

CASE: UW 185
WITNESS: RUSS BEITZEL

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Testimony in Support of
the Stipulation**

November 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 Roats Water System, Inc. (Roats or Company), and
11 Commission Staff (Staff) in Docket No. UW 185, Roats' request for a general
12 rate revision.

13 **Q. Who are the parties in Docket No. UW 185?**

14 A. The parties in Docket No. UW 185 are Roats, Blake Gesik, and Staff (each a
15 Party).

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

17 A. Yes. The Stipulation was entered into by Roats and Staff (the Stipulating
18 Parties) and resolves all issues in this docket.¹ The other Party, Blake Gesik,
19 did not oppose the Stipulation.

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 6 pages, and Exhibit Staff/103, consisting of 22 pages.

¹ See UW 185 Stipulation page 1.

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

2 A. My testimony is organized as follows:

3	Issue 1 – Summary Recommendation	3
4	Issue 2 – Company Description and Regulatory History	4
5	Issue 3 – Summary of Roats’ General Rate Filing	5
6	Issue 4 – Operating Expenses	9
7	Issue 6 – Other Revenue Deductions	17
8	Issue 7 – Rate Base.....	19
9	Issue 8 – Capital Structure.....	23
10	Issue 9 – Rate Spread and Design	24
11	Issue 10 – Other Issues	28
12	Exhibit 101 – Witness Qualification Statement	1
13	Exhibit 102 – Summary Tables	
14	Revenue Requirement.....	1
15	Adjustment Summary	3
16	Rate Comparison.....	5
17	Revenue Calculation at Stipulated Rates	6
18	Exhibit 103 – Data Request Responses & Attachments	1
19	Principles of Water Rates, Fees and Charges.....	21

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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 185. The Parties agree to a revenue requirement of \$2,348,413, which represents an increase of 7.87 percent, or \$171,431, over 2020 test year revenues of \$2,176,982. The Stipulating Parties agree to an 8.36 percent Rate of Return (ROR) on a rate base of \$3,691,307.

1 **ISSUE 2 – COMPANY DESCRIPTION AND REGULATORY HISTORY**

2 **Q. Please describe Roats.**

3 A. Roats is a rate- and service-regulated water utility located within Bend, Oregon.
4 The Company is organized as a corporation. The system was constructed in
5 1963 and began providing water service in 1963. Roats serves approximately
6 3,213 residential and commercial customers and 784 irrigation customers. The
7 Company also offers public and private fire protection.

8 **Q. Please provide a summary of Roats' recent regulatory history.**

9 A. Roats has been providing water service since 1963. Since that time, the
10 Company has filed several rate cases, the most recent being UW 166, which
11 was completed in 2017. In that docket, the Commission approved a stipulation
12 in which the parties found the acquisition of the portion of the Juniper Water
13 system acquired by Roats to be prudent. That acquisition resulted in total
14 annual revenues of \$2,001,698 and an approximately 95 percent increase in
15 customers for Roats.

ISSUE 3 – SUMMARY OF ROATS’ GENERAL RATE FILING

Q. Please describe Roats’ general rate case application.

A. Roats submitted its request for a general rate revision (Application) on April 30, 2021. The Company selected a test year of October 1, 2019 to September 30, 2020. In its Application, Roats proposed total annual revenues of \$2,367,138, representing an increase of 8.73 percent over 2020 revenues of \$2,176,982. The Company’s request reflected a ROR of 8.32 percent, which was computed using a Return on Equity (ROE) of 9.5 percent and a Cost of Debt of 6.6 percent, with a 60:40 (Equity:Debt) capital structure.

Q. Please describe the difference between Roats’ current rates and the rates proposed in Roats’ Application?

A. Roats’ current and proposed rates are summarized in Table 1.²

² See *In the Matter of Roats Water Company, Inc. Request for General Rate Revision*, Docket No. UW 185, Application pages 11-14.

Table 1: UW 185 Current vs. Roats' Proposed Rates

Service	Size	Current	Company Proposed		Current	Company Proposed	
		Base Rate	Base Rate	Increase from Current	Usage Rate	Usage Rate	Increase from Current
Resid/Comm	5/8"-3/4"	\$ 33.45	\$ 36.65	10%	\$ 0.95	\$ 1.04	9%
Resid/Comm	1"	\$ 48.17	\$ 52.78	10%	\$ 0.95	\$ 1.04	9%
Resid/Comm	1 1/2"	\$ 57.80	\$ 63.33	10%	\$ 0.95	\$ 1.04	9%
Resid/Comm	2"	\$ 74.26	\$ 81.37	10%	\$ 0.95	\$ 1.04	9%
Resid/Comm	3"	\$ 501.75	\$ 549.77	10%	\$ 0.95	\$ 1.04	9%
Resid/Comm	4"	\$ 836.26	\$ 916.29	10%	\$ 0.95	\$ 1.04	9%
Pines	5/8"-3/4"	\$ 17.58	\$ 19.26	10%	\$ 1.86	\$ 1.96	5%
Crown Villa	5/8"-3/4"	\$ 17.58	\$ 19.26	10%	\$ 1.86	\$ 1.96	5%
Irrigation	N/A	\$ 41.02	\$ 44.95	10%			N/A
Irrig MHP	N/A	\$ 19.47	\$ 21.33	10%			N/A
Fire Private	6"	\$ 10.67	\$ 11.69	10%			N/A
Fire Private	8"	\$ 17.07	\$ 18.70	10%			N/A
Fire Public	5/8"-3/4"	\$ 0.46	\$ 0.50	9%			N/A

- 1 **Q. What are the effects of Roats' proposed rates on average customers?**
- 2 A. The effects of Roats' proposed rates on customers' average monthly bills, as
- 3 shown in the customer notice provided by Roats, are summarized in Table 2.³

³ See UW 185, Application pages 13-15.

Table 2: UW 185 Average Bills at Roats' Proposed Rates

Service	Size	Current	Company Proposed	
		Rate	Rate	Increase from Current
Residential	5/8"-3/4"	\$ 44.85	\$ 49.67	11%
Residential	1"	\$ 79.58	\$ 81.90	3%
Residential	1 1/2"	\$ 127.76	\$ 133.96	5%
Commercial	5/8"-3/4"	\$ 38.06	\$ 39.08	3%
Commercial	1"	\$ 88.58	\$ 99.22	12%
Commercial	1 1/2"	\$ 107.58	\$ 115.69	8%
Commercial	2"	\$ 192.91	\$ 219.83	14%
Commercial	3"	\$ 895.47	\$ 950.67	6%
Commercial	4"	\$1,269.37	\$1,946.36	53%
Pines	5/8"-3/4"	\$ 31.15	\$ 32.91	6%
Crown Villa	5/8"-3/4"	\$ 22.21	\$ 25.71	16%
Irrigation	N/A	\$ 41.02	\$ 44.95	10%
Irrig MHP	N/A	\$ 19.47	\$ 21.33	10%
Fire Private	4"	\$ 5.34	\$ 5.85	10%
Fire Private	6"	\$ 10.67	\$ 11.69	10%
Fire Private	8"	\$ 17.07	\$ 18.70	10%
Fire Private	10"	\$ 24.54	\$ 26.89	10%
Fire Private	12"	\$ 33.94	\$ 37.19	10%
Fire Public	5/8"-3/4"	\$ 0.46	\$ 0.50	9%

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

2 A. Roats states that, "A request for increase in rates is due to the increases in
3 operating expenses such as wages, supplies/materials, electricity and leasing
4 costs."⁴

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

7 A. Since the filing of the application in April 2021, the following procedural actions
8 have taken place:

9 1. A public comment hearing and prehearing conference were held on June 3,
10 2021, via teleconference;

11 2. Blake Gesik filed a petition to intervene on June 29, 2021, which was
12 granted by the Administrative Law Judge on July 13, 2021;

13 3. A settlement conference was held via video conference on August 5, 2021.

14 **Q. What Public Comments were received from customers of Roats in**
15 **regard to rates?**

16 A. No customers attended the public comment hearing. Staff received three
17 comments through the Commission's Consumer Services section related to
18 Roats' notification of filing a rate increase, specifically citing irrigation. The
19 irrigation comments were related to irrigation water being reduced or
20 unavailable while customers continued to be billed for the service. Staff
21 addresses this issue in a separate section of this testimony (See Other Issues).

⁴ See UW 185, Application - supplemental introduction letter.

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ISSUE 4 – OPERATING EXPENSES

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

A. The Stipulating Parties agree to a total revenue requirement of \$2,348,413, which represents an increase of \$171,431, or 7.87 percent, over 2020 test period revenues. The agreed-upon amounts included in each account are summarized in the Adjustment Summary, included as Exhibit Staff/102, Beitzel/3-4, and explained in more detail below.

Q. Please explain the approach Staff used for reviewing Roats' Operating Expenses.

A. Staff issued fifty-three data requests (DRs), associated with Operating Expenses and other components of the case, and compared the Test Year to the prior two years' data to ascertain the appropriateness of each account balance. For accounts where Staff supports an adjustment or performed additional analysis, additional information is provided below.

Q. Please explain the amount that Roats proposed to include in Accounts 601 and 603 (Salaries and Wages – Employees & Officers).

A. Roats' reported test year and adjustment to Salaries and Wages – Employees expense totaled \$729,227.

Q. Please describe the methodologies utilized by Staff to assess the appropriateness of Roats' salary and wage amounts.

A. Staff compared information provided by Roats related to salaries for all employees and the proposed increases with the corresponding CPI indices for

1 the period 2016-2020,⁵ which covers the time period from the last rate case.⁶

2 Based on this comparison, Staff determined that the proposed increases for
3 most of Roats' staff were within the appropriate growth rate.

4 **Q. What amounts do the Stipulating Parties agree to include in Salaries
5 and Wages – Employees & Officers?**

6 A. The Stipulating Parties agree to a decrease of \$9,801.

7 **Q. Why does Staff support this decrease?**

8 A. Staff supports this decrease because it is based on the results of applying the
9 CPI indices, in total for accounts 601 and 603, resulting in a net increase of
10 \$70,665. This net increase is \$9,801 less than what was requested by Roats.

