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March 1, 2021

Via Electronic Filing

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX: 1088
SALEM OR 97308-1088

RE: Docket No. UW 182 – In the Matter of OREGON WATER UTILITIES - CLINE BUTTE, INC., Request for a General Rate Revision.

Attached are Exhibits 100-103 for Staff Testimony in Support of the Stipulation

/s/ Kay Barnes

Kay Barnes

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CASE: UW 182
WITNESS: RUSS BEITZEL

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Testimony in Support of
the Stipulation**

March 1, 2021

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

2 A. My name is Russ Beitzel. I am a Senior Utility Analyst employed in the
3 Telecommunications and Water Division of the Public Utility Commission of
4 Oregon (Commission). My business address is 201 High Street SE, Suite 100,
5 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 my testimony is to introduce and support the Stipulation
10 entered into by Oregon Water Utilities – Cline Butte, Inc. (CB or Company),
11 Intervenors Ridge at Eagle Crest Owner’s Association (RECOA), and
12 Commission Staff (Staff) in Docket No. UW 182, CB’s request for a general
13 rate revision.

14 **Q. Who are the parties in Docket No. UW 182?**

15 A. The parties in Docket No. UW 182 are CB, RECOA, and Staff (each a Party,
16 and collectively the Parties or Stipulating Parties).

17 **Q. Did the Parties reach a settlement in this docket?**

18 A. Yes. The Stipulation entered into by the Parties resolves all issues in this
19 docket.

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

21 A. Yes. I prepared Exhibit Staff/101, consisting of one page, Exhibit Staff/102,
22 consisting of 7 pages, and Exhibit Staff/103, consisting of 4 pages.

23

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

2 A. My testimony is organized as follows:

3	Issue 1 – Summary Recommendation	3
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ISSUE 1 – SUMMARY RECOMMENDATION

Q. Please summarize the Stipulating Parties' recommendation in this case.

A. The Stipulating Parties recommend that the Commission adopt in its entirety the Stipulation agreed to in Docket No. UW 182. The Parties agreed to a revenue requirement of \$1,190,522, which represents an increase of 8.95 percent, or \$97,759, over 2019 errata-adjusted test year revenues¹ of \$1,092,763. The Parties agreed to a 7.04 percent Rate of Return (ROR) on a rate base of \$4,452,730.

¹ CB filed an errata to its test year revenue on 12/28/2020.

ISSUE 2 – COMPANY DESCRIPTION AND REGULATORY HISTORY**Q. Please describe CB.**

A. CB is a rate- and service-regulated water utility located within Eagle Crest Resort near Redmond, Oregon. CB serves approximately 1,700 residential, commercial, and industrial domestic customers, 40 irrigation customers, and one golf course customer. The Company also offers private fire protection. The system was originally constructed in the early 1990s and began providing irrigation service in 1992 and residential service in 1996.

Q. Please provide a summary of CB's recent regulatory history.

A. CB's last general rate case, Docket No. UW 127, was filed on March 6, 2008. On June 30, 2008, the Commission issued Order No. 08-338 in that docket, approving a total revenue requirement of \$960,041. The Stipulation adopted in that case provided CB an opportunity to earn a 6.42 percent ROR on a rate base of \$4,177,969. The rates approved in UW 127 became effective on July 1, 2008.

Q. Please describe any significant Commission dockets that CB has been involved in since the conclusion of its most recent general rate case.

A. On October 21, 2016, CB filed an Application for Sale, Transfer or Merger of a Water Utility to SouthWest Water Company² (SouthWest). The Commission issued Order No. 17-156 approving the sale.

² See UP 345.

ISSUE 3 – SUMMARY OF CB’S GENERAL RATE FILING**Q. Please describe CB’s general rate case application.**

A. CB submitted its request for a general rate revision (Application) on September 30, 2020. The Company selected a test year of January 1, 2019 to December 31, 2019. In its Application, CB proposed total annual revenues of \$1,205,136, representing an increase of 8.63 percent over adjusted 2019 revenues of \$1,109,430, which was later updated with the errata. With the errata change, CB proposed a 10.28 percent increase over errata-adjusted 2019 revenues of \$1,092,763. The errata filing did not change CB’s requested revenue requirement or its proposed rates, only its adjusted test year revenue. The Company’s request reflected a ROR of 7.29 percent, which was computed using a Return on Equity (ROE) of 10 percent and a Cost of Debt of 4.57 percent, with a 50:50 capital structure.

1 **Q. What are the current rates, and what increases did CB propose in its**
 2 **Application?**

3 A. CB's actual current and proposed rates are summarized in Table 1.³

Table 1: UW 182 Current vs. CB's Proposed Base Rates

Service	Size	Current	Company Proposed		Current	Company Proposed	
		Base Rate	Base Rate	Increase from Current	Usage Rate	Usage Rate	Increase from Current
Residential	5/8"-3/4"	\$ 27.20	\$ 31.51	16%	\$ 1.24	\$ 1.44	16%
Residential	1"	\$ 39.44	\$ 45.69	16%	\$ 1.24	\$ 1.44	16%
Residential	1 1/2"	\$ 42.16	\$ 48.84	16%	\$ 1.24	\$ 1.44	16%
Residential	2"	\$ 43.25	\$ 50.10	16%	\$ 1.24	\$ 1.44	16%
Comm/Ind	5/8"-3/4"	\$ 27.20	\$ 31.51	16%	\$ 1.24	\$ 1.44	16%
Comm/Ind	1"	\$ 40.80	\$ 47.26	16%	\$ 1.24	\$ 1.44	16%
Comm/Ind	1 1/2"	\$ 108.80	\$ 126.04	16%	\$ 1.24	\$ 1.44	16%
Comm/Ind	2"	\$ 190.39	\$ 220.56	16%	\$ 1.24	\$ 1.44	16%
Irrigation	5/8"-3/4"	\$ 10.88	\$ 12.60	16%	\$ 0.52	\$ 0.60	15%
Irrigation	1"	\$ 21.76	\$ 25.21	16%	\$ 0.52	\$ 0.60	15%
Irrigation	1 1/2"	\$ 43.52	\$ 50.42	16%	\$ 0.52	\$ 0.60	15%
Irrigation	2"	\$ 87.04	\$ 100.83	16%	\$ 0.52	\$ 0.60	15%
Irrigation	4"	\$ 174.07	\$ 201.65	16%	\$ 0.52	\$ 0.60	15%
Irrigation	6"	\$ 348.15	\$ 403.31	16%	\$ 0.52	\$ 0.60	15%
Golf	4"	\$ 1,167.08	\$ 1,352.00	16%	\$ 0.21	\$ 0.25	19%
Special Contract	12"	\$ 150.00	\$ 173.77	16%	\$ 0.52	\$ 0.60	15%

³ See UW 182 Application OWU/101 Bahr/6-7.

1 **Q. What are the effects of CB's proposed rates on average customers?**

2 A. The effects of CB's proposed rates on customers' average monthly bills, as
3 shown in the customer notice provided by CB, are summarized in Table 2.

Table 2: UW 182 Average Bills at CB's Proposed Base Rates

Service	Size	Current	Company Proposed	
		Rate	Rate	Increase from Current
Residential	5/8"-3/4"	\$ 39.60	\$ 45.91	16%
Residential	1"	\$ 51.84	\$ 60.09	16%
Residential	1 1/2"	\$ 54.56	\$ 63.24	16%
Residential	2"	\$ 55.65	\$ 64.50	16%
Comm/Ind	5/8"-3/4"	\$ 39.60	\$ 45.91	16%
Comm/Ind	1"	\$ 53.20	\$ 61.66	16%
Comm/Ind	1 1/2"	\$ 121.20	\$ 140.44	16%
Comm/Ind	2"	\$ 202.79	\$ 234.96	16%
Irrigation	5/8"-3/4"	\$ 16.08	\$ 18.60	16%
Irrigation	1"	\$ 26.96	\$ 31.21	16%
Irrigation	1 1/2"	\$ 48.72	\$ 56.42	16%
Irrigation	2"	\$ 92.24	\$ 106.83	16%
Irrigation	4"	\$ 179.27	\$ 207.65	16%
Irrigation	6"	\$ 353.35	\$ 409.31	16%
Golf	4"	\$ 1,167.08	\$ 1,354.50	16%
Golf	6"	\$ 2,336.29	\$ 2,706.49	16%
Golf	8"	\$ 4,086.91	\$ 4,734.49	16%
Golf	12"	\$ 7,004.61	\$ 8,114.48	16%
Special Contract	12"	\$ 150.00	\$ 173.77	16%

1 **Q. What are the primary drivers for CB's requested rate increase?**

2 A. CB states that it "... is seeking this change in rates because of cost increases
3 since rates were last approved based on a 2007 test year, to establish a power
4 cost automatic adjustment clause, and to establish a fair and reasonable return
5 on rate base."⁴

6 **Q. What procedural actions in this docket have taken place since CB filed
7 its application for a rate increase?**

8 A. Since the filing of the application in September 2020, the following procedural
9 actions have taken place:

10 1. RECOA filed a petition to intervene on November 3, 2020, which was
11 granted by the Administrative Law Judge on November 13, 2020;

12 2. A public comment hearing and prehearing conference were held on
13 November 19, 2020, via teleconference;

14 3. Settlement conferences were held via video conference on January 7 and
15 January 13, 2021.

16 **Q. What Public Comments were received from customers of CB in regard
17 to rates?**

18 A. On January 11, 2021, RECOA filed comments related to CB's revenue
19 requirement for consideration at the January 13 settlement conference. At the
20 November 19, 2020, public comment hearing, RECOA expressed a desire for
21 rates that were reasonable and economical but which would also support a
22 reliable, efficient, and responsive water system. To the best of Staff's

⁴ See UW 182 Application OWU/104 Bahr/3.

1 knowledge, there were no other comments received through the Commission's
2 Administrative Hearings Division or Consumer Services Section.

