



Public Utility Commission 550 Capitol Street NE, Suite 215 Mailing Address: PO Box 2148 Salem, OR 97308-2148

> Consumer Services 1-800-522-2404 Local: 503-378-6600 Administrative Services 503-373-7394

March 2, 2009

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

RE: **Docket No. UW 131** – In the Matter of MILL MAR ESTATES WATER, INC. Application for a General Rate Revision.

Enclosed for electronic filing in the above-captioned docket is Staff's Direct Testimony in Docket UW 131

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

c: UW 131 Service List (parties)

PUBLIC UTILITY COMMISSION OF OREGON

UW 131

STAFF TESTIMONY OF

Michael Dougherty

In the Matter of MILL MAR ESTATES WATER, INC. Application for a General Rate Increase.

CASE: UW 131 WITNESS: Michael Dougherty

PUBLIC UTILITY COMMISSION OF OREGON

STAFF EXHIBIT 100

Direct Testimony In Support of The Stipulation

1	Q.	PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.
2	Α.	My name is Michael Dougherty. I am the Program Manager of the Corporate
3		Analysis and Water Regulation Section of the Utility Program with the Public
4		Utility Commission of Oregon. My business address is 550 Capitol Street NE
5		Suite 215, Salem, Oregon 97308-2148.
6	Q.	PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK
7		EXPERIENCE.
8	Α.	My Witness Qualification Statement is included as Exhibit Staff/101.
9	Q.	WHO ARE THE PARTIES IN THIS DOCKET?
10	A.	The parties to this docket are: Mill Mar Estates Water Inc. (Mill Mar or
11		Company); Commission Staff (Staff); Theron Gorden, Intervenor; Julie
12		Johnson, Intervenor; and Raymond Novosad, Intervenor (inclusively referred to
13		as Participating Parties or Parties). The following personnel were granted
14		Intervenor status by the Administrative Law Judge (ALJ), but did not participate
15		in the February 9, 2008, Settlement Conference: Douglas Allen, Sharon
16		Rainey, Marjorie Neithercutt, Kathy Robinson, Joe and Floy Ruppert, and Rich
17		Snell. Staff has not received any correspondence from these additional
18		intervenors.
19	Q.	WHAT IS THE PURPOSE OF YOUR TESTIMONY?
20	Α.	My testimony introduces and supports the Stipulation entered into by the
21		Parties.
22	Q.	DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?
23	A.	Yes. Exhibit Staff/102 contains the following six documents:

1	Revenue Requirement Staff/102, page 1	
2	Summary of Adjustments Staff/102, page 2	
3	Plant and Depreciation Staff/102, page 3	
4	Revenue Sensitive Costs Staff/102, page 4	
5	Residential Rate Design Staff/102, page 5	
6	Residential Rate Impact Staff/102, page 6	
7	Q. HOW IS YOUR TESTIMONY ORGANIZED?	
8	A. My testimony is organized as follows:	
9	Issue 1, Description and Regulatory History of Mill Mar	2
10	Issue 2, Summary of Mill Mar's Rate Application	3
11	Issue 3, Staff's Analysis of Mill Mar's Filing	4
12	Issue 4, Summary of the Stipulation	

13 **ISSUE 1, DESCRIPTION AND REGULATORY HISTORY OF MILL MAR**

14 Q. PLEASE DESCRIBE MILL MAR ESTATES WATER INC.

- 15 A. Mill Mar is a small investor-owned water utility located in Shady Cove, Oregon.
- 16 The Company provides domestic residential water service to 25 customers.
- 17 Mill Mar does not provide irrigation water to customers as the irrigation system
- 18 is a separate system operated by the Mill Mar Estates Irrigation Association
- 19 Inc. Mill Mar and the Mill Mar Estates Irrigation Association are not affiliated
- 20 interests as defined by ORS 757.015.

21 Q. PLEASE EXPLAIN HOW MILL MAR BECAME A RATE REGULATED PUBLIC WATER UTILITY.

22

23

A. Pursuant to ORS 757.061, the Commission regulates any water utility that

- 24 exceeds a maximum rate established by the Commission and 20 percent or
- 25 more of the customers file a petition with the Commission requesting that the
- 26 water utility be subject to financial regulation by the Commission.

