



# Oregon

Theodore R. Kulongoski, Governor

## Public Utility Commission

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September 7, 2007

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

RE: **Docket No. UW 120** - In the Matter of CROOKED RIVER RANCH WATER COMPANY. Application to Establish Rates Resulting in Total Annual Revenue of \$868,453.

Enclosed for electronic filing in the above-captioned docket is the Staff Direct Testimony of Michael Dougherty.

*/s/ Kay Barnes*

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UW 120 Service List (parties)

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**PUBLIC UTILITY COMMISSION  
OF OREGON**

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**UW 120**

**STAFF DIRECT TESTIMONY OF**

**Michael Dougherty**

**In the Matter of  
CROOKED RIVER RANCH WATER COMPANY  
Application to Establish Rates Resulting in Total  
Annual Revenue of \$868,453**

**September 7, 2007**

CASE: UW 120  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 100**

**Direct Testimony**

**SEPTEMBER 7, 2007**

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

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

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

9 A. My Witness Qualification Statement is found in Exhibit Staff/101.

10 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

11 A. The purpose of this testimony is to present my analysis of Crooked River  
12 Ranch Water Company's (CRRWC or Company) UW 120 rate application.

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

14 A. The parties are Staff, the Company, and Intervenors Craig Soule  
15 (customer/member), Steve Cook (customer/member), Charles Nichols  
16 (customer/member), and Brian Elliott (President, Crooked River Ranch  
17 Water Company Board of Directors).

18 **Q. DID THE PARTIES ENTER INTO A STIPULATION?**

19 A. No.

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

21 A. Yes. Exhibits No. 102, 103, 104, and 105 contain exhibits in support of my  
22 testimony.

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

1 A. Exhibit 102 is Staff's revenue requirement page, summary of adjustments,  
2 revenue sensitive calculations, rate design, rate impacts, and plant  
3 adjustments.

4 **Q. WHAT IS EXHIBIT 103?**

5 A. Exhibit 103 contains documentation as footnoted in my testimony and  
6 supporting documentation as noted in testimony.

7 **Q. WHAT IS EXHIBIT 104?**

8 A. Exhibit 104 contains the Administrative Law Judge's Motions to Compel to  
9 the Company.

10 **Q. WHAT IS EXHIBIT 105?**

11 A. Exhibit 105 is the Staff-revised Company's tariffs based on my analysis.

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

13 A. The Testimony is organized as follows:

- 14 1. Summary comparison of CRRWC's requested revenue / rates and  
15 Staff's recommended revenue / rates;
  - 16 2. Description of CRRWC;
  - 17 3. Summary of CRRWC's rate filing;
  - 18 4. Staff's discussion on discovery;
  - 19 5. Staff's analysis of the Company's filing;
  - 20 6. Staff's adjustments to CRRWC's filing; and
  - 21 7. Summary of Staff's recommended revenue requirement and rates.
- 22  
23

**SUMMARY COMPARISON OF CRRWC'S REQUESTED REVENUE /**  
**RATES AND STAFF'S RECOMMENDED REVENUE / RATES**

**Q. PLEASE PROVIDE A QUICK COMPARISON OF CURRENT RATES,  
 REQUESTED RATES, AND YOUR PROPOSED RATES.**

A. The following table highlights the comparison between current rates,  
 requested rates, and my recommended rates.

	<b>CRRWC Current</b>	<b>CRRWC Proposed</b>	<b>Staff Proposed</b>
Total Revenue	\$806,803	\$868,453	\$525,295
Total Revenue Reductions	\$760,191	\$817,868	\$499,901
Net Income	\$46,642	\$50,585	\$25,394
Base Rate	\$35.50	\$36.50	\$18.58
Commodity Rate per 100 cf	\$0.72	\$0.80	\$0.86
Average Rate	\$38.16	\$45.05	\$27.73
Connection Charge	\$1,500	\$1,735	\$450 or cost (if cost > \$450)
Membership Fee	\$0	\$150	\$0

**Q. CAN YOU PLEASE LIST THE MAJOR COMPONENTS THAT  
 RESULTED IN YOUR LOWER REVENUE REQUIREMENT?**

A. Yes. Although each item is explained further in testimony, my lower  
 revenue is mainly a result of my recommended:

1. Disallowance on the \$8 per month surcharge;
2. Lower level of wage expense;
3. Lower level of O&M supplies expense;
4. Lower level of repair expense;

- 1 5. Lower level of legal expense;
- 2 6. Recommended disallowance of contracted labor expense;
- 3 7. Lower level of workers' compensation expense;
- 4 8. Disallowance of system capacity expense;
- 5
- 6 9. Lower depreciation expense; and
- 7
- 8 10. A lower calculated rate of return.
- 9

10 Although I recommended certain disallowances and lowering of certain  
11 expenses, I actually recommended higher levels of expense in certain  
12 cases (power, testing, postage, payroll taxes). In addition, my  
13 recommended rate base is higher than the rate base calculated by the  
14 Company's contracted accountant.

15 **CROOKED RIVER RANCH WATER COMPANY**

16 **Q. PLEASE DESCRIBE CROOKED RIVER RANCH WATER COMPANY.**

17 A. CRRWC is a Non-Profit Corporation, Mutual Benefit with Members located  
18 in Crooked River Ranch, Oregon. The Company was incorporated in 1977.  
19 CRRWC has a five-member Board of Directors and is operated by  
20 approximately 6.125 full-time equivalent employees.<sup>1</sup> The water system  
21 currently provides service to approximately 1,554 customers.

22 The Commission asserted jurisdiction of the Company pursuant to  
23 Commission Order No. 06-642 (WJ 8), entered on November 20, 2006.

24 The Order states on page 1:

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<sup>1</sup> Because of position vacancies, the Company's web page currently only list four full-time employees.

1 In this proceeding, the Public Utility Commission of Oregon  
2 (Commission) concludes that the Crooked River Ranch  
3 Water Company (CRRWC) is a regulated water utility under  
4 ORS 757.063. We base this conclusion on a finding that  
5 more than 20 percent of CRRWC's members filed a petition  
6 requesting that the company be subject to regulation. We  
7 also conclude that, because CRRWC became a regulated  
8 water utility at the time the petitions were received and  
9 verified, the company's subsequent efforts to reorganize as  
10 a cooperative were invalid.

11  
12 **Q. DOES CRRWC REFER TO ITSELF AS A COOPERATIVE?**

13 A. Yes.

14 **Q. PLEASE EXPLAIN WHY CRRWC IS NOT A COOPERATIVE.**

15 A. Commission Order No. 06-642 was clear on the organizational status of  
16 CRRWC and stated on page 5:

17 Furthermore, because jurisdiction presumptively attached at  
18 that time, CRRWC became a regulated utility subject to laws  
19 administered by the Commission. Those laws require,  
20 among other things, that a utility obtain Commission  
21 approval prior to the disposal of utility property. See ORS  
22 757.480. Contrary to CRRWC's arguments, the dissolution,  
23 transfer, and reorganization of a water company's assets  
24 requires approval under this statute. Having failed to obtain  
25 that approval, CRRWC's efforts to reorganize as a  
26 cooperative under ORS Chapter 62 are without legal effect.

27  
28 **Q. PLEASE DESCRIBE CRRWC'S WATER SYSTEM.**

29 A. The water system consists of two wells (Well No. 2 and Well No. 4) both  
30 with a capacity rating of 800 gallons per minute (1,152,000 gallons per day  
31 per well - Well No. 4 was renumbered by the Company as Well No. 1); two  
32 reservoirs - the Tower with a capacity of 700,000 gallons and the Cistern of  
33 100,000 gallons; piping; a booster pump system; pressure reducing valves;



1 hydrants; and standpipes.<sup>2</sup> Well No. 4 was brought on line in December  
2 1995, when Well No. 2 was changed to standby. According to CRRWC's  
3 20-Year Master Plan, Well No. 2 is exercised on a regular basis; however,  
4 the Company has numerous concerns about the operation of the well.<sup>3</sup>  
5 According to CRRWC's Water Management and Conservation Plan, both  
6 wells feed off the same aquifer.<sup>4</sup>

7 The Company has a water permit of 5 cubic feet per second (cfs) and  
8 3.23 million gallons per day (MGD) under permit No. G-11376, which has a  
9 priority date of June 18, 1991. The water rights are assumed to cover  
10 2,600 potential lots at Crooked River Ranch.<sup>5</sup> Based on data received from  
11 the Company, customer usage in 2006 was approximately 20 million cubic  
12 feet. This annual usage equates to approximate average of 409,863  
13 gallons per day. Actual peak demand in August 2006 was 927,182 gallons  
14 per day (gpd). This usage aligns with the Company's 20-Year Master Plan  
15 lists peak demand of 970,362 gpd.<sup>6</sup> As a result, the Company appears to  
16 have sufficient water rights for current and future operations.

17 Although the Company has sufficient water rights, CRRWC applied for  
18 and received an Order (T-9663) from the Oregon Water Resources  
19 Department (OWRD) to change the point of appropriation of a new well,  
20 Well No. 3. To fulfill the Order, CRRWC must perfect its water right by

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<sup>2</sup> Crooked River Ranch Water Company 20-Year Master Plan, November 1997, pages 4-1 to 4-4.

<sup>3</sup> *Ibid*, page 4-2.

<sup>4</sup> Crooked River Ranch Water Company Water Management and Conservation Plan, September 2003, page 2-4.

<sup>5</sup> Crooked River Ranch Water Company 20-Year Master Plan, November 1997, page 4-4.

<sup>6</sup> Crooked River Ranch Water Company 20-Year Master Plan, November 1997, page 3-9.

1 October 1, 2008. If CRRWC fails to meet this date, they will need to refile  
2 with OWRD. However, it should be noted that the application did not  
3 change the permit cfs and MGD, both staying at 5 and 3.23, respectively.  
4 As previously demonstrated, the actual peak demand of 927,182 gpd is  
5 substantially lower than the permit amount of 3.23 MGD and current wells  
6 have sufficient capacity to fulfill current usage.

7 Even though the Company has recently experienced customer growth of  
8 approximately 10.7 percent from January 2004 through January 2007,<sup>7</sup>  
9 much of this growth appears to be a result of the numerous main-line  
10 extensions installed by the Company. Based on my analysis, average use  
11 per customer is 1,066 cf per month or 35.5 cf per day (approximately 266  
12 gallons per day). As a result, this growth should not place a strain on the  
13 current rated capacity of the system. Additionally, CRRWC estimates  
14 2.5 persons per household, which is lower than the Census 2002 counted  
15 2.8 persons per household for Jefferson County given the higher  
16 percentage of retired residents inhabiting Crooked River Ranch.<sup>8</sup>

17 **Q. HAS THE COMMISSION RECEIVED ANY COMPLAINTS CONCERNING**  
18 **CRRWC SINCE JURISDICTION WAS ASSERTED?**

19 A. Yes. The Commission's Consumer Services Section (Consumer) has  
20 received 42 calls from CRRWC customers with one or more complaints.

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<sup>7</sup> Crooked River Ranch Water Company's response to Staff Data Request No. 11.

<sup>8</sup> Crooked River Ranch Water Company Water Management and Conservation Plan, September 2003, page 2-3.



1 addition, the Company assesses an \$8 per month charge for capital  
2 improvements.

3 CRRWC proposes to change the base rate to \$36.50, which includes  
4 the \$8 surcharge, but no consumption allowance, and change the variable  
5 rate to \$0.80 per 100 cf. The table below shows the Company's current  
6 and proposed rates as stated in the Application.

**All Customers**

<b>Meter Size</b>	<b>Current Base</b> Includes 700 cf and \$8 per month surcharge	<b>Proposed Base</b> (No consumption allowance, but continues \$8 per month surcharge)	<b>Current Variable Charge</b> Per 100 cf	<b>Proposed Variable Charge</b> Per 100 cf
All Meters	\$35.50	\$36.50	\$0.72	\$0.80

7  
8 Based on the above rate structure, the Company noticed customers that  
9 the average bill will increase from \$40.97 (includes surcharge) to \$44.30  
10 (includes surcharge), an increase of 8.13 percent.

11  
12 **STAFF'S DISCUSSION ON DISCOVERY**

13 **Q. HOW MANY DATA REQUESTS WERE SENT TO THE COMPANY?**

14 A. Staff sent 128 data requests to the Company. Intervenor Craig Soule sent  
15 26 data requests to the Company.

16 **Q. DID THE COMPANY COMPLETELY AND ADEQUATELY ANSWER**

17 **ALL THE DATA REQUESTS?**

1 A. No, the Company did not answer four of Staff's data requests and did not  
2 completely answer 27 data requests. In addition, the Company did not  
3 answer any of Intervenor Craig Soule's data requests.

4 **Q. DID STAFF AND THE INTERVENOR MAKE ADDITIONAL ATTEMPTS**  
5 **TO OBTAIN THE RESPONSES FROM THE COMPANY?**

6 A. Yes. Staff's attorney sent letters to the Company's attorney requesting that  
7 the Company provide responses to certain Staff data requests. When the  
8 additional attempts to receive the requested information did not result in  
9 compliance, Staff's attorney formally requested the ALJ to issue Motions to  
10 Compel on June 7, 2007, and August 8, 2007. The ALJ issued the first  
11 Motion to Compel based on Staff's request on June 26, 2007, and the  
12 second Motion to Compel on August 27, 2007.

13 Intervenor Craig Soule also requested responses to data requests using  
14 follow-up e-mails to the Company. As a result of not receiving responses,  
15 Mr. Soule formally requested the ALJ to issue Motions to Compel on July  
16 19, 2007, and July 31, 2007. The ALJ issued the first Motion to Compel  
17 based on Mr. Soule's request on August 3, 2007, and second Motion to  
18 Compel on August 21, 2007. While Company responses to the outstanding  
19 data requests are still pending, Mr. Soule also requested the Company (by  
20 e-mail sent on August 18, 2007) to answer his data requests 18 through 26.  
21 The Motions to Compel are included in Staff/104.

1 **Q. HAS THE COMPANY RESPONDED TO THE MOTIONS TO COMPEL?**

2 A. CRRWC has not responded to the Motions to Compel concerning Mr.  
3 Soule's data requests. The Company has not responded to the majority of  
4 my data requests in the Motions to Compel; however, on August 22, 2007, I  
5 received a copy of the Company's Response to the Staff Motion to Compel  
6 and on August 24, 2007, I received additional information from the  
7 Company. Although not specifically highlighted, this information satisfied  
8 the requested responses to data requests nos. 28, 30, 36, 40, 84, 104c,  
9 113b, 115, and a partial response to 119. Therefore, I have not received  
10 responses for data requests nos. 3, 15, 47, 49, 51, 52, 53, 60, 67, 68, 81,  
11 101a, 102b, 103b, 110, 114, 120, 121(d), 122(d).

12 **Q. BASED ON YOUR EXPERIENCE, ARE YOU AWARE OF ANY OTHER**  
13 **WATER COMPANIES THAT HAVE DISREGARDED MOTIONS TO**  
14 **COMPEL?**

15 A. No.

16 **Q. HOW DID THE LACK OF COMPANY RESPONSES TO STAFF'S DATA**  
17 **REQUESTS AFFECT YOUR INVESTIGATION?**

18 A. CRRWC's failure to respond to or provide complete responses resulted in  
19 having to use data from a mix of years in order to determine test year  
20 results. Ideally, I would have based my analysis on 2006 data escalated to  
21 2007 since the Company filed for a 2007 test year in April of 2007.  
22 However, in many cases, I did not have sufficient 2006 or previous years  
23 data and was required to use and annualize 2007 data based on information

1 provided. In addition, since information for multiple years was not provided  
2 for many accounts, I could not trend expenses over multiple years to  
3 determine if any normalization of expenses was required. Although, I had  
4 copies of the Company's financial reports, I was not inclined to use un-  
5 audited financial reports as a basis for costs. Specific information on my  
6 adjustments is explained later in testimony.

7 It is important to note that in water rate cases, Staff will normally perform  
8 both a "macro" review (examining expenses over 3 to 4 years) and a "micro"  
9 review (reviewing all test year expenses for used and usefulness in utility  
10 operations). The two types of review result in critical and rigorous  
11 examination of all water utility expenses. Because the Company did not  
12 provide adequate responses, I had to make the best use of information  
13 received. However, for all expenses and plant, I examined all information  
14 provided in an objective manner to build as complete a public record as  
15 possible. A complete record is crucial in order to provide enough  
16 information for the Commission to balance the interest of the Company and  
17 its member customers in establishing fair and reasonable rates.

18 Two other issues surrounding the lack of information are the lack of  
19 transparency concerning transactions between the Company and its  
20 General Manager and the lack of transparency concerning the capital  
21 assessment funds. I will discuss both issues in more detail later in this  
22 testimony.

1 **Q. BESIDES THE DATA REQUESTS AND MOTION TO COMPEL, DID**  
2 **YOU TAKE ACTIONS IN ORDER TO PROVIDE THE COMPANY**  
3 **FURTHER OPPORTUNITIES TO PROVIDE INFORMATION TO**  
4 **SUPPORT ITS EXPENSES?**

5 A. Yes. I proposed and held a second settlement conference on August 28,  
6 2007. This second settlement conference was scheduled two weeks after  
7 the first settlement conference, August 13, 2007. This additional time was  
8 set in order for all Parties to gather and submit additional information. All  
9 Parties agreed to furnish additional information by August 22, 2007,  
10 however; I did not receive the Company's information until August 24, 2007.  
11 Although I received the information late and two business days before the  
12 second settlement conference, I was able to review the information and  
13 make the appropriate adjustments to my analysis.

14  
15 **STAFF'S ANALYSIS OF THE COMPANY'S RATE FILING**

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

18 A. Staff's analysis of the Company's application results in a recommended  
19 revenue requirement of \$525,295, which is a decrease of \$343,158, or  
20 34.9 percent, below the Company's adjusted test year revenues of  
21 \$868,453. I recommend collection of the revenue requirement as follows:  
22 \$517,194 from customers and \$8,100 in rental revenue. In addition, I



1 recommend CRRWC be allowed the opportunity to earn a 4.13 percent rate  
2 of return on a rate base of \$615,453.

3  
4

### **STAFF ADJUSTMENTS**

5 **Q. DID YOU ADJUST THE COMPANY'S TEST PERIOD REVENUE AND**  
6 **EXPENSES?**

7 A. Yes. Staff/102, pages 2 and 3 shows my revenue and expense  
8 adjustments and a brief description of each; however, below is additional  
9 explanation of significant adjustments.

10 **Revenue**

11 I made three significant adjustments. The first being removal of  
12 miscellaneous revenue (\$48,746) associated with events such as hook-up  
13 fees and cost causative events such as disconnections, reconnections, late  
14 charges, etc. Hook-up fees are excluded from revenue because the  
15 corresponding costs should be booked as contributions in aid of  
16 construction (CIAC), which are not in rates. Because the expenses are not  
17 reflected in rates, the revenues should not be reflected in rates. The  
18 removal of cost causative charges is standard practice of Staff in water rate  
19 cases. These revenues are a result of actions and inactions of specific  
20 customers and should not be assessed to all customers.

21 My second significant adjustment is that I included \$8,100 in rental  
22 revenue. The rental revenue is a result of cellular and internet leases for  
23 equipment installed on the Company's reservoir tower. Rental revenue

1 includes \$6,900 from T-Mobile and an imputed \$1,200 from Webformix.  
2 The \$1,200 is imputed because even though a contract requires monthly  
3 payments of \$100 to CRRWC, the Company and Webformix agreed that  
4 the two entities would not bill each other for services received. The  
5 Company receives its internet service from Webformix.

6 The third significant adjustment was the removal of \$142,430 in revenue  
7 collected from the \$8 per month capital assessment. In its application, the  
8 Company moved the assessment into the base charge. The \$8 per month  
9 capital assessment is collected for future projects. According to a March  
10 29, 2004, Board Resolution, funds are being collected for:<sup>10</sup>

- 11       ▪ Drilling of Well No. 3, and plumbing to accommodate a chlorination  
12       system;
- 13       ▪ Upgrading the Cistern and building a new pump house;
- 14       ▪ Re-plumb and add a chlorination station to Well No. 1 (formally Well  
15       No. 4); and
- 16       ▪ Pay-off the loan on the office building.

17 I removed this amount for two reasons:

- 18       1. The first three projects are future construction. ORS 757.355  
19       requires that costs of property not providing utility service be  
20       excluded from rate base. The Commission may allow rates for a  
21       water utility that include the costs of a specific capital improvement if  
22       the water utility is required to use the additional revenues solely for

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<sup>10</sup> The Board resolution is included in Staff/103.

1 completing the capital improvement. Staff routinely only allows  
2 inclusion of this construction work in progress (CWIP) if the  
3 equipment is used and useful for utility operations and if water utility  
4 is able to provide specific costs and approximate in-service dates.  
5 Staff normally recommends CWIP in rates if the in-service date is  
6 within six months or an approved timeline shows completion soon  
7 afterwards. In this case, completion of the well (to meet OWRD  
8 application T-9663) is approximately 14 months in the future.

9 Based on my understanding from information provided by OWRD,  
10 the Company is not in jeopardy of losing its current water permit if the  
11 project is not completed by that date. As previously mentioned, the  
12 Company would need to reapply for the change in the point of  
13 appropriation in order to demonstrate beneficial use of the 5.0 cfs  
14 and 3.23 MGD currently on its permit. If the Company refiles,  
15 members of the association would be able to review and comment on  
16 the CRRWC application to OWRD.