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ISSUE 4 – OPERATING EXPENSES

Q. Please summarize the revenue requirement agreed to by the Stipulating Parties.

A. The Stipulating Parties agreed to a total revenue requirement of \$1,190,522, which represents an increase of \$97,759, or 8.95 percent, over errata-adjusted 2019 test period revenues. The agreed-upon amounts included in each account are summarized in the Adjustment Summary, included as Exhibit Staff/102, Beitzel/1-7, and explained in more detail below.

Q. Please explain the approach Staff used for reviewing CB’s Operating Expenses.

A. Staff issued multiple data requests (DRs) using American Water Works Association (AWWA) salary information, and compared the Test Year to the prior year data to ascertain the appropriateness of each account balance. With the recent purchase of the utility, CB was limited in the information that it could provide prior to 2018 because “... OWU-CB was acquired by its current owner mid-year 2017.”⁵ For accounts where Staff determined an adjustment or additional analysis was necessary, information is provided below.

Q. Please explain the amount that CB proposed to include in Account 601 (Salaries and Wages - Employees).

A. CB’s reported test year Salaries and Wages – Employees expense was \$177,730.

⁵ See response to DR 7.

1 **Q. Please describe the methodologies utilized by Staff to assess the**
2 **appropriateness of CB's salary and wage amounts.**

3 A. Staff compared CB's wages to the 2019 AWWA Compensation Survey for
4 small water utilities (serving under 10,000 customers). Based on this
5 comparison, Staff determined that the base salaries of the employees allocated
6 to CB were within the appropriate range relative to the size of the utility.
7 Additionally, see Issue 5 related to Affiliated Interest analysis.

8 **Q. Please explain the amount that CB proposed to include in**
9 **Account 601.1 (Capitalized Overhead).**

10 A. CB's proposed Capitalized Overhead expenses was \$(156,784), which was
11 primarily related to the large asset investments CB made during 2019 (see
12 Tables 6 and 7 below). CB stated that "[e]mployee costs are generally
13 recorded as expenses, but when employees perform work on capital projects
14 their associated costs are accrued to the overall cost of that capital project."⁶

15 **Q. What amounts did the Stipulating Parties agree to include in**
16 **Capitalized Overhead?**

17 A. The Stipulating Parties agreed to a decrease of \$130,125 in Account 601.1,
18 resulting in a net increase in Salaries and Wages – Employees (Accounts 601
19 and 601.1) expense of \$151,071. Staff's proposed increase to Capitalized
20 Overhead was based on the average capitalized rate of another company that
21 is owned by the parent company of CB. Staff used a capitalized overhead rate
22 of 15 percent of the sum of Salaries and Wages – Employees plus Employee

⁶ See response to DR 16.

1 Pension and Benefits to represent a typical year related to an average amount
2 invested in the utility.

3 **Q. What amount did the Stipulating Parties agree to include in Account**
4 **604 (Employee Pension & Benefits)?**

5 A. The Stipulating Parties agreed to a decrease of \$50,631. Staff determined this
6 amount based on CB's response to Staff's DRs. In Table 3 below,⁷ the
7 amounts related to Affiliated Interest allocations (except Account 634) were
8 removed from Operating Expenses for this rate case based on the
9 requirements stipulated to in UP 345. In UP 345, the Stipulating Parties agreed
10 to limit the amount of Affiliated Interest allocations from SouthWest and
11 Suburban Water Systems (Suburban) collectively in the next rate case to
12 \$125,300.⁸ As shown in Table 3, \$125,300 was allocated to Account 634; Staff
13 removed the other allocated amounts. The Stipulating Parties agreed to an
14 amount of \$0 for this account.

Table 3: UW 182 Affiliated Interest reconciliation

Act #	Desc	Recorded TY	SWWC/SWS AI Costs	NWUS Costs*	Total Alloc**
604	Employee Pension & Benefits	50,631	50,631	0	50,631
619	Office Supplies	7,578	2,106	5,472	7,578
619.1	Postage	8,511	8,511	(0)	8,511
634	Contract Svcs - Management Fees	235,548	235,548	0	125,300***
648	Computer/Electronic Expenses	4,109	3,156	953	4,109
658	Workers' Comp Insurance	113	113	0	113

*NWUS is a subsidiary of SouthWest

**Staff's column totalling the allocations

*** Limit determined by UP 345

⁷ See responses to DR 19 and 20.

⁸ See UP 345, Stipulation Paragraph 11.

1 **Q. What amount did the Stipulating Parties agree to include in Account**
2 **619 (Office Supplies)?**

3 A. The Stipulating Parties agreed to a decrease of \$7,578. See Account 604
4 above. The Stipulating Parties agreed to an amount of \$0 for this account.

5 **Q. What amount did the Stipulating Parties agree to include in Account**
6 **619.1 (Postage)?**

7 A. The Stipulating Parties agreed to a decrease of \$8,511. See Account 604
8 above. The Stipulating Parties agreed to an amount of \$0 for this account.

9 **Q. What amount did the Stipulating Parties agree to include in Account**
10 **635 (Contract Svcs - Testing)?**

11 A. The Stipulating Parties agreed to an increase of \$1,500. In response to Staff's
12 DR.⁹ it was determined that CB had not included the amount related to the
13 change by the Oregon Health Authority's (OHA) site survey fee.¹⁰ The
14 Stipulating Parties agreed to an amount of \$8,106 for this account.

15 **Q. What amount did the Stipulating Parties agree to include in Account**
16 **648 (Computer/Electronic Expenses)?**

17 A. The Stipulating Parties agreed to a decrease of \$4,109. See Account 604
18 above. The Stipulating Parties agreed to an amount of \$0 for this account.

19 **Q. What amount did the Stipulating Parties agree to include in Account**
20 **658 (Workers' Comp Insurance)?**

⁹ See response to DR 32.

¹⁰ Annual Water System Fee, OAR 333-061-0089.

- 1 A. The Stipulating Parties agreed to a decrease of \$113. See Account 604 above.
2 The Stipulating Parties agreed to an amount of \$0 for this account.

3 **Q. What amount did the Stipulating Parties agree to include in Account**
4 **666 (Amortization of Rate Case)?**

- 5 A. CB's proposal of \$5,000 in this account represented an estimation of cost
6 associated with preparing the case.¹¹ The Stipulating Parties agreed to
7 amortize this amount over three years based on CB's statement that "... OWU-
8 CB anticipates filing rate cases every couple of years...".¹² This method
9 required a decrease of \$3,333. The Stipulating Parties agreed to an amount of
10 \$1,667 for this account.

11 **Q. Please explain the amount included in Account 667 (PUC Gross**
12 **Revenue Fee).**

- 13 A. With Order No. 20-054, issued on February 26, 2020, in Docket No. UM 1012,
14 the Commission established its annual fee rate at 0.35 percent of 2019 gross
15 operating revenues for electric, natural gas, water, and wastewater utilities.
16 For several years previously, the rate had been set at 0.3 percent of gross
17 operating revenues. The Stipulating Parties calculated the PUC Fee using the
18 0.35 percent rate, resulting in a total PUC Gross Revenue Fee of \$4,167.

19 **Q. What amount did the Stipulating Parties agree to include in Account**
20 **675 (Miscellaneous Expense).**

¹¹ See Application OWU/100, Bahr/19.

¹² See Application OWU/100, Bahr/19.

1 A. The Stipulating Parties agreed to a decrease of \$4,138. Based on CB's DR
2 response stating "The OHA fee ... is \$3,600."¹³ Staff removed this amount
3 because the more appropriate amount is now included in Account 635 above.
4 Additionally, another CB DR response stated that an amount related to "...a
5 human resources training in Seattle was inadvertently coded to the "Oregon"
6 code...."¹⁴ Staff removed \$538 based on this error. The Stipulating Parties
7 agreed to an amount of \$10,587 for this account.

8 **Q. What amount did the Stipulating Parties agree to include in Account**
9 **660 (Advertising).**

10 A. The Stipulating Parties agreed to a decrease of \$42. Staff reviewed the costs
11 in this account based on an invoice provided in a DR response¹⁵ and
12 determined it was related to Category C¹⁶ Advertising and not supported for
13 inclusion in rates. The Stipulating Parties agreed to an amount of \$0 for this
14 account.

15 **Q. What amount did the Stipulating Parties agree to include in Account**
16 **OE2 (Other Expense 2).**

17 A. The Stipulating Parties agreed to decrease this account by \$7,296 as part of an
18 overall package settlement primarily comprised of 50 percent of the requested
19 reduction by RECOA related to efficiencies in using the new Automatic Meter
20 Reading (AMR) technology. Staff adjusted this account to meet the Revenue

¹³ See Response to DR 32.

¹⁴ See Response to DR 30(d).

¹⁵ See response to DR 9.

¹⁶ Category C (OAR 860-022-0022): Institutional Advertising, promotional advertising expense.

1 Requirement agreed upon in Settlement. The Stipulating Parties agreed to an
2 amount of \$(7,296) for this account.

ISSUE 5 - AFFILIATED INTEREST**Q. Please summarize Staff's recommendation regarding Affiliated Interest (AI) charges in this docket.**

A. As described in more detail below, CB incurs two general types of AI charges – 1) administrative and general charges (Shared Services) from both SouthWest and Suburban, and 2) charges from Northwest Utility Systems (NWUS) associated with labor and goods and services necessary to perform daily operations.

Regarding Shared Services, Staff is recommending AI charges be allowed up to the \$125,300 cap (UP 345 AI Cap) adopted by the Commission in Order No. 17-156 in Docket No. UP 345.¹⁷ The Stipulating Parties agreed to reduce the level of Shared Services costs down to the UP 345 AI Cap.

Regarding charges from NWUS, as described below, Staff believes those charges meet the lower of cost or market standard which the Commission typically applies to AI costs. As a result, Staff is recommending no disallowance of NWUS costs associated with that standard.