1	On or around May 15, 2008, the Commission received petitions from ten
2	customers of Mill Mar requesting utility rate regulation. Ten customers
3	represented 40 percent of the Company's customers. In addition, the
4	Company was charging customers an average monthly rate of \$60. The
5	annual average monthly residential rate threshold stated in OAR 860-036-0030
6	is currently \$33. As a result, Mill Mar was charging above the residential
7	regulatory threshold prescribed in OAR 860-036-0030. Because the Company
8	met the financial regulation conditions of ORS 757.061, the Commission
9	asserted financial regulation of Mill Mar in Commission Order No. 08-354,
10	dated July 3, 2008 (WJ 19).
11	ISSUE 2. SUMMARY OF MILL MAR'S RATE APPLICATION
12	Q. PLEASE DESCRIBE MILL MAR'S RATE PROPOSAL AS FILED IN ITS
13	APPLICATION.
14	A. On October 31, 2008, Mill Mar filed a rate case application in compliance with
15	Commission Order No. 09.254. In its application, the Company proposed to
	Commission Order No. 08-354. In its application, the Company proposed to
16	increase 2007 test year revenue from \$9,000 to \$20,179. The Company also
16 17	
	increase 2007 test year revenue from \$9,000 to \$20,179. The Company also
17	increase 2007 test year revenue from \$9,000 to \$20,179. The Company also requested an 8.42 percent return on a rate base of \$50,436. Although the
17 18	increase 2007 test year revenue from \$9,000 to \$20,179. The Company also requested an 8.42 percent return on a rate base of \$50,436. Although the Company used a 2007 test year, the Company actually increased its residential

1		Table 1 – Mill I	Mar's Curren	t and Propose	d Rates							
				Company's C Rates		Company Ra	-					
		Base Rate			\$60.00		\$47.25					
				(includes 5,0	00 gallon	(no c	onsumption					
				consumption a	· · ·		allowance)					
•		Commodity Ra	ate		\$3.00		\$5.00					
2 3		As a result of	of customer a	verage consum	ption and la	ck of meter r	eading by					
4		the Company, no customer was actually charged over \$60 in 2008.										
5		ISSU	<u>E 3, STAFF'S</u>	ANALYSIS OF	MILL MAR	<u>'S FILING</u>						
6	Q. PLEASE DESCRIBE THE RESULTS OF STAFF'S ANALYSIS OF MILL											
7		MAR'S FILING	.									
8	Α.	Staff's review of	of the Applicat	ion shows that	Mill Mar sho	uld collect \$	15,263 in					
9		revenues. Add	litionally, Staf	f's analysis resu	ilted in total	revenue dec	ductions of					
10		\$13,002 resulti	ng in net inco	me of \$2,260.								
11	Q.	PLEASE EXP	LAIN THE DI	FFERENCE BI	ETWEEN TI	НЕ СОМРА	NY'S					
12		PROPOSED F	RATE BASE /	AND STAFF'S	RATE BAS	E RESULTS	S.					
13	Α.	A comparison of	of the Compai	ny's proposed r	ate base and	d Staff's rate	e base is					
14		shown in Table	e 2 below.									
15		Table 2 – Rate	Base Compa	arison								
			Utility Plant	Depreciation	Net Utility	Working	Total Rate					
			In Service	Reserve	Plant	Cash	Base					
		Mill Mar's Proposed	\$88,289	\$38,289	\$49,361	\$1,076	\$50,436					
		Staff's	ψ00,209	ψ00,203	т <i>0</i> ,501	ψ1,070	ψυυ, 4 υυ					
		Proposed	\$64,431	\$35,165	\$29,266	\$862	\$30,129					
16 17		•	·	etween the Corr	<u> </u>							

18 Staff's proposed rate base is that Staff removed plant related to the water

service lines from rate base. The initial owner of Mill Mar was also the
 developer of Mill Mar Estates sub-development, where the Company's
 customers reside. During construction of the sub-development, Mill Mar
 Estates contracted out the construction of the sub-development to a
 construction contractor. The construction contractor excavated the property,
 installed the streets, curb and gutters, catch basins, slope inlets, storm drains,
 sanitary sewer lines, and the water service lines.

8 Mill Mar Estates was not reimbursed by the City of Shady Cove for the sub-9 development. Presumably Mill Mar Estates recovered these costs through the 10 lot prices. Because the Company could not show that the water service lines 11 were separated out from other sub-development infrastructure in the lot prices, 12 the water service lines should be considered Contributions in Aid of 13 Construction (CIAC) and not included in plant. If the water service lines were 14 not considered CIAC, than customers would be paying twice for these lines, 15 once in the lot prices and second through the return on and recovery of these 16 water service lines. The Commission has previously approved this method of 17 classifying sub-development water service lines as CIAC for Seventh Mountain 18 Golf Village Water Company (UW 55, UW 95, UW 116, and UW 124). 19 Staff used the National Association of Regulatory Utility Commissioners 20 (NARUC) Depreciation Service Lives to determine the \$35,165 depreciation

21 reserve. Working cash was calculated as 1/12 of the total operating expenses.

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3

12

1	Q.	WHAT DOES STAFF RECOMMEND AS A RATE OF RETURN ON THE
2		COMPANY'S RATE BASE?

4 recommends a 7.50 percent rate of return on a rate base of \$30,129 resulting
5 in net income of \$2,260.