17 Additionally, the Company has not provided total estimated costs  
18 for the project, and many draws from the assessment fund were not  
19 related to the well and building.

20 Finally, CRRWC considers the aquifer from which it draws  
21 drinking water both adequate and reliable and therefore CRRWC

1 does not anticipate future restrictions on this supply.<sup>11</sup> As such, the  
2 new well may result in excess capacity issues and a further analysis  
3 for used and usefulness should be performed prior to the cost of this  
4 well going into rates.

- 5 2. The second reason I removed the assessment fund is that the  
6 Company is now under cost of service regulation. In cost of service  
7 regulation, the Company is allowed an opportunity to earn a return on  
8 and recovery of its investment. Although being a Nonprofit  
9 Corporation, Mutual Benefit with Members adds some different  
10 considerations concerning investment (to be discussed later in  
11 testimony), the plain fact remains that the Company can not make a  
12 special assessment for future costs that may or may not come to  
13 fruition. As for the office building, the loan amount is included in the  
14 Cost of Capital calculations and depreciation expense was aligned to  
15 the term of the loan. This allows for recovery of principal and interest  
16 of the loan.

17 **Q. PLEASE IDENTIFY YOUR OTHER ADJUSTMENTS.**

- 18 A. My other adjustments are as follows:

19 Account No. 606, Salaries and Wages - Employees

20 In the test year, CRRWC listed \$313,500 in employee expenses and  
21 requested a \$30,000 increase for an additional full-time equivalent (FTE). It  
22 appears that the \$313,500 includes the 2006 W-3 wages of \$285,082 and

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<sup>11</sup> Crooked River Ranch Water Company Water Management and Conservation Plan, September 2003, page 2-4.

1 \$28,418 in payroll taxes. Included in the Company's application were the  
 2 hourly rates of its employees. I used the hourly rates to calculate annual  
 3 expenses and escalated the hourly wages by the 2007 Consumer's Price  
 4 Index (CPI-U). I also performed two other adjustments. These adjustments  
 5 were:

- 6 1. I increased the part-time field position to a full-time position based  
 7 on Company growth and projected growth; and
- 8 2. I removed an approximate amount of labor for time donated to the  
 9 Fire Hall<sup>12</sup> for installation of water lines and other construction;<sup>13</sup>

10 The following table highlights my changes:

<b>Position</b>	<b>Hourly Rate per Application</b>	<b>Hourly Rate adjusted for CPI-U</b>	<b>Annual Salary (2,076 hours per year)</b>	<b>Market Wage<sup>14</sup></b>	<b>Difference Between Market and Escalated Wages</b>
General Manager	\$25	\$25.80	\$53,561	\$30.99	(\$5.19)
Office Manager	\$18	418.58	\$38,564	\$19.95	(\$1.37)
Meter Reader/Field	\$17	\$17.54	\$36,564	\$17.96	(\$0.41)
Administrative Assistant	\$15	\$15.48	\$32,136	\$16.66	(\$1.18)
Field Tech	\$12	\$12.38	\$25,709	\$14.95	(\$2.57)
Field Tech	\$12	\$12.38	\$25,709	\$14.95	(\$2.57)
Part-time Office Assistant	\$0	\$10.84	\$11,512	\$10.84	(\$0.00)

<sup>12</sup> Documentation on the Fire Hall Donation is included in Staff/103.

<sup>13</sup> Since I did not receive any documentation on actual labor, I set labor at ½ of repair expenses attributed to the Fire Hall work (based on invoices). As a result, labor equals 33 percent of total costs of the fire Hall donation to date.

<sup>14</sup> Average of AWWA Average rates and corresponding OLMIS 50th Percentile rates. AWWA does not list a position for Administrative Assistant.

1

Position	Hourly Rate per Application	Hourly Rate adjusted for CPI-U	Annual Salary (2,076 hours per year)	Market Wage	Difference Between Market and Escalated Wages
WD III (5 hours per week)	\$23	\$23.74	\$6,171	\$23.78	(\$0.04)
<b>Sub-total Annual &amp; Avg. Hourly Wages</b>	<b>\$17.43</b>	<b>\$17.99</b>	<b>\$229,524</b>	<b>\$19.89</b>	<b>(\$1.90)</b>
<i>Minus</i>					
Fire Hall Donation			\$1,707		
<b>Total</b>			<b>\$227,817</b>		

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As a result, my adjustment to actual wage expense was a decrease of \$57,265 (W-3 wages of \$285,082 minus \$227,817). My total adjustment from the Company's adjusted results for Account 601, Salaries and Wages – Employees was \$115,583 as \$19,756 of this adjustment was moved to Account 408.12, Payroll Taxes.

Even though I escalated wages, my total amount is less than the Company's total wage expense. This is because in its application, the Company set wages at over 240 hours per month. The 240 hours per month is 67 hours per month greater than the standard 173 hours per month based on a standard 40 hour per week. In other words, the Company included approximately 16.75 hours per week (3.35 hours per day) of overtime.

Staff did not include overtime because:

- 1           1. It is standard practice for Staff not to include overtime in wages.  
2           As examples, in UW 117 (Commission Order No. 07-219) and  
3           UW 119 (Commission Order No. 07-359), Staff did not include  
4           overtime and based wages for full-time personnel on 40 hours per  
5           week or 173 hours per month.
- 6           2. Staff requested and received time cards for CRRWC employees  
7           for the first four months of 2007. The time cards (which cover two  
8           weeks) indicate that the vast majority of overtime was performed  
9           by the General Manager and Office Manager (although the  
10          General Manager's daughter had periods of overtime). This is  
11          problematic because both positions are normally salaried  
12          positions, which would be exempt from overtime. Examples of  
13          water utility management personnel that are exempt from  
14          overtime are Agate Water System, Avion Water Company,  
15          Sunriver Water LLC, Roats Water System, and Cline Butte Utility  
16          Company.
- 17          3. In addition to being employed by the Company, the General  
18          Manager has also contracted with CRRWC to perform  
19          maintenance and repair of Company equipment. This repair  
20          contract results in a \$500 per week payment to the General  
21          Manager. As a result, there is a possibility of duplication of time  
22          spent on independent contractor duties and time spent performing  
23          duties as an employee of the Company.

1           4. I believe the 6.625 FTE should be sufficient based on a previous  
2           comparison of staffing performed in UW 119 that compared  
3           Agate's staffing with CRRWC and Roats.<sup>15</sup> Additionally, the  
4           Company's 20-Year Master Plan published in November 1997,  
5           states that the Company was staffed by 2.8 FTE, with  
6           approximately 1,100 customers.<sup>16</sup> In the 10 years since the  
7           Master Plan, the Company's customer to employee ratio  
8           increased from 1 employee for every 392 customers to 1  
9           employee for every 235 customers. As a result, the current  
10          staffing should be sufficient and capable of working within a  
11          normal workweek without overtime.

12           It should be noted that I compared the General Manager's pay to the  
13          AWWA (less than 25 employees) mid-level for Water Operations Manager.  
14          This job classification is different from what Staff used for the owners of  
15          Avion (UI 260 – Commission Order No. 07-081), Agate (UI 263,  
16          Commission Order No. 07-188) and Roats (UI 273). In these cases, Staff  
17          used AWWA jobs of Top Operations & Maintenance Executive, or blended  
18          rates using Top Operations & Maintenance Executive, Top Planning  
19          Executive, and Top Engineering Executive. I used these higher positions in  
20          the above dockets mainly because in each of these cases, I recognized the  
21          increased risk of ownership for these three owners, increased experience of  
22          these owners, or increased qualifications of the owners that the General

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<sup>15</sup> UW 119, Staff/100, Miller-Dougherty/19.

<sup>16</sup> Crooked River Ranch Water Company 20-Year Master Plan, November 1997, page 4-6.



1 Manager of CRRWC does not have. In fact, the Company's By-laws, As  
2 Amended September 24, 2004,<sup>17</sup> states:

3 The Board shall have general supervision and control over  
4 and shall manage and conduct the affairs and business of  
5 the Cooperative, and shall make all necessary rules and  
6 regulations, not inconsistent with law or with the Bylaws of  
7 Articles of Incorporation, for the management of the  
8 Corporation and the guidance of the officers, employees and  
9 agents of the Cooperative.<sup>18</sup>

10  
11 This Bylaw demonstrates that the Board has the responsibilities that  
12 would normally be associated with ownership. As a result, the General  
13 Manager does not incur these greater risks and responsibilities.

14 It is also interesting to note that CRRWC's system is a Distribution  
15 System 2, which requires a Water Operator 2. However, the General  
16 Manager only maintains a Water Operator 1 certification. As a result,  
17 CRRWC obtained the services of a Water Operator 3 on a part-time basis  
18 to meet the certification requirements of the State's Drinking Water  
19 Program. This employee, who may also an employee of the City of  
20 Madras, lists 5 hours per week on his timecards.

21 However with this said, my CPI-U adjustment to the General Manager  
22 resulted in an annual base pay escalation of \$1,661. When considering the  
23 recommended salary of \$53,561 and maintenance contract of \$26,000 per  
24 year, the General Manager's total remuneration equals \$79,561. Because I

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<sup>17</sup> Although the Company issues revised Bylaws as a Cooperative on June 30, 2006, Commission Order No. 06-642 states: CRRWC's efforts to reorganize as a cooperative under ORS Chapter 62 are without legal effect. However, the June 30, 2006, Bylaws state the same as the quoted only replacing "Corporation" with "Cooperative."

<sup>18</sup> Bylaws for Crooked River Ranch Water Company, Bylaw 4.7.

1 did not allow overtime, his overall remuneration (wages plus maintenance  
2 contract) decreased \$49,420 from the test year amount.

3 Additionally, information provided by the Company demonstrates that  
4 employees, with the exception of the General Manager received pay  
5 increases in 2006 for the test year. My recommended wages are based on  
6 test year wages plus a CPI-U escalation.

7 The General Manager is concerned that any disallowance of overtime  
8 would result in a violation of his employment service contract. This is not  
9 the case. The rates establish by the Commission does not nullify the  
10 contract and the Board has the option of continuing the contract at the  
11 present rates including overtime; however, if the Commission accepts my  
12 recommendation, the level of remuneration is the amount that will be  
13 included in rates. As Commission Order No. 07-359 (UW 119) states  
14 (pages 5 and 6):

15 A rate case sets only one amount: the rates the utility may  
16 charge its customers. The rates are designed to allow  
17 recovery of reasonable amounts of expenses and provide a  
18 reasonable return on investment. Employee salaries are an  
19 expense included in the computation at a level deemed  
20 reasonable. That level is what will be recovered. If a utility  
21 decides to pay a salary at a higher rate than used to  
22 compute the rates, it is free to do so, but the amount in  
23 excess of the figure used to compute the rates will not be  
24 paid by the customers. Another way of putting it would be to  
25 say that a rate case does not establish a "budget" for a  
26 regulated utility. The utility may incur expenses at any level  
27 different from those used in the rate case, but it cannot raise  
28 rates to do so.

1           Account No. 604, Employee Pension and Benefits

2           This expense is to provide medical and dental insurance for employees.

3           In this case, I used actual 2007 medical and dental plan costs and added  
4           an amount for one additional full-time equivalent (FTE) since I increased a  
5           field tech position from part-time to full-time. My total adjusted costs equal  
6           \$28,390, which is \$4,390 greater than the Company's test year cost, but  
7           \$4,610 lower than the Company's adjusted cost.

8           Account No. 611, Telecommunications

9           For telecommunication costs, I used the actual contract costs for T-  
10          Mobile, the pager, and Qwest. I also imputed \$1,200 for Webformix internet  
11          costs since I added a corresponding amount to Rental Income. The  
12          Company has an agreement with Webformix that if the Company does not  
13          charge Webformix for rental costs, Webformix would not charge the  
14          Company for internet services. By adding the costs to both revenue and  
15          expenses, these costs net to zero. My adjusted results of \$9,078 resulted in  
16          a \$6,922 reduction in test year costs.

17          Account No. 615, Purchased Power

18          The Company's power costs for 2006 (according to its accounting data)  
19          was \$47,308. Because CRRWC is a customer of PacifiCorp, I made two  
20          adjustments. First, I added 5 percent to account for increased rates that  
21          resulted from PacifiCorp's UE 179 rate increase. Secondly, I added a  
22          10 percent increase for the loss of the Company's BPA Residential  
23          Settlement credit for its irrigation use. Although, the Company will

1 eventually receive a credit due to negotiations concerning BPA and  
2 stakeholders, it is unclear when and how much this credit will be. As a  
3 result, I increased the Company's test-year power costs to reflect the  
4 increase that resulted from the loss of the credit. My adjusted results of  
5 \$54,404 results in a \$5,404 increase in this expense category.

6 Account No. 619, Office Supplies

7 For Office Supplies, I was able to use actual 2006 invoices for supplies  
8 and copier costs. Additionally, I moved \$1,250 into Account 648,  
9 Computer/Electronic Expenses and moved an additional \$942 into plant.  
10 My total 2006 costs equaled \$14,807, which I escalated to a 2007 amount  
11 of \$15,281. This resulted in a decrease of \$719 from the Company's  
12 adjusted amount.

13 Account No. 619.1, Postage

14 For postage, I was able to use 2006 invoices for mailings and shipping  
15 costs. The invoices totaled \$6,372. I then escalated this amount by \$286  
16 in order to reflect the \$0.02 increase in the first-class stamp cost. My  
17 adjusted results of \$6,658 results in a \$158 increase in this expense  
18 category from test-year costs.

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

20 Because I only received one invoice for 2006 costs, I used four months  
21 of 2007 invoices plus certain VISA receipts to June 2007 totaling \$1,222  
22 and annualized this amount to show 12 months of costs, \$3,666. In  
23 addition, I transferred \$270 of 2007 costs to plant and did not include

1       \$1,298 in meals and entertainment expenses that were reflected in the Visa  
2       statements. I removed these costs because the Bylaws do not address  
3       these types of charges, and because, in many cases, the expenses  
4       occurred outside of Crooked River and in the cities of Terrebonne, Madras,  
5       and Redmond. It was not clear or well documented that these meal costs  
6       were for work-related activities and consistent with sound business  
7       practices.

8           Although, I would have preferred to use 2006 costs, the lack of  
9       documentation from the Company prevented this. With that said,  
10      annualizing is an accepted method of determining expenses to reflect a  
11      full's years of expenses. My recommendation of \$3,666 resulted in a  
12      decrease of \$30,334 in test-year expenses. I recognize that this amount is  
13      significantly lower than what the Company requested; however, the burden  
14      of proof concerning expenses is on the Company and not Staff. CRRWC  
15      bears "the burden of showing that the rate or schedule of rates proposed to  
16      be established or increased or changed is just and reasonable." ORS  
17      757.210.

18      Account No. 621, Repairs to Plant

19           Again, I was required to use 2007 invoices since I only received one  
20      2006 invoice totaling \$443.60 for 2006.<sup>19</sup> When using 2007 invoices, I  
21      transferred \$13,828 into plant (meters, meter stock, asphalt, and pipe) and

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<sup>19</sup> The Company submitted transaction summaries that indicated \$16,622 in costs paid to United Pipe and Supply in 2006. However, without invoices, I was unable to determine if the materials were used for repair or plant.

1 did not include \$3,467 for materials used for the Fire Hall donation.<sup>20</sup> As a  
2 result, I used the total 2007 invoices for six months of \$2,317 and  
3 annualized this amount to \$4,633. I then added the cost of the  
4 maintenance contract paid to J. R. Rooks of \$26,000 resulting in a total  
5 2007 repair expense of \$30,633. This is a significant decrease of \$51,367  
6 from test year costs. Again, I would have preferred to use 2006 invoices;  
7 however, the Company claimed that this information was prior to jurisdiction  
8 and did not submit the requested information. As previously mentioned,  
9 CRRWC bears "the burden of showing that the rate or schedule of rates  
10 proposed to be established or increased or changed is just and  
11 reasonable." ORS 757.210.

12 Account No. 632, Contract Services - Accounting

13 The Company's 2006 invoices match the submitted test-year amount.  
14 As a result, I included the test-year amount and escalated this amount to  
15 2007. The Company also submitted additional invoices for services  
16 performed in support of the rate application. I moved these costs into  
17 Account 666, Amortization of Rate Case Expenses.

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<sup>20</sup> The Commission has not allowed regulated utilities to recover contributions to charities, community affairs, and economic development organizations through rates charged for regulated services. These expenses are discretionary and are not required to provide safe and adequate service to customers. Commission policy does not require customers to support causes in which they do not believe. Commission Order 87-406 states at pp. 40-41, "Since community affairs expenditures are discretionary, the funds could be retained by the business's owners. . . . Owners of unregulated businesses, rather than their customers, make community affairs contributions." Also see Order 91-186 at 16.

Account No. 633, Contract Services - Legal

CRRWC incurred \$41,578 in legal costs in 2006 and \$18,444 during the first six months of 2007. This amount is an extraordinary high amount for a Class "B" water utility.<sup>21</sup> Staff reviewed all legal invoices and the following table highlights Staff's results using 2006 costs:

	<b>Amount</b>	<b>Reason</b>
2006 Costs	\$41,578	
<i>Minus</i>	\$28,065	Litigation associated with easements for Well #3. Since Well #3 is CWIP, these costs are properly capitalization and have been transferred to plant. Costs include both Glenn Sites and Cooney/Sheridan. Info based on August 24, 2007, Company submittal. Approximately 67.5% of 2006 legal costs were associated with the easement.
<i>Minus</i>	\$3,875	Costs associated with Berry case (criminal mischief, trespassing).
<i>Minus</i>	\$3,719	WJ 8 jurisdictional costs amortized over 2-years. Total costs were \$7,437, so \$3,719 is recommended for allowance.
<i>Total adjustments</i>	\$35,659	
<b>Allowed 2006 Costs</b>	<b>\$5,920</b>	Actual minus adjustments.
<b>Escalated to 2007</b>	<b>\$6,109</b>	

As can be seen from the above table, I removed expenses that were not related to the prudent operation of the utility expenses, removed expenses

<sup>21</sup> In UW 119 – Agate (Commission Order No. 07-359) \$745 was included in legal costs; in UW 107 – Roats (Commission Order No. 05-811) \$2,362 was included in legal costs; and in UW 118 – Sunriver (Commission Order No. 06-678), \$220 was included in legal costs.

1 that were more properly classified to plant, and amortized costs associated  
2 with WJ 8 over a two-year period. Because Well No. 3 has not been placed  
3 in operation and has not undergone a prudence review by Staff, legal  
4 expenses were classified as construction work in progress (CWIP). As a  
5 result, recovery of these expenses in this rate case is not recommended.

6 Account No. 635, Contract Services - Testing

7 In its application, CRRWC stated its 2007 adjusted Testing Expense as  
8 \$2,200. Staff recalculated the proposed Testing Expense as \$4,299 using  
9 a four-year average of the costs for scheduled tests based on  
10 documentation provided by Umpqua Research. This adjustment increases  
11 testing expenses by \$2,099.

12 Account No. 636, Contract Services - Labor

13 In the application, CRRWC submitted proposed adjusted expenses of  
14 \$10,000. Actual invoices for 2007 equaled \$1,643 and no invoices were  
15 received for 2006.

16 Because I increased the part-time Field Tech position to a full-time  
17 position, I recommend \$0 for this expense since inclusion of both amounts  
18 would result in double counting for the increased labor.

19 Account No. 648, Computer/Electronic Expense

20 In the application, CRRWC submitted proposed adjusted expenses of  
21 \$10,000. 2006 invoices for computer/electronic operating & maintenance  
22 expenses totaled \$1,250. I escalated this amount to 2007 resulting in a



1 recommended cost of \$1,290. Additionally, I placed three pieces of  
2 equipment purchased in 2006, totaling \$942, in plant.

3 Account No. 650, Transportation

4 In its application, CRRWC submitted a test-year expense of \$17,900 and  
5 an adjusted expense of \$18,500. During 2006, the Company paid, based  
6 on invoices, \$3,042 in tire expenses, \$13,266 in repair expenses, and  
7 \$12,816 for vehicle fuel expense. Because the Company has a  
8 maintenance and repair contract for Company vehicles with J. R. Rooks, in  
9 order to avoid double recovery of costs, I removed the repair expenses from  
10 test year expenses. I included the tire expenses and escalated the fuel  
11 expenses based on June 8, 2007, spot prices received from the Company's  
12 fuel supplier, Carson Oil Company. The fuel price adjustment resulted in a  
13 fuel cost of \$14,117. When this amount is added to the tire expenses, I  
14 received a total test year expense of \$17,160. This is a \$740 decrease  
15 from test-year costs.

16 Various customers have informed me that they believe employees of  
17 CRRWC have been using Company fuel for personal use. I was informed  
18 by the General Manager that the Company does not record mileage on the  
19 vehicles on a regular basis; and that he separately purchases fuel for his  
20 personal business - J. R. Rooks Enterprises; however, he has not provided  
21 documentation of these purchases. Being that I do not have evidence to  
22 substantiate the customers concerns, I did not make any additional  
23 adjustments.

1        Account No. 656, Vehicle Insurance

2            In its application, CRRWC submitted a test-year expense of \$3,884. I  
3        requested the policies for the vehicle insurance in data request No. 36, but  
4        did not receive copies of the policy sheets. However, on August 24, 2007, I  
5        received the requested documentation that confirms the Company's \$3,884  
6        requested amount. As a result, I did not adjust this account.