As a result of the Company structure described below, a significant portion of the Company's Operating Expenses are incurred through AI transactions. Staff, accordingly, viewed the AI issue as a critical component of its review in this case.

Q. Please describe the genesis of the AI charges in this docket.

¹⁷ See Order No. 17-156, Appendix A, Page 4

1 A. As mentioned in the Company Description and Regulatory History section of
2 my testimony, CB was acquired by SouthWest in 2017. SouthWest also owns
3 Suburban as well as several other subsidiaries located in multiple states. The
4 Company incurs Shared Services from both SouthWest and Suburban. The
5 Shared Services from SouthWest include the following six broad categories -
6 Executive, Legal, Information Technology, Finance, Human Resources, and
7 Facilities.¹⁸ Suburban employees are located in Southern California, and
8 SouthWest employees are generally located in Texas.

9 Subsequent to the purchase of CB, SouthWest formed NWUS. NWUS
10 is a wholly-owned subsidiary of SouthWest. CB, in turn, is a wholly-owned
11 subsidiary of NWUS. NWUS provides operational goods and services to CB
12 including, but not limited to, meter reading, maintenance, and repair.

13 Generally, NWUS employees performing work for CB are located and perform
14 work in the CB area.

15 **Q. Have the AI charges present in this docket been previously addressed by**
16 **the Commission?**

17 A. While the specific AI charges present in this docket have not been previously
18 addressed by the Commission, the types of AI costs involved have been
19 generically addressed by the Commission in both Docket No. UP 345 and
20 Docket No. UI 417, wherein the Commission approved CB's AI agreement,
21 subject to conditions.

¹⁸ Application OWU/200, Hafeez/6 at 13-14.

1 The stipulation adopted by the Commission in Order No.17-156 in
2 Docket No. UP 345 included four terms regarding AI costs. Please note that at
3 the time of the docket, the acquired utility was named New Cline Butte Water
4 (NCBW), and was later re-named to Oregon Water Utilities – Cline Butte, Inc.
5 There are two relevant paragraphs for this proceeding:

6 Paragraph 11. SouthWest agrees NCBW [CB] will not seek rate recovery
7 for more than \$125,300 annually for affiliated interest costs charged by
8 SouthWest and Suburban to NCBW [CB] in the first general rate case or
9 similar proceeding filed by NBCW [CB].

10 Paragraph 13. SouthWest agrees that NCBW will comply with OARs 860-
11 036-2200, 2210 and 2230 when recording affiliate transactions on its
12 books and records.

13 The Staff recommendation adopted by the Commission in Order No.19-428 in
14 Docket No. UI 417 contained the following conditions regarding the AI charges
15 CB would include in its next general rate proceeding:

16 Condition 2. The Commission reserves the right to review, for
17 reasonableness, all financial aspects of this transaction in any rate
18 proceeding or alternative form of regulation; and,

19 Condition 5. With its next general rate proceeding filing, the Company will
20 provide:

21 a. A demonstration of the cost and market value of all goods/services
22 acquired under the contract, and

1 b. A demonstration that the Company has complied with term 13 of
2 the UP 345 Staff recommendation for the goods and services
3 acquired.

4 Applied to this docket, Staff believes, in combination, the conditions from
5 UP 345 and UI 417 listed above require the Company to 1) provide proof that
6 the Company's AI charges meet the Commission's lower of cost or market
7 standard and 2) limit total Shared Services charges from SouthWest and
8 Suburban to \$125,300 (i.e., the UP 345 AI Cap).

9 **Q. Please describe the scope of Staff's review of Shared Services AI**
10 **charges.**

11 A. As mentioned above, Shared Service charges are limited to \$125,300 in this
12 proceeding. Due to that cap, Staff did not feel it necessary to determine the
13 precise amount of AI costs that would meet the Commission's lower of cost or
14 market standard. Instead, Staff performed a review to determine if the amount
15 allowed under the UP 345 AI Cap (i.e., the \$125,300) would meet that
16 standard.

17 **Q. Please describe how Staff performed that review.**

18 A. As mentioned earlier in my testimony, Shared Services from SouthWest relate
19 to six broad categories of services - Executive, Legal, Information Technology,
20 Finance, Human Resources, and Facilities. If CB did not receive these
21 services from SouthWest, the utility would likely need to hire its own employees
22 to perform largely the same functions. Staff used the Oregon Employment
23 Department's Quality Info database to estimate the annual cost to perform

1 similar functions if CB were to hire employees within its local vicinity. As shown
 2 in the below Table 4, Staff examined wages associated with seven positions
 3 that perform similar functions to those outlined in the six broad functional
 4 categories. Because CB is located in Deschutes County, data attributable to the
 5 Central Oregon area were used where possible. Where Central Oregon data
 6 were unavailable, Oregon statewide figures were used instead.

Table 4: UW 182 Occupation comparison

Occupation Title	Area	Average Annual
Chief Executives	Central Oregon	\$204,567
Network and Computer Systems Administrators	Central Oregon	\$78,362
Computer User Support Specialists	Central Oregon	\$49,917
Accountants and Auditors	Central Oregon	\$68,542
Payroll and Timekeeping Clerks	Central Oregon	\$42,705
Human Resources Managers	Central Oregon	\$97,822
Lawyers	Oregon	\$119,379
TOTAL		\$661,294

7 While the above table reflects an annual cost of \$661,294, Staff estimates that
 8 the total cost of obtaining services equivalent to those currently provided by
 9 SouthWest may be higher than that amount. For instance, this figure reflects
 10 wages alone, and does not include associated employment costs such as
 11 payroll taxes, workers' compensation insurance, and employee benefits.
 12 Furthermore, these seven positions likely do not reflect the full range of
 13 experience and expertise that SouthWest's employees possess. For example,
 14 while the positions in the above table reflect general labor costs, SouthWest's
 15 employees possess expertise that is specific to the regulated water utility
 16 industry.

1 Staff also notes that while the \$125,300 limit included in Docket
2 No. UP 345 applies to allocated costs from both SouthWest and Suburban, the
3 analysis above refers exclusively to costs that are allocated from SouthWest.
4 To the extent that CB receives additional services from Suburban that are not
5 reflected above, the seven positions shown above may not reflect the full range
6 of services that CB receives from affiliates.

7 **Q. What does Staff conclude based on the above analysis?**

8 A. Based on that analysis, Staff finds that the inclusion of \$125,300 for affiliate-
9 provided services is likely lower than the market rate for comparable services,
10 and therefore complies with the Commission's lower of cost or market standard
11 regarding AI charges.

12 **Q. Please describe Staff's adjustment to reduce Shared Services costs to**
13 **\$125,300.**

14 A. CB's 2019 Affiliated Interest Annual Report for Water Utilities (2019 AI Report),
15 filed with the Commission, showed Shared Services charges totaling \$311,204,
16 implying a revision of \$185,904 (\$311,204 less the \$125,300 cap) to bring
17 Shared Services to the appropriate level.¹⁹ The Company's Application shows a
18 reduction in these charges of only \$110,248 (see OWU/101, Bahr 1) regarding
19 that commitment. The Stipulating Parties agreed to the additional adjustments
20 shown in Table 3 above to both reduce the total Shared Services to \$125,300
21 and move costs to appropriate accounts.

¹⁹ See RW55.

1 The adjustments shown in Table 3 are referred to in the discussions of the
2 accounts shown above in the Operating Expenses section of my testimony.

3 **Q. Please describe the analysis Staff performed to determine whether the AI**
4 **charges from NWUS met the Commission's lower of cost or market**
5 **standard.**

6 A. As I described earlier, NWUS provides operational goods and services to CB
7 including, but not limited to, meter reading, maintenance, and repair. In its
8 review of NWUS AI charges, Staff broke these costs into two categories: 1)
9 labor, and 2) goods and services.

10 Regarding the review of labor, as described above, Staff performed a
11 comparison of the salaries reflected in Account 601 Salaries and Wages -
12 Employees expense with salary levels for comparable positions found in the
13 2019 AWWA Compensation Survey for small water utilities (serving under
14 10,000 customers). Based on that comparison, Staff found the salaries
15 reflected in Account 601 expenses are in line with market salaries for
16 comparable positions and concluded they are reasonable.

17 Based on that same labor market analysis, Staff concludes that the
18 NWUS labor charges reflect market rates for labor and, therefore, meet the
19 Commission's lower of cost or market standard.

20 Regarding goods and services provided by NWUS, Staff inquired
21 whether the goods and services provided by NWUS included any additional
22 affiliate charges or were just provided at the cost paid by NWUS for those
23 goods and services. The Company stated in its UI 417 Application:

1 “Services and goods shall be rendered by the Providers for the Purchasers at
2 cost, without any profit markup. Services and goods are rendered at cost and
3 subject to review by the Commission during general rate cases.”²⁰
4 Staff believes, because the goods and services provided by NWUS are both
5 acquired at market prices and do not include any additional affiliate charges,
6 NWUS’s charges for those goods and services also meet the Commission’s
7 lower of cost or market standard. In summary, Staff believes all AI charges from
8 NWUS reflected in this case have met the commission’s lower of cost or market
9 standard.

²⁰ See UI 417 Application, Attachment A, Management Services Agreement, page 3.

1

ISSUE 6 – OTHER REVENUE DEDUCTIONS

2

Q. Please explain the amount included in Account 403 (Depreciation Expense).

3

4

A. The Stipulating Parties agreed to an increase of \$35,002. This amount is based on Staff's analysis of the Utility Plant in Service (UPIS). Staff reviewed the UPIS data provided by CB and when Depreciation Expense is calculated by Staff's model, it resulted in the above increase. The Stipulating Parties agreed to an amount of \$250,455 for this account.

5

6

Using Staff's model is a consistent and simple method to determine an accurate Depreciation Expense. Staff's model takes the UPIS cost, the

7

8

acquisition date, and the UPIS life and uses a straight-line depreciation method to calculate the yearly depreciation amount.