A. Based on Staff's analysis of the Company's weighted cost of capital, Staff

Q. PLEASE EXPLAIN STAFF'S ADJUSTMENTS TO THE COMPANY'S
PROPOSAL.

8 A. Staff's adjustments are shown in Staff/102, Dougherty/2. Staff made several

- 9 adjustments to Mill Mar's test year expenses to move expenses into the
- 10 appropriate accounts, remove duplicate expenses, and other appropriate
- 11 adjustments based on the documentation provided by the Company.

ISSUE 4, SUMMARY OF THE STIPULATION

13 Q. PLEASE DESCRIBE THE REVENUE REQUIREMENT STIPULATED TO

14 BY THE PARTIES.

- A. The Parties stipulated to a 69.6 percent increase in total revenue requirement
 from 2007 test year amounts. This results in a revenue requirement of \$15,263
 and total revenue deductions of \$13,002. The Parties also stipulated that the
 Company will receive a 7.50 percent rate of return on its total rate base of
 \$30,129. This results in net income of \$2,260.
- Although there is a 69.6 percent increase in total revenue requirement from the 2007 test year amounts, the stipulated revenue is actually 15.21 percent lower than the 2008 actual revenues of \$18,000. The 2008 revenue resulted from a \$60 per month charge to customers.

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Q. DID THE PARTIES STIPULATE TO ANY CHANGES IN THE CURRENT RATE DESIGN?

A. Yes. The Parties support revising the existing rate design by eliminating the
 5,000 gallons currently included in the base rate. Under the stipulated rate
 design, customers will pay for all the water they use.

6 Q. PLEASE DESCRIBE THE STIPULATED RATE DESIGN.

- A. The Parties support a monthly base rate of \$36.25 and a commodity rate of
 \$3.25 per 1,000 gallons.
- 9 Staff generally aims for a 60/40 split between the base rate and usage rate;
- 10 however, using a 60/40 split in Mill Mar's rate design would result in a relatively
- 11 high commodity rate of \$4.52 per 1,000 gallons. The Parties support assigning
- 12 71.25 percent of the revenue requirement to the base rate and 28.75 percent to
- 13 the commodity rate forming the basis for reasonable rates. Staff will attempt to
- 14 work with the Company and other parties in subsequent rate applications to
- 15 bring the base rate and commodity rate closer to the 60/40 target.

16 Q. PLEASE COMPARE THE TEST YEAR, CURRENT, AND STIPULATED

- 17 **RATES.**
- 18 A. A summary of the rates is shown in Table 3 below.

1

2

Table 3 - Summary of Rates

2007 Test Year Rates								
Base Rate	\$30.00	Includes 5,000 gallons						
Commodity Rate	\$3.00 per 1,000 gallons	Above 5,000 gallons						

3

Current Rates								
Base Rate	\$60.00	Includes 5,000 gallons						
Commodity Rate	\$3.00 per 1,000 gallons	Above 5,000 gallons						

Stipulated Rates								
Base Rate	\$36.25	No usage included in base rate						
Commodity Rate	\$3.25 per 1,000 gallons	For all usage						

4 Q. PLEASE DESCRIBE THE RATE IMPACT OF THE STIPULATED RATES.

- 5 A. Staff/102, Dougherty/6 shows the rate impacts for various consumption
- 6 amounts. A customer using the average of 4,500 gallons per month will pay
- 7 \$50.88, which is \$9.12 (or 15.21 percent) less than current rate of \$60.

8 Q. ARE THE RESULTING RATES FAIR AND REASONABLE?

9 A. Yes.

10 Q. DID THE PARTIES STIPULATE TO AN EFFECTIVE DATE FOR THE NEW

- 11 **RATES?**
- A. Yes. The participating parties support an effective date of April 1, 2009, for thestipulated rates.

14 Q. DID THE PARTIES AGREE TO ANY OTHER PROVISIONS THAT ARE

15 **INCLUDED IN THE STIPULATION?**

- 16 A. Yes. The two owners of the system, Morley Pringle and Paige Harrison also
- 17 perform certain employment services for the Company (corporate oversight,
- 18 operator, bookkeeper, and meter reading). Because Mr. Pringle and

1	Ms. Harrison are affiliated interests as defined by ORS 757.495, the Company
2	is required to file affiliated interest contracts for both individuals pursuant to
3	ORS 757.495 and OAR 860-036-0730. The Parties agree that the Company
4	should file these applications within 90 days of the Commission order in
5	UW 131.
6	Q. WHAT IS YOUR RECOMMENDATION REGARDING THE STIPULATION?
7	A. I recommend that the Commission admit the Stipulation into the UW 131 record
8	and adopt the Stipulation in its entirety.
9	Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
10	A. Yes.

