



# Oregon

Theodore R. Kulongoski, Governor

## Public Utility Commission

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December 8, 2006

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

RE: **Docket No. UW 118** - In the Matter of SUNRIVER WATER LLC. Requests for a  
General Rate Increase.

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

*/s/ Kay Barnes*

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UW 118 Service List (parties)

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**PUBLIC UTILITY COMMISSION  
OF OREGON**

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**UW 118**

**STAFF DIRECT TESTIMONY**

**OF**

**KATHY MILLER  
MICHAEL DOUGHERTY**

**In the Matter of  
SUNRIVER WATER LLC  
Request for a General Rate Increase**

**December 8, 2006**

CASE: UW 118  
WITNESS: Kathy Miller

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 100**

**Direct Testimony  
In Support of the  
Stipulation**

**December 8, 2006**

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

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

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

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

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

12 A. The purpose of my testimony is to provide support for the stipulation entered into  
13 by the PUC Staff (Staff) and Sunriver Water LLC (Sunriver or Company). There  
14 were no interveners in this case, Docket UW 118. In my testimony, I will:

- 15 1) Summarize Sunriver's rate case application;  
16 2) Explain Staff's analysis of the Company's general rate increase; and  
17 3) Summarize the stipulation agreed to by the parties.

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

19 A. Yes. Staff's direct testimony in support of the stipulation Staff Exhibit 101,  
20 Sunriver's utility plant.

21 **Q. HOW IS YOUR TESTIMONY OUTLINED?**

22 A. In my testimony I will:  
23 1) Describe Sunriver Water LLC;

- 1 2) Discuss Sunriver's previous rate case UW 86;
- 2 3) Describe Sunriver's UW 118 request for rate increase;
- 3 4) Explain Staff's analysis of the Company's general rate increase;
- 4 5) Describe Staff's recommendations;
- 5 6) Explain Staff's adjustments;
- 6 7) Describe Sunriver's utility plant; and
- 7 8) Summarize the Stipulation.

8 **Q. PLEASE DESCRIBE SUNRIVER WATER LLC (SUNRIVER OR COMPANY).**

9 A. In Oregon, Sunriver is one of the larger investor-owned water companies in the  
10 state. It currently serves 4,449 customers, including residential, commercial,  
11 irrigation customers, and the Crosswater Golf Course (Crosswater). Sunriver is  
12 owned by Sunriver Resort LLP. Sunriver is located in Central Oregon.

13 **Q. PLEASE DESCRIBE THE RESULTS OF SUNRIVER'S LAST RATE CASE**  
14 **UW 86.**

15 A. Sunriver's last rate case was Docket UW 86. The final order in the docket, Order  
16 No. 02-662, was issued on September 20, 2002, and resulted in an overall  
17 increase in revenues of 13.05 percent. The major focus of the case was to  
18 separate the Contributions in Aid of Construction (CIAC) from the utility-paid plant  
19 to restore Sunriver to a positive rate base. The parties stipulated to an annual  
20 revenue requirement of \$940,571.

21 **Q. WHY WAS IT IMPORTANT IN UW 86 TO SEPARATE CIAC FROM THE**  
22 **UTILITY-PAID PLANT?**

1 A. In order to explain the necessity of removing the CIAC from the Company's plant, I  
2 have to go further back into Sunriver's history. In Docket UW 29, it was  
3 determined that \$3,427,592 of Sunriver's purported rate base consisted of CIAC  
4 that should be excluded from rate base. This resulted in Sunriver having more  
5 plant being taken out of rate base than placed into rate base, which created a  
6 negative rate base for the Company. Sunriver would have to invest enough  
7 money to cover the negative rate base before it could begin earning a return.  
8 From September 1991 to July 2002, Sunriver's rates were determined on the cost  
9 of service exclusive of any return on plant, or recovery of plant, since the  
10 Company did not have a rate base.

11 **Q. WHAT HAPPENED THAT ALLOWED STAFF TO REMOVE THE CIAC FOR**  
12 **RATEMAKING PURPOSES?**

13 As of November 2002, the PUC changed its policy of including CIAC in plant for  
14 ratemaking purposes by adopting Oregon Administrative Rule 860-036-0756. The  
15 Commission's previous treatment of CIAC was to include it in original plant and  
16 provide the company with a depreciation expense on the CIAC. If a Company was  
17 not properly amortizing CIAC, this treatment eventually eroded the rate base  
18 creating a negative rate base. Because there was no off-set in rate base to CIAC  
19 depreciation, accumulated depreciation reserve was greater than plant in service.  
20 Several water companies were suffering from a negative rate base.

21 The Commission perceived the long-term negative effect and changed its  
22 treatment of CIAC for ratemaking purposes. Current policy provides that, unless  
23 CIAC is being amortized as approved by the Commission, CIAC is no longer a

1 component of the water utility ratemaking process. For water utilities with little or  
2 no rate base, this provides a much needed incentive to reinvest in their utility's  
3 infrastructure.

4 **Q. WHAT INCREASE IN REVENUE DID SUNRIVER REQUEST IN ITS RECENT**  
5 **RATE CASE, UW 118?**

6 A. Sunriver's application showed a test year (2005) revenue of \$909,859, a proposed  
7 increase of \$502,364, resulting in total annual revenues of \$1,412,223. The  
8 Company requested a 10 percent rate of return on a rate base of \$2,695,283.

9 **Q. WHAT IS THE RESULT OF STAFF'S INVESTIGATION OF SUNRIVER'S**  
10 **RATE REQUEST?**

11 A. After thoroughly investigating Sunriver's application and proposed rates, Staff  
12 recommends annual revenues of \$1,291,279, for the residential, commercial,  
13 irrigation, flat rate, and private fire protection customers (Other Customers) not  
14 including the golf course. Staff also recommends for the same customers a  
15 10 percent rate of return on a rate base of \$2,515,916.

16 **Q. SINCE THE GOLF COURSE IS NOT INCLUDED IN THE REVENUE**  
17 **REQUIREMENT FOR THE OTHER CUSTOMERS, WHAT IS STAFF'S**  
18 **RECOMMENDATION REGARDING THE GOLF COURSE?**

19 A. Staff recommends annual revenues for Crosswater of \$62,978, with a  
20 10 percent rate of return on a rate base of \$263,176.

21 **Q. DID THE PARTIES AGREE TO STAFF'S RECOMMENDATIONS, AND IF SO,**  
22 **DID THE PARTIES ENTER INTO A STIPULATION.**

1 A. Yes. Sunriver agreed with Staff's recommendations. Sunriver and Staff (the  
2 Parties) entered into a stipulation resolving all issues.

3 **Q. WHAT ARE SUNRIVER'S CURRENT RATES, SUNRIVER'S PROPOSED**  
4 **RATES, AND STAFF'S PROPOSED RATES?**

5 A. Sunriver's current rates, its proposed rates (per its application), and the  
6 stipulated rates are included in Staff Michael Dougherty's testimony. Please  
7 see Staff/200, Dougherty/14-16.

8 **Q. WHY DOES CROSSWATER GOLF COURSE HAVE A SEPARATE REVENUE**  
9 **REQUIREMENT?**

10 A. Staff recommends that Crosswater be separated from the rest of the customers  
11 and have a separate revenue requirement based on direct and allocated plant  
12 and expenses. Staff makes this recommendation because of the Company's  
13 decision to drill a larger well (Well #14) for domestic use, and use an existing  
14 well (Well #12) for irrigation of the golf course. Well #12 contains nonregulated  
15 contaminants causing the water to have a green tint. Nonregulated  
16 contaminants include minerals such as iron and manganese that, according to  
17 the EPA, do not represent a health hazard; however, they cause the  
18 appearance of the water to be offensive.

19 **Q. HAVEN'T THE OTHER CUSTOMERS BEEN PAYING A RETURN ON AND A**  
20 **RETURN OF WELL #12?**

21 A. Yes. Well #12 was part of the water system that served all customers.  
22 Therefore, all customers have been making contributions for the well.



1 **Q. HOW DID STAFF ACCOUNT FOR THE RETURN ON AND A RETURN OF**  
2 **WELL #12?**

3 A. Staff credited the rate base for the residential, commercial, irrigation, flat rate, and  
4 private fire protection customers their portion of their contribution for Well #12, the  
5 difference between the cost of the original plant in service and the net book value  
6 of that plant as of 2006. In order to keep revenue neutral for Sunriver, Staff added  
7 the same amount to Crosswater's rate base.

8 **Q. DID THIS COMPENSATE THE CUSTOMERS REGARDING WELL #12?**

9 A. Yes. In essence the residential, commercial, irrigation, flat rate, and private fire  
10 protection customers are compensated for their contributions to Well #12. Staff's  
11 assignment of the same amount to the Crosswater's rate base ensures that it does  
12 not benefit from the reduction of the value of Well #12 due to its depreciation paid  
13 for by the Other Customers since Well #12 was placed in service. More detailed  
14 information is provided in Staff/200, Dougherty/7-12.

15 **Q. HOW WAS THE PLANT AND EXPENSES ALLOCATED TO CROSSWATER**  
16 **GOLF COURSE?**

17 A. Staff directly assigned certain plant and expenses that could be directly attributed  
18 to Crosswater. The rest of the plant and expenses were allocated using a 3-factor  
19 allocation. More detailed information is provided in Staff/200, Dougherty/2-6.

20 **Q. WHAT IS THE MAJOR DRIVER OF SUNRIVER'S PROPOSED INCREASE?**

21 A. The majority of the increase in revenue is driven by the addition of  
22 approximately \$1.4 million to rate base for utility plant associated with Well #14.

1 **Q. WHAT ADJUSTMENTS DID STAFF MAKE TO SUNRIVER'S TEST YEAR**  
2 **EXPENSES?**

3 A. Staff's adjustments to Sunriver's test year expenses are shown as adjustments  
4 to the total test year expense or to the directly assigned expense. The  
5 allocation of expenses to the Crosswater was made after Staff made its  
6 adjustments to the total expense, except when the expense could be directly  
7 assigned to Crosswater. See Staff/202, Dougherty/1-2. The following is Staff's  
8 adjustments to Sunriver's test year expenses:

- 9 1) Staff added an unallocated amount of \$47,756 to test year revenues of  
10 \$861,262 to reflect the estimated revenues Sunriver would have earned  
11 during the test year for its additional new customers.
- 12 2) Staff added an unallocated amount of \$89,183 to test year Employee Wages  
13 and Salaries of \$275,567. Staff did a market analysis using the Oregon  
14 prevailing rates in Deschutes County and the American Water Works  
15 Association's 2006 Water Utility Compensation Survey. The results  
16 indicated that Sunriver's proposed wages were reasonable.

17 One major discrepancy was the salary for the Utilities Director. At the  
18 Settlement Conference, the Company requested and Staff agreed to add an  
19 additional \$9,992 for that position. Please note that Sunriver's application did  
20 not include \$58,334, in Officers and Directors Salaries and Wage Expense  
21 previously approved in UW 86.

- 22 3) Staff added an unallocated amount of \$3,688 to Sunriver's test year  
23 Employee Pension and Benefits Expense of \$54,117. Staff also moved

1           \$41,214 of payroll tax included in Sunriver's proposed Pensions and  
2           Benefits to its proper account, Account 408 Taxes Other Than Income.

3           4) Staff added an unallocated amount of \$1,196 to Sunriver's test year  
4           Communication Expense of \$6,241, to reflect the Company's actual 2005  
5           expense.

6           5) Staff added a direct amount of \$1,824 to Sunriver's test year Purchased  
7           Power Expense of \$52,210 to reflect 2005 actual power expense and a four  
8           percent increase. Staff also directly assigned \$6,308 to Crosswater for its  
9           power expense.

10          6) Staff removed an unallocated amount of \$1,422 from Sunriver's test year  
11          Chemical Expense. The Company stated that the \$1,422 assigned to  
12          Chemical Expense should have been reported in Account 635 Testing  
13          Expense.

