	\$308.18	\$102.68	50.0%
7000		\$30.00	\$3.25	\$238.00	\$70.18	\$3.50	\$4.61	64	\$354.32	\$116.32	48.9%
8000		\$30.00	\$3.25	\$270.50	\$70.18	\$3.50	\$4.61	74	\$400.45	\$129.95	48.0%
9000		\$30.00	\$3.25	\$303.00	\$70.18	\$3.50	\$4.61	84	\$446.59	\$143.59	47.4%
10000		\$30.00	\$3.25	\$335.50	\$70.18	\$3.50	\$4.61	94	\$492.72	\$157.22	46.9%
11000		\$30.00	\$3.25	\$368.00	\$70.18	\$3.50	\$4.61	104	\$538.86	\$170.86	46.4%
12000		\$30.00	\$3.25	\$400.50	\$70.18	\$3.50	\$4.61	114	\$585.00	\$184.50	46.1%
15000		\$30.00	\$3.25	\$498.00	\$70.18	\$3.50	\$4.61	144	\$723.40	\$225.40	45.3%
20000		\$30.00	\$3.25	\$660.50	\$70.18	\$3.50	\$4.61	194	\$954.08	\$293.58	44.4%
23528		\$30.00	\$3.25	\$775.16	\$70.18	\$3.50	\$4.61	229	\$1,116.85	\$341.69	44.1%
				\$4,618.31					\$6,864.76		48.6%

\$4,618.31

\$6,864.76

48.6%

IMO

CASE: UW 117
WITNESS: Renee Sloan
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

**Comments Prepared by
David and Kay Pollack**

October 16, 2006

Pete's Mountain Water Company Rate Increase Proposal
PUC Docket Item UW 117
August 23, 2006

Settlement Conference Testimony
David and Kay Pollack

Introduction and Overview

We have lived on Pete's Mountain for over 33 years and have been customers of the Pete's Mountain Water Company since shortly after it began operating. We have participated in the prior PUC actions in 1976-7, 1986-7 and in 1991.

Our main concern now, as it was then, is to assure the long term availability and sustainability of an adequate water supply to the system and to the people living on Pete's Mountain. We also want assurance that water rates are justifiable, equitable to all parties, and will work to discourage excessive use of this precious and finite resource.

Long term water availability is being jeopardized at this time by multiple factors and is unlikely to improve:

1. We have dry summers in Oregon and water availability is not unlimited.
2. More residences are being approved in the area. Unless and until rainwater reclamation technology becomes more widely used in new and existing residences, the new homes will undoubtedly draw from the same aquifer that the company's wells depend upon. Measure 37 claims may lead to a dramatic increase in the area's residences.
3. There is no apparent enforcement of Water Resources Commission regulations regarding the maximum area for irrigation.
 - a. ORS Ground Water Rules (537.545 Exempt uses) limit the use of ground water to "watering any lawn or noncommercial garden not exceeding one-half acre in area."
 - b. These same ORS provisions include authorization of the Water Resources Commission to oversee the appropriate use of ground water, to assure that "beneficial use without waste, within the capacity of available sources, be the basis, measure and extent of the right to appropriate ground water." The Commission can determine if an area meets the criteria for "critical ground water area" designation with attendant authority to remedy such situations. The criteria for such designation includes the possibility that "available ground water supply in the area in question is being or is about to be overdrawn." The Wilsonville-Sherwood area is currently designated as a ground water "limited" area, indicating that the capacity of the area is already considered at risk.
4. Current rates are structured so that higher water usage costs less per cubic foot than the amount of use covered by the basic monthly minimum fee. This has unquestionably reinforced higher usage and will most likely continue to do so if the rate structure continues to charge less per unit of volume for higher use.

Our comments will cover the following main points.

