



Oregon

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Public Utility Commission

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May 5, 2008

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
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RE: Docket No. UW 125 - In the Matter of WILLAMETTE WATER COMPANY
Request for a General Rate Increase.

Enclosed for electronic filing in the above-captioned docket is Staff's Direct
Testimony in Docket UW 125.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UW 125 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UW 125

**STAFF TESTIMONY
OF**

Renee Sloan

**In the Matter of
WILLAMETTE WATER COMPANY
Request for a General Rate Increase**

May 5, 2008

CASE: UW 125
WITNESS: Renee Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Direct Testimony

May 5, 2008

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

3 A. My name is Renee Sloan. I am a Utility Analyst with the Public Utility
4 Commission of Oregon (Commission) located at 550 Capitol Street NE,
5 Suite 215, Salem, Oregon 97301-2551.

6 **Q. PLEASE DESCRIBE YOUR EXPERIENCE IN WATER REGULATION.**

7 A. I have been employed by the Commission since 1986. My assignments over
8 the past six years have included reviewing regulated water utility general rate
9 case filings, rulemaking dockets, and various tariff filings.

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

11 A. Willamette Water Company (WWC or Company) and Intervenor David Wolting
12 (for the Goshen Fire District), along with Commission Staff (Staff), are the
13 active Parties (Parties) in this docket. Cecil Saxon intervened on behalf of the
14 Goshen Neighborhood Association and Dick Hediger intervened on behalf of
15 himself, but neither participated in the settlement negotiations.

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

17 A. My testimony introduces and supports the Stipulation entered into by the
18 Parties.

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

20 A. Yes. Staff/101 contains the following documents in support of my Testimony:

21 Revenue Requirement Staff/101, page 1

22 Summary of Adjustments Staff/101, page 2

23 Revenue Sensitive Costs Staff/101, page 3

| | | |
|---|-------------------------------------------------|--------------------------|
| 1 | Plant and Depreciation | Staff/101, page 4 |
| 2 | Fire Protection Allocation | Staff/101, pages 5 - 6 |
| 3 | Residential, Commercial, Industrial Rate Design | Staff/101, pages 7 - 8 |
| 4 | Rate Impacts for Residential, Commercial, and | Staff/101, pages 9 - 14 |
| 5 | Industrial Customers | |
| 6 | Fire Protection Rate Design | Staff/101, page 15 |
| 7 | Rate Impacts for Fire Protection Customers | Staff/101, pages 16 - 17 |

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

9 A. The Testimony is organized as follows:

- 10 1. Summary comparison of WWC's requested revenue / rates and the
- 11 Stipulated revenue / rates;
- 12 2. Description of Willamette Water Company;
- 13 3. Summary of Willamette Water Company's Application;
- 14 4. Staff's analysis of the Company's filing;
- 15 5. Summary of the Stipulated revenue requirement and rates; and
- 16 6. Automatic Adjustment Clause for purchased water.

17 **SUMMARY COMPARISON OF**
 18 **WILLAMETTE WATER COMPANY'S REQUESTED REVENUE / RATES**
 19 **AND STAFF'S RECOMMENDED REVENUE / RATES**

20 **Q. PLEASE COMPARE TEST YEAR REVENUE / RATES, REQUESTED**
 21 **REVENUE / RATES, AND YOUR PROPOSED REVENUE / RATES.**

22 A. Table 1 shows the comparison between test year revenue / rates, requested
 23 revenue / rates, and Staff's recommended revenue / rates.

TABLE 1 – Comparison of Revenue and Rates

| | WWC Test Year (2006) | WWC Proposed | Stipulated |
|----------------------------------|---------------------------------|-------------------------|-------------------|
| Total Revenue | \$194,181 | \$214,944 | \$209,047 |
| Total Revenue Reductions | \$205,373 | \$206,091 | \$200,271 |
| Net Income | (\$11,192) | \$8,853 | \$8,772 |
| | | | |
| Base Rate | | | |
| 5/8" x 3/4" | \$23.85 | \$28.31 | \$28.64 |
| 1" | \$37.21 | \$45.30 | \$54.25 |
| 1.5" | \$57.23 | \$67.95 | \$82.48 |
| 2" | \$99.75 | \$118.91 | \$144.34 |
| 3" | \$214.69 | \$257.30 | \$312.34 |
| 4" | N/A | \$356.71 | \$433.00 |
| 6" | \$476.99 | \$566.20 | \$687.31 |
| 8" | \$1,001.77 | \$1,191.86 | \$1,446.79 |
| DM1 | \$23.85 | \$28.31 | \$28.64 |
| DM2 | \$37.21 | \$45.30 | \$45.82 |
| DM3 | \$47.70 | \$56.62 | \$57.28 |
| Private Fire 4" | \$11.57 | \$36.80 | \$20.30 |
| Private Fire 6" | \$23.14 | \$56.61 | \$43.56 |
| Private Fire 8" | N/A | \$118.65 | \$87.14 |
| Public Fire Protection | \$11.57 | \$36.80 | \$0.00 |
| | | | |
| Commodity Rate per 100 cf | \$1.34 | \$1.88 | \$1.80 |
| | | | |
| Average Residential Bill | \$36.65 | \$46.26 | \$45.86 |

1

DESCRIPTION OF WILLAMETTE WATER COMPANY

2

Q. PLEASE DESCRIBE WILLAMETTE WATER COMPANY.

3

A. Willamette Water Company is a small investor-owned water company

4

located in Goshen, Oregon, near Eugene. The Company provides water

5

service to approximately 54 commercial customers, 9 industrial customers,

6

8 private fire protection customers, 1 public fire protection customer, and about

7

100 residential customers. The Company purchases all its water from the

8

Eugene Water and Electric Board (EWEB).

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

2 A. UW 81, was filed September 18, 2001, and concluded on June 28, 2002, with
3 Commission Order No. 02-425 approving an increase in revenues.

4 **Q. DID WWC CHANGE OWNERSHIP SINCE ITS LAST RATE CASE?**

5 A. Yes. Greg Demers purchased the Company in August 2006.

6 **Q. DOES THE COMPANY HAVE ANY AFFILIATED INTEREST**
7 **AGREEMENTS?**

8 A. Yes. On October 11, 2007, the Commission issued Order No. 07-436 in
9 UI 272 approving an Affiliated Interest Agreement between Willamette Water
10 Company and Frontier Resources LLC (Frontier). Greg Demers is the principal
11 shareholder of WWC and Frontier. Frontier provides various services to WWC
12 including Financial Management; Management, Administration, and
13 Operations; and Facilities (office space with utilities included, equipment,
14 transportation to conduct company business, and cell phone usage). The
15 costs of the contract were reviewed during the rate application and no changes
16 to the agreement are recommended.

17 **SUMMARY OF WILLAMETTE WATER COMPANY'S APPLICATION**

18 **Q. PLEASE SUMMARIZE WWC'S GENERAL RATE FILING.**

19 A. In tariffs filed with the Commission on January 2, 2008, WWC proposed to
20 increase total test year revenues from \$194,181 to \$214,944. The Company
21 also requested a 10 percent return on a rate base of \$89,819.

1 **Q. WAS TEST YEAR REVENUE DERIVED ONLY FROM WATER SALES?**

2 A. No. Total test year revenue included \$15,048 from sources other than water
3 sales, including \$623 in miscellaneous service revenue (reconnection fees, late
4 fees, etc.) and \$14,425 composed of capital gains from the June 12, 2006, sale
5 of stock, interest and dividends from a money market account, the sale of a
6 backhoe, federal tax refund, and phone account refund.

7 **Q. DID THE COMPANY INCLUDE THE OTHER REVENUES IN ITS**
8 **PROPOSED REVENUE REQUIREMENT?**

9 A. No. The Company removed these amounts from its adjusted results. Although
10 these amounts were removed, the Company's adjusted results included higher
11 levels of revenue from water sales. The proposed increase to water sales is
12 actually \$37,066 (20.9 percent) above the \$177,678 collected in 2006. This
13 compares to \$20,763 (10.7 percent) above the \$194,181 in total 2006
14 revenues as shown in the Application.

15 **Q. PLEASE DESCRIBE WWC'S CURRENT AND PROPOSED RATES.**

16 A. Under tariffs approved in UW 81, the Company charges different base rates
17 according to meter size. WWC's variable rate is \$1.34 per 100 cubic feet for all
18 usage. The Company's rate design does not distinguish between residential,
19 commercial, and industrial customers. Table 2 shows the Company's current
20 and proposed rates as stated in the Application.

TABLE 2 – Current and Proposed Rates

| Meter Size | UW 81 Rates | WWC Proposed | Percent Increase |
|---------------------|--------------------|---------------------|-------------------------|
| 5/8" x 3/4" | \$23.85 | \$28.31 | 18.7% |
| 1" | \$37.21 | \$45.30 | 21.7% |
| 1.5" | \$57.23 | \$67.95 | 18.8% |
| 2" | \$99.75 | \$118.91 | 19.2% |
| 3" | \$214.69 | \$257.30 | 19.8% |
| 4" | NA | \$356.71 | NA |
| 6" | \$476.99 | \$566.20 | 18.7% |
| 8" | \$1,001.77 | \$1,191.86 | 19.0% |
| DM1 | \$23.85 | \$28.31 | 18.7% |
| DM2 | \$37.21 | \$45.30 | 21.7% |
| DM3 | \$47.70 | \$56.62 | 18.7% |
| Variable per 100 cf | \$1.34 | \$1.88 | 40.3% |

1 **Q. DID WWC'S APPLICATION INCLUDE A REQUEST FOR INTERIM RATES?**

2 A. Yes. WWC requested a 12 percent across-the-board interim rate for both the
3 commodity and base rates.

4 **Q. WHY DID THE COMPANY REQUEST INTERIM RATES?**

5 A. The Company stated it was unable to meet current expenses due to current
6 inadequate revenues. In support of its statement, WWC provided current
7 outstanding invoices totaling \$76,096.94. According to the Company's 2006
8 Annual Report,¹ total 2006 expenses were \$200,029, which is \$22,351 more
9 than the reported 2006 water sales revenues of \$177,678. In addition, the
10 Company is facing an imminent rate increase from EWEB.

¹ 2007 figures were not available when the Company filed its request for Interim Rates.

1 **Q. WHAT DID STAFF RECOMMEND REGARDING THE INTERIM RATE?**

2 A. Staff recommended the Commission approve WWC's proposed 12 percent
3 interim increase to allow the Company to meet its ongoing expenses.

4 **Q. WHAT WAS THE COMMISSION DECISION REGARDING WWC'S REQUEST**
5 **FOR INTERIM RATES?**

6 A. At its January 22, 2008, Public Meeting, the Commission approved an interim
7 monthly rate increase of 12 percent with a February 1, 2008, effective date, and
8 suspended WWC's proposed tariff sheets for six months. The Commission
9 issued Order No. 08-102 on January 28, 2008, formalizing its decisions.

10 **STAFF'S ANALYSIS OF THE COMPANY'S FILING**

11 **Q. WHAT ARE THE RESULTS OF STAFF'S ANALYSIS OF WWC'S UW 125**
12 **FILING?**

13 A. Staff's investigation of WWC's application indicates a 17.7 percent increase in
14 total revenues is warranted. This compares to the overall 20.9 percent
15 increase the Company requested in its filing.

16 **Q. DID THE PARTIES STIPULATE TO STAFF'S ANALYSIS OF THE**
17 **RESULTS OF OPERATIONS FOR WWC?**

18 A. Yes. The Parties stipulated to Staff's analysis of the Company's filing.

19 **SUMMARY OF THE STIPULATED REVENUE REQUIREMENT AND RATES**

20 **Q. PLEASE DESCRIBE THE REVENUE REQUIREMENT STIPULATED TO**
21 **BY THE STIPULATING PARTIES.**

22 A. The Parties stipulated to a total revenue requirement of \$209,047, total
23 Revenue Reductions of \$200,271, and Net Operating Income of \$8,772. The

1 Parties also stipulated that WWC should have a reasonable opportunity to earn
2 a 9.5 percent rate of return on a total Rate Base of \$92,332.