14          7) Staff removed an unallocated amount of \$46 from Sunriver's test year Office  
15          Supplies Expense of \$7,687. A \$46 expense for Sunriver Environmental  
16          was inadvertently included in Sunriver's office supplies expense.

17          8) Staff removed an unallocated amount of \$14,935 from Sunriver's test year  
18          O&M Expense of \$24,173. This adjustment reflects expenses that should  
19          have been capitalized, were disallowed, or moved to their proper accounts.

20          9) Staff removed an unallocated amount of \$569 from Sunriver's test year  
21          Repairs Expense of \$7,672, to reflect actual documented repairs during  
22          2005.

- 1           10) Staff removed an unallocated amount of \$38,421 from Sunriver's test year  
2           Engineering Expense of \$39,868, to deduct Engineering Expense that had  
3           been paid in full through a three-year amortization schedule approved in  
4           UW 86.
- 5           11) Staff removed an unallocated amount of \$2,658 from Sunriver's test year  
6           Accounting Expense. Sunriver's Management Contract with Sunriver Resort  
7           LLP includes accounting services. In addition, one of Sunriver's employees  
8           is an accounts payable clerk. Accounting expense is already accounted for  
9           through Account 634 Management Expense and Account 601 Employee  
10          Salaries and Wages.
- 11          12) Staff added an unallocated amount of \$98 to Sunriver's test year Legal  
12          Expense of \$128 to reflect the Company's 2005 actual expense.
- 13          13) Staff added an unallocated amount of \$3,645 to Sunriver's test year  
14          Management Contract of \$121,500. The original approved Affiliated Interest  
15          Contract, Order No. 02-662, contains an escalation factor of not less than  
16          three percent and not more than seven percent. Please note, according to  
17          Staff's calculations, Sunriver requested less of an increase than it could  
18          have based on the approved escalation rates.
- 19          14) Staff added a direct assignment of \$3,309, to Sunriver's Other Customers'  
20          Testing Expense. The \$3,309 represents a three-year average of the total  
21          estimated testing expenses of \$9,928 for the years 2007, 2008, and 2009,  
22          as provided to Staff by Umpqua Research Company. Crosswater's Well #12  
23          does not require any tests as the water is not potable.

- 1 15) Staff added an unallocated amount of \$1,056 to Sunriver's Contract  
2 Services Other. Although the Company did not report any expense for the  
3 test year, Staff requested documentation for Sunriver's 2005 Contract  
4 Services that did not fit into the other contract services accounts. The  
5 \$1,056 represents the total of the 2005 expense.
- 6 16) Staff removed an unallocated \$5,420 from Contract Services Labor  
7 reducing Sunriver's annual expense to \$0. Staff made this decision  
8 because labor is performed by employees and Sunriver did not provide any  
9 documentation for labor services other than what Staff included in Contract  
10 Services Other (#15 above).
- 11 17) Staff added an unallocated amount of \$1,000 to embed the cost of  
12 Sunriver's Credit Card and E-Payment services to its customers. Staff  
13 estimated the number of full-time residents and part-time residents to  
14 calculate an allocation of 1/3 full-time customers and 2/3 part-time  
15 customers. Staff used the resulting numbers multiplied by the per  
16 transaction fee for each estimated transaction to establish a total annual  
17 expense.
- 18 18) Staff added an unallocated amount of \$155 to Sunriver's test year  
19 Computer & Electronic Expense of \$3,803. This is based on actual invoices  
20 for 2005.
- 21 19) Staff added an unallocated amount of \$148 to Sunriver's test year  
22 Transportation Expense of \$28,145. This represents 2005 expenses and  
23 several expenses Staff moved from O&M Expense to Transportation

1 Expense. Staff allowed no estimated adjustment for the cost of fuel. Based  
2 on the Company's records, it used less fuel in 2006 than in 2005; even  
3 through the price of fuel was higher.

4 20) Staff moved an unallocated amount of \$16,252 from General Liability  
5 Insurance Expense to Vehicle Insurance Expense.

6 21) Staff removed an unallocated amount of \$56,747 from Sunriver's test year  
7 General Liability Insurance Expense of \$64,666. The deduction represents  
8 the move of \$16,252 in Vehicle Insurance Expense and \$40,495 in Property  
9 Tax into their proper accounts.

10 22) Staff added an unallocated amount of \$11,209 to Sunriver's test year  
11 Workmen Compensation Expense of \$26,501, for a total annual expense of  
12 \$37,710. This is the actual employee's individual annual income for 2005  
13 times Sunriver's Workmen Compensation factor of 10.63 percent.

14 23) Staff added an unallocated amount of \$2,221 to Sunriver's test year Rate  
15 Case Expense of \$12,000. This reflects attorney, consulting, and notice  
16 expenses of \$42,662, associated with the UW 118 rate case amortized over  
17 three years.

18 24) Staff deducted an unallocated amount of \$1,608 from Sunriver's test year  
19 Training Expense of \$3,028. The deductions represent Staff's reallocation  
20 of backflow prevention training to better reflect 5 percent of the cost to  
21 Sunriver for required employee training for Sunriver-owned devices and  
22 Staff's adjustments to Training Expense for other allocation changes.

1 25) Staff added an unallocated amount of \$4,712 to Sunriver's test year  
2 Depreciation Expense of \$98,611 to bring the account current.

3 26) Staff added an unallocated amount of \$41,038 to Sunriver's Taxes Other  
4 Than Income account for property tax, moved from Sunriver's General  
5 Liability Insurance.

6 27) Staff also added an unallocated amount of \$41,214 to Sunriver's Taxes  
7 Other Than Income account for Payroll Tax moved from Pensions and  
8 Benefits Expense.

9 28) Staff added an unallocated amount of \$1,750,929 to Sunriver's test year  
10 Utility Plant of \$2,582,233. This represents plant paid for by Sunriver up to  
11 and including 2006, as provided by Sunriver and reviewed by Staff.

12 29) Staff added an unallocated amount of \$251,432 to Sunriver's test year  
13 Accumulated Depreciation of \$1,417,624, to bring the account current.

14 30) Staff added an unallocated amount of \$51,880 to Sunriver's Inventory and  
15 Supplies Account. Although the Company originally did not include its  
16 inventory in the application, Staff requested the documentation supporting it.

17 Staff's adjustments to Sunriver's test year are shown in the table below.

18 To provide the whole picture, Staff has included (for each expense account) the  
19 following:

20 1) Expense results from UW 86 (Sunriver's previous rate case);

21 2) Sunriver's test year, proposed adjustments, and total requested expenses  
22 (as shown in its UW 118 application);

23 3) Staff's adjustments to Sunriver's test year expenses; and

## 1 4) Staff's calculated total annual expense.

	UW 86		UW 118 SUNRIVER APPLICATION			
SUNRIVER EXPENSES	Last Rate Case Results	Company Test Yr 2005	Company Proposed Adjust-ments	Company Total Request	Staff Adjust-ments	Staff Calculated Totals
Salaries and Wages - Employees	276,718	275,567	79,186	354,753	89,113	364,750
Officers/Directors Salaries and Wages	58,334	0				
Employee Pension & Benefits	96,732	54,117	43,652	97,769	3,688	57,805
Telecommunications	2,845	6,241		6,241	1,196	7,437
Purchased Power	65,648	52,210		52,210	3,566	55,776
Fuel for Power Production	709	0			0	0
Chemicals		1,422		1,422	(1,422)	0
Office Supplies Expense	25,804	7,687		7,687	(46)	7,641
619.1 Postage		12,580		12,580	0	12,580
Material and Supplies (O&M)	9,397	24,173		24,173	(14,935)	9,238
Repairs to Water Plant	14,168	7,672		7,672	(569)	7,103
Contract - Engineering	4,000	39,868		39,868	(38,421)	1,447
Contract - Accounting	32,199	2,658		2,658	(2,658)	0
Contract - Legal		128		128	98	226
Contract - Management	11,177	121,500	3,645	125,145	3,645	125,145
Contract - Testing	7,330	0			3,309	3,309
Contract - Labor		5,420		5,420	(5,420)	0
Contract - Billing/Collection		1,403		1,403	(403)	1,000
Contract - Other					1,056	1,056
Rental of Building/Real Property	5,142				0	
Computer/Electronic (not capitalized)		3,803		3,803	155	3,958
Transportation Expenses	12,497	28,145	1,548	29,693	1,548	29,693
Insurance - Vehicle	7,959	0			16,252	16,252
Insurance - General Liability	6,926	64,666		64,666	(56,747)	7,919



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SUNRIVER EXPENSES	Last Rate Case Results	Company Test Yr 2005	Company Proposed Adjustments	Company Total Request	Staff Adjustments	Staff Calculated Totals
Insurance - Workman's Compensation		26,501	11,209	37,710	11,209	37,710
Insurance - Other		0			0	
Public Relations/ Advertising Exp	667	0			0	
Amortization of Rate Case Expense	15,160	12,000		12,000	2,221	14,221
PUC Gross Revenue Fee Expense	2,338					
Bad Debt Expense		882		882	0	882
Training and Certification Expense	1,500	3,028		3,028	(1,608)	1,420
Miscellaneous Expense	12,791	0				0
408.11 Property Tax		33,153		33,153	7,885	41,038
408.12 Payroll Tax				0	41,214	41,214
409.10 Federal Income Tax		21,657	25,907	47,564	7,963	55,527
409.11 State Income Tax		8,672	10,374	19,046	7,029	26,075

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Staff's adjusted total expenses were then further allocated between the Other

4

Customers and Crosswater. For further information, please see Staff/200

5

Dougherty/3-6.

6

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

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8

A. To determine Sunriver's rate of return, Staff calculated the Company's Cost of Capital, which is the weighted Cost of Debt and Equity. Sunriver has no debt, and its capital structure is 100 percent equity. For further information, please see Staff/202 Dougherty/3.

10

11

12

**Q. HOW DID STAFF DETERMINE SUNRIVER'S RATE BASE?**

13

A. Staff determined a rate base for Sunriver's Other Customers of \$2,515,916, by taking the utility plant from UW 86 (without CIAC) and updating the plant for capital improvements purchased by Sunriver since the last rate case. The rate

14

15

1 base also includes approximately \$1.4 million of Construction Work in Progress  
2 (CWIP) for Well #14 plant that is or will be operational by June 2007. Sunriver  
3 had no new CIAC to be removed from the ratemaking process.

4 Staff determined a rate base for Crosswater of \$263,176. It includes plant  
5 directly allocated to Crosswater or allocated based on a 3-factor allocation.

6 The allocation of plant is explained fully in Staff/200 Dougherty/2-6.

7 **Q. WHAT IS CONSTRUCTION WORK IN PROGRESS AND WHY IS IT**  
8 **ALLOWED IN RATE BASE IF IT IS NOT USED AND USEFUL.**

9 A. New legislation passed in 2003 allows water utilities to include in utility plant  
10 “costs of a specific capital improvement if the water utility is required to use the  
11 additional revenues solely for the purpose of completing the capital  
12 improvement,” see ORS 757.355(2). This accounting method is called  
13 Construction Work in Progress (CWIP). Sunriver’s improvement project (Well  
14 #14) is in progress, will be completed within six months, and meets the  
15 requirement for inclusion in utility plant. A complete schedule of Sunriver’s  
16 plant and depreciation is attached as Staff Exhibit 101.

17 **Q. PLEASE DESCRIBE STAFF’S RATE DESIGN.**

18 A. The rates and rate designed are shown and fully explained in Staff 200,  
19 Dougherty/13-18.

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

21 A. Yes. Based on Staff’s investigation and the documented costs provided by  
22 Sunriver, Staff believes the proposed new revenue requirement generates rates

1 that are just and reasonable. Although the percentage increase appears to be  
2 high, the actual dollar increase is low due to Sunriver's current low rates.

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

4 A. The stipulation is made up of Staff's recommended revenue requirement and  
5 rates, as shown in the Company tariffs (Attachment B to the stipulation).