7        Account No. 657, General Liability Insurance

8            In its application, CRRWC submitted a test-year expense of \$10,463.  
9        After reviewing all policies received from the Company, I recommend  
10       \$1,072 for commercial property, \$4,096 for commercial liability, and \$1,144  
11       for contractor equipment, totaling \$6,312. It should be noted that I only  
12       included one-half of the total expense (\$2,288) for contractor equipment  
13       because approximately 50 percent of the cost is attributed to an excavator  
14       owned by J. R. Rooks. I removed this amount since member customers  
15       should not be subsidizing the General Manager's personal business.

16       Account No. 658, Workers' Compensation

17            In its application, CRRWC submitted a test-year expense of \$11,000 and  
18        an adjusted expense of \$14,000. To determine my adjusted results, I  
19        multiplied the Company's workers' compensation rate to my recommended  
20        wage amount (\$227,817) and received an adjusted amount of \$6,835.

21       Account No. 666, Amortization of Rate Case Expense

22            In its application, CRRWC submitted an adjusted amount of \$3,000. I  
23        reviewed all 2006 and 2007 legal invoices for expenses that related to the

1 Company's rate application. I could not identify any 2006 invoices, but  
2 noted \$1,220 in 2007 legal invoices. I additionally asked the Company, in a  
3 data request, for an estimate of future legal costs concerning the rate  
4 application. The Company's response was, "Have no Idea." Later in a  
5 packet received on August 24, 2007, the Company identified projected legal  
6 costs as \$10,000 (100 hours at \$100 per hour). Even though the Company  
7 provided this amount, I added \$5,000; since May year-to-date costs were  
8 only \$1,220. I also added \$4,131 in accounting costs based on invoices  
9 and added an additional \$1,000 as an estimate of future costs. I amortized  
10 the total expense over two years resulting in a recommended cost of  
11 \$5,676.

12 Account No. 672, System Capacity Development Program

13 In its application, CRRWC submitted \$6,000 in proposed expenses to  
14 use toward future system capacity needs. Because the Company has no  
15 current expenses related to System Development, I recommended a zero  
16 expense level in this account.

17 Account No. 673, Training and Certification

18 In its application, CRRWC submitted \$1,000 in proposed expenses for  
19 training and certification. Although the Company did not provide any  
20 invoices, I recommended that this amount be maintained because the  
21 Company, due to recent employee turnover, will most likely encounter  
22 training and certification expenses.

1        Account No. 674, Consumer Confidence Report

2            In its application, the Company mistakenly recorded the expense for the  
3        Consumer Confidence Report (CCR) in Account 660, Public  
4        Relations/Advertising. I moved the \$800 expense from Account 660 to  
5        Account 674 because the Company is required by the Drinking Water  
6        Program to produce the CCR on an annual basis.

7        Account No. 675, General Expense

8            In its application, CRRWC requested a test year amount of \$500 and an  
9        adjusted amount of \$1,500. After a review of 2007 invoices, I recommend  
10       an amount of \$738. This results in a \$762 decrease from the Company's  
11       adjusted amount.

12       Account No. 408.12, Payroll Tax

13           The Company's application proposed an expense of \$0. As previously  
14       mentioned, I moved \$19,756 in payroll tax expense from Account 601,  
15       Salaries and Wages – Employees, to the appropriate account for payroll  
16       taxes. I calculated payroll taxes (SSI, Medicare, FUTA, and SUTA) based  
17       on my recommended wage expense (\$227,817) and number of employees.  
18       For FUTA, I multiplied \$56 per employee (the maximum rate when a  
19       company is also covered by SUTA) by number of employees; and for SSI,  
20       Medicare, and SUTA, I multiplied current tax rates by the recommended  
21       wage amount to receive my recommended amount.

22       **Q. AS A RESULT OF YOUR MANY ADJUSTMENTS, DO YOU BELIEVE**  
23       **THAT YOU HAVE REDUCED OPERATING EXPENSES TO A POINT**



- 1           2. Mainline extensions that were paid for by customers receiving the
- 2           service from the extensions, which are also considered CIAC;
- 3           3. Meters, which were paid for by customers, and are also CIAC;
- 4           4. New construction for 2005, 2006, and 2007 that the Company has
- 5           not provided documentation of the costs;
- 6           5. Removed costs for a crane that appears to have been purchased
- 7           twice by the Company (once through operating funds and once
- 8           through the capital assessment funds). Although I asked for bank
- 9           statements to verify this accounting, the Company did not provide
- 10          adequate documentation;
- 11          6. A hammer attachment for the excavator owned by the General
- 12          Manager;
- 13          7. Three entries in the Company's depreciation schedule, two for
- 14          capitalized interest and one for a construction draw. These
- 15          amounts should have been embedded in the costs of the
- 16          applicable equipment.
- 17          8. Land for Well No. 3 that is not currently used and useful for utility
- 18          operations;
- 19          9. Land for future development (I allowed one-third of the costs
- 20          based on Company claims that dirt and gravel is being stored on
- 21          the land); and
- 22          10. Equipment that was actually disposed of or sold in 2006.

1           As previously mentioned, I moved certain equipment (computer  
2           expenses, repair expenses, etc.) from operating expenses into plant. I also  
3           readjusted the Building from a 35-year depreciation life to a 25-year  
4           depreciation life to correspond with the current loan on the building.  
5           Additionally, I added 10 capital items that were not included in CRRWC's  
6           accountant revenue requirement input that totaled \$26,372. My plant  
7           calculations are included in Staff/102.

8           **Q. WHAT OTHER PROPOSED PROJECTS DID YOU NOT INCLUDE IN**  
9           **RATE BASE?**

10          A. The Radio-Read Meter Project included in the Company's application.

11          **Q. PLEASE EXPLAIN WHY YOU DID NOT INCLUDE THE PROJECT.**

12          A. Both mine and CRRWC's accountant input for net plant does not include a  
13          CRRWC proposal to replace meters with radio-read meters. According to  
14          documentation submitted by the Company, the cost (including installation)  
15          of a 5/8 inch meter is \$386. When multiplying this amount by 1,585  
16          possible installations, the total cost is approximately \$611,810. The actual  
17          amount would probably be greater because undetermined amounts of  
18          CRRWC's meters are a larger size (3/4 inch and 1 inch) and these larger  
19          meters have a greater total cost. However, in its response to Staff Data  
20          Request No. 55, the Company addressed savings in time to read meters of  
21          approximately 5 to 7 days per month, but did not address any reduction of  
22          personnel. As a result, the Company has not provided sufficient cost  
23          savings to justify the additional expense.

1           When I perform both a break-even analysis and a Net Present Value  
2           (NPV)<sup>22</sup> analysis of the radio-read meter project, this investment does not  
3           appear to make economical sense. In order for the project to break-even, I  
4           calculate that the annual savings of the project should be \$30,591 over the  
5           20-year book life of the meters. However, I calculate the annual personnel  
6           savings (based on the average of 6 days per month reading meters and a  
7           pay loaded for taxes at \$18.53 per hour) at \$10,673. I added an estimate of  
8           \$1,180 in transportation costs to receive an annual savings of \$11,853.  
9           This savings, which would only occur if the Company reduced its FTE level,  
10          is less than the required break-even savings.

11          For the NPV analysis, if the NPV of the radio-read meter project is positive,  
12          it should be a project considered for implementation. However, if NPV of the  
13          project is negative, it should probably be rejected because cash flows will also  
14          be negative. In the case of the radio-read meter project, I calculated a negative  
15          NPV of approximately \$432,269. As such this project, which is not mandated  
16          by statute, does make economical sense.

17          An example of a utility operating in Oregon that has implemented an  
18          automated meter reading (AMR) project is Cascade Natural Gas. However,  
19          Cascade was able to show a savings in operational expenses. According to  
20          Staff Audit Report 2006-001, dated May 22, 2006, Cascade was able to

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<sup>22</sup> NPV is the difference between the present value of cash inflows and the present value of cash outflows. NPV is used in capital budgeting to analyze the profitability of an investment or project. NPV analysis is sensitive to the reliability of future cash inflows that an investment or project will yield. NPV compares the value of a dollar today to the value of that same dollar in the future, taking inflation and returns into account. [www.investopedia.com](http://www.investopedia.com) A copy of my analysis is included in Staff/103.



1 show a reduction in meter reading costs from \$3.2 million to \$781,000 and a  
2 reduction in Oregon personnel from 5 FTE to one-third FTE.<sup>23</sup>

3 **Q. PLEASE EXPLAIN CIAC.**

4 A. The Internal Revenue Service defines CIAC is any amount or item of  
5 money, services or property received by a utility, from any person or  
6 governmental agency, any portion of which is provided at no cost to the  
7 utility, which represents an addition or transfer to the capital of the utility,  
8 and which is utilized to offset the acquisition, improvement or construction  
9 costs of the utility's property, facilities, or equipment used to provide utility  
10 services to the public.

11 CIAC is plant that was paid for by entities other than the utility. In the  
12 case of CRRWC, the original plant was contributed by the developer to the  
13 Company. Company funds were not used to pay for this plant equipment.

14 **Q. IS IT STANDARD PRACTICE TO REMOVE CIAC FROM RATE BASE?**

15 A. Yes. Oregon Administrative Rule 860-036-0756(3) specifically requires that  
16 CIAC to be separated from utility plant and accounted for and depreciated  
17 on a separate schedule outside the ratemaking process. If CIAC is not  
18 removed from rates, then customers would be paying twice for the plant  
19 equipment, once when the equipment is purchased and twice through the  
20 recovery of equipment in rates.

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<sup>23</sup> Staff audit report 2006-001, dated May 22, 2006, page 22.

1 **Q. DID CRRWC INCLUDE CIAC IN ITS APPLICATION?**

2 A. Yes and no. The Company's application includes CIAC; however, the  
3 revenue requirement sheet submitted by the Company's accountant  
4 properly subtracted CIAC from rate base.

5 **Q. DID YOU MAKE ADJUSTMENTS TO DEPRECIATION EXPENSE?**

6 A. Yes. Because of my plant adjustments, depreciation expense resulted in an  
7 annual expense of \$43,991. My amount is \$56,281 lower than the  
8 Company's requested \$100,272.

9 **Q. DID YOU MAKE ADJUSTMENTS TO ACCUMULATED**  
10 **DEPRECIATION?**

11 A. Yes. Staff's calculation of Accumulated Depreciation, using Average  
12 Service Lives consistent with the method that was originally developed by  
13 the National Association of Regulatory Utility Commissioners (with the  
14 exception of the Building), resulted in an Accumulated Depreciation amount  
15 of \$407,818 rather than the amount of \$1,571,505 shown in both the  
16 Application and the Revenue Requirement sheet submitted by the  
17 Company's accountant.

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

19 A. Yes. In its Application, the Company requested an 8.48 percent return on a  
20 rate base of \$596,743. The 8.48 percent return resulted in a possible net  
21 income of \$50,585. Because of the Company's weighted cost of capital, I  
22 recommend a 4.13 percent rate of return (ROR). When this 4.13 percent

1 ROR is applied to my recommended rate base of \$615,453, the resulting  
2 net income equals \$25,394.

3 The lower ROR is calculated from the two outstanding loans (Building -  
4 \$110,000 and 2006 Chevrolet truck - \$29,987) and an imputed cost of  
5 equity. The cost of equity was calculated in the method prescribed by  
6 Commission Order No. 07-137 (AR 506), *In a Matter of a Rulemaking to*  
7 *Amend and Adopt Permanent Rules in OAR 860, Division 24 and 28,*  
8 *Regarding Pole Attachment Use and Safety* (page 16). In that order, the  
9 Commission believed that capital contributed by customers through rates  
10 should be treated like equity. The Commission accepted a Staff  
11 recommended method of adding 100 basis points to the utility's embedded  
12 cost of long-term debt. Although the Order dealt with pole attachments and  
13 entities such as cooperatives and municipalities, the same concept can be  
14 applied to CRRWC, which is a Nonprofit Corporation, Mutual Benefit with  
15 Members.

16 **Q. BECAUSE YOUR ROR IS LOWER THAN WHAT CRRWC REQUESTED,**  
17 **HOW CAN THE COMPANY EXPECT TO HAVE FUNDS FOR FUTURE**  
18 **INVESTMENT IN PLANT?**

19 A. I propose to include all plant in service that is not CIAC for calculating  
20 Depreciation Expense, which is factored into rates. As previously  
21 mentioned, I included depreciation expense of \$43,991 in rates.  
22 Depreciation expense is a non-cash expense that allows the Company to  
23 have additional cash flow for future investment. When adding the

1 recommended net income of \$25,394, total “cash flow” for future  
2 investments is \$69,385.

3 When examining the Company's Assessment Fund, it appears that  
4 approximately \$62,128 has been used for future plant expansion since  
5 establishment of the fund in 2004.<sup>24</sup> As a result, the depreciation expense  
6 and net income should allow enough funds for future plant expansion based  
7 on the historical experience of the past three years. This method of using  
8 depreciation expense as the main source of cash flow was previously  
9 accepted by the Commission in UW 113, Metolius Meadows Property  
10 Ownership Association, Commission Order No. 06-442, entered in January  
11 24, 2006.

12 Additionally, many of the recent expansions of the system were handled  
13 as main line extensions and these extensions were paid for by customers  
14 receiving the service. In my proposed tariffs, I include proposed Rules 10  
15 and 11 that refer to main line extensions. These proposed rules reiterate  
16 OAR 860-036-0065, Installation of Main Line Extension, that direct a  
17 reasonable, cost-based charge for main line extensions and the equitable  
18 distribution of costs among customers receiving the service.

19 **Q. YOU REFER TO THE CAPITAL ASSESSMENT FUND, WHAT IS THE**  
20 **PURPOSE OF THIS FUND?**

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<sup>24</sup> Although \$62,128 appears to have been spent on future improvements, \$252,261 has been reported spent on this fund.

1 A. As previously mentioned, according to a March 29, 2004, Board Resolution,  
2 funds are being collected for:<sup>25</sup>

- 3       ▪ Drilling of Well No. 3, and plumbing to accommodate a chlorination  
4            system;
- 5       ▪ Upgrading the Cistern and building a new pump house;
- 6       ▪ Re-plumb and add a chlorination station to Well No. 1 (formally Well  
7            No. 4); and
- 8       ▪ Pay-off the loan on the office building.

9        Although the Board was quite clear on the purpose of the fund, the  
10       Company has also used funds for non-capital legal expenses, payments for  
11       land and equipment (cranes) that were previously purchased, non-specified  
12       accountant fees, and an alleged payroll for the PUC and the Crooked River  
13       Ranch Club and Maintenance Association.

14 **Q. HAS THE COMPANY PROVIDED YOU BANK RECORDS THAT SHOW**  
15 **THE CASH IN AND CASH OUT OF THIS ACCOUNT?**

16 A. No. I have asked for specific information concerning this account in  
17       numerous data requests including data requests nos. 3, 110, 121, 122, and  
18       126.

19 **Q. WHAT ARE THE REMAINING FUNDS IN THE ACCOUNT?**

20 A. According to the Company, as of July 25, 2007, \$137,945 is remaining in the  
21       capital assessment account. Since inception of the fund, CRRWC has

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<sup>25</sup> The Board Resolution is included in Staff/103.

1 collected \$390,206 as of July 25, 2007. I include a summary of the fund in  
2 Staff/103.

3 **Q. WHAT DO YOU PROPOSE FOR THE FUNDS IN THIS ACCOUNT?**

4 A. I believe the Commission should consider two options for the account:

5 1. Because the funds were collected over a three-year period (2004  
6 through 2007), the balance of the assessment fund could be  
7 amortized over a three-year period and deducted from revenue  
8 for ratemaking purposes. This would result in a reduction of  
9 adjusted revenue of \$45,982. It is important to note that my  
10 recommended rates will not be affected because the adjusted  
11 revenue result (\$576,943) of the deduction to revenue is still  
12 higher than my proposed revenue result (\$525,295).

13 2. Assume these funds are used for future capital improvements and  
14 as such, it will reduce future capital costs by such amounts for  
15 inclusion in rates.

16 **Q. DESPITE YOUR DISCUSSION ON CASH FLOW, THE COMPANY IS**  
17 **PLANNING TO INSTALL A NEW WELL. WOULD THE COST OF THIS**  
18 **NEW WELL BE GREATER THAN THE PROPOSED CASH FLOW THAT**  
19 **RESULTS FROM DEPRECIATION EXPENSE?**

20 A. Yes, most likely. Installation of a well can be very costly. The Company's  
21 20-Year Plan, published in November of 1997, included estimated costs for  
22 the new well. Based on configuration of the well, costs were estimated at

1 \$667,500 to \$1,523,000.<sup>26</sup> In 2006 terms, these costs would be escalated  
2 for inflation to \$829,365 and \$1,892,391.

3 However, as previously mentioned, Staff has not performed a prudence  
4 review of the well. The current two wells appear to have sufficient capacity  
5 and access to water to supply current customers. Additionally, the new well  
6 without associated increased usage to meet the Company's current water  
7 permit, would not necessarily result in the Company perfecting its water  
8 right at the amount in permit No. G-11376 (5 cfs, 3.23 MGD).<sup>27</sup> As a result,  
9 a third well would probably not be used and useful for current customers  
10 and be excluded from rate base as excess capacity.

11 It is also important to note that the 20-Year Plan also lists two other  
12 lower cost options for improving performance of the current wells. Both  
13 Staff and member customers should be able to review these lower cost  
14 options before any additional expenditures are made for this new well.

15 **Q. HOWEVER IF THIS WELL IS NECESSARY, HOW WOULD THE**  
16 **COMPANY FUND THIS WELL?**

17 A. The Company may be required to obtain a loan. However, as previously  
18 mentioned, pursuant to ORS 757.355, the Commission may allow rates for  
19 a water utility that include the costs of a specific capital improvement if the  
20 water utility is required to use the additional revenues solely for completing  
21 the capital improvement.

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<sup>26</sup> Crooked River Ranch Water Company 20-Year Master Plan, November 1997, page 5-4.

<sup>27</sup> Based on information received from OWRD, the Company can perfect its water right at the October 1, 2008, date specified in OWRD Order T-9663, but to an amount lower than 5.0 cfs and 3.23 MGD.

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**SUMMARY OF STAFF'S REVENUE REQUIREMENT AND RATES**

**Q. PLEASE DESCRIBE YOUR PROPOSED REVENUE REQUIREMENT AND RATES.**

A. My recommended revenue requirement, rates, and rate designs, as shown in the Company's tariffs are included in Staff/102. The analysis supports a decrease of \$343,158, or 34.9 percent below adjusted test year revenues, for a total revenue requirement of \$525,295. I also recommend a 4.13 percent rate of return on a rate base of \$615,453.

**Q. DID YOU MAKE ANY CHANGES IN THE RATE DESIGN CURRENTLY IN EFFECT?**

A. Yes. The Company currently charges all customers an \$8 per month surcharge that is not included in my rate recommendation. Additionally, the Company currently has a 700 cf consumption allowance that I do not recommend. Customers should only have to pay for water they use. It is important to note that the Company's proposed rates also do not include a consumption allowance.

**Q. HOW DID YOU ALLOCATE REVENUE INTO BASE AND VARIABLE RATES?**

A. Although Staff will routinely use a 60/40 split between base and variable rates, I used a 67/33 split between base and variable rates. This split was made to ensure the Company would be able to recover its fixed costs in the base rate. Additionally, I allocated less to the variable rate because I did



1 not want to the variable rate to increase too dramatically from both the  
2 current and proposed variable rates.

3 **Q. PLEASE EXPLAIN WHY YOU DID NOT PROPOSE A TWO-TIER**  
4 **VARIABLE RATE.**

5 A. I did not propose a two-tier rate for two reasons. Firstly, the Company did  
6 not provide multiple years of consumption, so I did not want to determine a  
7 rate without complete, accurate, and quality information. Secondly, the  
8 Company based on its current water permit, current usage, and current  
9 wells and distribution system, has an adequate supply of water and  
10 additional conservation efforts are not required at this time.

11 **Q. WHAT ARE YOUR RECOMMENDED RATES?**

12 A. My recommended rates are as follows:

<b>Meter</b>	<b>Base</b>	<b>Variable</b>
All sizes	\$18.58	\$0.86

13  
14 Staff/102, page 5 contains the rate design. In addition, I recommended  
15 a Connection Charge of \$450 or cost if the cost is above \$450. This rate is  
16 prescribed in OAR 860-036-0030. A connection charge is the cost of all  
17 necessary trenching, pipe, valves, and fittings between the Company's  
18 main line and the customer service line. This is generally the distance from  
19 the Company's main line to the customer's property line. This charge does  
20 not include the cost or installation of the meter. The meter is not a  
21 component of the service connection. If the cost exceeds \$450, the

1 Company and the customer must agree prior to installation. The Company  
2 must provide customers with a breakdown of costs.

3 I also recommended against a membership fee. Because new  
4 customers will be paying a service connection fee, a membership fee is not  
5 necessary. In addition, there is no documentation that existing customers  
6 have paid a membership fee.

7 **Q. WHAT EFFECT DO YOUR RECOMMENDED RATES HAVE ON**  
8 **CUSTOMERS?**

9 A. Staff/102, page 6 contains the rate impacts of my recommended rates.

10 Based on average use of 1,066 cf per month, a customer that uses the  
11 average amount will experience a 27.27 percent decrease in monthly rates.

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

13 A. Yes. Based on Staff's investigation and the documented costs provided  
14 by CRRWC, my proposed revenue requirement results in rates that are  
15 just and reasonable.