3 **Q. DOES THE STIPULATED AMOUNT INCLUDE EWEB'S MAY 1, 2008,**
4 **RATE INCREASE FOR PURCHASED WATER?**

5 A. No. The Parties agreed to use the 2007 purchased water cost.

6 **Q. HOW DID THE PARTIES AGREE TO HANDLE EWEB'S PROPOSED**
7 **ANNUAL RATE INCREASES?**

8 A. The Parties agreed that the Company should file a tariff with the Commission
9 requesting an automatic adjustment clause to incorporate EWEB's 2008 rate
10 increase into its rates. As discussed later in testimony, EWEB has announced
11 it plans to have water rate increases for the next ten years. The automatic
12 adjustment clause is intended to address these increases until the next general
13 rate filing. This issue is discussed later in testimony.

14 **Q. EVEN THOUGH THE PARTIES REACHED A STIPULATION ON**
15 **REVENUES AND EXPENSES, CAN YOU PLEASE EXPLAIN THE**
16 **REASONS WHY THE COMPANY'S OPERATING EXPENSES ARE**
17 **HIGHER THAN COMPARABLE COMPANIES?**

18 A. The Company's higher costs are primarily driven by the cost of purchased
19 water, the structure and outlay of the Company's system, the affiliated interest
20 management contract, and amortization of rate case expenses.

21 Purchased Water

22 The purchased water expense is a factor of increasing EWEB rates. In
23 addition, EWEB rates are structured to the disadvantage of WWC because

1 the Company is required to pay a higher “Water Service Outside the City
2 Limits of Eugene” rate to transport the water to WWC’s system.

3 Structure and Outlay of WWC’s System

4 The Company also has a high proportion of industrial and commercial
5 customers. As a result of the customer composition, WWC’s system is
6 extensive (and aging) with large main lines that are required to supply
7 customers with larger meters. Correspondingly, the Company’s operating,
8 maintenance, and repair costs are higher for maintaining the system in
9 order to provide reliable and adequate service to all classes of customers.

10 Affiliated Interest Management Contract

11 As previously mentioned, the Commission approved the Company’s
12 affiliated interest (AI) management agreement in Order No. 07-436, UI 272.
13 The AI application requested \$134,987 in annual payments; however, based
14 on the lower of cost or market standard delineated in OAR 860-036-0739,
15 *Allocation of Costs by a Water Utility*, Staff recommended and the Commission
16 approved an annual cost level of \$86,313. Because the new owner has taken
17 an aggressive stance to improve the operations, maintenance, and financial
18 integrity of WWC, the Parties agree that the time, efforts, and professional
19 business knowledge required to move the Company from the status quo to
20 a vastly improved system justifies the Commission-authorized cost of the
21 management contract (\$86,313). Because the Parties were concerned
22 about the rate impacts of overall expenses, they stipulated that the Company
23 would forego the cost escalations to labor that UI 272 otherwise included.

1 Rate Case Amortization

2 Due to circumstances WWC also experienced high rate case amortization
3 expenses. First, commission regulation is new to the current owners of WWC
4 and as such, the Company hired a consultant to put together its application and
5 to guide the application through the Commission's rate case process. Second,
6 several specific issues related to the acquisition made the preparation of the
7 rate case more complex than usual. As a result, consultant and later legal
8 costs ran higher than is typically expected in a water rate case. However, in
9 order to offset the effect of these costs, the Company offered to amortize the
10 expenses over seven years as compared to a normal two- to three-year Staff
11 recommended amortization. In addition, the Company has realized that it can
12 depend on Commission Staff to be knowledgeable and fair in the rate
13 application process, and as such, has committed to utilize Staff resources
14 to a greater degree in future filings to keep costs at a lower level.

15 Although the above mentioned costs resulted in higher expenses, the
16 Company made a good faith effort to reduce other expenses and willingly
17 accepted Staff's numerous expense reductions.

18 **Q. PLEASE EXPLAIN THE PROPOSED RATE SPREAD STIPULATED TO**
19 **BY THE PARTIES.**

20 A. The stipulated rate spread allocates \$206,617 to residential, commercial, and
21 industrial customers, \$2,786 to Private Fire Protection customers, and \$242 to
22 Temporary Hydrant users.

1 With respect to rate design, Staff generally aims for a 60/40 split between
2 base and variable rates; but the Parties stipulated to a 57/43 split in order to
3 generate rates that are reasonable and do not cause undue rate increases for
4 any single group of customers.

5 **Q. PLEASE EXPLAIN WHY STAFF PROPOSED A MODIFICATION OF THE**
6 **AWWA FACTORS WWC PROPOSED TO ALLOCATE BASE RATES BY**
7 **METER SIZE.**

8 A. In the instance where a company has different meter sizes, Staff's practice is to
9 apply AWWA factors, or modified factors to the different size meters. WWC's
10 water rates are based upon a cost of service rate structure which includes the
11 cost of providing water and operating and maintaining the water system. The
12 effect of using the AWWA factors is to increase the base rates charged to
13 customers with larger meters. From a conceptual standpoint, increasing the
14 rates to customers with larger meters is reasonable because those customers
15 place a greater potential demand on the water system. The AWWA factors are
16 multiplied to the base rate of the 5/8-inch and 3/4-inch meter size to obtain the
17 base rate of larger size meters. As an example, if using the AWWA factors, the
18 base rate of a 1-inch meter would be 2.5 times greater than the base rate of
19 5/8-inch or 3/4-inch meter.

20 WWC currently uses modified AWWA factors, but the factors in use result in
21 customers with 5/8-inch and 3/4-inch meters subsidizing customers with larger
22 meters.

1 **Q. DOES STAFF PROPOSE RATES BASED ON A STRICT APPLICATION**
2 **OF AWWA FACTORS?**

3 A. No. Staff felt that using full factors would result in increases that would cause
4 rate shock for some customers. To soften the base rate increases, Staff
5 applied modified factors to meters larger than 5/8-inch and 3/4-inch. Staff's
6 proposed factors are higher than the Company proposed, yet low enough to
7 result in reasonable rates. Table 3 compares the full AWWA factors to those
8 proposed by WWC and those proposed by Staff in UW 125.

TABLE 3 – AWWA Factors Comparison

| Meter Size | Actual AWWA Factor | WWC Proposed Factor | Staff Modified Factor |
|-------------------|---------------------------|----------------------------|------------------------------|
| 5/8" or 3/4" | 1.00 | 1.00 | 1.00 |
| 1" | 2.50 | 1.58 | 1.89 |
| 1.5" | 5.00 | 2.40 | 2.88 |
| 2" | 8.00 | 4.20 | 5.04 |
| 3" | 15.00 | 9.09 | 10.91 |
| 4" | 25.00 | 12.60 | 15.12 |
| 6" | 50.00 | 20.00 | 24.00 |
| 8" | 80.00 | 42.10 | 50.52 |

9
10 As illustrated by Table 3, increases for the larger size meters were reduced
11 by Staff's proposed modified factors as compared to strict application of the
12 AWWA factors. The Parties agree that using Staff's proposed modified factors
13 is reasonable because the use of modified AWWA factors still takes into
14 account that larger meters do place a greater potential demand on the water
15 system, and customers with larger meters should pay higher base rates
16 because of this potential demand.

1 **Q. WHAT RATES DID THE PARTIES STIPULATE TO FOR RESIDENTIAL /**
 2 **COMMERCIAL / INDUSTRIAL CUSTOMERS?**

3 A. The Parties stipulated that rates for the same sized meters would be the same
 4 for residential, commercial, and industrial customers. Base rates do not include
 5 a consumption allowance. Table 4 compares WWC's rates per UW 81, interim
 6 rates currently in effect, WWC's proposed rates filed with the Application, and
 7 final rates stipulated to by the Parties.

TABLE 4 – Residential / Commercial / Industrial Rates

| Meter Size | UW 81 Rates | Interim Rates | WWC Proposed | Stipulated Rates |
|---------------------|--------------------|----------------------|---------------------|-------------------------|
| 5/8" x 3/4" | \$23.85 | \$26.71 | \$28.31 | \$28.64 |
| 1" | \$37.21 | \$41.68 | \$45.30 | \$54.25 |
| 1.5" | \$57.23 | \$64.10 | \$67.95 | \$82.48 |
| 2" | \$99.75 | \$111.72 | \$118.91 | \$144.34 |
| 3" | \$214.69 | \$240.45 | \$257.30 | \$312.34 |
| 4" | NA | NA | \$356.71 | \$433.00 |
| 6" | \$476.99 | \$534.23 | \$566.20 | \$687.31 |
| 8" | \$1,001.77 | \$1,121.98 | \$1,191.86 | \$1,446.79 |
| DM1 ² | \$23.85 | \$26.71 | \$28.31 | \$28.64 |
| DM2 | \$37.21 | \$41.68 | \$45.30 | \$45.82 |
| DM3 | \$47.70 | \$53.42 | \$56.62 | \$57.28 |
| Variable per 100 cf | \$1.34 | \$1.50 | \$1.88 | \$1.80 |

² The DM class designates two or more users served by a single meter. The Company charges a base rate for the meter plus a base rate for each additional user. The metered customer is charged the commodity rate for all usage.

1 **Q. WHAT ARE THE RATE IMPACTS FOR RESIDENTIAL, COMMERCIAL,**
2 **AND INDUSTRIAL CUSTOMERS?**

3 A. Staff/101, pages 9 through 14, contains the rate impacts of the stipulated rates
4 for each meter size. Table 5 shows a comparison of UW 81, Company
5 proposed, and stipulated average monthly bills for Residential Customers.

TABLE 5 - Average Monthly Bill (Residential)³

| Meter Size | UW 81 | WWC Proposed | Percent Increase | Stipulated | Percent Increase |
|-------------|----------|--------------|------------------|-----------------|------------------|
| 5/8" x 3/4" | \$36.65 | \$46.26 | 26.24% | \$45.86 | 25.15% |
| 1" | \$75.04 | \$98.37 | 31.10% | \$105.17 | 40.16% |
| 1.5" | \$194.92 | \$261.12 | 33.97% | \$267.82 | 37.41% |

6 Tables 6 and 7 show a comparison of UW 81, Company proposed, and
7 stipulated average monthly bills for Commercial and Industrial customers.

TABLE 6 - Average Monthly Bill (Commercial)⁴

| Meter Size | UW 81 | WWC Proposed | Percent Increase | Stipulated | Percent Increase |
|-------------|----------|--------------|------------------|-----------------|------------------|
| 5/8" x 3/4" | \$43.95 | \$56.51 | 28.58% | \$55.70 | 26.72% |
| 1" | \$55.13 | \$70.44 | 27.77% | \$78.37 | 42.16% |
| 1.5" | \$137.63 | \$180.75 | 31.33% | \$190.71 | 38.57% |
| 2" | \$153.35 | \$194.11 | 26.58% | \$216.50 | 41.18% |

TABLE 7 - Average Monthly Bill (Industrial)⁵

| Meter Size | UW 81 | WWC Proposed | Percent Increase | Stipulated | Percent Increase |
|-------------|----------|--------------|------------------|-------------------|------------------|
| 5/8" x 3/4" | \$47.41 | \$61.36 | 29.43% | \$60.35 | 27.30% |
| 1.5" | \$104.24 | \$133.90 | 28.46% | \$145.76 | 39.83% |
| 3" | \$771.69 | \$1,038.76 | 34.61% | \$1,062.14 | 37.64% |
| 6" | \$736.32 | \$930.04 | 26.31% | \$1,036.40 | 40.75% |

³ Average bills are based on average monthly consumptions of 955 cf per 5/8" x 3/4" meter; 2,823 cf per 1" meter; and 10,275 cf per 1 1/2" meter.