6 The Stipulation agrees to an overall increase in annual revenues for its  
7 residential, commercial, irrigation, flat rate, and private fire protection  
8 customers overall of 42.1 percent, resulting in total annual revenue of  
9 \$1,291,279. The revenue requirement is generated by the rates as shown in  
10 Sunriver's tariffs attached to the stipulation, Attachment B. Further information  
11 is provided in Staff Exhibit 202, Dougherty/1.

12 The stipulation agrees to an overall increase in annual revenues of 32.1  
13 percent for Crosswater resulting in total annual revenue of \$62,978. The  
14 revenue requirement is generated by the rates as shown in Sunriver's tariffs  
15 attached to the stipulation, Attachment B. Further information is provided in  
16 Staff Exhibit 202, Dougherty/2.

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

18 A. At the Settlement Conference on November 17, 2006, all parties (Sunriver and  
19 Staff) agreed to Staff's recommendation and entered into a stipulation in  
20 settlement of all issues in UW 118.

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

22 A. Yes.

CASE: UW 118  
WITNESS: Kathy Miller

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 101**

**Exhibits in Support  
of Direct Testimony**

**December 8, 2006**

Sunriver Water LLC Plant & Depreciation Schedules	Orig Date In Service	CIAC	Original Cost	Service Life	Depreciation Expense 2007
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**CURRENT PLANT & DEPRECIATION AS OF NOVEMBER 9, 2006, WITHOUT CIAC**

STRUCTURES & IMPROVEMENTS	10/20/1969		31,057.35	50	621.15
LAND & LAND RIGHTS	6/1/1970		3,158.68	N/A	N/A
LAND & LAND RIGHTS	6/1/1970		13,694.68	N/A	N/A
DIST. RESERVOIRS & STANDPIPES	6/20/1970		106,124.15	30	3,537.47
STRUCTURES & IMPROVEMENTS	5/1/1971		4,861.35	35	138.90
STRUCTURES & IMPROVEMENTS	6/29/1971		3,442.00	35	98.34
1974 FORD	1/1/1974		1,500.00	7	214.29
LAND & LAND RIGHTS	1/1/1976		1,343.16	N/A	N/A
TOOLS , SHO	1/1/1976		371.00	15	24.73
COMMUNICAT	1/1/1976		30.00	10	3.00
ELECTRIC PUMPING EQUIP	6/1/1976		18,472.70	20	923.64
DIST. RESERVOIRS & STANDPIPES	7/2/1976		129,238.24	30	4,307.94
METERING 1977 ADDITIONS	9/14/1976		1,580.00	20	79.00
METER INSTALLATION	12/31/1976		62.24	40	1.56
TOOL SHOP	12/31/1976		11.04	15	0.74
ELECTRIC PUMPING EQUIP	6/1/1977		778.32	20	38.92
METERS	6/1/1977		217.13	20	10.86
TOOLS, SHO	12/31/1977		1,400.36	15	93.36
LAB EQUIPM	1/1/1978		2,000.47	15	133.36
ELECTRIC PUMPING EQUIP	12/31/1978		1,057.94	20	52.90
79 FORD CO	1/1/1979		2,400.00	7	342.86
METER INSTALLATION	12/25/1979		1,293.15	40	32.33
ELECTRIC PUMPING EQUIPMENT	12/31/1979		17,094.68	20	854.73
TOOLS, SHO	1/1/1980		559.47	15	37.30
COMMUNICAT	1/1/1980		500.00	10	50.00
METERS	4/17/1980		31,934.34	20	1,596.72
METERS	10/18/1980		13,096.59	20	654.83
METER INSTALLATION	10/19/1980		7,938.91	40	198.47
METERS	8/7/1981		5,151.20	20	257.56
METERS	8/8/1981		12,938.63	20	646.93
METER INSTALLATION	8/8/1981		14,345.69	40	358.64
METER INSTALLATION	8/31/1981		28,920.77	40	723.02
WELL -GC III	12/31/1981		10,171.13	25	406.85
#4 WLL BUILDING	7/1/1982		18,747.42	35	535.64
HIGH LEVEL BOOSTER STATION	7/1/1982		3,178.25	35	90.81
METERS	7/2/1982		7,857.16	20	392.86
METER INSTALLATION	11/10/1982		8,076.61	40	201.92
1980 TOYOTA	11/19/1982		2,600.00	7	371.43
TEST GAUGE FOR BACKFLOW	4/29/1983		758.55	10	75.86
1983 METERS	6/30/1983		5,378.19	20	268.91
1983 METER INSTALLATION	6/30/1983		6,488.46	40	162.21
FLOATS FOR WATER RESERVOIR	9/6/1983		561.96	20	28.10
2 EA GP 2S PMPS	12/29/1983		494.00	20	24.70
UTILITY PLANT OFFICE BLDG	1/1/1984		5,826.56	35	166.47
#8 WELL TIES	6/30/1984		1,783.81	25	71.35
1984 METERS	6/30/1984		4,612.31	20	230.62

84 METER INSTALLATION	7/1/1984	6,050.54	30	201.68
HIGH LEVEL BOOSTER STATION #:	10/31/1984	15,881.95	35	453.77
HILEVEL BOOSTER #2 EQUIPMENT	10/31/1984	52,426.26	25	2,097.05
AIRPORT/ST	10/31/1984	655.00	50	13.10
#2 WELL AUX POWER STRUCTURA	4/1/1985	14,396.67	35	411.33
#2 WELL AUX POWER EQUIPMENT	4/1/1985	30,146.00	30	1,004.87
MOXY RADIO BASE STA	4/30/1985	1,361.72	10	136.17
2 EA MOXY MOBILE RADIOS	4/30/1985	1,437.50	10	143.75
85 METER INSTALLATION	6/21/1985	7,551.75	40	188.79
1985 METERS	7/16/1985	5,129.55	20	256.48
83 GMC 4 x 4	7/31/1985	7,527.00	7	1,075.29
AIRPORT/SKPARK WELL TIE	8/31/1985	9,776.93	25	391.08
911 ALARM SYSTEM	8/31/1985	4,016.54	10	401.65
CUT OFF SAW	11/12/1985	727.21	10	72.72
AS BUILT MAPPING	12/31/1985	3,495.14	10	349.51
2 DRAWER FILE CABINET	2/28/1986	131.00	20	6.55
86 JEEP PICKUP	3/31/1986	7,729.00	35	220.83
84' DODGE PICKUP	3/31/1986	4,029.00	7	575.57
FORD COURI	4/30/1986	2,147.38	7	306.77
WHEELER PIPE CUTTER	7/31/1986	1,331.40	20	66.57
CIRCLE #9 WELL AUX POWER EQL	9/30/1986	46,953.02	30	1,565.10
CIRCLE 9 WELL AUX POWER STRL	12/31/1986	73,181.93	35	2,090.91
AIRPORT/SKPARK WATER LINE	12/31/1986	10,771.60	50	215.43
METERING EQUIPMENT 1986	12/31/1986	4,086.90	20	204.35
86 METER INSTALLATION	12/31/1986	4,730.91	40	118.27
PASTURE WATER LINE	7/31/1987	1,485.19	50	29.70
#1 BOOSTER BUILDING 1987	12/31/1987	26,820.71	35	766.31
12"WATER TIE	12/31/1987	7,143.43	25	285.74
1987 METERS	12/31/1987	5,099.66	20	254.98
1987 METER INSTALLATION	12/31/1987	7,351.75	40	183.79
LOCKERS (2)	2/19/1988	564.00	35	16.11
1988 DODGE TRUCK	4/22/1988	6,780.00	7	968.57
PHOENIX RADIO	4/27/1988	695.00	10	69.50
1988 METERS	6/30/1988	3,483.09	20	174.15
88 METER INSTALLATION	6/30/1988	10,494.44	40	262.36
KUBOTA PORTABLE GENERATOR	10/1/1988	1,349.00	30	44.97
BOOSTER #1 GENERATOR	10/31/1988	22,570.73	30	752.36
WELL #9 30/17 FPV IV	12/31/1988	19,467.15	35	556.20
PRESSURE REDUCING STATION	12/31/1988	3,741.82	35	106.91
BLUE PRINT HAGARS	2/28/1989	848.82	10	84.88
2 DESKS 5 CHAIRS	2/28/1989	1,334.02	20	66.70
4 BRAVO PA	3/31/1989	1,028.00	10	102.80
MOBILE RADIO	5/31/1989	750.00	10	75.00
WATER METERS 89	6/30/1989	6,907.99	20	345.40
89 METER INSTALLATION	6/30/1989	17,168.73	40	429.22
I MOBIL RADIO	7/31/1989	750.00	10	75.00
MINK LANE BOOSTER	11/30/1989	11,886.44	25	475.46
WELL #2 UPGRADE	12/31/1989	6,497.42	25	259.90
AIRPORT WELL 89	12/31/1989	8,105.60	25	324.22
MARINA QUELAH TIE 89	12/31/1989	16,464.31	50	329.29
JEEP PU 5-6	3/31/1990	11,834.50	7	1,690.64
ATMOSPHERIC MONITOR CONFIN	3/31/1990	2,409.72	5	481.94

FERTILIZER SPREADER	5/31/1990	236.07	7	16.86
1983 GMC DUMP TRUCK	6/30/1990	15,806.00	7	2,258.00
1990 FORD RANGER	6/30/1990	14,740.00	7	2,105.71
CABLE LOCATOR	6/30/1990	1,550.00	10	155.00
PANASONIC PRINTER	7/31/1990	425.00	10	42.50
PERSONAL COMPUTER	7/31/1990	1,140.00	10	114.00
2 HANDHELD RADIOS	8/31/1990	1,198.00	10	119.80
BUSINESS PARK TIE 90	11/30/1990	24,984.00	50	499.68
STRUCTURES & IMPROVEMENTS	12/30/1990	41.44	35	1.18
TELEMETERING EQUIP 90	12/31/1990	5,071.80	10	507.18
1990 METERS	12/31/1990	6,789.62	20	339.48
90 METER INSTALLATION	12/31/1990	18,166.10	40	454.15
COPY MACHINE MITA 1255	2/28/1991	1,700.00	10	170.00
8" FLOW METER	3/31/1991	3,520.00	35	100.57
6" CLAY VALVE	4/30/1991	2,642.75	20	132.14
OVERFLOW SYSTEM	6/30/1991	3,091.03	30	103.03
JACKHAMMER	11/30/1991	1,684.81	10	168.48
1991 WATER METERS	12/31/1991	13,613.75	20	680.69
1991 METER INSTALLATION	12/31/1991	23,614.42	40	590.36
J.D. BACKHOE	12/31/1991	36,250.00	7	5,178.57
2 2 WAY RADIOS	2/29/1992	1,286.00	10	128.60
PORTABLE WATER PUMP	4/30/1992	369.96	20	18.50
FUJITSU DL 5800 PRINTER	6/30/1992	1,385.00	10	138.50
TRANSIT / LEVEL TRIPOD & ROD	7/31/1992	1,223.84	10	122.38
CONCRETE RETAINING WALL	11/30/1992	2,218.47	35	63.38
FUEL TANKS	11/30/1992	22,298.14	30	743.27
1992 METERS	12/31/1992	5,000.90	20	250.05
1992 METER INSTALLATION	12/31/1992	15,008.17	40	375.20
WATER METERS 93	12/31/1993	4,884.56	20	244.23
1993 WATER METERS	12/31/1993	8,866.61	20	443.33
WATER COOLER	12/31/1993	600.00	10	60.00
CELLULAR PHONE	12/31/1993	449.95	10	45.00
DEA Water Connection	12/31/1993	810.00	30	27.00
ZAGT Water Connection	12/31/1993	12,705.00	30	423.50
ZAGT Subdivision Water	12/31/1993	14,112.00	50	282.24
ZAGT Water Distribution	12/31/1993	10,145.50	50	202.91
ZAGT Subdivision Water	12/31/1993	8,469.04	50	169.38
ZAGT Subdivision Water	3/31/1994	46,763.10	50	935.26
ZAGT Subdivision Water	4/30/1994	4,447.40	50	88.95
ZAGT Water Distribution	4/30/1994	147,550.50	50	2,951.01
ZAGT Water Distribution	5/31/1994	65,036.62	50	1,300.73
WATER MAINS / WELL TIE	6/30/1994	6,865.19	25	274.61
ZAGT Water Distribution	6/30/1994	8,550.00	50	171.00
MOBILE RADIOS	7/31/1994	1,148.00	10	114.80
ZAGT Subdivision Water	7/31/1994	1,989.50	50	39.79
COMPUTER HARDWARE / SOFTWARE	8/31/1994	24,788.74	10	2,478.87
ZAGT Water Connection Bus Park	8/31/1994	26,128.50	30	870.95
FIRE HYDRANT FLOW METER	9/30/1994	535.00	35	15.29
ZAGT Water Connection Bus Park	9/30/1994	19,940.00	30	664.67
1994 WATER METERS	12/31/1994	12,474.84	20	623.74
1994 WATER METER INSTALLATION	12/31/1994	6,132.44	40	153.31
Other Subdivision Water	12/31/1994	11,105.06	50	222.10