- I. Historical review of our water rates and how the system is currently structured
- II. The justifiability of the revenue increase requested by the Pete's Mountain Water Company
- III. Proposals for the best way to restructure the rate system in order to generate the sufficient revenues to meet the company's needs

I. Historical Review

1. Since the mid-1970's, the PUC has conducted three separate investigations and rulings regarding Pete's Mountain Water Company. In 1976, based on a petition from customers that was stimulated by a surprisingly large rate increase announcement from the company, the PUC ruled that the company was required to abide by PUC rules and rate setting procedures. A modest rate increase was granted.
2. In 1987 another rate increase was approved. A cost of service report included a usage summary indicating an average annual household use of ~13,500 cf, with only 4 of 39 customers averaging over 2000 cf per month. We and several other customers had suggested a conservation-based rate increase, but the PUC established the rate structure that exists to this day, in which customers using more water pay less, thus reinforcing excessive and inefficient water use practices
3. In 1991, a group of customers proposed a conservation-based rate change, which the PUC did not approve. Our 1991 rate proposal was strikingly similar to the current PUC Settlement Package proposal. The 1991 PUC Staff recommendations did not support the change in the rate design, primarily because they determined that no revenue change was needed at that time. In acknowledging the concerns about overuse of water, the staff report rather naively suggested that customers limit their water usage to support conservation and efficient use through voluntary efforts to reduce consumption and that the "homeowners associations" in the area "could agree on some reasonable guideline in limiting the area of landscaping per lot." The report acknowledged that excessive use could become a problem in the future and that system repairs and an additional well could lead to future revenue and rate changes. The report closed with a plea, urging "those high users to make every effort to conserve and to use water as efficiently as possible." The voluntary efforts suggested by the 1991 PUC staff report clearly never materialized and average household usage has dramatically increased.
4. How much has water usage increased?
 - 1986: Annual average customer usage ~ 13,500 cf (Lauterbach 1987 report)
 - 2005: Annual average customer usage ~ 33,900 cf (Pete's Mountain Water Rate Increase Application), an increase of more than 2.5 times the usage in 1986!

- Average U.S. household annual domestic use is approximately 12,000-14,000 cf (various internet resources).
- The usage among Pete's Mountain Water customers varies widely, with some users at or below the national average and others averaging 5-10 times that amount.
- Customer usage records indicate that much of the increased usage is attributed to the newer and larger residences and customers who have been added since the late 1980s.

5. Availability problems: There were several low water summers when usage restrictions were enacted, prior to the eventual failure of well #1, when there were several days when we actually had no water service.

II. Revenue Request

The first and most critical question is whether any or all of the proposed revenue increase is justified and, if so, should all of it be provided on an annualized basis? This economic and audit analysis is beyond the capability of us as intervenors. We are dependent upon the PUC staff to provide the appropriate level of scrutiny to determine what, if any, increased revenues are justified and how much should be applied to the annual revenues for the company to remain solvent. However, after reviewing the proposal, some of the expenditures are questionable or insufficiently explained and others that may be legitimate appear to be one-time expenses and would not justify an *annual* increase in rates to cover them. We trust that the PUC analysis will clarify these questions. The August 14 Settlement Package seems to provide the PUC staff analysis and conclusions regarding this issue.

III. Appropriate Rate Design

The company's proposal reflects the following rate design:

- Cost for base rate = minimum of \$12.50/ 100 cf
- Cost for additional usage = \$5.50/ 100 cf

Some customers infrequently exceed the 600 cf allowed at the minimum rate. Under the current proposal, those people would be penalized the most, with a basic rate increase of 150%.

The customer whose monthly use is:	Current monthly rate	Proposed rate	Rate increase
<600 cf	\$30.00	\$75	150%
1,600 cf	\$62.50	\$130	108%
3,600 cf	\$127.50	\$249	89%
5,600 cf	\$192.50	\$350	81.8%
7,600 cf	\$257.50	\$460	78.6%
10,600 cf	\$355.00	\$625	76.1%

In terms of percentage increase, the users of less water pay an even more disproportionately higher rate than they currently experience.

Our basic proposal's premise is that the water rate should be structured to encourage and reward conservation. It should not be structured to reward greater usage of water, i.e., users of more water should pay a higher rate per 100 cf.