⁴ Average bills are based on average monthly consumptions of 1,500 cf per 5/8" x 3/4" meter; 1,337 cf per 1" meter; 6,000 cf per 1 1/2" meter; and 4,000 cf per 2" meter.

⁵ Average bills are based on average monthly consumptions of 1,758 cf per 5/8" x 3/4" meter; 3,508 cf per 1.5" meter; 41,567 cf per 3" meter; and 19,353 cf per 6" meter.

1 As demonstrated in the above tables, the stipulated average rates for the
2 5/8-inch and 3/4-inch meters are lower than the proposed rates; however, the
3 stipulated average rates for larger meters are higher than WWC's proposed
4 rates. This is a result of increasing the AWWA factors for larger meters.

5 **Q. PLEASE EXPLAIN HOW STAFF DETERMINED THE PRIVATE FIRE**
6 **PROTECTION RATES?**

7 A. In the Application, WWC proposed to increase private fire protection rates by
8 217 percent. As part of the investigation of WWC's filing, Staff determined that
9 private fire protection rates should be based on the calculated cost of service.
10 To determine the cost of service for fire protection, Staff identified fire protection
11 dedicated plant and developed a 2-factor allocation formula that was applied to
12 shared plant, operating and maintenance costs, and other revenue deductions.⁶

13 **Q. PLEASE DISCUSS YOUR ALLOCATIONS FOR DETERMINING FIRE**
14 **PROTECTION COST OF SERVICE.**

15 A. Staff determined a 2-factor allocation based on dedicated plant and billing
16 units. Fire protection dedicated plant consisted of hydrants (that were not
17 contributions in aid of construction); while non-fire protection dedicated plant
18 included meters (that were not contributions in aid of construction), water
19 testing equipment, and capitalized water loss. All other plant (transmission,
20 distribution, and miscellaneous equipment) were considered shared plant.

⁶ The allocation is shown in Staff 101, pages 5 - 6.

1 Billing units were determined on actual billing units for private and public fire
2 protection. Although the Goshen Fire District (District) is billed for 47 hydrants,
3 Staff considered the District as one billing unit for the purpose of allocations.

4 **Q. PLEASE EXPLAIN THE 2-FACTOR FORMULA THAT STAFF USED.**

5 A. Staff used 30% and 70% weighting for Dedicated Plant and Billing Units,
6 respectively. Each factor was determined based on test year inputs. As an
7 aside, Fire Protection only accounted for 0.12 percent of WWC's test year
8 consumption. As a result of minimal fire protection usage, Staff did not add
9 consumption as an additional weighting factor. The following table shows the
10 breakdown of the three factors used to determine the 2-factor formula.

11 **TABLE 8 - 2-factor Allocation**

| Factor | Potable | Fire Protection |
|-----------------|----------------|------------------------|
| Dedicated Plant | 23.46% | 6.54% |
| Billing Units | 66.34% | 3.66% |
| 2-factor | 89.80% | 10.20% |

12

13 **Q. WHY DID STAFF USE A 30%-70% WEIGHTING INSTEAD OF AN EQUAL**
14 **WEIGHTING?**

15 A. Staff used a 30%-70% weighting because the prime driver for WWC personnel,
16 management, and contract labor time was billing units. Although billing units
17 were the primary cost causative factor, directly allocated plant was also taken
18 into consideration because it is a cost causative factor. The higher weighting
19 given to billing units is consistent with the Potable Water - Golf Course
20 allocation determined in UW 118, Sunriver (Commission Order No. 06-678,
21 dated December 21, 2006) that also applied a 70 percent weighting to meters
22 (billing units).

1 Although Staff applied the 2-factor allocation to shared plant and most
 2 operating and maintenance expenses, Staff applied higher allocations to
 3 potable water users for purchased water (99 percent), contract services -
 4 testing (100 percent), cross connection control program (100 percent), and
 5 consumer confidence report (100 percent). These higher allocations to
 6 potable water users for these expense categories are reasonable because
 7 in the case of purchased water, less than 1 percent of the water was used
 8 for fire protection. Additionally, water testing, cross connection program,
 9 and consumer confidence reports are not germane to fire protection.

10 The revenue requirement received from using the 2-factor allocation was
 11 then apportioned to private fire protection based on the proportion of private
 12 hydrants to total hydrants (private and public).

13 Table 9 compares WWC's rates per UW 81, interim rates currently in effect,
 14 WWC's proposed rates filed with the Application, and final rates stipulated to by
 15 the Parties for private fire protection customers.

TABLE 9 – Private Fire Protection Rates

| Meter Size | UW 81 Rates | Interim Rates | WWC Proposed | Stipulated Rates |
|---------------------|--------------------|----------------------|---------------------|-------------------------|
| 4" | \$11.57 | \$12.96 | \$36.80 | \$20.30 |
| 6" | \$23.14 | \$25.92 | \$56.61 | \$43.56 |
| 8" | NA | NA | \$118.65 | \$87.14 |
| Variable per 100 cf | \$1.34 | \$1.50 | \$1.88 | \$1.80 |

16 It is important to note that the private fire protection rate increase was
 17 75.45 percent for the 4-inch hydrants and 88.25 percent for the 6-inch
 18 hydrants. Although these increases are higher than those stipulated to for
 19

1 the potable water users, they accurately reflect the cost of service for these
2 customers and are considerably less than the 217 percent increase proposed
3 by the Company.

4 **Q. WHAT ARE THE STIPULATED PUBLIC FIRE PROTECTION RATES?**

5 A. In its Application, WWC proposed to increase Public Fire Protection rates by
6 217 percent. Staff proposed a discontinuation of the public fire protection
7 hydrant rates for the following reasons:

- 8 1. No other investor-owned utility under the Commission's financial
9 regulation maintains a public fire protection rate.
- 10 2. Based on discussions with the State Fire Marshall Office (SFMO),
11 representatives from SFMO were not aware of any fire districts in
12 the state that pays a public fire protection charge for use of
13 hydrants.
- 14 3. Only 47 of the 101 hydrants utilized by the Goshen Fire District
15 (District) are in WWC's service territory. The District does not pay
16 a public fire protection charge for any of these other hydrants,
17 which are owned by community water systems.
- 18 4. The Goshen Fire District does the majority of its training at Lane
19 Community College, which provides EWEB water at no cost to
20 the District. In addition, the District is allowed to draw from the
21 Willamette River to fill its tanker and engines. As a result, the vast
22 majority of water used from the WWC hydrants would be used for
23 fire protection in the Company's service territory.
- 24 5. The hydrants are basically only used by the District for the purpose
25 of protecting the property and lives of homes and businesses in
26 WWC's service territory. Although there are homes in WWC's
27 service territory that have private wells, the nature of public fire
28 protection is a benefit to the Company's customers.

29 Although Staff removed the hydrant charge, the District will pay the
30 consumption rate for any water used (with the exception of hydrant flushing
31
32
33
34
35

1 due to the minimal use of water for this purpose). All Parties believed that this
2 was fair and reasonable since EWEB is billing WWC for water used.

3 **Q. BY REMOVING THE PUBLIC FIRE PROTECTION RATE, AREN'T**
4 **RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL CUSTOMERS**
5 **ASSUMING THE BURDEN OF INCREASED RATES?**

6 A. Yes. According to the AWWA Principles of Water Rates, Fees, and Charges,
7 (Manual M1) the most common method is to recover the cost of public fire
8 protection through all other rates and charges. According to AWWA:

9 "While water use does not necessarily reflect cost responsibility
10 for public fire protection, there may be some correlation in that
11 customers using a greater volume of water may have larger
12 properties with greater fire flow requirements. This presumed
13 correlation may be only generally true and is certainly not valid
14 in all cases."⁷

15
16 Although embedding the costs in residential, commercial, and industrial
17 rates resulted in higher rates for these classes of customers, Staff mitigated the
18 increase to approximately 72 percent of WWC's customers who receive service
19 through 5/8- and 3/4-inch meters by adjusting the previously mentioned AWWA
20 factors. Additionally, as previously discussed, the hydrants are used for the
21 protection of lives and property of homes and businesses in WWC's service
22 territory, and as such, it is these classes of customers that benefit from the
23 hydrants.

⁷ AWWA, Principles of Water Rates, Fees, and Charges, (Manual M1), page 227.

1 **AUTOMATIC ADJUSTMENT CLAUSE FOR PURCHASED WATER**

2 **Q. PLEASE DISCUSS THE NEED FOR AN AUTOMATIC ADJUSTMENT**

3 **CLAUSE FOR PURCHASED WATER.**

4 A. EWEB has announced its plans to increase water costs on May 1, 2008, by
5 approximately 17 percent and have smaller single-digit increases for the next
6 nine years. The following is taken from EWEB's web-site.

7 **Why are water rates increasing in May 2008?**

8 The 800 miles of pipes, 26 enclosed reservoirs and other facilities that
9 deliver water to EWEB customers' taps are in serious need of major
10 reinvestments to ensure that customers continue to get reliable, high-
11 quality water.

12 Over the next 10 years, EWEB will increase its efforts to rebuild or
13 replace aging water reservoirs and pipes, increase the capacity at
14 the Hayden Bridge Water Treatment Plant, upgrade the water intake
15 structures on the McKenzie River, and develop an emergency
16 "backup" supply of water.

17 These investments come at a price, as water system improvements
18 are largely funded through rates and by development fees that are
19 charged for new water hookups. EWEB Commissioners approved a
20 17 percent average water rate that will be effective with customers'
21 May 2008 bills. EWEB is planning smaller, single-digit increases for
22 most of the next nine years. The actual rate increase will vary by type
23 of customer.

24 EWEB is not alone in its need to address an "aging" water system.
25 The U.S. Environmental Protection Agency estimates that water
26 utilities nationwide need to spend almost \$300 billion to bring water
27 systems up to date.

28 Because purchased water is approximately 34 percent of WWC's operating
29 expenses, the Parties agreed to work together in developing an automatic
30 adjustment clause (AAC) that would account for the anticipated EWEB water
31 rate increases. The Company plans to file for an AAC within the next month to

1 account for the approximate 17.5 percent increase that will occur on May 1,
2 2008. Although Staff is unaware of any previous AACs for purchased water,
3 the Commission has previously approved a Commodity Power Cost
4 Adjustment for Avion Water Company.

5 **Q. DOES STAFF HAVE ANY CONCERNS REGARDING ADOPTING AN**
6 **AUTOMATIC ADJUSTMENT CLAUSE?**

7 A. Staff is not concerned with the automatic adjustment clause itself, but with its
8 potential effect on delaying the movement of rate spread closer to the AWWA
9 factors. As noted previously, the Stipulation supports moving towards a rate
10 spread based on AWWA factors. However, there is still quite a bit of
11 movement needed. Therefore the Stipulation contains the following language:

12 Given that the agreed to rates do not fully transition to AWWA factors
13 by size of connection, Staff is concerned that an automatic adjustment
14 clause may delay future movements to rates based on AWWA factors.
15 Therefore, in the event the Company has not made a general rate filing
16 by January 1, 2014, Staff may subsequently request the Company to
17 file rates, to be effective with the effective date of the next automatic
18 adjustment tariff change, that move one-third towards full AWWA-factor
19 based rates. The Company agrees to comply with such a Staff request.
20

21 **Q. AS A RESULT OF THE HIGH COST FOR PURCHASED WATER, HAS**
22 **THE COMPANY INVESTIGATED OTHER SOURCES OF WATER?**

23 A. Yes. According to the Company, WWC has expended considerable resources
24 and time in assessing how it can best use its water permit.⁸ Since the permit is
25 for use on the McKenzie River, there is no feasible way to change the point of
26 diversion. Additionally, groundwater or other surface sources are not practical

⁸ Willamette's Water Permit, S-50877, was issued by the Oregon Water Resources Department on February 9, 1990. The permit is issued for 4.0 cubic feet per second.