9

10

Q. Please explain the amount included in Account 409.1 (Federal Income Tax).

11

12

A. As shown below, the agreed-upon rate base and capital costs result in taxable income of \$286,646.

13

	Rate Base	\$4,452,730
x	Wtd. Return on Equity	4.75%
=	After-Tax Profit	211,505
x	NTG Factor (Tax Gross-Up)	1.3553
=	Pretax Profit (Taxable Income)	\$286,646

14

After removing state income taxes of \$18,919 (discussed below), CB's federal

15

taxable income is \$267,727. The current federal tax rate of 21 percent is

16

applied to this amount, resulting in a federal income tax expense of \$56,223.

1 **Q. Please explain the amount included in Account 409.11 (Oregon Income**
2 **Tax).**

3 A. As described in response to the previous question, CB's Oregon taxable
4 income is \$286,646. Applying the applicable state tax rates of 6.6 percent on
5 the first \$1,000,000 of taxable income results in an Oregon income tax
6 expense of \$18,919.

Rate	Taxed Amount	Tax
6.6%	\$286,646	\$18,919

ISSUE 7 – RATE BASE

Q. Please summarize the utility rate base agreed to by the Stipulating Parties.

A. The Stipulating Parties' agreed-upon rate base is summarized in Table 5 below.

Table 5: UW 182 Rate Base Summary

Account	Test Year	Adjustments	Stipulation
101 Utility Plant in Service	\$ 9,142,824		\$ 9,142,824
108 - Accumulated Depreciation of Plant	\$ 3,461,864	\$ (41,256)	\$ 3,420,608
271 - Contributions in Aid of Construction	\$ 892,189		\$ 892,189
272 + Accumulated Amortization of CIAC	\$ 99,306	\$ 6,659	\$ 105,965
281 - Accumulated Deferred Income Tax	\$ (406,008)	\$ 936,245	\$ 530,237
151 + Materials/Supplies Inventory	\$ 4,344		\$ 4,344
WC +Working Cash	\$ 38,813	\$ 3,818	\$ 42,631
Total Rate Base	\$ 5,337,242	\$ (884,512)	\$ 4,452,730

Q. Please explain the amount included in Account 101 (Utility Plant in Service).

A. CB's Application indicates that the test year UPIS balance, which consist of both company-invested plant as well as Contributions In Aid of Construction (CIAC), was \$9,142,824.²¹ The plant schedules provided to staff by CB support this amount.

Q. How has this account changed since the acquisition?

A. CB made the following additions to plant since the acquisition:

Table 6: UW 182 Acquisition to 2019 Plant Additions

	Pre-Acquisition	2017	2018	2019	Total
Invested	\$ 6,901,720	\$ 40,520	\$ 367,849	\$ 1,832,735	\$ 9,142,824
CIAC	\$ 462,566	\$ 17,219	\$ 12,404	\$ 400,000	\$ 892,189

²¹ See Application OWU/100, Bahr/11.

1 CB provided narrative explanations for its post-acquisition additions to invested
2 plant in its Application:

3 Installation of automatic meter read (“AMR”) meters so that meters
4 may be read in winter months even when covered in snow, log
5 water usage in smaller increments, transmit meter reads
6 electronically, and enhance meter reading accuracy; Installation of
7 backup power generators and accompanying 500-gallon fuel tanks
8 in order to provide system reliability during power outages;
9 Integration of Enterprise Resource Planning Software in order to
10 provide a comprehensive platform to manage customer billing,
11 service orders, fixed asset records, payroll, accounting, etc.; and
12 Miscellaneous smaller projects to address safety concerns, replace
13 failed equipment, address deferred maintenance, upgrade SCADA,
14 refurbish structures, and provide operators necessary tools to carry
15 out their job functions.²²

16 See Table 7 below for the amounts associated with the above 2019
17 investment.

²² See Application OWU/100, Bahr/12.

Table 7: UW 182 Plant Invested 2019

Category	Amount
AMR	\$ 672,907
Booster Station	\$ 220,429
Diesel Storage Tank	\$ 118,147
Generator	\$ 191,123
Misc	\$ 108,299
SCADA	\$ 39,720
Security	\$ 59,241
Well 6	\$ 57,726
Well 7	\$ 23,827
Well 8	\$ 47,783
Well 9	\$ 293,531
Total	\$ 1,832,735

1 **Q. Did CB propose to include any plant additions that were put into**
2 **service after the 2019 test year?**

3 A. No.

4 **Q. Please explain the amount included in Account 108 (Accumulated**
5 **Depreciation).**

6 A. The Stipulating Parties agreed to a decrease of \$41,256, which reflects
7 depreciation through the end of 2019. Similar to Account 403 above, Staff used
8 a model that calculated Accumulated Depreciation. The Stipulating Parties
9 agreed to an amount of \$3,420,608 for this account.

10 **Q. Please explain the amount included in Account 272 (Accumulated**
11 **Amortization of CIAC).**

12 A. The Stipulating Parties agreed to increase Accumulated Amortization of CIAC
13 by \$6,659. Similar to Account 403 above, Staff used a model that calculated

1 Accumulated Depreciation. The Stipulating Parties agreed to an amount of
2 \$105,965 for this account.

3 **Q. Please explain the amount included in Account 281 (Accumulated**
4 **Deferred Income Tax).**

5 A. The Stipulating Parties agreed to an increase of \$936,245, bringing the total of
6 the account to \$530,237.

7 **Q. Please provide information related to Account 281 (Accumulated**
8 **Deferred Income Tax).**

9 A. Accumulated Deferred Income Tax (ADIT) is generally on a company's books
10 as a liability representing a tax-related timing difference based on a company
11 being able to depreciate UPIS on an accelerated basis for tax purposes. This
12 timing difference diminishes over time as the assets are depreciated, but until
13 the account is zero, ADIT is generally deducted from Rate Base. This account
14 has not been included in prior rate cases by CB. Because of the lack of ADIT
15 information available to CB from the prior owners, a true value of ADIT is
16 difficult to calculate.

17 **Q. Please explain how the amount in ADIT was calculated.**

18 A. As part of the Settlement, Staff and CB worked together to calculate a
19 reasonable amount to use in this rate case that took into account the various
20 components of ADIT, including the recently changed impact of the taxability of
21 CIAC under the 2017 Tax Cut and Jobs Act.

1 Additionally, the Stipulating parties agreed that CB and Staff will "... prior to the
2 next rate case, work toward calculating a more accurate determination of ADIT
3 and Excess Deferred Income Tax (EDIT)."²³

4 **Q. Was EDIT included in this rate case?**

5 A. No. See above related to ADIT that Staff and CB will work together prior to
6 the next rate case to calculate a more accurate EDIT.

7 **Q. Please explain the amount included in Working Cash.**

8 A. The Stipulating Parties agreed to an increase of \$3,818. This adjustment brings
9 the total to \$42,631, which is one twelfth of total operating expenses.

²³ UW 182 Stipulation Paragraph 7, page 3.

1

ISSUE 8 – CAPITAL STRUCTURE

2

Q. What cost of capital did CB propose in its Application?

3

A. In its Application, CB proposed an overall ROR of 7.29 percent. CB cited several reasons related to increased investment and services post-acquisition and the prior rate case.²⁴ CB's proposed ROR was calculated using a ROE of 10 percent and a Cost of Debt of 4.57 percent using a 50:50 capital structure.

4

5

6

7

Q. Is the proposed capital structure appropriate?

8

A. Yes. The Commission has previously granted utilities that are part of a corporate structure or a holding company a theoretical 50:50 split between debt and equity. As CB is owned by SouthWest, the Stipulating Parties agreed to use this structure.

9

10

11

12

Q. What cost of capital did the Stipulating Parties agree to?

13

A. The Stipulating Parties agreed to an overall ROR of 7.04 percent, which is computed using a ROE of 9.5 percent. The calculation of CB's weighted capital costs is summarized in Table 8.

14

15

Table 8: UW 182 Weighted Capital Costs

	Cap Struct	Cost	Wtd. Cost
SouthWest Corporate Debt	50.00%	4.57%	2.29%
Total Debt	50.00%		2.29%
Cline Butte Capital	50.00%	9.50%	4.75%
Total Equity	50.00%		4.75%
Total Debt + Equity	100.00%		7.04%

²⁴ See Application OWU/100, Bahr/12-14.

1

ISSUE 9 – RATE SPREAD AND DESIGN

2

Q. Please describe how the Stipulating Parties agreed to spread the revenue requirement to CB's various service offerings.

3

4

A. The Stipulating Parties agreed to spread revenues primarily based on the amount collected in the test year, with two exceptions. The revenue allocation to Irrigation-non Golf and Golf were increased with the corresponding amount reduced from the newly combined Residential/Commercial/Industrial class.

5

6

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The test year and UW 182 revenue categories and corresponding percentages

9

are summarized in Table 9.

Table 9: UW 182 Revenue Allocation

	Test Year	% of Total	UW 182 Revenue	% of Total
Residential	\$ 825,980	73.2%		
Commercial/Industrial	\$ 31,628	2.8%		
Residential/Commercial/Industrial			\$ 829,731	74.5%
Irrigation- non Golf	\$ 122,152	10.8%	\$ 131,369	11.8%
Golf Course	\$ 146,664	13.0%	\$ 150,724	13.5%
Special Contract	\$ 2,000	0.2%	\$ 1,986	0.2%
	\$ 1,128,424		\$ 1,113,810	

10

Q. Is it typical for revenues to be spread based on historical data in water rate cases?

11

12

A. Yes. Water utilities typically do not perform detailed cost of service studies due to the significant time and expense involved. In the absence of such information, revenues are commonly spread based on test year actuals or other historical information in water rate cases.

