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September 30, 2020

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street, S.E.
P.O. Box 1088
Salem, OR 97308-1088

RE: Advice Filing No. 20-1 – Application to Change Rates

In compliance with Oregon Revised Statutes 757.205 and 757.220 and Oregon Administrative Rules 860-036-2010 and 860-036-2020, Oregon Water Utilities – Cline Butte, Inc. (“OWU-CB”) submits for filing revised tariffs and accompanying support, including a summary brief, a completed application, and expert witness testimony. The requested effective date of the proposed tariffs is October 30, 2020.

OWU-CB’s last rate increase was implemented in 2008 based on a test year ending December 31, 2007. Since that time, OWU-CB has come under new ownership twice, made improvements to infrastructure, and improved service to its customers. With this request, OWU-CB seeks to set rates that will produce revenues that will allow for the recovery of its operating expenses and a reasonable return on its invested capital.

Please direct all correspondence regarding this filing to the following persons:

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Sincerely,

/s/ Craig Gott

Craig Gott
President, Oregon Water Utilities – Cline Butte, Inc.

Oregon Water Utilities – Cline Butte, Inc.
UW 182
Test Year Ending Dec 31, 2019
Rate Case Filing Index

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EXHIBIT 100

DIRECT TESTIMONY

OF

BRIAN D. BAHR

ON BEHALF OF

OREGON WATER UTILITIES – CLINE BUTTE, INC.

SEPTEMBER 30, 2020

**DIRECT TESTIMONY OF
BRIAN D. BAHR**

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ATTACHMENTS:

Exhibit OWU/101	Revenue Requirement Model
Exhibit OWU/102	Baseline Power Costs
Exhibit OWU/103	Proposed Tariff
Exhibit OWU/104	Commission-Requested Information
CONFIDENTIAL Exhibit OWU/105	Employee Information
Exhibit OWU/106	Water Permits and Well Logs

**DIRECT TESTIMONY OF
BRIAN D. BAHR**

1

I. INTRODUCTION

2

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3

A. My name is Brian D. Bahr. My business address is 1325 N. Grand Avenue, Suite

4

100, Covina, California 91724.

5

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6

A. I am employed by SouthWest Water Company (“SouthWest”) as Director of

7

Regulatory Affairs.

8

Q. BRIEFLY DESCRIBE YOUR PRESENT EMPLOYMENT.

9

A. My present responsibilities consist of preparing and managing compliance and rate

10

filings for utilities owned by SouthWest located in Oregon, Texas, and South

11

Carolina.

12

Q. BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL

13

BACKGROUND.

14

A. My professional and educational experience encompasses functions including

15

accountancy, audit, analysis, regulation, and management. I graduated from Brigham

16

Young University with a BA in Accountancy and earned the Certificate of Public

17

Management from Willamette University. I received a Master of Business

18

Administration from the University of La Verne with an emphasis in Finance. I also

19

hold Grade II certifications as a Water Distribution Operator and Water Treatment

20

Operator in the State of California. Prior to joining SouthWest, I was employed by

21

the Oregon Public Utility Commission (“Commission”) as a Senior Utility Analyst. I

1 also gained experience earlier in my career working in the audit and assurance
2 practice of PricewaterhouseCoopers LLP in the field of alternative investments.

3 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THIS**
4 **COMMISSION?**

5 A. Yes. In my capacity as a staff analyst for the Commission between 2011 and 2016, I
6 provided testimony in various energy and water utility proceedings; however, I have
7 not previously filed testimony on behalf of a utility before the Commission.

8 **Q. AS A STAFF ANALYST FOR THE COMMISSION, DID YOU WORK ON**
9 **ANY PROCEEDINGS INVOLVING THIS UTILITY OR ANY OF ITS**
10 **AFFILIATES?**

11 A. No.

12 **II. PURPOSE OF DIRECT TESTIMONY**

13 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

14 A. I am testifying on behalf of Oregon Water Utilities – Cline Butte, Inc. (“OWU-CB”).

15 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
16 **PROCEEDING?**

17 A. The purpose of my direct testimony in this proceeding is to support OWU-CB’s
18 requested revenues in the instant general rate case application.

19 **Q. WAS THIS MATERIAL PREPARED BY YOU OR UNDER YOUR**
20 **SUPERVISION?**

21 A. Yes, it was.

1 **Q. INsofar AS THIS MATERIAL IS FACTUAL IN NATURE, DO YOU**
2 **BELIEVE IT TO BE CORRECT?**

3 A. Yes, I do.

4 **Q. INsofar AS THIS MATERIAL IS IN THE NATURE OF OPINION OR**
5 **JUDGMENT, DOES IT REPRESENT YOUR BEST JUDGMENT?**

6 A. Yes, it does.

7 **III. REVENUE REQUIREMENT**

8 **Q. WHAT TEST YEAR DID OWU-CB USE FOR THIS FILING, AND IS THIS**
9 **TEST YEAR APPROPRIATE?**

10 A. OWU-CB has elected to use a historic test year consisting of the 12-month-period
11 ending December 31, 2019. This test year is appropriate as it is the most recent full
12 calendar year for which records are available, and OWU-CB is not requesting a
13 forward-looking test year.

14 **Q. WHAT IS OWU-CB'S REQUESTED REVENUE REQUIREMENT?**

15 A. OWU-CB's requested revenue requirement is \$1,205,136, which is an 8.63 percent
16 increase over OWU-CB's adjusted test year revenues of \$1,109,430. The
17 components of OWU-CB's requested revenue requirement are detailed in the
18 Revenue Requirement Model attached to this testimony as Exhibit OWU/101.
19 Consistent with standard ratemaking protocol, OWU-CB's requested revenues are
20 based on its historical 2019 test year cost of service after normalization and proforma
21 adjustments. The general components of cost of service include operating expenses,
22 allocated corporate overhead, depreciation on infrastructure, taxes, and a reasonable
23 return on rate base. Details of each of these are found in the Revenue Requirement

1 Model, schedules, supporting workpapers, and discussed generally in this direct
2 testimony and that of Mujeeb Hafeez and Jeff Farney.

3 **Q. IS OWU-CB REQUESTING AT THIS TIME RECOVERY OF COSTS**
4 **RELATED TO ITS RESPONSE TO THE COVID-19 PANDEMIC,**
5 **INCLUDING FORGONE LATE FEES, INCREASES TO BAD DEBT**
6 **EXPENSE, AND FORGONE DISCONNECTION/RECONNECTION FEES?**

7 A. No. On March 23, 2020, OWU-CB filed with the Commission a request to defer
8 costs related to OWU-CB's response to the COVID-19 pandemic. OWU-CB has
9 since been tracking these costs and recording them on its books as a regulatory asset.
10 OWU-CB is currently participating in a Commission proceeding to determine how to
11 address certain issues precipitated by the pandemic, including the disposition of
12 associated regulatory assets. OWU-CB anticipates requesting recovery of the
13 regulatory asset at a later time, whether through a general rate case or as otherwise
14 prescribed by the Commission.

15 **IV. NORMALIZATION AND PROFORMA ADJUSTMENTS**

16 **Q. WHAT ARE "NORMALIZING" ADJUSTMENTS?**

17 A. Generally, a utility's recorded test year costs represent its cost of service used to set
18 rates. However, adjustments must be made to "normalize" that test year, including to
19 remove certain expenses that are nonrecurring or not allowed by statute to be
20 recovered in rates, to add expenses that were not included in the recorded test year but
21 should be recovered in rates (e.g., testing costs which are incurred every second year
22 and were not incurred in the test year), or to adjust revenues as appropriate.

1 **Q. PLEASE IDENTIFY AND DESCRIBE THE NORMALIZING**
 2 **ADJUSTMENTS TO OWU-CB’S RECORDED 2019 TEST YEAR**
 3 **BALANCES.**

4 A. A list of test year normalization adjustments is provided below:

- 5 • Reduce allocated costs for affiliated management services consistent with
 6 Term 11 of the stipulation approved by Order No. 17-156;
- 7 • To add back to rate base the portion of gross plant that was deemed “excess
 8 capacity” in OWU-CB’s previous general rate case and its associated
 9 accumulated depreciation;
- 10 • To increase depreciation expense by the amount of annual depreciation
 11 associated with the “excess capacity” added to rate base;
- 12 • To increase expenses to incorporate revenue-sensitive costs such as the
 13 Commission’s annual gross revenues fee and bad debt expense;
- 14 • To flow through tax rates of 21 percent federal income tax and 6.6 percent
 15 state income tax on OWU-CB’s requested revenue; and
- 16 • To increase working cash to be 1/12 of OWU-CB’s calculated operating
 17 expenses.

18 **Q. PLEASE PROVIDE ADDITIONAL EXPLANATION REGARDING THE**
 19 **ADJUSTMENT TO AFFILIATE MANAGEMENT SERVICES.**

20 A. OWU-CB receives certain administrative services from Suburban Water Services
 21 (“Suburban”). These costs are recorded to NARUC Account No. 634 Contract
 22 Services – Management Fees. Also, OWU-CB receives indirect services from
 23 SouthWest, the costs of which are also recorded in NARUC Account No. 634

1 Contract Services – Management Fees. Per the stipulation approved by Order No.
 2 17-156, OWU-CB agrees not to request recovery in its next general rate case of more
 3 than \$125,300 in affiliate management fees from SouthWest and Suburban.
 4 Therefore, OWU-CB has reduced its test year management fees cost of \$235,548 by
 5 \$110,248. Please see the direct testimonies of Mujeeb Hafeez and Jeff Farney for the
 6 SouthWest cost amounts and allocations included in the \$235,548 test year costs.

7 **Q. WHAT ARE “PRO FORMA” ADJUSTMENTS?**

8 A. Pro forma adjustments are also commonly referred to as “Known and Measurable”
 9 adjustments and are explained on page 15 of the 2003 Rate Case and Audit Manual
 10 prepared by the NARUC Staff Subcommittee on Accounting and Finance:

11 *In general, the pro forma adjustments can be viewed as a ratemaking*
 12 *attempt to transform the relationship that exists between the elements*
 13 *of cost of service (revenues, expenses, taxes, and investment) during*
 14 *the test year to one that would take place during the period that the*
 15 *rates resulting from the rate proceeding take effect.*

16 **Q. PLEASE IDENTIFY AND DESCRIBE THE PRO FORMA ADJUSTMENTS**
 17 **TO OWU-CB’S RECORDED 2019 TEST YEAR BALANCES.**

18 A. A list of test year pro forma adjustments is provided below:
 19 • To increase expenses by \$5,000, which is a placeholder for rate case costs
 20 OWU-CB anticipates incurring and will be updated later with actual amounts
 21 incurred.

1 **Q. IS OWU-CB REQUESTING INCLUSION IN RATE BASE OF CAPITAL**
2 **PROJECTS ALREADY COMPLETED, OR EXPECTED TO BE**
3 **COMPLETED, IN 2020?**

4 A. No. OWU-CB has elected not request inclusion in rate base of capital costs incurred
5 beyond the end of the historical test year, but observes that it is statutorily authorized
6 to do so and may elect to request such treatment in subsequent rate case applications.¹

7 **V. SHARED SERVICES**

8 **Q. PLEASE DESCRIBE OWU-CB'S SHARED SERVICES MODEL.**

9 A. OWU-CB obtains goods and services through a shared services model wherein
10 OWU-CB receives goods and services from its parent company, Northwest Utility
11 Systems, Inc. ("NWUS"), and is apportioned the appropriate costs thereof either
12 directly or via allocation. This model benefits customers in that OWU-CB is able to
13 "share" certain costs with other utilities, thereby keeping costs lower than they would
14 be otherwise. The Commission approved OWU-CB's management services
15 agreement, under which OWU-CB receives goods and services from affiliates, in
16 Order No. 19-428.

17 **Q. WHAT ALLOCATION METHODS DOES OWU-CB USE TO ALLOCATE**
18 **COMMON COSTS FROM ITS AFFILIATES?**

19 A. SouthWest generally uses a three-factor allocation methodology to allocate its
20 corporate overhead amongst its operating subsidiaries, including OWU-CB. Please

¹ OAR 860-036-2390

1 see the Direct Testimony of Mujeeb Hafeez for a detailed description of SouthWest's
2 overhead costs and the allocation thereof to OWU-CB.

3 For common costs allocated from Suburban or NWUS, connections adjusted
4 by meter equivalent factors are used. Consistent with SouthWest's Cost Allocation
5 Manual, provided as Exhibit OWU/201 to the direct testimony of Mujeeb Hafeez, for
6 the test year, common costs from Suburban and NWUS were allocated using meter
7 equivalents as of December 31, 2018. The test year allocation factor for OWU-CB
8 based on meter equivalents is 41.8 percent. Please see the Exhibit OWU/101 for the
9 calculation of OWU-CB's allocation percentage based on meter equivalents.

10 **Q. HOW MANY NWUS POSITIONS PROVIDED SERVICES TO OWU-CB**
11 **DURING THE 2019 TEST YEAR?**

12 A. In 2019, OWU-CB received services from six NWUS positions:

- 13 • a local Field Superintendent;
- 14 • a local Utility Operator III;
- 15 • three local Utility Operator Is; and
- 16 • a local Accounts Receivable Clerk/Field Services Administrator.

17 Due to the shared services model, OWU-CB only paid a portion of the costs of these
18 employees, thereby helping to keep customer rates low.

19 **VI. RATE BASE SUMMARY & EXCESS CAPACITY**

20 **Q. WHAT AMOUNT OF RATE BASE IS OWU-CB REQUESTING IN ITS**
21 **APPLICATION?**

22 A. OWU-CB is requesting rate base as of December 31, 2019 be established at
23 \$5,337,236, based on gross plant of \$9,142,824, accumulated depreciation of

1 \$3,461,864, Net CIAC of \$792,883, \$406,008 of accumulated deferred taxes, and
2 \$54,741 for working capital and materials and supplies.

3 **Q. WHAT AMOUNT OF RATE BASE WAS APPROVED BY THE**
4 **COMMISSION IN OWU-CB'S LAST GENERAL RATE CASE?**

5 A. In Order No. 08-338 of Docket No. UW 127, the Commission approved a rate base
6 for OWU-CB of \$4,177,969. This rate base amount was calculated as \$6,601,501
7 gross plant less \$1,129,810 accumulated depreciation, less \$1,324,134 plant deemed
8 "excess capacity," plus \$43,152 working cash.

9 **Q. WHAT IS "EXCESS CAPACITY?"**

10 A. Staff's direct testimony in support of the stipulation in Docket No. UW 127 explains
11 excess capacity as follows, "Typically, if a water system is completely built but
12 serves only a portion of the potential customers, the unused portion of the investment
13 in the system may be considered to be not used and useful."

14 **Q. HOW DID STAFF DETERMINE THE PERCENTAGE OF PLANT TO DEEM**
15 **EXCESS CAPACITY IN OWU-CB'S PREVIOUS GENERAL RATE CASE?**

16 A. Using OWU-CB's Residential Construction Update, Staff divided "the number of lots
17 completed by the number of lots platted for each phase shown in the report."² In
18 total, there were 1,272 customers and 1,738 lots platted.³

² See Staff/100, Sloan/7 of Staff's Direct Testimony in Support of the Stipulation in Docket No. UW 127.

³ See Staff/101, Sloan/7 of Staff's Direct Testimony in Support of the Stipulation in Docket No. UW 127.

1 **Q. PLEASE SPECIFY WHAT AMOUNT OF PLANT PREVIOUSLY DEEMED**
2 **EXCESS CAPACITY IS INCLUDED IN OWU-CB'S RATE BASE.**

3 A. In OWU-CB's previous rate case, \$1,324,134 of plant was deemed excess capacity.
4 OWU-CB has included in its requested rate base in the current application the entire
5 amount of \$1,324,134, net of accumulated depreciation as of December 31, 2019 of
6 \$563,639. The net effect on rate base is an increase of \$760,496.

7 **Q. IS IT APPROPRIATE TO INCLUDE ALL OWU-CB ASSETS IN RATE BASE**
8 **AT THIS TIME?**

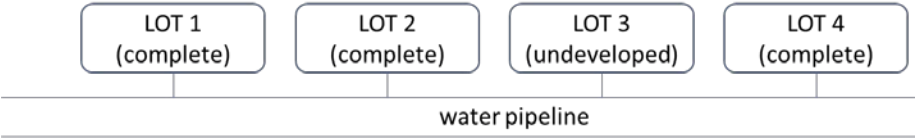
9 A. Yes. It is appropriate for OWU-CB to include all its plant in rate base for two
10 primary reasons: (1) the developments served by the system are substantially built
11 out; and (2) determining a utility's excess capacity by dividing lots completed by lots
12 platted is inaccurate and unfair. To the first point, OWU-CB has grown considerably
13 since 2008, when OWU-CB last filed a rate case, and now serves a total of 1,746
14 connections as of December 31, 2019.

To the second point, infrastructure in developments is often constructed in
loops and branches as a way to reduce customer outages. The figure below is an
small excerpt of a sample system map that illustrates a typical system configuration:



18

1 However, the lots-completed-by-lots-platted method of determining excess capacity
2 presumes that a utility’s water lines do not have loops and that each undeveloped lot
3 is located at the end of a line. In reality, this is just not the case. Even if only one lot
4 were completed, the utility would have to construct the necessary facilities to serve
5 that lot, regardless of whether the other lots of the development were completed. For
6 example, consider the simple illustration depicted below:



7
8 In the above scenario, given that the entire pipeline is necessary to serve Lot 4, it
9 would not make sense to allow only 75 percent of the pipeline cost into rate base just
10 because Lot 3 has not been completed. Similarly, on a larger scale, penalizing a
11 utility for building necessary infrastructure to serve its intended population by
12 deeming a percentage of the infrastructure excess capacity is contrary to both logic
13 and ratemaking principles regarding cost recovery.

14 **Q. WHAT AMOUNT OF GROSS PLANT HAS OWU-CB ADDED TO RATE**
15 **BASE SINCE THE COMMISSION’S RATE BASE DETERMINATION IN**
16 **OWU-CB’S PREVIOUS GENERAL RATE CASE?**

17 A. Below is a rollforward from the amount of gross plant approved by the Commission
18 in Docket No. UW 127 to the amount as of the end of the 2019 test year:

Gross Plant as of Dec 31, 2007	\$6,601,501
Additions	\$2,541,323
Gross Plant as of Dec 31, 2019	\$9,142,824

19 Of the \$2,541,323 added since OWU-CB’s last general rate case, approximately 88
20 percent was added following OWU-CB’s acquisition by NWUS in 2017, the majority

1 of which (\$1,832,735) occurred in the 2019 test year. Several of the large capital
2 projects reflected in this amount include the following:

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

16 **VII. COST OF CAPITAL**

17 **Q. WHAT IS OWU-CB’S REQUESTED COST OF CAPITAL IN THIS**
18 **APPLICATION?**

19 A. OWU-CB is requesting a capital structure of 50:50 debt-to-equity ratio, a cost of
20 equity of 10 percent, and a cost of debt of 4.57 percent; this results in an overall
21 requested return of 7.29 percent.

1 **Q. IS OWU-CB'S REQUESTED CAPITAL STRUCTURE REASONABLE?**

2 A. Yes. The Commission has historically deemed a 50:50 debt-to-equity ratio
3 hypothetical capital structure appropriate for water utilities with corporate parents.
4 For example, see Docket No. UW 169, in which Sunriver Water LLC requested, and
5 was granted, a 50:50 hypothetical capital structure.

6 **Q. WHAT RETURN ON EQUITY WAS APPROVED BY THE COMMISSION IN**
7 **OWU-CB'S PREVIOUS GENERAL RATE CASE?**

8 A. In Docket No. UW 127, the Commission approved a stipulation amongst the parties
9 identifying an overall rate of return of 6.42 percent but without specifying a return on
10 equity. However, Staff's direct testimony in support of the stipulation explains that
11 the overall return was artificially depressed in order to not increase rates above that
12 requested by OWU-CB. Staff's calculations yielded a 9.24 percent overall rate of
13 return using a 10 percent return on equity.

14 **Q. IS OWU-CB'S REQUESTED COST OF EQUITY REASONABLE?**

15 A. Yes. As noted above, Staff recommended a 10 percent return on equity in OWU-
16 CB's previous general rate case. Since that time, OWU-CB has improved the
17 experience of its customers through various ways. Customers are able to check their
18 accounts online and make payments with credit cards. AMR meters have been
19 installed that will improve meter-reading accuracy. A generator and 500-gallon fuel
20 tank have been added to the wells to provide more reliable water service during
21 periods of extended power outages. A new SCADA system has been implemented.
22 improved operational reliability, additional payment options and customer service
23 options, and improved meter-reading accuracy. OWU-CB has also increased

1 transparency with customers by holding monthly meetings with RECOA, the
2 homeowners association. Given these enhancements to the customer experience, it
3 would be inappropriate to award OWU-CB a lower cost of equity than granted in the
4 previous rate case.

5 **Q. IS OWU-CB'S REQUESTED COST OF DEBT REASONABLE?**

6 A. Yes. The 4.57 percent cost of debt used by OWU-CB represents the consolidated
7 debt rate for OWU-CB's parent, SouthWest, and is a reasonable proxy for debt at the
8 OWU-CB level. SouthWest is able to take advantage of its strong credit quality and
9 larger scale to obtain debt at competitive rates and terms that would be difficult for
10 OWU-CB to obtain on its own. Therefore, the use of SouthWest's consolidated debt
11 rate of 4.57 percent is reasonable to use for OWU-CB's cost of debt.

12 **VIII. RATE SPREAD AND RATE DESIGN**

13 **Q. PLEASE DESCRIBE OWU-CB'S REQUESTED RATE SPREAD AND RATE**
14 **DESIGN.**

15 A. "Rate spread" refers to the allocation of requested revenues amongst customer
16 classes. OWU-CB's requested revenue increase is allocated amongst customer
17 classes based on test year ratios of revenues. For example, in the 2019 test year,
18 revenues from residential customers was \$739,063, which is 71.56 percent of total
19 adjusted 2019 operating revenues of \$1,032,718. Therefore, OWU-CB proposes to
20 recover that same 71.56 percent of its requested revenue increase from residential
21 customers. Likewise, commercial customers are allocated 5.60 percent, irrigation
22 customers 9.87 percent, golf course customers 12.79 percent, and special contract
23 customers 0.17 percent. Using this rate spread methodology ensures that each

1 customer class appropriately bears its portion of the overall requested revenue
2 increase.

3 Rate design describes the process of allocating revenues for each class
4 between fixed (i.e., service) and variable (i.e., gallonage) charges. OWU-CB's
5 proposed rate design uses the same allocation between revenues from fixed and
6 variable charges that it would recover under current rates. For example, using
7 connections as of December 31, 2019 and 2019 annual usage, under current rates,
8 OWU-CB would expect to recover 69.22 percent of residential revenues from its
9 fixed charge and 30.78 percent from gallonage charges. This same allocation
10 percentage was used for OWU-CB's requested revenue increase. Similar calculations
11 were made to determine and apply allocation percentages for fixed and variable
12 revenues from each customer class. Proposed rates for all customer classes and meter
13 sizes are shown in the Revenue Requirement Model attached as Exhibit OWU/101.

14 **Q. WHAT IS THE EFFECT OF OWU-CB'S REQUESTED REVENUE**
15 **INCREASE ON CUSTOMER BILLS?**

16 A. If OWU-CB's requested rates are allowed to go into effect, the bill for a residential
17 customer using 10 ccf per month will have increased since 2003 by only 1.1 percent
18 annually. These compound annual growth rates ("CAGR") are shown in the tables
19 below:

1

	UW 85	UW 109	UW 127	Proposed
	7/9/2002	7/1/2005	7/1/2008	10/30/2020
Base Rate	\$27.47	\$25.81	\$27.20	\$31.51
New vs. Previous		(6.0%)	5.4%	15.8%
CAGR Increase		(2.1%)	(0.2%)	0.7%

	7/9/2002	7/1/2005	7/1/2008	10/30/2020
Usage Rate	\$0.97	\$1.34	\$1.24	\$1.44
New vs. Previous		37.8%	(7.2%)	16.1%
Rolling CAGR Increase		11.4%	4.2%	2.1%

	7/9/2002	7/1/2005	7/1/2008	10/30/2020
Total Bill @ 7 ccf	\$34.26	\$35.17	\$35.88	\$45.91
New vs. Previous		2.6%	2.0%	15.9%
CAGR Increase		0.9%	0.8%	1.1%

2 **Q. IS THIS REQUEST REASONABLE?**

3 A. Yes. For a residential customer using 10 ccf monthly, OWU-CB’s requested increase
 4 would result in only a 1.1 percent compound annual increase over the approximate
 5 20-year period between 2003 and 2020. This increase is reasonable given its
 6 relationship to cost inflation rates during that same time period as well as service
 7 improvements made.

8 **Q. IS OWU-CB REQUESTING CHANGES TO THE MISCELLANEOUS FEES
 9 AND CHARGES LISTED IN ITS CURRENT TARIFFS?**

10 A. No. OWU-CB is requesting increases only to its base and gallonage rates, as well as
 11 the adoption of a power cost automatic adjustment clause, in this rate application.

1 **IX. POWER COST AUTOMATIC ADJUSTMENT CLAUSE**

2 **Q. PLEASE DESCRIBE OWU-CB'S REQUESTED POWER COST**
3 **AUTOMATIC ADJUSTMENT CLAUSE ("AAC").**

4 A. OWU-CB's requested AAC will allow OWU-CB to increase its tariffed gallonage
5 rates to customers in the future, without a filing a general rate case, when its power
6 supplier, Central Electric Cooperative, Inc. ("CEC"), increases its power cost rates.
7 Establishing an AAC to periodically increase gallonage rates as power costs increase
8 is beneficial to customers, the utility, and the Commission as it potentially reduces the
9 frequency of general rate case filings and their associated costs, as well as to reduce
10 the severity of rate increases requested in those general rate cases.

11 **Q. DOES OWU-CB'S REQUESTED AAC HAVE ANY EFFECT ON RATES IN**
12 **THE CURRENT FILING?**

13 A. No. OWU-CB requests that an AAC be included in its tariffs that will allow OWU-
14 CB to increase its gallonage rates via the AAC in future filings, but rates in the
15 current filing are not affected by the request.