11 **Q. Please explain the amount that Roats proposed to include in
12 Account 604 (Employee Pension and Benefits).**

13 A. Roats' reported test year and adjustment to Employee Pension and Benefits
14 expenses was \$152,997, which was primarily related to increased cost by its
15 insurance provider.

16 **Q. What amounts do the Stipulating Parties agree to include in Employee
17 Pension and Benefits?**

18 A. The Stipulating Parties agree to the amount proposed by Roats for this
19 account, resulting in a net increase in Employee Pension and Benefits
20 (Account 604) expense of \$27,984.

21 **Q. Why does Staff support this increase?**

⁵ Bureau of Labor Statistics, All Urban Consumers, West area, <https://data.bls.gov/timeseries>.

⁶ See *In the Matter of Roats Water Company, Inc. Request for General Rate Revision*, Docket No. UW 166.

1 A. Staff determined this amount based on Roats' response to Staff's DRs,⁷ which
2 provided a recent copy of the bill from the insurance provider itemized by
3 employee.

4 **Q. What amount do the Stipulating Parties agree to include in Account**
5 **615 (Purchased Power)?**

6 A. The Stipulating Parties agree to an increase of \$33,148.

7 **Q. Why does Staff support this increase?**

8 A. This amount is consistent with using the three year average (3YA) and Roats'
9 response to Staff's DRs,⁸ which provided the most recent three years listed by
10 supplier and a narrative explanation of the costs.

11 **Q. What amount do the Stipulating Parties agree to include in Account**
12 **635 (Contract Services - Testing)?**

13 A. The Stipulating Parties agree to an increase of \$3,074.

14 **Q. Why does Staff support this increase?**

15 A. This amount is consistent with using the 3YA for this account and Account 618
16 (Chemical/Treatment Expense) combined, and Roats' response to Staff's
17 DRs,⁹ which provided the most recent two years listed by contributor and the
18 Company's upcoming testing schedule. Staff determined that these two
19 accounts represented the same type of expenses, just listed in separate
20 accounts.

⁷ See Staff Exhibit 103 (Roats' response to DR 34).

⁸ See Staff Exhibit 103 (Roats' response to DR 2).

⁹ See Staff Exhibit 103 (Roats' response to DR 4).

1 **Q. What amount do the Stipulating Parties agree to include in Account**
2 **636 (Contract Services - Labor)?**

3 A. The Stipulating Parties agree to a decrease of \$2,433.

4 **Q. Why does Staff support this decrease?**

5 A. Staff determined this amount based on Roats' response to Staff's DRs,¹⁰ which
6 provided a narrative explanation of the expense and provided information that
7 the expense will continue into the current fiscal year and beyond.

8 **Q. What amount did the Stipulating Parties agree to include in Account**
9 **639 (Contract Services - Other)?**

10 A. The Stipulating Parties agree to an increase of \$19,105. Originally the amount
11 for this account was posted in account 675 (Miscellaneous) for the Test Year.

12 **Q. Why does Staff support this increase?**

13 A. Staff determined this amount based on Roats' response to Staff's DRs,¹¹ which
14 provided detailed information related to each contractor and how the amounts
15 were split between the two accounts listed above, and moved the
16 corresponding amount to this account.

17 **Q. What amount did the Stipulating Parties agree to include in Account**
18 **642 (Rental of Equipment)?**

19 A. The Stipulating Parties agree to a decrease of \$5,936.

20 **Q. Why does Staff support this decrease?**

21 A. This amount is consistent with using the 3YA for this account.

¹⁰ See Staff Exhibit 103 (Roats' response to DR 51).

¹¹ See Staff Exhibit 103 (Roats' response to DRs 8 & 37).

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

3 A. With Order No. 21-066, issued on February 23, 2021, in Docket No. UM 1012,
4 the Commission established its annual fee rate at 0.375 percent of 2020 gross
5 operating revenues for electric, natural gas, water, and wastewater utilities.
6 For several years previously, the rate had been set at 0.35 percent of gross
7 operating revenues. The Stipulating Parties calculated the PUC Fee using the
8 0.375 percent rate, resulting in a total PUC Gross Revenue Fee of \$8,807.

9 **Q. What amount did the Stipulating Parties agree to include in Account**
10 **675 (Miscellaneous Expense).**

11 A. The Stipulating Parties agree to a decrease of \$21,561, resulting in an amount
12 of \$19,810 for this account.

13 **Q. Why does Staff support this decrease?**

14 A. Based on information provided by Roats to Staff's DRs,¹² Staff moved amounts
15 related to Account 639 (see above) and Account OE3 (see below) to their
16 respective accounts and removed non-deductible business expenses.

17 **Q. What amount did the Stipulating Parties agree to include in Account**
18 **OE3 (Conservation Expense).**

19 A. The Stipulating Parties agree to an increase of \$9,906.

20 **Q. Why does Staff support this increase?**

¹² See Staff Exhibit 103 (Roats' response to DR 11).

- 1 A. Staff determined this amount based on Roats' response to Staff's DRs,¹³ which
2 stated that this expense is related to Roats' water management plan and will
3 continue to occur in future years.

¹³ See Staff Exhibit 103 (Roats' response to DR 12).

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ISSUE 5 - AFFILIATED INTEREST

Q. Please summarize Staff’s recommendation regarding Affiliated Interest (AI) charges in this docket.

A. The Company’s filing reflects three types of AI transactions as described below.

The first AI transaction is related to salaries and benefits for the Company’s owner and president, William K. Roats (WK Roats).¹⁴ Staff reviewed the terms of this AI and determined the proposed salary for WK Roats is within the limits proposed in the AI agreement.

The second AI transaction is related to rental property that is used by the Company and owned by WK Roats.¹⁵ Staff reviewed the terms of this AI and issued a DR requesting additional information.¹⁶ After reviewing the DR response, which listed the components and corresponding amounts of the various properties, Staff determined the proposed amounts in Account 641 (Rental of Building/Real Property) matched the AI agreement with an addition of one non-affiliated property and were appropriate and thus met the requirements set forth in the AI agreement.

¹⁴ See *In the Matter of Roats Water System, Inc. Affiliated Interest Application with William K. Roats*, Docket UI 273, approved in Order No. 07-398.
¹⁵ See *In the Matter of Roats Water System, Inc. Affiliated Interest Application with W. K. Roats*, Docket UI 326, approved in Order No. 13-066.
¹⁶ See Staff Exhibit 103 (Roats’ response to DR 45)

1 The third AI transaction is related to a construction project from 2004, where a
2 company owned by WK Roats, William Roats Excavation, LLC (WRE),
3 provided services to the utility, which is explained below.¹⁷

4 **Q. Please provide information in regard to the AI amount related to WRE.**

5 A. The AI involved work done for the utility by WRE with a portion of the amount
6 owed to WRE becoming a note payable for the utility. The amount of the note
7 payable in 2004 was \$160,000. In its filing in this case, Roats included this
8 amount in the debt portion of its capital structure.

9 Staff issued four DRs related to this AI.¹⁸ In analyzing the responses to these
10 DRs Staff determined the following:

11 No payments have been made on the principal amount of \$160,000. Interest
12 has not been accruing at the contract rate. The repayment period was slated to
13 end approximately in 2026. With these facts, Staff concluded that the debt has
14 not been serviced as traditional debt and should not be included in utility's
15 capital structure.

¹⁷ See UI 228.

¹⁸ See Staff Exhibit 103, (Roats' Response to DRs 19-21 and 39).

ISSUE 6 – OTHER REVENUE DEDUCTIONS**Q. Please explain the amount included in Account 403 (Depreciation Expense).**

A. The Stipulating Parties agree to an increase of \$13,071. Staff supports this amount based on Staff's analysis of the Utility Plant in Service (UPIS). Staff reviewed the UPIS data provided by Roats and when Depreciation Expense was calculated by Staff's model, it resulted in the above increase. The Stipulating Parties agree to an amount of \$200,975 for this account. Using Staff's model is a consistent and simple method to determine an accurate Depreciation Expense. Staff's model takes the UPIS cost, the acquisition date, and the UPIS life and uses a straight-line depreciation method to calculate the yearly depreciation amount.

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

A. As shown below, the agreed-upon rate base and capital costs result in taxable income of \$295,000.

	Rate Base	\$3,691,307
X	Wtd. Return on Equity	5.90%
=	After-Tax Profit	217,669
X	NTG Factor (Tax Gross-Up)	1.3553
=	Pretax Profit (Taxable Income)	\$295,000

After removing state income taxes of \$19,470 (discussed below), Roats' federal taxable income is \$275,530. The current federal tax rate of 21 percent is applied to this amount, resulting in a federal income tax expense of \$57,863.

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 \$295,000. 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 \$19,470.

Rate	Taxed Amount	Tax
6.6%	\$295,000	\$19,470

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 3 below.

Table 3: UW 185 Rate Base Summary

Account	Test Year	Adjustments	Stipulation
101 Utility Plant in Service	\$ 7,807,152	\$ 509,708	\$ 8,316,860
105 Construction Work in Progress	\$ 109,385	\$ (109,385)	\$ -
108 - Accumulated Depreciation of Plant	\$ 3,116,637	\$ 32,726	\$ 3,149,363
271 - Contributions in Aid of Construction	\$ 1,858,098	\$ 318,808	\$ 2,176,906
272 + Accumulated Amortization of CIAC	\$ 799,504	\$ 32,351	\$ 831,855
281 - Accumulated Deferred Income Tax	\$ 372,052	\$ (70,226)	\$ 301,826
151 Materials and Supplies Inventory	\$ 33,171	\$ 0	\$ 33,171
WC Working Cash	\$ 135,296	\$ 2,218	\$ 137,515
Total Rate Base	\$ 3,537,721	\$ 153,585	\$ 3,691,307

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

A. Staff reviewed the spreadsheet provided in response to DRs,¹⁹ and calculated the amount shown in the table above for Account 101 based on the assets that have been put into service prior to the new rates going into effect. In addition, Staff removed the amount in Account 105 to reflect this change. This amount includes Contributions in Aid of Construction (account 271), which is later removed to calculate Rate Base.