CASE: UW 131 WITNESS: Michael Dougherty

PUBLIC UTILITY COMMISSION OF OREGON

STAFF EXHIBIT 101

Witness Qualification Statement

WITNESS QUALIFICATION STATEMENT

- NAME: MICHAEL DOUGHERTY
- EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON
- TITLE: PROGRAM MANAGER, CORPORATE ANALYSIS AND WATER REGULATION
- ADDRESS: 550 CAPITOL ST. NE, SALEM, OR 97308-2148
- 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.

Member, National Association of Regulatory Commissioners Staff Sub-Committee on Accounting and Finance.

CASE: UW 131 WITNESS: Michael Dougherty

PUBLIC UTILITY COMMISSION OF OREGON

STAFF EXHIBIT 102

Exhibits in Support Of Testimony

Draft	Mill Mar Estates t - For Settlement Purposes Only		Company Case 124.2%		Staff 69.6%					Staff/102 Dougherty/1
	Test Year: 2007	А	В	С	D	Е	F	G		
Acct.		Balance Per Application	Proposed Company	Adjusted Results	Proposed Staff	Adjusted Results (A+D=E)	Staff Proposed Rev Changes	Proposed Results (E+F=G)	Staff %	Difference between Staff & Company
No.	REVENUES Residential Water Sales	Test Year: 2007 9,000	Adjustments 11,179	(A+B=C) 20,179	Adjustments 9,000	18,000	(2,738)	15,262	-15.21%	-\$4,917
	Commercial Water Sales	0	0	0	0	0	0	0		\$0
	Irrigation - Non GC	0	0	0	0	0	0	0		\$0
	Irrigation - GC	0	0	0	0	0	0	0		\$0 \$0
	Misc. Revenues	0	0	0	0	0	0	0		\$0
	Special Contracts TOTAL REVENUE	9,000	11,179	20,179	9,000	18,000	(2,737)	15,263		-\$4,916
	OPERATING EXPENSES	0,000		20 179	9,000	18,000	()	15.262		-\$4,917
	Salaries and Wages - Employees	0	0	0	0	0		0		\$0
	Salaries and Wages - Officers	0	0	0	3,049	3,049		3,049		\$3,049
	Employee Pension & Benefits	0	0	0	0	0		0		\$0 -\$750
	Purchased Water	0	750	750 300	300	300		300		\$0
	Telephone/Communications Purchased Power	2.129	621	2,750	320	2,449		2,449		-\$301
	Chemical / Treatment Expense	0	0	0	0	0		0		\$0
	Office Supplies	393	107	500	(155)	238		238		-\$262
	Postage	158	19	177	19	176 120		176 120		\$0 -\$30
	O&M Materials/Supplies	0	150 216	150 400	120 (23)	120		120		-\$30
	Repairs to Water Plant Contract Svcs - Engineering	184	216	400	(23)	0		0		\$0
	Contract Svcs - Engineering Contract Svcs - Accounting	707	0	707	38	745		745		\$38
-	Contract Svcs - Legal	111	1,012	1,123	104	215		215		-\$908
4 634	Contract Svcs - Management Fees	0	0	0	0	0		0		\$0
5 635	Contract Svcs - Testing	1,205	595	1,800	(13)	1,192		1,192 0		-\$608 \$0
	Contract Svcs - Labor	0 2,400	0	2,400	0 (2,400)	0		0		-\$2,400
	Contract Svcs - Billing/Collection Contract Svcs - Meter Reading	450	0	450	(450)	0		0		-\$450
639	Contract Svcs - Other	0	0	0	0	0		0		\$0
	Rental of Building/Real Property	0	0	0	0	0		0		\$0
1 642	Rental of Equipment	0	0	0	0	0		0		\$0
2 643	Small Tools	0	0	0	0	0		0		\$0 \$0
3 648	Computer/Electronic Expenses	0 308	0	0 308	0	0		335		\$27
4 650 5 656		0	0	0	0	0		000		\$0
6 657	General Liability Insurance	456	44	500	0	456		456		-\$44
7 658	Workers' Comp Insurance	0	0	0	0	0		0		\$0
8 659	Insurance - Well Property		0	77	4	81		81 0		\$4 \$0
9 660		0	0	0	0	0		389		\$389
0 666	Amortz. of Rate Case Gross Revenue Fee (PUC)	0	55	55	16	16	(7)	9		-\$46
2 668		0	0	0	0	0		0		\$0
3 670		0	0	0	0	0		0		\$0
4 671	Cross Connection Control Program	0	0	0	0	0		0	4	\$0
5 672	System Capacity Dev Program	0	0	0	0	0		0		\$0 \$0
6 673 7 674	Training and Certification Consumer Confidence Report	0	200	200	200	200		200		\$0
7 674 8 675		271	0	271	(44)	227		227]	-\$44
9	TOTAL OPERATING EXPENSE	8,849	4,069	12,918	1,501	10,349	(7)	10,342		-\$2,576
.1	OTHER REVENUE DEDUCTIONS			12,918	1501	10.349			- 1	
-	Depreciation Expense	2,410	0	2,410	0			2,410	{	\$0 \$0
	Amortization Expense	0	0	0 250	0	0 250		250	1	\$0 \$0
	Property Tax Payroll Tax	235 0	and the second se	250	0	250		0	1	\$0
	Other	0		0 0	0	0		0]	\$0
	Oregon Income Tax	0	0		0	0		0	ł	\$0
6 409.10		C	Luna and a second second second		0	0		12 002	1.000	\$0
7	TOTAL REVENUE DEDUCTIONS	11,494		15,578 4,601	1,516 7,484	13,009 4,991		13,002 2,260	13,002 2,260	1
8		88,289	J	4.601	(23,858)	64,431	(2.731)	64,431	64,43	
0	Utility Plant in Service Less:	890.080				1			1	
	Depreciation Reserve	38,928			(3,763)	35,165		35,165	35,16	1
	Contributions in Aid of Const	0	0			0		0	-	50 \$0 50 \$0
	Amortization of CIAC Excess Capacity	0				0		0	-	\$0
5	Net Utility Plant	49,361	0		(20,095			29,266	29,26	
6	Plus: (working capital)	1	1	49-361	(20,690	29,285		29.206	1	
	Materials and Supplies Inventory		0			0		0	-	\$0
8	Working Cash (Total Op Exp /12)	737				862		862	86	
9	TOTAL RATE BASE	50,098 -4.98%		50,437 8.42%		30,129		30,129 7.50%	30,12	9 -\$20,308
0				. 0.4/%	71	1 10.007	~1	1.0070		