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

18 A. No. However, the General Manager is a member of the CRRWC Board.

19 Although this relationship does not meet the definition of ORS 757.015(1)  
20 through (6), the General Manager's influence as a Board member may meet  
21 the criteria of ORS 757.015(7). Staff has not requested an investigation into  
22 this relationship, but will continue to monitor the operations of the Company.

23 If necessary, Staff would request the Commission to open an investigation if

1 there is substantial evidence to support an investigation of the General  
2 Manager's affiliated interests with CRRWC.

3 **Q. AS A RESULT OF THE COMPANY'S LACK OF RESPONSIVENESS**  
4 **TO BOTH YOUR AND INTERVENOR CRAIG SOULE'S DATA**  
5 **REQUESTS, DO YOU HAVE AN ALTERNATE RECOMMENDATION**  
6 **CONCERNING RATES?**

7 A. Yes. The Discovery period of this rate application has been approximately  
8 four months (May, June, July, and August). Because these requests should  
9 have been properly handled and administered by the General Manager;  
10 coupled with the high number of customer complaints, I propose a  
11 recommended Account 601- Employee salaries and wages adjustment that  
12 would reset the General Manager's pay to the AWWA Weighted Average  
13 Pay range of a Senior/Lead Water Treatment Plant (less than 25  
14 employees) of \$44,322. This pay range is a lower pay range and results in  
15 a \$9,239 reduction in the General Manager's wage. This adjustment would  
16 reflect that during both the time jurisdiction was asserted and the discovery  
17 process, the General Manager has not conducted himself in the manner  
18 that his position and scope of responsibility would reasonably require.  
19 Based on the CPI-U adjusted wages, this alternate recommendation would  
20 result in a reduction of total wages from \$227,817 to \$218,578. The effect  
21 would be a reduction of the base rate from \$18.58 to \$18.25; and a  
22 reduction of the variable rate from \$0.86 to \$0.84. In order to avoid any  
23 confusion, I did not include the adjusted revenue requirement pages

1           concerning this adjustment in Staff/102, but can provide the documentation  
2           if requested by the Commission.

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

4       A. Yes.

5

CASE: UW 120  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 101**

**Witness Qualification Statement**

**September 7, 2007**

## 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 120  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 102**

**Exhibit in Support of Testimony**

**September 7, 2007**

CRRWC  
UW 120  
Test Year: 2006/2007

Company Case 7.6%  
Staff -34.9%

0.00%

Acct. No.		A	B	C	D	E	F	G	Staff %	Difference between Staff & Company	
REVENUES		Balance Per Application Test Year: 2006/2007	Proposed Company Adjustments	Adjusted Results (A+B=C)	Proposed Staff Adjustments	Adjusted Results (A+D=E)	Staff Proposed Rev Changes	Proposed Results (E+F=G)			
1	461.1 Residential / Commercial Water Sales	615,857	204,050	819,707	(832)	614,825	(97,631)	517,194	-15.67%	-\$302,513	
3	462.1 Fire Department	0	0	0	0	0	0	0		\$0	
4	472 Rental Income (Cell Antenna; Equipment)	0	0	0	8,100	8,100	0	8,100		\$8,100	
5	471 Misc. Revenues	48,746	0	48,746	(48,746)	0	0	0		-\$48,746	
6	468 Special Contracts	142,430	(142,430)	0	(142,430)	0	0	0		\$0	
7										\$0	
8	TOTAL REVENUE	806,833	61,620	868,453	(183,908)	622,925	(97,630)	525,294		-\$343,158	
9	<b>OPERATING EXPENSES</b>										
10	601 Salaries and Wages - Employees	313,500	30,000	343,500	(85,683)	227,817		227,817		-\$115,683	
11	603 Salaries and Wages - Officers	0	0	0	0	0		0		\$0	
12	604 Employee Pension & Benefits	24,000	9,000	33,000	4,390	28,390		28,390		-\$4,610	
13	610 Purchased Water	0	0	0	0	0		0		\$0	
14	611 Telephone/Communications	16,000	0	16,000	(6,922)	9,078		9,078		-\$6,922	
15	615 Purchased Power	49,000	0	49,000	5,404	54,404		54,404		\$5,404	
16	618 Chemical / Treatment Expense	0	0	0	0	0		0		\$0	
17	619 Office Supplies	19,600	(3,600)	16,000	(4,319)	15,281		15,281		-\$719	
18	619.1 Postage	6,500	0	6,500	158	6,658		6,658		\$158	
19	620 O&M Materials/Supplies	34,000	0	34,000	(30,334)	3,666		3,666		-\$30,334	
20	621 Repairs to Water Plant	82,000	0	82,000	(51,367)	30,633		30,633		-\$51,367	
21	631 Contract Svcs - Engineering	0	0	0	0	0		0		\$0	
22	632 Contract Svcs - Accounting	4,427	1,573	6,000	142	4,569		4,569		-\$1,431	
23	633 Contract Svcs - Legal	41,000	0	41,000	(34,891)	6,109		6,109		-\$34,891	
24	634 Contract Svcs - Management Fees	0	0	0	0	0		0		\$0	
25	635 Contract Svcs - Testing	2,050	150	2,200	2,249	4,299		4,299		\$2,099	
26	636 Contract Svcs - Labor	6,200	3,800	10,000	(6,200)	0		0		-\$10,000	
27	637 Contract Svcs - Billing/Collection	0	0	0	0	0		0		\$0	
28	638 Contract Svcs - Meter Reading	0	0	0	0	0		0		\$0	
29	639 Contract Svcs - Other	0	0	0	0	0		0		\$0	
30	641 Rental of Building/Real Property	0	0	0	0	0		0		\$0	
31	642 Rental of Equipment	1,000	0	1,000	(933)	67		67		-\$933	
32	643 Small Tools	5,000	0	5,000	(4,825)	175		175		-\$4,825	
33	648 Computer/Electronic Expenses	8,200	1,800	10,000	(6,910)	1,290		1,290		-\$8,710	
34	650 Transportation	17,900	600	18,500	(740)	17,160		17,160		-\$1,340	
35	656 Vehicle Insurance	3,884	0	3,884	0	3,884		3,884		\$0	
36	657 General Liability Insurance	10,463	0	10,463	(4,151)	6,312		6,312		-\$4,151	
37	658 Workers' Comp Insurance	11,000	3,000	14,000	(4,165)	6,835		6,835		-\$7,165	
38	659 Insurance - Other	0	0	0	0	0		0		\$0	
39	660 Public Relations/Advertising	800	1,200	2,000	(800)	0		0		-\$2,000	
40	666 Amortz. of Rate Case	0	3,000	3,000	5,676	5,676		5,676		\$2,676	
41	667 Gross Revenue Fee (PUC)	1,895	154	2,049	(338)	1,557	(244)	1,313		-\$736	
42	668 Water Resource Conservation	0	0	0	0	0		0		\$0	
43	670 Bad Debt Expense	0	0	0	0	0		0		\$0	
44	671 Cross Connection Control Program	0	0	0	0	0		0		\$0	
45	672 System Capacity Dev Program	0	6,000	6,000	0	0		0		-\$6,000	
46	673 Training and Certification	1,000	0	1,000	0	1,000		1,000		\$0	
47	674 Consumer Confidence Report	0	0	0	800	800		800		\$800	
48	675 General Expense	500	1,000	1,500	238	738		738		-\$762	
49	TOTAL OPERATING EXPENSE	659,919	57,677	717,596	(223,522)	436,397	(244)	436,153		-\$281,443	
				717,596	(223,522)	436,397		436,153			
	<b>OTHER REVENUE DEDUCTIONS</b>										
50	403 Depreciation Expense	100,272	0	100,272	(56,281)	43,991		43,991	\$525,295	-\$56,281	
51	407 Amortization Expense	0	0	0	0	0		0		\$0	
52	408.11 Property Tax	0	0	0	0	0		0		\$0	
53	408.12 Payroll Tax	0	0	0	19,756	19,756		19,756		\$19,756	
54	408.13 Other Tax	0	0	0	0	0		0		\$0	
55	409.11 Oregon Income Tax	0	0	0	0	0		0		\$0	
56	409.10 Federal Income Tax	0	0	0	0	0		0		\$0	
57	TOTAL REVENUE DEDUCTIONS	760,191	57,677	817,868	(260,046)	500,145	(244)	499,901	499,901	-\$317,967	
58	NET OPERATING INCOME	46,642	3,943	50,585	76,138	122,780	(97,386)	25,394	25,394	-\$25,191	
						122,780			525,295		
59	101 Utility Plant in Service	3,610,965	0	3,610,965	(2,659,641)	951,324		951,324	951,324	-\$2,659,641	
60	Less:										
61	108.1 Depreciation Reserve	1,571,505	0	1,571,505	(1,979,323)	(407,818)		(407,818)	-407,818	\$1,163,687	
62	271 Contributions in Aid of Const	1,538,911	0	1,538,911	(1,538,911)	0		0	0	-\$1,538,911	
63	272 Amortization of CIAC	0	0	0	0	0		0	0	\$0	
64	281 Accumulated Deferred Income Tax	0	0	0	0	0		0	0	\$0	
65	Net Utility Plant	500,549	0	500,549	42,957	543,506	0	543,506	543,506	\$42,957	
66	Plus: (working capital)			500,549		543,506		543,506			
67	151 Materials and Supplies Inventory	41,201	0	41,201	(5,621)	35,580		35,580		-\$5,621	
68	Working Cash (Total Op Exp /12)	54,993	0	54,993	(18,627)	36,366		36,366	36,346	-\$18,627	
69	TOTAL RATE BASE	596,743	0	596,743	18,710	615,453	0	615,453		\$18,710	
70	Rate of Return	7.82%		8.48%		19.95%		4.13%			

number of customers 1,566

Cash Flow Company \$150,857 Cash Flow Staff \$69,385

Company op/exp/cust/year \$458 Staff op/exp/cust/year \$279

Cash Flow Difference -\$81,472

579,873



CRRWC						
Test Year: 2006/2007						
SUMMARY OF ADJUSTMENTS						
			Staff Adjustments to Rev Req Column D	Results	Reason	
<b>REVENUES</b>						
1	461	Residential / Commercial Water Sales	615,657	(\$832)	614,825	Average use multiplied by active customers for 2007.
3	465	Fire Department	0	\$0	0	
4	472	Rental Income (Cell Antenna; Equipment	0	\$8,100	8,100	Based on cell tower revenue and imputed Webformix revenue.
5	471	Misc. Revenues	48,746	(\$48,746)	0	Removed; cost causative and hook-up fees.
6		Special Contracts	142,430	(\$142,430)	0	Assessment removed; based on cost of service, sufficient funds from depreciation expense allows for future improvements.
7			0	\$0	0	
8		<b>TOTAL REVENUE</b>	<b>806,833</b>	<b>(\$183,908)</b>	<b>622,925</b>	
<b>OPERATING EXPENSES</b>						
10	601	Salaries and Wages - Employees	313,500	(\$85,683)	227,817	2006 wages based on 173 hours per month (escalated by CPI - 3.2%); removed Fire Hall donation labor (estimated at \$1,708). Increased Field Tech position to full-time; 6.125 FTE increases to 6.625 FTE.
11	603	Salaries and Wages - Officers	0	\$0	0	
12	604	Employee Pension & Benefits	24,000	\$4,390	28,390	Documented 2007 costs plus insurance for one additional FTE.
13	610	Purchased Water	0	\$0	0	
14	611	Telephone/Communications	16,000	(\$6,922)	9,078	Based on 2007 plans extended through the year. Also imputed Webformix costs to zero net against imputed revenue.
15	615	Purchased Power	49,000	\$5,404	54,404	Actual 2006 costs escalated by 5% due to PacifiCorp's, UE 179 rate increase and an additional 10% due to loss of BPA Residential Settlement credits.
16	618	Chemical / Treatment Expense	0	\$0	0	
17	619	Office Supplies	19,600	(\$4,319)	15,281	Based on Invoices - 2006 Actual costs escalated to 2007 using CPI.
18	619	Postage	6,500	\$158	6,658	Based on Invoices - 2006 Actual costs escalated to 2007 based on postage cost increase.
19	620	O&M Materials/Supplies	34,000	(\$30,334)	3,666	Based on 2007 Invoices annualized to 12 months. Removed \$1,298 in local meals & entertainment costs. Did not receive sufficient information on 2006 costs. Moved some costs to plant.
20	621	Repairs to Water Plant	82,000	(\$51,367)	30,633	Included Maintenance Contract (unilaterally removed repair costs to fix vehicles from transportation costs), and annualized 2007 repair costs based on six months of invoices. Did not receive sufficient information on 2006 costs. Moved some costs to plant.
21	631	Contract Svcs - Engineering	0	\$0	0	
22	632	Contract Svcs - Accounting	4,427	\$142	4,569	2006 submitted cost escalated to 2007. Company's adjustment is properly included in Account 666.
23	633	Contract Svcs - Legal	41,000	(\$34,891)	6,109	Used 2006 costs. Removed non-utility expenses, capital expenses, and amortized PUC jurisdiction expenses over 2 years. Escalated 2006 costs to 2007 using CPI. Allowed Watchdog expenses.
24	634	Contract Svcs - Management Fees	0	\$0	0	
25	635	Contract Svcs - Testing	2,050	\$2,249	4,299	4-year average 2006 through 2009 equals \$4,299. Pricing received from Umpqua Research.

26	636	Contract Svcs - Labor	6,200	(\$6,200)	0	Did not include cost as previously added 0.5 FTE to wages and benefits increasing FTE count. Inclusion would result in double-counting of labor costs.
27	637	Contract Svcs - Billing/Collection	0	\$0	0	
28	638	Contract Svcs - Meter Reading	0	\$0	0	
29	639	Contract Svcs - Other	0	\$0	0	
30	641	Rental of Building/Real Property	0	\$0	0	
31	642	Rental of Equipment	1,000	(\$933)	67	Only one 2006 invoice, Hooker Creek - Plate Compactor, submitted. Escalated to 2007 costs using CPI.
32	643	Small Tools	5,000	(\$4,825)	175	Based on 2007 Visa Bills (6 months), annualized.
33	648	Computer/Electronic Expenses	8,200	(\$6,910)	1,290	Based on 2006 invoices escalated to 2007 using CPI. Moved computer, photo printer, typewriter, and shredder to plant.
34	650	Transportation	17,900	(\$740)	17,160	Included 2006 fuel costs escalated by 10.15% due to escalated fuel costs (spot cost provided by Carson Oil). Also included tire repairs. Did not include repair parts for vehicles due to the Maintenance Contract with Rooks Enterprises.
35	656	Vehicle Insurance	3,884	\$0	3,884	No adjustment, no documentation supports costs.
36	657	General Liability Insurance	10,463	(\$4,151)	6,312	Allowed actual costs based on policy sheets, but removed Rooks' excavator insurance estimated at \$1,144.
37	658	Workers' Comp Insurance	11,000	(\$4,165)	6,835	Calculated based on wage allowance.
38	659	Insurance - Other	0	\$0	0	
39	660	Public Relations/Advertising	800	(\$800)	0	Moved amount into Account 674, Consumer Confidence Report.
40	666	Amortz. of Rate Case	0	\$5,676	5,676	Legal bills (including \$5,000 estimate) and accounting bills (including \$1,000 estimate) attributed to rate case, amortized over 2 years.
41	667	Gross Revenue Fee (PUC)	1,895	(\$338)	1,557	Calculated.
42	668	Water Resource Conservation	0	\$0	0	
43	670	Bad Debt Expense	0	\$0	0	
44	671	Cross Connection Control Program	0	\$0	0	
45	672	System Capacity Dev Program	0	\$0	0	
46	673	Training and Certification	1,000	\$0	1,000	Allowed requested amount based on personnel turnover.
47	674	Consumer Confidence Report	0	\$800	800	
48	675	General Expense	500	\$238	738	Based on 2007 Visa Bills (6 months), annualized.
49		TOTAL OPERATING EXPENSE	659,919	(\$223,522)	436,397	
		OTHER REVENUE DEDUCTIONS				
50	403	Depreciation Expense	100,272	(\$56,281)	43,991	Calculated based on attached Plant sheet.
51	407	Amortization Expense	0	\$0	0	
52	408	Property Tax	0	\$0	0	
53	408	Payroll Tax	0	\$19,756	19,756	Calculated based on recommended wages.
54	408	Other Tax	0	\$0	0	
55	409	Oregon Income Tax	0	\$0	0	
56	409	Federal Income Tax	0	\$0	0	
57		TOTAL REVENUE DEDUCTIONS	760,191	(\$260,046)	500,145	
58		NET OPERATING INCOME	46,642	\$76,138	122,780	
59	101	Utility Plant in Service	3,610,965	(\$2,659,641)	951,324	Calculated based on attached Plant sheet.
60		Less:				
61	108	Depreciation Reserve	1,571,505	(\$1,979,323)	(407,818)	Calculated based on attached Plant sheet.
62	271	Contributions in Aid of Const	1,538,911	(\$1,538,911)	0	
63	272	Amortization of CIAC	0	\$0	0	
64	281	Accumulated Deferred Income Tax	0	\$0	0	
65		Net Utility Plant	0	\$42,957	42,957	Calculated based on attached Plant sheet.
66		Plus: (working capital)		\$0	0	
67	151	Materials and Supplies Inventory	41,201	(\$5,621)	35,580	Used piping/supplies listed in Assessment fund.
68		Working Cash (Total Op Exp /12)	54,993	(\$18,627)	36,366	1/12 of operating expenses.
69		TOTAL RATE BASE	596,743	\$18,710	615,453	
70		Rate of Return	\$0		\$0	





CRRWC  
UW 120  
RATE IMPACT - RESIDENTIAL (3/4 x 5/8) - 1 TIER

Monthly Consumptions Customer Usage cubic feet	Current Base Rate Includes 700 and Surcharge	Current Commodity Rate	Current Usage Factor	Total Current Average Monthly Rate	Proposed Customer Base Rate No Consumption No Surcharge	Proposed Commodity Rate Per Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
0	\$35.50	\$0.72	0	\$35.50	\$18.58	\$0.86	\$18.58	(\$16.92)	-47.66%
250	\$35.50	\$0.72	0	\$35.50	\$18.58	\$0.86	\$20.73	(\$14.77)	-41.61%
500	\$35.50	\$0.72	0	\$35.50	\$18.58	\$0.86	\$22.88	(\$12.62)	-35.56%
700	\$35.50	\$0.72	0	\$35.50	\$18.58	\$0.86	\$24.59	(\$10.91)	-30.72%
1000	\$35.50	\$0.72	3	\$37.66	\$18.58	\$0.86	\$27.17	(\$10.49)	-27.85%
<b>1066</b>	<b>\$35.50</b>	<b>\$0.72</b>	<b>4</b>	<b>\$38.13</b>	<b>\$18.58</b>	<b>\$0.86</b>	<b>\$27.73</b>	<b>(\$10.40)</b>	<b>-27.27%</b>
1500	\$35.50	\$0.72	8	\$41.26	\$18.58	\$0.86	\$31.47	(\$9.79)	-23.74%
2000	\$35.50	\$0.72	13	\$49.90	\$18.58	\$0.86	\$35.76	(\$14.14)	-28.34%
3000	\$35.50	\$0.72	23	\$57.10	\$18.58	\$0.86	\$44.35	(\$12.75)	-22.33%
4000	\$35.50	\$0.72	33	\$64.30	\$18.58	\$0.86	\$52.94	(\$11.36)	-17.67%
5000	\$35.50	\$0.72	43	\$71.50	\$18.58	\$0.86	\$61.53	(\$9.97)	-13.95%
6000	\$35.50	\$0.72	53	\$78.70	\$18.58	\$0.86	\$70.12	(\$8.58)	-10.90%
8000	\$35.50	\$0.72	73	\$93.10	\$18.58	\$0.86	\$87.30	(\$5.80)	-6.23%
10000	\$35.50	\$0.72	93	\$107.50	\$18.58	\$0.86	\$104.48	(\$3.02)	-2.81%
12000	\$35.50	\$0.72	113	\$121.90	\$18.58	\$0.86	\$121.65	(\$0.25)	-0.20%
15000	\$35.50	\$0.72	143	\$143.50	\$18.58	\$0.86	\$147.42	\$3.92	2.73%
				<b>\$673.65</b>					
							\$525.15		









CASE: UW 120  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 103**

**Exhibit in Support of Testimony**

**September 7, 2007**

**Crooked River Ranch Water Co. Staff**

JR RookS *Operations and General Manager*

Jacque R. *Office Manager*

Barbara O. *Administrative Assistant/Past Due Accounts and Double Check Valve Contact*

Adan Valdez *Field Technician*

## Section 4

# Existing System Evaluation

This section presents a description of the components of the existing system and an evaluation of each component under current and future conditions.

### 4.1 Existing System Description

The existing water system at CRRWC consists of two wells, two storage reservoirs and about 35 miles of distribution piping and related components. The location of existing facilities is shown on Exhibit 4-1, and described below.

The system is made up of an upper level and a lower level. Well No. 4 and the Tower serve the upper level. Well No. 2 and the Cistern serve the lower level. The lower level can also be supplied by gravity from the upper level through the Cistern, which is fed from the control valve in the upper level. The control valve from the upper level keeps the Cistern full, which supplies the lower level. If the Cistern level drops, Well No. 2 comes on to supplement the source. To supply the upper level from Well No. 2 in the lower level, manual operation of valves and the booster pumps at the Cistern is necessary. A three-dimensional schematic of the existing water system is shown on Exhibit 4-2.