CROSSWATER WELL STRUCTURE:	2/28/1995	75,013.04	35	2,143.23
CROSSWATER WELL EQUIPMENT	2/28/1995	105,325.33	25	4,213.01
ZAGT Water Connection	2/28/1995	2,494.50	30	83.15
PUMP	7/31/1995	1,324.13	20	66.21
DIESEL TANK COVER	10/31/1995	1,002.61	30	33.42
SNOW PLOW	11/30/1995	5,200.00	7	742.86
Water Distribution Phase III	12/31/1995	127,563.02	50	2,551.26
MAGNETIC LOCATOR MAC - 51B	7/31/1996	1,725.00	20	86.25
PENTIUM PC	7/31/1996	1,165.00	10	116.50
FILE SERVER - PENTIUM 120	7/31/1996	1,800.00	10	180.00
GENICOM LINE PRINTER	8/31/1996	5,500.00	10	550.00
PAINT 3 RESERVOIR TANKS	8/31/1996	6,150.00	30	205.00
FAX MACHINE - SHARP FO - 2600	10/31/1996	849.00	10	84.90
1996 WATER METERS	12/31/1996	19,183.54	20	959.18
1996 METER INSTALLATION	12/31/1996	8,953.21	40	223.83
CW WELL ADDNS	1/31/1997	7,061.00	35	201.74
NEW ENGINE - FORD RANGER #33	2/28/1997	3,642.95	7	520.42
VALVE DELINEATORS (MARKERS)	5/31/1997	4,821.91	10	482.19
SOFTWARE UPGRADE - UTILITY/2C	11/19/1997	7,450.00	10	745.00
1997 METERS	12/31/1997	14,461.00	20	723.05
1997 METER INSTALLATION	12/31/1997	6,144.00	40	153.60
WATER RESERVOIR TELEMETERIN	12/31/1997	2,176.00	20	108.80
Water Distribution Phase IV	12/31/1997	236.00	50	4.72
SOFTWARE - CUSTOM BILL FORM	1/6/1998	1,500.00	10	150.00
TRUCK QUA CAB 3BRHF13Z6WG2C	5/6/1998	23,497.00	7	3,356.71
DRILL PRESS	5/22/1998	850.00	10	85.00
METER READING UNIT-HANDHELD	6/30/1998	2,425.00	20	121.25
TAPE DRIVE (EXABYTE)	7/14/1998	1,776.00	10	177.60
8 HP PUMP	9/1/1998	1,215.00	20	60.75
COMPUTER ROUTERS	12/23/1998	2,237.44	10	223.74
3 COMPUTER 1 SERVER	4/30/1999	4,654.50	10	465.45
1999 FORD RANGER	6/8/1999	20,242.60	7	2,891.80
94 FORD F150	7/5/1999	8,118.91	7	1,159.84
METER INSTALLATION	12/31/1999	9,607.50	40	240.19
WATER METERS	12/31/1999	22,653.75	20	1,132.69
JACK HAMMER	6/22/2000	1,360.00	10	136.00
WORK STATION	12/29/2000	2,324.00	35	66.40
METERS	12/31/2000	11,560.81	20	578.04
COMPUTER	1/1/2001	4,332.02	10	433.20
WATER METERS	6/30/2001	6,039.92	20	302.00
TELEMETRY FIBER & CONDUIT	11/1/2001	78,751.16	30	2,625.04
SOFTWARE TELEMETRY	11/26/2001	4,657.06	10	465.71
COMPUTER SOFTWARE TELEMETI	1/9/2002	9,998.67	5	1,999.73
PCS, SERVERS, COMPUTER RACK	3/14/2002	3,644.97	5	728.99
PUMP CONTROLLERS	5/28/2002	4,703.30	40	117.58
JACK HAMMER	6/22/2002	1,360.00	10	136.00
ATMOSPHERIC MONITOR	9/18/2002	1,867.00	5	373.40
METERS	10/31/2002	7,101.89	20	355.09
UTILITY STAR PLATINUM SOFTWAI	11/8/2002	13,708.59	5	2,741.72
COMPUTER SOFTWARE BILLING	11/29/2002	3,387.00	5	677.40
SNOW PLOW	12/19/2002	12,465.00	10	1,246.50
SIEMANS HYRDORANGERS (2)	12/23/2002	3,233.00	10	323.30



WATER BOOSTER PLC	12/23/2002	8,498.50	5	1,699.70
LAPTOP	12/25/2002	606.20	5	121.24
WORK STATION	12/29/2002	2,324.00	5	464.80
METERS	12/31/2002	11,560.81	20	578.04
SCHONSTEDT LOCATOR	2/28/2003	1,708.03	10	170.80
SCHONSTEDT LOCATOR	2/28/2003	703.99	10	70.40
2003 DODGE DAKOTA, WHITE	4/17/2003	21,426.00	7	3,060.86
2003 DODGE 1500 SLT, WHITE	5/21/2003	25,719.00	7	3,674.14
BOBCAT PORT GENERATOR 5K W/	6/30/2003	1,800.00	10	180.00
EXCAVATE/ INSTALL 12 INCH WATI	10/2/2003	6,694.28	40	167.36
METERS	10/31/2003	6,046.34	20	302.32
2004 DAKOTA 4X4	3/16/2004	22,463.00	7	3,209.00
WOODLAND FIBER LABOR & MTLs	6/15/2004	75,988.85	15	5,065.92
WATER BOOSTER STATION	6/30/2004	34,602.00	40	865.05
TREE REMOVAL & CLEAN UP	8/4/2004	3,245.00	40	81.13
INSTALL 12 IN PIPE	8/23/2004	11,000.00	40	275.00
HP LASERJECT PRINTER	8/26/2004	2,986.18	5	597.24
WOODLAND FIBER SWITCHES & P	9/13/2004	14,751.19	15	983.41
FENCES @ RESERVOIR	10/15/2004	26,680.00	20	1,334.00
CONCRETE FLOOR	11/29/2004	940.00	40	23.50
DELL PRECISION 470 DESKTOP	11/30/2004	1,837.00	5	367.40
PUMP WIRING	12/14/2004	5,428.81	10	542.88
ECCENTRIC REDUCER & PARTS	12/29/2004	1,848.02	40	46.20
CHLORINATOR	12/30/2004	7,010.00	20	350.50
KOHLER GENERATOR (USED)	12/31/2004	5,525.00	10	552.50
METERS	12/31/2004	5,946.60	20	297.33
ELECTRIC PUMP CONTROL WH&H	1/31/2005	6,743.78	20	337.19
HYDRANT PUMP & EXTENDABLE RETRIEVER	3/1/2005	732.69	10	73.27
ALUMINUM FLOOR PLATE	3/11/2005	405.16	10	40.52
FLOWMETER	6/16/2005	845.89	10	84.59
T9729 APPLICATION (land)	7/27/2005	350.00	NA	NA
TOOLS - DOUBLE SHOT WRENCH, DOUBLE SHOT THROUGH BOLT WRENCH,HAND WRENCH	11/14/2005	794.56	15	52.97
DODGE TRUCK 2005	4/27/2005	21,402.00	7	3,057.43
DODGE TRUCK WITH CANOPY	5/19/2005	24,877.00	7	3,553.86
INTERNATIONAL DUMP TRUCK	6/30/2005	36,908.70	7	5,272.67
HIGH PRESSURE WASHER	10/7/2005	4,475.00	10	447.50
METERS	12/31/2005	5,814.23	20	290.71
COMPUTER EQUIPMENT	3/14/2006	1,338.00	5	267.60
2006 DODGE DAKOTA 4WD (REPLACES 99 FOR RANGER)	3/29/2006	22,831.00	7	3,261.57
PIPE BACK FOR TRUCK	3/29/2006	2,100.00	7	300.00
BACKHOE	4/1/2006	61,740.00	20	3,087.00
SKID STEER	4/1/2006	22,840.00	20	1,142.00
COMPUTER SERVER SWITCH TO FIBER (REPLACE CORE SWITCH)	5/1/2006	988.00	5	197.60
WATER RIGHTS WELL #14	9/13/2006	108.31	N/A	N/A
WATER RIGHTS WELL #14	8/23/2006	590.00	N/A	N/A
WATER RIGHTS WELL #14	5/11/2006	375.46	N/A	N/A
WATER RIGHTS WELL #14	4/6/2006	65.44	N/A	N/A

WATER RIGHTS WELL #14	3/29/2006	847.15	N/A	N/A
WATER RIGHTS WELL #12	2/20/2006	1,734.52	N/A	N/A
WATER RIGHTS WELL #14	1/1/2006	803.70	N/A	N/A
WATER RIGHTS WELL #14	2/15/2006	1,734.52	N/A	N/A

<b>PLANT THUR 2006 SUBTOTAL</b>	<b>0.00</b>	<b>2,928,662.13</b>		<b>154,317.54</b>
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**2006 CWIP, In Service By June 2007**

Electrical service to reservoir	1/1/2007	8,000.00	35	228.57
Well No. 14 (well)	1/1/2007	1,120,000.00	40	28,000.00
Well No. 14 (HVAC/mechanical)	1/1/2007	20,000.00	20	1,000.00
Well No. 14 (generator)	1/1/2007	60,000.00	35	1,714.29
Fiber to Well No. 2	1/1/2007	10,000.00	40	250.00
Crosswater well pumps and piping	1/1/2007	65,000.00	40	1,625.00
Software Telemetry	1/1/2007	5,500.00	10	550.00
Remote read meters	1/1/2007	50,000.00	20	2,500.00
Meters & Installation	1/1/2007	12,500.00	20	625.00
Hydrants	1/1/2007	9,500.00	40	237.50
Billing System	1/1/2007	38,000.00	10	3,800.00
New Billing system server	1/1/2007	6,000.00	5	1,200.00

<b>SUBTOTAL 2006 CWIP</b>	<b>none</b>	<b>1,404,500.00</b>		
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Sunriver Water LLC Plant & Depreciation Schedules	Orig Date In Service	CIAC	Original Cost	Service Life	Depreciation Expense
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TOTA PLANT THRU 2006 **Original Plant** 4,333,162.13

**Less Accum Depreciation (1,669,055.79)**

**Net Plant 2,664,106.34**

<b>2007 Depreciation Expense</b>
<b>146,322.69</b>

CASE: UW 118  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 200**

**Direct Testimony  
In Support of the  
Stipulation**

**December 8, 2006**

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

3 A. My name is Michael Dougherty. My business address is 550 Capitol Street NE  
4 Suite 215, Salem, Oregon 97301-2551.

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

7 A. My Witness Qualification Statement is found in Exhibit Staff/201.

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

9 A. The purpose of my testimony is to:

- 10 1. Discuss allocations used by Sunriver Water LLC (Sunriver) and Staff in
- 11 determining revenue requirement.
- 12 2. Discuss rate-making treatment of Well #12 and Well #14.
- 13
- 14 3. Discuss Staff's rate design for Sunriver customers.
- 15

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

17 A. Yes. I prepared Exhibit Staff/202, consisting of 7 pages.

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

19 A. My testimony is organized as follows:

20	Issue 1, Allocations .....	2
21	Issue 2, Well #12 and Well #14 .....	7
22	Issue 3, Rate Design.....	13

1 **ISSUE 1, ALLOCATIONS**

2 **Q. PLEASE DESCRIBE THE ALLOCATIONS SUNRIVER USED IN**

3 **DETERMINING REVENUE REQUIREMENT.**

4 A. Sunriver used two different allocations in determining revenue requirement for  
5 water customers. The first set of allocations applied by Sunriver was an  
6 allocation of costs between Sunriver Environmental LLC (Environmental) and  
7 Sunriver Water LLC (Sunriver). The second set of allocations applied by  
8 Sunriver was an allocation of costs between Residential, Commercial, and  
9 Irrigation customers (hereafter referred to "Potable Water Users") and the  
10 Crosswater Golf Course (Crosswater).