¹⁹ See Staff Exhibit 103 (Roats' response to DR 49).

1 **Q. Did Roats propose to include any plant additions that were put into**
2 **service after the 2020 test year?**

3 A. Yes. The Stipulating Parties agreed to include the used and useful assets that
4 were put into service after the test year. The company provided a list of assets
5 that were reviewed by Staff and deemed appropriate. As a result of including
6 these assets, the Stipulating Parties agree to remove all Construction Work in
7 Progress as noted in Table 3.

8 **Q. Please explain the amount included in Account 105 (Construction Work**
9 **in Progress).**

10 A. The Stipulating Parties agree to a decrease of \$109,385, which reflects the
11 decision to include assets put into service after the test year. The Stipulating
12 Parties agree to an amount of \$0 for this account.

13 **Q. Please explain the amount included in Account 108 (Accumulated**
14 **Depreciation).**

15 A. The Stipulating Parties agree to an increase of \$32,726, which reflects
16 depreciation through the end of 2022. Similar to Account 403 above, Staff used
17 a model that calculated Accumulated Depreciation. The Stipulating Parties
18 agree to an amount of \$3,149,363 for this account.

19 **Q. Please explain the amount included in Account 271 (Contributions in**
20 **Aid of Construction).**

21 A. The Stipulating Parties agree to an increase of \$318,808, which reflects an
22 accurate calculation of this account based on information provided by Roats in

1 response to DRs,²⁰ which provided a detailed list of all assets. The Stipulating
2 Parties agree to an amount of \$2,176,906 for this account.

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

5 A. The Stipulating Parties agreed to increase Accumulated Amortization of
6 Contributions in Aid of Construction (CIAC) by \$32,351. Similar to Account 403
7 above, Staff used a model that calculated Accumulated Amortization. The
8 Stipulating Parties agree to an amount of \$831,855 for this account.

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

11 A. The Stipulating Parties agree to a decrease of \$72,226, bringing the total of the
12 account to \$301,826.

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

15 A. Accumulated Deferred Income Tax (ADIT) is generally on a company's books
16 as a liability representing a tax-related timing difference based on a company
17 being able to depreciate UPIS on an accelerated basis for tax purposes. This
18 timing difference diminishes over time as the assets are depreciated, but until
19 the account is zero ADIT is generally deducted from Rate Base.

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

21 A. Staff and Roats worked together to calculate a reasonable amount to use in
22 this rate case that took into account the various components of ADIT, including

²⁰ See Staff Exhibit 103 (Roats' response to DR 49).

1 the recently changed impact of the taxability of CIAC under the 2017 Tax Cut
2 and Jobs Act.

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

4 A. No. The Stipulating Parties agree that Roats and Staff will, "... prior to the next
5 rate case, work toward developing the appropriate treatment of Excess
6 Deferred Income Taxes (EDIT) in future rate cases."²¹

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

8 A. The Stipulating Parties agree to an increase of \$2,218. This adjustment brings
9 the total to \$137,515, which is one twelfth of total operating expenses.

²¹ See UW 185 Stipulation filed herewith, Paragraph 6.2, page 2.

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ISSUE 8 – CAPITAL STRUCTURE

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

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A. In its Application, Roats proposed an overall ROR of 8.32 percent. Roats cited,

4

“... it is a usual and reasonable return based on the company’s current capital

5

structure and related interest rates.”²² Roats’ proposed ROR was calculated

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using a ROE of 9.5 percent and a Cost of Debt of 6.55 percent using an

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approximately 62:38 (Equity:Debt) capital structure.

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

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A. The Stipulating Parties agree to an overall ROR of 8.36 percent, which is

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computed using a ROE of 9.5 percent. The calculation of Roats’ weighted

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capital costs is summarized in Table 4, which includes the removal of the AI

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debt in the amount of \$160,000 as discussed above.

Table 4: UW 185 Weighted Capital Costs

	Amount	Cap Struct	Cost	Wtd. Cost
CITY OF BEND	\$1,400,000	37.93%	6.50%	2.47%
Total Debt	\$1,400,000	37.93%		2.47%
EQUITY	\$2,291,307	62.07%	9.50%	5.90%
Total Equity	\$2,291,307	62.07%		5.90%
Total Debt + Equity	\$3,691,307	100.00%		8.36%

²² See Docket UW 185, Application Q14.

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ISSUE 9 – RATE SPREAD AND DESIGN

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

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A. The Stipulating Parties agree to spread revenues primarily based on the amount collected in the test year. The revenue related to Irrigation was determined based on the allocation information provided in response to Staff's DRs.²³ The test year and UW 185 revenue categories and corresponding percentages are summarized in Table 5.

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Table 5: UW 185 Revenue Allocation

	Test Year	% of Total	UW 185 Revenue	% of Total
Residential	1,444,195	66.4%	1,587,306	67.6%
Commercial	306,211	14.1%	336,554	14.3%
Fire Protection Sales	29,741	1.4%	32,688	1.4%
Irrigation	281,290	12.9%	277,554	11.8%
Irrigation - MHP	49,639	2.3%	48,198	2.1%
Irrigation - Avion	64,800	3.0%	64,800	2.8%

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

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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.

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14

²³ See Staff Exhibit 103 (Roats' response to DR 30).

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

3 A. For most water companies, ratios for base and commodity charges ranging
4 between 60:40 and 70:30 percent are considered appropriate for standard
5 business, which allows for enough revenue collection through the monthly base
6 rate to remain solvent even in years of abundant rainfall.

7 The Stipulating Parties agreed to a 70:30 percent split between the monthly
8 base and commodity rates for the Residential and Commercial customers.

9 For the Pines and Crown Villa customers, the base rate represents the amount
10 associated with revenues the Company collects to recover non-commodity
11 costs, while the commodity rate is provided by the City of Bend and is
12 considered a pass-through expense.

13 For Irrigation customers, there is no commodity rate as it is charged as a flat
14 monthly amount.

15 The base rate is assessed regardless of the quantity of water used, and the
16 commodity rate (also known as a variable or usage rate) is assessed per unit
17 of water consumed. Roats' water is measured in units of 100 cubic feet. The
18 base rate provides a reliable revenue stream that enables the Company to
19 cover its fixed costs even during the portions of the year when water
20 consumption is low.

21 In this rate case, the Parties took incremental steps toward adjusting rate
22 spread and design as discussed below. The Parties agreed to review and
23 discuss pertinent aspects of rate spread and rate design in future rate cases.

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

2 A. Water base rates are typically designed such that customers with larger meter
3 sizes pay higher rates than those with smaller meters. This is because “the
4 safe operating flow, or capacity, of a particular size of meter is essentially the
5 limiting factor in terms of the demand that can be exerted on the water system
6 through the meter.”²⁴ Furthermore, “the potential demand or capacity
7 requirements placed on the water system...is generally an accepted basis for
8 determining the level of charge applicable to the customer.”²⁵ As such, Staff
9 typically uses a standard set of factors, sometimes referred to as “AWWA
10 factors,” to determine the appropriate relative differences in base rates for
11 different meter sizes. For example, the standard factor for a 5/8-inch base rate
12 is 1 and the standard factor for a 1-inch base rate is 2.5, which means that a
13 customer with a 1-inch meter would typically pay a base rate that is
14 approximately 2.5 times that of a customer with a 5/8-inch meter.

15 **Q. How did the Stipulating Parties utilize the standard factors in**
16 **designing Tariff Schedule No. 1 base rates?**

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

- 20
- Sch 1- 1”, 1½”, 2”

²⁴ See Exhibit 103 (Principles of Water Rates, Fees and Charges).

²⁵ *Id.*

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

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

5 A. The Stipulating Parties agree to adjust the metrics in the formula for calculating
6 the Power Cost Adjustment (PCA) in Schedule 10 to the most current amounts.
7 This adjustment ensures that the threshold for when the PCA can be invoked is
8 current.

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

10 A. No.

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ISSUE 10 – OTHER ISSUES

Q. Were any comments made by customers expressing concern over the proposed rate increase?

A. Yes. While no customers attended the Public Comment hearing, Staff received, via the Consumer Services Section, three comments from customers.

The main concern expressed by the customers involved reduced or canceled irrigation water access, while still being billed for the service.

Q. Did Staff investigate these claims?

A. Yes. Staff issued three DRs²⁶ and called another regulated water utility in the Bend area that provides similar services from the same supplier.

Q. Please provide background information about the irrigation water process.

A. The supplier for both Roats and the neighboring utility staff contacted is Arnold Irrigation District (Arnold), but it is the Oregon Water Resources Department (OWRD) that determines the amount of available irrigation water to Arnold.

Before the irrigation season, roughly late Spring to early Fall, Arnold bills the utilities for the entire irrigation season, regardless of the future availability of any irrigation water.

For the utility - the equipment, expenses, supplies, and staff involved with maintaining the irrigation system are present regardless of receiving any irrigation water from Arnold.

²⁶ See Staff Exhibit 103 (Roats Response to DRs 46-48).

1 A major component that exacerbated the recent supply of irrigation water is
2 that Bend, OR, along with many cities in the state, is suffering from a
3 protracted drought. The drought severely limits the supply of available surface
4 water that is used for irrigation, which has caused limited or canceled irrigation
5 service in the Bend area. Arnold and the utilities it supplies experience no
6 reduction in cost of operation regardless of the available supply of irrigation
7 water.

8 **Q. What is Staff's analysis of how Roats handles irrigation water?**

9 A. Unlike potable drinking water, irrigation water is not guaranteed to be available
10 each year. While it is unfortunate that the drought of recent years has curtailed
11 the availability of irrigation water, the cost of maintaining the irrigation system
12 for the utilities does not change.