#### 4.1.1 Source Description

The two wells owned by CRRWC, Well Nos. 2 and 4, are the primary public domestic water sources at the Ranch. Well No. 4 is the production well and Well No. 2 is used as a standby source. There are two additional commercial wells at the Ranch, Well Nos. 1 and 3, owned by the Association, both of which are used primarily for irrigation. CRRWC and the Association have an agreement for the use of Well No. 3 for domestic purposes in the event additional source is needed, but this source is considered emergency and is not included as a future source for CRRWC. Well Nos. 1, 2, and 3 are located on the lower level of the Ranch and Well No. 4 is in the upper level.

The data associated with CRRWC's Well Nos. 2 and 4 are presented on the Source Inventory table below.

The relationship of Well Nos. 2, 3, and 4 is shown on Exhibit 4-3.

**Table 4-1**  
**Source Inventory**

Description	Well No. 2	Well No. 4
Location	Commercial Loop	Lower Ridge Rd.
Constructed Well House	Yes	Yes
Wellhead Elevation	2,540 feet	2,760 feet
Well Depth	429 feet	951 feet
Depth to Static Water Level	280 feet	502 feet
Static Water Level Elevation	2260 feet	2258 feet
Pump Capacity	800 gpm	800 gpm
Pump Horsepower	150 hp	200 hp
TDH Added	550 feet	720 feet
Purpose	Standby	Production

Well No. 2 was previously the primary production well before Well No. 4 was brought on line in December 1995, when Well No. 2 status was changed to standby. Well No. 4 has been operating smoothly. Well No. 2, in its standby status, is exercised on a regular basis, but the monthly power demand charge reduces the cost-effectiveness of this activity. In addition, there is some concern by management over the longevity of the casing for Well No. 2, since a problem may exist at depth of 140 feet. The limited use of Well No. 2 also makes maintaining and heating the well house a difficulty. The roof on the well house at Well No. 2 has been leaking.

#### 4.1.2 Storage Description

The CRRWC system includes two reservoirs, the Tower and the Cistern. The Tower is located in the upper level near Well No. 4, and the Cistern is located in the upper level, but serves the lower level.

The data associated with CRRWC's Tower and Cistern are presented on the Storage Inventory table below.

**Table 4-2**  
**Storage Inventory**

Description	Tower	Cistern
Location	Lower Ridge Road	Clubhouse Road
Capacity	700,000 gallons	100,000 gallons
Base Elevation	2,855 feet	2,780 feet
Height	70 feet	10 feet
Overflow Elevation	2,925 feet	2,790 feet
Incremental Volume	10,000 gallons/foot	10,000 gallons/foot
Maximum Customer Elevation for Minimum 30 psi Pressure when Reservoir is Full	2,856 feet	2,720 feet
Material	Steel	Concrete

70980/master/section4.doc  
October 16, 1997

The Cistern roof is showing signs of age, as cracks and spalling on the exterior roof are evident making the long-term structural integrity questionable. The current operation of the Cistern as a gravity feed from the upper level to the lower level makes it difficult to dial in the controls and the actual circulation of water within the Cistern is difficult to determine.

The Tower has not been painted since it was installed in the 1970s, and shows definite signs of needing re-coating, particularly on the interior where scaling has occurred. Other needs at the Tower include security fencing to protect the structure and the telemetry equipment, and an overflow drainage structure to control erosion and reduce impact to downstream properties.

**4.1.3 Distribution Description**

The CRRWC distribution system consists of piping, a booster pump system, pressure reducing valves (PRVs), and hydrants/standpipes. The data related to these system components are presented on the inventory tables below.

**Table 4-3  
Piping Inventory**

Size	Length
4-inch	35,810 feet
6-inch	70,880 feet
8-inch	79,020 feet
12-inch	750 feet
<b>TOTAL</b>	<b>186,460 feet (about 35 miles)</b>

**Table 4-4  
Pressure Reducing Valve (PRV) Inventory**

Description	Location	Size	Static Pressure	
			Upstream	Downstream
No. 1 Pasture	Phase 16, Lot No. 36	4"	110 psi	42 psi
No. 2 West Peninsula	Phase 8, Lot No. 62	4"	100 psi	40 psi
No. 3 Sundown Canyon	Phase 12, Lot No. 81	4"	100 psi	35 psi
No. 4 West Peninsula	Phase 12, Lot No. 19	4"	95 psi	42 psi

**Table 4-5  
Hydrant/Standpipe Inventory**

Description	Number
Hydrants	24
Standpipes	211

**Table 4-6  
Booster System Inventory**

Description	Cistern Booster #1	Cistern Booster #2	Cistern Booster #3
Flow Rate	100 gpm	275 gpm	275 gpm
Horsepower	15 hp	25 hp	25 hp
TDH added <sup>(1)</sup>	140 feet	140 feet	140 feet
RPM <sup>(2)</sup>	3,520	3,520	3,520
Phase	3	3	3
Hertz	60	60	60

Notes:

- (1) TDH is Total Dynamic Head.
- (2) RPM is Revolutions per minute.

Since Well No. 4 supplies water to the upper level, the Cistern booster station is on standby status (similar to Well No. 2) and is only used when peak demands are needed in the upper level. Because of this, the booster system is manually operated and requires valving adjusted at the Cistern. When the booster system is in operation, system pressures in the vicinity of the Cistern are increased to provide hydraulic pressure to feed water from the Cistern to the system and to the Tower. However, when the booster pumps are not operating, which is currently the standard operating condition, then hydraulic pressure from the Tower serves the area in the vicinity of the Cistern. Based on the overflow elevation of the Tower (2,925 feet) and the ground elevation near the Cistern (2,790 feet), the static pressure near the Cistern when the Tower is full is about 58 psi, although telemetry readings indicate the pressure at the Cistern at 70 psi. During peak demands or when the water surface in the Tower drops, the pressure to customers in this end of the system drops significantly.

#### 4.1.4 Water Rights Description

CRRWC's water rights are shown on the following table.

**Table 4-7  
Water Rights**

Groundwater Source	Permit #	Priority Date	Amount
Crooked River Basin	G-11376	June 18, 1991	5 cfs 3.23 MGD

The water rights are assumed to cover all 2,600 potential lots at the Crooked River Ranch.

#### 4.1.5 Water Quality Description

The water from both wells is reliable and of exceptional quality. CRRWC collects samples in compliance with State and federal guidelines. Test results are available at the CRRWC office. CRRWC water was judged as producing one of the three best domestic waters in the State of Oregon in a

rights since CRRWC did not provide irrigation. In November, 1991, the WRD issued Permit #G-11376 to CRRWC establishing 5.0 cfs for quasi-municipal use from Wells #2 and 3. On October 30, 1997, WRD approved Permit Amendment #T-7828 for an additional point of appropriation for CRRWC to add Well #1. This modified Permit G-11376. It still limits CRRWC to 5.0 cfs, but now lists CRRWC Wells #1 and 2, and the Association Well #3 as authorized points of diversions.

On March 27, 2003, WRD issued a letter outlining the water rights for the CRRWC and the Association. They stated that there are 4.4 acres of irrigation rights remaining from Well #2, as described in Certificate #75144. Since Well #2 is owned by CRRWC, 0.06 cfs to irrigate these 4.4 acres was determined to be part of CRRWC's water rights.

### **Adequacy and Reliability**

According to the Watermaster's Office in Bend, the wells used by CRRWC are utilizing the same aquifer since the wells are all basically near the same depth. This aquifer feeds the Crooked River and the Deschutes River. Exhibit 2-2 shows the relative elevations of the wells and well screens.

Estimates of groundwater age can be used to assess the relative vulnerability of an aquifer to contamination from land surface, by evaluating the tritium concentrations in the ground water. Alternatively, the age of groundwater provides an indication of whether production from the aquifer is capturing more recently recharged groundwater and causing more direct depletion of recharge. Kyle Gorman, Regional Watermaster, states that the USGS did a survey of the Deschutes Aquifer, and at Opal Springs, and found no Tritium in the water. Mr. Gorman states that this means the water was recharged before nuclear testing began, and that would have been about 50+ years ago<sup>2</sup>. This provides evidence that the aquifer current production from the aquifer has not depleted the older water in the reservoir.

The Water Resources Department has also determined that the Deschutes River Basin is *not* a "critical ground water area". However, the Deschutes River Basin has received much attention due to the low summer flows in the middle Deschutes River area attributed to historical diversions. Exhibit 2-3 is a graphical model of the various flows within the Deschutes Basin.

In Exhibit 2-3, the locations of the zones of groundwater aquifer recharge and discharge are identified. Recall that Exhibit 1-1 showed CRRWC located a few miles upstream from the confluence of the Crooked River and Deschutes River. Using the Crooked River as reference point in Exhibit 2-3, CRRWC is shown to be located in the Deschutes groundwater discharge zone, and therefore does not contribute to the historic low summer flows of the middle Deschutes basin.

CRRWC considers the aquifer from which it draws drinking water both adequate and reliable and therefore CRRWC does not anticipate future restrictions on this supply. CRRWC has not experienced any declining water levels in the aquifer nor had a lack of supply even during peak

<sup>2</sup> Higher levels of tritium were introduced into the atmosphere as a result of nuclear testing.



**Table 3-2  
Water Demand Forecast**

Scenario	1997	2003	2017
<b>High (6.0% Growth, High Demand)</b>			
Number of Connections [Meters] <sup>(1)</sup>	1,147	1,627	3,679 <sup>(2)</sup>
Average Demand [gpd] <sup>(3)</sup>	422,096	621,514	1,405,378
[gpm]	293	432	976
Peak Demand [gpd] <sup>(3)</sup>	970,362	1,428,353	3,229,819
[gpm]	674	992	2,243
<b>Medium (4.3% Growth, Typical Demand)</b>			
Number of Connections [Meters] <sup>(1)</sup>	1,147	1,477	2,662
Average Demand [gpd] <sup>(3)</sup>	422,096	543,536	979,616
[gpm]	293	377	680
Peak Demand [gpd] <sup>(3)</sup>	970,362	1,249,542	2,252,052
[gpm]	674	868	1,564
<b>Low (2.0% Growth, Low Demand)</b>			
Number of Connections [Meters] <sup>(1)</sup>	1,147	1,292	1,704
Average Demand [gpd] <sup>(3)</sup>	422,096	231,268	305,016
[gpm]	293	161	212
Peak Demand [gpd] <sup>(3)</sup>	970,362	532,304	702,048
[gpm]	674	370	488
<b>Total Number of Lots within Service Area</b>	<b>1,660</b>	<b>1,932</b>	<b>2,630</b>

- (1) The number of connections for 1997 was provided by CRRWC. Number of connections for 2003 and 2017 was calculated using the equation  $N = n(1+\%)^y$  where N is the future number of connections, n is the current number of connections, percentage is the growth rate, and y is the number of years.
- (2) The number of connections in 2017 exceeds the 2,630 total number of lots at the Ranch. This estimate includes the potential for re-zoning at the Ranch thereby creating more lots, or that at 6.0% growth rate the Ranch reaches the 2,630 buildout prior to 2017.
- (3) Average demand and peak demand are calculated by multiplying the number of connections by Meter Demands. Meter demands are as follows:

Trend	Meter Demand (gpm)
<b>High Usage</b>	
Average Day	382
Peak Day	878
<b>Typical Usage</b>	
Average Day	368
Peak Day	846
<b>Low Usage</b>	
Average Day	179
Peak Day	412



4 111111



RESPONSE FROM - CROOKED RIVER RANCH WATER  
PO BOX 2319, TERREBONNE, OREGON 97760

11. In the following table format, please provide the following customer information. Please provide separate tables for each class of customer (residential, water haulers, commercial, other)

	Beginning Count	Ending Count (project for 2007)	Average Annual Customers
2004	1396	1442	1413
2005	1442	1482	1460
2006	1482	1546	1488
2007	1546	1585 (projected)	

12. In the following table format, please provide the following monthly usage information from January 2004 to date. Please provide system reports that substantiate the Company's numbers.

	Residential	Water Haulers	Commercial	Other (as applicable)	Total
01/04	1379	19	0	0	1398
02/04	1383	19	0	0	1402
03/04	1385	19	0	0	1404
04/04	1391	19	0	0	1410
05/04	1400	19	0	0	1419
06/04	1412	17	0	0	1429
07/04	1417	17	0	0	1434
08/04	1432	18	0	0	1450
09/04	1433	15	0	0	1448
10/04	1437	15	0	0	1452
11/04	1441	14	0	0	1455
12/04	1442	13	0	0	1455
Etc.	0	0	0	0	0
<b>Total</b>	16952	204	0	0	17156

13. Please explain the method in which water haulers are billed. Is it consumption plus the base rate, or is there another mechanism? Please explain. – **ANSWER – BILLED SAME AS ALL OTHER WATER USERS.**

14. For each class of customers that are listed in the above table that are metered, please provide a count of all meter sizes (i. e., 3/4", 1", 2", etc.).

15. Please provide 2006 W-2 forms for all employees of CRRWC. – **ANSWER – SEE ENCLOSED.**

Regarding the 2.5 person per household figure, the Ranch is inhabited by retired persons and families in an approximate ratio of 1 to 1. In light of the fact that the Census 2000 counted 2.8 persons per household for Jefferson County<sup>1</sup>, CRRWC agrees with the Association's estimate of 2.5 persons per household given the higher percentage of retired residents inhabiting the Ranch than the County as a whole.

CRRWC used Association estimates of developed properties as a basis for population estimates because population estimates from the county or Census 2000 were not available for Crooked River Ranch. The Ranch is considered a subdivision and unincorporated and therefore all Ranch statistics are wrapped up within total county population estimates. Also, when the 2000 Census was referenced, population for the Ranch was not available without attempting the task of apportioning population within Ranch boundaries based on census tract data. This arduous task would have revealed probably no more accurate population estimates than the ones provided by the Association.

## 2.2 Source of Supply

CRRWC relies strictly on groundwater to provide its source of supply. This section includes of a summary of CRRWC's water rights and the adequacy and reliability of their source of supply.

### Water Rights Summary

The CRRWC has a water right permit allowing for access to 5 cfs or 3.23 mgd at three wells. Table 2-3 describes this right, including permit number, priority date, and other pertinent information.

Groundwater Source	Permit #	Priority Date	Amount	Completion Date	Type of Use	Well No.
Crooked River Basin	G-2280	Jan. 24, 1963	(1)	(1)	IR	2
Crooked River Basin	G-11376	June 18, 1991	5 cfs (3.23 MGD)	Oct. 1, 1994	Quasi-municipal	1, 2, and Assn. 3
Crooked River Basin	Cert. 75144 T-6604	Jan. 24, 1963	0.06 cfs		IR	2

(1) Permit G-2280 is superseded by G-111376.

CRRWC believes it is important to provide a history of their water rights issues as a point of reference for the current water right permit being considered in this WMCP. Permit #G-2280 was originally in the name of Thomas Bell, who owned the ZZ Cattle Company, now known as Crooked River Ranch. On April 10, 1979, Mr. Bell assigned all his water rights to the Crooked River Ranch Water Company, and on August 23, 1979, the Water Resources Department issued a Certificate of Water Right to the CRRWC for irrigation of 91.1 acres using Well #2. This was limited to 1.14 cfs. WRD determined that the CRRWC was not the "owner" of these water

<sup>1</sup> Though CRRWC falls within Jefferson and Deschutes County, most of the Ranch is within Jefferson County.



1           Priority III Improvements include upgrades to the pumping system that  
2 will be needed for future demands.

3           Mr. Solt noted that capacity to serve future expansion will require an  
4 additional 860,000 gallon tank and distribution improvements in the  
5 neighborhood of \$2,690,004, plus an additional \$58,823 to upgrade the  
6 pumping capacity. Staff has attached a copy of the Capital Improvement  
7 Program priorities as Staff/101 Miller-Dougherty/11-12.

8           4. Customers Request for Last Payment to be Printed on the Current Bill

9           Agate is investigating whether its billing software can include the customers'  
10 last payments on the bills. The Company is working with the software  
11 company and, if possible, will add this to their bills.

12           5. Poor Customer Service

13           To address concerns regarding customer service, Agate has adopted a  
14 written Customer Service Policy that states, among other things, "customers  
15 will be treated in a professional and understanding environment regarding  
16 their service." This policy is displayed in Agate's office. The policy also  
17 contains contact information for PUC's Consumer Services Section.

18           The Consumer Services Section reports that from March 2005 to  
19 December 2005, the Commission received 8 service complaints; during  
20 2006, the Commission received only four service complaints; and to date,  
21 the Commission has received only one service complaint. Rate protests are  
22 not included.

23

**DATE:** March 29, 2004  
**TO:** Board of Directors  
Crooked River Ranch Water Company  
**FROM:** James H. Rooks  
General Manager/Operations Manager

**SUBJECT: SPECIAL ASSESSMENT (CAPITAL IMPROVEMENTS)**

**Issue:** The Crooked River Ranch Water system is in need of major upgrades in order to maintain the system, provide adequate fire flow protection, and bring it into compliance with current and future state codes. The engineered 20 Year Plan, which was completed in 1997, states that a third well is needed in order to meet future demands. In addition, the final payment will be coming due on the office building in four years.

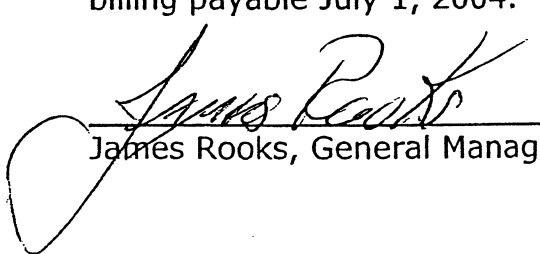
**Recommendation:** In order to bring this system into compliance, the following projects need to be completed:

- Drilling of Well #3 (Crater Loop and Tower Road) and plumbing to accommodate a chlorination system.
- Upgrading of the Cistern and building a new pump house
- Replumb and add a chlorination station to Well #1 (formerly #4) located at Cinder Drive and Lower Ridge).
- Pay off loan on office building.

The projects all have a large price tag, and I want to keep this on a pay as you go basis. I am recommending that instead of borrowing money and paying interest for many years, a special assessment be applied to all accounts in the amount of \$8 per month for 15 years.


The Board of Directors are authorized to implement this assessment according to the Crooked River Ranch Water Company Bylaws, originally dated May 23, 1977 and through all revisions to date.

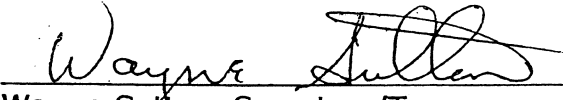
**Resolution:** The Board of Directors approve a special assessment in the amount of \$8 per month be implemented effective with the June, 2004 billing payable July 1, 2004.


  
James Rooks, General Manager

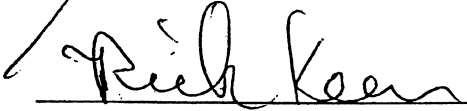
  
Date

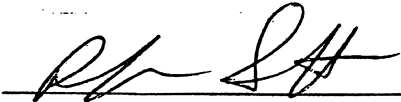
**APPROVED:**

  
Paul Dinsmoor, President 3/29/04  
Date

  
Wayne Sutton, Secretary/Treasurer 3-29-04  
Date

  
John Combs, Director 3-29-04  
Date

  
Rick Keen, Director 3-29-04  
Date

  
Randy Scott, Director 3-29-04  
Date

**CRR RFPD**

RooKs Enterprises LLC &  
Crooked River Ranch Water Co. Op  
PO Box 1477  
Redmond, OR 97756



This is a no compensation agreement with CRR RFPD for site work on the new fire station.

Your scope of work will be the following:

1. Hot tap to bring 8" water main to the construction site. If boring under Shad Road is required CRR RFPD will pay directly to the boring contractor.
2. Excavate and backfill water and electrical ditches. Imported materials will be paid by CRR RFPD to supplier.
3. The utilities will be brought to within 5' of the building others will take them from there.
4. Excavation for septic system for contractor CCB licensed, approved by DEQ permit and Jefferson County Environmental officer.

This is to be a 2 hydrant location on site and a fire protection sprinkler system in the building. Necessary pipe sizing details will be worked out prior to start of site excavation.

Any materials supplied to the project will be billed on a cost reimbursable basis. To name a few items this would include pipe, hydrants, etc.


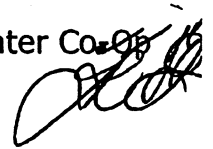
For Worker's Compensation coverage hourly rates for all volunteer labor will be established at prevailing wage for the appropriate classification.

Your offer of up to \$50,000.00 for on site work is very generous and we know the community will be grateful as will the fire department. We thank you.

CRR RFPD

RooKs Enterprise

CRR Water Co. Op



**Ivars Lazdins**  
**ARCHITECTURE & PLANNING**

3004 SW BENNINGTON DR., PORTLAND, OR 97205  
(503) 297-8238 FAX (503) 297-5280 vars@lazdins.com

Transmittal\_\_\_ Memo\_\_\_ Conference X Site Visit\_\_\_ Tel. Call\_\_\_ Mail\_\_\_ FAX 2 Pgs

TO: Lex  
Darrin

DATE: 2/8/07

WITH: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

JOB: CRR Main Fire Station

Sitework Meeting on Feb. 7, 2007 re. WHO DOES WHAT.

Page 1 of 2

Please look this over and let me know if your memory is otherwise.  
This outlined is not in sequence of normal operation.

**BY CONTRACTOR:**

- 1 Install silt fence around project site.
- 2 Grub total project site where improvements shown (not landscaped areas).  
Stockpile clean dirt.
- 3 Cut and/or fill total site to subgrade elevations shown.
- 4 Install irrigation sleeves to connect landscape areas.
- 5 Install gravel base course under building and concrete aprons.
- 6 Install electric, telephone, cable conduits in owner's ditch.
- 7 Install cast in-place curbs and flatwork.

