

CASE: UW 180
WITNESS: SCOTT SHEARER

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

Testimony in Support of the Stipulation

November 2, 2020

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Scott Shearer. I am a Utility Analyst employed in the Retail
3 Telecommunications and Water Regulation Section of the Telecommunications
4 and Water Division of the Public Utility Commission of Oregon (OPUC). My
5 business address is 201 High Street SE, Suite 100, Salem, Oregon 97301.

6 **Q. Please describe your educational background and work experience.**

7 A. My witness qualification statement is found in Exhibit Staff/101.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of Staff's testimony is to introduce and support the stipulation
10 agreed to by the parties in Docket No. UW 180, Hillview Water Service, LLC's
11 (Hillview) request for a general rate revision.

12 **Q. Who is testifying in this docket?**

13 A. I am testifying as the Staff Witness in Docket No. UW 180.

14 **Q. Did you prepare any exhibits for this docket?**

15 A. Yes. I prepared Exhibit Staff/101, consisting of one page, Exhibit Staff/102,
16 consisting 6 pages, and Exhibit Staff/103, consisting of 26 pages.

17 **Q. Who are the parties to Docket No. UW 180?**

18 A. The parties are Hillview Water Service, LLC (Hillview) and Commission Staff
19 (Staff).

20 **Q. Did the parties reach a settlement in Docket No. UW 180?**

21 A. Yes. The Stipulation entered into by Hillview and Staff (the Stipulating Parties)
22 settles all issues in this docket.

1 **Q. How is your testimony organized?**

2 A. My testimony is organized as follows:

3	Issue 1, Summary Recommendation	3
4	Issue 2, Hillview's Description and Regulatory History	3
5	Issue 3, Application for a Rate Increase	4
6	Issue 4, Revenue Requirement Issues	6
7	Issue 5, Cost of Capital	13
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9	Exhibit 101, Witness Qualification	Shearer/1
10	Exhibit 102, Revenue Requirement	Shearer/1
11	Exhibit 102, Cost of Capital	Shearer/3
12	Exhibit 102, Rate Design	Shearer/4
13	Exhibit 102, Utility Plant	Shearer/5
14	Exhibit 102, Contributions in Aid of Construction	Shearer/6
15	Exhibit 103, Data Responses	Shearer/1

ISSUE 1, SUMMARY RECOMMENDATION**Q. Briefly summarize the Stipulating Parties' recommendation in this case.**

A. The Stipulating Parties recommend that the Commission adopt the Stipulation agreed to by the Stipulating Parties in Docket No. UW 180. The Stipulating Parties agreed to a revenue requirement of \$17,773. The revenue requirement results in a 99.76 percent increase over the 2019 test period revenues, and reflects an opportunity to earn a 9.5 percent rate of return on a rate base of \$38,499.

Q. Please explain the necessity for the size of the rate increase the Stipulating Parties agreed to in this Stipulation.

A. The Stipulating Parties agreed upon these increases after an in-depth review of Hillview's expenses and capital investment. Several key factors drove the general size of the agreed increase, including adjustments to better reflect the expenses required to operate Hillview, the rate case cost, and providing Hillview an opportunity to earn a return on its investment in light of increased expenses. Hillview has not increased its rates in nearly 19 years, since the increase granted in Docket No. UW 83, Order No. 02-349, which was issued May 22, 2002.

ISSUE 2, HILLVIEW'S DESCRIPTION AND REGULATORY HISTORY**Q. Please describe Hillview.**

A. Hillview is located in Newberg, Oregon and is a privately owned, for-profit, water utility. Hillview provides water service to 15 customers living in one

1 neighborhood, in single family homes on large lots. Hillview is a wholly-owned
2 subsidiary of Hiland Water Corporation.

3 **Q. Please describe Hillview's regulatory history.**

4 A. Hillview is a rate-regulated water utility under the jurisdiction of the Commission.
5 Hillview's current rates became effective following issuance of Commission
6 Order No. 02-349 in Docket No. UW 83.

7 **ISSUE 3, APPLICATION FOR A RATE INCREASE**

8 **Q. Please describe Hillview's current application for a general rate increase.**

9 A. Hillview's current owner, Hiland Water Corporation, filed an application for a
10 general rate increase on May 8, 2020, using a January 1, 2019, through
11 December 31, 2019, test year. Hillview proposed an overall increase of
12 127.85 percent or \$11,375 over test period revenues of \$8,897, resulting in an
13 annual revenue requirement of \$20,272. The information in Hillview's
14 application and subsequent data responses correcting amounts contained in
15 the application would have translated to a proposed a rate base of \$31,607,
16 with an 11.77 percent rate of return.

17 **Q. What reason did Hillview give for seeking a rate increase?**

18 A. Hillview stated in its application: "The utility is seeking this change in rates
19 because operating expenses far exceed revenue. Hillview rates have not
20 changed since 2001 and a rate adjustment is long overdue."¹

21 **Q. What are Hillview's current rates?**

¹ Hillview Water Service, LLC Rate Case Application, Page 4, at 11.

1 A. Hillview currently provides service to residential customers only. Hillview
2 currently charges all customers a base rate of \$34.13 that includes 3000
3 gallons of usage, and a commodity rate of \$1.12 per 1000 gallons of water use,
4 above 3000 gallons. According to Hillview, the current average monthly bill is
5 \$49.12.

6 **Q. What rates did Hillview propose in its general rate filing?**

7 A. Hillview's proposed tariffs include a residential base rate of \$67.47, with no
8 included usage, and a commodity rate of \$2.74 per 1000 gallons water use.
9 According to Hillview's application,² the proposed average monthly bill would
10 be \$112.45.

11 **Q. What procedural actions in this docket have taken place since Hillview**
12 **filed its application for a rate increase?**

13 A. Since the filing of the application in May 2020, the following procedural actions
14 have taken place:

- 15 1. A public comment hearing and prehearing conference were held on July 7,
16 2020, via teleconference;
17 2. A settlement conference was held via video-conference on September 9,
18 2020.

19 **Q. What Public Comments were received from customers of Hillview in**
20 **regard to rates?**

21 A. There were two customers who attended the Public Comment Hearing. Both
22 customers were concerned with a large rate increase and stated that rates with

² Hillview Water Service, LLC Rate Case Application, Page 11, at 33.

1 the City of Newberg would be much lower. To the best of Staff's knowledge,
2 there were no other comments received, either at the Public Comment Hearing,
3 or through the Commission's Administrative Hearings Division or Consumer
4 Services Section.

5 **Q. How did Staff respond to the Customers' concerns?**

6 A. Staff responded to the customers' concerns by providing a comparison of costs,
7 based on historical usage, between Hillview and the City of Newberg, which
8 showed that Hillview's rates, after the increase, would be less than current
9 rates through the City. Staff also provided an explanation of how and why the
10 Commission reviews and sets rates for regulated utilities.

11 **ISSUE 4, REVENUE REQUIREMENT ISSUES**

12 **Q. Please summarize the Stipulating Parties' recommendation for the**
13 **revenue requirement associated with a rate increase in this case.**

14 A. The Stipulating Parties have agreed that an overall revenue requirement of
15 \$17,773 is warranted. The overall revenue requirement results in a
16 99.76 percent, or \$8,876, increase over the test period revenues. The revenue
17 requirement reflects an opportunity to earn a 9.5 percent rate of return on a rate
18 base of \$38,499.

19 **Q. Please describe the issues Staff investigated.**

20 A. Staff's investigation and analysis of Hillview's general rate filing included a
21 comprehensive examination of Hillview's revenues, expenses, proposed
22 adjustments, rate spread and rate design, rate base, capital improvements, and
23 cost of capital.

Q. Please describe Staff's adjustments to Hillview's test period.

A. All of Staff's adjustments agreed to by the Stipulating Parties are listed in Exhibit Staff/102. During its investigation, Staff submitted several Data Requests to Hillview. During Hillview's preparations to respond to Staff's Data Requests, it determined that there were mistakes made in the initial application calculations. Consequently, Hillview submitted corrected numbers for various accounts in response to Staff's Data Requests 1 and 7.³ Staff adjustments resulting from the corrections, as well as other adjustments, were agreed to by the Stipulating Parties and are noted by account below.

1. Salaries and Wages - Employees (Acct. 601): As a result of the additional information provided by Hillview, this account increases by \$100 above the initial application, from \$3,740 to \$3,840.
2. Employee Pension & Benefits (Acct. 604): As a result of the additional information provided by Hillview, this account increases by \$33 above the initial application, from \$172 to \$205.
3. Telephone/Communications (Acct. 611): As a result of the additional information provided by Hillview, this account decreases by \$2 from the initial application, from \$47 to \$45.
4. Office Supplies (Acct. 619): As a result of the additional information provided by Hillview, this account increases by \$24 above the initial application, from \$0 to \$24.

³ See Exhibit Staff/103, Shearer/1-18.

- 1 5. Postage (Acct. 619.1): As a result of the additional information provided by
2 Hillview, this account increases by \$4 above the initial application, from \$48
3 to \$52.
- 4 6. O&M Materials/Supplies (Acct.620): Staff took the three year average of
5 costs, as submitted in Hillview's Annual Results of Operations Reports
6 (2017-2019), of \$975 and compared it to the filed data. The Stipulating
7 Parties agree to this calculation adjustment. This decreases the account by
8 \$396 from the initial filing, from \$1,371 to \$975.
- 9 7. Contract Services – Accounting (Acct. 632): As a result of the additional
10 information provided by Hillview, this account increases by \$2, from \$9 to
11 \$11.
- 12 8. Contract Services – Legal (Acct 633): As a result of the additional
13 information provided by Hillview, this account increases \$11, from \$0 to \$11.
- 14 9. Contract Services – Management Fees (Acct. 634): As a result of the
15 additional information provided by Hillview, this account decreases by \$10,
16 from \$135 to \$125.
- 17 10. Contract Services – Labor (Acct. 636): As a result of the additional
18 information provided by Hillview, this account decreases by \$431, from \$431
19 to \$0.
- 20 11. Contract Services – Billing/Collection (Acct. 637): As a result of the
21 additional information provided by Hillview, this account decreases by \$3,
22 from \$41 to \$44.

1 12. Contract Services – Other (Acct. 639): As a result of the additional
2 information provided by Hillview, this account increases \$442, from \$0 to
3 \$442.

4 13. Rental of Building/Real Property (Acct 641): As a result of the additional
5 information provided by Hillview, this account increases \$2, from \$139 to
6 \$141.

7 14. Rental of Equipment (Acct. 642): Staff took the three year average of costs
8 as submitted in Hillview's Annual Results of Operations Reports (2017-
9 2019) of \$602 and compared it to the filed data. The Stipulating Parties
10 agree to this calculation for an adjustment. This increases the account by
11 \$50, from \$552 to \$602.

12 15. Computer/Electronics Expenses (Acct. 648): As a result of the additional
13 information provided by Hillview, this account increases \$32, from \$19 to
14 \$51.

15 16. Vehicle Insurance (Acct. 656): As a result of the additional information
16 provided by Hillview, this account increases \$8, from \$51 to \$59.

17 17. General Liability Insurance (Acct 657): As a result of the additional
18 information provided by Hillview, this account decreases \$6, from \$55 to
19 \$49.

20 18. Workers' Compensation Insurance (Acct 658): As a result of the additional
21 information provided by Hillview, this account increases \$23, from \$0 to \$23.

22 19. Amortization of Rate Case (A/C 666): Staff reviewed records submitted
23 relating to rate case expenses. Staff took costs actually incurred in

1 preparation of the rate case of \$2,085 and amortized those costs over five
2 years for a yearly cost of \$417. The Stipulating Parties agree to this
3 adjustment. This is a \$2,083 decrease from Hillview's filed request of \$2500.