11 **Q. WHY IS THERE AN ALLOCATION BETWEEN SUNRIVER AND**

12 **ENVIRONMENTAL?**

13 A. Sunriver and Environmental are both subsidiaries of Sunriver Resorts LLP.  
14 Sunriver and Environmental are both structured as separate limited liability  
15 companies (LLCs).<sup>1</sup> Although the two companies are separate LLCs, they  
16 have shared personnel, shared office space, and shared services.  
17 Environmental is not a regulated utility pursuant to ORS 757.005 and  
18 ORS 757.061.

19 **Q. HOW ARE THE ALLOCATIONS BETWEEN SUNRIVER AND**

20 **ENVIRONMENTAL DETERMINED?**

21 A. The allocations were determined and reviewed in previous rate filings (UW 29  
22 and UW 86). The allocations are based on various factors such as actual

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<sup>1</sup> Sunriver Environmental LLC's Secretary of State Registry Number is 615558-85. Sunriver Water LLC's Secretary of State Registry Number is 615556-85.

1 employee time, calculated usage for office equipment, and historical account  
2 information. The allocations are Operations and Maintenance (O&M) account  
3 specific and allocations for Sunriver vary from as low as zero percent in some  
4 accounts to as high as 90 percent in other accounts.

5 **Q. DID YOU MAKE ANY ADJUSTMENTS TO THE ALLOCATIONS**  
6 **BETWEEN SUNRIVER AND ENVIRONMENTAL?**

7 A. No. In addition to reviewing the allocations, I discussed the basis of the  
8 allocations with Sunriver's current Chief Financial Officer (CFO). The  
9 operations of, and allocations between the two LLCs have not changed since  
10 the previous rate applications and there was no reason to revise the previously  
11 accepted allocations.

12 **Q. DO THE PARTIES AGREE THAT THE ALLOCATIONS RESULT IN A FAIR**  
13 **AND REASONABLE APPORTIONMENT OF O&M COSTS TO**  
14 **SUNRIVER?**

15 A. Yes. The Parties agree that the previously accepted allocations result in a fair  
16 and reasonable apportionment of O&M costs to Sunriver.

17 **Q. PLEASE EXPLAIN THE ALLOCATIONS USED BY SUNRIVER TO**  
18 **ALLOCATE O&M AND PLANT COSTS BETWEEN POTABLE WATER**  
19 **USERS AND CROSSWATER GOLF COURSE.**

20 A. In Sunriver's previous rate case, UW 86, Sunriver, Staff, and the Sunriver  
21 Owner's Association entered into a stipulation that was approved by the  
22 Commission in Order 02-662, dated September 20, 2002. Included in the  
23 stipulation was the following:

1           “The Company agrees that it will provide a marginal cost of  
2           service study that demonstrates the cost to serve each  
3           customer class and identifies the revenue responsibility for  
4           each respective customer class by November 1, 2003, or at  
5           the Company’s next filing with the Commission, whichever  
6           comes first. For the purposes of this study, the Company  
7           shall separately calculate the cost to serve residential,  
8           commercial, and irrigation customers.”  
9

10           As a result of the stipulation, Sunriver completed a Cost of Service Study that  
11           was submitted to Staff in December 2003. In its UW 118 submission,  
12           Sunriver utilized the results of the Cost of Service Study to determine the cost  
13           of service between Potable Water Users and Crosswater.

14           **Q. DID YOU MAKE ANY ADJUSTMENTS TO THE ALLOCATIONS**  
15           **BETWEEN POTABLE WATER USERS AND CROSSWATER?**

16           A. Yes. Staff calculated different allocations for O&M costs; however, Staff  
17           agreed with Sunriver’s allocation for determining plant that was not otherwise  
18           directly allocated.

19           **Q. PLEASE DISCUSS YOUR ALLOCATIONS FOR DETERMINING O&M**  
20           **COSTS.**

21           A. I used actual charges whenever possible, a meter allocation for billing  
22           functions, and a 3-factor a formula when determining labor, management, and  
23           other non-billing functions. Staff Exhibit 202, Pages 1 and 2 show the  
24           allocations applied to each account for both the Potable Water Users and  
25           Crosswater.

1 **Q. PLEASE EXPLAIN THE 3-FACTOR FORMULA THAT YOU USED.**

2 A. I used a 15-70-15 weighing of Consumption-Meters-and Directly Allocated  
3 Plant. Each factor was determined based on test year inputs. As an example,  
4 Crosswater accounted for 11.69 percent of Sunriver's test year consumption.  
5 The following table shows the breakdown of the three factors used to  
6 determine the 3-factor formula.

7 **Table 1 - 3-Factor Allocation**

<b>Factor</b>	<b>Potable</b>	<b>Crosswater</b>
Consumption	88.31%	11.69%
Meters	99.96%	0.04%
Directly Allocated Plant	95.28%	4.72%
<b>3-Factor</b>	<b>97.51%</b>	<b>2.49%</b>

8  
9 The meter allocation to Crosswater is a small percent since Crosswater only  
10 accounts for 2 of 4,449 meters. Staff Exhibit 202, Page 3 shows how the  
11 allocations were calculated.

12 **Q. WHY DID YOU USE A 15-70-15 WEIGHING INSTEAD OF AN EQUAL**  
13 **WEIGHING?**

14 A. I used a 15-70-15 weighing because the prime driver for personnel and  
15 management time was meters. Although meters were the primary cost  
16 causative factor, consumption and directly allocated plant were also taken into  
17 consideration since these were also cost causative factors. The final costs to  
18 Crosswater from Staff's allocation were higher than the costs originally  
19 calculated by the Company.



1 **Q. DO YOU BELIEVE THE 3-FACTOR FORMULA THAT YOU USED**  
2 **RESULTED IN AN ACCURATE ALLOCATION OF COSTS?**

3 A. Yes. Although the three factors used in this case are different than the inputs  
4 normally used in the 3-factor formula (revenues, assets, and personnel)  
5 previously recognized by the Commission, the factors used by Staff were the  
6 most appropriate for allocating costs between the classes of water users. Staff  
7 did not use personnel count in the factor formula since Staff was determining  
8 the right amount of apportionment for personnel. Additionally, Staff did not use  
9 revenue as a factor since the allocations would ultimately affect the revenue  
10 requirement of both classes of water customers.

11 **Q. HOW DID STAFF'S ALLOCATION COMPARE TO SUNRIVER'S**  
12 **ALLOCATIONS?**

13 A. The overall effect of Staff's allocations was an increase in revenue requirement  
14 for Crosswater and a decrease in revenue requirement for the Potable Water  
15 Users. These changes in revenue requirement were neutral to the Company,  
16 but had the overall affect of decreasing rates for Potable Water Users and  
17 increasing rates for Crosswater.

18 **Q. DID THE COMPANY AGREE TO STAFF'S ALLOCATIONS?**

19 A. Yes, for the purpose of this rate case, the Company agreed to the allocations  
20 used by Staff.

21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON**  
22 **ALLOCATIONS?**

23 A. Yes.

1

**ISSUE 2, WELL #12 AND WELL #14**

2

**Q. PLEASE EXPLAIN THE ISSUE SURROUNDING WELL #12.**

3

A. Well #12 is one of four wells that currently supply water to Sunriver customers.

4

In its rate application, Sunriver proposed to remove the well from potable water

5

usage and solely dedicate the well for non-potable (Crosswater) water usage.

6

Sunriver proposed this shift in usage because the water from the well

7

contained inorganic material that causes discoloration of the water.

8

Additionally, at the time Sunriver made this decision it was unable to definitively

9

identify the source of the unwanted materials. As a result, the Company

10

believed it was prudent and in the best interest of customers to remove the well

11

from service to customers of potable water. Sunriver has since identified the

12

source of the problem as manganese.

13

**Q. IF WELL #12 IS BEING REMOVED FROM SERVICE FOR POTABLE**

14

**WATER USE, DO THE OTHER EXISTING WELLS HAVE THE CAPACITY**

15

**TO PROVIDE WATER FOR POTABLE WATER USERS?**

16

A. Yes. After removing Well #12, the system will still be able to provide sufficient

17

and continuous water (except for any equipment casualties) to the Potable

18

Water Users. The following table identifies the wells and capacity of the wells:

19

**Table 2 – Sunriver Wells**

Well	Capacity	Comment
#2	1,530 gpm	Full capacity for water rights
#9	1,575 gpm	Full capacity for water rights
#12	550 gpm	Irrigation (Crosswater); prior potable capacity 1,700 gpm.
#14	2,150 gpm	New well that perfects Company Water Rights

20

1 **Q. BASED ON THE ABOVE TABLE, WAS WELL #14 INCLUDED IN**  
2 **SUNRIVER'S PREVIOUS RATE APPLICATION, UW 86?**

3 A. No. Well #14 is a new well and the capital costs of Well #14 were not included  
4 in UW 86. Sunriver constructed this new well to address the water quality  
5 issues in Well #12, water pressure problems that occur during periods of peak  
6 water usage, and perfecting water rights. As part of the construction project for  
7 Well #14, Sunriver transferred the domestic water rights from Well #12 to  
8 Well #14. In addition, Sunriver transferred the irrigation water rights from  
9 Well #2 and Well #9 to Well #12. According to Sunriver, since Crosswater is  
10 the single largest user of water at periods of peak water usage, separating the  
11 irrigation system from the domestic water system should alleviate current low  
12 water pressure problems during peak usage.

13 In addition to the issues of water pressure and water quality, Sunriver also  
14 constructed Well #14 to have enough pumping capacity to perfect its water  
15 rights. As can be noted from the above table, Well #12's capacity is smaller  
16 than Well #14. Well #14's larger capacity allows Sunriver to have enough  
17 physical capacity in order to demonstrate compliance of beneficial use to the  
18 Oregon Water Resources Department. Perfecting of the water rights<sup>2</sup> will allow  
19 Sunriver's to maintain its water rights, and ensure that the Company will have

---

<sup>2</sup> The term "Perfecting water rights" is a term that is used in most of the western states (Prior appropriation doctrine states). Basically water use permits become "perfected" into Certificates of Water Rights. Once the water project under permit is completed, the permit holder must send notice to the Oregon Department of Water Resources (OWRD) that work has been completed. The permit holder is then required to submit proof of water use to OWRD. This is called the Claim of Beneficial Use (CBU).

1 the necessary capacity to provide water to its customers now and in the future.  
2 Perfecting of the water rights, coupled with alleviating water quality and water  
3 pressure issues is a tangible benefit to the Potable Water Users.