1 because of low flows and turbidity issues on the Willamette River and
2 contaminants in groundwater wells in the area of WWC.

3 With that said, the Company, under its current management, has began
4 active discussions with EWEB on ways to reduce purchased water costs
5 including the possibility of EWEB wheeling of WWC water. These discussions
6 are in the very early stages and may or may not come to fruition.

7 **Q. ARE THE RESULTING RATES FAIR AND REASONABLE?**

8 A. Yes. Based on Staff's investigation and the documented costs provided
9 by WWC, the Parties believe the stipulated revenue requirement generates
10 rates that are just and reasonable. The stipulated rates will provide adequate
11 revenue to cover WWC's reasonable expenses and allow the Company an
12 opportunity to earn a reasonable return on its investment.

13 **Q. DID THE PARTIES STIPULATE TO ANY MISCELLANEOUS CHARGES?**

14 A. Yes. As filed with the Application, several of WWC's proposed charges in the
15 Company's Schedule No. 6 were considerably higher than those of other rate
16 regulated water companies. Staff proposed adjustments lowering the fees to
17 amounts closer to those of the other companies, and the Parties stipulated to
18 Staff's adjustments.

19 **Q. DO ANY CUSTOMER CLASSES REQUIRE A REFUND BASED ON**
20 **INTERIM RATES?**

21 A. The overall increase in rates for each class of customers except for one class
22 exceeds 12 percent, the level of the interim rate increase. The Stipulation
23 adopts eliminating the Public Fire Protection Hydrant rates for the reasons

1 stated previously. As a result of Staff's rate design changes, including
2 elimination of the fire protection rate, the District agreed that it should not
3 receive refunds from the Company based on the interim rate.

4 Although ORS 757.215, allows the Commission to order a utility to refund
5 portions of the interim increase that it finds not justified, the facts surrounding
6 the rate increase (WWC's inability to meet current expenses due to current
7 inadequate revenues) supported an across-the-board increase. Staff was the
8 entity that recommended the discontinuation of the public fire protection
9 charges. This recommendation resulted from Staff's investigation into fire
10 protection rates, and as such, no Party to the case had any reason to believe
11 that Staff would recommend this action when the Commission approved an
12 interim monthly rate increase of 12 percent with a February 1, 2008, effective
13 date. As previously mentioned, the District agreed that it should not receive a
14 refund.

15 **Q. DOES THE STIPULATION CONTAIN ANY CONDITIONS?**

16 A. Yes. In UW 81, Order No. 02-425, the Commission adopted the stipulation,
17 including a condition that the Company and the Goshen Fire District enter into
18 a maintenance agreement regarding the fire hydrants. The Stipulating Parties
19 in UW 125 agree that the Goshen Fire District will continue to provide hydrant
20 maintenance on an annual basis as follows:

- 21 1. Remove weeds around hydrants;
- 22 2. Exercise hydrants (flush and check flow);

1 3. Check and service hydrant cap seals and valve stems; and

2 4. Notify WWC with respect to needed repairs.

3 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE STIPULATION?**

4 A. I recommend that the Commission admit the Stipulation into the UW 125 record
5 and adopt the Stipulation in its entirety.

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

7 A. Yes.

CASE: UW 125
WITNESS: Renee Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

**Exhibits in Support
Of Direct Testimony**

May 5, 2008

WILLAMETTE WATER COMPANY
UW 125
Test Year: 2006
REVENUE REQUIREMENT

Company Case
21.0%
 Water sales

Staff
17.7%

| | | A | B | C | D | E | F | G |
|-----------|----------------------------------------------|-----------------------------------------|------------------------------|--------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | | Balance Per Application Test Year: 2006 | Proposed Company Adjustments | Adjusted Results (A+B=C) | Proposed Staff Adjustments | Adjusted Results (A+F=G) | Staff Proposed Rev Changes | Proposed Results (G+H+I) |
| Acct. No. | REVENUES | | | | | | | |
| 1 | 461.1 Residential Water Sales | 49,654 | 13,432 | 63,086 | 0 | 49,654 | 10,423 | 60,077 |
| 2 | 461.2 Commercial/Industrial Water Sales | 120,620 | 6,084 | 126,704 | 0 | 120,620 | 25,320 | 145,940 |
| 3 | 462.1 Fire Protection Sales - Public/Private | 6,840 | 13,876 | 20,716 | (6,840) | 0 | 0 | 0 |
| 4 | 462.2 Fire Protection Sales - Private | 564 | 3,674 | 4,238 | 1,739 | 2,303 | 483 | 2,786 |
| 5 | 470 Other Revenues | 15,048 | (15,048) | 0 | (15,048) | 0 | 0 | 0 |
| 6 | Temporary Hydrant Revenue | 1,455 | (1,255) | 200 | (1,255) | 200 | 42 | 242 |
| 7 | TOTAL REVENUE | 194,181 | 20,763 | 214,944 | (21,404) | 172,777 | 36,270 | 209,047 |
| 8 | | | | | | | | |
| 9 | OPERATING EXPENSES | | | | | | | |
| 10 | 601 Salaries and Wages - Employees | 62,038 | (62,038) | 0 | (62,038) | 0 | 0 | 0 |
| 11 | 603 Salaries and Wages - Officers | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | 604 Employee Pension & Benefits | 6,195 | (6,195) | 0 | (6,195) | 0 | 0 | 0 |
| 13 | 610 Purchased Water | 66,536 | (1,884) | 64,652 | (1,204) | 65,332 | 0 | 65,332 |
| 14 | 611 Telephone/Communications | 2,648 | (1,048) | 1,600 | (1,048) | 1,600 | 0 | 1,600 |
| 15 | 615 Purchased Power | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | 618 Chemical / Treatment Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | 619 Office Supplies | 385 | 21 | 406 | 12 | 397 | 0 | 397 |
| 18 | 619.1 Postage | 919 | 81 | 1,000 | 63 | 982 | 0 | 982 |
| 19 | 620 O&M Materials/Supplies | 1,160 | 0 | 1,160 | (437) | 723 | 0 | 723 |
| 20 | 621 Repairs to Water Plant | 1,554 | 2,446 | 4,000 | 4,862 | 6,416 | 0 | 6,416 |
| 21 | 631 Contract Svcs - Engineering | 18 | 1,482 | 1,500 | 482 | 500 | 0 | 500 |
| 22 | 632 Contract Svcs - Accounting | 7,955 | (6,005) | 1,950 | (6,005) | 1,950 | 0 | 1,950 |
| 23 | 633 Contract Svcs - Legal | 12,091 | (1,091) | 11,000 | (8,179) | 3,913 | 0 | 3,913 |
| 24 | 634 Contract Svcs - Management Fees | 18,555 | 67,758 | 86,313 | 67,758 | 86,313 | 0 | 86,313 |
| 25 | 635 Contract Svcs - Testing | 825 | (315) | 510 | (186) | 639 | 0 | 639 |
| 26 | 636 Contract Svcs - Labor | 4,208 | 10,792 | 15,000 | 10,792 | 15,000 | 0 | 15,000 |
| 27 | 637 Contract Svcs - Billing/Collection | 0 | 630 | 630 | 263 | 263 | 0 | 263 |
| 28 | 638 Contract Svcs - Meter Reading | 5,000 | (5,000) | 0 | (5,000) | 0 | 0 | 0 |
| 29 | 639 Contract Svcs - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 | 641 Rental of Building/Real Property | 4,625 | (4,625) | 0 | (4,625) | 0 | 0 | 0 |
| 31 | 642 Rental of Equipment | 0 | 400 | 400 | 0 | 0 | 0 | 0 |
| 32 | 643 Small Tools | 0 | 38 | 38 | 38 | 38 | 0 | 38 |
| 33 | 648 Computer/Electronic Expenses | 495 | 0 | 495 | 0 | 495 | 0 | 495 |
| 34 | 650 Transportation | 1,395 | (1,395) | 0 | (1,395) | 0 | 0 | 0 |
| 35 | 656 Vehicle Insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 36 | 657 General Liability Insurance | 2,236 | (241) | 1,995 | (241) | 1,995 | 0 | 1,995 |
| 37 | 658 Workers' Comp Insurance | 636 | (636) | 0 | (636) | 0 | 0 | 0 |
| 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 | 520 | 3,870 | 4,390 | 3,969 | 4,489 | 0 | 4,489 |
| 41 | 667 Gross Revenue Fee (PUC) | 437 | 28 | 465 | (5) | 432 | 523 | 955 |
| 42 | 668 Water Resource Conservation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 43 | 670 Bad Debt Expense | 80 | 710 | 790 | 0 | 80 | 0 | 80 |
| 44 | 671 Cross Connection Control Program | 75 | 0 | 75 | 0 | 75 | 0 | 75 |
| 45 | 672 System Capacity Dev Program | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 46 | 673 Training and Certification | 300 | 248 | 548 | (140) | 160 | 0 | 160 |
| 47 | 674 Consumer Confidence Report | 0 | 250 | 250 | 250 | 250 | 0 | 250 |
| 48 | 675 General Expense | 531 | 50 | 582 | 101 | 632 | 0 | 632 |
| 49 | TOTAL OPERATING EXPENSE | 201,417 | (1,668) | 199,749 | (8,744) | 192,673 | 523 | 193,195 |
| 50 | | | | | | | | |
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| 59 | OTHER REVENUE DEDUCTIONS | | | | | | | |
| 60 | | | | | | | | |
| 61 | 403 Depreciation Expense | 2,523 | 0 | 2,523 | 940 | 3,463 | 0 | 3,463 |
| 62 | 407 Amortization Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 63 | 408.11 Property Tax | 1,383 | 35 | 1,418 | 85 | 1,468 | 0 | 1,468 |
| 64 | 408.12 Payroll Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 65 | 408.13 Other | 50 | 0 | 50 | (50) | 0 | 0 | 0 |
| 66 | 409.11 Oregon Income Tax | 0 | 753 | 753 | (1,634) | (1,634) | 2,353 | 719 |
| 67 | 409.10 Federal Income Tax | 0 | 1,598 | 1,598 | (3,241) | (3,241) | 4,667 | 1,426 |
| 68 | TOTAL REVENUE DEDUCTIONS | 205,373 | 718 | 206,091 | (12,645) | 192,728 | 7,543 | 200,271 |
| 69 | NET OPERATING INCOME | (11,192) | 20,045 | 8,853 | (8,759) | (19,951) | 28,722 | 8,772 |
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| 100 | | | | | | | | |
| 101 | Utility Plant in Service | 125,014 | 12,101 | 137,115 | 25,313 | 150,327 | 0 | 150,327 |
| 102 | Less: | | | | | | | |
| 103 | 108.1 Depreciation Reserve | 63,195 | 0 | 63,195 | 10,856 | 74,051 | 0 | 74,051 |
| 104 | 271 Contributions in Aid of Const | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 105 | 272 Amortization of CIAC | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 106 | 281 Accumulated Deferred Income Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 107 | Net Utility Plant | 61,819 | 12,101 | 73,920 | 14,457 | 76,276 | 0 | 76,276 |
| 108 | Plus: (working capital) | | | | | | | |
| 109 | 151 Materials and Supplies Inventory | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 110 | Working Cash (Total Op Exp /12) | 15,899 | 0 | 15,899 | 157 | 16,056 | 0 | 16,056 |
| 111 | TOTAL RATE BASE | 77,718 | 12,101 | 89,819 | 14,614 | 92,332 | 0 | 92,332 |
| 112 | Rate of Return | -14.40% | | 9.86% | | -21.61% | | 9.50% |

| | Company | Staff |
|---------------------|---------------|---------------|
| number of customers | 171 | 171 |
| op/exp/cust/year | \$1,161 | \$1,120 |
| Cash Flow | 11,376 | 12,235 |