4 20. Gross Revenue Fee/PUC Fee (Acct. 667): The PUC Fee calculated as a
5 percentage of gross revenue was recently updated by the Commission in
6 Order No. 20-054 from .3 percent to .35 percent. After adjustments, the
7 Parties agree to remove \$9 from the PUC fee calculation, decreasing it from
8 \$71 to \$62.

9 21. Public Relations/Advertising Expense (Acct. 660): As a result of the
10 additional information provided by Hillview, this account increases by \$16,
11 from \$11 to \$27.

12 22. Cross Connection Control Program (Acct. 671): As a result of the additional
13 information provided by Hillview, this account decreases by \$30, from \$30 to
14 \$0.

15 23. Training and Certification (Acct. 673): As a result of the additional
16 information provided by Hillview, this account decreases \$7, from \$54 to
17 \$47.

18 24. Consumer Confidence Report (Acct. 674): As a result of the additional
19 information provided by Hillview, this account decreases by (\$175) with an
20 adjustment to Acct. 674, from \$175 to \$0.

21 25. Miscellaneous Expense (Acct. 675): Staff took the three-year average of
22 costs as submitted in Hillview's Annual Results of Operations Reports
23 (2017-2019) of \$50 and compared it to the filed data. The Stipulating Parties

1 agree to this adjustment, decreasing the account by \$180, from \$230 to
2 \$50.

3 26. Federal Income Tax (Acct. 409.10): After adjustments, Staff added \$140 to
4 the Federal Tax Calculation, based on a 21 percent effective federal tax
5 rate, moving it from \$832 to \$972.

6 27. State Income Tax (Acct. 409.11): After adjustments, Staff added \$66 to the
7 State Tax Calculation, based on a 6.6 percent effective state tax rate, and
8 the Stipulating Parties agree, increasing the account from \$261 to \$327.

9 28. Depreciation Expense (Acct. 403): Since its last rate case, Hillview has
10 installed various items related to the system. All items are normal upgrades,
11 maintenance, or replacement items, except the water treatment. The latter
12 was installed as a requirement to meet State of Oregon, Oregon Health
13 Authority, Drinking Water Services' requirements due to low pH and high
14 levels of lead and copper found in the well. As a result, Hillview installed a
15 Caustic Soda Injection system to treat the water and bring it into compliance
16 with water quality requirements. Due to the urgency in fixing the water
17 quality issue, the system was installed in November 2016; however, the
18 administrative and engineering filings that the Oregon Health Authority
19 required were not fully completed and approved until September 2020.
20 Although the rate case filing was based on a 2019 test year, Hillview
21 requested these additional costs be included as plant invested. Staff
22 believes these costs are reasonable to include because they are directly
23 tied to an already installed and working part of the system and the costs

1 have been incurred and the project is finalized as of September 2020. The
2 Stipulating Parties agreed with this calculation. With all items incorporated,
3 this results in a yearly depreciation amount of \$1,495.⁴

4 29. Utility Plant in Service (A/C 101): In Staff Data Request Numbers 15, 18, 19
5 and 20,⁵ Hillview was questioned about several items related to the plant in
6 service and expected plant life. Staff believes that Hillview's responses to
7 the Data Requests clearly show all items included in plant are used and
8 useful as well as prudent. This includes the additional costs related to
9 engineering and reporting to the Oregon Health Authority, Drinking Water
10 Services, added in September 2020, as described in more detail in
11 paragraph 28 above. The Stipulating Parties agree with this calculation.
12 After adding Contributions in Aid of Construction (CIAC) and depreciation
13 for plant and CIAC, the adjusted Utility Plant in Service is \$76,596.

14 30. Accumulated Depreciation of Plant (A/C 108): As mentioned in paragraph
15 29 above, Staff added \$1,652 to match the appropriate depreciated value of
16 the plant assets. Staff recalculated the accumulated depreciation to reflect
17 adjusted asset life of the corrosion control system engineering and report as
18 agreed to by the Stipulating Parties.⁶

19 31. Contributions in Aid of Construction (Acct. 271): In the original filing, Hillview
20 reported no Contribution in Aid of Construction (CIAC). During the
21 investigation, Staff reviewed the prior rate case and found \$22,000 in CIAC

⁴ See Exhibit Staff/102, Shearer/5.

⁵ See Exhibit Staff/103, Shearer/19-26.

⁶ See Exhibit Staff/103, Shearer/19-26.

unaccounted for in the current case. Staff submitted Data Request 20⁷ for details related to the CIAC and its depreciation. As mentioned previously, Hillview found mistakes in its original filing, and this included CIAC. Hillview confirmed the \$22,000 in CIAC. Staff added this as an adjustment, as agreed to by the Stipulating Parties.

32. Accumulated Amortization of CIAC (Acct. 272): As mentioned in paragraph 29 above, Hillview submitted corrected numbers for CIAC. This also included the Accumulated Amortization that has occurred since the CIAC was first added. Staff adjusted \$16,378 in Accumulated Amortization of CIAC, as agreed to by the Stipulating Parties.

33. Working Cash: This is calculated using 1/12th of total operating expenses. After adjustments, Staff removed \$198 from the Working Cash Calculation, reducing it from \$1,103 to \$907, as agreed to by the Stipulating Parties.

ISSUE 5, COST OF CAPITAL

Q. What capital structure did Staff recommend?

A. Hillview's capital structure is 100 percent owner equity. However, Staff recognizes that a split capital structure consisting of both equity and debt typically results in a lower rate of return borne by customers. As previously discussed, a condition in the Stipulation requires the Company to attempt to obtain other financing options before making future capital investments over \$10,000. The Stipulating Parties included this condition to ensure that going

⁷ See Exhibit Staff/103, Shearer/25-26.

1 forward, the Company will reasonably attempt to secure least-cost financing
2 options for the benefit of its customers.

3 **Q. What cost of capital did the company request in its application?**

4 A. The Company requested a 10.5 percent cost of capital based on a
5 10.5 percent cost of equity, with no debt in its capital structure. Because the
6 Company's proposed capital structure does not include debt, its proposed cost
7 of capital (allowed rate of return) is equal to the proposed cost of equity.

8 **Q. What cost of equity did the parties agree to in this proceeding?**

9 A. As shown in Staff Exhibit 102,⁸ the Stipulating Parties have stipulated to a
10 9.5 percent rate of return, which is in line with other recent similar cases.⁹

11 **ISSUE 6, RESOLVED RATE ISSUES**

12 **Q. Please provide a brief explanation of the rate spread and rate design**
13 **agreed to by the Stipulating Parties.**

14 A. There is one customer class, residential, with two meter sizes, 5/8" and 1".
15 However, Hillview treats all customers equally, regardless of meter size. Staff
16 typically utilizes a standard set of factors when apportioning base rate
17 revenues, which increase as meter size increases. In this case, the Stipulating
18 Parties determined that there is no meaningful usage distinction between
19 Hillview's residential customers, regardless of meter size. As such, a factor of
20 1.0 was used to establish rates at both the 5/8" and 1" sizes. The rates are
21 designed to recover 60 percent of revenues through the base charge and

⁸ See Exhibit Staff/102, Shearer/3.

⁹ See Docket Nos. UW 177, Order No. 19-399 and UW 179, Order No. 20-084.

1 40 percent of revenues through the commodity charge. The rates can be seen
2 on the table in Staff Exhibit 102.¹⁰

3 **Q. What are the effects of the rates agreed to by the Stipulating Parties on**
4 **the average customer bill?**

5 A. The effects of the rates on the average customer's monthly bills will be an
6 increase of the base rate from \$34.13 (which includes 3000 gallons of usage) to
7 \$59.14 (with no usage included) and the commodity rate of \$1.12 increasing to
8 \$2.41 per 1000 gallons of usage. With this adjustment, the average monthly
9 water bill would increase from \$49.13 to \$98.64, assuming that the water usage
10 remains the same as the test year.

11 **Q. Did all parties agree to and support the rates resulting from the**
12 **stipulation?**

13 A. Yes.

14 **Q. Did the parties agree to and support an effective date for the new**
15 **rates?**

16 A. Yes. The Stipulating Parties agree to rates being effective for service rendered
17 on and after January 1, 2021, if the Commission enters an order adopting this
18 Stipulation before January 1, 2021. Otherwise, rates will be effective three days
19 following issuance of an order adopting this Stipulation.

20 **Q. Are the resulting rates fair and reasonable?**

21 A. Yes.

22 **Q. Does this conclude your testimony?**

¹⁰ Staff Exhibit/102, Shearer/4.

1 A. Yes.

CASE: UW 180
WITNESS: SCOTT SHEARER

**PUBLIC UTILITY COMMISSION
OF
OREGON**

Staff Exhibit 101

Witness Qualification Statement

November 2, 2020

WITNESS QUALIFICATION STATEMENT

AME: Scott Shearer

EMPLOYER: Public Utility Commission of Oregon

TITLE: Utility Analyst
Retail Telecommunications and Water Regulation Section

ADDRESS: 201 High Street SE. Suite 100
Salem, OR. 97301

EDUCATION: Corban University Salem, Oregon
Bachelors of Science in Business, Organizational Leadership

EXPERIENCE: 2014 - Current - Heritage Grove Credit Union
Board of Directors, Treasurer
Provide strategic direction for a credit union with assets of 130 million dollars.
Reviewing and approving monetary expenditures and budget.

2007 - Current - Oregon Public Utility Commission
Utility Analyst
Research and analysis of utility company filings; including rulemaking, affiliated interests, utility purchase and sale, jurisdiction, and rate case dockets.
Telecommunications Specialist/Consumer Specialist/Senior Compliance Specialist
Reviewing and applying Oregon Administrative Rules to tariffs in relation to consumer complaints.

2006 - 2007 - Oregon Department of Justice/Division of Child Support, Administrative Specialist
Researching responsible parties in Child Support orders

1999 - 2006 - EPIQ Systems/Poorman Douglas Corp. Claims Analyst/Senior Claims Analyst
Reviewing and implementing orders and settlements for the largest Class Action Lawsuit administrator in the United States. Auditing and processing class action lawsuits with payouts from two-hundred thousand to over one billion dollars to claimants.