13 Staff concludes that Roats appropriately bills according to its Tariffs²⁷ and
14 Roats' customers have the right to cancel the service. Additionally, customers
15 of Arnold (Roats and other water utilities) do not receive a credit for a reduced
16 or canceled irrigation season; therefore, Roats cannot provide a credit to its
17 customers. Staff determined that Roats does not receive "increased profits", as
18 mentioned in the customer comments, as a result of a reduced or canceled
19 irrigation season because its expense structure does not change.

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

21 A. Yes. The Stipulating Parties agree to, and support, rates being effective for
22 service rendered on and after January 1, 2022, or three business days after the

²⁷ See Docket UW 185, Application - Tariffs 3 and 4.

1 date the Commission issues an order adopting the attached Stipulation,
2 whichever is later.

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

4 A. Yes.

CASE: UW 185
WITNESS: RUSSELL (RUSS) BEITZEL

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualification Statement

November 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 182, 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 185
WITNESS: RUSSELL (RUSS) BEITZEL

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

**Exhibits in Support of Testimony
Summary Tables**

November 1, 2021

				Company Proposed Increase			Staff Proposed Increase		
Revenue Requirement				8.73%			7.87%		
	REVENUES	Test Year	Company Adjustments	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals	Staff Proposed Irrigation	Staff Proposed Domestic	
460	Unmetered			\$ -		\$ -			
461.1	Residential	1,444,195	138,209	\$ 1,582,404	4,902	\$ 1,587,306		\$1,587,306	
461.2	Commercial	306,211	29,304	\$ 335,515	1,039	\$ 336,554		\$ 336,554	
462	Fire Protection Sales	29,741	2,846	\$ 32,587	101	\$ 32,688		\$ 32,688	
465	Irrigation Water Sales	330,929	19,600	\$ 350,529	(24,777)	\$ 325,752	\$325,752	\$ -	
466	Water Sales for Resale	286	27	\$ 313		\$ 313	\$ -	\$ 313	
471	Miscellaneous Services	636	170	\$ 806	-	\$ 806	\$ -	\$ 806	
475	Cross Connection Control	-	-	\$ -	-	\$ -	\$ -	\$ -	
	Other	184	-	\$ 184	10	\$ 194	\$ -	\$ 194	
	Other - Avion wheeling	64,800	-	\$ 64,800	-	\$ 64,800	\$ 64,800	\$ -	
	Total Revenue	\$ 2,176,982	\$ 190,156	\$ 2,367,138	\$ (18,725)	\$ 2,348,413	\$ 390,552	\$ 1,957,861	
Acct .	OPERATING EXPENSES								
601	Salaries and Wages - Employees	422,194	61,442	\$ 483,636	(9,801)	\$ 473,835	\$ 88,607	\$ 385,228	
603	Salaries and Wages - Officers	226,567	19,024	\$ 245,591	-	\$ 245,591	\$ 34,383	\$ 211,208	
604	Employee Pension & Benefits	125,013	27,984	\$ 152,997	-	\$ 152,997	\$ 21,420	\$ 131,577	
610	Purchased Water	97,972	-	\$ 97,972	-	\$ 97,972	\$ 42,753	\$ 55,219	
611	Telephone/Communications	18,589	-	\$ 18,589	-	\$ 18,589	\$ 2,602	\$ 15,987	
615	Purchased Power	128,341	-	\$ 128,341	33,148	\$ 161,489	\$ 21,780	\$ 139,709	
616	Fuel for Power Production	-	-	\$ -	-	\$ -	\$ -	\$ -	
617	Other Utilities	3,120	-	\$ 3,120	-	\$ 3,120	\$ 437	\$ 2,683	
618	Chemical / Treatment Expense	-	-	\$ -	-	\$ -	\$ -	\$ -	
619	Office Supplies	18,404	-	\$ 18,404	-	\$ 18,404	\$ 2,577	\$ 15,827	
619.1	Postage	630	-	\$ 630	-	\$ 630	\$ 88	\$ 542	
620	O&M Materials/Supplies	61,937	36,096	\$ 98,033	-	\$ 98,033	\$ 37,236	\$ 60,797	
621	Repairs to Water Plant	15,024	-	\$ 15,024	-	\$ 15,024	\$ 7,399	\$ 7,625	
631	Contract Svcs - Engineering	7,472	-	\$ 7,472	-	\$ 7,472	\$ 1,000	\$ 6,472	
632	Contract Svcs - Accounting	39,650	-	\$ 39,650	-	\$ 39,650	\$ 5,552	\$ 34,098	
633	Contract Svcs - Legal	4,725	-	\$ 4,725	-	\$ 4,725	\$ 661	\$ 4,064	
634	Contract Svcs - Management Fees	-	-	\$ -	-	\$ -	\$ -	\$ -	
635	Contract Svcs - Testing	3,867	-	\$ 3,867	3,074	\$ 6,941	\$ -	\$ 6,941	
636	Contract Svcs - Labor	3,364	-	\$ 3,364	(2,433)	\$ 931	\$ -	\$ 931	
637	Contract Svcs - Billing/Collection	21,562	-	\$ 21,562	-	\$ 21,562	\$ 4,091	\$ 17,471	
638	Contract Svcs - Meter Reading	-	-	\$ -	-	\$ -	\$ -	\$ -	
639	Contract Svcs - Other	-	-	\$ -	19,105	\$ 19,105	\$ 2,675	\$ 16,430	
641	Rental of Building/Real Property	133,176	-	\$ 133,176	-	\$ 133,176	\$ 18,645	\$ 114,531	
642	Rental of Equipment	20,987	-	\$ 20,987	(5,936)	\$ 15,051	\$ 9,517	\$ 5,534	
643	Small Tools	9,294	-	\$ 9,294	-	\$ 9,294	\$ 1,298	\$ 7,996	
648	Computer/Electronic Expenses	3,106	-	\$ 3,106	-	\$ 3,106	\$ 435	\$ 2,671	
650	Transportation	85,340	-	\$ 85,340	-	\$ 85,340	\$ 11,944	\$ 73,396	
656	Vehicle Insurance	12,408	-	\$ 12,408	-	\$ 12,408	\$ 1,737	\$ 10,671	
657	General Liability Insurance	18,690	-	\$ 18,690	-	\$ 18,690	\$ 2,616	\$ 16,074	
658	Workers' Comp Insurance	2,468	-	\$ 2,468	-	\$ 2,468	\$ 197	\$ 2,271	
659	Insurance - Other	85	-	\$ 85	-	\$ 85	\$ 12	\$ 73	
666	Amortz. of Rate Case	-	-	\$ -	-	\$ -	\$ -	\$ -	
667	Gross Revenue Fee (PUC)	7,672	-	\$ 7,672	1,135	\$ 8,807	\$ 1,465	\$ 7,342	
670	Bad Debt Expense	3,767	-	\$ 3,767	-	\$ 3,767	\$ 310	\$ 3,457	
671	Cross Connection Control Program	-	-	\$ -	-	\$ -	\$ -	\$ -	
673	Training and Certification	2,800	-	\$ 2,800	-	\$ 2,800	\$ 59	\$ 2,741	
674	Consumer Confidence Report	-	-	\$ -	-	\$ -	\$ -	\$ -	
675	Miscellaneous Expense	41,371	-	\$ 41,371	(21,561)	\$ 19,810	\$ 2,444	\$ 17,366	
OE1	Allocation of costs to capital projects	(60,843)	-	\$ (60,843)	-	\$ (60,843)	\$ -	\$ (60,843)	
OE2	Public relations/Advertising	242	-	\$ 242	-	\$ 242	\$ 31	\$ 211	
OE3	Conservation Expense	-	-	\$ -	9,906	\$ 9,906	\$ 1,398	\$ 8,508	
OE4	Other Expense 4	-	-	\$ -	-	\$ -	\$ -	\$ -	
OE5	Other Expense 5	-	-	\$ -	-	\$ -	\$ -	\$ -	
	TOTAL OPERATING EXPENSE	\$ 1,478,994	\$ 144,546	\$ 1,623,540	\$ 26,636	\$ 1,650,176	\$ 325,367	\$ 1,324,809	

		Test Year	Company Adjustments	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals	Staff Proposed Irrigation	Staff Proposed Domestic
OTHER REVENUE DEDUCTIONS								
403	Depreciation Expense	187,904	-	\$ 187,904	\$ 13,071	\$ 200,975	\$ 19,671	\$ 181,304
406	Amort of Plant Acquisition Adjustment	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
407	Amortization Expense	-	9,823	\$ 9,823	\$ -	\$ 9,823	\$ 1,375	\$ 8,448
408.11	Property Tax	32,239	-	\$ 32,239	\$ (526)	\$ 31,713	\$ 6,227	\$ 25,486
408.12	Payroll Tax	62,383	-	\$ 62,383	\$ -	\$ 62,383	\$ 12,250	\$ 50,133
408.13	Other	5,875	-	\$ 5,875	\$ 1,460	\$ 7,335	\$ 1,440	\$ 5,895
409.10	Federal Income Tax	114,037	-	\$ 114,037	\$ (56,174)	\$ 57,863	\$ 3,620	\$ 54,243
409.11	Oregon Income Tax	37,000	-	\$ 37,000	\$ (17,530)	\$ 19,470	\$ 1,218	\$ 18,253
409.13	Extraordinary Items Income Tax	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUE DEDUCTIONS		\$ 1,918,432	\$ 154,369	\$ 2,072,801	\$ (33,063)	\$ 2,039,738	\$371,168	\$1,668,571
Net Operating Income		\$ 258,550	\$ 35,787	\$ 294,337	\$ 14,337	\$ 308,674	\$ 19,384	\$ 289,290
UTILITY RATE BASE								
101	Utility Plant in Service	7,807,152	-	\$ 7,807,152	\$ 509,708	\$ 8,316,860	\$663,826	\$7,653,034
105	Construction Work in Progress	109,385	-	\$ 109,385	\$ (109,385)	\$ -	\$ -	\$ -
108	- Accumulated Depreciation of Plant	3,116,637	-	\$ 3,116,637	\$ 32,726	\$ 3,149,363	\$177,059	\$2,972,304
271	- Contributions in Aid of Construction	1,858,098	-	\$ 1,858,098	\$ 318,808	\$ 2,176,906	\$318,808	\$1,858,098
272	+ Accumulated Amortization of CIAC	799,504	-	\$ 799,504	\$ 32,351	\$ 831,855	\$ 32,351	\$ 799,504
281	- Accumulated Deferred Income Tax	372,052	-	\$ 372,052	\$ (70,226)	\$ 301,826	\$ -	\$ 301,826
	- Excess Capacity	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
= NET RATE BASE INVESTMENT		\$ 3,369,254	\$ -	\$ 3,369,254	\$ 151,367	\$ 3,520,621	\$200,310	\$3,320,311
Plus: (working capital)								
151	Materials and Supplies Inventory	33,171	-	\$ 33,171	\$ -	\$ 33,171	\$ 4,633	\$ 28,538
	Working Cash (Total Op Exp /12)	123,251	12,046	\$ 135,296	\$ 2,219	\$ 137,515	\$ 27,114	\$ 110,401
TOTAL RATE BASE		\$ 3,525,676	\$ 12,046	\$ 3,537,721	\$ 153,586	\$ 3,691,307	\$232,057	\$3,459,250
Rate of Return		7.33%		8.32%		8.36%	8.35%	8.36%