WILLAMETTE WATER COMPANY
Test Year: 2006
SUMMARY OF ADJUSTMENTS

| | | | Staff Adjustments to RR Column C | Results | Reason |
|---------------------------------|--------------------------------------------|----------|-------------------------------------|----------|-----------------------------------------------------------------------------------------------------------------------------------------|
| REVENUES | | | | | |
| 1 | 461 Residential Water Sales | 49,654 | \$0 | 49,654 | |
| 2 | 461 Commercial/Industrial Water Sales | 120,620 | \$0 | 120,620 | |
| 3 | 465 Fire Protection Sales - Public/Private | 6,840 | (\$6,840) | 0 | |
| 4 | 462 Fire Protection Sales - Private | 564 | \$1,739 | 2,303 | To meet FP COS calculations |
| 5 | 470 Other Revenues | 15,048 | (\$15,048) | 0 | Removed Non-Water Sales |
| 6 | 468 Temporary Hydrant Revenue | 1,455 | (\$1,255) | 200 | Water used for construction |
| 7 | TOTAL REVENUE | 194,181 | (\$21,404) | 172,777 | |
| 8 | | | | | |
| 9 | OPERATING EXPENSES | | | | |
| 10 | 601 Salaries and Wages - Employees | 62,038 | (\$62,038) | 0 | Now included in Management Agreement (UI 272) |
| 11 | 603 Salaries and Wages - Officers | 0 | \$0 | 0 | Now included in Management Agreement (UI 272) |
| 12 | 604 Employee Pension & Benefits | 6,195 | (\$6,195) | 0 | Now included in Management Agreement (UI 272) |
| 13 | 610 Purchased Water | 66,536 | (\$1,204) | 65,332 | Based on 2007 usage and WWC estimated lower consumption |
| 14 | 611 Telephone/Communications | 2,648 | (\$1,048) | 1,600 | Reflects Company proposed amount for Qwest, MTM & One-Call (Amount is \$370 less than Test Year amount for these specific phone costs.) |
| 15 | 615 Purchased Power | 0 | \$0 | 0 | |
| 16 | 618 Chemical / Treatment Expense | 0 | \$0 | 0 | |
| 17 | 619 Office Supplies | 385 | \$12 | 397 | Actual invoices; escalated by CPI. |
| 18 | 619 Postage | 919 | \$63 | 982 | Reflects Postage increase 5/1/08 |
| 19 | 620 O&M Materials/Supplies | 1,160 | (\$437) | 723 | Actual invoices; removed \$417.32 (tires for equipment WWC no longer owns); moved \$20.28 to Acct 643. |
| 20 | 621 Repairs to Water Plant | 1,554 | \$4,862 | 6,416 | Ave of test year and 2007 + actual 2008 mainline repair cost |
| 21 | 631 Contract Svcs - Engineering | 18 | \$482 | 500 | Disallowed portion of request; customers should not be charged for expansion costs. |
| 22 | 632 Contract Svcs - Accounting | 7,955 | (\$6,005) | 1,950 | Tax Advisor estimate to prepare federal and state taxes |
| 23 | 633 Contract Svcs - Legal | 12,091 | (\$8,179) | 3,913 | Average of 2006 and 2007 after subtracting disallowed costs associated with transition and expansion. |
| 24 | 634 Contract Svcs - Management Fees | 18,555 | \$67,758 | 86,313 | Per UI 272 |
| 25 | 635 Contract Svcs - Testing | 825 | (\$186) | 639 | DHS testing requirements at Ravin Group LLC testing cost |
| 26 | 636 Contract Svcs - Labor | 4,208 | \$10,792 | 15,000 | Operation/Maintenance agreement with Ravin Group LLC |
| 27 | 637 Contract Svcs - Billing/Collection | 0 | \$263 | 263 | Two-year ave of 2007 expense (paid to Pacific Coast Credit). |
| 28 | 638 Contract Svcs - Meter Reading | 5,000 | (\$5,000) | 0 | Included in Contract Labor |
| 29 | 639 Contract Svcs - Other | 0 | \$0 | 0 | |
| 30 | 641 Rental of Building/Real Property | 4,625 | (\$4,625) | 0 | Now included in Management Agreement (UI 272) |
| 31 | 642 Rental of Equipment | 0 | \$0 | 0 | No expense in 2006 and none reported in 2007 Annual Report information. |
| 32 | 643 Small Tools | 0 | \$38 | 38 | Hydrant Wrench cost moved from O&M; allowed WWC requested amount. |
| 33 | 648 Computer/Electronic Expenses | 495 | \$0 | 495 | Annual amount for tech support for utility billing software. |
| 34 | 650 Transportation | 1,395 | (\$1,395) | 0 | Now included in Management Agreement (UI 272) |
| 35 | 656 Vehicle Insurance | 0 | \$0 | 0 | |
| 36 | 657 General Liability Insurance | 2,236 | (\$241) | 1,995 | Actual invoice |
| 37 | 658 Workers' Comp Insurance | 636 | (\$636) | 0 | Now included in Management Agreement (UI 272) |
| 38 | 659 Insurance - Other | 0 | \$0 | 0 | |
| 39 | 660 Public Relations/Advertising | 0 | \$0 | 0 | |
| 40 | 666 Amortz. of Rate Case | 520 | \$3,969 | 4,489 | Consulting fees for preparation of rate case. |
| 41 | 667 Gross Revenue Fee (PUC) | 437 | (\$5) | 432 | Calculated |
| 42 | 668 Water Resource Conservation | 0 | \$0 | 0 | |
| 43 | 670 Bad Debt Expense | 80 | \$0 | 80 | WWC wrote off several years of Bad Dept in 2007 but showed \$0 Bad Dept in test year. |
| 44 | 671 Cross Connection Control Program | 75 | \$0 | 75 | Annual fee charged by DHS for the Cross Connection Control Program. |
| 45 | 672 System Capacity Dev Program | 0 | \$0 | 0 | |
| 46 | 673 Training and Certification | 300 | (\$140) | 160 | Cost for DOO to attend AWWA training |
| 47 | 674 Consumer Confidence Report | 0 | \$250 | 250 | Contract amount (Ravin Group LLC) |
| 48 | 675 General Expense | 531 | \$101 | 632 | Bank Fees, dues; Moved \$50 Corp Div Annual Report Fee from Acct 408 |
| 49 | TOTAL OPERATING EXPENSE | 201,417 | (\$8,744) | 192,673 | |
| OTHER REVENUE DEDUCTIONS | | | | | |
| 50 | 403 Depreciation Expense | 2,523 | \$940 | 3,463 | Per Plant spreadsheet |
| 51 | 407 Amortization Expense | 0 | \$0 | 0 | |
| 52 | 408 Property Tax | 1,383 | \$85 | 1,468 | 2007 Lane County Tax Statement escalated by CPI. |
| 53 | 408 Payroll Tax | 0 | \$0 | 0 | |
| 54 | 408 Other | 50 | (\$50) | 0 | Moved to Acct 675 |
| 55 | 409 Oregon Income Tax | 0 | (\$1,634) | (1,634) | Calculated |
| 56 | 409 Federal Income Tax | 0 | (\$3,241) | (3,241) | Calculated |
| 57 | TOTAL REVENUE DEDUCTIONS | 205,373 | (\$12,645) | 192,728 | |
| 58 | NET OPERATING INCOME | (11,192) | (\$8,759) | (19,951) | |
| 59 | 101 Utility Plant in Service | 125,014 | \$25,313 | 150,327 | Per Plant spreadsheet (Added \$13,212 2001 mainline) |
| 60 | Less: | | | | |
| 61 | 108 Depreciation Reserve | 63,195 | \$10,856 | 74,051 | Per Plant spreadsheet |
| 62 | 271 Contributions in Aid of Const | 0 | \$0 | 0 | |
| 63 | 272 Amortization of CIAC | 0 | \$0 | 0 | |
| 64 | 281 Accumulated Deferred Income Tax | 0 | \$0 | 0 | |
| 65 | Net Utility Plant | 61,819 | \$14,457 | 76,276 | |
| 66 | Plus: (working capital) | | \$0 | 0 | |
| 67 | 151 Materials and Supplies Inventory | 0 | \$0 | 0 | |
| 68 | Working Cash (Total Op Exp /12) | 15,899 | \$157 | 16,056 | 1/12 of operating expenses |
| 69 | TOTAL RATE BASE | 77,718 | \$14,614 | 92,332 | |

WILLAMETTE WATER COMPANY
Test Year: 2006

| REVENUE SENSITIVE COSTS | | | | COST OF CAPITAL | | | | |
|-------------------------------|--------|--|--------|----------------------|-----------|----------------------|-------|------------------|
| | | | | | | Capital Structure | Cost | Weighted Cost |
| Revenues | | | 1.0000 | DEBT | | | | |
| | | | | Bank | \$0 | 0.00% | 0.00% | 0.00% |
| O&M - Uncollectibles | | | 0.0000 | Bank | \$0 | 0.00% | 0.00% | 0.00% |
| Franchise Fees | | | 0.0000 | Other | \$0 | 0.00% | 0.00% | 0.00% |
| OPUC Fee | | | 0.0025 | | \$0 | | | 0.00% |
| Short-term Interest | | | 0.0000 | | | | | |
| State Taxable Income | | | 0.9975 | EQUITY | \$137,115 | 100.00% | 9.50% | 9.50% |
| | | | | | \$137,115 | 100.00% | | 9.50% |
| State Income Tax @ | 6.60% | | 0.0658 | | | | | |
| Federal Taxable Income | | | 0.9317 | | | | | |
| Federal Income Tax @ | 15.00% | | 0.1397 | | | | | |
| Total Income Taxes | | | 0.2056 | | | | | |
| Total Revenue Sensitive Costs | | | 0.2081 | Income Before Taxes | | \$10,919 | | |
| | | | | State Tax | | \$719 | | \$719 |
| Utility Operating Income | | | 0.7919 | State Tax Grossed-up | | \$908 | | |
| Net-to-Gross Factor | | | 1.2628 | Federal Tax | | \$1,526 | | \$1,526 |
| | | | | Fed Tax Grossed-up | | \$1,927 | | |

**WILLAMETTE WATER COMPANY
UW 125
Fire Protection Allocation**

Shared Plant

| | <u>Com/Res/Ind</u> | <u>Fire Protection</u> | <u>Structure</u> | <u>Weight</u> | <u>FP Allocation</u> | <u>Com/Res/Ind Allocation</u> |
|-----------------|--------------------|------------------------|------------------|---------------|----------------------|-------------------------------|
| Dedicated Plant | \$5,174 | \$1,442 | 21.80% | 30.00% | 6.54% | 23.46% |
| Consumption | 5,855,876 | 6,853 | 0.12% | 0.00% | 0.00% | 0.00% |
| Billing Units | 163 | 9 | 5.23% | 70.00% | 3.66% | 66.34% |
| | | | | | 10.20% | 89.80% |

| | <u>Res/Ind/Com</u> | <u>FP</u> | <u>Total</u> | |
|-------------------------------|--------------------|-----------------|------------------|-----------------------------------------------------------------------|
| Nonallocated Net Plant | \$69,660 | | | |
| Shared Net Plant | \$62,554 | \$7,106 | \$69,660 | Com/Res/Ind dedicated plant - meters, testing equipment, and water lo |
| Net Plant - Direct | \$5,174 | \$1,442 | \$6,616 | FP dedicated plant - hydrants |
| Total Net Plant | \$67,728 | \$8,548 | \$76,276 | All other distribution plant is shared. |
| Working Capital | \$14,418 | \$1,638 | \$16,056 | |
| Rate Base | \$82,146 | \$10,186 | \$92,332 | |
| Net Income | \$7,804 | \$968 | \$8,772 | |
| Revenue | \$193,732 | \$15,325 | \$209,057 | |