CASE: UW 180
WITNESS: SCOTT SHEARER

**PUBLIC UTILITY COMMISSION
OF
OREGON**

Staff Exhibit 102

**Revenue Requirement, Adjustment Summary,
Cost of Capital and Rate Base, Rate Design,
Plant Utility, and Contributions in Aid of
Construction**

November 2, 2020

Company Name	Hillview
Docket No.	UW 180
Test Year	2019

Company Proposed Increase
127.85%

Staff Proposed Increase
99.76%

Revenue Requirement

		Test Year	Company Adjustments	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals
REVENUES						
461.1 Residential		8,867	11,375	\$ 20,242	(2,499)	\$ 17,743
Other		30		\$ 30		\$ 30
Total Revenue		\$ 8,897	\$ 11,375	\$ 20,272	\$ (2,499)	\$ 17,773

Acct . OPERATING EXPENSES

601 Salaries and Wages - Employees		3,596	144	\$ 3,740	\$ 100	\$ 3,840
604 Employee Pension & Benefits		165	7	\$ 172	\$ 33	\$ 205
611 Telephone/Communications		47		\$ 47	\$ (2)	\$ 45
615 Purchased Power		884		\$ 884	\$ -	\$ 884
619 Office Supplies				\$ -	\$ 24	\$ 24
619.1 Postage		48		\$ 48	\$ 4	\$ 52
620 O&M Materials/Supplies		1,371		\$ 1,371	\$ (396)	\$ 975
632 Contract Svcs - Accounting		9		\$ 9	\$ 2	\$ 11
633 Contract Svcs - Legal				\$ -	\$ 11	\$ 11
634 Contract Svcs - Management Fees		135		\$ 135	\$ (10)	\$ 125
635 Contract Svcs - Testing		3,825	(1,481)	\$ 2,344	\$ -	\$ 2,344
636 Contract Svcs - Labor		431		\$ 431	\$ (431)	\$ -
637 Contract Svcs - Billing/Collection		41		\$ 41	\$ 3	\$ 44
639 Contract Svcs - Other				\$ -	\$ 442	\$ 442
641 Rental of Building/Real Property		139		\$ 139	\$ 2	\$ 141
642 Rental of Equipment		552		\$ 552	\$ 50	\$ 602
648 Computer/Electronic Expenses		19		\$ 19	\$ 32	\$ 51
650 Transportation		352		\$ 352	\$ -	\$ 352
656 Vehicle Insurance		51		\$ 51	\$ 8	\$ 59
657 General Liability Insurance		55		\$ 55	\$ (6)	\$ 49
658 Workers' Comp Insurance				\$ -	\$ 23	\$ 23
666 Amortz. of Rate Case			2,500	\$ 2,500	\$ (2,083)	\$ 417
667 Gross Revenue Fee (PUC)		25	46	\$ 71	\$ (9)	\$ 62
671 Cross Connection Control Program		30		\$ 30	\$ (30)	\$ -
673 Training and Certification		29	25	\$ 54	\$ (7)	\$ 47
674 Consumer Confidence Report		175		\$ 175	\$ (175)	\$ -
675 Miscellaneous Expense		55	175	\$ 230	\$ (180)	\$ 50
660 Public Relations/Advertising Expense		11		\$ 11	\$ 16	\$ 27
TOTAL OPERATING EXPENSE		\$ 12,045	\$ 1,416	\$ 13,461	\$ (2,579)	\$ 10,882

OTHER REVENUE DEDUCTIONS

403 Depreciation Expense		1,260	300	\$ 1,560	\$ (65)	\$ 1,495
408.11 Property Tax		422	17	\$ 439	\$ -	\$ 439
409.10 Federal Income Tax			832	\$ 832	\$ 140	\$ 972
409.11 Oregon Income Tax			261	\$ 261	\$ 66	\$ 327
TOTAL REVENUE DEDUCTIONS		\$ 13,727	\$ 2,826	\$ 16,553	\$ (2,437)	\$ 14,116
Net Operating Income		\$ (4,830)	\$ 8,549	\$ 3,719	\$ (62)	\$ 3,657

UTILITY RATE BASE

101 Utility Plant in Service		47,506		\$ 47,506	\$ 29,090	\$ 76,596
105 Construction Work in Progress				\$ -	\$ -	\$ -
108 - Accumulated Depreciation of Plant		17,627		\$ 17,627	\$ 16,381	\$ 34,008
271 - Contributions in Aid of Construction				\$ -	\$ 22,000	\$ 22,000
272 + Accumulated Amortization of CIAC				\$ -	\$ 16,378	\$ 16,378
= NET RATE BASE INVESTMENT		\$ 29,879	\$ -	\$ 29,879	\$ 7,088	\$ 36,967
Plus: (working capital)						
151 Materials and Supplies Inventory		625		\$ 625	\$ -	\$ 625
Working Cash (Total Op Exp /12)		987	116	\$ 1,103	\$ (196)	\$ 907
TOTAL RATE BASE		\$ 31,491	\$ 116	\$ 31,607	\$ 6,892	\$ 38,499
Rate of Return		-15.34%		11.77%		9.50%

Company Name	Hillview
Docket No.	UM 180
Test Year	2019

Adjustment Summary

	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals	Explanation of Adjustment
REVENUES				
Residential	\$ 20,242	\$ (2,499)	\$ 17,743	The rate model automatically calculates this expense to reflect all adjustments in the rate model.
Other	\$ 30	\$ -	\$ 30	
Total Revenue	\$ 20,272	\$ (2,499)	\$ 17,773	
Acct. OPERATING EXPENSES				
601 Salaries and Wages - Employees	\$ 3,740	\$ 100	\$ 3,840	Adjustment based on revised calculations in response to data request 1.
604 Employee Pension & Benefits	\$ 172	\$ 33	\$ 205	Adjustment based on revised calculations in response to data request 1.
611 Telephone/Communications	\$ 47	\$ (2)	\$ 45	Adjustment based on revised calculations in response to data request 1.
615 Purchased Power	\$ 884	\$ -	\$ 884	
619 Office Supplies	\$ -	\$ 24	\$ 24	Adjustment based on revised calculations in response to data request 1.
619.1 Postage	\$ 48	\$ 4	\$ 52	Adjustment based on revised calculations in response to data request 1.
620 O&M Materials/Supplies	\$ 1,371	\$ (396)	\$ 975	3 year average from Annual reports
632 Contract Svcs - Accounting	\$ 9	\$ 2	\$ 11	Adjustment based on revised calculations in response to data request 7.
633 Contract Svcs - Legal	\$ -	\$ 11	\$ 11	Adjustment based on revised calculations in response to data request 7.
634 Contract Svcs - Management Fees	\$ 135	\$ (10)	\$ 125	Adjustment based on revised calculations in response to data request 7.
635 Contract Svcs - Testing	\$ 2,344	\$ -	\$ 2,344	
636 Contract Svcs - Labor	\$ 431	\$ (431)	\$ -	Adjustment based on revised calculations in response to data request 7.
637 Contract Svcs - Billing/Collection	\$ 41	\$ 3	\$ 44	Adjustment based on revised calculations in response to data request 7.
639 Contract Svcs - Other	\$ -	\$ 442	\$ 442	Adjustment based on revised calculations in response to data request 7.
641 Rental of Building/Real Property	\$ 139	\$ 2	\$ 141	Adjustment based on revised calculations in response to data request 1.
642 Rental of Equipment	\$ 552	\$ 50	\$ 602	3 year average from Annual Reports
648 Computer/Electronic Expenses	\$ 19	\$ 32	\$ 51	Adjustment based on revised calculations in response to data request 1.
650 Transportation	\$ 352	\$ -	\$ 352	
656 Vehicle Insurance	\$ 51	\$ 8	\$ 59	Adjustment based on revised calculations in response to data request 1.
657 General Liability Insurance	\$ 55	\$ (6)	\$ 49	Adjustment based on revised calculations in response to data request 1.
658 Workers' Comp Insurance	\$ -	\$ 23	\$ 23	Adjustment based on revised calculations in response to data request 1.
666 Amortz. of Rate Case	\$ 2,500	\$ (2,083)	\$ 417	Listed expenses, over 5 years.
667 Gross Revenue Fee (PUC)	\$ 71	\$ (9)	\$ 62	The rate model automatically calculates this expense to reflect all adjustments in the rate model.
671 Cross Connection Control Program	\$ 30	\$ (30)	\$ -	Adjustment based on revised calculations in response to data request 1.
673 Training and Certification	\$ 54	\$ (7)	\$ 47	Adjustment based on revised calculations in response to data request 1.
674 Consumer Confidence Report	\$ 175	\$ (175)	\$ -	Adjustment based on revised calculations in response to data request 1.
675 Miscellaneous Expense	\$ 230	\$ (180)	\$ 50	3 year average from Annual Reports.
660 Public Relations/Advertising Expense	\$ 11	\$ 16	\$ 27	Adjustment based on revised calculations in response to data request 1.
TOTAL OPERATING EXPENSE	\$ 13,461	\$ (2,579)	\$ 10,882	
OTHER REVENUE DEDUCTIONS				
403 Depreciation Expense	\$ 1,560	\$ (65)	\$ 1,495	The rate model automatically calculates this expense to reflect all adjustments in the rate model.
408.11 Property Tax	\$ 439	\$ -	\$ 439	
409.10 Federal Income Tax	\$ 832	\$ 140	\$ 972	The rate model automatically calculates this expense to reflect all adjustments in the rate model.
409.11 Oregon Income Tax	\$ 261	\$ 66	\$ 327	The rate model automatically calculates this expense to reflect all adjustments in the rate model.
TOTAL REVENUE DEDUCTIONS	\$ 16,553	\$ (2,437)	\$ 14,116	
Net Operating Income	\$ 3,719	\$ (62)	\$ 3,657	
UTILITY RATE BASE				
101 Utility Plant in Service	\$ 47,506	\$ 29,090	\$ 76,596	Adjusted based on corrections in plant/depreciation - DR 15, 18, and 19.
108 - Accumulated Depreciation of Plant	\$ 17,627	\$ 16,381	\$ 34,008	Adjusted based on corrections in plant/depreciation - DR 15, 18, and 19. Plus costs for treatment engineering installed in 2020.
271 - Contributions in Aid of Construction	\$ -	\$ 22,000	\$ 22,000	Adjusted based on corrections in plant/depreciation - DR 20.
272 + Accumulated Amortization of CIAC	\$ -	\$ 16,378	\$ 16,378	Adjusted based on corrections in plant/depreciation - DR 20.
= NET RATE BASE INVESTMENT	\$ 29,879	\$ 7,088	\$ 36,967	
Plus: (working capital)				
151 Materials and Supplies Inventory	\$ 625	\$ -	\$ 625	
Working Cash (Total Op Exp /12)	\$ 1,103	\$ (196)	\$ 907	The rate model automatically calculates this expense to reflect all adjustments in the rate model.
TOTAL RATE BASE	\$ 31,607	\$ 6,892	\$ 38,499	
Rate of Return	11.77%	0.00%	9.50%	

Cost of Capital

	Amount	Cap Struct	Cost	Wtd. Cost
				0.00%
Total Debt	-	0.00%		0.00%
	36,967	100.00%	9.50%	9.50%
Total Equity	36,967	100.00%		9.50% ROE
Total Debt + Equity	36,967	100.00%		9.50% ROR

Rate Base

PUC Fee (necessary for Working Cash calculation)

Revenue Requirement (Calculated below)	17,773
x PUC Fee Rate	0.35%
= PUC Fee	62.21

Working Cash (1/12 of Operating Expenses, including PUC Fee)

Total Operating Expenses (Excluding PUC Fee)	10,820
+ PUC Fee	62
= Total Oper. Expense	10,882
÷ Months Per Year	12
= Working Cash	907

Rate Base

Net Invested Plant	36,967
+ Working Cash	907
+ Material/Supplies Inventory	625
= Rate Base	38,499

Required Net Income

Rate Base	38,499
x Rate of Return	9.50%
= Required Net Income	3,657

State & Federal Taxes

Net-to-Gross Factor

Gross Income	100.00%
- Effective State Tax Rate	6.60%
= % of Gross Remaining After State Tax	93.40%
x Effective Federal Tax Rate	21.00%
= % of Gross to Federal Tax	19.61%
% of Gross Remaining After State Tax	93.40%
- % of Gross to Federal Tax	19.61%
= % Remaining After State & Federal Tax	73.79%
Gross Income	100.00%
÷ % Remaining After State & Federal Tax	73.79%
= NTG Factor	1.35527

Taxable Income

Rate Base	38,499
x Return on Equity	9.50%
= After-Tax Profit	3,657
x NTG Factor	1.3553
= Pretax Profit (Taxable Income)	4,957

State Tax Brackets	
Lower Bound	Rate
\$ -	6.6%
\$ 1,000,000	7.6%

State Tax

Taxable Income	4,957	
x Effective State Tax Rate	6.60%	6.60%
= State Tax	327	

Federal Tax

Taxable Income	4,957
- State Tax	327
= Federal Taxable Income	4,630
x Effective Federal Tax Rate	21.00%
= Federal Tax	972

Non-Revenue-Sensitive Deductions

Total Operating Expenses (Non-revenue-sensitive)	10,820
+ Total Other Deductions (Non-revenue-sensitive)	1,934
= Total Non-Revenue-Sensitive Deductions	12,754