4 **Q. WHAT IS THE RATE MAKING IMPLICATIONS OF REMOVING WELL #12**  
5 **FROM POTABLE WATER USAGE?**

6 A. Well #12 has been in service since 1995. Since the well supplied water to both  
7 Crosswater and Potable Water Users, Potable Water Users have been paying a  
8 return on and return of the well and associated equipment. Since the well is no  
9 longer serving Potable Water Users (it can be cross-connected if needed), the  
10 Company and Staff agreed that the Potable Water Users should be made whole  
11 for their contribution to the well and associated equipment. In order to make the  
12 Potable Water Users whole, I deducted the adjusted difference between the  
13 equipment's original cost of service and 2005 net book value from the Potable  
14 Water Users rate base. The effect of this deduction lowered rate base, and in  
15 turn lowered the revenue requirement, for the Potable Water Users. The lower  
16 revenue requirement results in lower rates for the Potable Water Users.

17 **Q. WHAT DO YOU MEAN BY THE ADJUSTED DIFFERENCE?**

18 A. The adjusted difference was based on the calculated amount the Potable Water  
19 Users contributed to the return on and return of the well and associated  
20 equipment. The total difference between original cost in service and net book  
21 value was \$84,320. I took this amount and multiplied it by the percentage of  
22 Sunriver's 2005 revenue that was contributed by the Potable Water Users

1 (93.8 percent). The result was a \$79,092 reduction in the Potable Water Users  
2 rate base.

3 **Q. DOES THIS REDUCTION IN RATE BASE RESULT IN LOWER**  
4 **REVENUES FOR SUNRIVER?**

5 A. No. In addition to subtracting this amount for the Potable Water Users rate  
6 base, I added the same amount to the Crosswater rate base. This method had  
7 three primary effects. The first is that Sunriver revenue requirement would be  
8 overall neutral. Second, the Potable Water Users would be equitably  
9 compensated for the removal and transfer of service of Well #12 to Crosswater.  
10 The third is that Crosswater, which is an affiliate of Sunriver, would not benefit  
11 from the previous contributions to the well by the Potable Water Users.

12 **Q. DID THE COMPANY AGREE TO STAFF'S METHOD OF DEDUCTING THE**  
13 **PREVIOUS CONTRIBUTIONS OF THE WELL TO POTABLE WATER**  
14 **USERS?**

15 A. Yes. The Company agreed in principle that the Potable Water Users should be  
16 made whole, and that deducting the previous contributions from the Potable  
17 Water Users rate base was the most equitable means of accomplishing this.

18 **Q. ALTHOUGH THE POTABLE WATER USERS RECEIVED A CREDIT FOR**  
19 **WELL #12, AREN'T THEY ASSUMING A LARGER COST BURDEN DUE**  
20 **TO THE CONSTRUCTION OF THE NEW WELL #14?**

21 A. Yes. However as previously mentioned, the well was constructed for three  
22 reasons: water quality, water pressure, and perfecting water rights. Sunriver

1       undertook the significant capital investment of Well #14 to ensure current  
2       customers continue to receive quality water at required capacity.

3       **Q. WILL WELL #14 ALSO SERVE FUTURE CUSTOMERS?**

4       A. Yes. Sunriver will also be serving a new development referred to as Caldera.  
5       Water to Caldera will be supplied by the total system that includes Well #14,  
6       Well #2, and Well #9. Because the system is interconnected, the potable water  
7       wells are not isolated to serve any particular customer.

8       **Q. SINCE THE WELL WILL BE ALSO SERVING ADDITIONAL CUSTOMERS,  
9       WAS INCLUSION OF THE WELL INTO RATES PRUDENT AT THIS TIME?**

10      A. Yes. Caldera is currently projected to add 400 customers to the Company's  
11      customer count. Over 70 of these customers are already included in the  
12      customer count used to set rates. As previously mentioned, Potable Water  
13      Users are receiving water from three wells (including Well #14). It is important  
14      to note that Sunriver needed to perfect its water rights and to do this, Well #14  
15      needed to have sufficient pumping capacity to achieve this perfecting of water  
16      rights. It would have been imprudent of the Company to construct a well that  
17      would have not achieved all three requirements (water quality, water pressure,  
18      water rights) for placing a new well in service.

19      **Q. WHAT ABOUT THE OPTION OF THE COMPANY ASSESSING A SYSTEM  
20      DEVELOPMENT CHARGE TO THE DEVELOPER OF CALDERA SO AS  
21      NOT TO INCLUDE THE PLANT IN RATE BASE?**

22      A. This option would have placed an undue cost burden on the approximately 330  
23      future customers, requiring these customers to assume the total cost of the well

1 that will eventually serve approximately 4,700 customers. As previously  
2 mentioned, Sunriver's Potable Water Users number 4,447 customers, 73 of  
3 these customers are projected Caldera residents.

4 **Q. IS THERE AN EXCESS CAPACITY ISSUE CONCERNING WELL #14.**

5 A. No. It would have been unreasonable for the Company to build a well that did  
6 not have the required pumping capacity to serve current and future customers.  
7 The projected customer count used to determine rates comprises almost  
8 95 percent of the projected customer count after full occupancy of Caldera. The  
9 driving factors of Well #14's design were pumping capacity, tie-in to the existing  
10 system, and water quality. All customers, current and future, will receive benefit  
11 from Well #14.

12 **Q. ARE YOU AWARE OF ANY DESCHUTES COUNTY, DEPARTMENT OF**  
13 **ENVIRONMENTAL QUALITY, DRINKING WATER PROGRAM, OR**  
14 **WATER RESOURCES DEPARTMENT VIOLATIONS CONCERNING**  
15 **CONSTRUCTION OF WELL #14?**

16 A. No. Sunriver received all required permits and approvals to place Well #14 into  
17 service.

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON WELL #12 AND**  
19 **WELL #14?**

20 A. Yes.

**ISSUE 3, RATE DESIGN****Q. PLEASE EXPLAIN THE STIPULATED RATE DESIGN.**

A. The stipulated rate design includes separate cost of service calculations for the Potable Water Users and Crosswater.

**Q. PLEASE EXPLAIN WHY YOU PERFORMED A SEPARATE COST OF SERVICE FOR CROSSWATER.**

A. Crosswater was separated for two reasons. The first reason was that there was concern among some of the Parties in UW 86 that Crosswater may not have been paying its fair share of Sunriver's cost. This concern resulted in the Stipulated Marginal Cost of Service Study conducted by Sunriver. The second reason is that the Company is able to physically isolate Crosswater from the rest of the system. Because of the water quality issues surrounding Well #12, the Company wanted to remove the well and associated equipment from potable water usage.

**Q. HOW WERE YOU ABLE TO DETERMINE THE COST SEPARATION BETWEEN THE POTABLE WATER USERS AND CROSSWATER?**

A. The separation was accomplished by identifying dedicated costs to each system and allocating the remaining costs using the previously discussed allocation factors.

**Q. HOW DID YOUR RESULTS COMPARE TO SUNRIVER'S?**

A. My analysis resulted in lower rates for Potable Water Users and higher rates for Crosswater. It is important to note that the difference between my results for Potable Water Users and the Company's results was mainly a factor of Staff



1 using a higher customer count. The majority of this higher customer count was  
2 a result of projected Caldera customers.

3 **Q. CAN YOU PLEASE PROVIDE A COMPARISON BETWEEN CURRENT**  
4 **RATES, SUNRIVER PROPOSED RATES, AND THE STIPULATED**  
5 **RATES?**

6 A. Yes. The following table highlights the difference in base and variable rates.

7 **Table 3 – Comparison of Base and Variable Rates**

	<b>Number of Customers</b>	<b>Current Monthly Base Rate</b>	<b>Sunriver's Proposed Monthly Base Rate</b>	<b>Stipulated Monthly Base Rate</b>
<b>Residential</b>				
Base Rate 3/4"	3,671	\$6.45	\$11.80	\$9.28
Base Rate 1"	309	\$16.13	\$29.50	\$23.20
Base Rate 1.5"	2	\$32.26	\$58.99	\$46.40
Base Rate 2"	186	\$51.62	\$94.38	\$74.24
Flat	40	\$12.45	\$15.27	\$16.75
Variable Rate per 1,000 gals		0.88	\$1.18	\$1.05
Total Residential Customers	<b>4,208</b>			
<b>Commercial</b>				
Base Rate 5/8" or 3/4"	47	\$6.45	\$11.80	\$9.28
Base Rate 1"	36	\$16.13	\$29.50	\$23.20
Base Rate 1.5"	9	\$32.26	\$58.99	\$46.40
Base Rate 2"	25	\$51.62	\$94.38	\$74.24
Base Rate 3"	1	\$106.47	\$188.75	\$139.20
Base Rate 4"		n/a	n/a	n/a
Base Rate 6"	3	\$322.64	\$589.82	\$464.02
Variable Rate per 1,000 gals		0.88	\$1.18	\$1.05
Total Commercial Customers	<b>121</b>			

1

	Number of Customers	Current Monthly Base Rate	Sunriver's Proposed Monthly Base Rate	Stipulated Monthly Base Rate
<b>Irrigation</b>				
Base Rate 3/4"	33	\$6.35	\$11.80	\$9.28
Base Rate 1"	13	\$15.88	\$29.50	\$23.20
Base Rate 1.5"	15	\$31.76	\$58.99	\$46.40
Base Rate 2"	51	\$50.81	\$94.38	\$74.24
Base Rate 3"	6	\$104.81	\$188.75	\$139.20
Variable Rate per 1,000 gals		0.42	\$1.18	\$0.82
Total Irrigation Customers	<b>118</b>			
<b>Golf Course</b>				
Base Rate 3"	<b>2</b>	\$995.59	\$1,014.41	\$1,799.36
Variable Rate per 1,000 gals		0.50	\$0.51	\$0.56
Total Customers	<b>4,449</b>			

2  
3  
4  
5

The following table highlights the difference in average rates.

**Table 4 – Comparison of Average Rates**

	Average Current Rates	Sunriver Proposed Average Rates	Stipulated Average Rates	Percent Increase Current - Stipulated	Percent Decrease / Increase Stipulated - Sunriver
<b>Residential</b>					
3/4"	\$11.16	\$18.12	\$14.91	33.52%	-17.75%
1"	\$26.24	\$44.19	\$36.27	38.23%	-17.92%
1 1/2"	\$111.04	\$164.63	\$140.40	26.44%	-14.72%
2"	\$53.85	\$97.38	\$76.91	42.81%	-21.02%
<b>Commercial</b>					
5/8" x 3/4"	\$12.65	\$20.12	\$16.68	31.84%	-17.08%
1"	\$38.12	\$58.98	\$49.44	29.69%	-16.19%
1 1/2"	\$88.86	\$134.89	\$113.94	28.22%	-15.53%
2"	\$156.55	\$235.09	\$199.45	27.40%	-15.16%
3"	\$269.62	\$407.52	\$333.87	23.83%	-18.07%
4"	\$0.00	\$0.00	\$0.00	0.00%	NA
6"	\$454.99	\$767.29	\$621.93	36.69%	-18.94%

1

	Average Current Rates	Sunriver Proposed Average Rates	Stipulated Average Rates	Percent Increase Current - Stipulated	Percent Decrease / Increase Staff - Sunriver
<b>Irrigation</b>					
5/8" x 3/4"	\$15.52	\$37.55	\$27.20	75.28%	-27.58%
1"	\$40.86	\$99.67	\$72.02	76.28%	-27.74%
1 1/2"	\$96.08	\$239.69	\$172.12	79.15%	-28.19%
2"	\$128.80	\$313.50	\$226.69	76.00%	-27.69%
3"	\$904.39	\$2,435.19	\$1,702.11	88.20%	-30.10%
Flat Rate	\$12.45	\$15.27	\$16.75	34.54%	9.69%
Crosswater	\$6,808.46	\$6,942.45	\$8,996.76	32.14%	29.59%

2

3

As can be seen from the above table, the stipulated rates with the exception of the flat (non-metered) rate and Crosswater rate, are lower than Sunriver's proposed rates. As previously mentioned, the rate differences between the stipulated rates and the Company's proposed rates are mainly a result of customer count.