13

14

15

16

Q. Why did the Stipulating Parties depart from this method?

17

A. The Stipulating Parties recognized that the revenue allocation reflected prior

18

ownership. Absent a cost of service study, the Parties agreed to move some of

1 the revenue collection to other classes to better reflect the water usage. Rate
2 spread is an aspect of review for every rate case and the Parties agreed to
3 “work toward meter equivalency as appropriate in the Company’s future rate
4 cases.”²⁵

5 **Q. Please describe how the Stipulating Parties agreed to design the**
6 **various rate components for each customer class.**

7 A. The Stipulating Parties agreed to an overall 65:35 percent split between the
8 monthly base and commodity rates for CB. For most water companies, splits
9 ranging between 60:40 and 70:30 percent are considered appropriate for
10 standard business, which allows for enough revenue collection through the
11 monthly base rate to remain solvent even in years of abundant rainfall.
12 The base rate is assessed regardless of the quantity of water used, and the
13 commodity rate (also known as a variable or usage rate) is assessed per unit
14 of water consumed. CB’s water is measured in units of 100 cubic feet. The
15 base rate provides a reliable revenue stream that enables the Company to
16 cover its fixed costs even during the portions of the year when water
17 consumption is low. The Parties recognized that both the current rate spread
18 and rate design were implemented by the prior owners and have questions
19 whether they continue to represent the most appropriate rate spread allocation
20 and rate design method. In this rate case, the Parties took incremental steps
21 toward adjusting rate spread and design as discussed below. The Parties
22 agreed to review and discuss pertinent aspects of rate spread, rate design, and

²⁵ See UW 182 Stipulation term 5, page 2.

1 revenue allocation between customer classes in future rate cases, with
2 RECOA specifically requesting a review of commodity rates within the Irrigation
3 Non-Golf and Golf Course classes.

4 Table 10 summarizes the rate design revenues for each customer
5 class:

Table 10: UW 182 Rate Design by Class

	Base:Commo dity %
Residential/Commercial/Industrial	75:25
Irrigation Non-Golf	43:57
Golf Course	62:38
Special Contract	100:0
Overall	65:35

6

7 **Q. Please explain how base rates are developed.**

8 A. Water base rates are typically designed such that customers with larger meter
9 sizes pay higher rates than those with smaller meters. This is because “the
10 safe operating flow, or capacity, of a particular size of meter is essentially the
11 limiting factor in terms of the demand that can be exerted on the water system
12 through the meter.”²⁶ Furthermore, “the potential demand or capacity
13 requirements placed on the water system...is generally an accepted basis for
14 determining the level of charge applicable to the customer.”²⁷ As such, Staff
15 typically uses a standard set of factors, sometimes referred to as “AWWA
16 factors,” to determine the appropriate relative differences in base rates for
17 different meter sizes. For example, the standard factor for a 5/8-inch base rate

²⁶ Principles of Water Rates, Fees, and Charges (M1) (6th Edition). American Water Works Association, 2012, Page 324.

²⁷ *Id.*

1 is 1 and the standard factor for a 1-inch base rate is 2.5, which means that a
2 customer with a 1-inch meter would typically pay a base rate that is
3 approximately 2.5 times that of a customer with a 5/8-inch meter.

4 **Q. How did the Stipulating Parties utilize the standard factors in**
5 **designing Tariff Schedule Nos. 1-4 base rates?**

6 A. The standard factors were the basis for attempting to move customers toward
7 meter equivalence. The following line sizes are currently not at the AWWA
8 factors:

- 9 • Sch 1- 1½”;
- 10 • Sch 2- ¾”, 4”, and 6”

11 The Stipulating Parties factored rate shock into the decision to not fully move
12 all line sizes to the AWWA factors. As mentioned, in future rate cases, Parties
13 will continue to review rate design and adjust as appropriate.

14 **Q. What other adjustments were made to tariff schedules?**

15 A. 1) The Residential Metered Rates (former Schedule No. 1) and the
16 Commercial and Industrial Metered Rates (former Schedule No. 2) were
17 combined into Schedule No. 1 Residential, Commercial and Industrial Meter
18 Rates. The other schedule numbers were adjusted accordingly.

19 2) The Stipulating Parties agreed to assign base rates for potential customer
20 line sizes up to 12” for each customer class. This will allow CB to accept new
21 customers at any common line size without having to file a new tariff. The new
22 base rates were all based on AWWA factors.

23 **Q. Were any new tariffs added?**

1 A. Yes. As proposed in CB's Application, the Stipulating Parties agreed to add a
2 Commodity Power Cost Adjustment (CPCA) as Schedule No. 5.²⁸

3 **Q. Please describe how a CPCA works.**

4 A. The power necessary to run a utility can be one of its largest expenses and
5 unlike many other expenses can change dramatically with little notice. A large
6 power expense change could potentially force a utility to file for a new rate
7 case. A CPCA allows for incremental changes to the commodity costs for each
8 customer class when the power expense changes and potentially reduces the
9 frequency of rate cases.

10 **Q. Did the Stipulating Parties accept the CPCA as requested in CB's**
11 **Application?**

12 A. No. CB requested to adjust commodity rates by 100 percent of the power cost
13 change and to file requests to reduce commodity rates for power cost
14 decreases only if it also filed requests to increase commodity rates for power
15 cost increases. The Stipulating Parties agreed to 1) limit each power cost
16 related increase to the commodity rate to \$.03 per customer class per
17 incidence, and 2) reduce the commodity rates in each class by the full amount
18 of a power cost expense reduction regardless of whether an increase had
19 previously been requested.²⁹

20

²⁸ See Application OWU/100, Bahr/17-18.

²⁹ See UW 182 Stipulation term 6, pages 2-3.

ISSUE 10 – OTHER ISSUES**Q. Did CB make any other requests in its Application?**

A. Yes. CB requested the recategorization of UPIS designated as Excess Capacity in CB's last general rate case, UW 127. As part of the prior rate case, Staff used a method of calculating excess capacity by dividing the number of developed platted lots by the total number of available platted lots.³⁰ In its Application and in response to Staff's DR, CB stated that it now serves 1,746 of 1,750 platted lots.^{31,32} Staff agreed that this is effectively full utilization of the utility. Accordingly, Staff calculated the revenue requirement based on the full UPIS as shown above.

Q. Did the Stipulating Parties agree on a rate effective date?

A. Yes. The Stipulating Parties agreed to, and support, rates being effective for service rendered on and after May 1, 2021, or three business days after the date the Commission issues an order adopting the attached Stipulation, whichever is later.

Q. Does this conclude your testimony?

A. Yes.

³⁰ See Staff/100, Sloan/7.

³¹ See OWU/100, Bahr/10.

³² See Response to DR 8.

CASE: UW 182
WITNESS: RUSSELL (RUSS) BEITZEL

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

March 1, 2021

WITNESS QUALIFICATIONS STATEMENT

NAME: Russell (Russ) Beitzel

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst
Telecommunications and Water Division

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

EDUCATION: Bachelor of Science in Accounting, Otterbein University

EXPERIENCE:

___ I have been employed with the Public Utility Commission of Oregon since 2018. I am currently a Senior Utility Analyst in the Telecommunications and Water Division. With regard to water, I have analyzed and addressed numerous issues including tariff changes, property sales, affiliated interest transactions, revenue requirement calculations, deferred tax calculations, rate spread, and rate design. I have also served as case manager on multiple water rate cases, and have provided testimony in UW 175, UW 177, UE 374, and UG 388.

___ Additionally, I worked at Ashland, Inc for twenty years as a manufacturing and corporate accountant and business analyst for a business unit with approximately one billion dollars in global annual sales. My accountant duties included product cost analysis, general ledger account analysis, SOX compliance, and internal and external audit compliance. My analyst duties included budgeting, forecasting, financial statement analysis, acquisition tracking, and division financial support for a global business unit.

CASE: UW 182
WITNESS: RUSSELL (RUSS) BEITZEL

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

**Exhibits in Support of Testimony
Summary Tables**

March 1, 2021

				Company Proposed Increase		Staff Proposed Increase
Revenue Requirement				10.28%		8.95%
	REVENUES	Adjusted Test Year	Company Adjustments	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals
460	Unmetered	-		\$ -		\$ -
461.1	Residential (+Commercial)	743,726	82,254	\$ 825,980	3,751.30	\$ 829,731
461.2	Commercial	28,478	3,150	\$ 31,628	(31,628.00)	\$ -
462	Fire Protection Sales	-		\$ -		\$ -
465	Irrigation Water Sales	109,988	12,164	\$ 122,152	9,216.79	\$ 131,369
466	Water Sales for Resale	-		\$ -		\$ -
467	Golf Course	132,059	14,605	\$ 146,664	4,059.55	\$ 150,724
468	Special Contract	1,800	200	\$ 2,000	(13.75)	\$ 1,986
471	Miscellaneous Services	644		\$ 644	-	\$ 644
475	Cross Connection Control	58,155		\$ 58,155	-	\$ 58,155
474	Other	17,913		\$ 17,913	-	\$ 17,913
		-		\$ -		\$ -
	Total Revenue	\$ 1,092,763	\$ 112,373	\$ 1,205,136	\$ (14,614)	\$ 1,190,522
Acct .	OPERATING EXPENSES					
601	Salaries and Wages - Employees	177,730		\$ 177,730	\$ -	\$ 177,730
601.1	Capitalized Overhead	(156,784)		\$ (156,784)	\$ 130,125	\$ (26,660)
603	Salaries and Wages - Officers	-		\$ -	\$ -	\$ -
604	Employee Pension & Benefits	50,631		\$ 50,631	(50,631)	\$ -
610	Purchased Water	-		\$ -	\$ -	\$ -
611	Telephone/Communications	4,011		\$ 4,011	\$ -	\$ 4,011
615	Purchased Power	148,209		\$ 148,209	\$ -	\$ 148,209
616	Fuel for Power Production	-		\$ -	\$ -	\$ -
617	Other Utilities	978		\$ 978	\$ -	\$ 978
618	Chemical / Treatment Expense	-		\$ -	\$ -	\$ -
619	Office Supplies	7,578		\$ 7,578	(7,578)	\$ -
619.1	Postage	8,511		\$ 8,511	(8,511)	\$ -
620	O&M Materials/Supplies	2,308		\$ 2,308	\$ -	\$ 2,308
621	Repairs to Water Plant	10,167		\$ 10,167	\$ -	\$ 10,167
631	Contract Svcs - Engineering	-		\$ -	\$ -	\$ -
632	Contract Svcs - Accounting	5,016		\$ 5,016	\$ -	\$ 5,016
633	Contract Svcs - Legal	1,268		\$ 1,268	\$ -	\$ 1,268
634	Contract Svcs - Management Fees	125,300		\$ 125,300	\$ -	\$ 125,300
635	Contract Svcs - Testing	6,606		\$ 6,606	\$ 1,500	\$ 8,106
636	Contract Svcs - Labor	-		\$ -	\$ -	\$ -
637	Contract Svcs - Billing/Collection	-		\$ -	\$ -	\$ -
638	Contract Svcs - Meter Reading	-		\$ -	\$ -	\$ -