16 **Q. IS OWU-CB'S REQUESTED POWER COST AAC JUSTIFIED?**

17 A. Yes. AACs are authorized by ORS 757.210(1), which provides that:

18 [AAC] means a provision of a rate schedule that provides for rate
19 increases or decreases or both, without prior hearing, reflecting
20 increases or decreases or both in costs incurred, [...] and that is subject
21 to review by the commission at least once every two years.

22 An AAC is appropriate for OWU-CB's power costs because the annual power cost
23 amount represents a substantial portion of OWU-CB's operating expenses and rates

1 charged by CEC are outside of OWU-CB's control. Similar AACs have been
2 authorized by the Commission for other water utilities in Oregon.

3 **Q. WHAT IS THE CURRENT POWER COST PER CCF, AND HOW WAS IT**
4 **CALCULATED?**

5 A. OWU-CB's current power cost per CCF produced is \$0.2607. This amount should be
6 used as the baseline for the power cost adjustment mechanism in the future. The
7 current amount was calculated as the total CCF produced in 2019 divided by the total
8 cost of energy charges from CEC during 2019, per CEC's invoices. Please see
9 Exhibit OWU/102 of this direct testimony for a detailed spreadsheet with the
10 calculations.

11 **X. RATE CASE COSTS**

12 **Q. WHAT AMOUNT OF RATE CASE COSTS HAS OWU-CB INCURRED IN**
13 **PREPARING THIS RATE CASE APPLICATION?**

14 A. As of August 31, 2020, OWU-CB has incurred \$9,233 in rate case costs related to this
15 filing. These costs consist of third-party legal review of the filing and specific work
16 on the rate case from employees of Suburban.

17 **Q. IS IT YOUR PROFESSIONAL OPINION THAT THE COSTS INCURRED TO**
18 **DATE ARE PRUDENT AND REASONABLE?**

19 A. Yes. OWU-CB has prepared this rate application using internal resources as much as
20 possible and limited third-party costs to legal counsel only. Additionally, OWU-CB
21 has limited its internal costs, due in part to COVID restrictions on travel.

1 **Q. WHAT AMOUNT OF RATE CASE COSTS HAS OWU-CB INCLUDED IN**
2 **ITS REQUESTED REVENUE REQUIREMENT?**

3 A. OWU-CB has included \$5,000 in its revenue requirement. This amount is a
4 placeholder and will be updated periodically with actual costs as the case progresses.

5 **Q. WHAT AMORTIZATION PERIOD SHOULD BE USED FOR OWU-CB'S**
6 **RATE CASE COSTS?**

7 A. Contrasting with the twelve years that have passed since OWU-CB's last general rate
8 case, going forward, OWU-CB anticipates filing rate cases every couple of years in
9 order to avoid rate shock to customers caused by excessive stay outs. In
10 consideration of this, OWU-CB proposes to amortize its authorized rate case costs
11 over a two-year period, which is reasonable given OWU-CB's plans going forward.

12 **XI. COMPLIANCE WITH ACQUISITION COMMITMENTS**

13 **Q. WHAT COMMITMENTS WERE MADE BY OWU-CB AS PART OF THE**
14 **COMMISSION'S APPROVAL OF THE ACQUISITION OF ITS ASSETS IN**
15 **2017 BY SOUTHWEST?**

16 A. On May 1, 2017, the Commission issued Order No. 17-156 approving the asset
17 acquisition of OWU-CB by SouthWest from Oregon Resorts, LLC. The stipulation
18 approved included certain conditions, among which were the following:

- 19 • OWU-CB would not file a general rate case until at least 23 months after
20 closing;
- 21 • OWU-CB would not request an acquisition adjustment;
- 22 • OWU-CB would file applications for its affiliated interest agreements within
23 90 days of closing;

- 1 • In its first general rate case application, OWU-CB would not seek recovery of
- 2 more than \$125,300 in affiliate interest costs from SouthWest and Suburban, a
- 3 subsidiary of SouthWest in California through which certain products and
- 4 services are provided to OWU-CB;
- 5 • OWU-CB would not seek a higher cost of capital than would have prevailed
- 6 absent ownership by SouthWest;
- 7 • OWU-CB would exclude transaction costs from rates; and
- 8 • OWU-CB customers would have access to online bill payment options and a
- 9 customer service call center within one year of closing.

10 **Q. HAS OWU-CB FULLY COMPLIED WITH ALL CONDITIONS AND**
 11 **COMMITMENTS MADE IN ORDER NO. 17-156?**

12 A. Yes. The above conditions, in addition to all others included in Order No. 17-156,
 13 have been met by OWU-CB. It has been over 23 months since the transaction was
 14 closed, and OWU-CB is not requesting recovery of any acquisition adjustment,
 15 transaction costs, or affiliate costs in excess of \$125,300. OWU-CB’s affiliate
 16 interest agreement with SouthWest, including SouthWest’s subsidiaries, was
 17 approved by the Commission on December 6, 2019 by Order No. 19-428. OWU-CB
 18 customers were granted access to online bill payment options and the customer
 19 service call center within a year of closing. OWU-CB’s requested cost of capital is
 20 not higher due to SouthWest’s ownership of OWU-CB.

21 **XII. CONCLUSION**

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

23 A. Yes, it does.

Exhibit OWU/101
Revenue Requirement Model

Requested Revenue Increase
 8.63%

Acct.	Acct. Desc.	Test Year Actual	Adjustments	Adjusted Test Year	Adjustments	Requested
OPERATING REVENUES						
461.1	Residential Revenues	739,063		739,063	68,492	807,555
461.2	Commercial Revenues	57,880		57,880	5,364	63,244
465	Irrigation Revenues	101,916		101,916	9,445	111,361
467	Golf Course Revenues	132,059		132,059	12,238	144,297
468	Special Contract Revenues	1,800		1,800	167	1,967
	Total Operating Revenues	1,032,718	-	1,032,718	95,706	1,128,424
OTHER REVENUES						
471	Miscellaneous Service Revenues	644		644		644
474	Other	17,913		17,913		17,913
475	Cross Connection Control Revenues	58,155		58,155		58,155
	Total Other Revenues	76,712	-	76,712	-	76,712
	Total Revenues	1,109,430	-	1,109,430	95,706	1,205,136
OPERATING EXPENSES						
601	Salaries and Wages - Employees	177,730		177,730		177,730
601.1	Capitalized Overhead	(156,784)		(156,784)		(156,784)
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
a 634	Contract Svcs - Management Fees	235,548	(110,248)	125,300		125,300
635	Contract Svcs - Testing	6,606		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		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
660	Advertising Expense	42		42		42
b 666	Amortz. of Rate Case	-	5,000	5,000		5,000
c 667	Gross Revenue Fee (PUC)	3,543	340	3,883	335	4,218
d 670	Bad Debt Expense	3,892	-	3,892	336	4,228
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		14,725
	Total Operating Expenses	569,929	(104,908)	465,021	671	465,692
OTHER REVENUE DEDUCTIONS						
e 403	Depreciation Expense	190,312	25,141	215,453		215,453
408.11	Property Tax	21,210		21,210		21,210
408.12	Payroll Tax	18,888		18,888		18,888
408.13	Other	-		-		-
f 409.1	Federal Income Tax	64,909	16,751	81,660	(5,709)	75,951
g 409.11	Oregon Income Tax	18,558	4,789	23,347	(4,490)	18,858
	Total Revenue Deductions	313,877	46,681	360,558	(10,199)	350,359
	Net Operating Income	225,625	58,227	283,851	105,234	389,086
RATE BASE						
101	Utility Plant in Service	9,142,824		9,142,824		9,142,824
105	Construction Work in Progress	-		-		-
h 108	Accumulated Depreciation of Plant	(2,898,325)	(563,539)	(3,461,864)		(3,461,864)
271	Contributions in Aid of Construction	(892,189)		(892,189)		(892,189)
272	Accumulated Amortization of CIAC	99,306		99,306		99,306
281	Accumulated Deferred Income Tax	406,008		406,008		406,008
i Excess Capacity		(1,324,134)	1,324,134	-		-
	Net Rate Base	4,533,490	760,595	5,294,085	-	5,294,085
WORKING CAPITAL						
151	Materials and Supplies Inventory	4,344		4,344		4,344
j Working Cash (Total Op Exp /12)		47,494	(8,742)	38,752	56	38,808
	Total Rate Base	4,585,328	751,853	5,337,180	56	5,337,236
	Rate of Return	4.92%		5.32%		7.29%

Oregon Water Utilities - Cline Butte, Inc.
 Test Year Ended 12/31/2019
 Adjustments to Recorded Test Year

<u>Adj #</u>	<u>Account</u>	<u>Rev/OpEx/CapEx</u>	<u>Test Year Adjustment</u>	<u>Revenue Sensitive Adjustments</u>	<u>Explanation</u>
a	Contract Services - Mgmt	OpEx	(\$110,248)		to cap allocated management costs to \$125,300 per acquisition order
b	Rate Case Expense	OpEx	\$5,000		placeholder for rate case expenses
c	OPUC annual fee	OpEx	\$340	\$335	to flow through .35% of gross revenue
d	Bad Debt Expense	OpEx	\$0	\$336	to apply bad debt % rate to requested revenues
e	Depreciation	Dep	\$25,141		annual depreciation expense on used and useful plant previously deemed "excess capacity"
f	FIT	Taxes	\$16,751	(\$5,709)	flow through of federal taxes @ 21%
g	SIT	Taxes	\$4,789	(\$4,490)	flow through of state taxes @ 6.6%
h	Accumulated Depreciation	Rate Base	(\$563,539)		accumulated depreciation on used and useful plant previously deemed "excess capacity"
i	gross plant	Rate Base	\$1,324,134		used and useful plant previously deemed "excess capacity"
j	cash working capital	Rate Base	(\$8,742)	\$56	cash working capital @ 1/12 opex

Oregon Water Utilities - Cline Butte, Inc.
Test Year Ended 12/31/2019
Net-to-Gross Calculation

Uncollectibles	0.3508%	0.3508%
1 minus line 1	=	99.6492%
PUC Fee (x line 2)	0.35%	0.3488%
Other (x line 2)	0.00%	0.0000%
SUBTOTAL (line 1+ line 3 + line 4)		<u>0.6996%</u>
Remaining Amount (1 - line 5)		99.3004%
<u>Line 6 Subject to OR Tax and FIT</u>		
OR Tax (x line 6)	6.60%	6.5538%
Fed. Taxable Income (line 6 - line 7)		92.7466%
FIT (x line 8)	21.00%	19.4768%
Total Taxes Paid (line 5+ line 7+ line 9)		<u>26.7302%</u>
Net Income (1- line 10)		73.2698%
Net To Gross Multiplier (1 / line 11)		<u><u>1.3648</u></u>

Oregon Water Utilities - Cline Butte, Inc.
Test Year Ended 12/31/2019
Cost of Capital

Previous GRC*

	CoD / ROE	Weight	Wtd CoD/ROE
debt	6.00%	19.1%	1.15%
equity	10%	80.9%	8.09%
	Requested Return		9.24%

Proposed

	CoD / ROE	Weight**	Wtd CoD/ROE
debt	4.57%	50%	2.29%
equity	10.00%	50%	5.00%
	Requested Return		7.29%

*The rate of return in OWU-CB's last GRC was set at 6.42% rather than 9.24% in order to not increase rates above that requested by OWU-CB

**Because OWU-CB doesn't have its own debt and is owned 100% by SouthWest Water Company, OWU-CB calculates its cost of capital using a 50/50 hypothetical capital structure and SouthWest's actual cost of debt of 4.57%. Please refer to direct testimony filed with the application for additional details.

Oregon Water Utilities - Cline Butte, Inc.

Test Year Ended 12/31/2019

Rate Spread

	<u>Current Rate Spread</u>		<u>Proposed Rate Spread</u>	
<u>Operating Revenues</u>				
Residential	\$739,063	71.56%	\$807,554	71.56%
Commercial	\$57,880	5.60%	\$63,244	5.60%
Irrigation	\$101,916	9.87%	\$111,361	9.87%
Golf Course	\$132,059	12.79%	\$144,298	12.79%
Special Contract	\$1,800	0.17%	\$1,967	0.17%
	\$1,032,718 Operating Revenues		\$1,128,424 Revenues for Rate Design	
<u>Other Revenues</u>				
Miscellaneous Services	\$644		\$644	
Other	\$17,913		\$17,913	
Cross Connection Control	\$58,155		\$58,155	
	\$76,712 Other Revenues		\$76,712 Other Revenues	
Total Revenues	\$1,109,430		\$1,205,136	

#VALUE!

Test Year Ended 12/31/2019

Rate Design

Current Rate Design

Operating Revenues

	Base	Usage	Total	
Residential	\$516,900	\$229,804	\$746,704	
Commercial	\$19,420	\$12,419	\$31,839	
Irrigation (non-golf)	\$50,265	\$59,849	\$110,115	
Irrigation (golf)	\$42,015	\$41,613	\$83,628	
Special Contract	\$1,800	\$0	\$1,800	
Total	\$630,401	\$343,685	\$974,086	Revenues from Rate Design
	65%	35%		

Residential

Base Rates

meter size	# meters	base rate	annual revenue	
5/8"		\$27.20	\$0	
3/4"	1,566	\$27.20	\$511,142	
1"	10	\$39.44	\$4,733	
1.5"	1	\$42.16	\$506	
2"	1	\$43.25	\$519	
total annual revenue from base rate			\$516,900	69.22%

Usage Rates

meter size	Annual Usage	Rate/CCF	annual revenue	
all	185,326	\$1.24	\$229,804	
total annual revenue from usage rate			\$229,804	30.78%

Commercial

Base Rates

meter size	# meters	base rate	annual revenue	
5/8"		\$27.20	\$0	
3/4"	12	\$27.20	\$3,917	
1"	5	\$40.80	\$2,448	
1.5"	3	\$108.80	\$3,917	
2"	4	\$190.39	\$9,139	
total annual revenue from base rate			\$19,420	61%

Usage Rates

meter size	Annual Usage	Rate/CCF	annual revenue	
all	10,015	\$1.24	\$12,419	
total annual revenue from usage rate			\$12,419	39%

Irrigation (non-golf)

Base Rates

meter size	# meters	base rate	annual revenue	
5/8"	4	\$10.88	\$522	
3/4"	99	\$10.88	\$12,925	
1"	1	\$21.76	\$261	
1.5"	10	\$43.52	\$5,222	
2"	24	\$87.04	\$25,068	
4"	1	\$174.07	\$2,089	
6"	1	\$348.15	\$4,178	

Proposed Rate Design

Proposed Operating Revenues

	Base	Usage	Total	
Residential	\$598,806	\$266,869	\$865,675	
Commercial	\$22,497	\$14,422	\$36,919	
Irrigation (non-golf)	\$58,225	\$69,057	\$127,282	
Irrigation (golf)	\$48,672	\$48,842	\$97,514	
Special Contract	\$2,085	\$0	\$2,085	
Total	\$730,286	\$399,190	\$1,129,475	Revenues from proposed rate design
	65%	35%	\$1,128,424	Revenues for Proposed Rate Design
			-\$1,051	rounding difference

Residential

Base Rates

meter size	# meters	base rate	annual revenue	
5/8"		\$31.51	\$0	
3/4"	1,566	\$31.51	\$592,136	
1"	10	\$45.69	\$5,483	
1.5"	1	\$48.84	\$586	
2"	1	\$50.10	\$601	
total annual revenue from base rate			\$598,806	69%

Usage Rates

meter size	Annual Usage	Rate/CCF	annual revenue	
all	185,326	\$1.44	\$266,869	
total annual revenue from usage rate			\$266,869	31%

Commercial

Base Rates

meter size	# meters	base rate	annual revenue	
5/8"		\$31.51	\$0	
3/4"	12	\$31.51	\$4,537	
1"	5	\$47.26	\$2,836	
1.5"	3	\$126.04	\$4,537	
2"	4	\$220.56	\$10,587	
total annual revenue from base rate			\$22,497	61%

Usage Rates

meter size	Annual Usage	Rate/CCF	annual revenue	
all	10,015	\$1.44	\$14,422	
total annual revenue from usage rate			\$14,422	39%

Irrigation (non-golf)

Base Rates

meter size	# meters	base rate	annual revenue	
5/8"	4	\$12.60	\$605	
3/4"	99	\$12.60	\$14,969	
1"	1	\$25.21	\$303	
1.5"	10	\$50.42	\$6,050	
2"	24	\$100.83	\$29,039	
4"	1	\$201.65	\$2,420	
6"	1	\$403.31	\$4,840	

total annual revenue from base rate				\$50,265	46%
Usage Rates					
meter size	Annual Usage	Rate/CCF	annual revenue		
all	115,095	\$0.52	\$59,849		
total annual revenue from usage rate				\$59,849	54%
Irrigation (golf)					
Base Rates					
meter size	# meters	base rate	annual revenue		
4"	3	\$1,167.08	\$42,015		
6"		\$2,334.16	\$0		
8"		\$4,084.78	\$0		
12"		\$7,002.48	\$0		
total annual revenue from base rate				\$42,015	50%
Usage Rates					
meter size	Annual Usage	Rate/CCF	annual revenue		
n/a	195,366	\$0.21	\$41,613		
total annual revenue from usage rate				\$41,613	50%
Special Contract					
Base Rates					
meter size	# meters	base rate	annual revenue		
12"	1	\$150.00	\$1,800		
total annual revenue from base rate				\$1,800	100%
Usage Rates					
meter size	Annual Usage	Rate/CCF	annual revenue		
all	-	\$0.52	\$0		
total annual revenue from usage rate				\$0	0%

total annual revenue from base rate				\$58,225	46%
Usage Rates					
meter size	Annual Usage	Rate/CCF	annual revenue		
all	115,095	\$0.60	\$69,057		
total annual revenue from usage rate				\$69,057	54%
Irrigation (golf)					
Base Rates					
meter size	# meters	base rate	annual revenue		
4"	3	\$1,352.00	\$48,672		
6"	-	\$2,703.99	\$0		
8"	-	\$4,731.99	\$0		
12"	-	\$8,111.98	\$0		
total annual revenue from base rate				\$48,672	50%
Usage Rates					
meter size	Annual Usage	Rate/CCF	annual revenue		
n/a	195,366	\$0.25	\$48,842		
total annual revenue from usage rate				\$48,842	50%
Special Contract					
Base Rates					
meter size	# meters	base rate	annual revenue		
12"	1	\$173.77	\$2,085		
total annual revenue from base rate				\$2,085	100%
Usage Rates					
meter size	Annual Usage	Rate/CCF	annual revenue		
all	-	\$0.60	\$0		
total annual revenue from usage rate				\$0	0%

Oregon Water Utilities - Cline Butte, Inc.
Test Year Ended 12/31/2019
Bill Comparison at Current Rates versus Requested Rates

	CURRENT RATES				
usage (kgal)	0	5	10	15	20
Residential					
5/8"	\$27.20	\$33.40	\$39.60	\$45.80	\$52.00
3/4"	\$27.20	\$33.40	\$39.60	\$45.80	\$52.00
1"	\$39.44	\$45.64	\$51.84	\$58.04	\$64.24
1.5"	\$42.16	\$48.36	\$54.56	\$60.76	\$66.96
2"	\$43.25	\$49.45	\$55.65	\$61.85	\$68.05
Commercial					
5/8"	\$27.20	\$33.40	\$39.60	\$45.80	\$52.00
3/4"	\$27.20	\$33.40	\$39.60	\$45.80	\$52.00
1"	\$40.80	\$47.00	\$53.20	\$59.40	\$65.60
1.5"	\$108.80	\$115.00	\$121.20	\$127.40	\$133.60
2"	\$190.39	\$196.59	\$202.79	\$208.99	\$215.19
Irrigation (non-golf)					
5/8"	\$10.88	\$13.48	\$16.08	\$18.68	\$21.28
3/4"	\$10.88	\$13.48	\$16.08	\$18.68	\$21.28
1"	\$21.76	\$24.36	\$26.96	\$29.56	\$32.16
1.5"	\$43.52	\$46.12	\$48.72	\$51.32	\$53.92
2"	\$87.04	\$89.64	\$92.24	\$94.84	\$97.44
4"	\$174.07	\$176.67	\$179.27	\$181.87	\$184.47
6"	\$348.15	\$350.75	\$353.35	\$355.95	\$358.55
Irrigation (golf)					
4"	\$1,167.08	\$1,168.15	\$1,169.21	\$1,170.28	\$1,171.34
6"	\$2,334.16	\$2,335.23	\$2,336.29	\$2,337.36	\$2,338.42
8"	\$4,084.78	\$4,085.85	\$4,086.91	\$4,087.98	\$4,089.04
12"	\$7,002.48	\$7,003.55	\$7,004.61	\$7,005.68	\$7,006.74
Special Contract					
12"	\$150.00	\$152.60	\$155.20	\$157.80	\$160.40

	PROPOSED RATES				
usage (kgal)	0	5	10	15	20
Residential					
5/8"	\$31.51	\$38.71	\$45.91	\$53.11	\$60.31
3/4"	\$31.51	\$38.71	\$45.91	\$53.11	\$60.31
1"	\$45.69	\$52.89	\$60.09	\$67.29	\$74.49
1.5"	\$48.84	\$56.04	\$63.24	\$70.44	\$77.64
2"	\$50.10	\$57.30	\$64.50	\$71.70	\$78.90
Commercial					
5/8"	\$31.51	\$38.71	\$45.91	\$53.11	\$60.31
3/4"	\$31.51	\$38.71	\$45.91	\$53.11	\$60.31
1"	\$47.26	\$54.46	\$61.66	\$68.86	\$76.06
1.5"	\$126.04	\$133.24	\$140.44	\$147.64	\$154.84
2"	\$220.56	\$227.76	\$234.96	\$242.16	\$249.36
Irrigation (non-golf)					
5/8"	\$12.60	\$15.60	\$18.60	\$21.60	\$24.60
3/4"	\$12.60	\$15.60	\$18.60	\$21.60	\$24.60
1"	\$25.21	\$28.21	\$31.21	\$34.21	\$37.21
1.5"	\$50.42	\$53.42	\$56.42	\$59.42	\$62.42
2"	\$100.83	\$103.83	\$106.83	\$109.83	\$112.83
4"	\$201.65	\$204.65	\$207.65	\$210.65	\$213.65
6"	\$403.31	\$406.31	\$409.31	\$412.31	\$415.31
Irrigation (golf)					
4"	\$1,352.00	\$1,353.25	\$1,354.50	\$1,355.75	\$1,357.00
6"	\$2,703.99	\$2,705.24	\$2,706.49	\$2,707.74	\$2,708.99
8"	\$4,731.99	\$4,733.24	\$4,734.49	\$4,735.74	\$4,736.99
12"	\$8,111.98	\$8,113.23	\$8,114.48	\$8,115.73	\$8,116.98
Special Contract					
12"	\$173.77	\$176.77	\$179.77	\$182.77	\$185.77

Oregon Water Utilities - Cline Butte, Inc.
Test Year Ended 12/31/2019
Compound Annual Growth Rates

	UW 85	UW 109	UW 127	Proposed
<i>Residential - Base Rate</i>	7/9/2002	7/1/2005	7/1/2008	10/30/2021
Base Rates	\$27.47	\$25.81	\$27.20	\$31.51
New Rate vs. Previous		(6.0%)	5.4%	15.8%
Rolling CAGR Increase		(2.1%)	(0.2%)	0.7%

	7/9/2002	7/1/2005	7/1/2008	10/30/2021
<i>Residential - Usage Rate</i>				
Usage Rate	\$0.97	\$1.34	\$1.24	\$1.44
New Rate vs. Previous		37.8%	(7.2%)	16.1%
Rolling CAGR Increase		11.4%	4.2%	2.1%

	7/9/2002	7/1/2005	7/1/2008	10/30/2021
<i>Residential - Avg Bill</i>				
CCF Avg Use	\$37.17	\$39.18	\$39.60	\$45.91
New Rate vs. Previous		5.4%	1.1%	15.9%
Rolling CAGR Increase		1.8%	1.1%	1.1%

Oregon Water Utilities - Cline Butte, Inc.
Test Year Ended 12/31/2019
Gross Plant

<u>NARUC Act</u>	<u>Gross Plant</u>
303.2	5,000
303.5	15,101
304.2	10,198
304.5	21,056
307.2	1,020,813
309.2	170,533
311.2	1,280
311.4	1,276,516
330.4	264,890
331.4	3,876,764
333.4	942,466
334.4	673,991
335.4	378,392
336.4	2,040
340.5	768
340.51	14,985
340.52	185,173
341.5	60,434
343.5	7,654
345.5	50,747
346.5	101,772
347.5	8,069
348.5	54,183
Total	9,142,824

Oregon Water Utilities - Cline Butte, Inc.
 Test Year Ended 12/31/2019
 Meter Equivalents

OWU-CB (water)

<u>meter size</u>	<u>connections</u>	<u>factor</u>	<u>meter equivalent</u>	
#	20	1.5	30	
1 1/2"	9	5	45	
1"	14	2.5	35	
12"	1	215	215	
2"	35	8	280	
3/4"	1535	1.5	2,303	
4"	1	25	25	
5/8"	109	1	109	
6"	1	50	50	
			<u>3,092</u>	41.8%

OWU (CB wastewater)

<u>meter size</u>	<u>connections</u>	<u>factor</u>	<u>meter equivalent</u>	
#	14	1.5	21	
1 1/2"	2	5	10	
1"	8	2.5	20	
2"	3	8	24	
3/4"	1504	1.5	2,256	
5/8"	13	1	13	
			<u>2,344</u>	31.7%

OWU-ML (water)

<u>meter size</u>	<u>connections</u>	<u>factor</u>	<u>meter equivalent</u>	
#	6	1	6	
1 1/2"	8	5	40	
1"	6	2.5	15	
12"	1	215	215	
2"	33	8	264	
3"	1	15	15	
5/8"	555	1	555	
			<u>1,110</u>	15.0%

OWU (ML wastewater)

<u>meter size</u>	<u>connections</u>	<u>factor</u>	<u>meter equivalent</u>	
#	5	1	5	
1 1/2"	4	5	20	
1"	1	2.5	3	
2"	7	8	56	
3"	1	15	15	
5/8"	529	1	529	
			<u>628</u>	8.5%

Southview (water)

<u>meter size</u>	<u>connections</u>	<u>factor</u>	<u>meter equivalent</u>	
#	4	1	4	
3"	2	15	30	
5/8"	94	1	94	
			<u>128</u>	1.7%

Southview (wastewater)

<u>meter size</u>	<u>connections</u>	<u>factor</u>	<u>meter equivalent</u>	
#	3	1	3	
5/8"	93	1	93	
			<u>96</u>	1.3%

Total Meter Equivalents			<u><u>7,397</u></u>	<u>100%</u>
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Exhibit OWU/102
Baseline Power Costs

Oregon Water Utilities - Cline Butte, Inc.
 Test Year Ended 12/31/2019
 Calculation of Baseline Power Cost per CCF

Production (in Acre Feet)	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total
Well 6 - 8836 Coopers Hawk	6.25	0.97	3.43	6.03	37.23	54.27	72.15	56.87	35.25	24.49	19.50	17.20	333.64
Well 7 - 8836 Coopers Hawk	0.11	0.15	0.11	0.93	6.00	9.07	13.53	16.30	6.11	2.88	1.25	-	56.44
Well 8 - 1205 Golden Pheasant	-	0.31	0.03	2.24	23.57	34.43	35.27	37.70	15.34	9.90	2.33	0.01	161.13
Well 9 - 1025 Eagle Crest BLVD	14.44	17.23	16.04	34.45	116.86	129.12	136.90	146.12	115.17	26.79	4.66	0.17	757.95
Booster Pump - 10505 William Lyche													
Total 2019 Acre Feet	20.80	18.66	19.61	43.65	183.66	226.89	257.85	256.99	171.87	64.06	27.74	17.38	1,309.16
Total 2019 CCF powered by CEC	9,060	8,128	8,542	19,014	80,002	98,833	112,319	111,945	74,867	27,905	12,084	7,571	570,270

Power Costs - Central Electric Cooperative	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total
8836 Coopers Hawk (Well 6 & 7)	\$2,123	\$1,809	\$1,540	\$1,723	\$3,255	\$4,628	\$5,824	\$6,841	\$5,676	\$4,030	\$3,724	\$2,700	\$43,873
1205 Golden Pheasant (Well 8)	\$342	\$128	\$1,294	\$1,316	\$1,528	\$2,107	\$2,509	\$2,468	\$2,689	\$1,619	\$1,581	\$1,238	\$18,820
1025 Eagle Crest BLVD (Well 9)	\$2,302	\$3,200	\$3,361	\$3,318	\$5,588	\$9,470	\$9,743	\$10,247	\$10,254	\$8,407	\$3,577	\$2,288	\$71,755
10505 William Lyche (Booster Pump)	\$707	\$495	\$489	\$469	\$1,134	\$1,651	\$1,826	\$2,089	\$2,108	\$1,856	\$745	\$630	\$14,199
2019 CEC Costs (per invoices)	\$5,475	\$5,632	\$6,684	\$6,827	\$11,505	\$17,857	\$19,902	\$21,646	\$20,726	\$15,911	\$9,628	\$6,855	\$148,647

2019 baseline power cost rate per CCF	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total
Total	\$0.6043	\$0.6928	\$0.7825	\$0.3590	\$0.1438	\$0.1807	\$0.1772	\$0.1934	\$0.2768	\$0.5702	\$0.7968	\$0.9054	\$0.2607

Exhibit OWU/103

Proposed Tariff

**Containing Rules and Regulations
Governing Water Utility Service**

NAMING RATES FOR

OREGON WATER UTILITIES – CLINE BUTTE, INC.
1230 GOLDEN PHEASANT DRIVE
REDMOND, OR 97756

(541) 504-2305

Serving water in the vicinity of
 Eagle Crest Resort, Redmond, Oregon

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

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Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

**SCHEDULE NO. 1
RESIDENTIAL METERED RATES**

Available: To customers of the Utility at Eagle Crest, Redmond, Oregon, and vicinity.