4

5

6

7

8

**Q. PLEASE EXPLAIN WHY THE IRRIGATION VARIABLE RATE IS LOWER THAN THE COMMERCIAL AND RESIDENTIAL VARIABLE RATE.**

9

10

A. I set the variable rate lower than the commercial and residential variable rate because the current irrigation variable rate was \$0.46 lower than the current residential and commercial variable rate. If I applied an equivalent variable rate for all classes of Potable Water Users, the percent increase for irrigation customers would have, in most cases, been over 100 percent. Staff's policy in this case is to not allow any particular customer class to have twice the increase of the overall revenue increase. Because Staff's proposed revenue

11

12

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14

15

16

1 increase was 42.1 percent, I designed the rates for the irrigation class of  
2 customers to not exceed 84 percent. As a class, the increase was 80.87  
3 percent, although the 3 inch irrigation customers (six total) will have an average  
4 increase of 88.20 percent.

5 **Q. DID STAFF AND THE COMPANY BELIEVE THERE WAS A NEED FOR**  
6 **TIERED RATES?**

7 A. No. Staff and the Company agreed that a tier-rate structure was not necessary  
8 for various reasons including:

- 9 1. The ability of Sunriver to perfect its water rights as a result of the addition  
10 of Well #14;
- 11 2. The expected decrease of pressure issues during peak usage because  
12 Crosswater will be isolated from the rest of the system; and
- 13 3. Current capacity of the system is sufficient to provide water at just and  
14 reasonable rates for all classes of customers.

15 **Q. PLEASE EXPLAIN WHY THE STIPULATED RATES FOR CROSSWATER**  
16 **AND THE FLAT RATE FOR NON-METERED CUSTOMERS ARE HIGHER**  
17 **THAN THE RATES PROPOSED BY SUNRIVER FOR THESE**  
18 **CUSTOMERS.**

19 A. The stipulated rate for the flat (non-metered) rate is higher than Sunriver's  
20 proposed rate because the increase for the non-metered should closely mirror,  
21 and not be less than the increase for the 3/4" meter residential rate.

22 The stipulated rate for Crosswater is higher than Sunriver's proposed rate  
23 primarily because of the higher allocation of expenses in my analysis and

1 because of the previously mentioned transfer of the adjusted difference in  
2 original cost and net book value of Well #12 and associated equipment. This is  
3 an overall desirable result, as the stipulated rate more accurately reflects  
4 Crosswater's cost of service. In addition, the rate increase for Crosswater  
5 closely approximates the percent increase of the 3/4" residential customers.  
6 Staff Exhibit 202, pages 4 through 7 show the rate design for both the Potable  
7 Water Users and Crosswater.

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

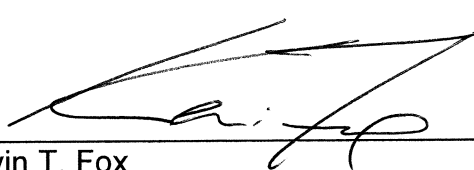
9 A. Yes. Based on Staff's investigation and the documented costs provided by  
10 Sunriver, the Stipulating Parties believe the proposed new revenue  
11 requirement for both the Potable Water Users and Crosswater generate  
12 rates that are just and reasonable.

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

14 A. Yes.

15  
16  
17  
18 I have reviewed Staff testimony, Staff/100, Miller and Staff/200, Dougherty.

19  
20 Dated this 5<sup>TH</sup> day of December, 2006.

21  
22  
23   
24 \_\_\_\_\_  
25 Kevin T. Fox  
26 Attorney  
27 Sunriver Water LLC  
28  
29

CASE: UW 118  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 201**

**Witness Qualification Statement**

**December 8, 2006**

**WITNESS QUALIFICATION STATEMENT**

NAME: MICHAEL DOUGHERTY

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: PROGRAM MANAGER, CORPORATE ANALYSIS AND WATER REGULATION

ADDRESS: 550 CAPITOL STREET, SUITE 215, NE, SALEM, OR 97301-2551

EDUCATION: Master of Science, Transportation Management, Naval Postgraduate School, Monterey CA (1987)

Bachelor of Science, Biology and Physical Anthropology, City College of New York (1980)

EXPERIENCE: Employed with the Oregon Public Utility Commission as the Program Manager, Corporate Analysis and Water Regulation. Also serve as Lead Auditor for the Commission's Audit Program.

Performed a five-month job rotation as Deputy Director, Department of Geology and Mineral Industries, March through August 2004.

Employed by the Oregon Employment Department as Manager - Budget, Communications, and Public Affairs from September 2000 to June 2002.

Employed by Sony Disc Manufacturing, Springfield, Oregon, as Manager – Manufacturing; Manager - Quality Assurance; and Supervisor - Mastering and Manufacturing from April 1995 to September 2000.

Retired as a Lieutenant Commander, United States Navy. Qualified naval engineer.

CASE: UW 118  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 202**

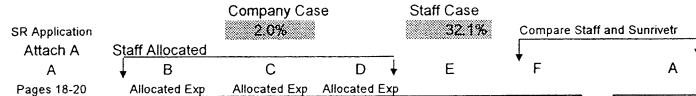
**Exhibits in Support  
of Direct Testimony**

**December 8, 2006**





Company:  
Rate Application  
Test Year:  
Golf Course



Acct. No.	REVENUES	Pages 18-20					Application Golf Course Sunriver Alloc	Allocator	15-70-15 Res/Comm/Irr	Golf
		A	B	C	D	E				
		Application Golf Course Sunriver Alloc	Allocated Exp Balance Per Application Test Year	Allocated Exp Proposed Staff Adjustments	Allocated Exp Adjusted Results (B+C=D)	Staff Proposed Rev Change	Staff Results (D+E)=F			
1	461.1 Residential Water Sales	0	0	0	0	0	0			
2	461.2 Commercial Water Sales	0	0	0	0	0	0			
3	462.1 Fire Protection	0	0	0	0	0	0			
4	462.2 Irrigation Water Sales	0	0	0	0	0	0			
5	471 Golf Course Sales	48,597	48,597	0	48,597	14,380	62,977			
6	Miscellaneous	0	0	0	0	0	0			
7	TOTAL REVENUE	48,597	48,597	0	48,597	14,381	62,978			
8						14,380				
9	<b>OPERATING EXPENSES</b>									
10	601 Salaries and Wages - Employees	2,129	6,868	2,223	9,091		9,091	3-factor	\$275,567	89,183
11	603 Salaries and Wages - Officers	0	0	0	0		0			
12	604 Employee Pension & Benefits	587	1,349	92	1,441		1,441	3-factor	\$54,117	3,688
13	610 Purchased Water	0	0	0	0		0			
14	611 Telephone/Communications	37	3	1	3		3	Meters	\$6,241	1,196
15	615 Purchased Power - Direct	6,109	6,308	0	6,308		6,308	Actual		
16	618 Chemical / Treatment Expense	0	1	(1)	0		0	Meters	1,422	-1,422
17	619 Office Supplies	46	3	(0)	3		3	Meters	7,687	-46
18	619.1 Postage	75	6	0	6		6	Meters	12,580	0
19	620 O&M Materials/Supplies	145	11	(7)	4		4	Meters	24,173	-14,935
20	621 Repairs to Water Plant	362	191	(14)	177		177	3-factor	7,672	-569
21	631 Contract Svcs - Engineering	1,883	994	(958)	36		36	3-factor	39,868	-38,421
22	632 Contract Svcs - Accounting	16	1	(1)	0		0	Meters	2,658	-2,658
23	633 Contract Svcs - Legal	6	3	2	6		6	3-factor	128	98
24	634 Contract Svcs - Management Fees	751	3,028	91	3,119		3,119	3-factor	121,500	3,645
25	635 Contract Svcs - Testing	0	0	0	0		0			
26	636 Contract Svcs - Labor	256	135	(135)	0		0	3-factor	5,420	-5,420
27	637 Contract Svcs - Billing/Collections	8	1	(1)	0		0	Meters	1,403	-1,403
28	638 Contract Svcs - E-payments	0	0	0	0		0	Meters		1,000
29	639 Contract Svcs - Other	0	0	26	26		26	3-factor		1,056
30	641 Rental of Building/Real Property	0	0	0	0		0			
31	642 Rental of Equipment	0	0	0	0		0			
32	643 Small Tools	0	0	0	0		0			
33	648 Computer/Electronic Expenses	23	2	0	2		2	Meters	3,803	155
34	650 Transportation	178	13	0	13		13	Meters	28,145	148
35	656 Vehicle Insurance	0	0	7	7		7	Meters		16,252
36	657 General Liability Insurance	3,054	29	(26)	4		4	Meters	64,666	-56,747
37	658 Workers' Comp Insurance	226	660	279	940		940	3-factor	26,501	11,209
38	659 Insurance - Other	0	0	0	0		0			
39	660 Public Relations/Advertising	0	0	0	0		0			
40	666 Amortz. of Rate Case	72	299	55	354		354	3-factor	12,000	2,221
41	667 Gross Revenue Fee (PUC)	0	0	0	0		36	Calculated		
42	668 Water Resource Conservation	0	0	0	0		0			
43	670 Bad Debt Expense	0	0	0	0		0	Meters	882	
44	671 Cross Connection Control Program	0	0	0	0		0			
45	672 System Capacity Dev Program	0	0	0	0		0			
46	673 Training and Certification	18	75	(40)	35		35	3-factor	3,028	-1,608
47	674 Consumer Confidence Report	0	0	0	0		0			
48	675 General Expense	0	0	0	0		0			
49	TOTAL OPERATING EXPENSE	15,981	19,980	1,596	21,576	36	21,612			
					21,576		21,612			
	<b>OTHER REVENUE DEDUCTIONS</b>									
50	403 Depreciation Expense	8,673	8,673	1,571	10,244		10,244			Direct & Plant Allocated
51	407 Amortization Expense	0	0	0	0		0			
52	408.11 Property Tax - Direct	1,566	18	0	18		18	Direct		
53	408.12 Payroll Tax	0	0	1,027	1,027		1,027	3-factor	41,214	
54	408.13 Other	0	0	0	0		0			
55	409.11 Oregon Income Tax	477	477	(277)	200	947	1,147	Calculated		
56	409.10 Federal Income Tax	1,190	1,190	(588)	602	2,010	2,612	Calculated		
57	TOTAL REVENUE DEDUCTIONS	27,887	30,338	3,329	33,668	2,992	36,660			
58	NET OPERATING INCOME	20,710	18,259	(3,329)	14,929	11,388	26,318			
					14,929		26,318			
59	101 Utility Plant in Service (Inc. CWIP)	280,415	276,237	(4,178)	276,237		276,237	Actual		
60	Less:									
61	108.1 Depreciation Reserve (Inc. CWIP)	(94,999)	(92,321)	1,048	(93,951)		(93,951)	Actual		
62	271 Contributions in Aid of Const	0	0	0	0		0			15,048
63	272 Amortization of CIAC	0	0	0	0		0			36,660
64	281 Add Gain on Plant Transfer	0	0	79,092	79,092		79,092			
65	Net Utility Plant	185,416	183,916	75,962	261,378	0	261,378			
66	Plus: (working capital)	0	0	0	0		261,378			
67	151 Materials and Supplies Inventory	0	0	0	0		0			
68	Working Cash (Total Op Exp /12)	1,886	1,665	133	1,798		1,798		1,343,147	
69	TOTAL RATE BASE	187,302	185,581	76,095	263,176	0	263,176		69,076	
70	Rate of Return	11.06%	9.84%				10.00%			