7011

Cash Flow

\$414 4,670

.

			Mill Mar Estates Test Year: 2007						Staff/102 Dougherty/2
	Т	su	MMARY OF ADJUSTMENTS						
					-	Staff Adjustments			
						to Rev Req Column D		Results	Reason
			REVENUES			Columne			
	1	461	Residential Water Sales	9,000		\$9,000		18,000	25 customers x \$60 x 12 months.
	2	461	Commercial Water Sales	0		\$0		0	
			Irrigation - Non GC	0	_	\$0 \$0		0	
	4 5	462	Irrigation - GC Misc. Revenues	0	-	\$0		0	
	6		Special Contracts	0	_	\$0		0 18,000	
	7		TOTAL REVENUE	9,000		\$9,000		18,000	
	9		OPERATING EXPENSES					_	
F	10	601	Salaries and Wages - Employees	0	_	\$0		0	MP - \$31.45 x 2 hrs/month x 12
									months. PH - \$21.25 x 8
						\$3,049		3,049	hrs/month x 12 months plus 1 hour per month to read meters.
	11 12	603 604	Salaries and Wages - Officers Employee Pension & Benefits	0		\$3,049		0	nour per month to read meters.
	13	610	Purchased Water	0	_	\$0		0	005
-	14	611	Telephone/Communications	0	_	\$300		300	\$25 month x 12 months 2007 amount increased by 15
									percent to account for
			Purchased Power	2,129 0	_	\$320 \$0		2,449 0	PacifiCorp rate increases.
	10	018	Chemical / Treatment Expense						Actual 2007 amount increased
	17	619	Office Supplies	393		(\$155)		238	for inflation over 2 years
									Based on customer count and vendors at a rate of \$0.42 per
	18	619	Postage	158		\$19		176	mailing.
				0		\$120		120	No 2007 records; set at \$10 pe month for 12 months.
\vdash	19	020	O&M Materials/Supplies	U		\$12U		120	No test year expense; used
								1	2006 at \$150 escalated for
	20	621	Repairs to Water Plant	184		(\$23)		161	inflation. Placed 2008 pump controller costs in utility plant.
	21	631	Contract Svcs - Engineering	0		\$0		0	
	T								Actual Invoices. Placed 2008 costs related to PUC
									juisdiction/rate case to Account
	22	632	Contract Svcs - Accounting	707		\$38		745	666. Removed non-water charges
									(Estate Planning and CC&R
									work). Transferred legal costs
									concerning rate increase to Account 666. Results equals
									approximately 1 hour of legal
			Contract Svcs - Legal	111 0		\$104 \$0		215 0	counsel per year.
-	24	634	Contract Svcs - Management Fees	0		φU		0	3-Year (2009-2011) Average
			Contract Svcs - Testing	1,205		(\$13)		1,192	from testing lab.
			Contract Svcs - Labor Contract Svcs - Billing/Collection	0 2,400		\$0 (\$2,400)		0	Moved to Officer wages.
			Contract Svcs - Billing/Contection	450		(\$450)		0	inered to enter neget.
			Contract Svcs - Other	0		\$0 \$0		0	
	30 31	641	Rental of Building/Real Property Rental of Equipment	0		\$0		0	
	32	643	Small Tools	0		\$0		0	
-	33	648	Computer/Electronic Expenses	0		\$0		0	\$2.15 gallon gas x 3 gallons
	34	650	Transportation	308		\$27		335	weekly x 52 weeks.
	35 36	656 657	Vehicle Insurance General Liability Insurance	0 456		\$0 \$0		0 456	Based on insurance policy.
			Workers' Comp Insurance	0		\$0		0	
	~	050	Mall Deserts	77		\$4		81	Based on insurance policy - well structure
			Insurance - Well Property Public Relations/Advertising	0	-	\$4 \$0		0	
	1		a						Administrative and Accounting
									costs to support rate case based on invoices. Amortized
	40		Amortz. of Rate Case	0		\$389		389	over 3 years.
	41	667	Gross Revenue Fee (PUC)	0	-	\$16 \$0		16 0	Calculated
			Water Resource Conservation Bad Debt Expense	0	-	\$0		0	
	44	671	Cross Connection Control Program	0		\$0		0	
	45 46		System Capacity Dev Program Training and Certification	0		\$0 \$0		0	
			Consumer Confidence Report	0		\$200		200	Cost of Report
									\$80.25 for OAWU membership (recommended); \$30 for
									sanitary survey (once every 5
									years at \$150); \$50 for Corporation fees; BillMatrix Bil
									Payment bank fees; Bank
								0.5	Service Charge Fees; no
	48 40	675	General Expense TOTAL OPERATING EXPENSE	271 8,849	-	(\$44) \$1,501		227	overdraft fees included.
\vdash	49			0,049		ψ1,001			
		100	OTHER REVENUE DEDUCTIONS	0.440	-	\$0		2,410	Per Plant Calculations
	50 51		Depreciation Expense Amortization Expense	2,410 0	-	\$0		0	
	52	408	Property Tax	235		\$15		250	
	53	408	Payroll Tax	0	-	\$0 \$0		0	
	54 55		Other Oregon Income Tax	0		\$0		0	Calculated
	56		Federal Income Tax	0		\$0		0	Calculated
	57 58		TOTAL REVENUE DEDUCTIONS NET OPERATING INCOME	11,494 (2,494)		\$1,516 \$7,484		13,009 4,991	
\vdash	58		NET OPERATING INCOME	(2,494)					
	59	101	Utility Plant in Service	88,289		(\$23,858)		64,431	Per Plant Calculations
	60 61	109	Less: Depreciation Reserve	38,928	-	(\$3,763)		35,165	Per Plant Calculations
	62	271	Contributions in Aid of Const	0		\$0		0	
	63	272	Amortization of CIAC	0	-	\$0 \$0		0	
	64 65	281	Excess Capacity Net Utility Plant	0 49,361	-	\$0 (\$20,095)		29,266	Per Plant Calculations
			Plus: (working capital)			\$0		0	
E	66			-					
		151	Materials and Supplies Inventory Working Cash (Total Op Exp /12)	0 737		\$0 \$125		0 862	Spare Pump 1/12 of operating expense