Operating Expenses

| | <u>Total</u> | <u>Res/Com/Ind</u> | <u>FP</u> | <u>Split</u> |
|------------------------------------|--------------|--------------------|-----------|--------------|
| Salaries and Wages - Employees | \$0 | \$0 | \$0 | |
| Salaries and Wages - Officers | \$0 | \$0 | \$0 | |
| Employee Pension & Benefits | \$0 | \$0 | \$0 | |
| Purchased Water | \$65,332 | \$64,679 | \$653 | 99/1 |
| Telephone/Communications | \$1,600 | \$1,437 | \$163 | |
| Purchased Power | \$0 | \$0 | \$0 | |
| Chemical / Treatment Expense | \$0 | \$0 | \$0 | |
| Office Supplies | \$397 | \$357 | \$41 | |
| Postage | \$982 | \$882 | \$100 | |
| O&M Materials/Supplies | \$723 | \$650 | \$74 | |
| Repairs to Water Plant | \$6,416 | \$5,761 | \$654 | |
| Contract Svcs - Engineering | \$500 | \$449 | \$51 | |
| Contract Svcs - Accounting | \$1,950 | \$1,751 | \$199 | |
| Contract Svcs - Legal | \$3,913 | \$3,513 | \$399 | |
| Contract Svcs - Management Fees | \$86,313 | \$77,508 | \$8,805 | |
| Contract Svcs - Testing | \$639 | \$639 | \$0 | 100/0 |
| Contract Svcs - Labor | \$15,000 | \$13,470 | \$1,530 | |
| Contract Svcs - Billing/Collection | \$263 | \$236 | \$27 | |
| Contract Svcs - Meter Reading | \$0 | \$0 | \$0 | |
| Contract Svcs - Other | \$0 | \$0 | \$0 | |
| Rental of Building/Real Property | \$0 | \$0 | \$0 | |
| Rental of Equipment | \$0 | \$0 | \$0 | |
| Small Tools | \$38 | \$34 | \$4 | |
| Computer/Electronic Expenses | \$495 | \$445 | \$50 | |
| Transportation | \$0 | \$0 | \$0 | |
| Vehicle Insurance | \$0 | \$0 | \$0 | |
| General Liability Insurance | \$1,995 | \$1,791 | \$204 | |
| Workers' Comp Insurance | \$0 | \$0 | \$0 | |
| Insurance - Other | \$0 | \$0 | \$0 | |
| Public Relations/Advertising | \$0 | \$0 | \$0 | |

Operating Expenses

| | <u>Total</u> | <u>Res/Com/Ind</u> | <u>FP</u> | <u>Split</u> |
|----------------------------------|------------------|--------------------|-----------------|-----------------|
| Amortz. of Rate Case | \$4,489 | \$4,031 | \$458 | |
| Gross Revenue Fee (PUC) | \$969 | \$870 | \$99 | 955 |
| Water Resource Conservation | \$0 | \$0 | \$0 | |
| Bad Debt Expense | \$80 | \$72 | \$8 | |
| Cross Connection Control Program | \$75 | \$75 | \$0 | 100/0 |
| System Capacity Dev Program | \$0 | \$0 | \$0 | |
| Training and Certification | \$160 | \$144 | \$16 | |
| Consumer Confidence Report | \$250 | \$250 | \$0 | 100/0 |
| General Expense | \$632 | \$568 | \$64 | |
| TOTAL OPERATING EXPENSE | \$193,210 | \$179,609 | \$13,600 | |
| | | | | 193,195 RR |
| | | | | \$193,210 Check |

| | | | | | |
|----------------------------------|-----------|-----------|-----------|----------------|-------|
| OTHER REVENUE DEDUCTIONS | | | | | |
| Depreciation Expense | \$3,463 | \$3,075 | \$388 | plus dedicated | |
| Amortization Expense | \$0 | \$0 | \$0 | | |
| Property Tax | \$1,468 | \$1,318 | \$150 | | |
| Payroll Tax | \$0 | \$0 | \$0 | | |
| Other | \$0 | \$0 | \$0 | | |
| Oregon Income Tax | \$719 | \$646 | \$73 | | |
| Federal Income Tax | \$1,426 | \$1,280 | \$145 | \$200,271 | RR |
| TOTAL REVENUE DEDUCTIONS | \$200,285 | \$185,928 | \$14,357 | \$200,285 | Check |
| NET OPERATING INCOME | | | -\$14,357 | | |
| Utility Plant in Service | \$150,327 | | | | |
| Less: | | | | | |
| Depreciation Reserve | \$74,051 | | | | |
| Contributions in Aid of Const | \$0 | | | | |
| Amortization of CIAC | \$0 | | | | |
| Accumulated Deferred Income Tax | \$0 | | | | |
| Net Utility Plant | \$76,276 | \$67,728 | \$8,548 | \$76,276 | Check |
| Plus: (working capital) | | | | | |
| Materials and Supplies Inventory | \$0 | | | | |
| Working Cash (Total Op Exp /12) | \$16,056 | \$14,418 | \$1,638 | 86.71/13.29 | |
| TOTAL RATE BASE | \$92,332 | \$82,146 | \$10,186 | \$92,332 | Check |

WILLAMETTE WATER COMPANY
Test Year: 2006
RESIDENTIAL / COMMERCIAL / INDUSTRIAL
RATE DESIGN

Proposed Revenues of: \$206,017

Base/Commodity Split

Variable Rate Proposed Rev
43.00% \$206,017 = \$88,587

Base Rate Proposed Rev
57.00% \$206,017 = \$117,430 \$117,430
\$206,017

| BASE RATE | | Current Monthly Base Rate | Proposed Monthly Base Rate | Total Annual Revenues | Company Proposed | Revenue at Current Rates |
|--------------------------|---------------------|---------------------------|----------------------------|-------------------------------------------------------------------------|------------------|------------------------------------------------------------------------|
| \$117,430 \$117,430 | | | | | | |
| Size of Line | Number of Customers | Current Monthly Base Rate | Proposed Monthly Base Rate | Total Annual Revenues | Company Proposed | Revenue at Current Rates |
| Residential* | | | | | | |
| 5/8" or 3/4" | 87 | \$23.85 | \$28.64 | \$29,898 | \$28.31 | \$24,899 |
| 1" | 9 | \$37.21 | \$54.25 | \$5,859 | \$45.30 | \$4,019 |
| 1.5" | 1 | \$57.23 | \$82.48 | \$990 | \$67.95 | \$687 |
| DM1 | 3 | \$23.85 | \$28.64 | \$1,031 | \$28.31 | \$859 |
| 2" | 0 | \$99.75 | \$144.34 | \$0 | \$118.91 | \$0 |
| | 100 | | | | | |
| Commercial* | | | | | | |
| 5/8" or 3/4" | 21 | \$23.85 | \$28.64 | \$7,217 | \$28.31 | \$6,010 |
| 1" | 19 | \$37.21 | \$54.25 | \$12,369 | \$45.30 | \$8,484 |
| 1.5" | 6 | \$57.23 | \$82.48 | \$5,939 | \$67.95 | \$4,121 |
| 2" | 3 | \$99.75 | \$144.34 | \$5,196 | \$118.91 | \$3,591 |
| 3" | 0 | \$214.69 | \$312.34 | \$0 | \$257.30 | \$0 |
| 4" | 0 | NA | \$433.00 | \$0 | \$356.71 | \$0 |
| 6" | 0 | \$476.99 | \$687.31 | \$0 | \$566.20 | \$0 |
| 8" | 0 | \$1,001.77 | \$1,446.79 | \$0 | \$1,191.86 | \$0 |
| DM1 | 3 | \$23.85 | \$28.64 | \$1,031 | \$28.31 | \$859 |
| DM2 | 1 | \$37.21 | \$45.82 | \$550 | \$45.30 | \$447 |
| DM3 | 1 | \$47.70 | \$57.28 | \$687 | \$56.62 | \$572 |
| | 54 | | | | | |
| Industrial* | | | | | | |
| 5/8" or 3/4" | 2 | \$23.85 | \$28.64 | \$687 | \$28.31 | \$572 |
| 1.5" | 1 | \$57.23 | \$82.48 | \$990 | \$67.95 | \$687 |
| 3" | 1 | \$214.69 | \$312.34 | \$3,748 | \$257.30 | \$2,576 |
| 6" | 5 | \$476.99 | \$687.31 | \$41,238 | \$566.20 | \$28,619 |
| | 9 | | | | | |
| TOTALS | 163 | | | \$117,430 | | \$87,001 |

| Residential | Meter Size | Present Rates | WWC Factors | Rate Required | AWWA Factors | Factors Used |
|-------------------|--------------|---------------|-------------|---------------|--------------|--------------|
| 87 | 5/8" or 3/4" | \$23.85 | 1.00 | \$28.64 | 1 | 1 |
| 9 | 1" | \$37.21 | 1.58 | \$54.25 | 2.5 | 1.89 |
| 1 | 1.5" | \$57.23 | 2.40 | \$82.48 | 5 | 2.88 |
| 3 | DM1 | \$23.85 | 1.00 | \$28.64 | 1 | 1 |
| 0 | 2" | \$99.75 | 4.20 | \$144.34 | 8 | 5.04 |
| Commercial | | | | | | |
| 21 | 5/8" or 3/4" | \$23.85 | 1.00 | \$28.64 | 1 | 1 |
| 19 | 1" | \$37.21 | 1.58 | \$54.25 | 2.5 | 1.89 |
| 6 | 1.5" | \$57.23 | 2.40 | \$82.48 | 5 | 2.88 |
| 3 | 2" | \$99.75 | 4.20 | \$144.34 | 8 | 5.04 |
| 0 | 3" | \$214.69 | 9.09 | \$312.34 | 15 | 10.91 |
| 0 | 4" | NA | 12.60 | \$433.00 | 25 | 15.12 |
| 0 | 6" | \$476.99 | 20.00 | \$687.31 | 50 | 24.00 |
| 0 | 8" | \$1,001.77 | 42.10 | \$1,446.79 | 80 | 50.52 |
| 3 | DM1 | \$23.85 | 1.00 | \$28.64 | 1 | 1.00 |
| 1 | DM2 | \$37.21 | 1.58 | \$45.82 | | 1.60 |
| 1 | DM3 | \$47.70 | 2.00 | \$57.28 | | 2.00 |
| Industrial | | | | | | |
| 2 | 5/8" or 3/4" | \$23.85 | 1.00 | \$28.64 | 1 | 1.00 |
| 1 | 1.5" | \$57.23 | 2.40 | \$82.48 | 5 | 2.88 |
| 1 | 3" | \$214.69 | 9.09 | \$312.34 | 15 | 10.91 |
| 5 | 6" | \$476.99 | 20.00 | \$687.31 | 50 | 24.00 |

\$117,430 \$117,430

Factors increased 20% to get closer to AWWA factors.

*Rates for the three classes are the same, but are separated here for customer number and consumption purposes.