	Account	Adjusted Test Year	Company Adjustments	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals
639	Contract Svcs - Other	5,397		\$ 5,397	\$ -	\$ 5,397
641	Rental of Building/Real Property	228		\$ 228	\$ -	\$ 228
642	Rental of Equipment	-		\$ -	\$ -	\$ -
643	Small Tools	113		\$ 113	\$ -	\$ 113
648	Computer/Electronic Expenses	4,109		\$ 4,109	\$ (4,109)	\$ -
650	Transportation	13,576		\$ 13,576	\$ -	\$ 13,576
656	Vehicle Insurance	3,592		\$ 3,592	\$ -	\$ 3,592
657	General Liability Insurance	2,691		\$ 2,691	\$ -	\$ 2,691
658	Workers' Comp Insurance	113		\$ 113	\$ (113)	\$ -
659	Insurance - Other	11,133		\$ 11,133	\$ -	\$ 11,133
666	Amortz. of Rate Case	5,000		\$ 5,000	\$ (3,333)	\$ 1,667
667	Gross Revenue Fee (PUC)	3,825	393	\$ 4,218	\$ (51)	\$ 4,167
670	Bad Debt Expense	3,892	400	\$ 4,292	\$ -	\$ 4,292
671	Cross Connection Control Program	-		\$ -	\$ -	\$ -
673	Training and Certification	4,998		\$ 4,998	\$ -	\$ 4,998
674	Consumer Confidence Report	-		\$ -	\$ -	\$ -
675	Miscellaneous Expense	14,725		\$ 14,725	\$ (4,138)	\$ 10,587
660	Advertising	42		\$ 42	\$ (42)	\$ -
OE2	Other Expense 2	-		\$ -	\$ (7,296)	\$ (7,296)
OE3	Other Expense 3	-		\$ -	\$ -	\$ -
OE4	Other Expense 4	-		\$ -	\$ -	\$ -
OE5	Other Expense 5	-		\$ -	\$ -	\$ -
	TOTAL OPERATING EXPENSE	\$ 464,963	\$ 793	\$ 465,756	\$ 45,822	\$ 511,578
	OTHER REVENUE DEDUCTIONS					
403	Depreciation Expense	215,453		\$ 215,453	\$ 35,002	\$ 250,455
406	Amort of Plant Acquisition Adjustment	-		\$ -	\$ -	\$ -
407	Amortization Expense	-		\$ -	\$ -	\$ -
408.11	Property Tax	21,210		\$ 21,210	\$ -	\$ 21,210
408.12	Payroll Tax	18,888		\$ 18,888	\$ -	\$ 18,888
408.13	Other	-		\$ -	\$ -	\$ -
409.10	Federal Income Tax	78,172	(2,235)	\$ 75,937	\$ (19,714)	\$ 56,223
409.11	Oregon Income Tax	22,350	(3,496)	\$ 18,854	\$ 64	\$ 18,919
409.13	Extraordinary Items Income Tax	-		\$ -	\$ -	\$ -
	TOTAL REVENUE DEDUCTIONS	\$ 821,036	\$ (4,938)	\$ 816,098	\$ 61,174	\$ 877,272
	Net Operating Income	\$ 271,727	\$ 117,311	\$ 389,038	\$ (75,788)	\$ 313,250
	UTILITY RATE BASE					
101	Utility Plant in Service	9,142,824		\$ 9,142,824	\$ (0)	\$ 9,142,824
105	Construction Work in Progress	-		\$ -	\$ -	\$ -
108	- Accumulated Depreciation of Plant	3,461,864		\$ 3,461,864	\$ (41,256)	\$ 3,420,608
271	- Contributions in Aid of Construction	892,189		\$ 892,189	\$ (0)	\$ 892,189
272	+ Accumulated Amortization of CIAC	99,306		\$ 99,306	\$ 6,659	\$ 105,965
281	- Accumulated Deferred Income Tax	(406,008)		\$ (406,008)	\$ 936,245	\$ 530,237
	- Excess Capacity	-		\$ -	\$ -	\$ -
	= NET RATE BASE INVESTMENT	\$ 5,294,085	\$ -	\$ 5,294,085	\$ (888,331)	\$ 4,405,754
	Plus: (working capital)					
151	Materials and Supplies Inventory	4,344		\$ 4,344	\$ -	\$ 4,344
	Working Cash (Total Op Exp /12)	38,747	66	\$ 38,813	\$ 3,818	\$ 42,631
	TOTAL RATE BASE	\$ 5,337,176	\$ 66	\$ 5,337,242	\$ (884,512)	\$ 4,452,730
	Rate of Return	5.09%		7.29%		7.04%

Adjustment Summary					
		Company	Staff	Staff Proposed	
	REVENUES	Proposed Totals	Adjustments to Company Totals	Totals	Explanation of Adjustment
	Unmetered	\$ -	\$ -	\$ -	
	Residential (+Commercial)	\$ 825,980	\$ 3,751	\$ 829,731	Staff's reduced revenues; spread based on Test Year
	Commercial	\$ 31,628	\$ (31,628)	\$ -	Staff's reduced revenues; spread based on Test Year
	Fire Protection Sales	\$ -	\$ -	\$ -	
	Irrigation Water Sales	\$ 122,152	\$ 9,217	\$ 131,369	Staff's reduced revenues; spread based on Test Year
	Water Sales for Resale	\$ -	\$ -	\$ -	
	Golf Course	\$ 146,664	\$ 4,060	\$ 150,724	Staff's reduced revenues; spread based on Test Year
	Special Contract	\$ 2,000	\$ (14)	\$ 1,986	Staff's reduced revenues; spread based on Test Year
	Miscellaneous Services	\$ 644	\$ -	\$ 644	
	Cross Connection Control	\$ 58,155	\$ -	\$ 58,155	
	Other	\$ 17,913	\$ -	\$ 17,913	
	0	\$ -	\$ -	\$ -	
	Total Revenue	\$ 1,205,136	\$ (14,614)	\$ 1,190,522	
Acct .	OPERATING EXPENSES				
601	Salaries and Wages - Employees	\$ 177,730	\$ -	\$ 177,730	
601.1	Capitalized Overhead	\$ (156,784)	\$ 130,125	\$ (26,660)	Representing 15% of A/C 601
603	Salaries and Wages - Officers	\$ -	\$ -	\$ -	
604	Employee Pension & Benefits	\$ 50,631	\$ (50,631)	\$ -	Determined to be Affiliated Interest costs above limit
610	Purchased Water	\$ -	\$ -	\$ -	
611	Telephone/Communications	\$ 4,011	\$ -	\$ 4,011	
615	Purchased Power	\$ 148,209	\$ -	\$ 148,209	
616	Fuel for Power Production	\$ -	\$ -	\$ -	
617	Other Utilities	\$ 978	\$ -	\$ 978	
618	Chemical / Treatment Expense	\$ -	\$ -	\$ -	
619	Office Supplies	\$ 7,578	\$ (7,578)	\$ -	Determined to be Affiliated Interest costs above limit
619.1	Postage	\$ 8,511	\$ (8,511)	\$ -	Determined to be Affiliated Interest costs above limit
620	O&M Materials/Supplies	\$ 2,308	\$ -	\$ 2,308	
621	Repairs to Water Plant	\$ 10,167	\$ -	\$ 10,167	
631	Contract Svcs - Engineering	\$ -	\$ -	\$ -	
632	Contract Svcs - Accounting	\$ 5,016	\$ -	\$ 5,016	
633	Contract Svcs - Legal	\$ 1,268	\$ -	\$ 1,268	
634	Contract Svcs - Management Fees	\$ 125,300	\$ -	\$ 125,300	
635	Contract Svcs - Testing	\$ 6,606	\$ 1,500	\$ 8,106	Added new OHA fee
636	Contract Svcs - Labor	\$ -	\$ -	\$ -	
637	Contract Svcs - Billing/Collection	\$ -	\$ -	\$ -	
638	Contract Svcs - Meter Reading	\$ -	\$ -	\$ -	