Revenue Requirement

Non-Revenue-Sensitive Deductions	12,754
+ Required Net Income	3,657
+ Taxes	1,299
+ PUC Fee	62
= Revenue Requirement	17,773

Rate Design						
				Revenue Allocation:		17,743
				Allocated to Base Rates:		60.00%
				Allocated to Commodity Rates:		40.00%
Base Rates				Revenue Allocation:		10,646
Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"	14	1.0	14	93.33%	\$ 9,936	\$ 59.14
1"	1	1.0	1	6.67%	\$ 710	\$ 59.14
TOTAL	15		15	100.00%	\$ 10,646	
Commodity Rate				Revenue Allocation:		7,097
Annual Consumption	2,950,080	Gallons				
Unit of Measurement	1,000	Gallons				
Annual Units of Consumption	2,950	Units				
Commodity Rate:	\$ 2.40576	per unit				

Base Rates

Revenue Allocation: \$ **10,640**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"	14	1.0	14	93.33%	\$ 9,936	\$ 59.14
1"	1	1.0	1	6.67%	\$ 710	\$ 59.14
TOTAL	15		15	100.00%	\$ 10,464	

Commodity Rate Revenue Allocation: \$ **7,097**

Annual Consumption	2,950,080	Gallons
Unit of Measurement	1,000	Gallons
Annual Units of Consumption	2,950	Units

Commodity Rate: \$ **2.41** per unit

Billing Rates

Line Type & Size	Test Year Customers	Test Year Consumption (100gal)
5/8" or 1"	15	2,950

Base Rates

Company Proposed Rate	Staff Proposed Rate	Difference %
\$67.47	\$59.14	-12.35%

Commodity Rates

Current Rate	Staff Proposed Rate	Difference (%)
\$2.74	\$2.41	-12.04%

Average Bills

Current Rate	Staff Proposed Rate	Difference (%)
\$112.45	\$98.64	-12.28%

Revenue Projection

Base Rate	Commodity Rate	Total
\$10,645.20	\$7,109.69	\$17,754.89

[illegible]

TOTALS	Various	54,596	-	54,596		1,761		380	493	493	493	493	493	493	493	493	493	493	493	493	493	542	726	726	726	726	485	871	937	955	1,144	1,251	1,259	17,629	36,967
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Original Plant In Service Cost	54,596
Less: Excess Capacity	-
"Used & Useful" Plant	54,596
Less Accum Depreciation	17,629
NET PLANT	36,967

Depreciation Expense	1,259
Stipulated 2020 Water Treatment Expense	236
Total Depreciation Expense	1,495

Original Plant In Service Cost	22,000
Less: Excess Capacity	-
"Used & Useful" Plant	22,000
Less Accum Amort of CIAC	16,378
NET PLANT	5,622

Depreciation Expense	302
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CASE: UW 180
WITNESS: SCOTT SHEARER

**PUBLIC UTILITY COMMISSION
OF
OREGON**

Staff Exhibit 103

Data Responses

November 2, 2020



Staff Exhibit/103
Shearer/1

Phone: 503-554-8333
1-855-554-8333 (TF)
Mail: P.O. Box 699
Newberg, OR 97132
Email: info@hilandwater.com
Internet: www.hilandwater.com

July 17, 2020

Re: Hillview Water Service LLC Rate Case UW 180 Data Request #1

Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Please see Data Request #1 and our answers below:

1. Please provide a copy of the excel workbook, with formulae intact, that was used to populate the application.

Please see Excel workbook containing eight worksheets accompanying this data request. These worksheets have been compiled with formulae intact showing the data and calculations used in the application. Additionally, corrected data has been compiled in this workbook to reflect the correction of mistakes made in the application, particularly those related to indirect costs and the subsequent allocation. These mistakes were discovered during compilation of data in response to Data Requests 1-20.

Hillview Water Service LLC - 2019

CORRECT INDIRECT COSTS

Act # Work Papers for Accounts that include Affiliated Interest Charges		Indirect total prior to allocation	Allocated Indirect*	Direct (Affiliated)	Direct (Not Affiliated)	Allocated + Direct
601	Salaries and Wages - employees	\$287,233.75	\$1,196.42	\$2,499.62		\$3,696.04
603	Salaries and Wages – officers, directors, and majority stockholders	\$0.00	\$0.00			\$0.00
604	Employee Pensions & Benefits	\$47,586.60	\$198.21			\$198.21
611	Telephone/Communications	\$10,852.99	\$45.21			\$45.21
615	Purchased Power	\$2,591.32	\$10.79		\$873.17	\$883.96
617	Utilities - Other (garbage, natural gas)	\$0.00	\$0.00			\$0.00
619	Office Supplies (excluding postage)	\$5,712.63	\$23.79			\$23.79
619	Postage	\$12,366.45	\$51.51			\$51.51
620	Materials & Supplies (O&M)	\$64,233.28	\$267.55		\$1,155.34	\$1,422.89
632	Contractual Services - accounting	\$2,600.00	\$10.83			\$10.83
634	Contractual Services - management	\$29,924.43	\$124.64			\$124.64
637	Contractual Services - billing/collections	\$10,584.67	\$44.09			\$44.09
639	Contractual Services - other	\$7,172.07	\$29.87		\$412.00	\$441.87
641	Rental of Building / Real Property	\$33,840.00	\$140.95			\$140.95
642	Rental of Equipment	\$0.00	\$0.00	\$552.00		\$552.00
648	Computer and electronic Expenses	\$12,226.77	\$50.93			\$50.93
650	Transportation Expenses	\$0.00	\$0.00	\$352.00		\$352.00
656	Insurance - Vehicle	\$14,124.00	\$58.83			\$58.83
657	Insurance – General Liability	\$11,655.00	\$48.55			\$48.55
658	Insurance – Workman’s Compensation	\$5,504.76	\$22.93			\$22.93
659	Insurance – Other	\$0.00	\$0.00			\$0.00
660	Public Relation / Advertising Expense	\$6,600.00	\$27.49			\$27.49
670	Bad Debt Expense	\$0.00	\$0.00			\$0.00
673	Training & Certification Expense	\$5,236.86	\$21.81			\$21.81
675	Miscellaneous Expense	\$19,477.24	\$81.13		\$30.00	\$111.13
Total			\$589,522.82			\$8,329.68

Allocation Basis: Allocation was based on the the figures shown in Exhibit 1 of the Master Service Affiliated Contract using 2019 annual costs. For Hillview, the allocation formula for indirect costs during 2019 is 15/3088.8575 (0.42%) of the total indirect cost prior to allocation.

INCORRECT INDIRECT COSTS (USED IN APPLICATION)

Indirect total

prior to allocation	Allocated Indirect	Direct (Affiliated)	Direct (Not Affiliated)	Allocated + Direct
\$239,412.93	\$1,096.84	\$2,499.62		\$3,596.00
\$0.00	\$0.00			\$0.00
\$36,055.20	\$165.18			\$165.00
\$10,316.27	\$47.26			\$47.00
\$2,411.29	\$11.05		\$873.17	\$884.00
\$24.20	\$0.11			\$0.00
\$0.00	\$0.00			\$0.00
\$10,549.85	\$48.33			\$48.00
\$46,994.90	\$215.30		\$1,155.34	\$1,371.00
\$2,010.00	\$9.21			\$9.00
\$29,514.38	\$135.22			\$135.00
\$8,916.73	\$40.85			\$41.00
\$4,152.29	\$19.02		\$412.00	\$431.00
\$30,340.00	\$139.00			\$139.00
\$0.00	\$0.00	\$552.00		\$552.00
\$4,127.44	\$18.91			\$19.00
\$0.00	\$0.00	\$352.00		\$352.00
\$11,042.00	\$50.59			\$51.00
\$12,065.00	\$55.27			\$55.00
\$0.00	\$0.00			\$0.00
\$0.00	\$0.00			\$0.00
\$2,500.00	\$11.45			\$11.00
\$35.00	\$0.16			\$0.00
\$6,428.35	\$29.45			\$29.00
\$5,431.41	\$24.88		\$30.00	\$55.00
				\$7,990.00

**Recommended Adj.
from application**

\$100.00
\$0.00
\$33.00
-\$2.00
\$0.00
\$0.00
\$24.00
\$4.00
\$52.00
\$2.00
-\$10.00
\$3.00
\$11.00
\$2.00
\$0.00
\$32.00
\$0.00
\$8.00
-\$6.00
\$23.00
\$0.00
\$16.00
\$0.00
-\$7.00
\$56.00
\$341.00

EXHIBIT 1 - 2019 Allocations

HILAND WATER CORP.

14.25%

Total #
Cust**
3088

Act #	AFFILIATED INTEREST ALLOCATIONS	Annual Cost	Less 1.5% for each Field Only Co	Adjusted Total	Cost Per Cust
			0.143		
	Salaries/Wages Direct Exp	Direct			
601	Salaries/Wages - Indirect/Busi/Warehouse	\$252,063.75	\$35,919.08	\$216,144.67	\$70.00
601	Salaries/Wages - Indirect Officer Wage	\$5,600.00	\$798.00	\$4,802.00	\$1.56
604	Employee Pension & Benefits Health Ins	\$47,586.60	\$6,781.09	\$40,805.51	\$13.21
	Purchased Water	Direct			
611	Ofc Telephone/Communications	\$4,427.99	\$630.99	\$3,797.00	\$1.23
611	Employee Cell Phone Allowance	\$6,425.00	\$915.56	\$5,509.44	\$1.78
615	Ofc Warehouse Purchased Elec Power	\$2,591.32	\$369.26	\$2,222.06	\$0.72
	Fuel for Power Production	n/a			
617	Ofc/Warehouse Natural Gas	\$0.00	\$0.00	\$0.00	\$0.00
	Water, Sewer, Garbage	n/a			
639	Ofc Janitorial	\$0.00	\$0.00	\$0.00	\$0.00
	Chemical / Treatment Expense	Direct			\$0.00
619	Office / Warehouse Supplies	\$5,712.63	\$814.05	\$4,898.58	\$1.59
619	Postage - Direct and Allocated	\$12,366.45	\$1,762.22	\$10,604.23	\$3.43
620	O&M Materials/Supplies	\$64,233.28	\$9,153.24	\$55,080.04	\$17.84
	Repairs to Water Plant	Direct			
	Contract Svcs - Engineering	Direct			
632	Contract Svcs - Accounting	\$2,600.00	\$370.50	\$2,229.50	\$0.72
	Contract Svcs - Legal	Direct			
634	Contract Svcs - Management	\$29,924.43	\$4,264.23	\$25,660.20	\$8.31
	Contract Svcs - Testing	Direct			
	Contract Svcs - Labor	Direct			
	Contract Svcs - Billing/Collection				
637	(credit card & other payment processing)	\$10,584.67	\$1,508.32	\$9,076.35	\$2.94
	Contract Svcs - Meter Reading	Incl in wages			
639	Contract Svcs - Other	\$7,172.07	\$1,022.02	\$6,150.05	\$1.99
641	Rental of Building/Real Property	\$33,840.00	\$4,822.20	\$29,017.80	\$9.40
642	Rental of Equipment-Serv Vehicle Lease only (discontinued)	\$0.00	\$0.00	\$0.00	\$0.00
	Rental Equipment	Direct			
	Small Tools	Incl in warehouse supplies			
648	Computer/Electronic Expenses	\$12,057.09	\$1,718.14	\$10,338.95	\$3.35
648	Web Page	\$169.68	\$24.18	\$145.50	\$0.05
	Transportation	Direct			
656	Vehicle Insurance	\$14,124.00	\$2,012.67	\$12,111.33	\$3.92
657	General Liability Insurance	\$11,655.00	\$1,660.84	\$9,994.16	\$3.24
658	Workers' Comp Insurance	\$5,504.76	\$784.43	\$4,720.33	\$1.53
	Insurance - Other	n/a			
	Gross Revenue Fee (PUC)	Direct			
	Bad Debt Expense	Direct			
	Cross Connection Control Program	Direct			
673	Training and Certification	\$5,236.86	\$746.25	\$4,490.61	\$1.45
	Consumer Confidence Report	Included in Wages			
660	Advertising/Public Relations	\$6,600.00	\$940.50	\$5,659.50	\$1.83
675	Miscellaneous Expense	\$19,477.24	\$2,775.51	\$16,701.73	\$5.41
675	Misc Indirect - License/Subscriptions/Fees	\$0.00	\$0.00	\$0.00	\$0.00
675	Misc Indirect - Checking Fees	\$0.00	\$0.00	\$0.00	\$0.00
601	Indirect Payroll Tax*	\$29,570.00	\$4,213.73	\$25,356.28	\$8.21
	Inventory - Rate Base Component	\$136,472.08	\$19,447.27	\$117,024.81	\$37.90
	TOTAL	\$725,994.90	\$103,454.27	\$622,540.63	\$201.60