Prior to receiving the PUC staff Settlement Package, we had prepared several alternative rate structure proposals based on balancing the following criteria:

1. A basic rate for reasonable minimum volume to cover lifeline use and to protect low/fixed-income households
2. Sufficient revenues to allow the company a reasonable rate of return
3. Higher commodity rate for use over basic minimum to discourage excessive use

Our first proposal is based on an assumption that the company's revenue request would be approved, i.e., a worst case scenario in terms of the total annual revenue impact on rates. It was created with a goal of capturing the presumed increased revenues that the company had requested. The following table summarizes that rate proposal, which would retain the base rate of \$30 for the first 600 cf and a higher rate of \$7.30/ 100 cf for monthly usage higher than 600 cf:

Average monthly usage	Current monthly rate/ Overall rate/ 100 cf	Proposed monthly rate/ Overall rate/ 100 cf	Effective rate increase
<600 cf	\$30.00 / >5.00	\$30.00 / >5.00	0%
1600 cf	62.50 / 3.91	103.00 / 6.44	64.7%
2600 cf	95.00 / 3.65	176.00 / 6.77	85.3%
3600 cf	127.50 / 3.54	249.00 / 6.92	95.3%
4600 cf	160.00 / 3.48	322.00 / 7.00	101.3%
5600 cf	192.50 / 3.44	395.00 / 7.05	105.2%
7600 cf	257.50 / 3.39	541.00 / 7.12	110.1%
10,600 cf	355.00 / 3.35	760.00 / 7.17	114.1%

This and the other proposals are variations on the same theme, i.e., a single or two-tiered rate above a reasonable base rate. These are as follows:

Proposal	Base rate	Tier 1 rate/100 cf	Tier 2 rate/100 cf
1991 customers' proposal	30.00/1000 cf	3.50 btw/ 1000-2000 cf	5.00 for use > 2000 cf
1 Pollack, 2006	30.00/600 cf	7.30	NA
2 Pollack, 2006	40.00/1000 cf	7.00 for use > 1000 cf	NA
3 Pollack, 2006	30.00/600 cf	6.50 btw/ 600-5000 cf	8.50 for use >5000 cf
4 Pollack, 2006	40.00/1000 cf	6.50 btw/ 1000-5000 cf	8.50 for use >5000 cf
PUC proposal	38.17/600 cf	3.65 btw/ 600-1600	4.16 for use >1600 cf

The PUC rate proposal for the settlement conference is very similar to the ones we have prepared, especially the one we proposed back in 1991 (It would be interesting to know how and whether such a rate change at that time would have affected the company's revenues and the overall availability of water.). The staff proposal provides a two-tiered rate structure with a moderate increase in the base rate and has a slightly higher commodity rate for use at the highest tier. It operates from an assumption of a lower annual revenue projection than we assumed, which is good.

However, it also differs in a very significant way. It does not go far enough in setting rates that would realistically discourage higher uses of water. In that sense the PUC settlement proposal accomplishes the first two of our rate proposal criteria (reasonable base rate and sufficient revenues), but does not adequately achieve the critical third criterion (higher rates for higher use levels), which is essential to the long-term sustainability of water availability and capacity for the customer base.

It appears that the PUC proposal is based, in part, on achieving a relatively similar percent rate increase for all classes of users, low or high. This would be commendable and acceptable if the original rate was an equitable one, but it is not an equitable starting point. The original rate was flawed and promoted excessive water use as the comparative use data from 1987 and the current test year clearly demonstrate. It is more reasonable to propose a rate structure that approaches the proposals that we have submitted. We acknowledge and are pleased that the lower annual revenue projection would mean lower commodity rates, but we still believe that the commodity rates for the tiers should be higher than for the base rate.

We request that PUC staff consider these principles and provide a modified two-tiered rate proposal that incorporates them. The final proposal should take into account the price point at which excessive water use behavior may be affected and any predictable attrition in use volume, so that revenues and rates can be adjusted to achieve the fairest outcome for all parties, while maintaining the sustainability of the water system for the long term.

In addition to our proposal, we recommend that the PUC staff research Water Resources Department or other state agency regulations that might apply to the use of ground water, especially any limitations on lawn or garden irrigation.

Nineteen years of unregulated use and weak recommendations regarding voluntary conservation have failed. It is clearly time for a different approach.