**BY OWNER:**

- 1 Provide 24" wide and 36" deep utility ditch.
- 2 Install 6" water to hydrants and to within 5 ft from building.
- 3 Fill utility ditch after water line and other utility conduits installed.
- 4 Install gravel base course in AC paving areas.
- 5 Install AC paving and extruded curbs.
- 6 Install pavement marking.
- 7 Install fire hydrants.

**SEPTIC SYSTEM:**

**BY CONTRACTOR:**

- 1 Excavate, install and fill owner provided septic tank. Connect sanitary drain from building.

Sitework Meeting Feb. 7, 2007

Page 2 of 2

**BY OWNER:**

- 1 Install drain field and connect to septic tank.

**TRENCH DRAIN DISPOSAL:**

**BY CONTRACTOR:**

- 1 Excavate, install and fill owner provided oil/water separator. Connect drain from building.

**BY OWNER:**

- 1 Install drainage swale and connect to oil/water separator.

**ROOF DRAIN RUNOFF DISPOSAL:**

**BY CONTRACTOR:**

- 1 At plumbed downspouts (not surface disposed) provide under ground drain system to 4 ft. inside AC paved areas.

**BY OWNER:**

- 1 Install drainage swales and connect to contractor's stubs.

---

COPIES: \_\_\_\_\_ BY: Vars  
mem02087 \_\_\_\_\_

Pertaining to Footnote: 12  
of Testimony Staff/100



1 which is located in Eagle Crest, because many of the employee functions are  
2 contracted out to its parent company. Although Staff includes the following  
3 table as a comparison, a simple comparison of wages among utilities is not a  
4 sufficient analysis from which to base revenue requirement recommendations.

5 **Table 8 – Class B Water Utilities Wage and Benefit Comparison**

	<b>Agate</b>	<b>Crooked River</b>	<b>Roats</b>
Total Full Time Equivalents (FTE)	7	6.5	6
Wages – Employees	\$182,862	\$343,500	\$116,103
Wages – Officers	\$55,800		\$101,518
Pension & Benefits	\$19,444	\$33,000	\$22,683
<b>Total Payments</b>	<b>\$258,106</b>	<b>\$376,500</b>	<b>\$240,304</b>
Employee Expense per Revenue	\$0.41	\$0.50	\$0.30
Total Operating Expense per Customer per Year	\$356	\$427	\$457

6  
7 Although Agate's wages are slightly higher than Roats Water Company,  
8 they are lower than Crooked River Ranch Water Company, as Table 8  
9 indicates. Agate's overall operating expense per customer per year is lower  
10 than both Roats Water Company and Crooked River Ranch Water Company.

11 Staff also believes Intervenor Tim Kelly's comparison to Connecticut Water  
12 Services (Connecticut) is irrelevant. As a result of economies of scale, it is  
13 reasonable to expect a declining employee to customer ratio as companies

#### 4.1.7 Management and Operations Description

CRRWC has a five member Board of Directors, one General Manager, one Office Administrator, and two operations personnel. The CRRWC organization chart is shown on Exhibit 4-4.

The Board members are elected to a three-year term of office. The Board sets the policies of the Company, and approves plans for the Company's future operations. Directors are elected in August at the Company annual meeting. All customers are considered shareholders of the company, and shareholders are entitled to vote for Board of Directors at the annual meeting.

The Board selects the General Manager, who oversees the operation on a part-time basis. The manager is the liaison between the Board and staff, prepares Board meeting agendas, informs the Board of the status of the company, prepares budgets, financial reports, and schedules, among many other duties. The current manager has, and future manager's should have, a Water Distribution Class 1 (WD1) certificate.

The Office Administrator is a full-time employee and responsible for billing, accounting, file management, customer relations, and report preparation. Two operations personnel, both of which are WD1 certified and have backflow inspector and backflow tester certificates, conduct the day-to-day operation of the system. Their duties include maintenance of pumps, boosters, reservoir, telemetry, meter reading, installation of meters, repairs, exercising valves and other tasks.

In 1997, the General Manager worked 0.5 FTE, the Office Administrator 1.0 FTE, and the two operations personnel were between 1.0 and 1.8 FTE combined. The four staff members work the FTE of 2.8.

#### 4.2 Existing System Evaluation

Each component was evaluated and compared with the design criteria presented in Section 2 to determine the adequacy of the component under current and future conditions.

##### 4.2.1 Source Evaluation

The ability of the existing sources to meet current and projected demands was evaluated. The evaluation of source adequacy is presented on Table 4-9 and shown graphically on Exhibit 4-5.

In the evaluation table, the existing source available is identified followed by projected water demands for each growth scenario. The quantity of source is determined in gallons per minute and gallons per day. This analysis uses the assumption that the pump will be operating continuously for the full 24-hour

Corporation and, whether or not the applicant's personal residence is served by the Corporation.

(d) Applicant interviews will be conducted by the Board of Directors, provided the Board shall accept the written application. Upon the Board of Directors' approval of an application, based on the applicant's experience and expertise in relationship to the corporation's needs and requirements at the time, the Board of Directors will invite the applicant for a Board interview. The name of the applicant(s) with successful interviews will be placed on the ballot for the next annual election. Only people named on the ballot will be considered as candidates for election to the Board of Directors.

(e) A member of the Corporation shall be ineligible to serve on the Corporation Board of Directors if that member shall at the same time be serving as an officer or director of either the Crooked River Ranch Club and Maintenance Association, the Crooked River Ranch Rural Fire Protection District or the Crooked River Ranch Special Road District.

#### Bylaw 4.4 VACANCIES

Any vacancies on the Board of Directors not caused by expiration of term *may* be filled for the unexpired term by majority vote of the remaining members of the Board of Directors.

#### Bylaw 4.5 DISQUALIFICATION

Termination of a Director's membership in the Corporation shall terminate automatically that Director's membership on the Board of Directors. If a Director shall serve as an officer or director of any organization listed in Bylaw 4.3(e) said Director shall automatically be disqualified as a Director for the Corporation.

#### Bylaw 4.6 COMPENSATION

Individuals serving as a Director of the Corporation shall serve without pay for personal services as a director.

#### Bylaw 4.7 POWERS AND DUTIES OF DIRECTORS

The authority and duties of the Board of Directors shall include the following, as well as such other powers and duties as may be vested in the Board by law.

(a) The Board shall have general supervision and control over and shall manage and conduct the affairs and business of the Corporation, and shall make all necessary rules and regulations, not inconsistent with law or with the Bylaws or Articles of Incorporation, for the management of the Corporation and the guidance of the officers, employees and agents of the Corporation.

(b) The Board may in its discretion employ a General Manager, under contract, who shall hold office subject to such terms and conditions as may be fixed by the Board.

(c) The Board shall cause to be kept a record of all of its acts and proceedings. The Board shall present a report at each annual meeting of the members of the Corporation showing in reasonable detail the condition of the Corporation's affairs.

(d) The Board shall call such special meetings of the members of the Corporation as it may deem necessary or advisable.

(e) The Board shall select one or more banks as depository of funds of the Corporation and determine the manner of receiving, depositing and disbursing the funds of the Corporation, with full power from time to time to change such depositories and determinations.

(f) The Board may invest or convert the funds of the Corporation reserve in or into such securities as the Board may find advisable and proper.

(g) The Board, by affirmative vote of at least three Directors, may borrow money or authorize any officer or the General Manager of the Corporation to borrow money, in the name and on behalf of the Corporation, for any Corporation purpose either on open account or secured in any manner by any assets of the Corporation or any of the Corporation's reserves, in such amounts and upon such terms and conditions as the Board may deem necessary or advisable.

(h) In addition to the foregoing express authority and duties, the Board may exercise such powers and do such lawful acts as it may find to be proper and necessary or expedient for accomplishing any of the lawful purposes of the Corporation.

(i) The Board of Directors may make such donations for the public welfare or for charitable, scientific or educational purposes, as the Board finds may result in a present or foreseeable future benefit to the Corporation or to its members as a whole.

#### Bylaw 4.8 RESIGNATION

Any Director may resign from office at any time, such resignation to be in writing and to take effect when filed with the Secretary of the Corporation.

### PART V

#### Meetings of Directors

#### Bylaw 5.1 ANNUAL MEETING

CRRWC  
VISA

Payment Due Date	Trans Date	Cardholder	Acct #	Purchase Amount	Amount	Out	Description
	01/04/07	James Rooks	4804 3900 0001 5938	24.95			Nuskin/Phrmx/BigP/NTC 800-487-8100 UT
	01/05/07	James Rooks	4804 3900 0001 5938	35.50		35.50	Mazatlan Mexican Restaurant, Madras
	01/24/07	James Rooks	4804 3900 0001 5938	30.95		30.95	Sandbagger Saloon, CRR
	01/31/07	James Rooks	4804 3900 0001 5938	30.45		30.45	Mazatlan Mexican Restaurant, Redmond
	02/05/07	James Rooks	4804 3900 0001 5938	6.18		6.18	McDonald's F11916, Madras
	02/09/07	James Rooks	4804 3900 0001 5938	6.98		6.98	McDonald's F11916, Madras
	02/13/07	James Rooks	4804 3900 0001 5938	37.50		37.50	Mazatlan Mexican Restaurant, Redmond
	02/13/07	James Rooks	4804 3900 0001 5938	185.00		185.00	Flower Boutique, Redmond
	02/14/07	James Rooks	4804 3900 0001 5938	7.18		7.18	McDonald's F7592, Redmond
	02/15/07	James Rooks	4804 3900 0001 5938	31.85		31.85	Cindy's Chinese Garden, Redmond
	02/24/07	James Rooks	4804 3900 0001 5938	29.99		29.99	Creative Home 818-222-7200, CA
	02/28/07	James Rooks	4804 3900 0001 5938	30.70		30.70	Sandbagger Saloon, CRR
	03/06/07	James Rooks	4804 3900 0001 5938	130.95		130.95	Thank-U Company 877-444-3846, RI
	03/08/07	James Rooks	4804 3900 0001 5938	55.40		55.40	Smith Rock Restaurant, Terrebonne
	03/10/07	James Rooks	4804 3900 0001 5938	35.33		35.33	Madalines Grill, Redmond
	03/21/07	James Rooks	4804 3900 0001 5938	52.35		52.35	Mazatlan Mexican Restaura, Redmond
	03/29/07	James Rooks	4804 3900 0001 5938	36.60		36.60	Smith Rock Restaurant, Terrebonne
	03/28/07	James Rooks	4804 3900 0001 5938	28.50		28.50	Sandbagger Saloon, CRR
	04/06/07	James Rooks	4804 3900 0001 5938	39.30		39.30	Seventh St Brew HO, Redmond
	04/10/07	James Rooks	4804 3900 0001 5938	34.44		34.44	Blackbear Diner NO, Madras
	04/09/07	James Rooks	4804 3900 0001 5938	68.85		68.85	Mazatlan Mexican Restaurant, Redmond
	04/11/07	James Rooks	4804 3900 0001 5938	82.50		82.50	Pappy's Pizzeria #11, Redmond
	04/12/07	James Rooks	4804 3900 0001 5938	80.90		80.90	Sandbagger Saloon, CRR
	04/13/07	James Rooks	4804 3900 0001 5938	39.75		39.75	Sandbagger Saloon, CRR
	04/25/07	James Rooks	4804 3900 0001 5938	8.98		8.98	McDonald's F11916, Madras
	04/26/07	James Rooks	4804 3900 0001 5938	40.55		40.55	Cindy's Chinese Garden, Redmond
	05/10/07	James Rooks	4804 3900 0001 5938	24.16		24.16	Blackbear Diner NO, Madras
	2007 Totals (to date)			3,511.74		1,297.84	check

Pertaining to Reference Testimony/100  
Dougherty/26

General

# 26

**CROOKED RIVER RANCH WATER CO-OP**  
**Find Report**  
January 2004 through December 2006

2:18 PM  
05/18/07  
Accrual Basis

Date	Num	Name	Split	Amount
10/06/2006	4388	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 2,545.37
06/14/2006	4099	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 14,077.32
11/16/2005	3593	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 894.14
10/07/2005	3499	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 14.41
05/05/2005	3120	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 152.66
04/01/2005	3067	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 1,674.50
01/13/2005	2868	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 23.27
10/08/2004	2666	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 2,197.16
09/09/2004	2589	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 95.95
08/12/2004	2525	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 925.91
06/04/2004	2372	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 60.46
05/07/2004	2308	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ 4,254.92
04/23/2004	2261	UNITED PIPE & SUPPLY	1005 · WASHINGTON MUTUAL (GENERAL CHECKING)	\$ -
				<u>\$ 26,916.07</u>

Pertaining to Footnote: 19  
of Testimony Staff/100

Agate Water Company  
Rate Application UW 119  
Test Year: 2005

Company Case  
45.68%

Staff Case  
14.95%

UW 108 564,710  
UW 119 604,754  
% Above UW108 7.1%  
CPI 9.3%

Acct. No.	REVENUES	A	B	C	D	E	F	G	
		Balance Per Application Test Year: 2005	Proposed Company Adjustments	Adjusted Results (A+B=C)	Interest Expense Tax Affect	Proposed Staff Adjustments	Adjusted Results (A+D=E)	Staff Proposed Rev Changes	Proposed Results (E+F=G)
1 461.1	Residential Water Sales	443,932	202,800	646,732		82,187	526,119	78,634	604,753
2 461.2	Commercial Water Sales			0		0	0	0	0
3 462.1	Public Fire Protection			0		0	0	0	0
4 462.2	Private Fire Protection			0		0	0	0	0
5 471	Misc. Revenues			0		0	0	0	0
6	Special Contracts			0		0	0	0	0
7	TOTAL REVENUE	443,932	202,800	646,732		82,187	526,119	78,634	604,754
8				646,732			526,119	78,634	604,753
9	<b>OPERATING EXPENSES</b>								
10 601	Salaries and Wages - Employees	178,991	3,579	182,570		3,871	182,862		182,862
11 603	Salaries and Wages - Officers	57,250		57,250		(22,467)	34,783		34,783
12 604	Employee Pension & Benefits	19,464		19,464		0	19,464		19,464
13 610	Purchased Water	0		0		0	0		0
14 611	Telephone/Communications	4,591		4,591		(266)	4,325		4,325
15 615	Purchased Power	41,363	2,068	43,431		9,799	51,162		51,162
16 618	Chemical / Treatment Expense	0		0		0	0		0
17 619	Office Supplies	1,357	24	1,381		36	1,393		1,393
18 619.1	Postage	7,028	380	7,408		(1,080)	5,948		5,948
19 620	Materials/Supplies	3,089		3,089		4,369	7,458		7,458
20 621	Repairs to Water Plant	696		696		968	1,664		1,664
21 631	Contract Svcs - Engineering	0	81,000	81,000		0	0		0
22 632	Contract Svcs - Accounting	1,000		1,000		(150)	850		850
23 633	Contract Svcs - Legal	88	1,000	1,088		657	745		745
24 634	Contract Svcs - Management Fees	0		0		0	0		0
25 635	Contract Svcs - Testing	7,300	8,225	15,525		(2,300)	5,000		5,000
26 636	Contract Svcs - Labor	3,793		3,793		403	4,196		4,196
27 637	Contract Svcs - Billing/Collection	0		0		0	0		0
28 638	Contract Svcs - Meter Reading	0		0		0	0		0
29 639	Contract Svcs - Other (Repairs)	0		0		0	0		0
30 641	Rental of Building/Real Property	15,600		15,600		(600)	15,000		15,000
31 642	Rental of Equipment	0		0		0	0		0
32 643	Small Tools	334		334		83	417		417
33 648	Computer/Electronic Expenses	746		746		(17)	729		729
34 650	Transportation	14,204		14,204		2,924	17,128		17,128
35 656	Vehicle Insurance	3,342		3,342		(1,262)	2,080		2,080
36 657	General Liability Insurance	2,204		2,204		984	3,188		3,188
37 658	Workers' Comp Insurance	4,347	217	4,564		(505)	3,842		3,842
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	200		200		(200)	0		0
41 667	Gross Revenue Fee (PUC)	1,110	507	1,617		205	1,315	252	1,568
42 668	Water Resource Conservation	0		0		0	0		0
43 670	Bad Debt Expense	0		0		2,189	2,189		2,189
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	1,755		1,755		(475)	1,280		1,280
47 674	Consumer Confidence Report	200		200		0	200		200
48 675	General Expense	3,991		3,991		(1,671)	2,320		2,320
48a 675		0		0		0	0		0
49	TOTAL OPERATING EXPENSE	374,043	97,000	471,043		(4,505)	369,538	252	369,790
				471,043			369,538		369,790
	<b>OTHER REVENUE DEDUCTIONS</b>								
50 403	Depreciation Expense	53,844		53,844		78,811	132,655		132,655
51 407	Amortization Expense			0		0	0		0
52 408.11	Property Tax	14,427		14,427		35,514	49,941		49,941
53 408.12	Payroll Tax	10,818		10,818		7,228	18,046		18,046
54 408.13	Other	0		0		0	0		0
55 409.11	Oregon Income Tax	10	4,725	4,735	(2,176)	(2,132)	(4,299)	5,173	874
56 409.10	Federal Income Tax	0	10,030	10,030	(4,620)	(4,527)	(9,146)	10,981	1,835
57	TOTAL REVENUE DEDUCTIONS	453,142	111,755	564,897	(6,796)	110,388	556,734	16,407	573,141
58	NET OPERATING INCOME	(9,210)	91,045	81,835	6,796	(28,201)	(30,615)	62,272	31,657
				81,835			(30,615)		31,657
59 101	Utility Plant in Service	3,485,597		3,485,597		266,170	3,751,767		3,751,767
60	Less:								
61 108.1	Depreciation Reserve	96,053		96,053		270,799	366,852		366,852
62 271	Contributions in Aid of Const	0		0		250,000	250,000		250,000
63 272	Amortization of CIAC	0		0		0	0		0
64 281	Accumulated Deferred Income Tax	0		0		0	0		0
65	Net Utility Plant	3,389,544	0	3,389,544		(254,629)	3,134,915	0	3,134,915
66	Plus: (working capital)			3,389,544			3,134,915		3,134,915
67 151	Materials and Supplies Inventory	0		0		20,034	20,034		20,034
68	Working Cash (Total Op Exp /12)	31,170		31,170		(375)	30,795	21	30,816
69	TOTAL RATE BASE	3,420,714	0	3,420,714		(255,005)	3,165,710	21	3,165,731
70	Rate of Return	-0.27%		2.39%			-0.97%		1.00%

\$100,881  
man input j col

573,141  
31,613

cash flow \$164,312  
op exp/cuct/year \$336

2006 Payment 172,690  
2007 Payment 131,550  
3-Yr ave. payment 145,690  
2007 Interest 32,974

Return on & of recover 164,312  
over 3-yr ave 18,622  
over 2007 payment 32,762  
under 2006 (8,378)

Pertaining to Footnote 21  
of Testimony Staff/100

Roats Results of Operations Staff Case UW 107					14.2%	
	A	B	C	D	E	
	Test Period Results FYE 12/31/2004	Staff Adjustments	Staff Adjusted Results (A+B=C)	Staff Proposed Revenue Changes	Staff Proposed Results (C+D=E)	
1	Residential/Comm Water Sales	440,269	26,416	466,685	66,054	532,739
	Commercial Water Sales	121,572	3,039	124,611	17,637	142,248
	Sales for resale	28,857	( 28,857)	0	0	0
	Fire	15,424	( 15,424)	0	0	0
5	Revenue other than water sales	7,723	( 7,723)	0	0	0
6	Fire hookup CIAC Amortz	9,655	( 9,655)	0	0	0
7	TOTAL REVENUE	623,500	( 32,204)	591,296	83,691	674,987
<b>Operating Expenses</b>						
8	Salaries and Wages	62,422	3,956	66,378		66,378
9	Officers Salaries and Wages	73,834	2,215	76,049		76,049
10	Employe Pension & Benefits	24,759	743	25,502		25,502
11	Purchased Water	0	0	0		0
12	Purchased Power	78,893	0	78,893		78,893
13	Chemicals	8,077	0	8,077		8,077
14	Materials and Supplies	61,296	0	61,296		61,296
15	Repairs	0		0		0
16	Contract Service - Engineering	1,309	0	1,309		1,309
17	Contract Service Accounting	14,679	( 5,062)	9,617		9,617
18	Contract Service - Legal	2,362	0	2,362		2,362
19	Contract Service - Testing	1,519	2,806	4,325		4,325
20	Rents of Equipment	18,000	0	18,000		18,000
21	Transportation Expense	35,743	0	35,743		35,743
22	Vehicle Insurance	6,313	0	6,313		6,313
23	Liability Insurance	18,960	0	18,960		18,960
24	Comp Insurance	4,108	0	4,108		4,108
25	Amort. of Rate Case Expenses	0	2,531	2,531		2,531
26	Reg Commission	0	1,478	1,478	132	1,610
27	Bad Debt Expense	0	0	0		0
28	General Expense	3,122	0	3,122		3,122
29	TOTAL OPERATING EXPENSES	415,396	8,667	424,063	132	424,195
30	Depreciation Expense	123,843	14,728	138,571		138,571
26	Amortization Expense	0	0	0		0
27	Taxes Other Than Income Tax	42,145	0	42,145		42,145
28	Oregon Income Tax	10	( 968)	( 958)	4,351	3,393
29	Federal Income Tax	886	( 2,907)	( 2,021)	9,236	7,215
30	TOTAL REVENUE DEDUCTIONS	582,280	19,520	601,800	13,719	615,518
31	NET OPERATING INCOME	41,220	( 51,724)	( 10,504)	141,898	131,395
32	Utility Plant in Service	2,465,657	683,984	3,149,641		3,149,641
	Less:					
33	Depreciation Reserve	1,116,425	0	1,116,425		1,116,425
34	Contributions in Aid of Const	0	984,616	984,616		984,616
35	Unamortized Retired Plant	0	0	0		0
36	Accum. Amortization of CIAC	0	( 341,526)	( 341,526)		( 341,526)
38	Net Utility Plant	1,349,232	( 7,197)	1,390,126	0	1,390,126
	Plus: ( working capital)					
39	Materials and Supplies Inventory	19,750	0	19,750		19,750
40	Working Cash	34,616	723	35,339	14	35,353
41	TOTAL RATE BASE	1,403,598	( 6,474)	1,445,215	14	1,445,229
42	Rate of Return	2.94%		-0.73%		9.09%