Applicable: To residential premises.

Base Rate

SERVICE METER SIZE	MONTHLY BASE RATE	USAGE ALLOWANCE
5/8 inch or 3/4 inch	\$31.51	None
1 inch	\$45.69	None
1½ inches	\$48.84	None
2 inches	\$50.10	None

Commodity Usage Rate

COMMODITY RATE	NO. OF UNITS	MEASURING UNIT
\$1.44	Per Unit	1 unit = 100 cf

Special Provisions:

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc., shall be metered. Charges shall be made at the rates specified in this schedule. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

SCHEDULE NO. 2
COMMERCIAL / INDUSTRIAL METERED RATES

Available: To customers of the Utility at Eagle Crest, Redmond, Oregon, and vicinity.

Applicable: To commercial / industrial customers.

Base Rate

SERVICE METER SIZE	MONTHLY BASE RATE	USAGE ALLOWANCE
5/8 inch or 3/4 inch	\$31.51	None
1 inch	\$47.26	None
1½ inches	\$126.04	None
2 inches	\$220.56	None

Commodity Usage Rate

COMMODITY RATE	NO. OF UNITS	MEASURING UNIT
\$1.44	Per Unit	1 unit = 100 cf

Special Provisions:

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc., shall be metered. Charges shall be made at the rates specified in this schedule. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

SCHEDULE NO. 3 IRRIGATION (NON-GOLF) METERED RATES

Available: To customers of the Utility at Eagle Crest, Redmond, Oregon, and vicinity.

Applicable: To irrigation customers and premises.

BASE RATES

SERVICE METER SIZE	MONTHLY BASE RATE	USAGE ALLOWANCE
5/8 inch or 3/4 inch	\$12.60	None
1 inch	\$25.21	None
1½ inches	\$50.42	None
2 inches	\$100.83	None
4 inches	\$201.65	None
6 inches	\$403.31	None

Commodity Usage Rate

COMMODITY RATE	NO. OF UNITS	MEASURING UNIT
\$0.60	Per Unit	1 unit = 100 cf

Special Provisions:

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc. shall be metered. Charges shall be made at the rates specified in this schedule. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

SCHEDULE NO. 4 GOLF COURSE METERED RATES

Available: To customers of the Utility at Eagle Crest, Redmond, Oregon, and vicinity.

Applicable: To golf course customers and premises.

Base Rate

SERVICE METER SIZE	MONTHLY BASE RATE	USAGE ALLOWANCE
4 inches	\$1,352.00	None
6 inches	\$2,703.99	None
8 inches	\$4,731.99	None
12 inches	\$8,111.98	None

Commodity Usage Rate

COMMODITY RATE	NO. OF UNITS	MEASURING UNIT
\$0.250	Per Unit	1 unit = 100 cf

Special Provisions:

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc., shall be metered. Charges shall be made at the rates specified in this schedule. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

SCHEDULE NO. 5
ECMA SPECIAL CONTRACT FOR IRRIGATION AND
STANDBY FIRE AND DOMESTIC SERVICE

Available: To the Eagle Crest Master Association Property at Eagle Crest, Redmond, Oregon.

Applicable: To customers of Eagle Crest Master Association at Eagle Crest, Redmond, Oregon.

Base Rate

SERVICE METER SIZE	MONTHLY BASE RATE	USAGE ALLOWANCE
N/A	\$173.77	None

Commodity Usage Rate

COMMODITY RATE	NO. OF UNITS	MEASURING UNIT
\$0.60	Per Unit	1 unit = 100 cf

Special Provisions:

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc., shall be metered. Charges shall be made at the rates specified in this schedule. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

SCHEDULE NO. 6 COMMODITY POWER COST ADJUSTMENT

Schedule No. 6 is an “Automatic Adjustment Clause” as defined in ORS 757.210.
It is subject to review by the Commission at least once every two years.

PURPOSE: To define procedures for periodic revision in rates due to changes in the Utility’s purchased commodity power cost, to describe how a rate change for purchased commodity power cost is calculated, and to identify any other requirements.

APPLICABLE: The commodity power cost adjustment applies to the following schedules contained in the Utility’s tariffs: Schedules 1, 2, 3, 4, and 5.

COMMODITY POWER COST ADJUSTMENT

Changes under the applicable schedules are subject to increases or decreases that may be made without prior hearing to reflect the changes in the Utility’s purchased power costs resulting from adjustments in the rate of the Utility’s power suppliers. Such adjustments may be shown in Schedules 1, 2, 3, 4, and 5, or may be incorporated directly in the applicable rate schedules. The Utility may file purchased power cost adjustments periodically to be effective upon the date its power suppliers implement rate changes. If the Utility chooses to file for power cost increases, it is also obligated to file for decreases in power costs.

DESCRIPTION OF POWER COST ADJUSTMENT CALCULATION

Current power rate per 100 cf of water, multiplied by the power provider’s percentage increase, multiplied by the power provider’s allocation percentage, equals the power cost adjustment per 100 cf. For example, if Central Electric Cooperative, Inc. (“CEC”) provides 100 percent of the Utility’s electric power for domestic water and the current rate is \$0.2607 per 100 cf, a 15 percent increase by CEC would result in the following power cost adjustment:

$$\$0.2607 * 15\% * 100\% = \$0.039 \text{ increase per 100 cf (rounded to three decimal places)}$$

OTHER REQUIREMENTS

The Utility shall, whenever possible, utilize its pumping operations at off-peak times in order to promote energy conservation. The Utility will adopt a time-of-day usage of electric power from power suppliers if such an option is offered.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

SCHEDULE NO. 7

MISCELLANEOUS SERVICE CHARGES

This schedule lists the miscellaneous charges included in the Utility’s Rules and Regulations; refer to the appropriate Rules for an explanation of charges and conditions under which they apply.

Connection Charge for New Service (Rule Nos. 8 & 9)

Standard ¾-inch service	At cost
Nonstandard ¾-inch service	At cost
Irrigation hookup (if provided on separate system)	At cost

Meter Test (Rule Nos. 19 & 20)

First test within 12-month period	N/C
Second test within 12-month period	<u>\$25</u>

Pressure Test (Rule No. 39)

First test within 12-month period	N/C
Second test within 12-month period	<u>\$25</u>

Late-Payment Charge (Rule No. 21)

Pursuant to OAR 860-036-1400

Deposit for Service (Rule No. 5)

Pursuant to OAR 860-036-1220

Returned-Check Charge (Rule No. 22)

\$15 each occurrence

Trouble-Call Charge (Rule No. 35)

During normal office hours	\$25 per hour
After normal office hours on special request	\$50 per hour

Disconnection/Reconnect Charge (Rule Nos. 28 & 29)

During normal office hours	<u>\$25</u>
After normal office hours on special request	<u>\$50</u>

Unauthorized Restoration of Service (Rule No. 30)

Disconnection/Reconnection charge plus costs

Damage/Tampering Charge (Rule No. 28)

At cost

Disconnect Site-Visit Charge (Rule No. 29)

\$15

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

SCHEDULE NO. 8

**CROSS CONNECTION CONTROL PROGRAM
Backflow Prevention Device Services and Fees**

PURPOSE: The Utility offers its customers backflow prevention device/double check valve assembly (DCVA) testing, maintenance, and repair services.

AVAILABLE: To customers of the Utility in Eagle Crest, Redmond, Oregon and vicinity.

APPLICABLE: To residential, commercial/industrial, and irrigation premises with backflow prevention devices installed at the meter.

PROGRAM DESCRIPTION

Service plans include:

1. Testing of newly installed devices prior to hook up to the Company’s water system.
2. The required annual backflow prevention device testing by a state certified tester pursuant to Oregon Administrative Rules 333-061-0070 through OAR 333-061-0072.
3. Maintenance and repairs on the customer-owned backflow prevention device.

The Company offers the following plans and payment options for services provided by the Company:

1. Testing of new devices.
2. Required annual device testing.
3. Payment is due upon completion of services rendered.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

SCHEDULE NO. 8 (CONTINUED)

**CROSS CONNECTION CONTROL PROGRAM
Backflow Prevention Device Services and Fees**

BILLING RATES

At the time of testing, customers will be billed (itemized separately on customer water bill):

Double Check Devices

New device 1" and under	\$45
New device over 1"	\$60
New device over 2"	\$85
Commercial property	Additional \$20 per device
Existing device 1" and under	\$30
Existing device over 1"	\$45
Existing device over 2"	\$85
Commercial property	Additional \$10 per device
Additional device(s)* tested during same site visit	Discount <\$10>

*Excludes RPs

Reduced Pressure Backflow Preventer Device (RP)

1" and under	\$45
Over 1"	\$60

Miscellaneous

Confined space entry	\$100
Labor for maintenance and repair of device (1 hr min)	\$50 per hour
Parts	At cost

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

SCHEDULE NO. 8 (CONTINUED)

**CROSS CONNECTION CONTROL PROGRAM
Backflow Prevention Device Services and Fees**

OPT OUT CUSTOMERS WHO FAIL TO PROVIDE DCVA TEST RESULTS

OPT OUT customers who fail to provide the Utility with annual DCVA test results by the customer’s annual deadline will be disconnected from water service pursuant to OAR 860-036-1680.

SPECIAL PROVISIONS:

1. The customer is under no obligation to use the Utility's DCVA services.
2. The customer can choose any qualified company or individual to test, maintain, and repair his/her DCVA.
3. Customers who choose not to use the Company’s backflow prevention services must sign the written refusal and return it to the Company. Customers who choose to continue not using the Company’s backflow prevention services must each year notify the Company of the name of the company chosen and date backflow test is scheduled
4. The Company will provide each customer with notification of the backflow prevention service options being offered. The notification shall include (1) an agreement for service that allows the customer to indicate which plan and payment arrangement the customer chooses, and (2) a written refusal of the Company’s services.
5. The Company reserves the right to propose before the OPUC any change in the amount charged for the backflow prevention device testing, maintenance, and repair services.
6. Customers will be given the choice of accepting or rejecting a new agreement in advance of any rate increase.
7. The Company will separately itemize the backflow prevention device service fee on customer bills.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

RULES AND REGULATIONS

Rule 1: Jurisdiction of the Commission

Water systems are subject to regulation as provided under ORS [Chapter 757](#)

Rule 2: Definitions

- A. "Applicant" means a person who does not meet the definition of a customer, who applies for service with a water utility.
- B. "Commission" shall mean the Public Utility Commission of Oregon.
- C. "Commercial service" means water service provided by the water utility that the customer uses in the promotion of a business or business product that is a source of revenue or income to the customer or others using the premises.
- D. "Customer" means a person who is currently receiving water service and is entitled to certain rights as a customer under these rules. A residential customer retains customer status for 20 calendar days following voluntary disconnection of service and must be treated as a customer if he or she reapplies for service within that 20 calendar day period.
- E. "Customer's service line" is defined as the facilities used to convey water from the point of connection to the customer's point of usage. The customer owns and maintains the customer service line.
- F. "Residential service" means water service provided for domestic or irrigation purposes in a residential area and is not considered a commercial service.
- G. "Served" for purpose of delivery of any required notice or document, unless otherwise specifically noted, means: delivered in person, by personal contact over the telephone, or in writing delivered to the party's last known address. If delivered by US Mail, the notice is considered served two calendar days after the date postmarked, the date of postage metering, or deposit in the US Mail, excluding Sundays and postal holidays.
- H. "Utility" shall mean: OREGON WATER UTILITIES – CLINE BUTTE, INC.
- I. "Water service connection" is defined as the facilities used to connect a water utility's distribution network to the point of connection at the customer's service line. The water utility owns and maintains the water service connection.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

APPLICATION FOR SERVICE

Rule 3: Information for Applicants and Customers (OAR 860-036-1100)

The Utility shall provide or be able to provide customers or applicants with the following information:

- A. A copy of its approved tariffs or statement of rates;
- B. A copy of the utility’s rules and regulations applicable to the type of service being provided; and
- C. The option to receive electronic copies of all written notices to be issued on the customer’s account.

Rule 4: Application for Service (OAR 860-036-1200)

Application for water service must be made for each individual property to be served. The application shall identify the name of the applicant, the service address, the billing address, the contact information where the applicant can be reached, the type of water service requested and its intended use, and the name to be used to identify the account, if different than the applicant’s actual name. The applicant shall, at this time, pay any scheduled fees or deposits. An application is a request for service and shall not be accepted until the applicant establishes credit as set forth in OAR 860-036-1210.

An application for service may be required where:

- A. An applicant, who has not previously been served by the Utility, requests service; or
- B. Service has been involuntarily discontinued in accordance with the Utility and Commission rules, and service is requested; or
- C. Service has been voluntarily discontinued and a request to restore service has not been made within 20 days; or
- D. There is a change in the type of use to which the water is put, or the number of premises served.

Rule 5: Establishment of Credit, Surety Agreements, Deposits, Interest, and Refunds of Deposits (OAR 860-036-1210, 1220, 1230, 1240, 1250, and 1260)

The utility may require an applicant or customer to pay a deposit as a guarantee of payment for services provided. Amounts held by a water utility may not exceed one-sixth of the actual or estimated annual billing for the premises. (OAR 860-036-1220)

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Signature			
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The water utility may adjust the deposit amount when a customer moves to a new location within the water utility's service area, and the anticipated bill at the new residence will be at least 20 percent greater than the basis of the existing deposit. (OAR 860-036-1220(5))

The Utility shall pay interest on deposits at the rate established by the Commission. After the customer has paid its water service bills for 12 consecutive months without having had service discontinued for nonpayment, or did not have more than two occasions in which a shut-off notice was issued, and the customer is not then delinquent in the payment of bills, the Utility shall promptly and automatically refund the deposit plus accrued interest by **(check one)** (OAR 860-036-1250 and 1260):

- 1. Issuing the customer a refund check, or
- 2. Crediting the customer's account; however, a customer is entitled to a refund upon request pursuant to OAR 860-036-1260

Rule 6: Customer Service Line (OAR 860-036-1300(2))

The customer shall own and maintain the customer service line and promptly repair all breaks and leaks. For non-metered service, the customer service line begins at the property line or utility-owned shut-off valve. For metered service, the customer service line begins on the customer's side of the meter or utility-owned shut-off valve. The Utility shall not be responsible for any damage or poor service due to inadequacy of the customer service line or any portion of the customer's plumbing. All leaks in the customer service line, faucets, and all other parts of the plumbing owned or controlled by the customer shall be promptly repaired so as not to waste water.

Rule 7: Separate Control of Service

All premises supplied with water will be served through service lines so placed as to enable the Utility to control the supply to each individual premise using a valve placed within and near the line of the street, the Utility right-of-way, or at the meter.

Rule 8: Water Service Connections (OAR 860-036-1300)

The water service connection is defined as the facilities used to connect the Utility's distribution network to the point of connection at the customer's service line, including all trenching, pipe, valves, and fittings. The Utility owns, operates, maintains, and replaces the service connection when necessary and promptly repairs all breaks and leaks. The customer shall not be

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responsible for any damage or poor service due to inadequacy of the Utility’s service lines or any portion of the Utility’s plumbing.

Rule 9: Service Connection Charge (OAR 860-036-1300(3))

An applicant requesting permanent water service to a premise not previously supplied with permanent water service by the Utility may be required to pay the cost of the service connection, including or excluding the meter as provided in Rule No. 8 and the Utility’s Miscellaneous Service Charges in this tariff.

Rule 10: Main Line Extension Policy (OAR 860-036-1310)

A main line extension is defined as the extension of the Utility's main line necessary to provide service to a customer when the property does not currently have main line frontage.

Main line extension charges, if any, are stated in the Utility's tariff or statement of rates.

The Utility maintains a main line extension policy that lists all applicable charges; and describes the advance and refund provisions, including a description of the mechanisms for collecting and rebating the amount charged equitably among the customers who paid for the cost of the line, and provides the time period during which the advance and rebate provisions apply.

For a period of five (5) years after construction of the requested main line extension, the utility shall also collect from any additional applicants whose service connections or service lines shall connect directly to said main line extension an amount per foot equal to the new applicant's proportionate share of the main line extension abutting footage used. The utility will then refund the share differential amount to those customers who previously incurred the cost of said main line extension. Refunds shall not exceed the amount originally advanced.

No part of the distribution system installed prior to the request for a main line extension shall be used to calculate any customer advance or refund.

Rule 11: Types of Use

Water service may be supplied for residential, commercial, irrigation, temporary construction, special contracts, fire prevention, and other uses. The Utility shall file separate rate schedules for each type of use and basis of supply.

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Rule 12: Multiple Residences/Commercial Users

An apartment building, mobile home park, motel, trailer camp, duplex, townhouse, or any property consisting of more than one residential/commercial unit shall be considered to be equivalent to the number of equivalent dwelling units served when determining the customer count.

Rule 13: Utility Access to Private Property (OAR 860-036-1370, -1500)

Customers shall provide regular access to Utility-owned service lines that may extend onto the customer’s premises for the purposes of reading meters, maintenance, inspections, or removal of Utility property at the time service is to be discontinued. Where the customer does not cooperate in providing reasonable access to the meter or to the premises, as required by law or to determine if a health or safety hazard exists, it is grounds for disconnection.

Rule 14: Restriction on Entering a Customer Residence (OAR 860-036-1330)

No Utility employee shall enter the residence of its customers without proper authorization except in an emergency when life or property is endangered.

REFUSAL OF SERVICE

Rule 15: Refusal of Service Due to Customer Accounts (OAR 860-036-1270)

The Utility may refuse to provide service if:

- A. The applicant has amounts owing under a tariff or statement of rates; or
- B. The applicant for residential service has a roommate with amounts owing under a tariff or statement of rates, and the applicant lived with the roommate at the time the amounts owing were incurred.

Exception: If the applicant for residential service was a former residential customer with amounts owing, was involuntarily disconnected for non-payment, and applies for service within 20 calendar days of the disconnection, the Utility must provide service upon receipt of one-half of the amount owed with the remainder due within 30 calendar days. If the former customer fails to pay the remaining amounts within 30 calendar days, the Utility may disconnect service after issuing a 7-calendar day disconnection notice in accordance with OAR 860-036-1510(4).

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If service is disconnected, the Utility may refuse to restore service until it receives full payment of all amounts owing, including reconnection charges allowed under OAR 860-036-1580. Service shall not be refused for matters not related to water service.

Residential service shall not be refused due to obligations connected with nonresidential service. If service is refused under this rule, the Utility shall inform the applicant or customer of the reasons for the refusal and of the Commission’s dispute resolution process.

Rule 16: Refusal of Service Due to Utility Facilities (OAR 860-036-1270)

The Utility shall not accept an application for service or materially change service to a customer if the Utility does not have adequate facilities, resources or capacity to render the service applied for, or if the desired service is of a character that is likely to unfavorably affect reasonable service to other customers.

For refusal of service under this rule, the Utility shall provide a written letter of refusal to the applicant within seven calendar days, informing applicant that the details upon which the Utility’s decision was based may be requested.

The details will include, but not be limited to:

- A. Provide the information required by OAR 860-036-1100(2);
- B. Explain the specific reasons for refusing water service;
- C. Inform the applicant of the right to request details upon which the Utility's decision was based; and
- D. Inform the applicant of the right to dispute the refusal by contacting the Consumer Services Section at the contact information provided in OAR 860-001-0020(2).

Rule 17: Refusal of Service Due to Customer Facilities (OAR 860-036-1270)

The Utility will refuse service to an applicant whose facilities do not comply with applicable plumbing codes or, if in the best judgment of the Utility, are of such a character that safe and satisfactory service cannot be given.

If service is refused under this rule, the Utility will provide written notification to the applicant within seven calendar days stating the reason(s) for refusal and providing information regarding the Commission’s complaint process.

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METERS

Rule 18: Utility Meters (OAR 860-036-1350, 1370(3), and 1590)

The Utility owns, maintains, and operates all meters. Meters placed in service will be adequate in size and design for the type of service, set at convenient locations, accessible to the Utility, subject to the Utility’s control, and placed in a meter box or vault between the street curb and property line. Each meter box or vault will be provided with a suitable cover.

Where additional meters are installed by the Utility or relocated for the convenience of the customer, the actual cost incurred for any meter relocation requested by the customer will be assessed.

The Utility shall have the right to set meters or other devices for the detection and prevention of fraud or waste without notice to the customer.

Each customer shall provide the Utility with regular access to the meter on the customer’s property. Failure to permit access at reasonable times and after reasonable notice by the Utility requesting access is grounds for disconnection. Should damage result to the meter from molesting, tampering, or willful neglect on the part of the customer, the Utility shall repair or replace the meter and may bill the customer for the reasonable cost.

Rule 19: Meter Testing (OAR 860-036-1350)

All meters must be tested before installation or within 30 calendar days thereafter. Meters must be accurate to no more than two percent fast or slow under normal operating conditions. The Utility must prepare a test record and retain the current and immediately prior test records for all meters tested. The test record must include:

- A. Meter identification number and location;
- B. The reason for the test;
- C. The testing method;
- D. The beginning and ending meter readings;
- E. The test results and conclusion; and
- F. All data taken at the time of the test.

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Rule 20: Customer-Requested Meter Test (OAR 860-036-1360)

A customer may ask the water utility to test the water meter once every 12 months at no cost. The water utility must test the water meter within seven calendar days of the request, unless the customer fails to provide the water utility reasonable access to the meter. A customer or a designated representative has the right to be present at any on-site meter test. The test must be conducted at a mutually acceptable time. Within seven calendar days of performing the requested meter test, the Utility will provide a meter test report to the customer stating:

- A. The information required by OAR 860-036-1100(2);
- B. The name of the customer requesting the test and the service address where the meter was tested;
- C. The date the meter test was requested and the date the meter test was performed;
- D. The name of the person performing the test;
- E. The meter identification number and location;
- F. The beginning and ending meter readings; and
- G. The actual test results and conclusion.

If a customer requests more than one meter test within any 12-month period and the test results indicate that the meter is registering within the two percent performance standard, the customer may be assessed a reasonable charge for the test if the charge is included in the Utility’s tariff or statement of rates. If the meter registers outside the two percent performance standard, the Utility may not charge the customer for the meter test.

BILLING

Rule 21: Billing Information and Late-Payment Charge (OAR 860-036-1010(8), 1100(2), 1400, and 1430)

All bills, including closing bills, are due and payable within at least 15 days when rendered by deposit in the mail or other reasonable means of delivery, unless otherwise specified on the bill. A bill is considered served two calendar days after the date postmarked, the date of postage metering, or deposit in the US Mail, excluding Sundays and postal holidays.

As near as practical, meters shall be read **(check one)** monthly, bimonthly, or quarterly on the corresponding day of each meter reading or billing period. The Utility will provide its customers with timely billings every month or as indicated in its tariffs or statement of

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rates. A water utility must prepare bills, including opening and closing bills, from actual meter readings, unless conditions prevent an actual meter reading. If billings are based on estimated readings, the water utility must clearly identify the estimated meter reads and the estimated consumption on the bill. The water utility must verify the actual meter reading at least once every four months and adjust the customer's bill as needed.