	Account	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals	Explanation of Adjustment
639	Contract Svcs - Other	\$ 5,397	\$ -	\$ 5,397	
641	Rental of Building/Real Property	\$ 228	\$ -	\$ 228	
642	Rental of Equipment	\$ -	\$ -	\$ -	
643	Small Tools	\$ 113	\$ -	\$ 113	
648	Computer/Electronic Expenses	\$ 4,109	\$ (4,109)	\$ -	Determined to be Affiliated Interest costs above limit
650	Transportation	\$ 13,576	\$ -	\$ 13,576	
656	Vehicle Insurance	\$ 3,592	\$ -	\$ 3,592	
657	General Liability Insurance	\$ 2,691	\$ -	\$ 2,691	
658	Workers' Comp Insurance	\$ 113	\$ (113)	\$ -	Determined to be Affiliated Interest costs above limit
659	Insurance - Other	\$ 11,133	\$ -	\$ 11,133	
666	Amortz. of Rate Case	\$ 5,000	\$ (3,333)	\$ 1,667	Staff spread over 3 years
667	Gross Revenue Fee (PUC)	\$ 4,218	\$ (51)	\$ 4,167	Automatic adjustment
670	Bad Debt Expense	\$ 4,292	\$ -	\$ 4,292	
671	Cross Connection Control Program	\$ -	\$ -	\$ -	
673	Training and Certification	\$ 4,998	\$ -	\$ 4,998	
674	Consumer Confidence Report	\$ -	\$ -	\$ -	
675	Miscellaneous Expense	\$ 14,725	\$ (4,138)	\$ 10,587	Removed \$3,600 OHA fee, allocation error of \$538
660	Advertising	\$ 42	\$ (42)	\$ -	Staff determined Category C Advertising
OE2	Other Expense 2	\$ -	\$ (7,296)	\$ (7,296)	Adjust to match RECOA request - net 50% of AMR exp
OE3	Other Expense 3	\$ -	\$ -	\$ -	
OE4	Other Expense 4	\$ -	\$ -	\$ -	
OE5	Other Expense 5	\$ -	\$ -	\$ -	
	TOTAL OPERATING EXPENSE	\$ 465,756	\$ 45,822	\$ 511,578	
	OTHER REVENUE DEDUCTIONS				
403	Depreciation Expense	\$ 215,453	\$ 35,002	\$ 250,455	Used Staff's model
406	Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	
407	Amortization Expense	\$ -	\$ -	\$ -	
408.11	Property Tax	\$ 21,210	\$ -	\$ 21,210	
408.12	Payroll Tax	\$ 18,888	\$ -	\$ 18,888	
408.13	Other	\$ -	\$ -	\$ -	
409.10	Federal Income Tax	\$ 75,937	\$ (19,714)	\$ 56,223	Automatic adjustment
409.11	Oregon Income Tax	\$ 18,854	\$ 64	\$ 18,919	Automatic adjustment
409.13	Extraordinary Items Income Tax	\$ -	\$ -	\$ -	
	TOTAL REVENUE DEDUCTIONS	\$ 816,098	\$ 61,174	\$ 877,272	
	Net Operating Income	\$ 389,038	\$ (75,788)	\$ 313,250	
	UTILITY RATE BASE				
101	Utility Plant in Service	\$ 9,142,824	\$ (0)	\$ 9,142,824	
105	Construction Work in Progress	\$ -	\$ -	\$ -	
108	- Accumulated Depreciation of Plant	\$ 3,461,864	\$ (41,256)	\$ 3,420,608	Used Staff's model
271	- Contributions in Aid of Construction	\$ 892,189	\$ (0)	\$ 892,189	
272	+ Accumulated Amortization of CIAC	\$ 99,306	\$ 6,659	\$ 105,965	Used Staff's model
281	- Accumulated Deferred Income Tax	\$ (406,008)	\$ 936,245	\$ 530,237	Adjusted for Staff's and CB's ADIT calculation
	- Excess Capacity	\$ -	\$ -	\$ -	
	= NET RATE BASE INVESTMENT	\$ 5,294,085	\$ (888,331)	\$ 4,405,754	
	Plus: (working capital)				
151	Materials and Supplies Inventory	\$ 4,344	\$ -	\$ 4,344	
	Working Cash (Total Op Exp /12)	\$ 38,813	\$ 3,818	\$ 42,631	Automatic adjustment
	TOTAL RATE BASE	\$ 5,337,242	\$ (884,512)	\$ 4,452,730	
	Rate of Return	7.29%	0.00%	7.04%	Staff decreased ROE to 9.5 percent

Service	Size	Current	Company Proposed		Stipulated	
		Rate	Rate	Increase from Current	Rate	Increase from Current
Resid/Comm	5/8"-3/4"	\$ 27.20	\$ 30.07	11%	\$ 31.80	17%
Resid/Comm	1"	\$ 40.12	\$ 43.61	9%	\$ 53.01	32%
Resid/Comm	1 1/2"	\$ 75.48	\$ 46.61	-38%	\$ 84.81	12%
Resid/Comm	2"	\$ 190.39	\$ 200.95	6%	\$ 169.62	-11%
Irrigation	5/8"-3/4"	\$ 10.88	\$ 12.07	11%	\$ 13.77	27%
Irrigation	1"	\$ 21.76	\$ 24.15	11%	\$ 27.54	27%
Irrigation	1 1/2"	\$ 43.52	\$ 48.30	11%	\$ 49.58	14%
Irrigation	2"	\$ 87.04	\$ 96.60	11%	\$ 88.14	1%
Irrigation	4"	\$ 174.07	\$ 193.19	11%	\$ 220.36	27%
Irrigation	6"	\$ 348.15	\$ 386.39	11%	\$ 440.71	27%
Golf	4"	\$ 1,167.08	\$ 1,296.16	11%	\$ 1,249.18	7%
Golf	6"	\$ 2,334.16	\$ 2,592.31	11%	\$ 2,498.37	7%
Golf	8"	\$ 4,084.78	\$ 4,536.55	11%	\$ 3,997.39	-2%
Special Contract	12"	\$ 150.00	\$ 166.67	11%	\$ 165.52	10%

Service	Size	Customers	Consumption	Base Rate	Commodity Rate	Revenue
Resid/Comm	5/8"-3/4"	1584	187,365	31.80	1.06	\$ 803,134
Resid/Comm	1"	12	2,868	53.01	1.06	\$ 10,673
Resid/Comm	1 1/2"	6	4,598	84.81	1.06	\$ 10,980
Resid/Comm	2"	2	824	169.62	1.06	\$ 4,944
Irrigation	5/8"-3/4"	103	30,807	13.77	0.65	\$ 37,047
Irrigation	1"	1	144	27.54	0.65	\$ 424
Irrigation	1 1/2"	10	17,127	49.58	0.65	\$ 17,082
Irrigation	2"	24	55,096	88.14	0.65	\$ 61,198
Irrigation	4"	1	2,594	220.36	0.65	\$ 4,330
Irrigation	6"	1	9,229	440.71	0.65	\$ 11,287
Golf	4"	1	24,766	1,249.18	0.30	\$ 22,420
Golf	6"	1	100,754	2,498.37	0.30	\$ 60,206
Golf	8"	1	67,095	3,997.39	0.30	\$ 68,097
Special Contract	12"	1	-	165.52	0.60	\$ 1,986
Miscellaneous Services						\$ 644
Cross Connection Control						\$ 58,155
Other						\$ 17,913
Total						\$ 1,190,522

Invested Plant						
Acct No.	Asset Description	Total Plant	Asset Life	2019 Depr	Accum. Deprec.	Remaining Plant
303	Land and Land Rights	20,101		-	-	20,101
304	Structures and Improvements	31,254		758	7,385	23,869
307	Wells and Intake	1,020,813		32,717	779,735	241,079
309	Supply Main	170,533		3,411	78,456	92,077
311	Pumping Equipment	1,277,796		27,826	168,573	1,109,222
330	Distribution Reservoir and Standpipes	264,890		5,297	102,116	162,774
331	Transmission and Distribution Mains	3,876,764		77,505	1,354,562	2,522,202
333	Services	942,466		31,388	539,625	402,841
334	Meters and Meters Installation	673,991		11,120	20,916	653,074
335	Hydrants	378,392		9,464	159,557	218,835
336	Cross Connection Control	2,040		136	215	1,824
340	Office Furniture and Equipment	200,925		40,072	65,617	135,309
341	Transportation Equipment	60,434		5,534	30,003	30,431
343	Tools, Shop and Garage Equipment	7,654		510	762	6,892
345	Power Operated Equipment	50,747		875	44,044	6,703
346	Communication Equipment	101,772		3,839	6,790	94,982
347	Electronic/Computer Equipment	8,069		-	8,069	-
348	Miscellaneous Equipment	54,183		4	54,183	-
TOTALS		9,142,824	Various	250,455	3,420,608	5,722,215

CIAC Plant						
Acct No.	Asset Description	Total Plant	Asset Life	2019 Depr	Accum. Deprec.	Remaining Plant
311	Pumping Equipment	400,000		8,334	8,334	391,666
333	Services	492,189		16,408	97,631	394,558
TOTALS		892,189		24,742	105,965	786,224

CASE: UW 182
WITNESS: RUSSELL (RUSS) BEITZEL

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 103

**Exhibits in Support of Testimony
Data Request Responses**

March 1, 2021

Request:

7. Please provide amounts for all expense and revenue accounts, in the attached file (titled Blank Revenue Input), for the two years prior to the Test Year (2017-2018), in similar pro forma format as the Revenue Requirement model beginning with the actual amounts and including all adjustments in a separate column, including the same adjustments as the Test Year.

Response: 7. Please see Attachment Staff 1-7. Information for 2017 is not provided as OWU-CB was acquired by its current owner mid-year 2017.

Request:

8. As noted in the Application, OWU-CB serves 1,746 connections as of December 31, 2019. Please provide the total number of lots platted for current or potential service by OWU-CB as of the end of the Test Year.

Response: 8. OWU-CB is aware of 1,750 platted lots as of the end of the 2019 test year.

Request:

9. Please provide support for the \$42 (including invoices and other documents) in Advertising (A/C 660).

Response: 9. This amount was an allocation to OWU-CB of an invoice totaling \$101. Please see Attachment Staff 1-9 for the supporting invoice.