	Mill Mar Es	states					Staff/102		
	Test Year			and the second			Doughert	y/3	
	REVENUE S		2T2O2	 COSTO	F CAPITAL				
			0010	 		Capital		Weighted	
D			1.0000	 DEBT		Structure		Cost	
Revenues			1.0000	Loan	\$88,289	93.91%			
			0.0000	Bank	\$0	0.00%			
O&M - Unc			0.0000	Other	\$0	0.00%	0.00%	0.00%	
Franchise F			0.0000	 Other	\$88,289	0.0078	0.0070	6.89%	
OPUC Fee			0.0025	 · · · · · · · · · · · · · · · · · · ·	φ00,203			0.0070	
Short-term				 EQUITY	\$5,726	6.09%	10.00%	0.61%	
State Tax	able Income		0.9975		\$94,015	100.00%		7.50%	
		0.0001	0.0000	 	\$94,015	100.00%		1.50%	
State Incon	ne lax@	0.00%							
		6.60%		 Desweeted				8.42%	
Federal Ta	xable Income)	0.9975	 Requested				0.7270	
		0.000/	0.0000						
Federal Inc	ome Tax @		0.0000						
		15.00%							
Total Incom	ne Taxes		0.0000	 					
Total Reve	nue Sensitive	e Costs	0.0025						
Utility Oper	ating Income		0.9975	 					
		-	1.0025	 					
Net-to-Gros	ss Factor		1.0025	 					
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TOTALS Original Plant In Service Cost Leas: Excess Capacity Used Stant Plant Leas Acam Opposation NET PLANT	31 Transmission and Distribution Mains Hughes Bros Construction - wir lines - \$27,064 Hughes Bros Construction - Unity Treeches - \$3474 Hughes Bros Construction - Unity Treeches - \$3474 Treech (apportional between value, sever, storm) CIAC - was part of street/of dovidgment	330 Distribution Reservoir and Standpipes	320 Water Trailment Equipment Grow Valley Pump Modern Research CoTealing - \$1,172 Nelson Research Co Feeling - \$107 Nelson Research Co Feeling - \$10 Nelson Research Co Feeling - \$50	311 Pumping Englement Green Village Pump Green Village Pump Bane Conteller Bane Conteller Back-up Pump	310 Power Generation Equipment	308 Infitration Galleries and Tunnels	Qui C Longin Enci Optimilia Bit C Long Inc. (work for well) Unin Long Incel for well Statuser Well Prilling State T Reg University Well Lowered Well	306 Lake, River and Other Intakes	205 Collecting and Impounding Reservoirs	304 Structures and Improvements HC Gebyer pumphouse HC Gebyer with bidg HC Gebyer with bidg HC Gebyer multiculation and Installation	303 Land and Land Rights	202 Franchises, Permits, Survey City of Static Coat Health Department Friat Motif Surveyors Friat Motif Surveyors Friat Motif Surveyors	Acct No. Acct No. Accession Account Description	Mill Mar Estates Draft - For Settlement Euroses Only PLANT & DEPRECIATION
Option Option<				Jan Jan <thjan< th=""> <thjan< th=""> <thjan< th=""></thjan<></thjan<></thjan<>						7 7 7 7 567 567 567 567 125 125 125 125 24 24 24 24 41 41 41 41 0 0 0 0		Oper 1990 -16 -16 25 1 Oper 201 0 1 <th1< th=""> <th1< th=""></th1<></th1<>	Y Z A AC AC <th></th>	