Adjustment Summary				
	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals	Explanation of Adjustment
REVENUES				
Unmetered				
Residential	\$ 1,582,404	\$ 4,902	\$ 1,587,306	Auto calculated to match appropriate RoR
Commercial	\$ 335,515	\$ 1,039	\$ 336,554	Auto calculated to match appropriate RoR
Fire Protection Sales	\$ 32,587	\$ 101	\$ 32,688	Auto calculated to match appropriate RoR
Irrigation Water Sales	\$ 350,529	\$ (24,777)	\$ 325,752	Auto calculated to match appropriate RoR; removed Avion fees
Water Sales for Resale	\$ 313	\$ -	\$ 313	
Miscellaneous Services	\$ 806	\$ -	\$ 806	
Cross Connection Control	\$ -	\$ -	\$ -	
Other	\$ 184	\$ 10	\$ 194	
Other - Avion wheeling	\$ 64,800	\$ -	\$ 64,800	Moved for clarification; not related to customer revenue
Total Revenue	\$ 2,367,138	\$ (18,725)	\$ 2,348,413	
Acct . OPERATING EXPENSES				
601 Salaries and Wages - Employees	\$ 483,636	\$ (9,801)	\$ 473,835	Based on Staff's calculation using Urban West CPI
603 Salaries and Wages - Officers	\$ 245,591	\$ -	\$ 245,591	
604 Employee Pension & Benefits	\$ 152,997	\$ -	\$ 152,997	
610 Purchased Water	\$ 97,972	\$ -	\$ 97,972	
611 Telephone/Communications	\$ 18,589	\$ -	\$ 18,589	
615 Purchased Power	\$ 128,341	\$ 33,148	\$ 161,489	Adjusted for 3 Year Average and information from DR2
616 Fuel for Power Production	\$ -	\$ -	\$ -	
617 Other Utilities	\$ 3,120	\$ -	\$ 3,120	
618 Chemical / Treatment Expense	\$ -	\$ -	\$ -	
619 Office Supplies	\$ 18,404	\$ -	\$ 18,404	
619.1 Postage	\$ 630	\$ -	\$ 630	
620 O&M Materials/Supplies	\$ 98,033	\$ -	\$ 98,033	
621 Repairs to Water Plant	\$ 15,024	\$ -	\$ 15,024	
631 Contract Svcs - Engineering	\$ 7,472	\$ -	\$ 7,472	
632 Contract Svcs - Accounting	\$ 39,650	\$ -	\$ 39,650	
633 Contract Svcs - Legal	\$ 4,725	\$ -	\$ 4,725	
634 Contract Svcs - Management Fees	\$ -	\$ -	\$ -	
635 Contract Svcs - Testing	\$ 3,867	\$ 3,074	\$ 6,941	Adjusted for 3 Year Average and information from PYs in A/C 618
636 Contract Svcs - Labor	\$ 3,364	\$ (2,433)	\$ 931	Badger Rd project; Test Year only
637 Contract Svcs - Billing/Collection	\$ 21,562	\$ -	\$ 21,562	
638 Contract Svcs - Meter Reading	\$ -	\$ -	\$ -	
639 Contract Svcs - Other	\$ -	\$ 19,105	\$ 19,105	Adjusted for 3 Year Average and information from PYs; initially in A/C 675
641 Rental of Building/Real Property	\$ 133,176	\$ -	\$ 133,176	
642 Rental of Equipment	\$ 20,987	\$ (5,936)	\$ 15,051	Adjusted for 3 Year Average
643 Small Tools	\$ 9,294	\$ -	\$ 9,294	
648 Computer/Electronic Expenses	\$ 3,106	\$ -	\$ 3,106	
650 Transportation	\$ 85,340	\$ -	\$ 85,340	
656 Vehicle Insurance	\$ 12,408	\$ -	\$ 12,408	
657 General Liability Insurance	\$ 18,690	\$ -	\$ 18,690	
658 Workers' Comp Insurance	\$ 2,468	\$ -	\$ 2,468	
659 Insurance - Other	\$ 85	\$ -	\$ 85	
666 Amortz. of Rate Case	\$ -	\$ -	\$ -	
667 Gross Revenue Fee (PUC)	\$ 7,672	\$ 1,135	\$ 8,807	Auto Calculated
670 Bad Debt Expense	\$ 3,767	\$ -	\$ 3,767	
671 Cross Connection Control Program	\$ -	\$ -	\$ -	
673 Training and Certification	\$ 2,800	\$ -	\$ 2,800	
674 Consumer Confidence Report	\$ -	\$ -	\$ -	
675 Miscellaneous Expense	\$ 41,371	\$ (21,561)	\$ 19,810	Adjusted for 3 Year Average; moved amt to A/C 639; removed non-travel busn exp
OE1 Allocation of costs to capital projects	\$ (60,843)	\$ -	\$ (60,843)	
OE2 Public relations/Advertising	\$ 242	\$ -	\$ 242	
OE3 Conservation Expense	\$ -	\$ 9,906	\$ 9,906	Moved from A/C 675 and information from DR12
OE4 Other Expense 4	\$ -	\$ -	\$ -	
OE5 Other Expense 5	\$ -	\$ -	\$ -	
TOTAL OPERATING EXPENSE	\$ 1,623,540	\$ 26,636	\$ 1,650,176	

	Account	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals	Explanation of Adjustment
	OTHER REVENUE DEDUCTIONS				
403	Depreciation Expense	\$ 187,904	\$ 13,071	\$ 200,975	Auto Calculated based on Staff's depreciation model
406	Amort of Plant Acquisition Adjustmen	\$ -	\$ -	\$ -	
407	Amortization Expense	\$ 9,823	\$ -	\$ 9,823	
408.11	Property Tax	\$ 32,239	\$ (526)	\$ 31,713	Adjusted for 3 Year Average and information from DRs 13&14
408.12	Payroll Tax	\$ 62,383	\$ -	\$ 62,383	
408.13	Other	\$ 5,875	\$ 1,460	\$ 7,335	Annualized CAT; information from DR13
409.10	Federal Income Tax	\$ 114,037	\$ (56,174)	\$ 57,863	Auto Calculated
409.11	Oregon Income Tax	\$ 37,000	\$ (17,530)	\$ 19,470	Auto Calculated
409.13	Extraordinary Items Income Tax	\$ -	\$ -	\$ -	
	TOTAL REVENUE DEDUCTIONS	\$ 2,072,801	\$ (33,063)	\$ 2,039,738	
	Net Operating Income	\$ 294,337	\$ 14,337	\$ 308,674	
	UTILITY RATE BASE				
101	Utility Plant in Service	\$ 7,807,152	\$ 509,708	\$ 8,316,860	Based on provided list of assets
105	Construction Work in Progress	\$ 109,385	\$ (109,385)	\$ -	Removed to add to Account 101
108	- Accumulated Depreciation of Plant	\$ 3,116,637	\$ 32,726	\$ 3,149,363	Auto Calculated
271	- Contributions in Aid of Construction	\$ 1,858,098	\$ 318,808	\$ 2,176,906	Based on provided list of assets
272	+ Accumulated Amortization of CIAC	\$ 799,504	\$ 32,351	\$ 831,855	Auto Calculated
281	- Accumulated Deferred Income Tax	\$ 372,052	\$ (70,226)	\$ 301,826	Adjusted to reflect taxable CIAC assets
	- Excess Capacity	\$ -	\$ -	\$ -	
	= NET RATE BASE INVESTMENT	\$ 3,369,254	\$ 151,367	\$ 3,520,621	
	Plus: (working capital)				
151	Materials and Supplies Inventory	\$ 33,171	\$ -	\$ 33,171	
	Working Cash (Total Op Exp /12)	\$ 135,296	\$ 2,219	\$ 137,515	Auto Calculated
	TOTAL RATE BASE	\$ 3,537,721	\$ 153,586	\$ 3,691,307	
	Rate of Return	8.32%	9.34%	8.36%	