Attachments: PUC Staff Testimony & Exhibits, Lauterbach, 1987; Pollack letter to PUC, 1987; PUC Inter-Office Correspondence, Krantz, 1991; Pollack letter to PUC, 1991

Addendum. Selected ORS provisions relating to ground water use and regulation

537.525 Policy. The Legislative Assembly recognizes, declares and finds that the right to reasonable control of all water within this state from all sources of water supply belongs to the public, and that in order to insure the preservation of the public welfare, safety and health it is necessary that:

(1) Provision be made for the final determination of relative rights to appropriate ground water everywhere within this state and of other matters with regard thereto through a system of registration, permits and adjudication.

(2) Rights to appropriate ground water and priority thereof be acknowledged and protected, except when, under certain conditions, the public welfare, safety and health require otherwise.

(3) Beneficial use without waste, within the capacity of available sources, be the basis, measure and extent of the right to appropriate ground water.

(4) All claims to rights to appropriate ground water be made a matter of public record.

(5) Adequate and safe supplies of ground water for human consumption be assured, while conserving maximum supplies of ground water for agricultural, commercial, industrial, thermal, recreational and other beneficial uses.

(6) The location, extent, capacity, quality and other characteristics of particular sources of ground water be determined.

(7) Reasonably stable ground water levels be determined and maintained.

(8) Depletion of ground water supplies below economic levels, impairment of natural quality of ground water by pollution and wasteful practices in connection with ground water be prevented or controlled within practicable limits.

(9) Whenever wasteful use of ground water, impairment of or interference with existing rights to appropriate surface water, declining ground water levels, alteration of ground water temperatures that may adversely affect priorities or impair the long-term stability of the thermal properties of the ground water, interference among wells, thermal interference among wells, overdrawing of ground water supplies or pollution of ground water exists or impends, controlled use of the ground water concerned be authorized and imposed under voluntary joint action by the Water Resources Commission and the ground water users concerned whenever possible, but by the commission under the police power of the state except as specified in ORS 537.796, when such voluntary joint action is not taken or is ineffective.

(10) Location, construction, depth, capacity, yield and other characteristics of and matters in connection with wells be controlled in accordance with the purposes set forth in this section.

(11) All activities in the state that affect the quality or quantity of ground water shall be consistent with the goal set forth in ORS 468B.155. [1955 c.708 §2; 1985 c.673 §46; 1989 c.201 §2; 1989 c.833 §56]

537.629 Conditions or limitations to prevent interference with other users.

(1) When an application discloses the probability of wasteful use or undue interference with existing wells or that any proposed use or well will impair or

substantially interfere with existing rights to appropriate surface water by others, or that any proposed use or well will impair or substantially interfere with existing rights to appropriate ground water for the beneficial use of the water for its thermal characteristics, the Water Resources Department may impose conditions or limitations in the permit to prevent the same or reject the same after hearing, or, in the department's discretion, request the Water Resources Commission to initiate a rulemaking proceeding to declare the affected area a critical ground water area under ORS 537.730 to 537.740.

(2)(a) When an application discloses the probability that a proposed use or well will impair or interfere with the ability to extract heat from a well with a bottom hole temperature of at least 250 degrees Fahrenheit, the department may:

- (A) Approve the permit;
- (B) Impose conditions or limitations in the permit to prevent the probable interference or impairment;
- (C) After a hearing under ORS 537.622, reject the application; or
- (D) Request the commission to initiate a rulemaking proceeding to declare the affected area a critical ground water area under ORS 537.730 to 537.740.

(b) In deciding whether to issue, deny or condition a permit under this subsection, the department shall consider any orders or permits applicable to the ground water reservoir issued by the State Geologist or the governing board of the State Department of Geology and Mineral Industries under ORS chapter 522. [1995 c.416 §26]

537.730 Designation of critical ground water area; rules; notice. (1) The Water Resources Commission by rule may designate an area of the state a critical ground water area if:

(a) Ground water levels in the area in question are declining or have declined excessively;

(b) The Water Resources Department finds a pattern of substantial interference between wells within the area in question;

(c) The department finds a pattern of interference or potential interference between wells of ground water claimants or appropriators within the area in question with the production of geothermal resources from an area regulated under ORS chapter 522;

(d) The department finds a pattern of substantial interference between wells within the area in question and:

(A) An appropriator of surface water whose water right has an earlier priority date; or

(B) A restriction imposed on surface water appropriation or a minimum perennial stream flow that has an effective date earlier than the priority date of the ground water appropriation;

(e) The available ground water supply in the area in question is being or is about to be overdrawn;

(f) The purity of the ground water in the area in question has been or reasonably may be expected to become polluted to an extent contrary to the public welfare, health and safety; or

(g) Ground water temperatures in the area in question are expected to be, are being or have been substantially altered except as specified in ORS 537.796.