*Only indirect payroll taxes are allocated over all companies. Direct wages and associated payroll taxes are billed direc

**The total number of customers representates all customers receiving full operational, managerial, and administrativ

# of Cust for each rate-reg utility				
64	21	15	488	82
Shadow Wood	Wilderness Canyon	Hillview	Illahe (Wtr & Sewer)	Westwood Village
ALLOCATION TO EACH RATE REGULATED WATER UTILITY				
\$4,479.68	\$1,469.90	\$1,049.93	\$34,157.58	\$5,739.59
\$99.52	\$32.66	\$23.33	\$758.87	\$127.51
\$845.71	\$277.50	\$198.21	\$6,448.54	\$1,083.57
\$78.69	\$25.82	\$18.44	\$600.04	\$100.83
\$114.19	\$37.47	\$26.76	\$870.66	\$146.30
\$46.05	\$15.11	\$10.79	\$351.15	\$59.01
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$101.52	\$33.31	\$23.79	\$774.13	\$130.08
\$219.78	\$72.11	\$51.51	\$1,675.80	\$281.59
\$1,141.56	\$374.57	\$267.55	\$8,704.36	\$1,462.62
\$46.21	\$15.16	\$10.83	\$352.33	\$59.20
\$531.82	\$174.50	\$124.64	\$4,055.11	\$681.39
\$188.11	\$61.72	\$44.09	\$1,434.35	\$241.02
\$127.46	\$41.82	\$29.87	\$971.90	\$163.31
\$601.41	\$197.34	\$140.95	\$4,585.71	\$770.55
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$214.28	\$70.31	\$50.22	\$1,633.88	\$274.54
\$3.02	\$0.99	\$0.71	\$22.99	\$3.86
\$251.01	\$82.36	\$58.83	\$1,913.97	\$321.61
\$207.13	\$67.97	\$48.55	\$1,579.39	\$265.39
\$97.83	\$32.10	\$22.93	\$745.96	\$125.35
\$93.07	\$30.54	\$21.81	\$709.66	\$119.25
\$117.30	\$38.49	\$27.49	\$894.38	\$150.28
\$346.15	\$113.58	\$81.13	\$2,639.39	\$443.50
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$525.52	\$172.44	\$123.17	\$4,007.08	\$673.32
\$2,425.38	\$795.83	\$568.45	\$18,493.56	\$3,107.52
\$12,902.40	\$4,233.60	\$3,024.00	\$98,380.77	\$16,531.20

tly to the site specific companies.
e service from Hiland

HILLVIEW ACRES WATER

Invested Plant

Acct No.	Account Description	C	D	E	F	G	H	I	S	T	U	V	W	X	Y	Z	AA	AB
		Date Acquired	Utility Plant Orig Cost	Less Excess Capacity Adj to Plant	Total Adj Plant	NARUC Asset Life	Annual Deprec	Final Month of Deprec	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
303	Land and Land Rights																	
303	Intangible Capital (Water Right)		2,676	Indef.	2,676	0	0		0	0	0	0	0	0	0	0	0	0
304	Structures and Improvements																	
304	Structures Including Well	Jul 1993	2,518		2,518	35	72	Jul 2028	36	72	72	72	72	72	72	72	72	72
304	Sampling Stations	Aug 2018	460		460	35	13	Aug 2053	0	0	0	0	0	0	0	0	0	0
311	Pumping Equipment																	
311	Pump	Jan 1993	5,325		5,325	20	266	Dec 2012	266	266	266	266	266	266	266	266	266	266
311	Pump and liner	Mar 2014	7,914		7,914	20	396	Mar 2034	0	0	0	0	0	0	0	0	0	0
320	Water Treatment Equipment																	
320	Corrosion Control - caustic soda	Nov 2016	2,101		2,101	20	105	Nov 2036	0	0	0	0	0	0	0	0	0	0
330	Distribution Reservoir and Standpipes																	
330	Reservoirs and Standpipes	Jul 1993	526		526	30	18	Jun 2023	9	18	18	18	18	18	18	18	18	18
331	Transmission and Distribution Mains																	
331	Water Mains and Canals	Jul 1993	6,872		6,872	50	137	Jun 2043	69	137	137	137	137	137	137	137	137	137
331	Water Mains and Canals	Dec 2008	8,759		8,759	50	175	Nov 2058	0	0	0	0	0	0	0	0	0	0
331	Water Mains and Canals	Jan 2009	1,200		1,200	50	24	Dec 2058	0	0	0	0	0	0	0	0	0	0
331	Blow offs installation	Oct 2013	4,045		4,045	50	81	Sep 2063	0	0	0	0	0	0	0	0	0	0
334																		
334	Meters and Meter Installations				0	20	0		0	0	0	0	0	0	0	0	0	0
334	2017 AMR - meter replacement	Jul 2017	4,082		4,082	20	204	Jun 2037	0	0	0	0	0	0	0	0	0	0
346																		
346	Communication Equipment				0	10	0		0	0	0	0	0	0	0	0	0	0
347																		
347	Electronic/Computer Equipment				0	5	0		0	0	0	0	0	0	0	0	0	0
348																		
348	Miscellaneous Equipment				0	10	0		0	0	0	0	0	0	0	0	0	0
348	General Equipment	Jan 2008	1,028		1,028	30	34	Dec 2037	0	0	0	0	0	0	0	0	0	0
					0	10	0		0	0	0	0	0	0	0	0	0	0
					0	10	0		0	0	0	0	0	0	0	0	0	0
	TOTALS		47,507	0	47,507		0		380	493	493	493	493	493	493	493	493	493

Original Plant In Service Cost	47,507
Less: Excess Capacity	0
"Used & Useful" Plant	47,507
Less Accum Depreciation	17,627
NET PLANT	29,880
2020	1,259

AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AR			AR		AP	AQ	AR
																		Accumulated Deprec. Ending 2019	Remain Plant Beg. 2020	Deprec Expense for 2020
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019				
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	2,676	0
72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72		1,907	611	72
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	13	18	442	13
266	266	266	266	266	266	266	266	266	266	266	0	0	0	0	0	0		5,325	0	0
0	0	0	0	0	0	0	0	0	0	0	330	396	396	396	396	396		2,308	5,606	396
0	0	0	0	0	0	0	0	0	0	0	0	0	0	18	105	105	105	333	1,768	105
18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18		465	61	18
137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137		3,642	3,230	137
0	0	0	0	0	15	175	175	175	175	175	175	175	175	175	175	175		1,942	6,817	175
0	0	0	0	0	0	24	24	24	24	24	24	24	24	24	24	24		264	936	24
0	0	0	0	0	0	0	0	0	0	20	81	81	81	81	81	81		505	3,540	81
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	102	204	204	510	3,572	204
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
0	0	0	0	0	34	34	34	34	34	34	34	34	34	34	34	34		408	620	34
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
493	493	493	493	493	542	726	726	726	726	480	871	937	955	1,144	1,251	1,259		17,627	29,879	1,259

Act #		Test Year				A + B = C
		Direct	Indirect	Direct + Indirect	Proposed Adj.	
601	Salaries and Wages - employees	\$2,499.62	\$1,196.42	\$3,696.00	\$144.00	\$3,840.00
603	Salaries and Wages – officers, directors, and majority stockholders		\$0.00	\$0.00		\$0.00
604	Employee Pensions & Benefits		\$198.21	\$198.00	\$7.00	\$205.00
611	Telephone/Communications		\$45.21	\$45.00		\$45.00
615	Purchased Power	\$873.17	\$10.79	\$884.00		\$884.00
617	Utilities - Other (garbage, natural gas)		\$0.00	\$0.00		\$0.00
618	Chemicals & testing		\$0.00	\$0.00		\$0.00
619	Office Supplies (excluding postage)		\$23.79	\$24.00		\$24.00
619.1	Postage		\$51.51	\$52.00		\$52.00
620	Materials & Supplies (O&M)	\$1,155.34	\$267.55	\$1,423.00		\$1,423.00
632	Contractual Services - accounting		\$10.83	\$11.00		\$11.00
633	Contractual Services - legal		\$10.83	\$11.00		\$11.00
634	Contractual Services - management		\$124.64	\$125.00		\$125.00
635	Contractual Services – testing / sampling	\$3,825.00		\$3,825.00	-\$1,481.00	\$2,344.00
637	Contractual Services - billing/collections		\$44.09	\$44.00		\$44.00
639	Contractual Services - other	\$412.00	\$29.87	\$442.00		\$442.00
641	Rental of Building / Real Property		\$140.95	\$141.00		\$141.00
642	Rental of Equipment	\$552.00	\$0.00	\$552.00		\$552.00
648	Computer and electronic Expenses		\$50.93	\$51.00		\$51.00
650	Transportation Expenses	\$351.92	\$0.00	\$352.00		\$352.00
656	Insurance - Vehicle		\$58.83	\$59.00		\$59.00
657	Insurance – General Liability		\$48.55	\$49.00		\$49.00
658	Insurance – Workman’s Compensation		\$22.93	\$23.00		\$23.00
659	Insurance – Other		\$0.00	\$0.00		\$0.00
660	Public Relation / Advertising Expense		\$27.49	\$27.00		\$27.00
666	Amortization of Rate Case Expense			\$0.00	\$2,500.00	\$2,500.00
667	Regulatory Commission Fee (Gross Rev Fee)	\$25.05		\$25.00	\$47.00	\$72.00
670	Bad Debt Expense		\$0.00	\$0.00		\$0.00
673	Training & Certification Expense		\$21.81	\$22.00		\$22.00
675	Miscellaneous Expense	\$30.00	\$81.13	\$111.00	\$175.00	\$286.00
403	Depreciation Expense (reference Annual results of operations) Proposed Adj. to add WIP, 20-yr depreciation	\$1,260.00		\$1,260.00	\$300.00	\$1,560.00
408	Payroll Tax (reference MSA Exhibit 1 for indirect)	\$299.00	\$123.17	\$422.00	\$17.00	\$439.00
409.1	Federal Income Tax			\$0.00	\$832.00	\$832.00
409.11	Oregon Income Tax			\$0.00	\$261.00	\$261.00
Total		\$11,283.10	\$2,589.55	\$13,874.00	\$2,802.00	\$16,676.00