All water service bills will show:

- A. Separate line items for past due balance, payments and credits, new charges, late fees, and total account balance;
- B. The date new charges are due;
- C. Calculation of new charges including base or flat rate, usage billing tiers and rates, beginning and ending meter readings, the dates the meter was read, rate schedule, billing period, and number of days in the billing period;
- D. The date any late payment charge was applied and an explanation of the terms of the late payment charge; and
- E. Any other information necessary for the customer to understand and compute the charges being assessed.

A late-payment charge may be assessed against any residential account that has an unpaid balance when the next bill is being prepared. The Utility may assess a late-payment charge against any non-residential account if payment is not received by the bill due date. The charge will be computed at the late-payment rate specified in the Miscellaneous Service Charges Schedule. The late-payment rate is determined annually by the Commission, and the Utility will be notified of the rate.

If an account is permitted to become delinquent, the Utility may disconnect water service by giving proper notice to the customer as provided in Rules 28 & 29, prior to or after the Utility assesses the late-payment charge.

Rule 22: Returned Payment Charge

The Returned Payment Charge listed on the Miscellaneous Service Charges Schedule shall be billed for each occasion a customer submits any type of noncash payment (check, debit, electronic, etc.) that is not honored, for any reason, by a bank or other financial institution.

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Rule 23: Prorating of Bills

Initial and final bills will be prorated according to the number of days service was rendered and on the basis of a billing period of not less than 27 days or more than 33 days (required billing period). For metered services, a reasonable effort will be made to read the meter upon opening and closing a customer’s account. Consumption will be charged at scheduled rates. Any minimum monthly charge will be prorated based on the required billing period.

Rule 24: Adjustment of Bills (OAR 860-036-1440)

When an overbilling occurs, the Utility will refund or credit amounts incorrectly collected during the 12-month period ending on the date on which the Utility issued the last incorrect bill. However, if the incorrect billing occurred more than three years before the incorrect billing is discovered, no refund or credit is required.

When an underbilling occurs, the Utility may issue a bill to collect amounts owing for the 12-month period ending on the date on the Utility issued the last incorrect bill. When such under collected amounts are billed to customers, the Utility will provide written notice to the customer detailing:

- A. The circumstances and time period of the billing error;
- B. The corrected bill amount and the amount of the necessary adjustment;
- C. The Commission’s consumer complaint process; and
- D. The right for a current or former customer to enter into a time-payment agreement with the Utility.

The Utility will not bill for services provided more than two years before the underbilling was discovered. No billing adjustment will be required if a meter registers less than two percent error under conditions of normal operation. The Utility may waive rebilling or issuing a refund check when the costs make such action uneconomical.

Rule 25: Transfer Billings (OAR 860-036-1450)

If the Utility determines that a customer owes an amount from a closed account the customer previously held with the Utility, the Utility may transfer the closed account balance to the customer’s current account.

The Utility will give the customer a separate, written notice of the transfer, including:

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- A. The amount due under the prior account;
- B. The time period when the balance was incurred; and
- C. The service address where the balance owing was incurred.

If the customer has a balance owing on an existing time-payment plan, the customer may enter into a new time-payment plan incorporating all amounts owing. The Utility may not transfer a balance owing on a non-residential account to a residential account.

Rule 26: Partial Payment (OAR 860-036-1410)

Partial payments or one payment for more than one service, absent written instructions from the customer, will be applied in the following order:

- A. Past due regulated tariff or statement of rates services;
- B. Currently due regulated tariff or statement of rates services;
- C. Non-regulated services.

DISCONNECTION OF WATER SERVICE

Rule 27: Voluntary Discontinuance (OAR 860-036-1560)

A customer requesting disconnection of service must provide the Utility with at least seven calendar days' advance notice. The customer is responsible for all service provided for seven calendar days following the request for disconnection or until service is disconnected, whichever comes first; or if the customer identified a specific date for disconnection in excess of seven calendar days, the customer is responsible for service rendered up to and including the requested date of disconnection.

Rates are based on continuous service. Disconnect and reconnect transactions do not relieve a customer from the obligation to pay the base rate or minimum charge that accumulates during the period of time the service is voluntarily disconnected for up to 12 months. Should the customer wish to recommence service within 12 months at the same premise, the customer will be required to pay the accumulated minimum monthly charge or base rate as if service had been continuous. The reconnection charge listed on the Miscellaneous Service Charges Schedule will be applicable at the time of reconnection.

Nothing in this rule prevents the Utility from temporarily interrupting service to protect the health and safety of its customers or to maintain the integrity of its system.

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Rule 28: Emergency Disconnection (OAR 860-036-1630)

The Utility may terminate service in emergencies when life or property is endangered without following the procedures set forth in OAR 860-036-1630. If an unscheduled interruption of service is required, the Utility will make a reasonable effort to notify the customers affected and the Consumer Services Section in advance of the interruption, report the unscheduled interruption to the Consumer Services Section, and restore service as soon as possible after resolving the issue, unless other arrangements are agreed to by the affected customers. When the emergency termination was through no fault of the customer, the Utility shall not charge the customer for disconnection or restoration of service.

Rule 29: Disconnection of Water Service Charge for Cause (OAR 860-036-1500, -1510, -1520, -1530, and 1550)

The Utility may disconnect service when:

- A. A customer fails to pay charges due for services rendered under a water utility tariff or statement of rates;
- B. A customer fails to pay a deposit, fails to timely provide a surety under OAR 860 036-1230 or comply with its terms, or fails to comply with the terms of a deposit installment agreement under OAR 860-036-1240;
- C. A customer fails to comply by the terms of a payment agreement under OAR 860 036-1240(3) or 860-036-1420;
- D. A customer provides false identification to establish or to continue service;
- E. A customer has facilities that do not comply with the applicable codes, rules, regulations, or the best practices governing safe and adequate water service, including compliance with the water utility's Cross Connection Control Program;
- F. A customer fails to provide reasonable access to the meter or premises;
- G. A customer tampers with water utility facilities or engages in theft of service or unauthorized use of water;
- H. A customer fails to comply with water restriction requirements under OAR 860-036-1670;
or
- I. The Commission approves the disconnection of service.

If the disconnection is due to failure to pay a deposit, secure a surety agreement, abide by a deposit installment agreement, abide by the terms of a payment arrangement, or due to the theft of service, tampering with utility property, diverting water, or unauthorized use of water, the Utility will provide one 7-day written disconnection notice prior to disconnection. For other

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disconnections, the Utility will provide two written notices in advance of disconnection: one 15-day notice and one 7-day notice.

If the disconnection is due to a customer’s failure to comply with a water use restriction imposed under OAR 860-036-1670, the utility may disconnect the customer without issuing either a 15-calendar day or 7 calendar day disconnection notice.

The notices shall:

- A. Include the name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility,
- B. State that the customer’s water service is subject to disconnection on or after a specific date;
- C. Provide the grounds for the proposed disconnection;
- D. State what actions the customer must take in order to avoid disconnection; and
- E. Include a statement that the customer may dispute the disconnection by contacting the Commission’s Consumer Services Section.

If the disconnection notice is for nonpayment, the notice shall also:

- A. State the amount the customer must pay to avoid disconnection;
- B. Provide information about the customer’s eligibility for a time-payment agreement provided in OAR 860-036-1420 for residential customers, unless the customer is being disconnected for failing to comply with an existing time-payment agreement or has engaged in theft of service, tampering with utility property, diverting water, or unauthorized use of water; and
- C. Include a statement that once service is disconnected, the water utility will reconnect service only after the customer reapplies for service and pays all applicable charges.

The 7-calendar day and 15-calendar day advance written notices of disconnection will be hand-delivered in person to the customer or adult at the premises, or sent by the US Mail to the customer’s billing address and designated representative. Mailed notices are considered served two calendar days after deposited in the US Mail, excluding Sundays and postal holidays. If the customer has requested to receive notices electronically, the Utility will provide an electronic notice in addition to the written notices.

Within 48 hours of disconnection, the Utility will make a good-faith effort to contact the customer or an adult at the residence and provide notice of the proposed disconnection. The notice may be provided in person or by telephone. The water utility must keep records to document how

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and when contact was made or attempted. If the Utility is unable to make personal contact, the Utility will leave a notice in a conspicuous place informing the customer that service has been disconnected.

Disconnection of Water Service to Tenants:

- A. If the Utility's records show that a residential billing address is different from the service address, the Utility shall mail a duplicate notice to the service address, unless the Utility has verified that the service address is occupied by the customer.
- B. If the Utility's records show that the service location is a master-metered, multi-dwelling service address, the Utility shall provide a duplicate of the 7-calendar day disconnection notice to each unit at the service address. The disconnection notice must be addressed to "Tenant." The envelope must bear a bold notice stating, "IMPORTANT NOTICE REGARDING DISCONNECTION OF WATER UTILITY SERVICE." Tenant notices may not include the dollar amount owing.
- C. The Utility shall notify the Consumer Services Section at least seven calendar days before disconnecting service to a master-metered, multi-dwelling premise.

Time Payment Agreements (OAR 860-036-1420)

Customers who are notified of pending disconnection, due to reasons other than theft of service, tampering, unauthorized use of water, or failure to abide by the terms of a Time Payment Plan, may choose between two Time Payment Agreement options. The Utility will offer such customers a choice of a levelized-payment plan and an equal-pay arrearage plan. The Utility and the customer may mutually agree to an alternate payment arrangement provided it be in writing and signed by all parties.

Disconnection for Failure to Comply With a Time Payment Agreement (OAR 860-036-1510(4)(b))

A time-payment agreement disconnection occurs when a customer fails to comply with the terms of a written time-payment agreement between the customer and the Utility, or the time-payment agreement charge becomes delinquent. The Utility will give the customer a 7- day written notice before the water service may be disconnected.

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Rule 30: Disconnection, Reconnection and Field Visit Charge (OAR 860-036-1580)

Disconnection and Reconnection Charges

If service is disconnected pursuant to OAR 860-036-1500, the Utility may assess and require payment of the disconnect fee and reconnect fee stated in its tariff prior to reconnecting service.

Field Visit Charge

The Utility may assess a field visit charge whenever the Utility visits a residential service address intending to reconnect or disconnect service, but due to customer action, is unable to complete the reconnection or disconnection at the time of the visit. The field visit charge is listed in the tariff.

Rule 31: Unauthorized Restoration of Service (OAR 860-036-1590)

After water service has been disconnected or shut off at the curb stop or at the meter, if any person not authorized by the Utility should turn it on, the water service line may be disconnected without notice as provided by OAR 860-036-1510.

Rule 32: Unauthorized Use (OAR 860-036-1590)

No person shall be allowed to make connection to the Utility mains, or to make any alteration to service connections, or to turn a curb stop off or on to any premises without written permission of the Utility. If the Utility discovers that a customer damaged, tampered with, or engaged in unauthorized use of utility property facilities, the Utility shall notify the customer of the violations and may take one or more of the following actions:

- A. Repair or restore the facilities and charge the customer the costs incurred;
- B. Adjust the customer’s prior billing for loss of revenue under applicable tariffs or schedule of rates;
- C. Initiate a service disconnection as provided by OAR 860-036-1510;
- D. Require a new application for service that accurately reflects the customer’s proposed water use; and
- E. Assess a deposit for restored or continued service.

Rule 33: Interruption of Service (OAR 860-036-1630, -1640)

The Utility may perform an unscheduled interruption of service as necessary to protect the health and safety of its customers or to maintain the integrity of its system. If an unscheduled interruption of service is required, the water utility must:

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- A. Make a reasonable effort to notify the customers affected and the Consumer Services Section in advance of the interruption;
- B. Report the unscheduled interruption to the Consumer Services Section at the contact information provided in OAR 860-001-0020(2), and
- C. Restore service as soon as it is reasonably possible after resolving the issue, unless other arrangements are agreed to by the affected customers.

The Utility may schedule water service interruptions for maintenance and repairs in such a manner that reasonably minimizes customer inconvenience. The Utility will provide advance written notice to all customers affected by any scheduled service interruption, and will post the notice in the utility's office and on its website, if available. The notice will include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- B. The date, time, and estimated duration of the scheduled interruption;
- C. The purpose of the interruption;
- D. A statement cautioning customers to avoid using water during service interruptions to prevent debris in the customers' service lines; and
- E. The contact information for the Consumer Services Section provided in OAR 860 001-0020(2).

Notices of scheduled interruptions of service must be served by a door hanger or personal delivery to an adult at the affected premises at least five calendar days in advance of the service interruption or by US Mail at least ten calendar days prior to the service interruption. In addition electronic notice must be provided to customers who requested to receive notices electronically.

The Utility will keep a record of all scheduled service interruptions including time, duration, and cause of the scheduled service interruption.

Rule 34: Water Usage Restrictions (OAR 860-036-1670)

The Utility shall exercise due diligence to furnish a continuous and adequate supply of water to its customers. During times of water shortage, the Utility will equitably apportion its available water supply among its customers with regard to public health and safety. In times of water shortages, the Utility may restrict water usage after providing written notice to its customers and the Consumer Services Section. Notice will also be posted in the Utility's office and on its website, if available. The notification must state the reason and nature of the restrictions, the

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date restrictions will become effective, the estimated date the restrictions end, and that failure to comply with the restrictions is grounds for disconnection.

If a customer fails to comply with the water restrictions after receiving written notification, the Utility will provide a separate written warning letter to the customer including:

- A. The date;
- B. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- C. The customer’s name, account number, mailing address, service address if different;
- D. The water use restrictions and statement of how the customer is violating those restrictions;
- E. A statement that the customer’s water service is subject to disconnection on or after a specific date;
- F. A warning to the customer that failure to immediately comply with the restrictions may result in disconnection of service; and
- G. A statement that the customer may dispute disconnection by contacting the Consumer Services Section. The notice must include the Consumer Services Section’s contact information provided in OAR 860-001-0020(2).

If a customer fails to comply with the water restrictions after receiving written notification and the warning letter, the Utility will consult with the Consumer Services Section to determine if disconnection is appropriate.

SERVICE QUALITY

Rule 35: Adequacy of Water Service (OAR 860-036-1600)

The Utility will maintain its facilities according to industry rules, regulations, and standards and in such condition to provide safe, adequate, and continuous service to its customers.

The Utility will not intentionally diminish the quality of service below the level that can reasonably be provided by its facilities.

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Rule 36: Trouble Call

The trouble-call charge listed on the Miscellaneous Service Charges Schedule may be billed whenever a customer requests that the Utility visit the customer’s premises to remedy a service problem and the problem is due to the customer’s facilities.

Rule 37: Water Purity (OAR 860-036-1610)

The Utility will provide a domestic water supply that is free from bodily injurious physical elements and disease-producing bacteria and reasonably free from elements that cause physical damage to customer property, including but not limited to pipes, valves, appliances, and personal property.

Rule 38: Water Pressure (OAR 860-036-1650)

The Utility will maintain adequate water pressure. In general, water pressure measuring between 45 and 80 pounds per square inch in the water mains is considered adequate. However, adequate pressure may vary depending on each individual water system.

The Utility may temporarily reduce or increase water pressure for fire flows, noticed repairs and maintenance, scheduled or emergency flushing, and unscheduled or emergency repairs and outages.

Rule 39: Pressure Surveys (OAR 860-036-1650)

The Utility will maintain permanent pressure recording gauges at various locations to measure the system's water pressure, and will have a portable gauge to measure water pressure in any part of the system. The Utility will maintain all pressure gauges in good operating condition, test periodically for accuracy, and recalibrate or replace when necessary.

Rule 40: Customer-Requested Pressure Test (OAR 860-036-1660)

Upon customer request, the Utility will perform a water pressure test within seven calendar days of the request. The first pressure test in any 12- month period will be at no charge. If the customer requests an additional pressure test within any 12-month period at the same premises, the Utility will assess the customer a charge in accordance with the Utility’s Miscellaneous Service Charges. The pressure will be measured at a point adjacent to the meter on the customer service line or other reasonable point most likely to reflect the actual service pressure.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

A customer or a designated representative has the right to be present at the pressure test and the test must be conducted at a mutually acceptable time.

The Utility will provide a written report to the customer within seven calendar days of the pressure test. The report will include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- B. The customer’s name and service address where the pressure was tested;
- C. The date the pressure test was requested and the date the pressure test was performed;
- D. The name of the company or employee performing the test;
- E. The place where the pressure was measured;
- F. The actual pressure reading; and
- G. The conclusion based on the test result.

Rule 41: Utility Line Location (One Call Program)

The Utility and its customers will comply with the requirements of OAR 952-001-0010 through and including OAR 952-001-0090 (One Call Program) regarding identification and notification of underground facilities.

Rule 42: Cross Connection/Backflow Prevention Program (OAR 860-036-1680)

All customers must comply with the Utility’s Cross Connection Control Program to protect the water system from contamination. A customer's failure to comply is grounds for disconnection under OAR 860-036-1500.

The Utility will comply with the rules and regulations for the Cross Connection/Backflow Prevention Program, as provided in ORS Chapter 333 and the Utility’s approved Backflow Prevention tariff or statement of rates.

Rule 43: Maps and Records (OAR 860-036-1690)

The Utility will prepare and retain current maps and records of the entire plant showing size, location, character, and date of installation of major plant items, including but not limited to pumps, reservoirs, main lines, distribution lines, and valves.

Issue Date / Filing Date	Sept 30, 2020	Effective for Service on or after	Oct 30, 2020
Issued By Utility	Oregon Water Utilities – Cline Butte, Inc.		
Signature			
Name & title	Craig Gott, President		

Exhibit OWU/104
Commission-Requested Information

PLEASE RETURN THIS AS PAGE 1 OF THE COMPLETED APPLICATION

PLEASE FILL IN ALL BLANKS

TO: PUBLIC UTILITY COMMISSION OF OREGON
PO BOX 1088
SALEM OR 97308-1088

FROM:

Oregon Water Utilities – Cline Butte, Inc.
(Company name)

1230 Golden Pheasant Dr
(Address)

Redmond, OR 97756
(City, State, Zip)

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

In the Matter of Tariffs for Water Service)
in the State of Oregon filed by) BRIEF
Oregon Water Utilities-Cline Butte, Inc.)
(Company name))

Northwest Utility Systems, Inc.

(Name of utility owner)

In accordance with Oregon Revised Statutes 757.205 and 757.220, herewith files tariff sheets designated as PUC Oregon No. 5, Original Tariff Sheets No. 1 through 31 to become effective for service rendered on and after Oct 30, 2020 (at least 30 days after PUC receives the filing). The purpose of this filing is to:

- 1) Establish rates resulting in total annual revenues of \$_____.
- 2) This is an increase or decrease to the utility's total annual revenues from \$1,109,430 to \$1,205,136, resulting in a net increase/decrease of \$95,706 or 8.63 percent. After deducting for operating expenses, the projected revenues will produce a 7.29 percent return on a rate base of \$5,337,236.

The attached testimony summarizes the utility's financial operations, the effects of current rates on the individual classes of customers, and the effects of the proposed rates on the individual classes of customers for the 12-month test period ending on December 31, 2019.

/s/ Craig Gott
(Signature of utility owner or officer)

Sept 30, 2020
(Date)

Craig Gott
(Printed name of owner or officer)

President
(Title or position)

Oregon Water Utilities – Cline Butte, Inc.
(Legal name of Utility)

Attachment

WATER UTILITY TESTIMONY

1. Q. PROVIDE THE FOLLOWING INFORMATION REGARDING THE WATER UTILITY:

A.

Legal Name	Oregon Water Utilities – Cline Butte, Inc.		
Business Address	1230 Golden Pheasant Dr		
City, State, Zip	Redmond, OR 97756		
Telephone Number	(541) 504-2305	Emergency Number	(541) 504-2305
Fax Number		Email Address	swwc.com

2. Q. PROVIDE THE FOLLOWING INFORMATION IF DIFFERENT FROM QUESTION #1.

A. N/A

Name			
Title			
Address			
City, State, Zip			
Telephone Number		Emergency Number	
Fax Number		Email Address	

3. Q. PROVIDE THE FOLLOWING INFORMATION REGARDING THE SYSTEM OPERATOR.

A.

Operator Name	Brett Limbeck, Field Superintendent		
Address	1230 Golden Pheasant Dr.		
City, State, Zip	Redmond, OR 97756		
Telephone #	(541) 504-2305	E-Mail Address	blimbeck@swwc.com
Certified Operator <input checked="" type="checkbox"/> yes <input type="checkbox"/> no	Certification Levels: (1) Water Distribution Level 2, (2) Wastewater Collection C/II, (3) Cross Connection Specialist/Backflow Assembly Tester, (4) Wastewater Treatment T/II		Registration Number: (1) D-8101, (2) 11751, (3) 4587, (4) 13295

4. Q. PROVIDE THE FOLLOWING INFORMATION REGARDING THE WATER UTILITY ACCOUNTANT OR BOOKKEEPER.

A. OWU-CB uses affiliate services for accounting and bookkeeping services according to its authorized management services agreement.

5. Q. PROVIDE THE NAME, ADDRESS, AND TELEPHONE NUMBERS OF ALL THE UTILITY OWNERS.

A. OWU-CB is a wholly owned direct subsidiary of Northwest Utility Systems, Inc. Please see also the Direct Testimony of Mujeeb Hafeez.

6. Q. PLEASE LIST ALL UTILITY OFFICERS AND PROVIDE THE FOLLOWING INFORMATION.

A. Please see the Direct Testimony of Mujeeb Hafeez for information regarding the corporate executive function, associated costs, and allocations.

7. Q. WHAT IS YOUR AFFILIATION WITH THE WATER UTILITY? DESCRIBE YOUR CURRENT WATER UTILITY RESPONSIBILITIES.

A. Please see the Direct Testimony of Brian Bahr.

8. Q. ARE YOU ENGAGED IN OTHER BUSINESS IN ADDITION TO THE WATER UTILITY?

- A. No, I am not engaged in other business.
- Yes, I am engaged in other business, they are

9. Q. DID YOU PREPARE THE EXHIBITS IN THIS TESTIMONY OR WERE THEY PREPARED UNDER YOUR SUPERVISION?

- Yes, the exhibits in this testimony were prepared by me or under my supervision.
- No, I did not prepare the exhibits in this testimony. The exhibits were prepared by:

Name	Brian Bahr
Address	1325 N. Grand Ave, Ste 100
City, State, Zip	Covina, CA 91724
Telephone Number	(626) 543-2552
E-Mail Address	bbahr@swwc.com

SUMMARY OF THE UTILITY’S PROPOSED RATE REQUEST

10. Q. WHAT CHANGE IN ANNUAL REVENUES IS THE UTILITY SEEKING?

- A. The utility’s most recent calendar year revenues are \$1,109,430. The utility seeks a rate:
 - An increase of \$95,706 or 8.63 percent in current annual revenues, resulting in total annual revenues of \$1,205,136.
 - A decrease of \$ _____ or _____ percent in current annual revenues, resulting in total annual revenues of \$ _____.

11. Q. SUMMARIZE WHY THE UTILITY IS SEEKING THE PROPOSED CHANGE IN RATES.

A. The utility is seeking this change in rates because of cost increases since rates were last approved based on a 2007 test year, to establish a power cost automatic adjustment clause, and to establish a fair and reasonable return on rate base.

12. Q. WHAT HISTORICAL 12-MONTH PERIOD IS THE UTILITY SELECTING AS ITS TEST YEAR FOR THIS RATE PROCEEDING?

A. The test period the utility selected is January 1, 2019 to December 31, 2019.

- 13. Q. WHAT IS THE UTILITY’S AMOUNT OF RATE BASE?** (*Rate base is Utility Plant minus accumulated depreciation and other contra plant accounts, plus working cash and materials inventory*)
- A. The utility rate base is \$5,337,236.
- 14. Q. WHAT IS THE RATE OF RETURN THE UTILITY IS PROPOSING IN THIS RATE PROCEEDING AND WHY?**
- A. The utility is seeking a 7.29 percent rate of return on rate base. Please see the Direct Testimony of Brian Bahr for details.

GENERAL UTILITY INFORMATION

- 15. Q. IN WHAT YEAR WAS THE UTILITY ORGANIZED AND HOW WAS IT FORMED?**
- A. The water utility was legally organized on May 9, 2017, under the laws of the State of Oregon as a:
- Proprietorship Partnership Corporation LLC Other:
- 16. Q. WHAT YEAR WAS THE WATER SYSTEM ORIGINALLY CONSTRUCTED AND WHEN (MONTH/YEAR) DID IT BEGIN PROVIDING WATER SERVICE.**
- A. The system was originally constructed in 1994, began providing service in 1994 (irrigation) and 1996 (domestic).
- 17. Q. HOW AND WHEN WAS THE UTILITY ACQUIRED BY ITS CURRENT OWNER?**
- A. The utility was: Purchased Constructed Inherited Other on June 2, 2017 (mo./yr.).
- 18. Q. DO ORAL OR WRITTEN CONTRACTS EXIST BETWEEN THE UTILITY AND PERSONS AFFILIATED WITH THE COMPANY? IF YES, PLEASE PROVIDE COPIES OF EACH CONTRACT.**
- A. **No**, oral or written contracts **exist** between the utility and its owners and affiliated interests.
 Yes, PUC approved contracts exist between the utility and its owners and affiliated interests. Approval found in PUC Order No. 19-428.
 Yes, oral or written contracts do exist, but have not been approved by PUC
- 19. Q. DOES THE UTILITY HAVE A PUC APPROVED SERVICE TERRITORY?**
- A. **No**, the utility has not filed an application with PUC for an approved service territory.
 Yes, the utility’s service territory is approved by the PUC, per Order No. 02-849.
- 20. Q. IS THE UTILITY AN AFFILIATE OF A PARENT CORPORATION OR HOLDING COMPANY?**
- A. **No**, the utility **is not a subsidiary** of a parent corporation or holding company.
 Yes, the utility **is a subsidiary** of a parent corporation or holding company.
 Attached are the parent/holding company’s balance sheet/income statements for the last calendar year.

21. Q. HOW MANY FULL OR PART-TIME EMPLOYEES DOES THE UTILITY CURRENTLY EMPLOY?

A. The utility currently employs no full-time and no part-time employees. The utility relies on work performed by employees of shared services providers. Please see CONFIDENTIAL Exhibit OWU/105 for employee information.