35.0%
PERCENT

35.0%
% increase

WILLAMETTE WATER COMPANY
 UW 125
RATE IMPACT (3/4" x 5/8")

Commodity Rate 1.80

| Monthly Consumptions Customer Usage | Current Base Rate | Current Commodity Rate | Total Current Average Monthly Rate | Proposed Customer Base Rate | Proposed Commodity Rate Per | Usage Factor | Total Proposed Monthly Rate | Difference | Percentage Difference |
|-------------------------------------------|----------------------|------------------------------|---------------------------------------------------|-----------------------------------|-----------------------------------|-----------------|--------------------------------------------|------------|--------------------------|
| 0 | \$23.85 | \$1.34 | \$23.85 | \$28.64 | \$1.80 | 0 | \$28.64 | \$4.79 | 20.07% |
| 955 | \$23.85 | \$1.34 | \$36.65 | \$28.64 | \$1.80 | 9.55 | \$45.86 | \$9.22 | 25.15% <i>Res Ave</i> |
| 1000 | \$23.85 | \$1.34 | \$37.25 | \$28.64 | \$1.80 | 10 | \$46.68 | \$9.43 | 25.30% |
| 1500 | \$23.85 | \$1.34 | \$43.95 | \$28.64 | \$1.80 | 15 | \$55.70 | \$11.75 | 26.72% <i>Comm Ave</i> |
| 1758 | \$23.85 | \$1.34 | \$47.41 | \$28.64 | \$1.80 | 17.58 | \$60.35 | \$12.94 | 27.30% <i>Indust Ave</i> |
| 2000 | \$23.85 | \$1.34 | \$50.65 | \$28.64 | \$1.80 | 20 | \$64.71 | \$14.06 | 27.77% |
| 3000 | \$23.85 | \$1.34 | \$64.05 | \$28.64 | \$1.80 | 30 | \$82.75 | \$18.70 | 29.20% |
| 4000 | \$23.85 | \$1.34 | \$77.45 | \$28.64 | \$1.80 | 40 | \$100.79 | \$23.34 | 30.14% |
| 5000 | \$23.85 | \$1.34 | \$90.85 | \$28.64 | \$1.80 | 50 | \$118.83 | \$27.98 | 30.80% |
| 6000 | \$23.85 | \$1.34 | \$104.25 | \$28.64 | \$1.80 | 60 | \$136.87 | \$32.62 | 31.29% |
| 8000 | \$23.85 | \$1.34 | \$131.05 | \$28.64 | \$1.80 | 80 | \$172.94 | \$41.89 | 31.97% |
| 10000 | \$23.85 | \$1.34 | \$157.85 | \$28.64 | \$1.80 | 100 | \$209.02 | \$51.17 | 32.42% |
| | | | \$707.40 | | | | \$914.12 | | |

WILLAMETTE WATER COMPANY
 UW 125
RATE IMPACT - (1")

Commodity Rate 1.80

| Monthly Consumptions Customer Usage | Current Base Rate | Current Commodity Rate | Total Current Average Monthly Rate | Proposed Customer Base Rate | Proposed Commodity Rate Per | Usage Factor | Total Proposed Monthly Rate | Difference | Percentage Difference |
|-------------------------------------------|----------------------|------------------------------|---------------------------------------------------|-----------------------------------|-----------------------------------|-----------------|----------------------------------------|------------|--------------------------|
| 0 | \$37.21 | \$1.34 | \$37.21 | \$54.25 | 1.80 | 0 | \$54.25 | \$17.04 | 45.79% |
| 1000 | \$37.21 | \$1.34 | \$50.61 | \$54.25 | 1.80 | 10 | \$72.29 | \$21.68 | 42.83% |
| 1337 | \$37.21 | \$1.34 | \$55.13 | \$54.25 | 1.80 | 13.37 | \$78.37 | \$23.24 | 42.16% <i>Comm Ave</i> |
| 2000 | \$37.21 | \$1.34 | \$64.01 | \$54.25 | 1.80 | 20 | \$90.33 | \$26.32 | 41.11% |
| 2823 | \$37.21 | \$1.34 | \$75.04 | \$54.25 | 1.80 | 28.23 | \$105.17 | \$30.13 | 40.16% <i>Res Ave</i> |
| 3000 | \$37.21 | \$1.34 | \$77.41 | \$54.25 | 1.80 | 30 | \$108.36 | \$30.95 | 39.99% |
| 4000 | \$37.21 | \$1.34 | \$90.81 | \$54.25 | 1.80 | 40 | \$126.40 | \$35.59 | 39.19% |
| 5000 | \$37.21 | \$1.34 | \$104.21 | \$54.25 | 1.80 | 50 | \$144.44 | \$40.23 | 38.61% |
| 6000 | \$37.21 | \$1.34 | \$117.61 | \$54.25 | 1.80 | 60 | \$162.48 | \$44.87 | 38.15% |
| 8000 | \$37.21 | \$1.34 | \$144.41 | \$54.25 | 1.80 | 80 | \$198.56 | \$54.15 | 37.49% |
| 10000 | \$37.21 | \$1.34 | \$171.21 | \$54.25 | 1.80 | 100 | \$234.63 | \$63.42 | 37.04% |
| | | | 816.44 | | | | \$1,140.64 | | |

WILLAMETTE WATER COMPANY
 UW 125
RATE IMPACT (1 1/2")

Commodity Rate 1.80

| Monthly Consumptions Customer Usage | Current Base Rate | Current Commodity Rate | Total Current Average Monthly Rate | Proposed Customer Base Rate | Proposed Commodity Rate Per | Usage Factor | Total Proposed Monthly Rate | Difference | Percentage Difference |
|----------------------------------------------|----------------------|------------------------------|-----------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------|------------------------------------------------|------------|--------------------------|
| 0 | \$57.23 | \$1.34 | \$57.23 | \$82.48 | \$1.80 | 0 | \$82.48 | \$25.25 | 44.12% |
| 1000 | \$57.23 | \$1.34 | \$70.63 | \$82.48 | \$1.80 | 10 | \$100.52 | \$29.89 | 42.32% |
| 2000 | \$57.23 | \$1.34 | \$84.03 | \$82.48 | \$1.80 | 20 | \$118.56 | \$34.53 | 41.09% |
| 3000 | \$57.23 | \$1.34 | \$97.43 | \$82.48 | \$1.80 | 30 | \$136.60 | \$39.17 | 40.20% |
| 3508 | \$57.23 | \$1.34 | \$104.24 | \$82.48 | \$1.80 | 35.08 | \$145.76 | \$41.52 | 39.83% <i>Indust Ave</i> |
| 4000 | \$57.23 | \$1.34 | \$110.83 | \$82.48 | \$1.80 | 40 | \$154.63 | \$43.80 | 39.52% |
| 5000 | \$57.23 | \$1.34 | \$124.23 | \$82.48 | \$1.80 | 50 | \$172.67 | \$48.44 | 38.99% |
| 6000 | \$57.23 | \$1.34 | \$137.63 | \$82.48 | \$1.80 | 60 | \$190.71 | \$53.08 | 38.57% <i>Comm Ave</i> |
| 8000 | \$57.23 | \$1.34 | \$164.43 | \$82.48 | \$1.80 | 80 | \$226.79 | \$62.36 | 37.92% |
| 10000 | \$57.23 | \$1.34 | \$191.23 | \$82.48 | \$1.80 | 100 | \$262.86 | \$71.63 | 37.46% |
| 10275 | \$57.23 | \$1.34 | \$194.92 | \$82.48 | \$1.80 | 102.75 | \$267.82 | \$72.91 | 37.41% <i>Res Ave</i> |
| | | | 950.68 | | | | \$1,328.71 | | |

WILLAMETTE WATER COMPANY
 UW 125
 RATE IMPACT (2")

Commodity Rate 1.80

| Monthly Consumptions Customer Usage | Current Base Rate | Current Commodity Rate | Total Current Average Monthly Rate | Proposed Customer Base Rate | Proposed Commodity Rate Per | Usage Factor | Total Proposed Monthly Rate | Difference | Percentage Difference |
|----------------------------------------------|----------------------|------------------------------|-----------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------|--------------------------------------------|------------|--------------------------|
| 0 | \$99.75 | \$1.34 | \$99.75 | \$144.34 | \$1.80 | 0 | \$144.34 | \$44.59 | 44.71% |
| 1000 | \$99.75 | \$1.34 | \$113.15 | \$144.34 | \$1.80 | 10 | \$162.38 | \$49.23 | 43.51% |
| 2000 | \$99.75 | \$1.34 | \$126.55 | \$144.34 | \$1.80 | 20 | \$180.42 | \$53.87 | 42.57% |
| 3000 | \$99.75 | \$1.34 | \$139.95 | \$144.34 | \$1.80 | 30 | \$198.46 | \$58.51 | 41.81% |
| 4000 | \$99.75 | \$1.34 | \$153.35 | \$144.34 | \$1.80 | 40 | \$216.50 | \$63.15 | 41.18% |
| 5000 | \$99.75 | \$1.34 | \$166.75 | \$144.34 | \$1.80 | 50 | \$234.54 | \$67.79 | 40.65% |
| 6000 | \$99.75 | \$1.34 | \$180.15 | \$144.34 | \$1.80 | 60 | \$252.57 | \$72.42 | 40.20% |
| 8000 | \$99.75 | \$1.34 | \$206.95 | \$144.34 | \$1.80 | 80 | \$288.65 | \$81.70 | 39.48% |
| 10000 | \$99.75 | \$1.34 | \$233.75 | \$144.34 | \$1.80 | 100 | \$324.73 | \$90.98 | 38.92% |
| | | | 1186.60 | | | | \$1,677.87 | | |

WILLAMETTE WATER COMPANY
 UW 125
 RATE IMPACT (3")

Commodity Rate 1.80

| Monthly Consumptions Customer Usage | Current Base Rate | Current Commodity Rate | Total Current Average Monthly Rate | Proposed Customer Base Rate | Proposed Commodity Rate Per | Usage Factor | Total Proposed Monthly Rate | Difference | Percentage Difference |
|----------------------------------------------|----------------------|------------------------------|-----------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------|------------------------------------------------|------------|--------------------------|
| 0 | \$214.69 | \$1.34 | \$214.69 | \$312.34 | \$1.80 | 0 | \$312.34 | \$97.65 | 45.48% |
| 1000 | \$214.69 | \$1.34 | \$228.09 | \$312.34 | \$1.80 | 10 | \$330.38 | \$102.29 | 44.85% |
| 2000 | \$214.69 | \$1.34 | \$241.49 | \$312.34 | \$1.80 | 20 | \$348.42 | \$106.93 | 44.28% |
| 3000 | \$214.69 | \$1.34 | \$254.89 | \$312.34 | \$1.80 | 30 | \$366.45 | \$111.56 | 43.77% |
| 4000 | \$214.69 | \$1.34 | \$268.29 | \$312.34 | \$1.80 | 40 | \$384.49 | \$116.20 | 43.31% |
| 5000 | \$214.69 | \$1.34 | \$281.69 | \$312.34 | \$1.80 | 50 | \$402.53 | \$120.84 | 42.90% |
| 6000 | \$214.69 | \$1.34 | \$295.09 | \$312.34 | \$1.80 | 60 | \$420.57 | \$125.48 | 42.52% |
| 8000 | \$214.69 | \$1.34 | \$321.89 | \$312.34 | \$1.80 | 80 | \$456.65 | \$134.76 | 41.86% |
| 10000 | \$214.69 | \$1.34 | \$348.69 | \$312.34 | \$1.80 | 100 | \$492.72 | \$144.03 | 41.31% |
| 20000 | \$214.69 | \$1.34 | \$482.69 | \$312.34 | \$1.80 | 200 | \$673.11 | \$190.42 | 39.45% |
| 41567 | \$214.69 | \$1.34 | \$771.69 | \$312.34 | \$1.80 | 415.67 | \$1,062.14 | \$290.45 | 37.64% |
| | | | \$2,106.12 | | | | \$3,021.83 | | |