SUNRIVER  
cash flow

\$29,383

STAFF  
cash flow

\$36,561

83,458  
-14,381  
69,077

Company:		Test Year:									
REVENUE SENSITIVE COSTS				COST OF CAPITAL							
Revenues			1.0000	DEBT		Capital Structure	Cost	Weighted Cost			
O&M - Uncollectibles			0.0000	Bank	\$0	0.00%	0.00%	0			
Franchise Fees			0.0000	Bank	\$0	0.00%	0.00%	0			
OPUC Fee			0.0025	Other	\$0	0.00%	0.00%	0			
Short-term Interest			0.0000								
State Taxable Income			0.9975	EQUITY	\$2,350,512	100.00%	10.00%	10.00%			
					\$2,350,512	100.00%					
State Income Tax @	6.60%		0.0658								
Federal Taxable Income			0.9317								
Federal Income Tax @	15.00%		0.1397	Place actual rate in cell C18. 15% is the default.							
Total Income Taxes			0.2056								
				<b>Allocation</b>							
				<b>Consumption</b>							
Total Revenue Sensitive Costs			0.2081	Res/Comm/Irr	509,687,483	88.31%	15.00%	13.247%	<b>3-factor 15/70/15</b>		
				Golf Course	67,441,925	11.69%	15.00%	1.753%			
					577,129,408						
Utility Operating Income			0.7919								
Net-to-Gross Factor			1.2628	<b>Meters</b>							
				Res/Comm/Irr	4,447	99.96%	70.00%	69.969%			
				Golf Course	2	0.04%	70.00%	0.031%			
					4,449						
				<b>Plant Non-Allocated</b>							
				Res/Comm/Irr	Input	95.28%	15.00%	14.292%			
				Golf Course	Input	4.72%	15.00%	0.708%			
				<b>3-Factor 15/70/15</b>							
				Res/Comm/Irr		97.508%					
				Golf Course		2.492%					



**Comparison between Sunrivr Current Rates and Staff Proposed Rates**

Meter Size	Average rates	Staff Proposed rates	Class Revenue	Current Class Revenue	Percent Increase	Consumption - Residential (Test)	Staff/202 Dougherty/5	Rough Check Class Revenue
<b>Residential</b>								
3/4"	\$11.16	\$14.91	\$656,641	\$491,760	33.52%	235,445,985 gal	5/8" x 3/4"	\$656,641
1"	\$26.24	\$36.27	\$134,501	\$97,204	38.23%	35,298,760 gal	1"	\$134,501
1 1/2"	\$111.04	\$140.40	\$3,370	\$2,665	26.44%	2,148,630 gal	1 1/2"	\$3,370
2"	\$59.85	\$76.91	\$171,658	\$120,202	42.81%	5,665,571 gal	2"	\$171,658
				\$17,927		278,558,946		
<b>Commercial</b>								
5/8" x 3/4"	\$12.65	\$16.68	\$9,409	\$7,137	31.84%	3,891,600 gal	5/8" x 3/4"	\$9,409
1"	\$38.12	\$49.44	\$1,266	\$1,467	29.69%	9,594,510 gal	1"	\$1,266
1 1/2"	\$88.66	\$113.94	\$12,305	\$9,597	28.22%	6,946,420 gal	1 1/2"	\$12,305
2"	\$156.55	\$199.45	\$59,835	\$46,896	27.40%	32,911,270 gal	2"	\$59,835
3"	\$269.62	\$333.87	\$4,006	\$3,235	23.83%	2,224,737 gal	3"	\$4,006
4"	\$0.00	\$0.00	\$0	\$0	0.00%	0 gal	4"	\$0
6"	\$454.99	\$621.93	\$22,390	\$16,390	36.69%	5,414,230 gal	6"	\$22,390
				\$69,792		60,982,767		
<b>Irrigation - variable = \$0.42</b>								
5/8" x 3/4"	\$15.52	\$27.20	\$6,282	\$3,584	75.28%	4,582,950 gal	5/8" x 3/4"	\$6,282
1"	\$40.86	\$72.02	\$6,554	\$3,716	76.28%	4,578,780 gal	1"	\$6,554
1 1/2"	\$96.08	\$172.12	\$18,073	\$10,088	79.15%	16,079,630 gal	1 1/2"	\$18,073
2"	\$128.60	\$226.69	\$80,929	\$45,983	76.00%	63,694,310 gal	2"	\$80,929
3"	\$904.39	\$1,702.11	\$71,489	\$37,984	88.20%	79,958,100 gal	3"	\$71,489
				\$101,357		168,893,770		
<b>Flat Rate</b>								
	\$12.45	\$16.75	\$8,040	\$5,976	34.54%	1,252,000		\$8,040
				\$19,066		509,687,483		\$19,066
				4374				\$1,326,413

**Comparison between Sunrivr Proposed and Staff Proposed**

Meter Size	Company Proposed Avg. Rates	Staff Proposed Avg. Rates	Class Revenue	Prop. Variable	Staff Percent Decrease	Consumption - Residential (Test)	Staff/202 Dougherty/5	Rough Check Sunrivr Revenue
<b>Residential - base</b>								
3/4" - \$11.80	\$18.12	\$14.91	\$656,641	\$16.75	-17.75%	235,445,985 gal	5/8" x 3/4"	\$788,321
1" - \$29.50	\$44.19	\$36.27	\$134,501	\$12.45	-17.92%	35,298,760 gal	1"	\$163,960
1 1/2" - \$58.99	\$164.63	\$140.40	\$3,370	\$11.10	-14.72%	2,148,630 gal	1 1/2"	\$3,951
2" - \$94.38	\$97.38	\$76.91	\$171,658	\$16.75	-21.02%	5,665,571 gal	2"	\$217,342
<b>Commercial</b>								
3/4" - \$11.80	\$20.12	\$16.68	\$9,409	\$16.75	-17.08%	3,891,600 gal	5/8" x 3/4"	\$11,347
1" - \$29.50	\$58.98	\$49.44	\$1,266	\$12.45	-16.19%	9,594,510 gal	1"	\$25,481
1 1/2" - \$58.99	\$134.99	\$113.94	\$12,305	\$11.10	-15.53%	6,946,420 gal	1 1/2"	\$14,568
2" - \$94.38	\$235.09	\$199.45	\$59,835	\$16.75	-15.16%	32,911,270 gal	2"	\$70,526
3" - \$188.75	\$407.82	\$333.87	\$4,006	\$0.00	-18.07%	2,224,737 gal	3"	\$4,890
4"	\$0.00	\$0.00	\$0	\$0.00	0.00%	0 gal	4"	\$0
6" - \$589.82	\$767.29	\$621.93	\$22,390	\$16.75	-18.94%	5,414,230 gal	6"	\$27,622
<b>Irrigation</b>								
3/4" - \$11.80	\$37.55	\$27.20	\$6,282	\$16.75	-27.58%	4,582,950 gal	5/8" x 3/4"	\$9,914
1" - \$29.50	\$99.67	\$72.02	\$6,554	\$12.45	-27.74%	4,578,780 gal	1"	\$28,763
1 1/2" - \$58.99	\$239.69	\$172.12	\$18,073	\$11.10	-28.19%	16,079,630 gal	1 1/2"	\$127,909
2" - \$94.38	\$313.50	\$226.69	\$80,929	\$16.75	-27.69%	63,694,310 gal	2"	\$116,889
3" - \$188.75	\$2,435.19	\$1,702.11	\$71,489	\$16.75	-30.10%	79,958,100 gal	3"	\$172,784,338
<b>Flat Rate</b>								
	\$15.27	\$16.75	\$8,040	\$16.75	9.65%	1,252,000		\$7,330
				\$1,268,837		509,687,483		\$1,639,079
				4374				\$1,326,413

**COMPARISON OF RATES AND REVENUES - SUNRIVER CURRENT - SUNRIVER PROPOSED - STAFF CALCULATIONS**

Meter Size	Sunriver Average rates Current	Sunriver Revenue Current Rates	Sunriver Average rates Proposed	Sunriver Revenue Proposed Rates	Percent Increase	Staff Average rates Proposed	Staff Revenue Proposed Rates	Percent Increase	Staff Revenue Proposed Rates	Staff Decrease SR	Staff Customers
<b>Residential - base</b>											
3/4" - \$11.80	\$11.16	\$490,709	\$18.12	\$798,321	62.33%	\$14.91	\$656,641	33.52%	\$656,641	-17.75%	3671
1" - \$29.50	\$26.24	\$80,614	\$44.19	\$163,860	68.40%	\$36.27	\$134,501	38.23%	\$134,501	-17.92%	308
1 1/2" - \$58.99	\$111.04	\$2,665	\$164.63	\$3,951	48.26%	\$140.40	\$3,370	26.44%	\$3,370	-14.72%	2
2" - \$94.38	\$53.85	\$120,202	\$97.38	\$217,342	80.81%	\$76.91	\$171,658	42.81%	\$171,658	-21.02%	188
<b>Commercial</b>											
3/4" - \$11.80	\$12.65	\$6,985	\$20.12	\$11,347	58.99%	\$16.68	\$9,409	31.84%	\$9,409	-17.08%	47
1" - \$29.50	\$38.12	\$14,637	\$58.98	\$25,481	54.74%	\$49.44	\$21,356	29.69%	\$21,356	-16.19%	36
1 1/2" - \$58.99	\$88.86	\$9,597	\$134.89	\$14,568	51.80%	\$113.94	\$12,305	28.22%	\$12,305	-15.53%	9
2" - \$94.38	\$156.55	\$43,209	\$235.09	\$70,526	50.16%	\$199.45	\$59,835	27.40%	\$59,835	-15.16%	25
3" - \$188.75	\$269.82	\$3,235	\$407.52	\$4,890	51.15%	\$333.87	\$4,006	23.83%	\$4,006	-19.07%	1
4"	\$0.00	\$0	\$0.00	\$0		\$0.00	\$0		\$0		0
6" - \$589.82	\$454.99	\$16,380	\$767.29	\$27,622	68.64%	\$621.93	\$22,390	36.69%	\$22,390	-18.94%	3
<b>Irrigation - variable = \$0.42</b>											
3/4" - \$11.80	\$15.52	\$3,258	\$37.55	\$8,674	142.02%	\$27.20	\$6,282	75.28%	\$6,282	-27.58%	33
1" - \$29.50	\$40.86	\$3,146	\$99.67	\$9,070	143.96%	\$72.02	\$6,554	76.28%	\$6,554	-27.74%	13
1 1/2" - \$58.99	\$96.08	\$10,088	\$239.69	\$25,168	149.48%	\$172.12	\$18,073	79.15%	\$18,073	-28.19%	15
2" - \$94.38	\$128.80	\$44,179	\$313.50	\$111,921	143.40%	\$226.69	\$80,929	76.00%	\$80,929	-27.69%	51
3" - \$188.75	\$904.39	\$37,984	\$2,435.19	\$102,278	169.26%	\$1,702.11	\$71,489	88.20%	\$71,489	-30.10%	6
<b>Flat Rate</b>	\$12.45	\$5,976	\$15.27	\$7,330	22.65%	\$16.75	\$8,040	34.54%	\$8,040	9.68%	40
<b>Resulting Revenue</b>		<b>\$892,865</b>		<b>\$1,602,348</b>	<b>78.46%</b>		<b>\$1,286,837</b>	<b>44.12%</b>	<b>\$1,286,837</b>	<b>-19.69%</b>	<b>4447</b>
<b>Fire Protection</b>		\$47,659		\$48,597			\$61,476		\$61,476		
		\$73,153		\$1,650,946			\$1,348,313		\$1,348,313		
		\$1,013,677									
		Sunriver Revenue Increase		79.46%							
		Staff Revenue Increase		44.12%							
		Staff % decrease from Sunriver prop		-19.69%							
	\$229,581										
	\$1,243,258										

Staff/202 Dougherty/6

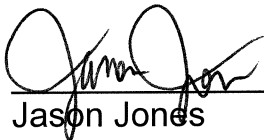


# CERTIFICATE OF SERVICE

**UW 118**

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 8th day of December, 2006.



---

Jason Jones  
Assistant Attorney General  
Of Attorneys for Public Utility Commission's Staff  
1162 Court Street NE  
Salem, Oregon 97301-4096  
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**UW 118  
Service List (Parties)**

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