Oregon Income Tax Rate: 6.60% ( ORrate)  
 Federal Income Tax Rate: 15.00% ( Fedrate)  
 Net to Gross Factor: 1.2628 ( Factor)

Pertaining to Footnote 21  
 of Testimony Staff/100



Acct. No.	REVENUES	Application Non-Allocated			SR Allocated Exp			Company Case			Staff Case		Compare Staff to Sunriver	Allocated with Gain based cost
		A	B	C	E	F	G	H	I	J	K			
		Application Non-Allocated Test Year	Application Non-Allocated Adjustments	Proposed Company Results (A+B+C)	Company Allocated Results	Application Test Year Staff 3-Factor Allocations	Allocated Staff Proposed Adjustments	Allocated Adjusted Results (A+D+E)	Staff Proposed Rev Changes	Proposed Results (G+H+I)	Sunriver Potable Test Year			
1	461.1 Residential Water Sales	586,846	371,364	958,210	958,210	586,846	116,581	703,427	268,611	972,038	958,210			
2	461.2 Commercial Water Sales	93,359	52,361	145,720	145,720	93,359	(4,000)	89,359	40,849	130,208	145,720			
3	462.1 Fire Protection	82,671	(73,513)	9,158	9,158	82,671	(80,796)	1,875	2,567	4,442	9,159	\$3,228.20		
4	462.2 Irrigation Water Sales	71,299	179,239	250,538	250,538	71,299	-43,058	114,357	70,232	184,589	250,538			
5	471 Golf Course Sales			0	0			0	0	0	0			
6	Miscellaneous	27,087	(27,087)	0	0	27,087	(27,087)	0	0	0	0			
7	TOTAL REVENUE	861,262	502,364	1,363,626	1,363,626	861,262	47,756	909,018	382,261	1,291,279	1,363,627			
<b>OPERATING EXPENSES</b>														
10	601 Salaries and Wages - Employees	275,567	79,186	354,753	352,625	268,699	86,960	355,659		355,659	352,625	Staff Adj		
11	603 Salaries and Wages - Officers			0	0	0		0		0	0	Allocator		
12	604 Employee Pension & Benefits	54,117	43,652	97,769	97,182	52,768	3,596	56,364		56,364	97,182	Non-allocated		
13	610 Purchased Water			0	0	0		0		0	0	3-factor		
14	611 Telephone/Communications	6,241		6,241	6,204	6,238	1,195	7,434		7,434	6,204	Meters		
15	615 Purchased Power - Direct	52,210		52,210	46,101	47,644	1,824	49,468		49,468	46,101	Actual		
16	618 Chemical / Treatment Expense	1,422		1,422	1,422	1,421	(1,421)	0		0	1,422	Meters		
17	619 Office Supplies	7,687		7,687	7,641	7,684	(46)	7,638		7,638	7,641	Meters		
18	619.1 Postage	12,580		12,580	12,505	12,574	0	12,574		12,574	12,505	Meters		
19	620 O&M Materials/Supplies	24,173		24,173	24,028	24,162	(14,928)	9,234		9,234	24,028	Meters		
20	621 Repairs to Water Plant	7,672		7,672	7,309	7,481	(555)	6,926		6,926	7,309	3-factor		
21	631 Contract Svcs - Engineering	39,868		39,868	37,985	38,874	(37,463)	1,411		1,411	37,985	3-factor		
22	632 Contract Svcs - Accounting	2,658		2,658	2,642	2,657	(2,657)	0		0	2,642	Meters		
23	633 Contract Svcs - Legal	128		128	122	125	96	220		220	122	3-factor		
24	634 Contract Svcs - Management Fees	121,500	3,645	125,145	124,394	118,472	3,554	122,026		122,026	124,394	3-factor		
25	635 Contract Svcs - Testing			0	0	0	3,309	3,309		3,309	0	Direct		
26	636 Contract Svcs - Labor	5,420		5,420	5,164	5,285	(5,285)	0		0	5,164	3-factor		
27	637 Contract Svcs - Billings/Collections	1,403		1,403	1,395	1,402	(1,402)	0		0	1,395	Meters		
28	638 Contract Svcs - E-payments			0	0	0	1,000	1,000		1,000	0	Meters		
29	639 Contract Svcs - Other			0	0	0	1,030	1,030		1,030	0	3-Factor		
30	641 Rental of Building/Real Property			0	0	0	0	0		0	0			
31	642 Rental of Equipment			0	0	0	0	0		0	0			
32	643 Small Tools			0	0	0	0	0		0	0			
33	648 Computer/Electronic Expenses	3,803		3,803	3,780	3,801	155	3,956		3,956	3,780	Meters		
34	650 Transportation	28,145	1,548	29,693	29,515	28,132	148	28,280		28,280	29,515	Meters		
35	656 Vehicle Insurance			0	0	0	16,245	16,245		16,245	0	Meters		
36	657 General Liability Insurance	64,666		64,666	61,612	64,637	(56,721)	7,915		7,915	61,612	Meters		
37	658 Workers' Comp Insurance	26,501	11,209	37,710	37,484	25,841	10,930	36,770		36,770	37,484	3-factor		
38	659 Insurance - Other			0	0	0	0	0		0	0			
39	660 Public Relations/Advertising			0	0	0	0	0		0	0			
40	666 Amortz. of Rate Case	12,000		12,000	11,928	11,701	2,166	13,867		13,867	11,928	3-factor		
41	667 Gross Revenue Fee (PUC)			0	0	0	0	956		956	0			
42	668 Water Resource Conservation			0	0	0	0	0		0	0			
43	670 Bad Debt Expense	882		882	882	882	0	882		882	882	Meters		
44	671 Cross Connection Control Program			0	0	0	0	0		0	0			
45	672 System Capacity Dev Program			0	0	0	0	0		0	0			
46	673 Training and Certification	3,028		3,028	3,010	2,953	(1,568)	1,385		1,385	3,010	3-factor		
47	674 Consumer Confidence Report			0	0	0	0	0		0	0			
48	675 General Expense			0	0	0	0	0		0	0			
49	TOTAL OPERATING EXPENSE	751,671	139,240	890,911	874,930	733,433	10,159	743,592	956	744,548	874,930			

OTHER REVENUE DEDUCTIONS												
50	403 Depreciation Expense (inc. CWIP)	143,765	8,256	152,021	141,369	143,765	(7,693)	136,072		136,072	141,369	Direct & Plant Allocated
51	407 Amortization Expense			0	0	0	0	0		0	0	
52	408.11 Property Tax - Direct	33,153		33,153	31,587	32,327	8,711	41,038		41,038	31,587	Direct
53	408.12 Payroll Tax			0	0	0	40,187	40,187		40,187	0	3-factor
54	408.13 Other			0	0	0	0	0		0	0	
55	409.11 Oregon Income Tax	8,672	10,374	19,046	18,569	0	(238)	(238)	25,166	24,928	18,569	Calculated
56	409.10 Federal Income Tax	21,657	25,907	47,564	46,373	0	(505)	(505)	53,421	52,915	46,373	Calculated
57	TOTAL REVENUE DEDUCTIONS	958,918	183,777	1,142,695	1,112,828	909,524	50,620	959,189	80,498	1,039,687	1,112,828	
58	NET OPERATING INCOME	(97,656)	318,587	220,931	250,798	(48,262)	(2,864)	(51,127)	302,718	251,592	250,799	
59	101 Utility Plant in Service (Inc. CWIP)	3,986,732	111,837	4,098,569	3,818,155	3,986,732	69,533	4,056,265		4,056,265	3,818,155	
60	Less:											
61	108.1 Depreciation Reserve (Inc. CWIP)	(1,462,778)	(14,750)	(1,477,528)	(1,382,529)	(1,462,778)	(112,324)	(1,575,102)		(1,575,102)	(1,382,529)	
62	271 Contributions in Aid of Const			0	0	0	0	0		0	0	
63	272 Amortization of CIAC			0	0	0	0	0		0	0	
64	281 Gain on Plant Transfer			0	0	0	79,092	79,092		79,092	0	
65	Net Utility Plant	2,523,954	97,087	2,621,041	2,435,626	2,523,954	(121,884)	2,402,070	0	2,402,070	2,435,626	
66	Plus: (working capital)			2,435,626				2,402,070		2,402,070		
67	151 Materials and Supplies Inventory			0	0	0	51,880	51,880		51,880	0	
68	Working Cash (Total Op Exp /12)	62639	11,603	74,242	72,356	61,119	847	61,966		61,966	72,356	
69	TOTAL RATE BASE	2,586,593	108,690	2,695,283	2,507,982	2,585,073	(69,157)	2,515,916	0	2,515,916	2,507,982	
70	Rate of Return	-3.78%		8.20%	10.00%		-1.87%				10.00%	

Sunriver  
 cash flow \$392,167  
 op exp/cuct/year \$197

Staff  
 cash flow \$387,663  
 op exp/cuct/year \$167

Nonallocated Plant  
 \$4,333,162  
 (\$1,669,056)  
 \$2,664,106 Net Plant

Allocator	Res/Comm/Irr	Golf
3-factor	97.51%	2.49%
Consump	88.31%	11.69%
Meter	99.96%	0.04%
Plant	95.28%	4.72%

**Purchase of Radio-Read Meters**

Number of Radio-Read Meters	1585
Cost Per Meter	\$ 386.00
Total Initial Investment	\$ 611,810.00

Annual Cost Savings From Meters	\$11,853
---------------------------------	----------

Federal Discount Rate	5.75%
Inflation Rate	3.20%

Present Value of Future Savings	\$179,541.43
Present Value of Radio-Read Meters	\$ 611,810.00
Net Present Value of Radio-Read Meters	(\$432,268.57)

<b>To Break Even</b>	
Annual Savings Needed to Break Even	\$ 30,590.50
<b>OR</b>	
Cost Per Meter Needed to Break Even	\$ 113.28

Labor Days 6 times 12 equals equals 72 days  
 Labor costs \$18.53 per hour times 72 days \$10,673  
 Trans costs \$17,160/4 vehicles equals \$4,290  
 72 days/260 days equals 27.7 percent  
 \$4,290 multiplied by 27.7 percent \$1,180  
 Total \$11,853

Useful Life = 20 Years	Inflow/Outflow
<u>0</u>	\$ (611,810.00)
<u>1</u>	\$ 11,853
<u>2</u>	\$ 12,232.30
<u>3</u>	\$ 12,623.73
<u>4</u>	\$ 13,027.69
<u>5</u>	\$ 13,444.57
<u>6</u>	\$ 13,874.80
<u>7</u>	\$ 14,318.79
<u>8</u>	\$ 14,777.00
<u>9</u>	\$ 15,249.86
<u>10</u>	\$ 15,737.86
<u>11</u>	\$ 16,241.47
<u>12</u>	\$ 16,761.19
<u>13</u>	\$ 17,297.55
<u>14</u>	\$ 17,851.07
<u>15</u>	\$ 18,422.31
<u>16</u>	\$ 19,011.82
<u>17</u>	\$ 19,620.20
<u>18</u>	\$ 20,248.05
<u>19</u>	\$ 20,895.98
<u>20</u>	\$ 21,564.66

Account 392 addition of \$36,000 was for a vehicle for the regional director. An additional \$36,000 was erroneously included in calendar year 2004 additions and was reversed in January 2005.

Retirement amounts are the historical cost of the asset that was retired and removed from the Plant in Service account. Any salvage is reflected as a credit against the Depreciation Reserve amount. When the company retires an asset the following entry is booked:

- Credit: Plant in Service
- Debit: Accumulated Depreciation

When an asset is retired, both salvage and any cost of removal are recorded as a credit to the Accumulated Depreciation account. Staff did not note any concerns in Cascade's Oregon gas plant in service.

### ***Automated Meter Reading (AMR) Program***

The AMR Conversion Program mentioned earlier in this report involved the installation of Encoder, Receiver, and Transmitter (ERT) devices on existing meters, regrouping customers in the Customer Information System (CIS), and transitioning to mobile data collection. With AMR, when a company vehicle equipped with a collector drives through an area, a radio signal is sent out to signal the ERTs in the area to begin transmitting current meter data.

The AMR project was completed September 24, 2004. Total expenditures for the project were \$15.7 million. Without the use of AMR technology, the O&M meter reading costs were projected to be \$3.2 million in fiscal year 2006. Actual costs for fiscal year 2006 are estimated to be \$781,000.

Prior to implementation of AMR, Cascade employed a total of 30 meter readers system-wide including 5 in Oregon. Cascade now employs 5 AMR Technicians, including one and one-third positions in Oregon. An AMR Technician with a mobile collector can read up to 5,000 meters per day, a significant increase over the 300 to 500 meters an individual walking a meter route could complete. The AMR technology provides Cascade with the ability to add additional meters and read them efficiently with existing personnel.

### ***Depreciation Study***

Cascade has not performed a depreciation study since 1998 and does not plan to perform a study until at least, 2008. Cascade's depreciation rate was confirmed in an informal process between the former program manager of the Commission's Natural Gas Rates & Planning Program and the utility. On September 11, 1998, Cascade sent a copy of the depreciation study and a letter

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function of the risk to which the equity capital is exposed and the returns available from other investment alternatives.” OTEC/1, Edwards/4. OTEC characterize pole rentals to non-members as “opportunity sales, which are made at the benefit of the equity owners.” *id.* (emphasis in original). To come up with an appropriate return on equity, OTEC ran a discounted cash flow model, averaged it with the result of a capital asset pricing model run; OTEC then factored it in to produce a rate of return estimate of 8.27 percent for that utility.

OCTA argues that utilities are not allowed to recover more than their actual costs under ORS 757.282(1). While OCTA does not object to consumer-owned utilities recovering their actual cost of debt, it does challenge recovery of any purported cost of equity. OCTA asserts that consumer-owned utilities lack any actual “equity” capital costs, and therefore are not entitled to recover a hypothetical cost. *See* OCTA comments, 14 (Nov 17, 2006).

On the other hand, CLPUD and NWCPUD seek a calculation for just compensation for consumer-owned utilities. *See* CLPUD and NWCPUD comments, 5 (Nov 17, 2006). The PUDs acknowledge that they do not have “equity” costs in the same way the investor-owned utilities do, but raise the issue of opportunity costs that customers invest in utility plant and request that the Commission allow compensation for those costs. *See id.* at 7. To account for those costs, the PUDs support the two proposals made by Staff, as discussed below. *See id.* at 8-9. OJUA states that it was unable to reach consensus on whether consumer-owned utilities can recover their cost of money. *See* AR 506 OJUA comments, 1 (Nov 16, 2006).

Staff recognizes a cost of money for consumer-owned utilities, but takes a different approach than OTEC. Instead, Staff uses the most recent Commission general rate order decision adopting a rate of return, then adjusts it based on several factors. *See* Staff comments, 1-3 (Nov 17, 2006). The first option proposed by Staff would use the most recent cost of equity approved by the Commission in a general rate case, then deduct 4 basis points for every 1 percent of equity that the utility has in its capital structure. For instance, if the Commission approved a 10 percent cost of equity, a consumer-owned utility with 90 percent equity would have a 6.4 percent cost of equity (ten percent cost of equity reduced by four basis points for every one percent of equity in the capital structure is expressed as  $(10 - (90\% \times 4))$ , and results 6.4 percent cost of equity for that hypothetical consumer-owned utility); when factored in with its cost of debt, the resulting equation, which resembles that for the overall rate of return, would produce the cost of money. *See id.* at 2. Staff’s second option uses the utility’s embedded cost of long-term debt plus 100 basis points as a proxy for the utility’s cost of money. If the utility does not have long-term debt, Staff recommends that the rate be set at the 10-year treasury rate as of the last traded day for the relevant calendar year, plus 200 basis points. Staff asserts that this would be a simple solution and easy to apply. *See id.* at 3. ORECA supports Staff’s first proposal, which values equity at close to market cost. *See* ORECA comments, 2 (Nov 17, 2006).

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### ***Conclusion***

No party disagrees that a consumer-owned utility should be able to include its cost of debt in pole rental rates. The issue here is whether the utility's cost of money should include an equity component, and, if so, at what interest rate. We believe that capital contributed by customers through rates should be treated like equity. OTEC argues that one factor to be considered in determining the cost of equity for a consumer-owned utility is the return available from other investment alternatives. We disagree, because the utility's customers are required to contribute this equity through rates and have no ability to invest it elsewhere. We focus instead on the other factor identified by OTEC: the risk to which the equity capital is exposed. We consider that risk to be lower for consumer-owned utilities in Oregon than for investor-owned utilities, mainly because as preference customers of the Bonneville Power Administration, the publics do not face as much volatility in power costs as PGE, PacifiCorp, and Idaho Power.

Both options proposed by Staff recognize this lower risk. The first option sets the cost of equity for consumer-owned utilities 200 basis points lower than the return on equity most recently adopted by the Commission for an investor-owned utility, before any adjustment for differences in capital structure. The second option assumes a smaller difference between the cost of equity and the cost of debt for consumer-owned utilities (200 basis points at a 50-50 capital structure) than the Commission recently authorized for PGE (362 basis points with a 50-50 capital structure). See Order No. 07-015, 48. We adopt Staff's second option. The calculation is straightforward and does not require the consumer-owned utilities to track the Commission's cost of equity and capital structure decisions.

### **ADDITIONAL ISSUES IN DOCKET AR 506**

#### **Costs of Hearing**

ORS 759.660(2) provides, "When the order [related to the rates, terms and conditions of a pole attachment agreement] applies to a people's utility district, the order also shall provide for payment by the parties of the cost of the hearing. The payment shall be made in a manner which the commission considers equitable." A similar provision in ORS 757.279(2) applies to consumer-owned utilities, a category which includes people's utility districts. See ORS 757.270(2). "The cost of the hearing" refers to the Commission's costs in processing the complaint, holding the hearing, and preparing the order. The cost provision in ORS 757.279(2) was first enacted in 1983 to compensate the Department of Commerce for hearing pole attachment complaints over consumer-owned utilities; this Commission heard complaints regarding investor-owned utilities which fund the Commission through annual fees. When the Department of Commerce was abolished by the legislature in 1987, the cost provision was amended to allow the Commission to recover costs from utilities from which the Department of Commerce would have been entitled to recover. See generally Order No. 05-042, 17-19.

**ASSESSMENT MONIES  
BREAK DOWN**

ASSESSMENT COLLECTED 2004
ASSESSMENT COLLECTED 2005
ASSESSMENT COLLECTED 2006
ASSESSMENT COLLECTED 2007
<b>TOTAL COLLECTED TO DATE</b>

\$ 64,906.42
\$ 135,236.41
\$ 136,741.24
\$ 53,321.75
<b>\$ 390,205.82</b>

LAND FOR WELL-2 PMTS \$15,000.00 + \$15,475.95 =
<b>CRANE PURCHASE &amp; REPAIRS TO DATE ***</b>
SURVEY OF LAND
ENGINEERS
BUILDING (PAYMENT TOWARDS PAYOFF)
ATTORNEY FEES
ACCOUNTANT
PIPE FOR SYSTEM IMPROVEMENT
PAYROLL FOR PUC & ASSOC.

\$ 30,476.00
<b>\$ 15,412.00</b>
\$ 3,550.00
\$ 22,997.82
\$ 33,000.00
\$ 52,787.44
\$ 9,850.00
\$ 35,580.00
\$ 48,608.00

<b>TOTAL SPENT</b>
--------------------

<b>\$ 252,261.26</b>
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<b>TOTAL ON HAND</b>
----------------------

<b>\$ (137,944.56)</b>
------------------------

ASSESSMENT COLLECTION

7/25/2007

**\*\*\* THIS AMOUNT INCLUDES THE PAINT  
& PAINTING DONE BY WAYNE SUTTON**

In addition, a new dedicated pipeline (no connections) from Well No. 5 to the upper level is required. Converting the Cistern to a PRV station and constructing a dedicated pipeline from Well No. 5 to the upper level increases the vulnerability of the lower level since there is no source directly connected to the lower level. To reduce this vulnerability, a new pipeline and PRV station from the upper level to the lower level along North Hill Road should also be constructed under this scenario. The estimated capital cost for this scenario is \$1,523,000.

**Source Scenario C2**

Scenario C2 requires construction of a new Well No. 5 in the upper level (including telemetry) and abandonment of Well No. 2. The new Well No. 5 will be very similar to Well No. 4 and cost savings may be available by utilizing much of the Well No. 4 design. This scenario also requires land acquisition for the new well site, conversion of the Cistern to a PRV station, and should include the new pipeline and PRV station from the upper level to the lower level on North Hill Road. The total capital cost for this scenario is estimated to be \$1,160,500.