Act #		Test Year				
		Direct	Indirect	Direct + Indirect	Proposed Adj.	A + B = C
601	Salaries and Wages - employees	\$2,499.62	\$1,096.84	\$3,596.00	\$144.00	\$3,740.00
603	Salaries and Wages – officers, directors, and majority stockholders		\$0.00	\$0.00		\$0.00
604	Employee Pensions & Benefits		\$165.18	\$165.00	\$7.00	\$172.00
611	Telephone/Communications		\$47.26	\$47.00		\$47.00
615	Purchased Power	\$873.17	\$11.05	\$884.00		\$884.00
617	Utilities - Other (garbage, natural gas)		\$0.11	\$0.00		\$0.00
618	Chemicals & testing			\$0.00		\$0.00
619	Office Supplies (excluding postage)		\$0.00	\$0.00		\$0.00
619.1	Postage		\$48.33	\$48.00		\$48.00
620	Materials & Supplies (O&M)	\$1,155.34	\$215.30	\$1,371.00		\$1,371.00
632	Contractual Services - accounting		\$9.21	\$9.00		\$9.00
633	Contractual Services - legal			\$0.00		\$0.00
634	Contractual Services - management		\$135.22	\$135.00		\$135.00
635	Contractual Services – testing / sampling	\$3,825.00		\$3,825.00	-\$1,481.00	\$2,344.00
637	Contractual Services - billing/collections		\$40.85	\$41.00		\$41.00
639	Contractual Services - other	\$412.00	\$19.02	\$431.00		\$431.00
641	Rental of Building / Real Property		\$139.00	\$139.00		\$139.00
642	Rental of Equipment	\$552.00	\$0.00	\$552.00		\$552.00
648	Computer and electronic Expenses		\$18.91	\$19.00		\$19.00
650	Transportation Expenses	\$351.92	\$0.00	\$352.00		\$352.00
656	Insurance - Vehicle		\$50.59	\$51.00		\$51.00
657	Insurance – General Liability		\$55.27	\$55.00		\$55.00
658	Insurance – Workman’s Compensation		\$0.00	\$0.00		\$0.00
659	Insurance – Other		\$0.00	\$0.00		\$0.00
660	Public Relation / Advertising Expense		\$11.45	\$11.00		\$11.00
666	Amortization of Rate Case Expense			\$0.00	\$2,500.00	\$2,500.00
667	Regulatory Commission Fee (Gross Rev Fee)	\$25.05		\$25.00	\$46.00	\$71.00
670	Bad Debt Expense		\$0.16	\$0.00		\$0.00
673	Training & Certification Expense		\$29.45	\$29.00		\$29.00
675	Miscellaneous Expense	\$30.00	\$24.88	\$55.00	\$175.00	\$230.00
403	Depreciation Expense (reference Annual results of operations) Proposed Adj. to add WIP, 20-yr depreciation	\$1,260.00		\$1,260.00	\$300.00	\$1,560.00
408	Payroll Tax (reference MSA Exhibit 1 for indirect)	\$299.00	\$123.17	\$422.00	\$17.00	\$439.00
409.1	Federal Income Tax			\$0.00	\$832.00	\$832.00
409.1	Oregon Income Tax			\$0.00	\$261.00	\$261.00
Total		\$11,283.10	\$2,241.27	\$13,522.00	\$2,801.00	\$16,323.00

Rate Base:	Corrected		From Application	
Utility Plant total	\$ 47,506.62		\$ 47,506.62	
Work in Process	\$ 6,000.00		\$ 6,000.00	
Total depreciation	\$ (17,627.00)		\$ (17,627.00)	
Inventory share	\$ 568.45		\$ 625.00	*Amount for application taken from 2019 Results of Operations report
Operating cash	\$ 1,126.00		\$ 1,096.67	
Rate base	\$ 37,574.07		\$ 37,601.29	
Return on Investment	\$ 3,945.28	10.5%	\$ 3,948.14	
Operating Expenses				
(without Gross Revenue Fee)	\$ 13,512.00		\$ 13,160.00	
Depreciation	\$ 1,560.00		\$ 1,560.00	
Payroll Tax (reference MSA Exhibit 1 for indirect)	\$ 439.00		\$ 439.00	
Federal Income Tax	\$ 832.00		\$ 832.00	
Oregon Income Tax	\$ 261.00		\$ 261.00	
Subtotal w/out Gross Revenue Fee	\$ 20,549.28		\$ 20,200.14	
Total Required Revenue	\$ 20,621.20		\$ 20,270.84	
Gross Revenue Fee	\$ 72.17		\$ 70.95	

	Corrected	Application
Total Revenue	\$ 20,621.20	\$ 20,270.84
Misc. Revenue	\$ 30.00	\$ 30.00
Water Revenue	\$ 20,591.20	\$ 20,240.84
Base Fee	\$ 68.64	\$ 67.47
Usage rate per 1,000 gal	\$ 2.79	\$ 2.74

Revenue Split

Base Fee	Usage
60%	40.0%
Number of Customers	
15	
Annual Usage (gallons)	
2,950,080	

	Test Year Water Usage	# of Cust	Average Monthly Use	Average Water Bills	
				Corrected	Application
3/4"	2,828,770	14	16,838	\$ 115.65	\$ 113.68
1"	121,310	1	10,109	\$ 96.86	\$ 95.21



Phone: 503-554-8333
1-855-554-8333 (TF)
Mail: P.O. Box 699
Newberg, OR 97132
Email: info@hilandwater.com
Internet: www.hilandwater.com

July 16, 2020

Re: Hillview Water Service LLC Rate Case UW 180 Data Request #7

Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Please see Data Request #7 and our answers below:

7. Regarding the Master Service Affiliated Interest Contract approved by the Commission through Order No. 16-101 in Docket No. UI 364
- Please provide the Exhibit 1 to that agreement updated to reflect allocated costs during 2019. And
 - Please provide a copy of the Exhibit 1 to that agreement currently being used to allocate costs.

Exhibit 1 is accompanying this response in an Excel workbook with two worksheets. The first worksheet is the 2019 allocation for the test year. The second worksheet is similar and includes total indirect costs for 2019, but has been updated to reflect average total customer and field only client figures from the first six months of 2020. The actual customer counts and field client counts per month were as follows:

Total # Cust	2019
January	2783
February	2829
March	2829
April	2830
May	2830
June	2927
July	3309
August	3309
September	3310
October	3364
November	3366
December	3368
Average	3088

Total # Cust	2020
January	3369
February	3369
March	3369
April	3405
May	3405
June	3257
Average	3362

Field Only	2019
January	10
February	10
March	9
April	9
May	9
June	9
July	9
August	9
September	10
October	10
November	10
December	10
Average	9.5

Field Only	2020
January	10
February	12
March	12
April	13
May	13
June	13
Average	12.167

Please also note the following:

- In multiple cases, there are multiple lines for costs that are associated with the same expense account. For ease of review, we've inserted an additional column on the left to indicate the account number associated with each indirect cost.

2. There are Contract Services in the amount of \$24,000 that have generally been charged to Account 639 but were charged to Account 634 in 2019. This shift skewed the indirect amounts generally attributed to those two accounts.
3. Several expenses were inadvertently lumped into account 648 (computer and electronic expenses) which may be more appropriately classified elsewhere, mostly under account 675 (licenses/subscriptions/fees), to which nothing was charged. The following is a summarization of the charges included in Account 648 that may be better classified elsewhere:
 - a. City of Newberg Business License: \$50.00
 - b. Fees to Construction Contractors Board: \$250.00
 - c. DMV/ODOT Fees \$1,995.00
 - d. Marion County Public Works \$25.00
 - e. Metro Business License \$185.00
 - f. Drinking Water Certification fees \$1,842.50
 - g. Oregon Association of Water Utilities \$285.00
4. Account 637 was used for fees from third-party payment processors for the processing of credit card and ACH payments.

EXHIBIT 1 - 2019 Allocations

HILAND WATER CORP.

14.25%

Total #
Cust**
3088

Act #	AFFILIATED INTEREST ALLOCATIONS	Annual Cost	Less 1.5% for each Field Only Co	Adjusted Total	Cost Per Cust
			0.143		
	Salaries/Wages Direct Exp	Direct			
601	Salaries/Wages - Indirect/Busi/Warehouse	\$252,063.75	\$35,919.08	\$216,144.67	\$70.00
601	Salaries/Wages - Indirect Officer Wage	\$5,600.00	\$798.00	\$4,802.00	\$1.56
604	Employee Pension & Benefits Health Ins	\$47,586.60	\$6,781.09	\$40,805.51	\$13.21
	Purchased Water	Direct			
611	Ofc Telephone/Communications	\$4,427.99	\$630.99	\$3,797.00	\$1.23
611	Employee Cell Phone Allowance	\$6,425.00	\$915.56	\$5,509.44	\$1.78
615	Ofc Warehouse Purchased Elec Power	\$2,591.32	\$369.26	\$2,222.06	\$0.72
	Fuel for Power Production	n/a			
617	Ofc/Warehouse Natural Gas	\$0.00	\$0.00	\$0.00	\$0.00
	Water, Sewer, Garbage	n/a			
639	Ofc Janitorial	\$0.00	\$0.00	\$0.00	\$0.00
	Chemical / Treatment Expense	Direct			\$0.00
619	Office / Warehouse Supplies	\$5,712.63	\$814.05	\$4,898.58	\$1.59
619	Postage - Direct and Allocated	\$12,366.45	\$1,762.22	\$10,604.23	\$3.43
620	O&M Materials/Supplies	\$64,233.28	\$9,153.24	\$55,080.04	\$17.84
	Repairs to Water Plant	Direct			
	Contract Svcs - Engineering	Direct			
632	Contract Svcs - Accounting	\$2,600.00	\$370.50	\$2,229.50	\$0.72
	Contract Svcs - Legal	Direct			
634	Contract Svcs - Management	\$29,924.43	\$4,264.23	\$25,660.20	\$8.31
	Contract Svcs - Testing	Direct			
	Contract Svcs - Labor	Direct			
	Contract Svcs - Billing/Collection				
637	(credit card & other payment processing)	\$10,584.67	\$1,508.32	\$9,076.35	\$2.94
	Contract Svcs - Meter Reading	Incl in wages			
639	Contract Svcs - Other	\$7,172.07	\$1,022.02	\$6,150.05	\$1.99
641	Rental of Building/Real Property	\$33,840.00	\$4,822.20	\$29,017.80	\$9.40
642	Rental of Equipment-Serv Vehicle Lease only (discontinued)	\$0.00	\$0.00	\$0.00	\$0.00
	Rental Equipment	Direct			
	Small Tools	Incl in warehouse supplies			
648	Computer/Electronic Expenses	\$12,057.09	\$1,718.14	\$10,338.95	\$3.35
648	Web Page	\$169.68	\$24.18	\$145.50	\$0.05
	Transportation	Direct			
656	Vehicle Insurance	\$14,124.00	\$2,012.67	\$12,111.33	\$3.92
657	General Liability Insurance	\$11,655.00	\$1,660.84	\$9,994.16	\$3.24
658	Workers' Comp Insurance	\$5,504.76	\$784.43	\$4,720.33	\$1.53
	Insurance - Other	n/a			
	Gross Revenue Fee (PUC)	Direct			
	Bad Debt Expense	Direct			
	Cross Connection Control Program	Direct			
673	Training and Certification	\$5,236.86	\$746.25	\$4,490.61	\$1.45
	Consumer Confidence Report	Included in Wages			
660	Advertising/Public Relations	\$6,600.00	\$940.50	\$5,659.50	\$1.83
675	Miscellaneous Expense	\$19,477.24	\$2,775.51	\$16,701.73	\$5.41
675	Misc Indirect - License/Subscriptions/Fees	\$0.00	\$0.00	\$0.00	\$0.00
675	Misc Indirect - Checking Fees	\$0.00	\$0.00	\$0.00	\$0.00
601	Indirect Payroll Tax*	\$29,570.00	\$4,213.73	\$25,356.28	\$8.21
	Inventory - Rate Base Component	\$136,472.08	\$19,447.27	\$117,024.81	\$37.90
	TOTAL	\$725,994.90	\$103,454.27	\$622,540.63	\$201.60