22. Q. PROVIDE INFORMATION FOR ALL EMPLOYEES. (If a position is currently vacant but will be filled within a year, include information for that position.)

A. Please see CONFIDENTIAL Exhibit OWU/105.

23. Q. IS THE UTILITY PROPOSING TO ADD ANY FULL OR PART TIME EMPLOYEES WITHIN THE CONTEXT OF THIS RATE FILING OR DURING THE NEXT YEAR?

A. **No**, the utility does not propose adding any full- or part-time employees.
 Yes, the utility proposes to add _____ full-time and/or _____ part-time employees as described below:

24. Q. PLEASE IDENTIFY ANY INDEPENDENT CONTRACTORS THE UTILITY HIRES.

A. **No**, the utility does not contract for any services.
 Yes, the utility contracts for the following services: OWU-CB primarily relies on shared services provided by its affiliate Suburban Water Systems for the services listed below.

Name of Independent Contractors	Description of Services	Annual Charges
Engineering		\$
Accounting		\$
Legal		\$
Management		\$
Water Testing /Sampling		\$
Labor		\$
Billing and Collection		\$
Meter Reading		\$
Other (specify)		\$

25. Q. PLEASE PROVIDE THE UTILITY’S CURRENT CAPITAL STRUCTURE.

A. OWU-CB’s requested hypothetical capital structure is:

Debt	Original Balance	Outstanding Balance	Capital Structure	Cost	Weighted Cost
TOTAL DEBT	\$	\$	50%	4.57%	2.29%
TOTAL EQUITY	\$	\$	50%	10.00%	5.00%
					7.29%

OPERATING REVENUES

26. Q. IN COLUMN A PROVIDE UTILITY’S HISTORICAL TEST YEAR ACTUAL REVENUE. IN COLUMN B PROVIDE THE PROPOSED ADJUSTMENTS (INCREASE OR DECREASE). IN COLUMN C PROVIDE THE TOTAL OF COLUMN A AND B.

A. Please see Revenue Requirement Model provided as Exhibit OWU/101.

27. Q. PLEASE PROVIDE LINE ITEM REVENUES FOR OTHER THAN WATER SALES.

A. Please see Revenue Requirement Model provided as Exhibit OWU/101.

OPERATING EXPENSES

28. Q. IN COLUMN A: ACTUAL ANNUAL EXPENSE FOR TEST YEAR. IN COLUMN B: PROPOSED ADJUSTMENTS (INCREASE OR DECREASE) FOR THE COMING YEAR. IN COLUMN C: PROVIDE THE TOTAL OF COLUMN A PLUS COLUMN B.

A. Please see Revenue Requirement Model provided as Exhibit OWU/101.

29. Q. PROVIDE LINE ITEMS COMPONENTS OF MISCELLANEOUS EXPENSE.

A. Please see Revenue Requirement Model provided as Exhibit OWU/101.

UTILITY CURRENT RATES AND SCHEDULES

30. Q. PLEASE DESCRIBE THE UTILITY'S CURRENT RATES.

A. The utility's current rate structure is described below:

CURRENT RATES FOR RESIDENTIAL SERVICE

Line or Meter Size	Check One	Monthly Base or Flat Rate	Residential Consumption Included in Base Rate	Current Residential Monthly Commodity/Usage Rate
3/4" or 5/8"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$27.20	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$1.24 Per 100 cf
1"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$39.44	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$1.24 Per 100 cf
1.5"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$42.16	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$1.24 Per 100 cf
2"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$43.25	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$1.24 Per 100 cf

CURRENT RATES FOR COMMERCIAL/INDUSTRIAL SERVICE

Line or Meter Size	Check One	Monthly Base or Flat Rate	Commercial Consumption Included in Base Rate	Current Commercial Monthly Commodity/Usage Rate
3/4" or 5/8"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$27.20	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$1.24 Per 100 cf
1"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$40.80	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$1.24 Per 100 cf
1 1/2"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$108.80	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$1.24 Per 100 cf
2"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$190.39	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$1.24 Per 100 cf

CURRENT RATES FOR IRRIGATION (NON-GOLF COURSE) SERVICE

Line or Meter Size	Check One	Monthly Base or Flat Rate	Irrigation Consumption Included in Base Rate	Current Irrigation Monthly Commodity/Usage Rate
3/4" or 5/8"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$10.88	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$0.52 Per 100 cf

1"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$21.76	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal	\$0.52 Per 100 cf
1 1/2"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$43.52	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal	\$0.52 Per 100 cf
2"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$87.04	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal	\$0.52 Per 100 cf
4"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$174.07	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal	\$0.52 Per 100 cf
6"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$348.15	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal	\$0.52 Per 100 cf

CURRENT RATES FOR GOLF COURSE SERVICE

Line or Meter Size	Check One	Monthly Base or Flat Rate	Irrigation Consumption Included in Base Rate	Current Irrigation Monthly Commodity/Usage Rate
4"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$1,167.08	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$0.213 Per 100 cf
6"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$2,334.16	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$0.213 Per 100 cf
8"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$4,084.78	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$0.213 Per 100 cf
12"	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$7,002.48	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$0.213 Per 100 cf

CURRENT RATES FOR ECMA SPECIAL CONTRACT

Line or Meter Size	Check One	Monthly Base or Flat Rate	Irrigation Consumption Included in Base Rate	Current Irrigation Monthly Commodity/Usage Rate
N/A	<input checked="" type="checkbox"/> M <input type="checkbox"/> F	\$150	none	<input checked="" type="checkbox"/> CF <input type="checkbox"/> Gal \$0.52 Per 100 cf

31. Q. PLEASE PROVIDE THE FOLLOWING FOR EACH CUSTOMER CLASS FOR THE MOST RECENT COMPLETED CALENDAR YEAR OF 2019.

(Count each dwelling unit, such as each mobile home, each side of the duplex, each condominium as a customer.)

A. Please see Revenue Requirement Model provided as Exhibit OWU/101.

UTILITY PROPOSED RATES AND SCHEDULES

32. Q. PLEASE DESCRIBE THE RATE STRUCTURE THE UTILITY IS PROPOSING IN THIS RATE PROCEEDING?

A. Please see Revenue Requirement Model provided as Exhibit OWU/101.

33. Q. IF THE UTILITY'S RATE PROPOSAL WERE ADOPTED, PROVIDE THE FOLLOWING FOR EACH CUSTOMER CLASS AT THE SPECIFIED METER OR LINE SIZE.

A. Please see Revenue Requirement Model provided as Exhibit OWU/101.

UTILITY PLANT

- 34. Q. HAS THE UTILITY MADE ANY CAPITAL IMPROVEMENTS, ADDITIONS, OR EXTENSIONS TO ITS WATER SYSTEM DURING THE LAST FIVE (5) YEARS OR SINCE ITS LAST RATE CASE?**
- A. **No**, the utility has made no improvements, additions, or extensions to its water system in the last five (5) years or since its last rate case.
- Yes**, the utility has made the following improvements, additions, or extensions to its water system in the last five (5) years or since its last rate case as detailed below: Please see the testimony of Brian Bahr for a description of recent major capital projects.
- 35. Q. DOES THE UTILITY PROPOSE ANY CAPITAL IMPROVEMENT, ADDITIONS, OR EXTENSIONS TO ITS WATER SYSTEM WITHIN THE NEXT 12 MONTHS?**
- A. **No**, the utility does not propose any improvements, additions, or extensions to system plant in the next six months.
- Yes**, the utility proposes the following improvements, additions, or extensions to system plant in the next six months. However, OWU-CB is requesting recovery of rate base only as of the end of the test year; additional capital projects and CWIP are not being requested.
- 36. Q. HAS THE UTILITY APPLIED FOR FUNDS FROM THE SAFE DRINKING WATER STATE REVOLVING FUND TO IMPROVE THE WATER SYSTEM? IF YES, DESCRIBE THE IMPROVEMENTS AND AMOUNT REQUESTED.**
- A. **No**, the utility has not applied for funds from the Safe Drinking Water State Revolving Fund.
- Yes**, the utility has applied for funds from the Safe Drinking Water State Revolving Fund.
- 37. Q. PROVIDE THE FOLLOWING INFORMATION ON UTILITY PLANT IN SERVICE.**
You may attach a plan/depreciation schedule if available. In a separate schedule include all plant or cash donated or contributed to the utility by a developer or by customers that is not intended to be repaid.
- A. Please see Revenue Requirement Model provided as Exhibit OWU/101.
- 38. Q. IN COLUMN A: PROVIDE ACTUAL PLANT TOTAL FOR TEST YEAR. IN COLUMN B: PROVIDE THE PROPOSED ADJUSTMENTS (INCREASE OR DECREASE) FOR THE COMING YEAR. IN COLUMN C PROVIDE THE TOTAL OF COLUMN A PLUS COLUMN B.**
- A. Please see Revenue Requirement Model provided as Exhibit OWU/101.
- 39. Q. DOES THE UTILITY HAVE A MASTER METER AT ITS WATER SUPPLY SOURCE? IF SO, PROVIDE THE TOTAL AMOUNT OF WATER PUMPED DURING THE LAST CALENDAR YEAR.**
- A. **No**, the utility does not have a master meter at its water supply source.
- Yes**, the utility has a meter at each of its wells. The total amount of water pumped during the last calendar year was 570,287 gallons or cubic feet.

40. Q. DOES THE UTILITY HAVE WATER RIGHT PERMITS OR CERTIFICATED WATER RIGHTS AS REQUIRED BY THE OREGON WATER RESOURCES DEPARTMENT?

A. Water Right Information: Please see Exhibit OWU/106.

41. Q. PLEASE DESCRIBE THE UTILITY’S SOURCE OF WATER SUPPLY.

A. The utility’s source of ground water supply is:

Well logs are attached.

42. Q. PLEASE DESCRIBE THE UTILITY’S PUMPING SYSTEM FOR DISTRIBUTION, INCLUDING THE RANGE OF PRESSURE AT WHICH THE WATER IS PUMPED INTO THE DISTRIBUTION SYSTEM AND DELIVERED TO THE CUSTOMERS.

A. Pumping System: _____.

Pump Type & Pump HP	Ave Daily Demand	Annual Peak Demand	Max Pumping Capacity	Pressure at Pump	Pressure at Customers’ Property
Well 6			750gpm	90	30-120 approx
Well 9			1600gpm	115	30-120 approx
Well7			200gpm	10	Irrigation only
Well 8			700 gpm	130	30-120 approx

43. Q. PLEASE PROVIDE THE INFORMATION REGARDING THE UTILITY’S WATER STORAGE CAPACITY BELOW.

A.

STORAGE TANKS/RESERVOIRS					
IDENTIFY EACH SEPARATELY					
NAME OR IDENTIFYING NUMBER	DESCRIPTION I.E.: STEEL, CONCRETE PNEUMATIC	TANK CAPACITY	GROUND OR ELEVATED	DATE INSTALLED	PRESENT CONDITION
RESERVOIR	CONCRETE	300,000 GALLONS	GROUND	1995	GOOD

44. Q. PLEASE FILL IN THE INFORMATION REGARDING THE UTILITY’S WATER TREATMENT FACILITIES BELOW.

A.

WATER TREATMENT FACILITIES				
NAME OR IDENTIFYING NO.	TYPE	MAKE	GALLONS PER DAY CAPACITY	METHOD OF MEASUREMENT
NONE				

45. Q. IS THE UTILITY ESTABLISHING NEW RULES OR PROPOSING CHANGES TO ITS CURRENT RULES?

- A. The utility is proposing to establish new rules.
 The utility is not proposing any rule changes.
 The Utility is proposing to change the following rules (include rule number and a summary of the proposed changes).

SERVICE QUALITY

46. Q. PLEASE DESCRIBE THE TYPE AND NUMBER OF SERVICE PROBLEMS AND CUSTOMER COMPLAINTS THE UTILITY HAS EXPERIENCED IN THE LAST YEAR. DESCRIBE ANY ACTION TAKEN BY THE UTILITY TO RESOLVE THE PROBLEMS.

- A. **No**, the Utility has not experienced any service problems or customer complaints in the last year.
 Yes, during the 2019 test year, OWU-CB received 19 customer complaints, the majority of which regarded no water (8) or low pressure (9), and the final two regarded water quality. All complaints were addressed expeditiously.

47. Q. DOES THE UTILITY HAVE ANY CURRENT SERVICE PROBLEMS THAT IT PROPOSES TO CORRECT OR IMPROVE IN THE NEXT CALENDAR YEAR?

- A. **No**, the utility does not have any service problems that it proposes to correct/improve during the next calendar year.
 Yes, the utility has service problems that it proposes to correct or improve during the next calendar year as described below:

50. Q. DOES THE UTILITY HAVE ANY FIRE HYDRANTS? IF YES, PLEASE LIST HOW MANY, HOW MANY FEET APART ARE THEY, AND THE UTILITY'S HYDRANT MAINTENANCE SCHEDULE (INCLUDING EXERCISING VALVES). WHAT IS THE UTILITY'S FIRE INSURANCE RATING?

- A. **No**, the utility does not have any fire hydrants.
 Yes, the utility does have fire hydrants. There are 237 number of hydrants located 500 feet apart. The utility's fire insurance rating is _____.

51. Q. IS THE UTILITY CURRENT WITH ALL OF THE OREGON DEPARTMENT OF HUMAN SERVICES DRINKING WATER PROGRAM (DWP) REQUIREMENTS? IF NOT, PLEASE DESCRIBE THE REQUIREMENTS THE UTILITY HAS NOT COMPLIED WITH.

- A. **Yes**, the utility is current in all its DWP requirements.
 No, the utility is not current all its DWP requirements. It has not complied with _____

52. Q. IF YOU HAVE FEWER THAN 200 TOTAL CUSTOMERS, PLEASE ATTACH A CURRENT AND COMPLETE CUSTOMER MAILING LIST. INCLUDE EACH CUSTOMER'S NAME AND MAILING ADDRESS.

- A. I have over 200 customers.
 I have fewer than 200 customers and have attached a customer mailing list.

53. Q. WOULD YOU LIKE TO TESTIFY REGARDING OTHER ISSUES?

A. No.

Yes, I would like to testify additionally regarding the following:

Attach pages with additional testimony.

54. Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CONFIDENTIAL Exhibit OWU/105

Employee Information

CONFIDENTIAL

Exhibit OWU/106
Water Permits and Well Logs

STATE OF OREGON

COUNTY OF DESCHUTES

PERMIT TO APPROPRIATE THE PUBLIC WATERS

THIS PERMIT IS HEREBY ISSUED TO

EAGLE RIDGE DEVELOPMENT CORPORATION
 P.O. BOX 1215
 REDMOND, OREGON 97756

to use the waters of THREE WELLS in the DESCHUTES RIVER BASIN for IRRIGATION OF 317.22 ACRES AND COMMERCIAL USE (GOLF COURSE).

This permit is issued approving Application G-12429. The date of priority is FEBRUARY 26, 1991. The use is limited to not more than 4.28 CUBIC FEET PER SECOND (CFS); BEING 3.97 CFS FOR IRRIGATION AND 0.31 CFS FOR COMMERCIAL USE, or its equivalent in case of rotation, measured at the wells.

The wells are located as follows:

WELL 1 - NE 1/4 NE 1/4, SECTION 22, T 15 S, R 12 ~~W~~^E, W.M.; 350 FEET SOUTH AND 1170 FEET WEST FROM NE CORNER, SECTION 22;

WELL 2 - NW 1/4 SE 1/4, SECTION 15, T 15 S, R 12 ~~W~~^E, W.M.; 840 FEET SOUTH AND 200 FEET EAST FROM C 1/4 CORNER, SECTION 15;

WELL 3 - SE 1/4 NE 1/4, SECTION 22, T 15 S, R 12 ~~W~~^E, W.M.; 2300 FEET SOUTH AND 150 FEET WEST FROM NE CORNER, SECTION 22.

The amount of water used for irrigation under this right, together with the amount secured under any other right existing for the same lands, is limited to a diversion of ONE-EIGHTIETH of one cubic foot per second (or its equivalent) and 3.0 acre-feet for each acre irrigated. The use of water for irrigation may be made at any time that water can be put to beneficial use.

The use shall conform to such reasonable rotation system as may be ordered by the proper state officer.

A description of the proposed place of use under this permit is as follows:

SW 1/4 NE 1/4	1.43 ACRES AND COMMERCIAL USE
NW 1/4 NW 1/4	20.15 ACRES AND COMMERCIAL USE
SW 1/4 NW 1/4	17.24 ACRES AND COMMERCIAL USE
SE 1/4 NW 1/4	7.26 ACRES AND COMMERCIAL USE
NE 1/4 SW 1/4	19.38 ACRES AND COMMERCIAL USE
NW 1/4 SW 1/4	23.32 ACRES AND COMMERCIAL USE
SW 1/4 SW 1/4	24.27 ACRES AND COMMERCIAL USE
SE 1/4 SW 1/4	13.08 ACRES AND COMMERCIAL USE

SECTION 14

SW 1/4 NE 1/4	11.87 ACRES AND COMMERCIAL USE
SE 1/4 NE 1/4	19.31 ACRES AND COMMERCIAL USE
NE 1/4 SE 1/4	20.07 ACRES AND COMMERCIAL USE
NW 1/4 SE 1/4	16.15 ACRES AND COMMERCIAL USE
SW 1/4 SE 1/4	14.56 ACRES AND COMMERCIAL USE
SE 1/4 SE 1/4	26.58 ACRES AND COMMERCIAL USE

SECTION 15

NE 1/4 NE 1/4	26.88 ACRES AND COMMERCIAL USE
NW 1/4 NE 1/4	23.36 ACRES AND COMMERCIAL USE
SE 1/4 NE 1/4	11.04 ACRES AND COMMERCIAL USE

SECTION 22

NE 1/4 NW 1/4	COMMERCIAL USE
NW 1/4 NW 1/4	21.27 ACRES AND COMMERCIAL USE

SECTION 23

TOWNSHIP 15 SOUTH, RANGE 12 EAST, W.M.

The well shall be constructed in accordance with the General Standards for the Construction and Maintenance of Water Wells in Oregon. The works shall be equipped with a usable access port, and may also include an air line and pressure gauge adequate to determine water level elevation in the well at all times. When required by the department, the permittee shall install and maintain a weir, meter, or other suitable measuring device, and shall keep a complete record of the amount of ground water withdrawn.

Prior to receiving a certificate of water right, the permit holder shall submit the results of a pump test meeting the department's standards, to the Water Resources Department. The Director may require water level or pump test results every ten years thereafter.

Actual construction work shall begin on or before August 12, 1992, and shall be completed on or before October 1, 1993. Complete application of the water shall be made on or before October 1, 1994.

Failure to comply with any of the provisions of this permit may result in action including, but not limited to, restrictions on the use, civil penalties, or cancellation of the permit.

This permit is for beneficial use of water without waste. The water user is advised that new regulations may require use of best practical technologies or conservation practices to achieve this end.

By law, the land use associated with this water use must be in compliance with statewide land-use goals and any local acknowledged land-use plan.

The use of water shall be limited when it interferes with any prior surface or ground water rights.

Issued this date, AUGUST 12, 1991.

/s/ WILLIAM H. YOUNG

Water Resources Department
 William H. Young
 Director

B ~~ext~~ ext to 10-1-94
 B+C EXT to 10-1-95
 B+C ext to 10-1-96

EXT. BC97

B06
 C07

Application G-12429 Water Resources Department
 Basin 5 Volume 1 Deschutes River & Misc.
 G-12429.SB MGMT.CODE 3LW

PERMIT G-11313
 District 11

STATE OF OREGON

COUNTY OF DESCHUTES

PERMIT TO APPROPRIATE THE PUBLIC WATERS

THIS PERMIT IS HEREBY ISSUED TO

EAGLE RIDGE DEVELOPMENT CORPORATION
P.O. BOX 1215
REDMOND, OREGON 97756

503-923-0807

to use the waters of THREE WELLS in the DESCHUTES RIVER BASIN for QUASI-MUNICIPAL USE.

This permit is issued approving Application G-12905. The date of priority is MAY 4, 1992. The use is limited to not more than 3.0 CUBIC FEET PER SECOND, or its equivalent in case of rotation, measured at the wells.

The wells are located as follows:

SW 1/4 NW 1/4, SECTION 14, SW 1/4 SE 1/4, SECTION 15, T 15 S, R 12 E, W.M.; WELL 1 - 120 FEET NORTH AND 980 FEET EAST FROM THE W 1/4 CORNER OF SECTION 14, WELL 2 - 962 FEET NORTH AND 823 FEET EAST, WELL 3 - 1009 FEET NORTH AND 802 FEET EAST, BOTH FROM THE S 1/4 CORNER OF SECTION 15.

The use shall conform to such reasonable rotation system as may be ordered by the proper state officer.

A description of the proposed place of use under this permit is as follows:

SW 1/4 SW 1/4
SECTION 11
SW 1/4 SW 1/4
SECTION 13
W 1/2
SE 1/4
SECTION 14
E 1/2
SECTION 15
N 1/2 NE 1/4
SE 1/4 NE 1/4
SECTION 22
N 1/2
N 1/2 SE 1/4
SECTION 23
W 1/2 W 1/2
SECTION 24

TOWNSHIP 15 SOUTH, RANGE 12 EAST, W.M.

The well shall be constructed in accordance with the General Standards for the Construction and Maintenance of Water Wells in Oregon. The works shall be equipped with a usable access port, and may also include an air line and pressure gauge adequate to determine water level elevation in the well at all times.

Measurement, recording and reporting conditions:

- A. Before water use may begin under this permit, the permittee shall install a meter or other suitable measuring device as approved by the Director. The permittee shall maintain the meter or measuring device in good working order, shall keep a complete record of the amount of water used each month and shall submit a report which includes the recorded water use measurements to the Department annually or more frequently as may be required by the Director.

Further, the Director may require the permittee to report general water use information, including the place and nature of use of water under the permit.

- B. The permittee shall allow the watermaster access to the meter or measuring device; provided however, where the meter or measuring device is located within a private structure, the watermaster shall request access upon reasonable notice.

The PERMIT HOLDER shall obtain a static water-level measurement for each well during MARCH of each year and report the measurement to the Department within thirty days. The measurement shall be made by a certified water-rights examiner, registered professional geologist, or professional engineer. Water levels shall be reported as depth-to-water below ground level and shall be accompanied by supporting calculations. If a well listed on this permit displays a total static water-level decline of 10 or more feet over any period of years, when compared to the reference level, then the PERMIT HOLDER shall discontinue use of, or reduce the rate or volume of withdrawal, from the well(s). Such action shall be taken until the water level recovers to above the 10-foot decline level or until the Department determines, based on the PERMIT HOLDER'S or the Department's data and analysis, that no action is necessary because the aquifer in question can sustain the observed declines without adversely impacting the resource or senior water rights. The reference level for water-level declines shall be the first (March 1995) or second annual (March 1996), whichever is higher, measurement taken after water use begins under the terms of this permit. The PERMIT HOLDER shall in no instance allow excessive decline to occur within the aquifer as a result of use under this permit.

In the event of a request for a change in point of appropriation, an additional point of appropriation or alteration of the appropriation facility associated with this authorized diversion, the quantity of water allowed herein, together with any other right, shall not exceed the capacity of the facility at the time of perfection of this right.

This right is limited to any deficiency in the available supply of any prior right existing for the same land.

Prior to receiving a certificate of water right, the permit holder shall submit the results of a pump test meeting the department's standards, to the Water Resources Department. The Director may require water level or pump test results every ten years thereafter.

Actual construction work shall begin on or before May³¹, 1995 and shall be completed on or before October 1, 1997. Complete application of water shall be made on or before October 1, 1998.

Failure to comply with any of the provisions of this permit may result in action including, but not limited to, restrictions on the use, civil penalties, or cancellation of the permit.

This permit is for beneficial use of water without waste. The water user is advised that new regulations may require use of best practical technologies or conservation practices to achieve this end.

By law, the land use associated with this water use must be in compliance with statewide land-use goals and any local acknowledged land-use plan.

The use of water shall be limited when it interferes with any prior surface or ground water rights.

The Water Resources Commission has found that the proposed use of water described by this permit, as conditioned, will not impair or be detrimental to the public interest on April 20, 1994.

Issued this date, May 31, 1994.

/s/ MARTHA O. PAGEL

Water Resources Department
Martha O. Pagel
Director

T-8438

STATE OF OREGON

COUNTY OF DESCHUTES

PERMIT TO APPROPRIATE THE PUBLIC WATERS

THIS PERMIT IS HEREBY ISSUED TO

EAGLE CREST INC.
WILLIAM D. LYCHE
PO BOX 1215
REDMOND, OREGON 97756

The limits and conditions of the use are listed below.

SPECIFIC LIMITS AND CONDITIONS

APPLICATION FILE NUMBER: G-14857

SOURCE OF WATER: A WELL IN THE DESCHUTES RIVER BASIN

PURPOSE OR USE: QUASI-MUNICIPAL USE

MAXIMUM RATE: 3.34 CUBIC FEET PER SECOND, further limited to a maximum diversion of 252 acre-feet each year and shall result in consumption of no more than 115 acre-feet each year, once sewage contribution is subtracted from the amount diverted, unless the mitigation plan is modified and approved by the Department as described below.

If the reporting, as required below, demonstrates the mitigation plan is not sufficient to mitigate for the amount of water actually consumed, the use will be further restricted to limit the total consumed water to 115 acre-feet, or the Department may approve an additional and equivalent water right to be leased to instream use, to maintain an acre-foot balance between the amount of water consumed to the amount of water provided to instream use. An equivalent water right must, at a minimum, be from a water right with a diversion point at or near the diversion authorized by the lease of certificate 74145.

PERIOD OF USE: YEAR ROUND

DATE OF PRIORITY: NOVEMBER 2, 1998

POINT OF DIVERSION LOCATION: NE 1/4 NE 1/4, SECTION 16, T15S, R12E, W.M.; 150 FEET SOUTH AND 150 FEET WEST FORM THE NE CORNER, SECTION 16, T15S, R12E, W.M.

Application G-14857 Water Resources Department

PERMIT G-13856

THE PLACE OF USE IS LOCATED AS FOLLOWS:

NE QUARTER ALL
NW QUARTER ALL
SW QUARTER ALL
SECTION 16
TOWNSHIP 15 SOUTH, RANGE 12 EAST, W.M.