Service	Size	Current	Company Proposed		Stipulated	
		Rate	Rate	Increase from Current	Rate	Increase from Current
Residential	5/8"-3/4"	\$ 44.85	\$ 49.67	11%	\$ 45.71	2%
Residential	1"	\$ 79.58	\$ 81.90	3%	\$ 91.31	15%
Residential	1 1/2"	\$ 127.76	\$ 133.96	5%	\$ 148.04	16%
Commercial	5/8"-3/4"	\$ 38.06	\$ 39.08	3%	\$ 38.03	0%
Commercial	1"	\$ 88.58	\$ 99.22	12%	\$ 101.49	15%
Commercial	1 1/2"	\$ 107.58	\$ 115.69	8%	\$ 125.21	16%
Commercial	2"	\$ 192.91	\$ 219.83	14%	\$ 232.64	21%
Commercial	3"	\$ 895.47	\$ 950.67	6%	\$ 937.53	5%
Commercial	4"	\$ 1,269.37	\$ 1,946.36	53%	\$ 1,310.24	3%
Pines	5/8"-3/4"	\$ 31.15	\$ 32.91	6%	\$ 35.20	13%
Crown Villa	5/8"-3/4"	\$ 22.21	\$ 25.71	16%	\$ 25.49	15%
Irrigation	N/A	\$ 41.02	\$ 44.95	10%	\$ 40.30	-2%
Irrig MHP	N/A	\$ 19.47	\$ 21.33	10%	\$ 19.13	-2%
Fire Private	6"	\$ 10.67	\$ 11.69	10%	\$ 11.33	6%
Fire Private	8"	\$ 17.07	\$ 18.70	10%	\$ 18.12	6%
Fire Public	5/8"-3/4"	\$ 0.46	\$ 0.50	9%	\$ 0.49	6%

Service	Size	Customers	Consumption	Base Rate	Commodity Rate	Revenue
Residential	5/8"-3/4"	2,224	320,370	\$ 32.82	\$ 1.07	\$ 1,220,002
Residential	1"	192	76,170	\$ 55.79	\$ 1.07	\$ 210,373
Residential	1 1/2"	1	884	\$ 68.91	\$ 1.07	\$ 1,776
Commercial	5/8"-3/4"	440	25,622	\$ 32.82	\$ 1.07	\$ 200,795
Commercial	1"	45	22,968	\$ 55.79	\$ 1.07	\$ 54,803
Commercial	1 1/2"	31	19,492	\$ 68.91	\$ 1.07	\$ 46,578
Commercial	2"	22	32,972	\$ 98.45	\$ 1.07	\$ 61,416
Commercial	3"	1	4,973	\$ 492.23	\$ 1.07	\$ 11,250
Commercial	4"	1	5,471	\$ 820.39	\$ 1.07	\$ 15,723
Pines	5/8"-3/4"	196	17,164	\$ 20.46	\$ 2.02	\$ 82,792
Crown Villa	5/8"-3/4"	60	1,792	\$ 20.46	\$ 2.02	\$ 18,351
Irrigation	N/A	574	-	\$ 40.30		\$ 277,554
Irrig MHP	N/A	210	-	\$ 19.13		\$ 48,198
Fire Private	6"	41	-	\$ 11.33		\$ 5,573
Fire Private	8"	45	-	\$ 18.12		\$ 9,786
Fire Public	5/8"-3/4"	2,957	-	\$ 0.49		\$ 17,329
Water Sales for Resale						\$ 313
Misc Services						\$ 806
Other						\$ 194
Avion Wheeling						\$ 64,800
Total						\$ 2,348,413

CASE: UW 185
WITNESS: RUSSELL (RUSS) BEITZEL

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 103

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

November 1, 2021

Request:

2. Related to Purchased Power (Account 615), please provide an explanation for the \$28,055 TY decrease compared to the 3FYA.

ROATS WATER SYSTEM

DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST

NO. 2

	PURCHASED POWER			3FYA
	9/30/2020	9/30/2019	9/30/2018	
	128,341	172,794	168,052	
HMP POWER	63,245	95,331	80,728	
WSR POWER	26,371	34,218	34,597	
HMP MT HIGH	17,754	19,924	25,520	
OTHER	4,256	4,680	168	
IRRIGATION KWINNUM	7,567	8,377	13,893	
IRRIGATION MT HIGH	9,146	10,264	13,146	
TOTALS	128,339	172,794	168,052	156,395
TY				(128,339)
EXCESS OF 3FYA OVER TY				28,056
EXCESS OF PFY OVER TY		44,455		
EXCESS AS % OF TOTAL		25.73%		16.24%

THE HMP POWER COST WAS HIGHER IN PFY BECAUSE WELL 10 WAS RUN FOR NEARLY THREE ADDITIONAL MONTHS IN THE PFY. THE PUMP WAS TURNED ON IN APRIL 2019. IN TY THE PUMP WAS TURNED ON IN JUNE 2020. THE PUMPS WERE TURNED OFF IN OCTOBER OF EACH YEAR.

THE DIFFERENCE IN BILLINGS FOR THE THREE MONTHS ACCOUNTS FOR 32,153 OF THE DIFFERENCE. SEE QUICKBOOKS REPORTS THE THE TWO THREE MONTH PERIODS ATTACHED.

THE CHANGE IN START DATE HAS TO DO WITH EARLY DEMAND IN CERTAIN YEARS

WSR POWER WAS REDUCED BY 8,788 IN TY. THIS AMOUNT IS THE AMOUNT OF DIVIDEND PAID TO ROATS BY CENTRAL ELECTRIC COOP. EACH YEAR THE ELECTRIC COMPANY REBATES AN AMOUNT TO ITS CUSTOMERS BASED ON THE OPERATING RESULTS OF THE UTILITY. IN PRIOR YEARS THE REBATE WAS ACCOUNTED FOR AS MISC. INCOME. AFTER DISCUSSION WITH THE COMPANIES CPA FIRM IT WAS CONCLUDED THAT THE PROPER ACCOUNTING FOR THIS REBATE WAS AS A

RECOVERY OF EXPENSES PREVIOUSLY PAID. THE AMOUNTS OF DIVIDENS IN PFY WAS 2,740 AND IN THE 2018 YEAR 3,036. THE EXPENSE IN THESE YEARS SHOULD HAVE BEEN REDUCED BY THESE AMOUNTS. IN THE TY THE ELECTRIC COMPANY PAID A NORMAL DIVIDEND OF 2,731 AND AN EXTRA DIVIDEND OF 6,057. THIS LARGER AMOUNT IS WHAT BROUGHT THIS ISSUE TO OUR ATTENTION

THE REMAINING DIFFERENCE IS PRIMARILY DUE TO REDUCE PUMP USAGE ASSOCIATED WITH THE DROUGHT CONDITIONS WORSINING IN TY.

TOTAL DIFFERENCE	44,455	
PUMPS USE 3 MONTHS LESS	(32,153)	
ACCOUNTING FOR DIVIDEND	<u>(8,788)</u>	
REMAINING DIFFERENCE	3,514	2.0% OF PFY TOTAL

THREE YEAR AVERAGE
ADJUSTED

469,185	TOTAL 3 YEARS BEFORE ADJUSTMENT
32153	3 MONTH PUMPS OFF
<u>8788</u>	DIVIDEND ACCOUNTING
510,126	ADJUSTED TOTAL
170,042	ADJUSTED AVERAGE

TY TOTAL

128,339	
32,153	3 MONTH PUMPS OFF
<u>8,788</u>	DIVIDEND ACCOUNTING
169,280	ADJUSTED TOTAL FOR TY

762 DIFFERENCE

WE BELIEVE IT WOULD BE APPROPRIATE TO USE THE THREE YEAR ADJUSTED AVERAGE IN THE TEST YEAR CALCULATION OF REQUIRED REVENUE. THIS METHOD GOING FORWARD WILL SMOOTH OUT FLUCTUATIONS RESULTING FROM DROUGHT AND WEATHER CHANGES.

Request:

4. Related to Chemical/Treatment Expense (Account 618), please provide an explanation for \$12,798 TY decrease compared to the PFY.

ROATS WATER SYSTEM

DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 4

THE AMOUNT INCLUDED AS CHEMICAL/TREATMENT EXPENSE ON THE 9/30/19 ANNUAL REPORT SHOULD HAVE BEEN INCLUDED AS ACCOUNT 635 TESTING DETAILS OF THE CHARGES FOR THE TWO FISCAL YEARS IS AS FOLLOWS

	9/30/2020	9/30/2019	
REGULAR MONTHLY TESTING	2,016	2,016	
OREGON HEALTH AUTHORITY	429	9,414	REQUIRED ROUTINE CHEMICAL TESTS
SPECIAL TESTS	1,422	1,368	
	<hr/>	<hr/>	
	3,867	12,798	

THE OREGON HEALTH AUTHORITY REQUIRES TESTING ON REGULAR BASIS.
WE HAVE ATTACHED THE REQUIRED TEST SCHEDULE FOR YOUR INFORMATION.
IT APPEARS TO ME THAT WE SHOULD AVERAGE THESE COSTS AND INCREASE THE TEST YEAR AMOUNT ACCORDINGLY.

Request:

8. Related to Contract Services – Other (Account 639), please explain the nature of the services and provide an explanation for the \$13,665 decrease compared to the 3FYA.

ROATS WATER SYSTEM

DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 8

CONTRACT SERVICES-OTHER WAS INCLUDED WITH MISC. EXPENSES ON THE APPLICATION SINCE THE FORM DID NOT INCLUDE A LINE ITEM FOR ACCOUNT 639.

THE AMOUNT INCLUDED IN MISC. EXPENSE WAS 16,319

THERE FOR THE AVERAGE EXPENSE FOR THE 3FYA

WAS AS FOLLOWS

2020	16,319
2019	18,550
2018	<u>22,446</u>
	57,315
DIVIDE BY	3
AVERAGE	19,105

ATTACHED IS THE DETAIL FOR THE TEST YEAR EXPENSES

Request:

11. Related to Miscellaneous Expense (Account 675) based on the Application Q29, please explain or provide the following:

- a. The \$14,070 TY increase over the 3FYA,
- b. The \$20,524 TY increase over the PFY
- c. For the prior two fiscal years, ending 2019 and 2018, details of the account by expense category including but not limited to:
 - i. Detailed information supporting each item included in the Industry Dues and Memberships of \$1,212,
 - ii. Detailed information supporting each item included in the Bank Charges of \$14,545,
 - iii. Detailed information for each item included in the Other Contractual Services of \$16,319 and
 - iv. Detailed information for each item included in the Business Expenses of \$2,103.