Commercial 5/8" × 3/4" 1 "/2" 2" 4" 4"	Meter Size Residential 5/8° x 3/4" 1" 2" 1 ½"		Proposed Revenue \$4,388	COMMODITY	Company Customers	5/8" or 3/4" 1.5" 2" 3" 4" 6" TOTALS	₩	Size of Line Residential	Base Rate 71.25% BASE RATE	Base/Commodity Split Variable Rate 28.75%	Mill Mar Estates Test Year: 2007 RESIDENTIAL RATE DE
\$0.00 \$0.00 \$0.00 \$0.00 \$0.00	Average rates Current \$60.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00	1,350,000 1,350,000 1,350	divided by	\$3.25		25 0	25_25	Number of Customers	Proposed Rev \$15,263	Proposed Rev \$15,263	DESIGN
	Proposed rates \$0.08 \$0.00 \$0.00 \$0.00 \$0.00	Proposed Consumption pe - base consumpt ("free" wa divided by unit of measure	Consumption 1,350	per 1000 gal.			\$60.00	Current Monthly Base Rate	11	II	
		Sumption per A npt ("free" watel t of measure	15		-39.6% PERCENT	\$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00	\$36.25 \$36.25 \$0.00 \$0.00 \$0.00	Staff Proposed Monthly Base Rate	\$10,875 \$15,263	\$4,388	\$15,263
0.00% 0.00% 0.00%	Percent Increase -15.21% 0.00% 0.00% 0.00%	Proposed Consumption per Application - base consumpt ("free" water x cust x 12 months) divided by unit of measure 1000 cf	average rate 3.25037 per 1000 gal			\$10,875 \$10,87	\$10,875 \$0 \$0 \$0 \$0 \$0	Cony Prope Total Annual Man Revenues Base			
		f s)	Previous Rates	-39.6% % increase		\$18,000 \$25,858 \$25,958 \$25,858 \$25,858 \$25,858 \$25,858 \$25,858 \$25,858 \$25,858 \$25,858 \$25,858 \$25,858 \$25,958 \$25,85	\$18,000 \$0 \$0 \$0 \$0	Rate Current Rates			
Consumption - 0 5/8" x 3/4" 1" 2" 	Consumption - I 5/8" x 3/4" 1" 1" 2" 2" 3"	\$4,388							Av	À	<u> </u>
n - Commer	n - Residential (Test) 1,350,000 gal	check	up to 5,000 gallons	25 5000 125000		Commercial 0 0 0 0 0 0	0000025	Residential	lverage gal	Average gal	Average gal
Commercial (Test)	ial (Test) gal		3			3/4" or 5/8" 1" 1.5" 2" 3" 6"	5/8" 1" 2" 2" 3"		Proposed Staff Rates	4000 \$3	Current Company Rates
						\$0.00 \$0.00 \$0.00 \$0.00	\$60.00 \$0.00 \$0.00 \$0.00 \$0.00	Present	f Rates \$36.25 \$3.25	any Kates \$47.25 \$5.00	ny Rates \$60.00 \$3.00
Consumption - 6 5/8" × 3/4" 1" 2" 2" 6" 6" 1.35	Consumpti 5/8" x 3/4" 1" 1"/2" 2"							lctors Jsed	Base Variable Total	Base Variable Total	Base Variable Total
ion - Commu	1,350,000					\$0.00 \$0.00 \$0.00 \$0.00	\$36.25 \$36.25 \$0.00 \$0.00 \$0.00 \$0.00	Rate	\$36.25 <u>\$14.63</u> \$50.88	\$47.25 \$20.00 \$67.25	\$60.00 \$60.00
Commercial (Projected)	Consumption - Residential (Projected) 5/8" × 3/4" 1,350,000 cf 1/2" 2" 2" 3"					50 50 50 50 50 50 50 50 50 50 50 50 50 5		AWWA			Dougherty/5