Measurement, recording and reporting conditions:

- A. Before water use may begin under this permit, the permittee shall install a meter or other suitable measuring device as approved by the Director, *at both the diversion from the well and at a point where sewage, that is actually discharged to the ground, may be measured.* The permittee shall maintain the meter or measuring device in good working order, shall keep a complete record of the amount of water used each month and shall submit a report which includes the recorded water use measurements to the Department annually or more frequently as may be required by the Director. Further, the Director may require the permittee to report general water use information, including the place and nature of use of water under the permit.
- B. The permittee shall allow the watermaster access to the meter or measuring device; provided however, where the meter or measuring device is located within a private structure, the watermaster shall request access upon reasonable notice.

This permit will expire in 2 years from permit issuance unless the 2 year lease of the water right authorized under certificate 74145 to instream purposes is replaced by a permanent transfer of water right certificate 74145, filed as transfer application T 8519, or an equivalent water right as determined by the Department, to instream use.

Within one year of permit issuance, the permittee shall submit a Water Management and Conservation Plan consistent with OAR Chapter 690, Division 86. The Director may approve an extension of this timeline to complete the required Water Management Conservation Plan.

If substantial interference with a senior water right occurs due to withdrawal of water from any well listed on this permit, then use of water from the well(s) shall be discontinued or reduced and/or the schedule of withdrawal shall be regulated until or unless the Department approves or implements an alternative administrative action to mitigate

Application G-14857 Water Resources Department

PERMIT G-13856

the interference. The Department encourages junior and senior appropriators to jointly develop plans to mitigate interferences. Use of water under authority of this permit may be regulated if analysis of data available after the permit is issued discloses that the appropriation will measurably reduce the surface water flows necessary to maintain the free-flowing character of a scenic waterway in quantities necessary for recreation, fish and wildlife in effect as of the priority date of the right or as those quantities may be subsequently reduced.

Use of water under authority of this permit may be regulated if analysis of data available after the permit is issued discloses that the appropriation will measurably reduce the surface water flows necessary to maintain the free-flowing character of a scenic waterway in quantities necessary for recreation, fish and wildlife in effect as of the priority date of the right or as those quantities may be subsequently reduced.

STANDARD CONDITIONS

The wells shall be constructed in accordance with the General Standards for the Construction and Maintenance of Water Wells in Oregon. The works shall be equipped with a usable access port, and may also include an air line and pressure gauge adequate to determine water level elevation in the well at all times.

The use shall conform to such reasonable rotation system as may be ordered by the proper state officer.

Prior to receiving a certificate of water right, the permit holder shall submit the results of a pump test meeting the department's standards, to the Water Resources Department. The Director may require water level or pump test results every ten years thereafter.

Failure to comply with any of the provisions of this permit may result in action including, but not limited to, restrictions on the use, civil penalties, or cancellation of the permit.

This permit is for the beneficial use of water without waste. The water user is advised that new regulations may require the use of best practical technologies or conservation practices to achieve this end.


By law, the land use associated with this water use must be in compliance with statewide land-use goals and any local acknowledged land-use plan.

The use of water shall be limited when it interferes with any prior surface or ground water rights.

The Director finds that the proposed use(s) of water described by this permit, as conditioned, will not impair or be detrimental to the public interest.

Actual construction of the well shall begin by May , 2001. Complete application of the water to the use shall be made on or before October 1, 2005. Within one year after complete application of water to the proposed use, the permittee shall submit a claim of beneficial use, which includes a map and report, prepared by a Certified Water Rights Examiner (CWRE).

Issued October 17, 2000


Paul R. Cleary, Director
Water Resources Department

NOTE: Pursuant to ORS 537.330, in any transaction for the conveyance of real estate that includes any portion of the lands described in this permit, the seller of the real estate shall, upon accepting an offer to purchase that real estate, also inform the purchaser in writing whether any permit, transfer approval order, or certificate evidencing the water right is available and that the seller will deliver any permit, transfer approval order or certificate to the purchaser at closing, if the permit, transfer approval order or certificate is available.

Application G-14857
Basin 5
AMH

Water Resources Department
Volume 1 DESCHUTES R & MISC
MGMT.CODES 7BG 7BR 7CG 7CR

PERMIT G-13856
District 11

STATE OF OREGON
WATER WELL REPORT
 (as required by ORS 537.765)

WELL # **6** OWU/106, Bahr/10
 Desc 1198
 Production Well # **36697** (START CARD) # **NSL**
 155/12E/15dc

(1) OWNER: Well Number: PW #1
 Name Eagle Ridge Development Corporation
 Address P.O. Box 1215
 City Redmond State OR Zip 97756

(2) TYPE OF WORK:
 New Well Deepen Recondition Abandon

(3) DRILL METHOD
 Rotary Air Rotary Mud Cable
 Other _____

(4) PROPOSED USE:
 Domestic Community Industrial Irrigation
 Thermal Injection Other _____

(5) BORE HOLE CONSTRUCTION:
 Special Construction approval Yes No Depth of Completed Well 800 ft.
 Yes No
 Explosives used Type _____ Amount _____

HOLE			SEAL		Amount sacks or pounds
Diameter	From	To	Material	From To	
24	0	47	cement	0 47	80 sacks
17	47	800	-----	-----	-----

How was seal placed: Method A B C D E
 Other _____
 Backfill placed from _____ ft. to _____ ft. Material _____
 Gravel placed from _____ ft. to _____ ft. Size of gravel _____

(6) CASING/LINER:

Casing/Liner	Diameter	From	To	Gauge	Steel		Plastic		Welded		Threaded	
					XXX				XXX			
Casing:	18	+1	47	.250	XXX				XXX			
Liner:	14"	+2	800	.375	XXX				XXX			

Final location of sheets) 800'

(7) PERFORATIONS/SCREENS:

Perforations Method Factory perforated
 Screens Type _____ Material _____

From	To	Slot size	Number	Diameter	Tele/pipe size	Casing	Liner
510	790	1/2 X 3	7000	14"	---	<input type="checkbox"/>	<input checked="" type="checkbox"/>

(8) WELL TESTS: Minimum testing time is 1 hour
 Pump Bailer Air Flowing Artesian
 Yield gal/min 800 (est.) Drawdown _____ Drill stem at 750 Time 1 hr.
 Temperature of water 52° Depth Artesian Flow Found _____
 Was a water analysis done? Yes By whom _____
 Did any strata contain water not suitable for intended use? Too little
 Salty Muddy Odor Colored Other _____
 Depth of strata: _____

(9) LOCATION OF WELL by legal description:
 County Deschutes Latitude _____ Longitude _____
 Township 15 S N or S. Range 12 E E or W. WM.
 Section 15 SW 1/4 SE 1/4
 Tax Lot 1500 Lot _____ Block _____ Subdivision _____
 Street Address of Well (or nearest address) N/A

(10) STATIC WATER LEVEL:
518 ft. below land surface. Date 2/20/92
 Artesian pressure _____ lb. per square inch. Date _____

(11) WATER BEARING ZONES:
 Depth at which water was first found 540

From	To	Estimated Flow Rate	SWL
540	800	800	518

(12) WELL LOG: Ground elevation _____

Material	From	To	SWL
Sand & cobbles	1	4	
Broken lava red and brown	4	40	
Basalt gray hard	40	55	
Lava cinders red	55	68	
Lava brown	68	80	
Basalt gray and brown hard	80	85	
Basalt softer	85	93	
Lava red & brown broken soft	93	111	
Basalt gray hard	111	157	
Basalt gray softer w/ red cinder	157	162	
Lava red	162	185	
Lava brown w/sandstone	185	299	
Lava dark brown w/pumice	299	330	
Andacite brown hard	330	375	
Andacite gray	375	400	
Andacite Gray & brown hard	400	469	
Andacite gray softer	469	502	
Andacite hard brown	502	524	
Andacite light brown softer	524	568	
Rock black and red	568	600	
Andacite brown hard	600	608	
Red cinder	608	612	
Andacite brown hard	612	620	

Date started 1/30/92 Completed 2/20/92

(unbonded) Water Well Constructor Certification:
 I certify that the work I performed on the construction, alteration, abandonment of this well is in compliance with Oregon well construction standards. Materials used and information reported above are true to my best knowledge and belief.
 Signed [Signature] WWC Number 1358
 Date 3/4/92

(bonded) Water Well Constructor Certification:
 I accept responsibility for the construction, alteration, or abandonment of work performed on this well during the construction dates reported above. This work performed during this time is in compliance with Oregon well construction standards. This report is true to the best of my knowledge and belief.
 Signed [Signature] WWC Number 723
 Date 3/4/92

RECEIVED APR 15 1992

STATE OF OREGON
WATER WELL REPORT
(as required by ORS 537.765)

DOSC 11028

Well #6 OWU/106, Bahr/13 459 / 12E / 15dc
(START CARD) # 36697 Cont.

(1) OWNER: Well Number: PW #1
Name Eagle Ridge Development Corporation
Address Page 2
City _____ State _____ Zip _____

(2) TYPE OF WORK:
 New Well Deepen Recondition Abandon

(3) DRILL METHOD
 Rotary Air Rotary Mud Cable
 Other _____

(4) PROPOSED USE:
 Domestic Community Industrial Irrigation
 Thermal Injection Other _____

(5) BORE HOLE CONSTRUCTION:
Special Construction approval Yes No Depth of Completed Well _____ ft.
Explosives used Yes No Type _____ Amount _____

HOLE		SEAL		Amount
Diameter	From	To	Material	sacks or pounds

How was seal placed: Method A B C D E
 Other _____
Backfill placed from _____ ft. to _____ ft. Material _____
Gravel placed from _____ ft. to _____ ft. Size of gravel _____

(6) CASING/LINER:

	Diameter	From	To	Gauge	Steel	Plastic	Welded	Threaded
Casing:					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Liner:					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Final location of sheets: _____

(7) PERFORATIONS/SCREENS:

Perforations Method _____
 Screens Type _____ Material _____

From	To	Slot size	Number	Diameter	Tele/pipe size	Casing	Liner
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>

(8) WELL TESTS: Minimum testing time is 1 hour

Pump Bailer Air Flowing Artesian

Yield gal/min	Drawdown	Drill stem at	Time
			1 hr.

Temperature of water _____ Depth Artesian Flow Found _____
Was a water analysis done? Yes By whom _____
Did any strata contain water not suitable for intended use? Too little
 Salty Muddy Odor Colored Other _____
Depth of strata: _____

(9) LOCATION OF WELL by legal description:
County Deschutes Latitude _____ Longitude _____
Township 15 S N or S. Range 12 E E or W. WM.
Section 15 SW $\frac{1}{4}$ SE $\frac{1}{4}$
Tax Lot 1500 Lot _____ Block _____ Subdivision _____
Street Address of Well (or nearest address) N/A

(10) STATIC WATER LEVEL:
_____ ft. below land surface. Date _____
Artesian pressure _____ lb. per square inch. Date _____

(11) WATER BEARING ZONES:
Depth at which water was first found _____

From	To	Estimated Flow Rate	SWL

(12) WELL LOG: Ground elevation _____

Material	From	To	SWL
Andacite light gray w/pumice	620	645	
Andacite brown fractured	645	655	
Andacite brown hard	655	670	
Andacite gray w/brown med.	670	691	
Andacite gray hard	691	710	
Andacite brown w/pumice interbed	710	733	
Andacite brown & red fractured	733	740	
Andacite brown very hard	740	761	
Pumice white	761	776	
Andacite gray and brown	776	800	

Date started 1/30/92 Completed 2/20/92

(unbonded) Water Well Constructor Certification:
I certify that the work I performed on the construction, alteration, or abandonment of this well is in compliance with Oregon well construction standards. Materials used and information reported above are true to my best knowledge and belief.
Signed [Signature] WWC Number 1358 Date 3/1/92

(bonded) Water Well Constructor Certification:
I accept responsibility for the construction, alteration, or abandonment work performed on this well during the construction dates reported above. A work performed during this time is in compliance with Oregon well construction standards. This report is true to the best of my knowledge and belief.
Signed [Signature] WWC Number 723 Date 3/1/92

RECEIVED APR 15 1992

15 12 22 00 194

WELL# 7

OWU/106, Bahr/12

15S/12E-15ad

STATE OF OREGON
WATER WELL REPORT
(as required by ORS 537.765)

(START CARD) # 34267 NSC

(1) OWNER: **WELL 7**
Name Eagle Ridge Development
Address P.O. Box 1215
City Redmond State OR Zip 97756

(2) TYPE OF WORK:
 New Well Deepen Recondition Abandon

(3) DRILL METHOD
 Rotary Air Rotary Mud Cable
 Other

(4) PROPOSED USE:
 Domestic Community Industrial Irrigation
 Thermal Injection Other

(5) BORE HOLE CONSTRUCTION:
Special Construction approval Yes No Depth of Completed Well 800 ft.
Explosives used Type Amount

HOLE			SEAL			Amount sacks or pounds
Diameter	From	To	Material	From	To	
13	0	50	cement	18	50	60
10	50	100	cement	0	18	15
8	100	800	bentonite	90	100	

How was seal placed: Method A B C D E
 Other bentonite dry in top 18'
Backfill placed from ft. to ft. Material
Gravel placed from ft. to ft. Size of gravel

(6) CASING/LINER:

Diameter	From	To	Gauge	Steel		Plastic		Welded		Threaded	
				XX				XX			
Casing: 8"	0	98'	2.50	XX				XX			
Liner: 6"	0	800									

Final location of shoe(s) 800

(7) PERFORATIONS/SCREENS:

From	To	Slot size	Number	Diameter	Tele/pipe size	Casing	Liner
600	620	1X1/8	400	6"			XX
700	800	1X1/8	2000	6"			XX

Perforations Method air perf
 Screens Type Material

(8) WELL TESTS: Minimum testing time is 1 hour
 Pump Bailer Air Flowing Artesian
Yield gal/min Drawdown Drill stem at Time
30 800 1 hr.

Temperature of water 54 Depth Artesian Flow Found
Was a water analysis done? Yes By whom
Did any strata contain water not suitable for intended use? Too little
 Salty Muddy Odor Colored Other
Depth of strata:

(9) LOCATION OF WELL by legal description:
County Deschutes Latitude Longitude
Township 15S N or S, Range 12E E or W, WM.
Section 22 SE 1/4 NE 1/4
Tax Lot Lot Block Subdivision
Street Address of Well (or nearest address)
Chase Falls Hwy

(10) STATIC WATER LEVEL:
528 ft. below land surface. Date 10/11/91
Artesian pressure lb. per square inch. Date

(11) WATER BEARING ZONES:

Depth at which water was first found 608

From	To	Estimated Flow Rate	SWL
608	615		
720	735		

(12) WELL LOG: Ground elevation

Material	From	To	SWL
dirt	0	2	
broken rock	2	12	
sand black coarse dry	12	25	
broken rock red & grey	25	36	
Rock harder	36	42	
sandstone soft brown	42	48	
lava porous grey & brown	48	55	
broken lava red & grey	55	83	
lava harder red & grey	83	132	
basalt grey hard	132	160	
lava red med	160	185	
lava red w/white pumice	185	203	
multi colored lava brn/red/gr	203	310	
broken lava red/brown	310	375	
rock brn med	375	392	
rock grey w/some pumice	392	400	
rock grey and white	400	435	
rock brn/grey/white	435	442	
basalt grey hard	442	461	
andacite grey/brn hard	461	608	
cinders or pumice	608	615	
quartzite/andacite wthered	615	720	
brown andacite weathered	720	735	H ₂ O

Date started 9/18/91 Completed 10/11/91

(unbonded) Water Well Constructor Certification:
I certify that the work I performed on the construction, alteration, or abandonment of this well is in compliance with Oregon well construction standards. Materials used and information reported above are true to my best knowledge and belief.
Signed *[Signature]* WWC Number 1328 Date 10/24/91

(bonded) Water Well Constructor Certification:
I accept responsibility for the construction, alteration, or abandonment work performed on this well during the construction dates reported above. all work performed during this time is in compliance with Oregon well construction standards. This report is true to the best of my knowledge and belief.
Signed *[Signature]* WWC Number 723 Date 10/24/91

Rec'd 11-7-91 WD#11

WELL # 7

OWU/106, Bahr/13155/12E-15ad

STATE OF OREGON
WATER WELL REPORT
(as required by ORS 537.765)

DESC
1083

OCT 28 1991

(START CARD) # 34267

(1) OWNER: Well Number: WATER RESOURCES DEPT.
Name Eagle Ridge Development PAGE 2 SALEM, OR
Address _____
City _____ State _____ Zip _____

(2) TYPE OF WORK:
 New Well Deepen Recondition Abandon

(3) DRILL METHOD
 Rotary Air Rotary Mud Cable
 Other _____

(4) PROPOSED USE:
 Domestic Community Industrial Irrigation
 Thermal Injection Other _____

(5) BORE HOLE CONSTRUCTION:
Special Construction approval Yes No Depth of Completed Well _____ ft.
Yes No
Explosives used Type _____ Amount _____

HOLE SEAL Amount
Diameter From To Material From To sacks or pounds

How was seal placed: Method A B C D E
 Other _____
Backfill placed from _____ ft. to _____ ft. Material _____
Gravel placed from _____ ft. to _____ ft. Size of gravel _____

(6) CASING/LINER:
Diameter From To Gauge Steel Plastic Welded Threaded
Casing: _____
Liner: _____
Final location of sheets) _____

(7) PERFORATIONS/SCREENS:
 Perforations Method _____
 Screens Type _____ Material _____
From To Slot size Number Diameter Tele/pipe size Casing Liner

(8) WELL TESTS: Minimum testing time is 1 hour
 Pump Bailer Air Flowing Artesian
Yield gal/min Drawdown Drill stem at Time

Temperature of water _____ Depth Artesian Flow Found _____
Was a water analysis done? Yes By whom _____
Did any strata contain water not suitable for intended use? Too little
 Salty Muddy Odor Colored Other _____
Depth of strata: _____

(9) LOCATION OF WELL by legal description:
County _____ Latitude _____ Longitude _____
Township _____ N or S, Range _____ E or W, WM. _____
Section _____ ¼ _____ ¼
Tax Lot _____ Lot _____ Block _____ Subdivision _____
Street Address of Well (or nearest address) _____

(10) STATIC WATER LEVEL:
_____ ft. below land surface. Date _____
Artesian pressure _____ lb. per square inch. Date _____

(11) WATER BEARING ZONES:
Depth at which water was first found _____
From To Estimated Flow Rate SWL

(12) WELL LOG: Ground elevation _____
Material From To SWL
brown andacite hard 735 765
andacite red/grey w/pumice sfr 765 787
andacite hard 787 790
andacite softer 790 800

Date started 9/18/91 Completed 10/11/91

(unbonded) Water Well Constructor Certification:
I certify that the work I performed on the construction, alteration, or abandonment of this well is in compliance with Oregon well construction standards. Materials used and information reported above are true to my best knowledge and belief.
Signed _____ WWC Number 1358 Date 10/24/91

(bonded) Water Well Constructor Certification:
I accept responsibility for the construction, alteration, or abandonment work performed on this well during the construction dates reported above. All work performed during this time is in compliance with Oregon well construction standards. This report is true to the best of my knowledge and belief.
Signed _____ WWC Number 723 Date 10/24/91

Rec'd 11-7-91 WDA#11

51680 MAY 1 1993 15 12 (14) 1506 OWU/106, Bahr/14 L 22893
 I.D.# 155/12e/14
 JUL - 7 1998 (START CARD) # 89252

STATE OF OREGON WATER RESOURCES DEPT.
WATER WELL REPORT SALEM, OREGON
 (as required by ORS 537.765)

(1) OWNER: Well Number: 8
 Name Eagle Crest
 Address po box 1215
 City Redmond State OR Zip 97756

(2) TYPE OF WORK:
 New Well Deepen Recondition Abandon

(3) DRILL METHOD
 Rotary Air Rotary Mud Cable
 Other

(4) PROPOSED USE:
 Domestic Community Industrial Irrigation
 Thermal Injection Other

(5) BORE HOLE CONSTRUCTION:
 Special Construction approval Yes No Depth of Completed Well 600 ft
 Explosives used Yes No Type _____ Amount _____

HOLE			SEAL			Amount sacks or pounds
Diameter	From	To	Material	From	To	
23"	0	60	cement	0	24	44
19"	60	65	bent	24	40	48
17"	65	600	cement	40	60	282

How was seal placed: Method A B C D E
 Other chips poured
 Backfill placed from _____ ft. to _____ ft. Material _____
 Gravel placed from _____ ft. to _____ ft. Size of gravel _____

(6) CASING/LINER:

Diameter	From	To	Gauge	Steel	Plastic	Welded	Threaded
Casing 18	+15	60	.375	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Liner 14	-5	600	.375	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Final location of sheets: _____

(7) PERFORATIONS/SCREENS:

Perforations Method factory -swift
 Screens Type _____ Material _____

From	To	Slot size	Number	Diameter	Tele/pipe size	Casing	Liner
390	600	1/8x3	8000	14"		<input type="checkbox"/>	<input checked="" type="checkbox"/>

(8) WELL TESTS: Minimum testing time is 1 hour
 Pump Bailer Air Flowing Artesian
 Yield gal/min 1000 Drawdown N/A Drill stem at 600 Time 1 hr.

Temperature of water 52 degrees Depth Artesian Flow Found _____
 Was a water analysis done? Yes By whom _____
 Did any strata contain water not suitable for intended use? Too little
 Salty Muddy Odor Colored Other _____

(9) LOCATION OF WELL by legal description:
 County Deschutes Latitude _____ Longitude _____
 Township 15S N or S. Range 12E E or W. WM
 Section 14 NW SW
 Tax Lot 1542-1544 Block _____ Subdivision _____
 Street Address of Well (or nearest address) _____
cline falls hwy

(10) STATIC WATER LEVEL:
312 ft. below land surface. Date 4-22-98
 Artesian pressure _____ lb. per square inch Date _____

(11) WATER BEARING ZONES:

Depth at which water was first found 350'

From	To	Estimated Flow Rate	SWL
350	600		312

(12) WELL LOG: Ground elevation _____

Material	From	To	SWL
soil	0	.5	
basalt grey fractured	.5	8	
wthrd rock soft grey	8	13	
grey harder	13	32	
lava red hard	32	38	
lava red hard	38	40	
basalt grey very hard	40	100	
basalt grey & brown hard	127	141	
lava grey & red med	127	141	
lava brn hard	141	155	
basalt fractures bent red	155	174	
andacite basalt grey hard	174	177	
cinders red tan grey	177		
with pumice		210	
red cinder with grey liner	210		
& white pumice		220	
brown sandstone	220	260	
brown sandstone	260	280	
conglomerate brown & black	280	290	
conglomerate brown bounded	280	290	
conglomerate moneangular	480	551	
ansacite white hard	551	560	
plumice white	560	567	

Date started 3-19-98 Completed 4-22-98

(unbonded) Water Well Constructor Certification:
 I certify that the work I performed on the construction, alteration, or abandonment of this well is in compliance with Oregon well construction standards. Materials used and information reported above are true to my best knowledge and belief.
 Signed _____ WWC Number _____ Date _____

(bonded) Water Well Constructor Certification:
 I accept responsibility for the construction, alteration, or abandonment work performed on this well during the construction dates reported above. all work performed during this time is in compliance with Oregon well construction standards. This report is true to the best of my knowledge and belief.
 Signed [Signature] WWC Number 1358 Date 5/4/98

WELL ID # L 50204
START CARD # 111252

STATE OF OREGON
WATER SUPPLY WELL REPORT
(as required by ORS 537.765)

(1) OWNER: Well Number: #9
Name: Eagle Crest Resort
Address: 920 SW Emkay DR. Suite C-100
City: Redmond State: OR Zip: 97702

(2) TYPE OF WORK: (repair/
 New Well Deepening Alteration (recondition) Abandonment

(3) DRILL METHOD:
 Rotary Air Rotary Mud Cable Auger
 Other:

(4) PROPOSED USE:
 Domestic Community Industrial Irrigation
 Thermal Injection Livestock Other

(5) BORE HOLE CONSTRUCTION:
Special Construction approval Yes No
Depth of Completed Well 735'
Explosives Used Yes No Type = Amount =

HOLE

Diameter	From	To	Material	From	To	SEAL	sacks or pounds
23	0	20	Cement	0	20		34 Sacks
17	20	736					

How was seal placed: Method A B C D E
 Other
Backfill placed from _____ to _____ Material _____
from _____ to _____ Material _____
Gravel placed from 635 to 736 Size of gravel #6-9sand

(6) CASING/LINER:

CASING:

Diameter	From	To	Gauge	Steel	Plastic	Welded	Threaded
18"	+1	20	.375	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
14"	20	630	.375	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

LINER:

8"	563	671		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8"	731	736	.250	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(7) PERFORATIONS/SCREENS:

Perforations Method: _____ Material: SS
 Screen Type: _____ Slot _____ Telephone _____

From	To	Slot Size	No.	Diameter	Telephone size	Casing	Liner
628	663	.20		8"	P	<input type="checkbox"/>	<input checked="" type="checkbox"/>
671	731	.20		8"	P	<input type="checkbox"/>	<input checked="" type="checkbox"/>

(8) WELL TESTS: Minimum testing time is 1 hour

Pump Bailor Air Flowing Artesian
Yield gpm Drawdown Drill Stem at Time

					1 hr.
500'			610		8

Temperature of water 51 Depth Artesian Flow Found =
Was a water analysis done? --- By whom: ---
Did any strata contain water not suitable for intended use? (explain)

Depth of Strata: ---

(9) LOCATION OF WELL by legal description:
County: Deschutes Latitude: _____ Longitude: _____
Township: 15 S Range: 12E
Section: 16 NE 1/4 NE 1/4
Tax Lot: 4800 Lot: N/A Block: _____ Subdivision: _____
Street Address of Well (or nearest address) _____
Eagle Crest Dr

(10) STATIC WATER LEVEL:
508 Ft. below land surface Date 11/15/01
Artesian pressure _____ lb. per sq. in. Date _____

(11) WATER BEARING ZONES:

Depth at which water was first found

From	To	Est. Flow Rate	SWL
630	660	200+	508
671	730	500+	508

(12) WELL LOG: Ground Elevation: _____

Material	From	To	SWL
Top Soil	0	2'	
Basalt Gray Vic	2	8	
Basalt Gray	8	34	
Cinders Black	34	40	
Cinders Loose Cir	40	62	
Basalt Gray	62	78	
Basalt Multi Color Loose Circulation	78	136	
Basalt Gray	136	148	
Basalt Brown with Red & Black Soft	148	242	
Gray Pum with Multi Color Soft	242	267	
Brownish Gray Rock some Gray	267		
Pum Soft		302	
Gray Rock Soft Med	302	324	
Multi Color Rock Most Brown	324	380	
Brownish Red Rock w/Pum Med Soft	380	435	
Basalt Black & Gray Hard	435	540	
Multi Color Rock Red & Brown Mostly	540	602	
SandStone	602	626	508
Basalt Med-Hard Gray	626	671	
Cinders Red Green	671	736	508

Date Started: 5/21/01 Completed: 11/15/01

(unbonded) Water Well Constructor Certification:
I certify that the work I performed on the construction, alteration, or abandonment of this well is in compliance with Oregon water supply well construction standards. Materials used and information reported above are true to the best of my knowledge and belief.