ROATS WATER SYSTEM

DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 11

MISC EXPENSE REPORTED

	ANNUAL		ANNUAL
	APPLICATIO	REPORT	REPORT
	9/30/2020	9/30/2019	9/30/2018
	41,371	20,847	19,686
INDUSTRY MEMBERSHIP & DUES	1,212	1,401	796
BANK CHARGES	14,545	13,060	12,347
OTHER CONTRACTUAL SERVICES	16,319		
WATER RESOURCES CONSERVATION	2,243		
DRINKING WATER SURVEY	2,625	2,700	
CITY STORMWATER FEE	1,503	1,403	1,317
BUSINESS EXPENSES	2,103	1,913	302
LICENSES	821	25	193
BNSF RIGHT OF WAY FEE			3700
PURCHASED A PORT A POTTY			300
MISC EXPENSE		346	730
	41,371	20,847	19,686

- a. & b. OTHER CONTRACT EXPENSES WERE LISTED IN TWO PRIOR YEAR ANNUAL REPORTS AS CONTRACTUAL SERVICES- OTHER
WATER RESOURCES CONSERVATION WAS LISTED IN TWO PRIOR ANNUAL REPORTS AS CONSERVATION EXPENSE

	41,371
	(16,319)
	(2,243)
	<u>22,809</u>
DIFFERENCE BETWEEN TY AND PFY	1,962
INCREASE OVER 3FYA	1,695

- c.i. INDUSTRY DUES AND MEMBERSHIPS IS COMPRISED OF THE FOLLOWING

COSTCO BUSINESS ACCOUNT	60
OREGON BUSINESS FEE	100
OAWU MEMBERSHIP DUES	<u>1,052</u>
	1,212

c.ii. BANK CHARGES ARE COMPRISED OF THE MONTHLY FEE ASSESSED BY OUR BANK RELATED TO OUR OPREATING BANK ACCOUNTS. DETAIL OF TRASACTIONS FOR THE YEAR ARE ATTACHED

c.iii. DETAIL OF OTHER CONTRACTUAL SERVICES IS ATTACHED

c.iv. BUSINESS EXPENSES ARE COMPRISED OF THE FOLLOWING

OFFICE LUNCH EMPLOYEE MEETING	53
TRAVEL	407
YEAR END BANQUET FOR EMPLOYEES	1593
CRAIGSLIST JOBS POSTS	50

2103

Request:

12. Related to Conservation Expense (Account 668) as shown in the 2019 Annual Report filing, please explain the nature of the expense and provide an explanation for the \$9,906 TY decrease compared to the PFY.

ROATS WATER SYSTEM

DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 12

IN THE TEST YEAR CONSERVATION EXPENSE WAS REPORTED ON OUR APPLICATION UNDER MISC. EXPENSES. THERE WAS NO LINE ITEM ON THE APPLICATION FOR ACCOUNT 668.

THE EXPENSE ACCOUNTS FOR THE TWO FISCAL YEARS WERE COMPRISED OF THE FOLLOWING

	9/30/2019	9/30/2020
PAYMENTS TO GSI WATER SOLUTIONS	7,816	2,243
OREGON WATER RESOURCES DEPARTMENT		
WATER MANAGEMENT PLAN	2,090	
	<u>9,906</u>	<u>2,243</u>

COPIES OF INVOICES ARE ATTACHED.

Request:

19. From the Application Q25, for the debt to 'William K. Roats' of \$160,000, please explain in detail the nature of this debt and the purpose for which it was incurred.

DOCKET NO. UW 185
RESPONSE TO OPUC REQUEST NO. 19

EFFECTIVE MARCH 15, 2004 (DOCKET NO. UI 228 COPY ATTACHED)
A TRANSACTION BETWEEN ROATS WATER SYSTEM AND WILLIAM ROATS
EXCAVATION LLC WAS APPROVED FOR THE EXCAVATION COMPANY TO
CONTRACT WITH ROATS WATER TO UNDERTAKE A MAJOR PIPE REPLACEMENT
PROJECT. THE PROJECT WAS APPROVED IN THE AMOUNT OF \$415,000.
WHEN THE PROJECT WAS COMPLETED THE WATER COMPANY PAID
THE EXCAVATION COMPANY ALL BUT \$160,000.
EXHIBIT # 2 ATTACHED ALLOWED FOR ANY BALANCE UNDER THE AGREEMENT
TO BE SUBJECT TO A FIXED INTEREST RATE OF 7.5%.

Request:

20. From the Application Q25, please explain the difference between the debt to 'William K. Roats' listed of \$160,000 and the amount in the supplemental information under Long Term Liabilities on the Balance Sheet (page 62) labeled 'Roats Loan' of \$344,993.75.

ROATS WATER SYSTEM

DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 20

THE UNPAID BALANCE OF THE AMOUNT DUE TO WILLIAM K ROATS OF \$160,000 HAS NOT BEEN REFLECTED IN THE BOOKS OF ROATS WATER SYSTEM INC.

THE AMOUNT ON THE BOOKS OF THE WATER COMPANY IN THE AMOUNT OF \$344,994 IS THE RESULT A TRANSACTION WHEREIN THE COMPANY AGREED TO PURCHASE CERTAIN SHARES OF THE COMPANIES OUTSTANDING STOCK IN EXCHANGE FOR A NOTE PAYABLE TO MR ROATS.

Request:

21. From the Application Q25, for the debt to 'William K. Roats' of \$160,000, please confirm this amount has not changed from the amount included in the utility's prior rate case (UW 166).
- If yes, please explain why the amount is the same in this docket.
 - Please explain whether any principal or interest payments or both are being made on this debt.

ROATS WATER SYSTEM
DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 21

REGARDING THE DEBT DUE TO WILLIAM K ROATS IN THE AMOUNT OF \$160,000, WE CONFIRM THAT THE AMOUNT DUE HAS REMAINED UNCHANGED SINCE THE LAST RATE CASE. THAT IS NO INTEREST OR PRINCIPAL HAS BEEN PAID.

Request:

30. Please provide an explanation and excel file showing the calculation for allocating all amounts to Irrigation.

Response: 30.

A spreadsheet detailing the allocation was provided, but is too complex to post into this document.

Request:

34. Related to the proposed adjustment in the Application for Employee Pensions and Benefits (Account 604) of \$27,984, please provide an excel file showing the calculation of the proposed adjustment separately for Accounts 601 and 603.

Response: 34.

A confidential response with information about each employee's benefit costs was provided.

Request:

37. Related to the line item expenses provided in response to DR8 for Contract Services – Other, please provide more detailed information and a business justification for each payment to the following vendors:

- a. K Willis Consul (10/23/19),
- b. ITRON (1/7/20 & 8/24/20),
- c. Clean Fleet (various),
- d. Log Meln (2/18/20 & 3/19/20),
- e. Diamond Maps, Inc (5/1/20),
- f. Continental Utility (6/1/20), and
- g. Webroot (7/30/20).

ROATS WATER SYSTEM

DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 37

- a. **K Willis Consulting**
Kate Willis, provides consulting services regarding issues related to PUC rate case matters.
Copy of invoice attached.
- b. **ITRON** Itron provided the company with the device used to remotely collect usage data from customers. Annually Itron bills us for a hardware maintenance agreement and for software maintenance. Copy of invoice attached.
- c. **Clean Fleet** Clean Fleet provides DOT required drug and alcohol testing and other screening related to employees safely operating company vehicles and equipment.
This is an ODOT requirement on all CDL drivers.
Copies of invoices attached.
- d. **Log Mein** Provides software that enables employees to access the company network when working from home.
The software also enables our staff to access remotely equipment designed to monitor sensitive items like tank levels, system water pressure and pump function.
Copy of invoice attached.
- e. **Diamond Maps, Inc.**
Diamond Maps is a cloud-based GIS/Mapping application designed to help municipalities and utilities map their sewer and water infrastructure and track maintenance. Copy of invoice attached.
- f. **Continental Utility**
This company provides our utility billing software.
Software allows us to use electronically gathered data to calculate monthly amounts for billing customers and tracking essential data on usage, amounts due from customers and other data necessary for proper accounting for company revenues. Copy of invoice attached.
- g. **Web root**
Web root provides software for security to keep devices, users and sensitive data safe from cyberattack.
Copy of invoice attached.

Request:

39. Related to the response to DRs 19 and 21 concerning the debt of \$160,000 and the attached Exhibit #2 from UI 228, Staff notes that the contract states "Any balance shall be interest only at the fixed rate of 7.5% payable monthly for the first 24 months. At the end of 24 months principal and interest payments sufficient to amortize the balance over a period of 240 months will begin." Based on that information, please answer the following:

- a. What is the repayment plan for the \$160,000?
- b. Please provide a schedule of payments reflecting that repayment plan, and
- c. If there is no repayment plan, please explain why there is not such a plan?

ROATS WATER SYSTEM
DOCKET NO. UW 185
RESPONSE TO OPUC REQUEST NO. 39

The \$160,000 debt is owed by the company to the primary shareholder. Initially this amount due Bill Roats was for work related to a construction project. Mr Roats believed at the time, that rate base and related return on investment was not sufficient to provide cash flow needed to make payments on this debt.

It should be noted that since this amount was not booked on the utilities books the amount was not included in the rate base and has therefore has not produced an amount of rate of return and no depreciation expense. This has resulted in lower required revenue calculations during the rate cases since the time the debt was incurred.

Since we believe that not recording this debt on the utilities books was an error in our accounting we propose the following:

We should record the debt on the company books. We would then add to the rate base \$160,000 less the accumulated depreciation that would have been allowed since the related project was completed. We would also add approximately \$3,200 to the test years depreciation expense.

The project referred to above was the Parrell Road Main Line extension This project was part of the improvements that reduced electric demand and made it possible to receive water by gravity flow.