(2) The proceeding to designate a critical ground water area shall be conducted according to the provisions under ORS chapter 183 applicable to the adoption of rules by an agency, except that a hearing on a critical ground water declaration shall occur at least 60 days after notice has been given.

(3) In addition to the notice requirements under ORS 183.335, the department shall give notice by regular mail to:

(a) The owners of record of all ground water registrations, permits and certificates for water use within the affected area; and

(b) Each water well constructor licensed under ORS 537.747.

(4) If the department satisfies the notice requirements under ORS 183.335 and subsection (3) of this section, a person shall not contest a critical ground water area designation on grounds of failure to receive notice by regular mail. [1955 c.708 §26; 1957 c.341 §8; 1981 c.589 §5; 1985 c.673 §62; 1987 c.442 §1; 1989 c.201 §4; 1991 c.400 §4]

537.735 Rules designating critical ground water area. (1) A rule adopted by the Water Resources Commission under ORS 537.730 shall:

(a) Define the boundaries of the critical ground water area and shall indicate which of the ground water reservoirs located either in whole or in part within the area in question are included within the critical ground water area. Any number of ground water reservoirs which either wholly or partially overlie one another may be included within the same critical ground water area.

(b) Contain a provision requiring a periodic review of conditions in the critical ground water area. The review shall be in sufficient detail to evaluate the continuing need for the critical ground water area designation and shall occur no less frequently than once every 10 years.

(2) In adopting the rule, the commission shall consider any orders or permits applicable to the reservoir issued by the governing board or State Geologist of the State Department of Geology and Mineral Industries under ORS chapter 522.

(3) A rule by the commission under subsection (1) of this section may include any one or more of the following corrective control provisions:

(a) A provision closing the critical ground water area to any further appropriation of ground water, in which event the commission shall thereafter refuse to accept any application for a permit to appropriate ground water located within such critical area.

(b) A provision determining the permissible total withdrawal of ground water in the critical area each day, month or year.

(c) The disposition of any application for a water right permit for the use of water in the area that is pending at the time the commission initiates the rulemaking process or that is received during the rulemaking process.

(d) Any one or more provisions making such additional requirements as are necessary to protect the public welfare, health and safety in accordance with the intent, purposes and requirements of ORS 537.505 to 537.795 and 537.992.

(e) A provision closing all or part of the critical ground water area to further appropriation of ground water for its thermal characteristics.

(f) A provision determining the permissible change in thermal characteristics of ground water in all or part of the critical ground water area each day, month or year. Insofar as may be reasonably done, the Water Resources Director shall apportion the permissible total temperature impact among those appropriators whose exercise of valid rights in the critical area affect the thermal characteristics of the ground water, in accordance with the relative dates of priority of such rights. [1955 c.708 §27; 1981 c.589 §6; 1981 c.919 §1; 1985 c.673 §63; 1989 c.201 §5; 1991 c.400 §5]

537.740 Filing rules designating critical ground water area. In addition to any applicable requirements under ORS chapter 183, the Water Resources Commission shall file a copy of any rules designating a critical ground water area under ORS 537.730 to 537.740 with the county clerk of each county within which any part of the critical ground water area lies, and the county clerk shall record the designation in the deed records of the county. [1955 c.708 §28; 1985 c.673 §64; 1991 c.400 §6]

537.742 Contested case proceeding to limit use of ground water in critical ground water area. (1) Any time after the Water Resources Commission adopts a rule under ORS 537.730 designating a critical ground water area, the commission may initiate a contested case proceeding to limit the use of ground water in the area if the commission has reason to believe that any of the qualifying criteria of ORS 537.730 (1) exists.

(2) Upon the conclusion of a contested case proceeding initiated under subsection (1) of this section and upon finding that the problems that resulted in the designation of a critical ground water area under ORS 537.730 can be resolved by implementing one or more of the corrective control provisions of this section, the commission shall issue a final order establishing any one or more of the following corrective control provisions:

(a) A provision apportioning the permissible total withdrawal as established by rule under ORS 537.730, among the appropriators holding valid rights to ground water in the critical area in accordance with the relative dates of priority of such rights.