Signed Don Donly WWC Number 1487
Date 11/20/01

(bonded) Water Well Constructor Certification:
I accept responsibility for the construction, alteration, or abandonment work performed on this well during the construction dates reported above. All work performed during this time is in compliance with Oregon water supply well construction standards. This report is true to the best of my knowledge and belief.

Signed _____ WWC Number 723
Date 11/20/01

EXHIBIT 200

DIRECT TESTIMONY

OF

MUJEEB HAFEEZ

ON BEHALF OF

OREGON WATER UTILITIES – CLINE BUTTE, INC.

SEPTEMBER 30, 2020

**DIRECT TESTIMONY OF
MUJEEB HAFEEZ**

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ATTACHMENTS

Attachment OWU/201	SouthWest Water Company Cost Allocation Manual
Attachment OWU/202	SouthWest Water Company Operational Organizational Structure
Attachment OWU/203	Total Corporate Costs by Corporate Function for the 2019 Test Year
Attachment OWU/204	2019 Test Year 3-Factor Allocation Calculation

**DIRECT TESTIMONY OF
MUJEEB HAFEEZ**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Mujeeb Hafeez. My business address is 12535 Reed Road, Sugar Land,
4 TX 77478.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by SouthWest Water Company (“SouthWest”) as Assistant Controller
7 within Corporate Shared Services.

8 **Q. BRIEFLY DESCRIBE YOUR PRESENT EMPLOYMENT.**

9 A. My present responsibilities consist of the following for SouthWest and its subsidiaries,
10 including Oregon Water Utilities - Cline Butte, Inc. ("OWU-CB"): implementing and
11 maintaining an appropriate system of internal controls; ensuring financial records are
12 maintained in compliance with company policies and U.S. Generally Accepted
13 Accounting Principles (“GAAP”); overseeing the general accounting function;
14 providing technical accounting GAAP guidance and support; overseeing internal and
15 external financial reporting; coordinating SouthWest’s annual external audit; and
16 assisting in regulatory proceedings.

17 **Q. BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
18 **BACKGROUND.**

19 A. My educational background consists of a Bachelor of Science in Accounting and a
20 Master of Science in Accounting from the University of Houston. I am a Certified
21 Public Accountant in the State of Texas. I have been employed by SouthWest since
22 2018. My professional background prior to being employed by SouthWest includes
23 eight years of public accounting experience with PricewaterhouseCoopers, LLP

1 (“PwC”), a multinational professional services firm and one of the “Big Four” public
2 accounting firms. While at PwC, I served audit clients with a focus in the regulated
3 investor owned and private equity-owned utilities industry, including SouthWest.

4 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THIS**
5 **COMMISSION?**

6 A. No.

7 **II. PURPOSE OF DIRECT TESTIMONY**

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

9 A. I am testifying on behalf of OWU-CB.

10 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. The purpose of my direct testimony in this proceeding is to discuss SouthWest
13 corporate costs and the allocation methodology of those costs across SouthWest’s
14 subsidiaries, including OWU-CB.

15 **Q. DOES YOUR DIRECT TESTIMONY DISCUSS AFFILIATE COSTS OTHER**
16 **THAN SOUTHWEST’S ALLOCATED CORPORATE COSTS?**

17 A. No. Other affiliate costs are discussed in the direct testimony of Brian Bahr.

18 **Q. WAS THIS MATERIAL PREPARED BY YOU OR UNDER YOUR**
19 **SUPERVISION?**

20 A. Yes, it was.

21 **Q. INsofar AS THIS MATERIAL IS FACTUAL IN NATURE, DO YOU**
22 **BELIEVE IT TO BE CORRECT?**

23 A. Yes, I do.

1 **Q. INsofar AS THIS MATERIAL IS IN THE NATURE OF OPINION OR**
2 **JUDGMENT, DOES IT REPRESENT YOUR BEST JUDGMENT?**

3 A. Yes, it does.

4 **III. OVERVIEW OF SOUTHWEST WATER COMPANY**

5 **Q. BROADLY SPEAKING, HOW ARE SOUTHWEST'S UTILITY OPERATIONS**
6 **ORGANIZED?**

7 A. The organization of SouthWest's utility operations is described in detail in the
8 SouthWest Water Company Cost Allocation Manual included in my testimony as
9 Attachment OWU/201. The Cost Allocation Manual also describes the methodologies
10 used by SouthWest to allocate costs, which I will address in my testimony.
11 Additionally, SouthWest's organizational structure depicting its business units and
12 their subsidiary operations is included as Attachment OWU/202.

13 **Q. DESCRIBE SOUTHWEST'S UTILITY OPERATION IN OREGON.**

14 A. Through water and wastewater facilities located in Oregon, SouthWest serves
15 customers with water distribution and wastewater collection and treatment services.
16 These facilities operate collectively as Northwest Utilities.

17 **Q. HOW ARE THE FINANCIAL RESULTS OF SOUTHWEST'S BUSINESS**
18 **UNITS CURRENTLY REPORTED?**

19 A. As of the end of the 2019 Test Year, the financial results of SouthWest's operations
20 were reported by six business units. Five business units are attributable to utility
21 operations: Suburban Water Systems ("Suburban"), Texas Utilities ("TXU"), Kiawah
22 Island Utility ("KIU"), Northwest Utilities ("NWU"), and Southeast Utilities ("SEU").
23 The sixth business unit—Corporate Shared Services—is included in the parent,
24 SouthWest. Corporate Shared Services is comprised largely of indirect costs that

1 benefit SouthWest's five utility business units and are not directly traceable to any of
2 them. The indirect costs captured in the Corporate Shared Services business unit are
3 allocated to the five utility business units.

4 **IV. INDIRECT COSTS AND ALLOCATION METHODOLOGY**

5 **Q. PLEASE DESCRIBE SOUTHWEST'S COST ALLOCATION MANUAL.**

6 **A.** SouthWest prepared its Cost Allocation Manual in accordance and conformance with
7 the National Association of Regulatory Utility Commissioners' *Guidelines for Cost*
8 *Allocations and Affiliate Transactions* ("NARUC Guidelines"). The foundational
9 principles of the Cost Allocation Manual are to directly charge as much of the incurred
10 costs as possible to the entity that procures any specific service; fairly allocate costs
11 that cannot be directly charged to SouthWest's subsidiaries; and ensure that
12 unauthorized subsidization of unregulated activities by regulated activities, and vice
13 versa, does not occur.

14 **Q. WHAT PRINCIPLES GUIDE THE ALLOCATION OF COSTS?**

15 **A.** As the Cost Allocation Manual provides, the principles that guide the allocation of costs
16 for products or services provided by SouthWest to its affiliates are as follows:

- 17 • To the extent practicable, in consideration of administrative costs, costs should be
18 collected and classified on a direct basis for each asset, service, or product provided;
- 19 • The general method for charging indirect costs should be on a fully allocated, cost-
20 causative allocation basis, without any associated margin or mark-up;
- 21 • All direct and allocated costs should be traceable on the books of the applicable
22 affiliate;
- 23 • Documentation regarding transactions between the regulated utility and its
24 affiliates should be made available for review by the appropriate Commission or

1 other regulatory authority, upon request, to address their reasonable concerns in the
2 exercise of their responsibility to examine any of the costs sought to be recovered
3 by the utility in rate proceedings; and

- 4 • The primary cost driver of common costs, or a relevant proxy in the absence of a
5 primary cost driver, should be identified and used to allocate the cost to all
6 affiliates.

7 **Q. WHAT COSTS ARE CONSIDERED CORPORATE ALLOCABLE INDIRECT**
8 **COSTS AND WHAT ALLOCATION METHODOLOGY IS USED?**

9 A. Indirect costs are those corporate costs that benefit all SouthWest business unit
10 operations and that are so general in nature as to require prorations based on a
11 combination of several pertinent factors. To allocate those costs among the five major
12 business units, the Cost Allocation Manual describes the three-factor allocation
13 methodology consisting of the following factors weighted equally: 1) gross plant; 2)
14 operating expenses including payroll expenses; and 3) payroll.

15 **Q. SPECIFICALLY, IN WHICH AREAS ARE INDIRECT COSTS INCURRED,**
16 **FOR WHAT PURPOSE, AND WHAT IS THEIR MAGNITUDE?**

17 A. As noted in SouthWest's Cost Allocation Manual, indirect costs are attributable to the
18 following corporate functions, which are essential in providing effective utility service:
19 1) executive; 2) legal; 3) information technology; 4) human resources; 5) facilities; and
20 6) finance. The allocable indirect corporate costs for the Test Year total \$11.7 million
21 and are shown by corporate function in Attachment OWU/203.

22 **Q. IS THE \$11.7 MILLION IN CORPORATE COSTS REASONABLE?**

23 A. Yes. As described more fully below, these costs are essential to the successful
24 operation of OWU-CB, and—due to the shared services model—are more economic

1 for OWU-CB to obtain via its corporate parent than would be possible on the open
2 market.

3 **Q. PLEASE SUMMARIZE THE BENEFITS THAT CUSTOMERS ACCRUE AS A**
4 **RESULT OF USING SOUTHWEST'S CORPORATE SHARED SERVICES.**

5 A. Corporate provides shared services more effectively and efficiently than could be
6 provided to the individual affiliates individually. Customers benefit from economies
7 of scale from the shared services model. Additionally, the costs of SouthWest's
8 Corporate Shared Services are allocated to subsidiaries without any associated margin
9 or mark-up.

10 **Q. PLEASE DESCRIBE THE INDIRECT CORPORATE SHARED SERVICES**
11 **AND THEIR COSTS THAT SOUTHWEST ALLOCATES TO ITS**
12 **AFFILIATES.**

13 A. Broad categories of costs being allocated are Executive, Legal, Information
14 Technology, Finance, Human Resources, and Facilities. A review of Attachment
15 OWU/203 shows that the Executive function accounts for \$3.171 million (27.1%)
16 followed by Finance at \$3.511 million (30.1%) and Information Technology at \$3.270
17 million (28.0%). The combined cost of Legal, Human Resources, and Facilities is
18 \$1.730 million (14.8%). SouthWest's Corporate Shared Services business unit
19 includes a total of 42 employees for the Test Year. Information Technology has the
20 greatest number employees with 19, followed by Finance with 16, and Executive with
21 five. Human Resources and Facilities each have one employee. A discussion of each
22 function's responsibilities and indirect costs follows below.

1 **A. Executive**

2 The executive function is responsible for providing strategic vision and guidance,
3 business strategy and development, executive management and oversight, and the
4 overall direction of the company. The executive function consists of the Board of
5 Directors and a core group of four senior executives; the Chief Executive Officer, Chief
6 Operating Officer, Chief Financial Officer, and General Counsel. Additionally, the
7 executive function includes an administrative assistant who is responsible for providing
8 administrative support to the executive team. These employees are integral and
9 indispensable members of this group.

10 The Test Year cost attributable to the Executive function was \$3.171 million.
11 Approximately \$2.247 million represents payroll and benefits for this function, or
12 70.9% of the total. Total direct compensation provided to the four senior executives
13 (which includes total incentive compensation), when viewed against the market for
14 talent for executives in similar positions, is within the median market competitive
15 range. Elements of the executive compensation program include base salary,
16 short-term at-risk compensation, and long-term at-risk compensation. A portion of the
17 short-term at-risk compensation, and all of the long-term at-risk compensation is based
18 on financial measures. Although total compensation, including the consideration of all
19 incentive compensation, is within the median market competitive range, **all executive**
20 **incentive compensation has been excluded from the Test Year costs.**

21 Approximately \$670,000 represents the board of director's fees for six paid
22 board members, or 21.1% of the total. When compared against comparable peer
23 organizations for which compensation data are available from publicly disclosed
24 proxies, SouthWest's board of directors are paid below market median. Approximately
25 \$242,000 consists of the \$100,000 cost of insurance and \$142,000 travel and

1 entertainment, representing approximately 7.6% of the total cost. The cost of insurance
2 represents the cost for Directors and Officers and Broad Form Side A, Crime, Cyber
3 Liability, Employment Practices Liability, Property, and broker's fees. Regarding the
4 Directors and Officers and Broad Form Side A insurance, there is risk in the form of
5 legal liability inherent in director and officer positions. No one would serve in these
6 positions unless they were adequately insured against such risk. Therefore, the cost of
7 such insurance is indispensable as a cost of the executive function. Additionally,
8 extensive travel is a requirement at the executive level. Therefore, the cost of travel is
9 indispensable as a cost of the executive function. Together, these indispensable cost
10 components (payroll and benefits, director fees, insurance, and travel) amount to 99.6%
11 of the total cost of this function. Therefore, \$3.171 million represents a necessary and
12 reasonable cost for SouthWest with respect to the executive function.

13 **B. Legal**

14 The Legal function is responsible for corporate governance; transactional,
15 employment, and real estate law; and litigation, general legal affairs, and management
16 of outside counsel. The legal resources of SouthWest consist of only the General
17 Counsel. The cost of this position is included in the Executive function described above
18 as the General Counsel also serves as an executive of SouthWest. Therefore, this
19 represents an efficient structure to address the responsibilities of this function.

20 The adjusted recorded cost of ancillary legal support attributable to the legal
21 function in the Test Year was \$126,000. The legal costs incurred at the corporate level
22 for general corporate matters totaled \$55,000 in the Test Year.

23 One of the most important functions of the General Counsel is managing and
24 administering the efforts and costs of outside counsel. On an ongoing basis, SouthWest

1 has a number of legal matters that are assigned to various outside counsel. It would not
2 be possible for the General Counsel alone to address the volume of litigation, and it
3 would be financially prohibitive to employ the number of in-house counsel that would
4 be needed to address all these legal matters. Therefore, reliance on outside counsel is
5 an efficient way to address many of SouthWest's legal matters.

6 The cost of outside legal fees attributable to legal matters affecting all
7 SouthWest subsidiaries is subject to wide variation depending upon the number and
8 magnitude of legal issues that arise and their cost to effectively litigate.

9 **C. Information Technology**

10 The information technology ("IT") function is responsible for identifying,
11 implementing, and maintaining advanced and cost-effective systems solutions in
12 support of SouthWest business. This function is comprised of four groups as follows:

- 13 • Administration—Responsible for working with business units and vendors
14 to ensure the highest quality of services to support business operations.
15 Also develops short and long-range technology objectives, provides
16 contract and project management, evaluates company business goals and
17 objectives, and supports business units from a technology advisory
18 standpoint;
- 19 • Infrastructure, Network, and Computer Desktop Support—Responsible for
20 the planning, architecture, implementation, administration, and support of
21 company data, telecommunications, wide area network infrastructure, and
22 database servers. Also provides frontline desktop and helpdesk technical
23 support, procurement and management of IT assets and serve as the primary
24 point of contact for end users and their computer or system needs;

- 1 • Information and Cyber Security—Responsible for the security
2 configuration of all enterprise systems, IT governance and controls, and risk
3 mitigation. Also develops and configures security roles in all enterprise
4 systems, creates and terminates users, performs password resets, and
5 configures permissions on Outlook public folders and servers. This
6 function monitors automated and manual malicious attacks of company,
7 employee, and customer information assets and identifies, analyzes, and
8 mitigates associated risks; and
- 9 • Business Applications—Responsible for managing the ongoing
10 systems-related business processes, administration, development and
11 project management for company System Applications and Products in
12 Data Processing (“SAP”) enterprise system to include: 1) the core functions
13 of financials, material management, sales and distribution, human
14 resources, payroll and benefits; 2) the industry specific solutions for utilities
15 functions for accounts, meters and meter reading, bill and bill print, and
16 customer relationship management; and 3) business reporting tools. Also
17 responsible for the configuration and maintenance of customer-facing
18 billing and payment applications to ensure the ease-of-use process for
19 customers to view and provide payment for their bills.

20 The total headcount for the Information Technology function is 19. These 19
21 employees are responsible for the IT function and reside at the corporate level. This
22 headcount is assigned to the various IT functions noted above as follows:

- 23 • Administration (1)—Consisting of the Vice President of IT who is
24 responsible for the total IT function;

- 1 • Infrastructure (5)—Consisting of a Manager of Telecommunications, one
2 SAP DBA and Basis Administrator, one Desktop Support Analyst, one
3 Telecommunications Analyst, and one Webmaster;
- 4 • Cyber Security (2)—Consisting of a manager of Infrastructure and a
5 Security Analyst; and
- 6 • Business Applications (11)—Consisting of a Project Director, IT Project
7 Manager, Manager SAP Solution Architect, two Functional Team Leads,
8 one SAP ABAP ISU/CCS Programmer, and five SAP Functional Analysts
9 responsible for various functions within the SAP system.

10 SouthWest maintains minimal headcount for these IT functional areas while
11 still addressing the responsibilities of the various IT functions. Therefore, a headcount
12 of 19 represents an efficient manner to accomplish the responsibilities within the
13 various IT functions. No IT resources are directly employed by OWU-CB.
14 Responsibility for overall IT systems and related IT functions in support of these
15 systems (including desktop and computer hardware and server support) are totally
16 centralized and accounted for as allocable indirect costs. The importance of the IT
17 function and ultimate benefit to customers cannot be overemphasized in that essentially
18 every aspect of SouthWest, its subsidiary utilities, and ultimately rate payers rely on IT
19 systems and telecommunications. SouthWest realizes that IT is critically important to
20 customers and manages these costs closely. The computer and telecommunications
21 infrastructure and support provided by the IT function is right for SouthWest for the
22 following reasons:

- 23 • To conduct business and address customer requirements, SouthWest
24 requires a skilled and dependable IT function in the areas of

1 Infrastructure/Telecommunications/Desktop Support, Applications, and
2 Cyber Security;

- 3 • Southwest has made a commitment to leveraging a modern applications
4 infrastructure in SAP and also to employing skilled internal resources to
5 efficiently support customer needs and as a result requires fewer resources
6 to execute manual processes;
- 7 • SouthWest is sensitive to the modern reality of manual and automated
8 threats affecting Cyber Security associated with its business applications
9 like SAP and Email, as well as its operational technologies such as
10 supervisory control and data acquisition (“SCADA”); and
- 11 • The SouthWest IT platform for Telecommunications and Infrastructure,
12 Cyber Security, and Applications that exists is a stable, reliable and state of
13 the art computing platform that supports business and customer
14 requirements not only for current needs, but also provides a platform for
15 growth in the future.

16 The adjusted recorded cost attributable to the IT function in the Test Year was
17 \$3.270 million. Approximately \$2.055 million (62.9%) represents payroll and benefits
18 (net of capitalized direct labor). 75 percent of performance-based and 50 percent of
19 merit-based incentive compensation have been excluded from Test Year costs.

20 In addition to payroll and benefits, significant core non-payroll costs are
21 associated with IT functions. These core ongoing costs are attributable to facilities, data
22 circuitry and connectivity, voice and data network lines, hardware and software
23 licensing and maintenance costs, laptops, copiers, printers, and mobile communication
24 devices. The remaining \$1.214 million of costs in the IT function relate to these

1 activities. The \$3.270 million represents a necessary and reasonable cost for
2 SouthWest regarding the IT function.

3 **D. Finance**

4 The Finance function is responsible for the accurate and timely accounting for
5 corporate transactions, the accurate and timely preparation of financial statements,
6 preparation of budgets and forecasts, accounts payable, treasury, capital structure, risk
7 management, audit, tax, and providing management with the financial information
8 necessary for informed operating and financial decision making.

9 For the Test Year, a total of 16 employees were devoted to the various efforts
10 within the Finance function. This headcount consists of the following:

- 11 • Accounting (6)—Controller, Assistant Controller, Manager, Senior
12 Accountant, Senior Accountant, Clerk;
- 13 • Payroll (2)—Manager, Clerk;
- 14 • Accounts Payable (2)—Manager, Clerk;
- 15 • Financial Planning & Treasury (3)—Director, Analyst, Analyst;
- 16 • Risk Management (1)—Manager;
- 17 • Tax (1)—Manager; and
- 18 • Internal Audit (1)—Director.

19 There are no consolidated functions at any of the subsidiary levels; i.e.
20 accounting, payroll, accounts payable, treasury, risk management, tax or audit function.
21 All of these consolidated functions are indispensable and are performed appropriately
22 at the corporate level. The 16 employees within the Finance function are a reasonable
23 number for the activities for which they are responsible and represent an efficient
24 headcount to address the various responsibilities.

1 The adjusted recorded cost attributable to the Finance function in the Test Year
2 was \$3.511 million. Approximately \$2.687 million (76.5%) represents payroll and
3 benefits. 75 percent of performance-based and 50 percent of merit-based incentive
4 compensation have been excluded from Test Year costs. The cost of SouthWest's
5 annual audit performed by PwC and tax work performed by RSM US LLP and Delta
6 Property Tax Advisors is \$475,000 (13.5%). Annual audits are mandatory under
7 SouthWest credit agreements. Bank charges and rating agency charges were \$124,000
8 (3.5%). SouthWest's banks provide an indispensable service at competitive fees for
9 processing cash receipts and payments and providing computer access for monitoring,
10 managing, and facilitating the movement of cash. Additionally, the cost of an annual
11 rating on SouthWest's debt is required by SouthWest's credit agreements. Together,
12 the cost of finance staff, mandatory annual audits and tax filings, bank charges, and
13 credit rating agency charges represent 93.6% of the cost of this function. SouthWest
14 seeks to acquire and retain an efficient and talented finance staff at competitive
15 compensation. SouthWest negotiates reasonable pricing for mandatory annual audits,
16 tax work, and indispensable banking and credit rating agency services. Therefore, the
17 total cost of \$3.511 million represents a reasonable and necessary cost for the finance
18 function.

19 **E. Human Resources**

20 The Human Resources function is responsible for effective policies and procedures in
21 support of the workplace and SouthWest in operation of the business, talent acquisition
22 and retention, management of employee benefit programs, employee and
23 organizational development, compensation administration, succession planning, and

1 rewards and recognition programs that drive performance. The Human Resources
2 function consists of one Vice President, which is an efficient staffing level.

3 The adjusted recorded cost attributable to the Human Resources function in the
4 Test Year was \$0.993 million. Approximately \$467,000 (47.0%) represents payroll
5 and benefits. This level of payroll and benefits is appropriate. 75 percent of
6 performance-based and 50 percent of merit-based incentive compensation have been
7 excluded from Test Year costs. Additionally, approximately \$403,000 (40.6%)
8 represents the cost attributable for outside services. These outside services consist of
9 professional fees attributable to various consultants and vendors who provide
10 professional advisory, administration, training, and financial services and are
11 indispensable in support of the human resources functions. Together, these two cost
12 components amount to 87.6% of the total cost of this function. The remaining 12.4%
13 of costs relate to employee education and other general and administrative costs.
14 Therefore, the \$0.993 million cost for Human Resources and the indispensable outside
15 services on which this function relies is a reasonable and necessary cost for SouthWest
16 regarding the Human Resources function.

17 **F. Facilities**

18 The Facilities function is responsible for maintenance and operation of a
19 two-story 32,000 sq. ft. corporate office located in Sugar Land, Texas (the Reed Road
20 Facility) and an 8,400 sq. ft. consolidated records retention facility located nearby (the
21 Eldridge Road Facility). A discussion of these facilities follows:

22 **1. Reed Road Facility**

23 In March of 2001, the corporate office facility on Reed Road was leased for a
24 25-year period ending in February 2026. The base rent portion of the lease makes

1 provision for periodic increases in monthly rental payments over the term of the lease.
2 The lease expense for the Reed Road facility for the Test Year is approximately
3 \$408,000.

4 SouthWest subleases a portion of its corporate office space to its Texas Utilities
5 business unit at a Test Year cost of approximately \$230,000 (inclusive of utilities,
6 maintenance and repairs, property tax, property insurance). Net of the lease payments
7 associated with this sublease, SouthWest's lease expense subject to indirect cost
8 allocation for the Test year is approximately \$178,000.

9 Repair and maintenance for the Test Year was \$121,000. SouthWest's property
10 tax for the facilities function totaled \$64,000. Utilities for the corporate office was
11 \$61,000.

12 **2. Eldridge Road Facility**

13 In February 2013, SouthWest entered into lease agreements for warehouse
14 space on Eldridge Road for records retention. The initial leases have been extended
15 through August 31, 2021, and SouthWest expects to renew the leases. Lease expenses
16 for the Test Year totaled approximately \$58,000. Utilities and repair and maintenance
17 for the Test Year totaled approximately \$4,000.

18 Net annual costs for both the Reed Road and Eldridge Road facilities for the
19 Test Year totaled \$486,000 (\$424,000 for Reed Road and \$62,000 for Eldridge Road).

20 The Facilities function consists of one person at the senior maintenance
21 technician level who is responsible for the daily maintenance and operation of these
22 facilities. One senior facilities and maintenance technician is the minimum and
23 therefore is an efficient headcount for the facilities function to address the
24 responsibilities of this function.

1 The adjusted recorded cost attributable to the Facilities function for the Test
2 Year was approximately \$610,000. Approximately \$94,000 represents payroll and
3 benefits for one person, or 15.4% of the total cost. This level of payroll and benefits is
4 appropriate for a senior maintenance technician. As noted above, approximately
5 \$486,000, or 79.7%, represents the net cost of rent, utilities, maintenance and repair,
6 and property taxes for the Reed Road and Eldridge Road facilities. Together, these
7 cost components amount to 95.1% of the total cost of this function. Therefore, the
8 \$610,000 cost represents a reasonable and necessary cost for SouthWest with respect
9 to the facilities function.