*Only indirect payroll taxes are allocated over all companies. Direct wages and associated payroll taxes are billed direc

**The total number of customers representates all customers receiving full operational, managerial, and administrativ

# of Cust for each rate-reg utility				
64	21	15	488	82
Shadow Wood	Wilderness Canyon	Hillview	Illahe (Wtr & Sewer)	Westwood Village
ALLOCATION TO EACH RATE REGULATED WATER UTILITY				
\$4,479.68	\$1,469.90	\$1,049.93	\$34,157.58	\$5,739.59
\$99.52	\$32.66	\$23.33	\$758.87	\$127.51
\$845.71	\$277.50	\$198.21	\$6,448.54	\$1,083.57
\$78.69	\$25.82	\$18.44	\$600.04	\$100.83
\$114.19	\$37.47	\$26.76	\$870.66	\$146.30
\$46.05	\$15.11	\$10.79	\$351.15	\$59.01
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$101.52	\$33.31	\$23.79	\$774.13	\$130.08
\$219.78	\$72.11	\$51.51	\$1,675.80	\$281.59
\$1,141.56	\$374.57	\$267.55	\$8,704.36	\$1,462.62
\$46.21	\$15.16	\$10.83	\$352.33	\$59.20
\$531.82	\$174.50	\$124.64	\$4,055.11	\$681.39
\$188.11	\$61.72	\$44.09	\$1,434.35	\$241.02
\$127.46	\$41.82	\$29.87	\$971.90	\$163.31
\$601.41	\$197.34	\$140.95	\$4,585.71	\$770.55
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$214.28	\$70.31	\$50.22	\$1,633.88	\$274.54
\$3.02	\$0.99	\$0.71	\$22.99	\$3.86
\$251.01	\$82.36	\$58.83	\$1,913.97	\$321.61
\$207.13	\$67.97	\$48.55	\$1,579.39	\$265.39
\$97.83	\$32.10	\$22.93	\$745.96	\$125.35
\$93.07	\$30.54	\$21.81	\$709.66	\$119.25
\$117.30	\$38.49	\$27.49	\$894.38	\$150.28
\$346.15	\$113.58	\$81.13	\$2,639.39	\$443.50
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$525.52	\$172.44	\$123.17	\$4,007.08	\$673.32
\$2,425.38	\$795.83	\$568.45	\$18,493.56	\$3,107.52
\$12,902.40	\$4,233.60	\$3,024.00	\$98,380.77	\$16,531.20

tly to the site specific companies.
e service from Hiland

EXHIBIT 1 - 2020 Allocations

HILAND WATER CORP.

18.25%

Total #
Cust**
3362

Act #	AFFILIATED INTEREST ALLOCATIONS	Annual Cost (2019 figures)	Less 1.5% for each Field Only Co	Adjusted Total	Cost Per Cust
			0.183		
	Salaries/Wages Direct Exp	Direct			
601	Salaries/Wages - Indirect/Busi/Warehouse	\$252,063.75	\$46,001.76	\$206,061.99	\$61.29
601	Salaries/Wages - Indirect Officer Wage	\$5,600.00	\$1,022.00	\$4,578.00	\$1.36
604	Employee Pension & Benefits Health Ins	\$47,586.60	\$8,684.58	\$38,902.02	\$11.57
	Purchased Water	Direct			
611	Ofc Telephone/Communications	\$4,427.99	\$808.11	\$3,619.88	\$1.08
611	Employee Cell Phone Allowance	\$6,425.00	\$1,172.57	\$5,252.43	\$1.56
615	Ofc Warehouse Purchased Elec Power	\$2,591.32	\$472.92	\$2,118.40	\$0.63
	Fuel for Power Production	n/a			
617	Ofc/Warehouse Natural Gas	\$0.00	\$0.00	\$0.00	\$0.00
	Water, Sewer, Garbage	n/a			
639	Ofc Janitorial	\$0.00	\$0.00	\$0.00	\$0.00
	Chemical / Treatment Expense	Direct			\$0.00
619	Office / Warehouse Supplies	\$5,712.63	\$1,042.56	\$4,670.07	\$1.39
619	Postage - Direct and Allocated	\$12,366.45	\$2,256.88	\$10,109.57	\$3.01
620	O&M Materials/Supplies	\$64,233.28	\$11,722.61	\$52,510.67	\$15.62
	Repairs to Water Plant	Direct			
	Contract Svcs - Engineering	Direct			
632	Contract Svcs - Accounting	\$2,600.00	\$474.50	\$2,125.50	\$0.63
	Contract Svcs - Legal	Direct			
634	Contract Svcs - Management	\$29,924.43	\$5,461.22	\$24,463.21	\$7.28
	Contract Svcs - Testing	Direct			
	Contract Svcs - Labor	Direct			
	Contract Svcs - Billing/Collection				
637	(credit card & other payment processing)	\$10,584.67	\$1,931.71	\$8,652.96	\$2.57
	Contract Svcs - Meter Reading	Incl in wages			
639	Contract Svcs - Other	\$7,172.07	\$1,308.91	\$5,863.16	\$1.74
641	Rental of Building/Real Property	\$33,840.00	\$6,175.82	\$27,664.18	\$8.23
642	Rental of Equipment-Serv Vehicle Lease only (discontinued)	\$0.00	\$0.00	\$0.00	\$0.00
	Rental Equipment	Direct			
	Small Tools	Incl in warehouse supplies			
648	Computer/Electronic Expenses	\$12,057.09	\$2,200.42	\$9,856.67	\$2.93
648	Web Page	\$169.68	\$30.97	\$138.71	\$0.04
	Transportation	Direct			
656	Vehicle Insurance	\$14,124.00	\$2,577.64	\$11,546.36	\$3.43
657	General Liability Insurance	\$11,655.00	\$2,127.04	\$9,527.96	\$2.83
658	Workers' Comp Insurance	\$5,504.76	\$1,004.62	\$4,500.14	\$1.34
	Insurance - Other	n/a			
	Gross Revenue Fee (PUC)	Direct			
	Bad Debt Expense	Direct			
	Cross Connection Control Program	Direct			
673	Training and Certification	\$5,236.86	\$955.73	\$4,281.13	\$1.27
	Consumer Confidence Report	Included in Wages			
660	Advertising/Public Relations	\$6,600.00	\$1,204.50	\$5,395.50	\$1.60
675	Miscellaneous Expense	\$19,477.24	\$3,554.61	\$15,922.63	\$4.74
675	Misc Indirect - License/Subscriptions/Fees	\$0.00	\$0.00	\$0.00	\$0.00
675	Misc Indirect - Checking Fees	\$0.00	\$0.00	\$0.00	\$0.00
601	Indirect Payroll Tax*	\$29,570.00	\$5,396.54	\$24,173.46	\$7.19
	Inventory - Rate Base Component	\$136,472.08	\$24,906.22	\$111,565.86	\$33.18
	TOTAL	\$725,994.90	\$132,494.43	\$593,500.47	\$176.53

*Only indirect payroll taxes are allocated over all companies. Direct wages and associated payroll taxes are billed direc

**The total number of customers representates all customers receiving full operational, managerial, and administrativ

# of Cust for each rate-reg utility				
64	21	15	488	82
Shadow Wood	Wilderness Canyon	Hillview	Illahe (Wtr & Sewer)	Westwood Village
ALLOCATION TO EACH RATE REGULATED WATER UTILITY				
\$3,922.66	\$1,287.12	\$919.37	\$29,910.25	\$5,025.90
\$87.15	\$28.60	\$20.43	\$664.50	\$111.66
\$740.55	\$242.99	\$173.57	\$5,646.69	\$948.83
\$68.91	\$22.61	\$16.15	\$525.43	\$88.29
\$99.99	\$32.81	\$23.43	\$762.40	\$128.11
\$40.33	\$13.23	\$9.45	\$307.49	\$51.67
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$88.90	\$29.17	\$20.84	\$677.87	\$113.90
\$192.45	\$63.15	\$45.11	\$1,467.42	\$246.57
\$999.61	\$328.00	\$234.28	\$7,622.01	\$1,280.75
\$40.46	\$13.28	\$9.48	\$308.52	\$51.84
\$465.69	\$152.80	\$109.15	\$3,550.88	\$596.66
\$164.72	\$54.05	\$38.61	\$1,255.99	\$211.05
\$111.61	\$36.62	\$26.16	\$851.05	\$143.00
\$526.62	\$172.80	\$123.43	\$4,015.50	\$674.74
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$187.63	\$61.57	\$43.98	\$1,430.71	\$240.41
\$2.64	\$0.87	\$0.62	\$20.13	\$3.38
\$219.80	\$72.12	\$51.52	\$1,675.97	\$281.62
\$181.38	\$59.51	\$42.51	\$1,383.00	\$232.39
\$85.67	\$28.11	\$20.08	\$653.20	\$109.76
\$81.50	\$26.74	\$19.10	\$621.41	\$104.42
\$102.71	\$33.70	\$24.07	\$783.17	\$131.60
\$303.11	\$99.46	\$71.04	\$2,311.20	\$388.36
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$460.17	\$150.99	\$107.85	\$3,508.82	\$589.60
\$2,123.80	\$696.87	\$497.77	\$16,193.97	\$2,721.12
\$11,298.05	\$3,707.17	\$2,647.98	\$86,147.60	\$14,475.62

tly to the site specific companies.
e service from Hiland



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July 13, 2020

Re: Hillview Water Service LLC Rate Case UW 180 Data Request #15

Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Please see Data Request #15 and our answers below:

15. For each of the following items listed in below and in Utility Testimony Page 11, Utility Plant No. 34, please explain why these projects represent prudent investments including, but not limited to, 1) the reasons for the improvement, 2) how customers benefit from the improvement, and 3) whether the improvement was done by an affiliate:

a. Pump house improvement

- i. This project was undertaken to increase the efficiency and sustainability of the pumping equipment. A pressure tank was added to reduce the number of pumping cycles and increase the amount of time during each cycle. Hillview water system is basically level and pressurized by using pressurized water into pressure tanks. Every time the pressure in the water system reduces to a pre-determined level, the pump turns on again to increase the pressure to a pre-determined level. The utilization of pressure tanks extends the life of the pump.
- ii. The customers benefitted from this project through increased operation efficiency that reduces operating costs on an ongoing basis along with costs related to pump replacement.
- iii. This improvement was not done by an affiliate. \$580.00 was charged by Crow water and \$448.13 was charged by USA Bluebook. Labor was performed by an affiliate but was not capitalized.

b. Water main upgrade (December 2008)

- i. Due to water quality issues that were later addressed (see project d, e, and f) in addition to a need for source redundancy, Hillview desires to connect to another source to compliment or replace the current source. In 2007, Wilderness Canyon (also owned by Hiland Water) extended its water line for the purpose of expanding its service area. Its new water line came within about 800 feet of the Hillview water line. In order to prepare for an extension to eventually intertie with Wilderness Canyon, more valving was added to the Hillview system and a new line was extended along Dayton Avenue from the west side of Hillview Court to the east side of Hillview Court, a length of roughly 100 feet.
- ii. This is a benefit to the customers because the additional valving provides more system control in the event of failed mainlines along with the ability to flush water through this short extension if needed (see project "d"). Additionally, eventual connection to another source will allow for better protection against water outages and increase the possibility of receiving water of superior quality, if the capacity exists.

- iii. This work was completed by Olson, LLC, which is an affiliate. Expenses paid to parts suppliers was \$3,954.10 and \$500.00 was incurred for equipment rental.

c. Water main upgrade (January 2009).