\$420.00 \$317.12	\$60.00 \$3.00 \$69.00 \$36.25 \$3.25 8 \$62.25 (\$6.75) \$60.00 \$3.00 \$72.00 \$36.25 \$3.25 9 \$65.50 (\$6.50) \$60.00 \$3.00 \$77.00 \$36.25 \$3.25 10 \$65.50 (\$6.50) \$60.00 \$3.00 \$75.00 \$36.25 \$3.25 10 \$68.75 (\$6.25) \$60.00 \$3.00 \$90.00 \$36.25 \$3.25 15 \$85.00 (\$5.00) \$60.00 \$3.00 \$105.00 \$36.25 \$3.25 20 \$101.26 (\$3.74)	\$60.00 \$3.00 \$60.00 \$36.25 \$3.25 5 \$52.50 (\$7.50) \$60.00 \$3.00 \$63.00 \$36.25 \$3.25 6 \$55.75 (\$7.25) \$60.00 \$3.00 \$66.00 \$36.25 \$3.25 7 \$59.00 (\$7.00)	0 \$60.00 \$3.00 \$60.00 \$36.25 \$3.25 0 \$36.25 \$32.75) -39 1000 \$60.00 \$3.00 \$60.00 \$36.25 \$3.25 1 \$39.50 \$20.50) -34 2000 \$60.00 \$3.00 \$60.00 \$36.25 \$3.25 1 \$39.50 \$20.50) -34 2000 \$60.00 \$3.00 \$60.00 \$36.25 \$3.25 2 \$42.75 \$17.25) -28 3000 \$60.00 \$36.25 \$3.25 3 \$46.00 \$14.00) -23 4000 \$60.00 \$36.25 \$3.25 4 \$49.25 \$10.75) -17 4500 \$60.00 \$36.25 \$3.25 4.5 \$50.88 \$50.88 \$50.12) -18	oposed Proposed Total Istomer Commodity Usage Proposed Ise Rate Rate Per Factor Monthly Rate Difference	ttlement RESIDENTIAL (3/4 x 5/8) - 1 TIER د ع مح
	-9.78% -9.02% -5.55% -3.57%	-12.50% -11.51% -10.60%	-39.59% -34.17% -28.75% -17.92%	Percentage Difference	Dougherty/6

CERTIFICATE OF SERVICE

UW 131

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 2nd day of March, 2009.

Balver

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

UW 131 Service List (Parties)

& SHARON RAINEY ALLEN, DOUGLAS	285 YEWWOOD DR SHADY COVE OR 97539
THERON GORDEN	PO BOX 977 SHADY COVE OR 97539
JULIE JOHNSON	PO BOX 1381 SHADY COVE OR 97539
MARJORIE L NEITHERCUTT	125 BIRCH ST SHADY COVE OR 97539
RAYMOND NOVOSAD	965 PUMPKIN RIDGE EAGLE POINT OR 97524-9034
KATHY ROBINSON	452 YEWWOOD DR SHADY COVE OR 97539
JOE & FLOY RUPPERT	244 YEWWOOD DR SHADY COVE OR 97539
RICH SNELL	585 ALPINE ST SHADY COVE OR 97539 rwssnell@embarqmail.com
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
MILL MAR ESTATES	
PAIGE HARRISON OWNER	504 YEW WOOD DRIVE SHADY COVE OR 97539 paige.harrison7@gmail.com