WILLAMETTE WATER COMPANY
 UW 125
 RATE IMPACT (6")

Commodity Rate 1.80

| Monthly Consumptions Customer Usage | Current Base Rate | Current Commodity Rate | Total Current Average Monthly Rate | Proposed Customer Base Rate | Proposed Commodity Rate Per | Usage Factor | Total Proposed Monthly Rate | Difference | Percentage Difference |
|-------------------------------------------|----------------------|------------------------------|-----------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------|------------------------------------------------|------------|--------------------------|
| 0 | \$476.99 | \$1.34 | \$476.99 | \$687.31 | \$1.80 | 0 | \$687.31 | \$210.32 | 44.09% |
| 1000 | \$476.99 | \$1.34 | \$490.39 | \$687.31 | \$1.80 | 10 | \$705.35 | \$214.96 | 43.83% |
| 2000 | \$476.99 | \$1.34 | \$503.79 | \$687.31 | \$1.80 | 20 | \$723.38 | \$219.59 | 43.59% |
| 3000 | \$476.99 | \$1.34 | \$517.19 | \$687.31 | \$1.80 | 30 | \$741.42 | \$224.23 | 43.36% |
| 4000 | \$476.99 | \$1.34 | \$530.59 | \$687.31 | \$1.80 | 40 | \$759.46 | \$228.87 | 43.14% |
| 5000 | \$476.99 | \$1.34 | \$543.99 | \$687.31 | \$1.80 | 50 | \$777.50 | \$233.51 | 42.93% |
| 6000 | \$476.99 | \$1.34 | \$557.39 | \$687.31 | \$1.80 | 60 | \$795.54 | \$238.15 | 42.73% |
| 8000 | \$476.99 | \$1.34 | \$584.19 | \$687.31 | \$1.80 | 80 | \$831.61 | \$247.42 | 42.35% |
| 10000 | \$476.99 | \$1.34 | \$610.99 | \$687.31 | \$1.80 | 100 | \$867.69 | \$256.70 | 42.01% |
| 19353 | \$476.99 | \$1.34 | \$736.32 | \$687.31 | \$1.80 | 193.5 | \$1,036.40 | \$300.08 | 40.75% |
| | | | \$4,204.52 | | | | \$6,021.57 | | |

WILLAMETTE WATER COMPANY
Test Year: 2006
Fire Protection Sales - Private

Proposed Revenues of: **\$2,786**

Base/Commodity Split
 Variable Rate **0.00%** Proposed Rev **\$2,786** = **\$0**

Base Rate **100.00%** Proposed Rev **\$2,786** = **\$2,786**

| BASE RATE | | | | | | | |
|-----------------|---------------------|---------------------------|----------------------------|-----------------------|------------------|--------------------------|--|
| Size of Line | Number of Customers | Current Monthly Base Rate | Proposed Monthly Base Rate | Total Annual Revenues | Company Proposed | Revenue at Current rates | |
| Fire Protection | | | | | | | |
| 4" | 5 | \$11.57 | \$20.30 | \$1,218 | \$36.80 | \$694 | |
| 6" | 3 | \$23.14 | \$43.56 | \$1,568 | \$56.61 | \$833 | |
| 8" | | | \$87.14 | \$0 | \$118.65 | \$0 | |

All 6" pipe **\$2,786** **\$1,527**
 82.4% PERCENT **82.4%** % increase

COMMODITY RATE \$1.80 per 100 cf Same as Other Customers
 Proposed Revenue \$0 divided by Consumption 0 = average rate 1.80383 per Previous Variable \$1.34

0 Proposed Consumption per Application
 0 - base consumpt ("free" water x cust x 12 months)
 0 divided by unit of measure
 0

| Meter Size | Average rates Current | Proposed rates | Percent Increase |
|------------|-----------------------|----------------|------------------|
| 4" | \$11.57 | \$20.30 | 75.45% |
| 6" | \$23.14 | \$43.56 | 88.25% |
| 8" | \$0.00 | \$0.00 | 0.00% |
| | | | 54.57% |

| 4" Current Company Rates | | | |
|--------------------------|-------|----------|---------|
| | 11.57 | FLAT | Base |
| Average cf | 0.00 | Variable | \$0.00 |
| | | Total | \$11.57 |

| 6" Current Company Rates | | | |
|--------------------------|-------|----------|---------|
| | 23.14 | FLAT | Base |
| Average cf | 0.00 | Variable | \$0.00 |
| | | Total | \$23.14 |

| 4" Proposed Company Rate | | | |
|--------------------------|-------|----------|---------|
| | 36.80 | FLAT | Base |
| Average cf | 0.00 | Variable | \$0.00 |
| | | Total | \$36.80 |

| 6" Proposed Company Rate | | | |
|--------------------------|-------|----------|---------|
| | 56.61 | FLAT | Base |
| Average cf | 0.00 | Variable | \$0.00 |
| | | Total | \$56.61 |

| 4" Proposed Staff Rates | | | |
|-------------------------|-------|----------|---------|
| | 20.30 | FLAT | Base |
| Average cf | 0.00 | Variable | \$0.00 |
| | | Total | \$20.30 |

| 6" Proposed Staff Rates | | | |
|-------------------------|-------|----------|---------|
| | 43.56 | FLAT | Base |
| Average cf | 0.00 | Variable | \$0.00 |
| | | Total | \$43.56 |

2,786 \$2,786

| Private Fire | Meter Size | Present rates | Factors Used | Rate Required |
|--------------|------------|---------------|--------------|---------------|
| | 5 4" | \$11.57 | 1 | \$20.30 |
| | 3 6" | \$23.14 | 2.0 | \$43.56 |
| | 0 8" | \$0.00 | 4 | \$87.14 |
| | | 2,786 | | |

Consumption - Pvt Fire (Test)

| | |
|----|---|
| 4" | |
| 6" | |
| 8" | 0 |

Consumption - Pvt Fire (Projected)

| | |
|----|---|
| 4" | |
| 6" | |
| 8" | 0 |

WILLAMETTE WATER
 UW 125
RATE IMPACT - PRIVATE FIRE (4-inch)

Commodity Rate 1.80

| Monthly Consumptions Customer Usage | Current Base Rate | Current Commodity Rate | Total Current Average Monthly Rate | Proposed Customer Base Rate | Proposed Commodity Rate Per | Usage Factor | Total Proposed Monthly Rate | Difference | Percentage Difference |
|----------------------------------------------|----------------------|------------------------------|-----------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------|--------------------------------------------|------------|--------------------------|
| 0 | \$11.57 | \$1.34 | \$11.57 | \$20.30 | \$1.80 | 0 | \$20.30 | \$8.73 | 75.45% |
| 1000 | \$11.57 | \$1.34 | \$24.97 | \$20.30 | \$1.80 | 10 | \$38.34 | \$13.37 | 53.54% |
| 2000 | \$11.57 | \$1.34 | \$38.37 | \$20.30 | \$1.80 | 20 | \$56.38 | \$18.01 | 46.93% |
| 3000 | \$11.57 | \$1.34 | \$51.77 | \$20.30 | \$1.80 | 30 | \$74.41 | \$22.64 | 43.74% |
| 4000 | \$11.57 | \$1.34 | \$65.17 | \$20.30 | \$1.80 | 40 | \$92.45 | \$27.28 | 41.86% |
| 5000 | \$11.57 | \$1.34 | \$78.57 | \$20.30 | \$1.80 | 50 | \$110.49 | \$31.92 | 40.63% |
| 6000 | \$11.57 | \$1.34 | \$91.97 | \$20.30 | \$1.80 | 60 | \$128.53 | \$36.56 | 39.75% |
| 8000 | \$11.57 | \$1.34 | \$118.77 | \$20.30 | \$1.80 | 80 | \$164.61 | \$45.84 | 38.59% |
| 10000 | \$11.57 | \$1.34 | \$145.57 | \$20.30 | \$1.80 | 100 | \$200.68 | \$55.11 | 37.86% |
| | | | \$481.16 | | | | \$685.51 | | |

No metered usage in 2006 or 2007.

WILLAMETTE WATER
 UW 125
RATE IMPACT - PRIVATE FIRE (4-inch)

Commodity Rate 1.80

| Monthly Consumptions Customer Usage | Current Base Rate | Current Commodity Rate | Total Current Average Monthly Rate | Proposed Customer Base Rate | Proposed Commodity Rate Per | Usage Factor | Total Proposed Monthly Rate | Difference | Percentage Difference |
|----------------------------------------------|----------------------|------------------------------|-----------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------|--------------------------------------------|------------|--------------------------|
| 0 | \$23.14 | \$1.34 | \$23.14 | \$43.56 | \$1.80 | 0 | \$43.56 | \$20.42 | 88.25% |
| 1000 | \$23.14 | \$1.34 | \$36.54 | \$43.56 | \$1.80 | 10 | \$61.60 | \$25.06 | 68.58% |
| 2000 | \$23.14 | \$1.34 | \$49.94 | \$43.56 | \$1.80 | 20 | \$79.64 | \$29.70 | 59.46% |
| 3000 | \$23.14 | \$1.34 | \$63.34 | \$43.56 | \$1.80 | 30 | \$97.67 | \$34.33 | 54.21% |
| 4000 | \$23.14 | \$1.34 | \$76.74 | \$43.56 | \$1.80 | 40 | \$115.71 | \$38.97 | 50.79% |
| 5000 | \$23.14 | \$1.34 | \$90.14 | \$43.56 | \$1.80 | 50 | \$133.75 | \$43.61 | 48.38% |
| 6000 | \$23.14 | \$1.34 | \$103.54 | \$43.56 | \$1.80 | 60 | \$151.79 | \$48.25 | 46.60% |
| 8000 | \$23.14 | \$1.34 | \$130.34 | \$43.56 | \$1.80 | 80 | \$187.87 | \$57.53 | 44.14% |
| 10000 | \$23.14 | \$1.34 | \$157.14 | \$43.56 | \$1.80 | 100 | \$223.94 | \$66.80 | 42.51% |
| | | | \$573.72 | | | | \$871.59 | | |

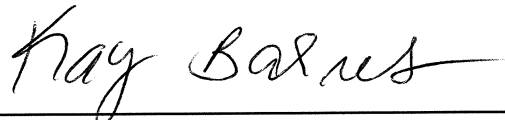
No metered usage in 2006 or 2007.

CERTIFICATE OF SERVICE

UW 125

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 5th day of May, 2008.



Kay Barnes
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763

**UW 125
Service List (Parties)**

| | |
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| DICK HEDIGER | 33975 D ST GOSHEN OR 97405 |
| DEPARTMENT OF JUSTICE JASON W JONES ASSISTANT ATTORNEY GENERAL | REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us |
| GOSHEN NEIGHBORHOOD ASSOCIATION CECIL SAXON | 4740 MAIN ST, SUITE A SPRINGFIELD OR 97478 |
| GOSHEN RURAL FIRE DEPT DAVID WOLTING | 85880 1ST ST EUGENE OR 97405 goshenfire@comcast.net |
| PUBLIC UTILITY COMMISSION RENEE SLOAN PUC UTILITY WATER SEC | PO BOX 2148 SALEM OR 97308-2148 renee.sloan@state.or.us |
| WILLAMETTE WATER COMPANY GREG DEMERS PRESIDENT | PO BOX 876 VENETA OR 97487 gd9825@aol.com |
| JEFF DEMERS DIRECTOR OF OPERATIONS | PO BOX 876 VENETA OR 97487-0876 jeffd@frrllc.com |