Summary of the attachment referenced above - Staff 1-9 is an invoice: 19165 for 10 Swell Water Bottle, 17 oz., matte blue, one color one location print OR-10. Total Amount = \$101

Request:

16. Please provide information on how Capitalized Overhead (A/C 601.1) was calculated.

Response: 16. The capitalized overhead account records the capitalized loaded labor costs of employee time worked on capital projects. Employee costs are generally recorded as expenses, but when employees perform work on capital projects their associated costs are accrued to the overall cost of that capital project. When OWU-CB employees work on capital projects, their time and loaded labor cost is directly recorded to the appropriate service order, which is assigned to either water or wastewater and is included in Account 601.1.

Request:

19. Cline Butte's 2019 Affiliated Interest report showed charges from NWUS of \$708,237. Regarding those charges please provide;

- a. The amounts shown in each of the accounts in which those charges are shown in the Company's application in OWU/101, Bahr 1,
- b. A worksheet showing the total and allocation of the charges to OWU – CB for each charge shown in a.,
- c. An analysis showing how each of the charges shown in b. above, including but not limited to employee level information, meets the requirements of OAR 860-036-2230(2)(e) which requires affiliated interest transactions to be recorded in the water utility's accounts at the lower of the affiliate's cost or the market rate.
- d. For each employee listed above, please provide position title and the company for which the employee works.

Response: 19. a. The amount in the Affiliate Interest report for NWUS is simply OWU-CB's reported o&m costs less the charges from SouthWest and Suburban affiliates; the amount of OWU-CB's revenue requirement attributable to NWUS may be calculated the same way: taking the revenue requirement provided in OWU/101, Bahr/1 and subtracting the charges from SouthWest and Suburban shown in Attachment Staff 1-20a. Please see Attachment Staff 1-19a.

- b. Per the Cost Allocation Manual, amounts incurred by OWU-CB not from SouthWest or Suburban are either direct charged to OWU-CB or functionalized between water and wastewater using meter equivalents. Given the number of accounting entries included in OWU-CB's cost of service, OWU-CB is amenable to providing functionalization calculations and/or invoices for a sample of its individual costs, rather than the entirety.
- c. Use of a shared services model results in lower operating costs for OWU-CB, as costs of labor and equipment are functionalized between water and wastewater. NWUS employees providing services to OWU-CB are physically located in the Central Oregon area. NWUS seeks to pay its employees based generally on median market rates for

the area. Because these employees are contracted from the local area and compensation is generally based on available market data, these costs should be considered equal to market for purposes of Commission affiliate interest rules. Moreover, the use of the shared services model renders the actual cost to OWU-CB well below market were it to hire employees specifically for provision of www.swwc.com/oregon water service only. For non-labor costs, OWU-CB's cost and the market cost are the same thing, given that OWU-CB buys its goods and services on the open market, and the vendors of such goods and services charge OWU-CB the same prices that are charged to their other customers.

d. Please see CONFIDENTIAL Attachment Staff 1-13.

Per OWU/101, Bahr/1		Per Attachment Staff 1-20a		
		<u>Recorded TY</u>	<u>SWWC/SWS AI Costs</u>	<u>NWUS Costs</u>
601 Salaries and Wages - Employees		177,730		177,730
601.1 Capitalized Overhead		(156,784)		(156,784) *
603 Salaries and Wages - Officers		-		-
604 Employee Pension & Benefits		50,631	50,631	0
610 Purchased Water		-		-
611 Telephone/Communications		4,011		4,011
615 Purchased Power		148,209		148,209
616 Fuel for Power Production		-		-
617 Other Utilities		978		978
618 Chemical / Treatment Expense		-		-
619 Office Supplies		7,578	2,106	5,472
619.1 Postage		8,511	8,511	(0)
620 O&M Materials/Supplies		2,308		2,308
621 Repairs to Water Plant		10,167		10,167
631 Contract Svcs - Engineering		-		-
632 Contract Svcs - Accounting		5,016		5,016
633 Contract Svcs - Legal		1,268		1,268
634 Contract Svcs - Management Fees		235,548	235,548	0
635 Contract Svcs - Testing		6,606		6,606
636 Contract Svcs - Labor		-		-
637 Contract Svcs - Billing/Collection		-		-
638 Contract Svcs - Meter Reading		-		-
639 Contract Svcs - Other		5,397		5,397
641 Rental of Building/Real Property		228		228
642 Rental of Equipment		-		-
643 Small Tools		113		113
648 Computer/Electronic Expenses		4,109	3,156	953
650 Transportation		13,576		13,576
656 Vehicle Insurance		3,592		3,592
657 General Liability Insurance		2,691		2,691
658 Workers' Comp Insurance		113	113	0
659 Insurance - Other		11,133		11,133
660 Advertising Expense		42		42
666 Amort. of Rate Case		-		-
667 Gross Revenue Fee (PUC)		3,543		3,543
670 Bad Debt Expense		3,892		3,892
671 Cross Connection Control Program		-		-
673 Training and Certification		4,998		4,998
674 Consumer Confidence Report		-		-
675 Miscellaneous Expense		14,725		14,725
Total Operating Expenses		569,929	300,065	269,864
			189,817	

*Capitalized Overhead wasn't included in the 2019 Annual Report of Operations because the template doesn't allow for its input.

Request:

20. Cline Butte’s 2019 Affiliated Interest report showed charges from SouthWest Water Company (excluding NWUS) of \$311,204. Regarding those charges please provide;
- The amounts shown in each of the accounts in which those charges are shown in the Company’s application in OWU/101, Bahr 1,
 - A worksheet showing the total and allocation of the charges to OWU – CB for each charge shown in a.,
 - An analysis showing how each of the charges shown in b. above, including but not limited to employee level information, meets the requirements of OAR 860-036-2230(2)(e) which requires affiliated interest transactions to be recorded in the water utility’s accounts at the lower of the affiliate’s cost or the market rate.
 - For each employee listed above, please provide position title and the company for which the employee works.

Response: 20. a. The \$311,204 amount includes charges from (1) SouthWest, (2) Suburban Water Systems, and (3) third parties (contracted by SouthWest on behalf of OWU-CB; see OWU-CB’s response to Staff Data Request No. 21). Please see Attachment Staff 1- 20a for the amounts included in OWU-CB’s recorded test year, by NARUC account.

- Please see CONFIDENTIAL Attachment Staff 1-20b.
- Included in CONFIDENTIAL Attachment Staff 1-20b is the detail of services that were provided to OWU-CB by Suburban Water Systems, as well as the allocation of these costs to OWU-CB. Examples of services provided include billing, accounting, human resources, management, and customer service. CONFIDENTIAL Attachment Staff 1-20b also shows the allocation of corporate costs, which are described in detail in the testimony of Mujeeb Hafeez. Per the analysis provided in the application docketed as UI 417, the cost to hire in the Central Oregon area a (1) accountant, (2) superintendent, (3) IT manager, and (4) customer service representative to provide basic administrative services would by \$272,458 for salaries alone (not loaded). The costs of the management services provided by SouthWest (including its subsidiary Suburban) are substantially below this amount and therefore consistent with Commission rules regarding affiliates.
- Please see CONFIDENTIAL Attachment Staff 1-20b.

Act #	Desc	AI Report	Recorded TY	Rev Req					
604	Employee Pension & Benefits	59,323	50,631	50,631	*				
619	Office Supplies	2,106	2,106	2,106					
619.1	Postage	8,511	8,511	8,511					
634	Contract Svcs - Management Fee	237,996	235,548	125,300	**				
648	Computer/Electronic Expenses	3,156	3,156	3,156					
658	Workers' Comp Insurance	113	113	113					
		<u>311,205</u>	<u>300,065</u>	<u>189,817</u>					

*Note that the Employee Pension & Benefits in OWU-CB’s revenue requirement included \$8,175 of capitalized pensions & benefits.
 **Adjustments were made to corporate costs for purposes of the rate case; please see also CONFIDENTIAL Attachment Staff 1-20b.

Request:

30. In regard to information provided in response to DR 10, related to Misc. Expense, please provide narrative justification and an invoice for the following Ref Document No.’s/Vendor Invoice No.’s:
- 1900132223 / ER082319 (\$1,250.31)
 - 1900130433 / ER071519 OWU (\$1,133.00)
 - 1900125235 / ER031119 (\$883.15)
 - 1900125481 / ER031319 OWU (\$895.11)
 - 1900125896 / NAWC2019-10 (\$2,933.89)
 - 1900125897 / 2018 Survey CB (\$3,600.00)

- Response: 30. Please see Attachment Staff 1-30 for invoices related to expenses below.
- This allocated expense was for Brett Limbeck, OWU-CB’s Field Superintendent, to attend the Oregon Association of Water Utilities training and conference.
 - This expense was for Tim Tillery, Suburban Water System’s Safety & Security Manager, to aid OWU-CB with its capital project work.
 - This allocated expense was for Craig Gott, OWU-CB President, to attend the Oregon Association of Water Utilities training and conference.

d. This allocated expense was for Suburban Water System's new Director of Human Resources to be introduced to and hold meetings with OWU-CB employees. Upon review, it appears that \$1,297.56 related to a human resources training in Seattle was inadvertently coded to the "Oregon" code to be allocated amongst Oregon utilities; after removing this amount from the total expense, the correct amount for the allocated expense to OWU-CBB should be only \$356.94.

e. This expense is OWU-CB's annual member dues for the National Association of Water Companies, an industry group that provides research and information related to the water industry.

f. This expense is the 2018 OHA fee; please see OWU-CB's response to Staff Request No. 32

Request:

32. Related to testing, in regard to the new Oregon Health Authority (OHA) change of the site survey fee to the Annual Water System Fee (OAR 333—061-0089), is the amount requested in the application for Contract Services – Testing (A/C 635) appropriate? If so, please provide justification with the new OHA amount included.

Response: 32. The OHA fee included in the revenue requirement based on the 2019 test year is \$3,600. OWU-CB was charged a fee in 2020 of \$1,500 based on the revised fee schedule provided by OHA. Please see Attachment Staff 1-32 for the 2019 and 2020 OHA invoices.