**5.1.2 Long-Term Alternatives**

The long-term alternatives depend upon the results of the short-term solutions, and therefore does not need to be initiated until system demands require improvements. If Well Nos. 4 and 2 remain as production wells in the future, a third 650 gpm well should be installed, and land acquisition and pre-design should begin when peak day demands are consistently around 2 MGD (more than double the current peak day demand). If Well No. 2 is abandoned in the short-term, a new Well No. 5 site should be located in the southeastern portion of the upper level with well capacity based on long-term needs (1,500 gpm) and pump capacity based on short-term needs (800 gpm).

**5.1.3 Source Recommendation**

The comparison of costs for the source alternatives is shown on Table 5-1.

Description	Total Capital Cost
Scenario A	\$34,000
Scenario B	\$175,500
Scenario C1a	\$667,500
Scenario C1b	\$1,523,000
Scenario C2	\$1,160,500

Pertaining to Footnote 26  
of Testimony Staff/100

# Water Utility Compensation Survey - 2006

## Water Participants

Job 42 - Senior/Lead Water Treatment Plant Operator

Summary of All Reported Data by Ownership/Management Type

Type	# of Utilities	# of Employees	Avg. # of Ees Sup	50th Percentile	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
							Min	Mid	Max
Board Operated	97	237	0	\$45,489	\$46,472	\$49,417	\$40,692	\$49,041	\$54,761
City/County	59	118	0	\$49,150	\$49,146	\$47,738	\$40,190	\$45,647	\$52,900
Private	9	22	0	\$50,794	\$51,326	\$54,576	*	*	*
Other	5	33	0	\$47,965	\$45,902	\$48,254	*	*	*
All	170	410	0	\$46,888	\$47,594	\$49,117	\$40,351	\$47,220	\$53,837

Summary of All Reported Data by Population Size

Type	# of Utilities	# of Employees	Avg. # of Ees Sup	50th Percentile	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
							Min	Mid	Max
Over 250,000	16	107	0	\$66,370	\$66,627	\$7,151	\$45,195	\$54,447	\$62,135
100 - 250,000	19	41	0	\$57,000	\$55,709	\$49,686	\$49,015	\$55,959	\$62,247
50 - 100,000	29	80	0	\$49,638	\$49,627	\$48,598	\$40,483	\$48,079	\$54,585
25 - 50,000	35	63	0	\$47,000	\$45,882	\$45,348	\$38,771	\$44,921	\$51,831
10 - 25,000	39	71	0	\$45,000	\$45,112	\$46,012	\$37,710	\$43,700	\$49,081
< 10,000	32	48	0	\$40,749	\$41,721	\$41,127	\$35,875	\$38,806	\$49,271

Summary of All Reported Data by Average Gallons Managed

Type	# of Utilities	# of Employees	Avg. # of Ees Sup	50th Percentile	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
							Min	Mid	Max
Over 250	2	17	0	\$59,562	\$62,613	\$60,270	\$50,214	\$56,943	\$64,586
100 - 250 Mil	7	47	0	\$57,976	\$53,589	\$52,857	\$44,701	\$52,582	\$60,822
50 - 100 Mil	10	47	0	\$59,280	\$57,209	\$58,230	\$49,123	\$56,877	\$64,079
25 - 50 Mil	14	28	0	\$50,530	\$50,842	\$45,806	\$42,206	\$48,724	\$55,036
10 - 25 Mil	24	66	0	\$43,680	\$44,159	\$44,427	\$37,293	\$43,203	\$50,096
< 10 Mil	113	205	0						

Summary of All Reported Data by Total Employment

Type	# of Utilities	# of Employees	Avg. # of Ees Sup	50th Percentile	Co Wtd Avg Pay	Employee Wtd Avg Pay	Average Salary Range		
							Min	Mid	Max
Over 500	4	33	0	\$60,549	\$58,479	\$55,032	\$46,976	\$57,070	\$63,673
200 - 500	12	41	0	\$51,175	\$50,115	\$49,235	\$42,120	\$49,288	\$56,937
100 - 200	9	40	0	\$49,889	\$50,523	\$47,490	\$42,990	\$49,650	\$57,771
50 - 100	26	68	0	\$49,975	\$49,516	\$47,942	\$40,721	\$48,612	\$52,344
25 - 50	25	60	0	\$43,046	\$43,578	\$44,322	\$37,181	\$41,992	\$49,764
< 25	94	168	0						



CASE: UW 120  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 104**

**Exhibit in Support of Testimony**

**September 7, 2007**

ISSUED: June 26, 2007

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UW 120

In the Matter of	)	
	)	
CROOKED RIVER RANCH WATER	)	MEMORANDUM
COMPANY	)	
	)	
Request for rate increase in total annual	)	
revenues from \$806,833 to \$868, 453, or	)	
8.13 percent.	)	

**DISPOSITION: MOTION TO COMPEL GRANTED**

On June 7, 2007, the Commission Staff (Staff) filed a motion to compel data responses from Crooked River Ranch Water Company (Crooked River). Crooked River did not file any response to Staff's motion.

Staff states that it served its data requests nos. 1-58 on May 4, 2007. On May 10, 2007, Staff served data requests nos. 59-68. On May 29, 2007, Staff received responses, or partial responses to some of its data requests.

In its motion, Staff identifies specific requests that Crooked River did not answer, or answered incompletely. According to Staff, Crooked River did not respond to data requests 14, 20, 36 and 50.

For each request Staff explains the relevance. The information sought is plainly relevant and Crooked River is directed to respond to each of these requests.

Staff further indicates that Crooked River's responses were inadequate in regard to data requests nos. 3, 15, 28, 30, 40, 47, 49, 51, 52, 53, 60, 67 and 68. For each response Staff explains its inadequacy, describes the necessary information to be provided, and demonstrates its relevance.

As described by Staff, each request is relevant. Each of the responses is inadequate. Crooked River is directed to augment its responses to the satisfaction of Staff.

IT IS ORDERED that:

1. Within five days, Crooked River provide full and complete answers to data requests nos. 14, 20, 36 and 50.

2. Within five days, Crooked River provide additional responses to data request nos. 3, 15, 28, 30, 40, 47, 49, 51, 52, 53, 60, 67 and 68 as requested by Staff.

Dated at Salem, Oregon, this 26th day of June, 2007.

---

PATRICK POWER  
Administrative Law Judge

ISSUED: August 3, 2007

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UW 120

In the Matter of )

CROOKED RIVER RANCH WATER )  
COMPANY )

Request for rate increase in total annual )  
revenues from \$806,833 to \$868, 453, or )  
8.13 percent. )

MEMORANDUM

**DISPOSITION: MOTION TO COMPEL GRANTED**

On July 19, 2007, Intervenor Craig Soule (Soule) filed a motion to compel a data request response from Crooked River Ranch Water Company (Crooked River). Crooked River did not file any response to Mr. Soule's motion.

Mr. Soule states that he served the data request on Crooked River on May 28, 2007. He has received no response. His efforts to confer with Crooked River regarding this matter have been unsuccessful.

In his motion, Mr. Soule states the content of his data request and explains its relevance. The query relates directly to the subject matter of this proceeding and is highly relevant.

IT IS ORDERED that: Within five days, Crooked River provide full and complete answers to Mr. Soule data request no. 1.

Dated at Salem, Oregon, this 3rd day of August, 2007.

---

Patrick Power  
Administrative Law Judge

ISSUED: August 21, 2007

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UW 120

In the Matter of )  
 )  
CROOKED RIVER RANCH WATER )  
COMPANY ) RULING  
 )  
Request for rate increase in total annual )  
revenues from \$806,833 to \$868,453, or )  
8.13 percent. )

**DISPOSITION: MOTION TO COMPEL GRANTED;  
TIME SHORTENED FOR REPLIES**

On July 31, 2007, Intervenor Craig Soule (Soule) filed a motion to compel data request responses from Crooked River Ranch Water Company (Crooked River or the Company). Crooked River did not file any response to Mr. Soule's motion.

Mr. Soule states that he served the data requests on Crooked River on July 5 and July 12, 2007. He has received no response. His efforts to confer with Crooked River regarding this matter have been unsuccessful.

In his motion, Mr. Soule states the content of the data requests and explains their relevance. The queries relate directly to the subject matter of this proceeding and are highly relevant.

I note that I previously have granted a motion to compel filed by Mr. Soule and have issued him a subpoena duces tecum for the production of the documents required by the motion. I further note that Crooked River has not filed any reply or conferred with Mr. Soule regarding its responses to his data requests.

Apparently the Company believes that it may ignore the data requests and disregard the motions to compel. In light of the Company's actions, I shorten time for the Company to reply to any further motions to compel to five days.

The schedule calls for the submission of Staff and intervenor testimony on September 7, 2007, and the Company's rebuttal testimony on September 21, 2007. I do not intend to extend these dates.

Staff and intervenors may submit their testimony and ask that the Commission impute whatever values they may consider reasonable or whatever presumptions they believe are fair, where the Company's data request responses have been deficient. The Company's rebuttal case will be limited to information that has been provided to parties through discovery.

The schedule allows for discovery on the Company's rebuttal testimony. In the event the Company does not respond fully to discovery by Staff and Intervenors, the Company's rebuttal testimony will be stricken.

IT IS ORDERED that:

1. Within five days, Crooked River shall provide full and complete answers to Mr. Soule's data request nos. 2 through 6 and 7 through 15.
2. The time for Crooked River to respond to motions to compel is shortened to five days.

Dated at Salem, Oregon, this 21st day of August, 2007.

---

Patrick Power  
Administrative Law Judge

ISSUED: August 27, 2007

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UW 120

In the Matter of	)	
	)	
CROOKED RIVER RANCH WATER	)	
COMPANY	)	RULING
	)	
Request for rate increase in total annual	)	
revenues from \$806,833 to \$868,453, or	)	
8.13 percent.	)	

**DISPOSITION: MOTION TO COMPEL GRANTED**

On August 9, 2007, the Commission Staff (Staff) filed a motion to compel data responses from Crooked River Ranch Water Company (Crooked River). Crooked River did not file any response to Staff's motion.

Staff states that it served its data request Nos. 76-94 on June 22, 2007. On July 5, 2007, Staff served data request Nos. 113-118. On July 6, 2007, Staff served data request No. 119. On July 11, 2007, Staff served data request No. 120. On July 17, 2007, Staff served data request Nos. 121-126.

Staff previously had been granted its motion to compel responses to data request Nos. 3, 15, 28, 30, 40, 47, 49, 51, 52, 53, 60, 67, and 68 by ruling dated June 26, 2007. In its motion, Staff states that it has not received the responses that were ordered in the previous ruling. Crooked River is directed to respond to each of these requests.

Staff also enumerates additional requests for which sufficient responses have not been forthcoming. Staff explains the relevance for each request. The information sought is plainly relevant, and each of the responses is inadequate. Crooked River is directed to augment its responses to the satisfaction of Staff.

I note that, in a ruling dated August 21, 2007, I shortened the time for Crooked River to respond to any motion to compel to five days. In this case, Crooked River was afforded the full 15 days.

IT IS ORDERED that within five days Crooked River shall provide full and complete answers to data requests enumerated in Staff's August 9 motion to compel.

Dated at Salem, Oregon, this 27th day of August, 2007.

---

PATRICK POWER  
Administrative Law Judge



CASE: UW 120  
WITNESS: Michael Dougherty

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 105**

**Exhibit in Support of Testimony**

**September 7, 2007**

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

**NAMING RATES FOR**

**CROOKED RIVER RANCH WATER COMPANY**

13845 S. W. COMMERCIAL LOOP  
CROOKED RIVER, OREGON, 97760

541-923-1041

Serving water in the vicinity of

**CROOKED RIVER RANCH, OREGON**

Issue Date	NOVEMBER 30, 2007	Effective Date	NOVEMBER 30, 2007
Issued By	<b>CROOKED RIVER RANCH WATER COMPANY</b>		
Signed By			
	J. R. ROOKS	GENERAL MANAGER	

**Advice No.**  
(FOR PUC USE ONLY)

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Issue Date	NOVEMBER 30, 2007	Effective Date	NOVEMBER 30, 2007
Issued By	<b>CROOKED RIVER RANCH WATER COMPANY</b>		
Signed By			
	J. R. ROOKS	GENERAL MANAGER	

**Advice No.**  
 (FOR PUC USE ONLY)

**SCHEDULE NO. 1**

RESIDENTIAL / COMMERCIAL METERED RATES

Available: To customers of the Utility at CROOKED RIVER RANCH, Oregon, and vicinity.

Applicable: To residential and commercial premises.

**Base Rate**

Service Meter Size	Monthly Base Rate	Usage Allowance	Unit of Measure
All Meters	\$18.58	N/A	cubic feet

**Commodity Usage Rate**

Commodity Rate		Number of Units	Unit of Measure	Base Usage Allowance		Unit of Measure
\$0.86	Per	100	cubic feet		N/A	cubic feet

Special Provisions:

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

Issue Date	NOVEMBER 30, 2007	Effective Date	NOVEMBER 30, 2007
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Signed By			
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**Advice No.**  
 (FOR PUC USE ONLY)

## SCHEDULE NO. 2

### MISCELLANEOUS SERVICE CHARGES

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

Connection Charge for New Service (Rule No. 9)

Standard ¾-inch service	\$450.00
Nonstandard ¾ inch service	At cost
Larger than ¾-inch	\$450.00 (plus additional costs)
Irrigation hookup (if provided on separate system)	\$450.00

Meter Test (Rule No. 21)

First test within 12-month period	N/C
Second test within 12-month period	\$35.00 (if reading is exceeds rule specification)

Pressure Test (Rule No. 40)

First test within 12-month period	N/C
Second test within 12-month period	\$35.00 (if reading is exceeds rule specification)

Late-Payment Charge (Rule No. 22)

Charged on amounts more than 30 days past due	Pursuant to OAR 860-036-0130 (as of 1/1/07 – 1.7%)
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Deposit for Service (Rule No. 5)

Pursuant to OAR 860-036-0040(2)	Pursuant to OAR 860-036-0050 (as of 1/1/07 – 5%)
---------------------------------	---

Returned-Check Charge (Rule No. 23)

\$27.00

Trouble-Call Charge (Rule No. 36)

During normal office hours	\$25.00 per hour
After normal office hours on special request	\$50.00 per hour

Reconnect Charge (Rule No. 28 & 29)

During normal office hours	\$25.00
After normal office hours on special request	\$50.00

Unauthorized Restoration of Service (Rule No. 30)

Reconnection charge plus costs

Damage/Tampering Charge (Rule No. 34)

At cost

Disconnect Field-Visit Charge (Rule No. 29)

\$35.00

Issue Date	NOVEMBER 30, 2007	Effective Date	NOVEMBER 30, 2007
Issued By	<b>CROOKED RIVER RANCH WATER COMPANY</b>		
Signed By	J. R. ROOKS GENERAL MANAGER		

## RULES AND REGULATIONS

**Rule 1: Jurisdiction of the Commission**

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

**Rule 2: Definitions**

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

Issue Date	NOVEMBER 30, 2007	Effective Date	NOVEMBER 30, 2007
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Signed By			
	J. R. ROOKS	GENERAL MANAGER	

**Advice No.**  
(FOR PUC USE ONLY)

**APPLICATION FOR SERVICE**

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

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

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

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

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

An application for water service must be made where:

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

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**Advice No.**  
 (FOR PUC USE ONLY)

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

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

The utility shall pay interest on deposits at the rate established by the Commission. After the customer has paid bills for service for 12 consecutive months without having had service discontinued for nonpayment, or more than two occasions in which a shut-off notice was issued, and the customer is not then delinquent in the payment of bills, the utility shall promptly and automatically refund the deposit plus accrued interest by **(highlight one) 1) issuing the customer a refund check: 2) crediting the customer's account.** The customer is entitled to a refund check upon request.

Rule 6: Customer Service Line

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

Rule 7: Separate Control of Service

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

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

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

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Signed By			
	J. R. ROOKS	GENERAL MANAGER	



Rule 9: Service Connection Charge

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

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

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

Rule 11: Main Line Advances and Refunds Policy

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

**For a period of 5 years** after construction of the requested main line extension, the utility shall also collect from any additional applicants whose service connections or service lines shall connect to said main line extension an amount equal to the new applicant's proportionate share of the main line extension cost for that portion used. The utility will then refund the share differential amount to those customers who previously shared the cost of said main line extension. Refunds shall not exceed the amount originally advanced.

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

Rule 12: Types of Use

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

Issue Date	NOVEMBER 30, 2007	Effective Date	NOVEMBER 30, 2007
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Rule 13: Multiple Residences

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

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

Customers shall provide access during reasonable hours to utility-owned service lines that extend onto the premises of the customer for the purposes of reading meters, maintenance, inspections, or removal of utility property at the time service is to be discontinued. Where the customer does not cooperate in providing reasonable access to the meter or to the premises, as required by law or to determine if a health or safety hazard exists, it is grounds for disconnection.

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

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

**REFUSAL OF SERVICE**

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

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

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

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

Issue Date	NOVEMBER 30, 2007	Effective Date	NOVEMBER 30, 2007
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If service is refused under this rule, the utility shall inform the applicant or customer of the reasons for the refusal and of the Commission's dispute resolution process.

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

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

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

- A. Current capacity and load measured in gallons or cubic feet per minute;
- B. Current capacity and load measured in pounds per square inch;
- C. Cost to the utility for additional capacity in order to provide the additional service; and
- D. Information regarding the appeal process of the utility's refusal to provide service is available through the Commission's dispute resolution process pursuant to OAR 860-036-0025.

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

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

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

**METERS**

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

The utility shall own, maintain, and operate all meters. Meters placed in service shall be adequate in size and design for the type of service, set at convenient locations, accessible to the utility, subject to the

Issue Date	NOVEMBER 30, 2007	Effective Date	NOVEMBER 30, 2007
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Signed By			
	J. R. ROOKS	GENERAL MANAGER	

utility's control, and generally placed in a meter box or vault between the street curb and property line. Each meter box or vault shall be provided with a suitable cover.

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

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

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

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

The meter shall be tested prior to or within 30 (thirty) days of installation to determine it is accurate to register not more than 2 percent error. No meter shall be allowed to remain in service if it registers an error in excess of 2 percent under normal operating conditions. The utility shall maintain a record of all meter tests and results. Meter test result records shall include:

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

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

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

- A. Customer's name;

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

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

**BILLING**

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

Bills are due and payable when rendered by deposit in the mail or other reasonable means of delivery. As near as practical, **meters shall be read at monthly intervals on the corresponding day of each meter reading or billing period.** The bill shall be rendered immediately thereafter. (OAR 860-036-0120(3) requires water utilities to bill at monthly intervals. A utility may request upon application special authority by the Commission to bill at intervals other than monthly.) The utility shall make reasonable efforts to prepare opening and closing bills from actual meter readings. When there is good reason for doing so, estimated bills may be submitted. Any estimated billings shall be clearly designated as such.

The late-payment charge determined by the Commission and listed on the Miscellaneous Service Charges Schedule shall be applied to all overdue balances at the time of preparing the subsequent months' bill or balances owing that are 30 days old. **No late charges may be assessed on water rate charges that are not at least 30 days old.**

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

All water service bills shall show:

- A. Beginning and ending meter readings for the billing period;
- B. Beginning and ending dates of the period of service to which the bill applies;
- C. For all metered bills, beginning and ending meter readings for the period for which the bill is rendered;

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- D. Number of units of service supplied stated in gallons or cubic feet;
- E. Schedule number under which the bill was computed;
- F. Delinquent date of the bill;
- G. Total amount due; and
- H. Any other information necessary for the computation of the bill.

Rule 23: Returned-Check Charge

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

Rule 24: Prorating of Bills

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

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

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

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

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**DISCONNECTION OF WATER SERVICE**

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

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

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

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

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

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

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

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Prior to disconnection on the day that the water utility expects to disconnect service, the utility must make a good-faith effort to physically contact the customer to be disconnected or an adult at the customer's premise to be disconnected to advise the customer or adult of the proposed disconnection. If contact is not made, the utility shall leave a notice in a conspicuous place at the customer's premise informing the customer that service has been or is about to be disconnected. The utility shall document its efforts to provide notice and make that documentation available to the customer upon request.

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

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

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

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

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

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

Rule 30: Unauthorized Restoration of Service

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

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Rule 31: Unauthorized Use

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

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

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

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

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

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

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

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Rule 34: Damages/Tampering

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

**SERVICE QUALITY**

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

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

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

Rule 36: Trouble Call

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

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

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

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

The utility shall deliver domestic water that is reasonably free from elements that cause physical damage to customer property such as pipes, valves, appliances, and personal property. A water

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supply that causes such damage will be remedied until the conditions are such as to not reasonably justify the necessary investment.

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

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

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

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

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

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

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

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

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

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

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

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

Rule 43: Cross Connection/Backflow Prevention Program

*Insert the utility's cross connection/backflow prevention program as required by law.*

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**Advice No.**  
(FOR PUC USE ONLY)

## CERTIFICATE OF SERVICE

**UW 120**

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 7th day of September, 2007.

A handwritten signature in black ink, appearing to read 'Jason Jones', written over a horizontal line.

Jason Jones

Assistant Attorney General

Of Attorneys for Public Utility Commission's Staff

1162 Court Street NE

Salem, Oregon 97301-4096

Telephone: (503) 378-6322

**UW 120  
Service List (Parties)**

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