This is the same project as the 2008 water main upgrade. These charges (\$1,200) were incurred by Linescape for providing boring services. It is likely that the invoice was not generated or received until after the project was completed.

d. Blow offs installation

- i. It is generally important to be able to flush all water lines. At Hillview, this is particularly necessary because of the iron levels in the water that buildup in the pipes. In 2013, Hillview installed blow offs on lines that did not already have them.
- ii. The customers benefit from the use of flushing points by receiving clearer water. Hillview Water is flushed quarterly through the flushing points.
- iii. This work was performed by Hiland Water, which is an affiliate of Hillview. The cost of parts was \$1,988.74 and the remaining costs were attributed to Hiland Water.

e. Well pump and well liner

- i. This improvement was made in response to a water user's concern that the iron level in the water was too high. The well that serves Hillview has historically produced a high level of iron, which did not present a health concern, but was unpleasant, particularly because of staining. After some water analysis, we concluded that installing a liner in the well to prevent the water from making contact with the steel casing in the well would reduce the iron levels in the water (low pH levels in the water make it corrosive – see "pH treatment").
- ii. Customers benefitted from reduced levels of iron in the water. Although not fully eliminated, the iron levels reduced dramatically and no longer exist at staining levels.
- iii. This project was completed primarily by Crow Water Systems Inc., which was paid \$7,592.00 and is not affiliated with Hillview. The remaining costs were attributed to Hiland water.

f. pH treatment – Caustic Soda Added

- i. This improvement was made in response to a water user's concern related to the presence of lead and copper in the water. At the time, Hillview hadn't tested for those elements because it wasn't required based on the size of the water system (testing for lead and copper is required at Hillview now). Based on our investigation at the time, we found that a low pH level in the water was causing corrosion of copper pipes, which caused the copper level at some homes to exceed the allowable amount. Our study concluded that adding a small dose of caustic soda to increase the pH lowered copper to acceptable levels.
- ii. The customers benefitted because treating the water lowered the copper content in the water.
- iii. Hiland Water performed this work under its master services agreement with Hillview. The cost of the chemical pump that was installed was purchased from Furrow Pump Inc. for \$1,585.00 and the remaining costs were attributed to Hiland water for the study and installation of the pump.

g. Meter replacement & conversion to radio meters

- i. Accurate measurement of water production and usage is a vital element of effective water system management for the following reasons:

1. Water Loss Management. Accurate tracking of water usage compared with the amount of water pumped is a standard and useful method of identifying how much water is leaking in the water system. It is important to identify, locate and repair water leaks to maximize public safety, mitigate potential property damage, minimize ongoing operation costs, and to preserve water. Without accurate measurement and calculation of water pumped and usage, it is impossible to gauge how much water is being lost and whether operational issues need to be addressed.
 2. Fairness. Meters have an expected useful life of 20 years. Over time, a meter will lose accuracy. The diminished accuracy is not predictable or consistent. Consequently, water customers are billed based on the calculated usage from the meter even though actual usage likely exceeds what is charged wherever an older meter is used.
 3. Conservation. Accurate tracking of usage is useful for water users to understand how much water they actually consume and alter their water usage choices if they choose to.
Considering the elements described above, it was necessary to replace the old water meters, most of which were installed around 1991.
- ii. The decision to upgrade to automated meters rather than simply replace the meters with manual meters was made because of benefits it affords the customers, directly and indirectly, and because the additional cost to install the selected version of automated meters was reasonable. The benefits to the customers are as follows:
1. Accelerated Leak Identification in Plumbing. When reading the water meters, a report is automatically generated that details any water meters that have been registering uninterrupted usage for an unusual amount of time. For example, the report may identify a meter with a “small leak 2-3 weeks” or a “large leak 1-2 weeks.” This report provides indicators that allow our office to notify a water user of unusual usage and often leads to discovery of leaks in their plumbing. This benefit to customers saves them cost by mitigating potential property damage and reducing their water consumption.
 2. Elimination of Human Data Entry Error. The new system eliminates the need to manually read water meters, manually record readings, and manually enter readings into our billing program. Subsequently, errors related to these tasks are eliminated to the benefit of the customers.
 3. Meter Data Storage Features. The new meters store hourly usage data for six months. The ability to access this data is a benefit to customers who find their reported usage inexplicable, which happens regularly. As an example, a customer in another water system was charged for 17,000 gallons of usage over a two month period during the winter. She was concerned because her residence had not been inhabited during that period. Upon hearing back from her plumber that there was not a leak, she called us for an explanation. By accessing her meter data, we were able to ascertain that water was only being used in the middle of the night on Sundays, Tuesdays, Wednesdays, and Fridays. The same amount was used each time the water was run so we reported that data to the customer and suggested that perhaps her irrigation was turning on according to a programmed schedule that she was unaware of.
 4. Conservation Facilitation. It is helpful to customers who believe their water usage should be lower or wish to find ways to lower it to see more detailed usage patterns in order to analyze how water is being used in their home. The automatically generated report of unusual usage can lead to the discovery of a running toilet in a seldom used bathroom or nighttime irrigation use that is lasting twice as long as needed. The availability of information to correct these issues ultimately leads to water conservation.
 5. Elimination of Estimated Meter Reading. In Oregon, manually read meters can be difficult or impossible to read in wet or inclement weather. While we have always strived to gather actual readings whenever possible, estimated readings were sometimes necessary. Not only does this lead to inaccurate water billings that are adjusted in subsequent months, but it leads to

overall less precision when determining water loss factors and efficiently managing water operations overall. With the new automated meter system, the need to estimate water meter readings has been eliminated.

- iii. Hiland Water performed the work for this project under its master services agreement with Hillview. Meters were installed at cost and none of the cost for the meter reading software or hardware was allocated to the project. In total, the cost of the meters was \$3,304.00 and the remaining costs were attributed to Hiland water for the installation of meters.

h. Sampling Stations

- i. This improvement was pursued because of the increasing difficulty of relying on sampling points controlled by water users. Primarily, newer outdoor plumbing fixtures contain anti-siphon features that can cause false positives when collecting samples to test for coliform and ecoli. Although water users in Hillview have generally not objected to Hiland staff entering the premise and sampling from an outdoor faucet, Hiland is also sensitive to concerns pertaining to private property and privacy.
- ii. The customers benefit because sampling is not only required to the Oregon Drinking Program, but is also an important indicator of the safety of the drinking water. Sampling stations increase the reliability of the sample results and allow for communication to occur only when necessary, reducing the cost of sampling, reducing the inconvenience of unnecessarily accommodating for false detections, and reducing potential confusion.
- iii. This entire work was completed by Hiland Water under its master services agreement with Hillview in order to save cost. The total cost for all three sampling stations, labor included, was less than the cost of purchasing a single sampling station, uninstalled, from a third party.



Staff Exhibit/103
Shearer/23

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July 14, 2020

Re: Hillview Water Service LLC Rate Case UW 180 Data Request #18

Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Please see Data Request #18 and our answers below:

18. In Docket UW 83, the Company stated that the water plant (Accts. 304, 307, 311, 330, 331, and 334) in service date was July 1999; however, the current application lists the in service dates for these assets as July 1993. Please confirm the in service dates supplied in the application.

Hiland Water acquired Hillview Water in July 1999. At that time, the water system had been constructed and functional for several years. A CPA was retained in 2001 to assist in the filing of rate case UW 83. Although unable to confirm now, it is suspected that elements from an accounting method other than NARUC were used due to lack of familiarity with the parameters used to determine infrastructure valuation for ratemaking purposes. Consequently, it appears the acquisition date was used as the date water plant was put in service. In fact, the dates the plant was actually put into service reflect the dates shown in the depreciation schedule that was provided with application for UW 180.



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July 14, 2020

Re: Hillview Water Service LLC Rate Case UW 180 Data Request #19

Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Please see Data Request #19 and our answers below:

19. In Docket UW 83, the Company state installation of the new plant (Blow Off valve with open pipe) occurred in July 2000, with a Service life of 20 years; however, this plant was not listed in the current application. The current application does list a Blow-off installed in October 2013. Please explain, including addressing whether the blow-off valve installed in 2000 was retired.

When Hiland Water acquired Hillview in 1999, there were no flushing points. For a well with high levels of iron, this was very problematic. The blow off that was installed in 2000 is situated at the end of the water system furthest from the well and was the primary flushing point used for several subsequent years. As iron levels continued to worsen, additional flushing points were deemed necessary.

The blow off that was included in UW 83 has not been retired or replaced. It is unknown why that asset is no longer showing on the depreciation schedule. It should be added back in, although it's effect on water rates is likely immaterial due to its fully depreciated, or nearly fully depreciated state.



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July 14, 2020

Re: Hillview Water Service LLC Rate Case UW 180 Data Request #20

Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Please see Data Request #20 and our answers below:

20. In UW 83, there was \$22,000 listed as Contribution in Aide of Construction (CIAC).
- a. Why is the CIAC listed in UW 83 not present in the current application?
 - b. Has there been any additional CIAC added to the system since the last rate case?
- a. The omission of the CIAC schedule was unintentional and is being submitted with this data request response. The CIAC schedule that is being submitted represents the most complete information in the utility's possession.
- b. There has been no additional CIAC added to the system since the last rate case.

HILLVIEW WATER DISTRICT

This worksheet shows the prorate of \$22,000 CIAC using the same percentages
by account number as the original Plant assets.

CIAC & AMORTIZATION

ACCOUNT & ITEM	Date Acquired	Utility Plant Orig Cost	NARUC Asset Life	Annual Deprec		Before 2007	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		Accumulated Amortization thru 2019	Remaining Plant 2020	Amortization Expense 2020
303 Land & Land Rights																							
Source of Supply Land																							
Other Land																							
Land																							
304 Structures & Improvements																							
Structures Including Well		3,462	35	99		1,386	99	99	99	99	99	99	99	99	99	99	99	99	99		2,673	789	99
			35	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
311 Pumping Equipment																							
Pump		7,323	20	366		5,124	366	366	366	366	366	366	3	0	0	0	0	0	0		7,323	0	0
Pump			20	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
320 Water Treatment Equipment																							
Purification System			20	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
330 Distribution Reservoirs And Standpipes																							
Reservoirs and Standpipes		724	30	24		336	24	24	24	24	24	24	24	24	24	24	24	24	24		648	76	24
Reservoir Improvements			30	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
New Reservoir			30	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
331 Transmission & Distribution Mains																							
Water Mains and Canals		9,448	50	189		2,646	189	189	189	189	189	189	189	189	189	189	189	189	189		5,103	4,345	189
Water Mains and Canals			50	0						0	0	0	0	0	0	0	0	0	0		0	0	0
333 Services																							
Services		0	30	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
334 Meters and Meter Installation																							
Consumers' Meters			20	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
Meters		1,043	20	52		728	52	52	52	52	52	52	2	0	0	0	0	0	0		1,043	0	0
335 Hydrants																							
Hydrant			40	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
339 Miscellaneous Plant and Equipment																							
Other Structures			15	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
340 Office Equipment																							
Office Equipment			20	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
341 Transportation Equipment																							
Transportation Equipment			7	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
343 Tools, Shop, Garage																							
Tools, Shop, Garage			15	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
345 Power Equipment																							
Power Equipment			10	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
346 Communication Equipment																							
Communication Equipment			10	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
347 Electric/Computer Equipment																							
Electric/Computer Equipment			5	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
348 Miscellaneous Equipment																							
General Equipment			10	0			0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
TOTALS		22,000		730	0	10,220	730	730	730	730	730	730	317	312	312	312	312	312	312		16,790	5,210	312

Original CIAC	22,000
Less Accum Amortization	16,790
NET CIAC	5,210