Request:

45. Based on the information in UI 326, which allows for the affiliated interest amount of \$10,503 monthly (\$126,036 annually) for rental of 'a Business Office, a Service Office, a Shop/Warehouse, and a lot where utility equipment is stored', Staff notes that in the answer to Q28 in the application the amount for Rental of Building/Real Property (Account 641) is \$133,176. Please provide a numeric and narrative reconciliation for the difference.

ROATS WATER SYSTEM
DOCKET NO. UW 185
RESPONSE TO OPUC REQUEST NO. 45

Account 641-Rental of Building/ Real Estate is comprised of the following amounts:

Rent paid to Bill Roats in accordance with affiliated interest agreement	126,036
--	---------

Amounts paid to self storage facilities for storage of historical records and other company items	7,140
Details of self storage attached.	<u>133,176</u>

Powers Road Self storage used to store various repair parts acquired as part of Juniper acquisition

Pete Perrine is for rent of property adjacent to shop buildings and is used to store equipment not in use.

Request:

46. Please explain the process for how the decision to restrict or cancel irrigation water is determined.

ROATS WATER SYSTEM
DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 46

Our irrigation system is supplied by surface water that is delivered by Arnold Irrigation District. The surface water flows in an open canal system from Wickiup Reservoir to our holding reservoir 24/7 throughout the irrigation season. From the holding reservoir, water is pumped into our greater piped irrigation system that serves our irrigation customers.

The Oregon Water Resources Department (OWRD) ultimately determines the amount of stored water that is available per Arnold Irrigation District's (AID) water rights. OWRD determines when AID uses up their stored allotment and ultimately makes the final decision to restrict or cancel irrigation water.

Request:

47. How are the expenses related to irrigation water provided by Arnold Irrigation District determined?

ROATS WATER SYSTEM
DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 47

We pay Arnold Irrigation District an annual assessment fee of \$44,863.72 for the delivery of surface irrigation water through their canal system to our holding pond. The assessment fee is determined and set by Arnold Irrigation District Board of Directors.

Request:

48. Are these expenses referenced in DR47 dependent upon the amount of water being provided from the supplier?

ROATS WATER SYSTEM
DOCKET NO. UW 185

RESPONSE TO OPUC REQUEST NO. 48

We owe Arnold Irrigation District's (AID) assessment fee annually and whether or not they are able to deliver water in drought years. We do not receive any refund or credit in drought years when water is not available to be delivered by AID.

Irrigation rates are set on the expenses associated with operations, providing customer service and delivery of irrigation water. Irrigation revenues are necessary to ensure the company is able to continue providing service and make system improvements as needed.

Request:

49. Please provide the spreadsheet, with formulas, detailing the asset designation and allocation between Domestic and Irrigation water.

Response: 49.

A spreadsheet detailing the utility plant in service was provided, but is too complex to post into this document.

Request:

51. Please provide a narrative explanation and spreadsheet, with formulas, detailing the calculation of the proposed amount for Contract Services – Labor (A/C 636).

ROATS WATER SYSTEM
DOCKET NO. UW 185
RESPONSE TO OPUC REQUEST NO. 51

636 CONTRACT SERVICES -LABOR

THE COST INCLUDED IN THIS ACCOUNT ARE FOR FLAGGING SERVICES. WHEN A REPAIR IS NEEDED TO THE SYSTEM THAT REQUIRES US TO CLOSE OFF A PORTION OF A ROAD WAY, WE ARE REQUIRED TO PROVIDE FLAGGERS TO CONTROL TRAFFIC AROUND THE REPAIR AREA.

WE BELIEVE THEREFORE THAT THIS IS A ROUTINE MAINTENCE COST. LIKE ALL COSTS OF REPAIRS THESE COSTS ARE INTERMITTENT. WE HAD NO SUCH COST IN THE YEARS PRIOR TO THE TEST YEAR. HOWEVER, IN THE CURRENT YEAR WE HAVE INCURRED FLAGGING COST IN THE AMOUNT OF \$1,501.

WE BELIEVE THAT WITH THE GROWTH OF BEND AND RELATED TRAFFIC PROBLEMS WE ARE LIKELY TO BE REQUIRED TO USE FLAGGERS MORE OFTEN THAN WE HAVE IN THE PAST.

WE PROPOSE THAT THE COST BE ADJUSTED BASED ON THE AVERAGE OF THE MOST RECENT PERIODS.

	2020	3,364
	2021	1,501
		<u>4,865</u>
AVERAGE		2,433
ADJUSTMENT		931

Table B-1 Example costs of meter installations

Cost Item	5/8-in.	3/4-in.	1-in.	1½-in.
Service Connection	\$922.32	\$922.32	\$988.97	\$1,026.52
Meter Installation	\$385.46	\$463.97	\$869.38	\$1,302.13
Total Cost	\$1,307.78	\$1,386.29	\$1,858.35	\$2,328.65
Ratio to 5/8 in.	1.00	1.06	1.42	1.78
Ratio Used	1.0	1.1	1.4	1.8

meter. The determination of system development charges or impact fees for meters greater than the base size, where potential customer demand is assumed to be proportional to meter size, is an example of the use of meter capacity ratios. Meter capacity ratios may also be appropriate in the design of the service charge portion of the general rate schedule when such charges include some recovery of fixed-capacity-related costs or readiness-to-serve-related costs.

EQUIVALENT METER-AND-SERVICE COST RATIOS

In determining the ratio of the cost of installing various sizes of meters and related service lines relative to the cost of installing the base size meter, it is important to include all of the costs involved in such installations. This includes the direct cost of the various categories of labor involved in the installation, fringe-benefit-related overheads and other appropriate administrative overheads applicable to the labor costs, all direct materials and supplies costs, and the cost of equipment used in the installation.*

In the cost allocation examples in chapter III.2, the costs of meters and services were combined in the cost allocation procedure. This is an appropriate consideration when it is the responsibility of the utility to install both a portion of the customer service line (generally from the main in the street to the customer's property line) and the meter itself. Accordingly, the example derivation of the cost ratios shown in this appendix and used in chapter III.2 are related to the combined cost of meter-and-service installations for various sizes of connections.

Table B-1 presents an *example* of the costs of meter installations for 5/8-, 3/4-, 1-, and 1½-in. meters and the related service lines. These are merely examples and not recommended for use by a specific utility unless they have been verified by the utility. Dividing the total costs of installing the meter-and-service installations of the larger meter sizes by the total cost of the 5/8-in. meter-and-service connection yields the cost ratios shown. The development of these ratios, along with the applicable ratios for larger size meters, is the basis for the tabulation shown in chapter III.2 of this manual.

EQUIVALENT METER CAPACITY RATIOS

The safe operating flow, or capacity, of a particular size of meter is essentially the limiting factor in terms of the demand that can be exerted on the water system through the meter. In establishing a schedule of system development charges based on meter size or assigning a portion of the fixed costs as part of a demand or readiness-to-serve component, the potential demand or capacity requirements placed on the water system by a new customer are generally an accepted basis for determining the level of charge applicable to the

* Where actual meter-and-service installation costs are not available due to the absence of detail in property records, current-day installation costs may be used instead.

customer. Accordingly, when the minimum or base system development charge is established for a single-family residential customer with a $\frac{5}{8}$ -in. meter (as is often the case), the ratio of the safe operating capacity of various sizes of meters, relative to the capacity of a $\frac{5}{8}$ -in. meter, may be used to determine appropriate charges for the larger meter sizes.

In chapter VII.2 (see Table VII.2-5), the maximum safe operating capacity for meters of various sizes are tabulated, based on AWWA's Standards for Water Meters (C700 series). The ratios of these capacities, relative to that of a $\frac{5}{8}$ -in. meter, are computed and range from 1.5 for a $\frac{3}{4}$ -in. meter up to 265 for a 12-in. turbine meter. As discussed in chapter VII.2, while capacity ratios for larger meters can be computed, the use of such ratios for larger meters may or may not provide a true indication of the potential demand requirements of the larger meters. Table B-2 displays the safe maximum operating capacity by meter size and meter type based on AWWA's Standards for Water Meters.

It is important to understand and recognize the types of costs that are to be recovered using equivalent meter ratios in order to develop the appropriate meter equivalency factors. As discussed in chapter VII.2, developing equivalent capacity ratios specific to a particular utility and its system characteristics is normally desired, as opposed to using a standardized table of meter equivalencies. For example, a water utility may have significant investment in impounded reservoir source-of-supply facilities (designed on the basis of annual average-day demands), as well as treatment plant, pumping, and transmission facilities (designed on the basis of maximum-day and/or maximum-hour demands). In this instance, the utility would need to recognize both annual usage requirements, as well as peak-demand requirements, for each of its sizes of meters in establishing relevant equivalent capacity ratios appropriate for system development charge determination.

SUMMARY

The selection of equivalent meter ratios is dependent on the purpose for which the ratios are to be used. Care should be exercised in using the correct ratio methodology for the correct purpose. It is normally desirable to develop ratios that are applicable to an individual utility's particular circumstances and facilities. The purpose of this appendix is to clarify the various types of equivalent meter ratios that may be used in rate-making and the general applicability of each of the measures of equivalency. Selection of the appropriate measures for distributing costs should be considered on an individual utility basis.

REFERENCES

- AWWA (American Water Works Association). C700-09 *Standard for Cold-Water Meters—Displacement Type, Bronze Main Case*. Denver, Colo.: AWWA.
- AWWA (American Water Works Association). C701-12 *Standard for Cold-Water Meters—Turbine Type, for Customer Service*. Denver, Colo.: AWWA.
- AWWA (American Water Works Association). C702-10 *Standard for Cold-Water Meters—Compound Type*. Denver, Colo.: AWWA.
- AWWA (American Water Works Association). C703-15 *Standard for Cold-Water Meters—Fire-Service Type*. Denver, Colo.: AWWA.
- AWWA (American Water Works Association). C704-15 *Standard for Propeller-Type Meters for Waterworks Applications*. Denver, Colo.: AWWA.