(b) A provision according preference, without reference to relative priorities, to withdrawals of ground water in the critical area for residential and livestock watering purposes first. Thereafter, the commission may authorize withdrawals of ground water in the critical area for other beneficial purposes, including agricultural, industrial, municipal other than residential, and recreational purposes, in such order as the commission considers advisable under the circumstances, so long as such withdrawal will not materially affect a properly designed and operating well with prior rights that penetrates the aquifer.

(c) A provision reducing the permissible withdrawal of ground water by any one or more appropriators or wells in the critical area.

(d) Where two or more wells in the critical area are used by the same appropriator, a provision adjusting the total permissible withdrawal of ground water by such appropriator, or a provision forbidding the use of one or more of such wells completely.

(e) A provision requiring the abatement, in whole or part, or the sealing of any well in the critical area responsible for the admission of polluting materials into the ground water supply or responsible for the progressive impairment of the quality of the ground water supply by dispersing polluting materials that have entered the ground water supply previously.

(f) A provision requiring and specifying a system of rotation of use of ground water in the critical area.

(3) The commission shall conduct the proceeding under this section according to the provisions of ORS chapter 183 applicable to contested case proceedings. [1991 c.400 §2]

537.777 Regulation of controlling works of wells and distribution of ground water. (1) The Water Resources Commission shall regulate or cause to be regulated the controlling works of wells and distribute ground water to secure compliance or equal and fair distribution if the commission finds that:

(a) Any person or public agency is using or attempting to use any ground water or is operating or permitting the operation of any well owned or controlled by such person or public agency except upon compliance with ORS 537.505 to 537.795 and 537.992 and any applicable order or rule of the commission under ORS 537.505 to 537.795 and 537.992; or

(b) It is necessary in order to secure the equal and fair distribution of ground water in accordance with the rights of the various ground water users.

(2) The regulation of controlling works and distribution of ground water under subsection (1) of this section shall be as nearly as possible in the same manner as provided in ORS 540.010 to 540.130. [1957 c.341 §4; 1985 c.673 §72]

537.787 Investigation of violation of ground water laws; remedies for violation. (1) The Water Resources Commission, upon the commission's own initiative, or upon complaint alleging violation of any provision of ORS 537.505 to 537.795 and 537.992, or any rule adopted pursuant thereto, may investigate to determine whether a violation has occurred. If the investigation indicates that a violation has occurred, the commission shall notify the persons responsible for the violation, including:

(a) Any well constructor involved; and

(b) The landowner, if the violation involves construction, alteration, operation, abandonment or conversion of a well.

(2) If, after notice and opportunity for hearing under ORS chapter 183 the commission determines that one or more violations have occurred, the commission may:

(a) Provide additional time for remedy of the violation if the commission has reason to believe adequate repair or other remedy will be carried out within the specified period.

(b) If one or more persons responsible for the violation hold a water well constructor's license, suspend, revoke or refuse to renew the license.

(c) Assess a civil penalty under ORS 537.992, on the well constructor or other responsible party, including the landowner if the landowner was involved in the well construction.

(d) If an involved constructor or landowner has a surety bond required by ORS 537.753 (1) or (4) in effect, make demand on the bond in an amount not to exceed the cost of remedying the violation.

(e) Impose any reasonable condition on the water well constructor's license to insure compliance with applicable laws and provide protection to the ground water of the State of Oregon. Such action shall be conducted as a contested case proceeding according to the applicable provisions of ORS chapter 183.

(f) Any other action authorized by law.

(3) The commission may terminate proceedings against a person if:

(a) The landowner does not permit the person involved in proceedings to be present at any inspection made by the commission; or

(b) The commission determines that the person involved in proceedings is capable of complying with recommendations made by the commission, but the landowner does not permit the person to comply with the recommendations.

[1985 c.615 §5; 1985 c.673 §199; 1999 c.293 §6]

CERTIFICATE OF SERVICE

UW 117

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 16th day of October, 2006.

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**UW 117
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