10 **V. ALLOCATION OF ALLOWABLE INDIRECT COSTS**

11 **Q. WHAT METHOD DID SOUTHWEST USE TO ALLOCATE THE INDIRECT** 12 **COSTS DISCUSSED ABOVE?**

13 A. SouthWest incurs two types of costs that are passed on to its affiliates: 1) SouthWest's
14 costs that directly benefit a particular affiliate, which are directly identifiable with that
15 affiliate (direct costs); and 2) SouthWest's costs that are not identifiable with particular
16 affiliates and that benefit all or multiple affiliates (indirect costs). Indirect costs are
17 generally allocated by the three-factor methodology or to a much lesser extent, a
18 specific methodology.

19 The three-factor methodology is used to allocate the vast majority of Corporate
20 Shared Services costs that are either not directly assigned to an affiliate or are not
21 subject to any of the specific allocation methodologies. SouthWest uses the following
22 factors, equally weighted:

- 23 • Gross Plant;
- 24 • Operating Expenses Including Payroll Expenses; and

- Payroll Expenses.

The application of the three-factor methodology for the Test Year is shown in Attachment OWU/204. The three-factor method for allocating corporate indirect costs results in an allocation of approximately \$96,000 to OWU-CB for the adjusted Test Year based on an allocation factor of 0.8% (see Attachment OWU/204).

As noted above, to a much lesser extent, some of SouthWest's indirect costs are allocated using specific allocation methods in the alternative to the three-factor allocation method. Indirect costs allocated using a specific allocation method are limited to premiums for consolidated insurance coverages, bank earnings allowances, employee medical insurance administrative charges, employee dental insurance, and IT maintenance costs. The specific allocation methods for these indirect costs are fully described in the SouthWest Cost Allocation Manual.

VI. INSURANCE COSTS

Q. WHAT KINDS OF INSURANCE DOES SOUTHWEST RETAIN?

A. SouthWest has identified risks to its assets, income, employees, information systems, and management, as well as the environment and third parties. To mitigate the potential financial loss associated with these risks, SouthWest has chosen to transfer a portion of these risks to the insurance marketplace. SouthWest pays premiums to carriers in the marketplace in return for their acceptance of these transferred risks.

SouthWest retains various types of consolidated insurance coverages to ensure business sustainability including workers' compensation, auto, primary, umbrella, premises pollution, property, employment practices, cyber technology, crime, directors and officers, and broad form Side A. SouthWest's subsidiaries, including OWU-CB, benefit from the economies of scale achieved by obtaining consolidated coverages,

1 rather than each of its affiliates obtaining separate policies. The consolidated insurance
2 premiums and related broker fees are indirect costs that are allocated using a specific
3 methodology.

4 **Q. WHAT METHODOLOGIES ARE USED TO ALLOCATE INSURANCE**
5 **COSTS?**

6 A. As detailed in SouthWest's Cost Allocation Manual, costs of insurance coverages are
7 allocated to affiliates based on the cost driver that determines the pricing of that
8 particular policy. For example, property insurance costs are allocated based on the
9 affiliate's proportion of property value relative to the whole. Certain coverages (e.g.,
10 directors and officers, crime, and broad form Side A) function primarily at the corporate
11 level; therefore, the premiums for these policies are allocated entirely to SouthWest
12 corporate for further reallocation to SouthWest subsidiaries using the three-factor
13 method.

14 **VII. APPROPRIATENESS OF ALLOCATION METHODS**

15 **Q. PLEASE EXPLAIN WHY SOUTHWEST'S ALLOCATION**
16 **METHODOLOGIES ARE AN APPROPRIATE METHOD FOR**
17 **ALLOCATING THE INDIRECT COSTS DISCUSSED ABOVE.**

18 A. Based on its combination of regulated and non-regulated affiliates, an allocator
19 comprised of the three factors and the specific allocation methods described above best
20 reflect the underlying cost drivers associated with the circumstances and business
21 model of SouthWest and its subsidiaries.

22 **Q. ARE SOUTHWEST'S ALLOCATION METHODOLOGIES USED**
23 **CONSISTENTLY AMONGST ALL OF ITS SUBSIDIARIES INSIDE AND**
24 **OUTSIDE OF OREGON?**

1 A. SouthWest employs the same allocation methodologies for allocating indirect
2 corporate costs in all of its operating jurisdictions. Therefore, corporate costs allocated
3 to OWU-CB are no higher than prices charged by SouthWest to its other affiliates for
4 the same item or items.

5 **Q. DOES SOUTHWEST PROVIDE SERVICES TO ANY UNAFFILIATED**
6 **PERSONS OR CORPORATIONS?**

7 A. No. SouthWest serves solely as a corporate parent to its subsidiaries and provides no
8 services to any third parties.

9 **Q. IN ADDITION TO THE COSTS NOTED ABOVE, ARE THERE ANY OTHER**
10 **SHARED EXPENSES ALLOCATED TO SOUTHWEST'S AFFILIATES?**

11 A. Yes. SouthWest makes certain capital investments such as corporate headquarters, IT
12 systems, etc. that benefit all the various operating affiliates. The net rate base and
13 depreciation expense of these investments is allocated to SouthWest's affiliates using
14 the Three-Factor Methodology. The net allocated rate base and depreciation expense
15 allocated to OWU-CB for the adjusted Test Year is approximately \$53,000 and
16 \$15,000, respectively (based on an allocation factor of 0.8% (see Attachment
17 OWU/204). These capital investments are discussed in detail in the direct testimony of
18 Jeff Farney.

19 **VIII. CONCLUSION**

20 **Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?**

21 A. Yes.

Exhibit OWU/201

SouthWest Water Company Cost Allocation Manual



Cost Allocation Manual

Effective Date: August 26, 2019

Cost Allocation Manual

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1. INTRODUCTION

The purpose of this Cost Allocation Manual ("CAM") is to provide a detailed explanation of services provided by SouthWest Water Company ("SWWC" or "Company") and its affiliates to other entities within the SWWC organization and to describe the direct charge and indirect charge methodologies used for allocating those costs.

This CAM has been completed in accordance and conformance with the National Association of Regulatory Utility Commissioners *Guidelines for Cost Allocations and Affiliate Transactions* ("NARUC Guidelines"). More specifically, the founding principles of this CAM are to a) directly charge as much of the incurred costs as possible to the entity that procures any specific service, b) fairly allocate costs that cannot be directly charged to the Company's subsidiaries and c) ensure that unauthorized subsidization of unregulated activities by regulated activities, and vice versa, does not occur.

SWWC will periodically evaluate its cost allocation methodologies to determine if changes to such processes are appropriate, and revise those methodologies as necessary.

2. RESPONSIBILITY OF MAINTAINING THE CAM

The overall responsibility for SWWC's cost allocation policies and procedures will be with the SWWC Chief Financial Officer. The day-to-day responsibility for maintaining the CAM and ensuring that accounting records reflect the policies and procedures described in the CAM will be that of the SWWC Corporate Controller.

3. DEFINITIONS

- a. Affiliates - any entity whose outstanding voting securities are more than 10 percent owned or controlled, directly or indirectly, by SWWC. "Affiliate" does not include a mutual water company, a joint powers authority, other governmental or quasi-governmental agency or authority, a public/private partnership, a watermaster board, a water basin association, or a groundwater management authority in which the Company directly or indirectly participates or in which the Company is directly or indirectly a member or shareholder. For purposes of this CAM, "affiliate" does not refer to ownership levels above SWWC or other entities owned or controlled by such.
- b. Commission – Appropriate State Regulatory Commission (e.g. California Public Utilities Commission).
- c. Cost Allocation Manual/CAM - an indexed compilation and documentation of the Company's cost allocation policies and related procedures.
- d. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
- e. Cost Center – a function or service where costs are accumulated.
- f. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

- g. Department/Function – a function or service for which costs are accumulated.
- h. Direct Costs - costs incurred by one entity for the exclusive benefit of, or specifically identified with, one or more entities, and which are directly charged (or assigned) to the entity or entities that specifically benefit. Under the NARUC Guidelines, “Direct Costs” are defined as “costs which can be specifically identified with a specific service or product.”
- i. Fully Allocated Costs – the sum of the direct, indirect, and other economic costs of all equipment, vehicles, labor, related fringe benefits and overheads, real estate, furniture, fixtures, computer hardware and software, and other administrative resources utilized, and other assets utilized and costs incurred, directly or indirectly in the providing of services from the Company to an affiliate.
- j. Common Costs/Indirect Costs - costs incurred by one entity that benefit all or multiple SWWC affiliates and which are charged to the benefiting affiliates using a methodology and set of logical allocation factors that establish a reasonable link between cost causation and cost recovery. Under the NARUC Guidelines, “Indirect Costs” are defined as “costs that cannot be identified with a particular service or product. This includes but is not limited to overhead costs, administrative, general, and taxes.”
- k. Non-Regulated – those non-tariffed entities, products, and services which are not subject to rate and service regulation by state regulatory authorities.
- l. Regulated - that which is subject to rate and service regulation by state regulatory authorities.
- m. Shared Services – Corporate oversight, support, and services common to SWWC operations as a whole provided by the corporate functions of management, legal, information technology, finance, human resources, and facilities.
- n. Corporate Capital – assets utilized by Shared Services and/or utilized in common among affiliates.
- o. Subsidization - the recovery of costs from one class of customers or business unit, which are more properly attributable to another.

4. GENERAL PRINCIPLES

The following principles guide the allocation of costs for products or services provided by SWWC to its affiliates.

- To the extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service, or product provided;
- The general method for charging indirect costs should be on a fully allocated, cost-causative allocation basis;
- All direct and allocated costs should be traceable on the books of the applicable affiliate;
- Documentation regarding transactions between the regulated utility and its affiliates should be made available for review by the appropriate Commission or other regulatory authority upon request to address their reasonable concerns in their exercise of their responsibilities in examining any of the costs sought to be recovered by the utility in rate proceedings;

- The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost to all affiliates.

5. SWWC ORGANIZATIONAL STRUCTURE

SWWC is a private, investor-owned company currently providing water and wastewater utility services to customers in Alabama, California, Oklahoma, Oregon, South Carolina, and Texas. The Company is comprised of the following business units:

- Through water distribution facilities located in Los Angeles and Orange Counties, SWWC provides high-quality drinking water to customers located in California. These facilities operate as Suburban Water Systems (“SWS”).
- Through water and wastewater facilities located throughout Texas, SWWC serves customers with water distribution and wastewater collection and treatment services to populations primarily in and around the cities of Austin, Ft. Worth, Houston, San Antonio, and several other parts of Texas. These facilities operate collectively as Texas Utilities (“TXU”).
- Through wastewater collection facilities near the Birmingham and Huntsville areas in Alabama and through operations and maintenance contracts (to a much smaller extent), SWWC provides wastewater collection and treatment services to customers located in Alabama. These facilities operate collectively as Southeast Utilities (“SEU”).
- Through water and wastewater facilities located in Oregon, SWWC serves customers with water distribution and wastewater collection and treatment services. These facilities operate collectively as Northwest Utilities (“NWU”).
- Through water and wastewater facilities located on Kiawah Island, SWWC serves customers in South Carolina with water distribution and wastewater collection and treatment services. These facilities operate as Kiawah Island Utility (“KIU”).

6. SCOPE OF SERVICES PROVIDED BY SWWC

Shared Services are provided by the SWWC corporate functions of management, legal, information technology, finance, human resources, and facilities. Costs associated with these Shared Services are allocated to cost centers within SWS, TXU, SEU, NWU, and KIU. These services are described below:

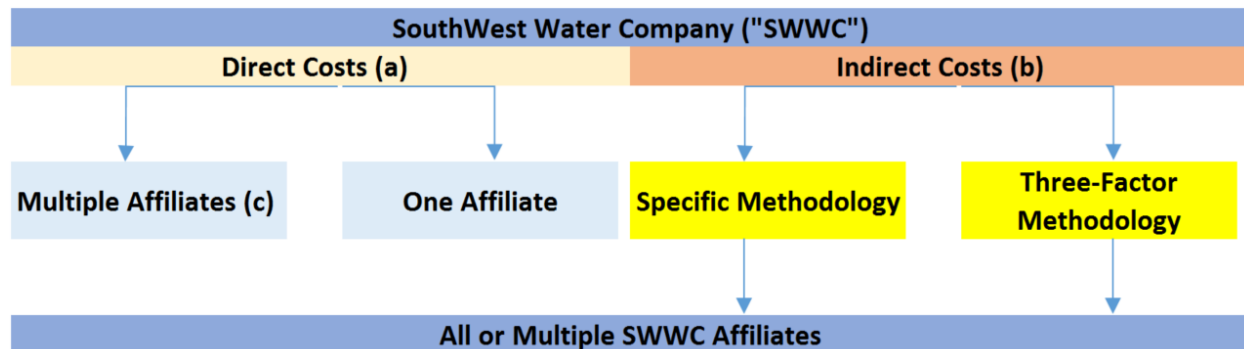
Service Provided	Description of Services Provided
Executive	The executive function is responsible for providing strategic vision and guidance, business strategy and development, executive management and oversight, and the overall direction of the company. The executive function consists of the Board of Directors and a core group of four senior executives; the CEO, COO, CFO, and General Counsel.
Legal	The legal function is responsible for corporate governance; transactional, employment, and real estate law; litigation, general legal affairs, and management of outside counsel.
Human Resources	The human resource function is responsible for effective policies and procedures in support of the workplace and the company in operation of the business, talent acquisition and retention, management of employee benefit and workers compensation

Service Provided	Description of Services Provided
	programs, employee and organizational development, compensation administration, succession planning, and rewards and recognition programs that drive performance.
Facilities	The facilities function is responsible for maintenance and operation of a corporate office located in Sugar Land, Texas and a consolidated records retention facility located nearby.
Finance	The finance function is responsible for the accurate and timely accounting for corporate transactions, the accurate and timely preparation of financial statements, preparation of budgets and forecasts, accounts payable, treasury, capital structure, risk management, audit, tax, and providing management with the financial information necessary for informed operating and financial decision making.
Information Technology	<p>The information technology function is responsible for identifying, implementing, and maintaining advanced and cost-effective systems solutions in support of Company business. This function is comprised of four groups as follows:</p> <p><u>Administration</u> – responsible for working with business units and vendors to ensure the highest quality of services to support business operations. Also develops short and long-range technology objectives, provides contract and project management, evaluates company business goals and objectives, and supports business units from a technology advisory standpoint.</p> <p><u>Infrastructure, Network, and Computer Desktop Support</u> – responsible for the planning, architecture, implementation, administration, and support of Company data, telecommunications, wide area network infrastructure, and database servers. Also provides frontline desktop and helpdesk technical support, procurement and management of IT assets and serve as the primary point of contact for end users and their computer or system needs.</p> <p><u>Information and Cyber Security</u> – responsible for the security configuration of all enterprise systems, IT governance and controls, and risk mitigation. Also develops and configures security roles in all enterprise systems, creates and terminates users, performs password resets, and configures permissions on Outlook public folders and servers. This function monitors automated and manual malicious attacks of company, employee and customer information assets and identifies, analyzes, and mitigates associated risks.</p> <p><u>Business Applications</u> – responsible for managing the ongoing systems-related business processes, administration, development and project management for company SAP enterprise system to include (1) the core functions of financials, material management, sales and distribution, human resources, payroll and benefits, (2) the industry specific solutions for utilities functions for accounts, meters and meter reading, bill and bill print, and customer</p>

Service Provided	Description of Services Provided
	relationship management, and (3) business reporting tools. Also responsible for the configuration and maintenance of customer-facing billing and payment applications to ensure the ease-of-use process for customers to view and provide payment for their bills.

7. COST ALLOCATION METHODOLOGY

As illustrated in the figure below, SWWC incurs two types of costs that are passed on to its affiliates: (1) SWWC’s costs that directly benefit a particular affiliate, which are directly identifiable with that affiliate (direct costs); and (2) SWWC’s costs that are not identifiable with particular affiliates and which benefit all or multiple affiliates (indirect costs).



- (a) Costs that are directly assignable to an SWWC Affiliate
- (b) Costs that benefit all SWWC Affiliates. Certain indirect costs are subject to specific allocation methodologies, while all other indirect costs are allocated using the Three-Factor Methodology.
- (c) Costs that are directly assignable to two or more affiliates, but not all of the affiliates. These costs are directly assigned to affiliates as per the vendor invoice or equally if not specified on invoice.

On occasion there may be costs which are incurred for the benefit of two or more affiliates, but not all of the affiliates. These costs are directly assigned to affiliates as per the vendor invoice, or, if the invoice doesn’t specify a share for each affiliate, the costs are generally assigned equally to the affiliates that benefited from the service.

Certain types of direct costs are allocated based on the methodologies in the table below:

Type of Cost	Allocation Methodology
Consolidated insurance coverages	The cost of certain of the Company’s consolidated insurance coverages are allocated to affiliates based on the cost driver that determined the pricing of the policy. For example, the cost of property insurance is allocated to affiliates based on their respective property values as a proportion of the total property value of the Company.
Earnings allowances (bank)	Certain earnings allowances from the Company’s primary banking relationship are allocated to affiliates based on their

Type of Cost	Allocation Methodology
	respective bank fees as a proportion of total bank fees of the Company.
Employee medical insurance administrative charges and other ancillary employee benefits	Administrative charges related to the employee medical insurance plans and the cost of other ancillary employee benefits are allocated to affiliates based on their respective headcounts as a proportion of the total headcount of the Company.
Employee dental insurance	The cost of employee dental insurance is allocated to affiliates based on their number of employees participating in the dental plan as a proportion of the total number of employees participating in the Company's dental plan.
IT Maintenance Costs	The cost of on-going maintenance of the Company's Enterprise Resource Planning ("ERP") System and Microsoft applications is allocated to affiliates based on their number of software licenses as a proportion of the total number of software licenses of the Company.

Indirect Cost Allocation

Three-Factor Methodology

The Three-Factor Methodology is used to allocate costs which are either not directly assigned to an affiliate or are not subject to any of the specific allocation methodologies noted above. Based on its combination of regulated and non-regulated affiliates, an allocator comprised of the three components listed below best reflects the underlying cost drivers associated with the circumstances and business model of SWWC. The Company utilizes the following factors, equally weighted:

- Gross Plant;
- Operating Expenses Including Payroll Expenses; and
- Payroll Expenses

The three-factor formula used to allocate the SWWC Shared Services costs is determined using the process shown below. Note: the information below provides a simplified hypothetical example to demonstrate how the Three-Factor Methodology would be calculated based on allocation to only two hypothetical affiliates.

Three-Factor Methodology Example

Factor	Affiliate 1	Affiliate 2	Affiliates Total	Affiliate 1 % of Total	Factor Weight	Affiliate 1 Allocation
Gross Plant (\$)	700	550	1,250	56.0%	33.3%	18.7%
Operating Expenses Including Payroll Expenses(\$)	102	48	150	68.0%	33.3%	22.7%
Payroll Expenses (\$)	45	30	75	60.0%	33.3%	20.0%
Total Allocation						61.4%

As can be seen from these hypothetical numbers in the table above, Affiliate 1 would be allocated 61.4% of the total indirect costs incurred by SWWC, based on application of the Three-Factor Methodology. Affiliate 2 would be allocated the remaining 38.6%.

8. CORPORATE CAPITAL

SWWC makes certain capital investments such as corporate headquarters, IT systems, etc. that benefit the various operating affiliates. The costs of these investments are distributed monthly in the form of an intercompany operating expense charge which captures the depreciation expense and cost of capital associated with the particular assets, or an alternative method of capital allocation based on the particular needs of the project. All costs to service the investment, including the cost of capital, depreciation, and all other associated costs, are allocated to SWWC's affiliates using the Three-Factor Methodology. From time to time, the distribution of costs associated with a particular corporate capital investment may use an alternate method.

9. AUDIT, RECORD KEEPING & AFFILIATE TRANSACTION RULES

Records of each affiliate will be maintained such that all affiliate transactions are auditable. The records will document the cost of transactions, the methods used to distribute the costs, and descriptions of the services provided. The regulator will have access to records, consistent with applicable laws, regarding transactions between SWWC and its affiliates. All affiliates subject to affiliate transaction rules, whether state or federal, will comply with such requirements.

10. UPDATING ALLOCATIONS

The Three-Factor Methodology allocation percentages are updated annually. The updated percentages come into effect each January 1st and are valid through December 31st. The factors and weightings are expected to remain constant; it is the underlying information used to calculate the allocation percentages that is updated annually, such as the most recent gross plant figures, or the most recent operating expenses, for example. With respect to the Company's internal accounting records, these annual updates to the allocation percentages are based on the most recent actual information (for gross plant) and budgeted information (for operating expenses and payroll expenses). However, with respect

to rate case proceedings for the Company's regulated affiliates, the underlying information for the factors will be based on the applicable recorded year or historical test year.

An entity/affiliate acquired or sold by SWWC is not added to or deducted from the Three-Factor Methodology until the year following such acquisition or disposition.

11. REGIONAL BUSINESS UNIT ALLOCATIONS

Certain shared goods and services may be provided by business units to the business unit's operating facilities or to those of another business unit. The costs of these services may be categorized as direct or indirect.

Direct costs are assigned directly to the cost center of the specific benefitting facility incurring the services. Indirect costs are allocated to cost centers based on a reasonable allocation methodology, such as Equivalent Dwelling Units ("EDUs") or Meter Equivalents. An EDU is the estimated average sanitary flow from a single-family dwelling. Meter equivalents are calculated by multiplying prior year end "active" connections by the meter equivalent factors published by the American Water Works Association ("AWWA"), as shown in the following table.

Meter Size	Meter Equivalent factor based on 5/8"
5/8 inch	1.00
3/4 inch	1.50
1 inch	2.50
1-1/2 inch	5.00
2 inch	8.00
3 inch	15.00
4 inch	25.00
6 inch	50.00
8 inch	80.00
10 inch	115.00

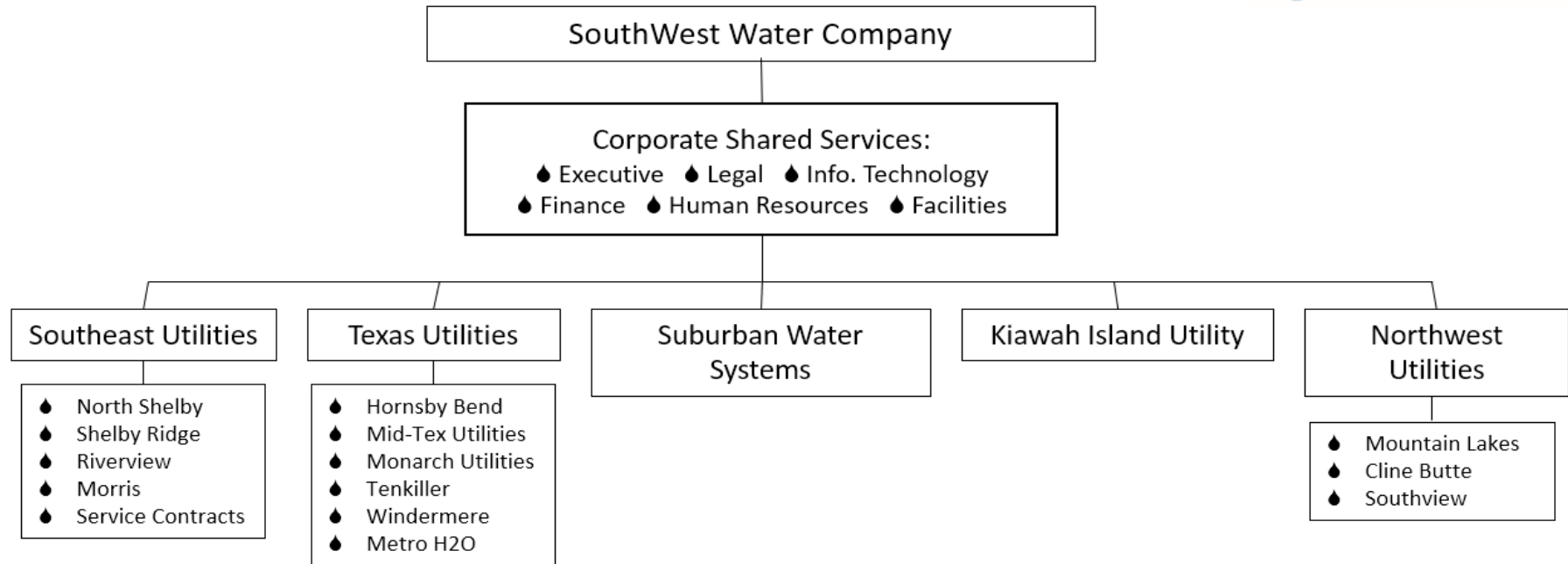
Source: AWWA Costs

Exhibit OWU/202

SouthWest Water Company Operational Structure



Operational Organization Structure



As of December 31, 2019

Exhibit OWU/203

SouthWest Water Company Corporate Costs

ATTACHMENT MSH-3

TOTAL CORPORATE COSTS BY CORPORATE FUNCTION

Function	2019 - Adjusted Test	
Year	% of Total	
Executive	\$ 3,171,026	27.1%
Facilities	609,734	5.2%
Finance	3,510,885	30.1%
Human Resources	993,320	8.5%
Information Technology	3,269,547	28.0%
Legal	126,457	1.1%
Total	\$ 11,680,968	100.0%

Exhibit OWU/204
Cost Allocation Factors

ATTACHMENT MSH-4
3-Factor Calculation
2019 Test Year

Business Unit	Factor 1: Direct Operating Expense 2019 Actuals		Factor 2: Payroll Expense 2019 Actuals		Factor 3: End of Year Gross Plant Recorded YE 2019		3 Factors %	
	Amount \$	%	Amount \$	%	Amount \$	%	Total	Average
Total Suburban Water Systems	44,223,581	45.9%	10,799,837	41.0%	326,739,907	41.5%	128.4%	42.8%
Northwest Utilities								
Cline Butte Water	406,917	0.4%	229,191	0.9%	9,143,435	1.2%	2.5%	0.8%
Mountain Lakes Water	148,866	0.2%	29,657	0.1%	12,799,045	1.6%	1.9%	0.6%
Non-regulated Ops	1,207,758	1.3%	199,305	0.8%	2,823,040	0.4%	2.4%	0.8%
Total Northwest Utilities	1,763,541	1.8%	458,153	1.7%	24,765,521	3.1%	6.6%	2.2%
Total Texas Utilities	31,846,310	33.1%	10,256,482	38.9%	284,557,645	36.1%	108.1%	36.0%
Total Southeast Utilities	11,385,538	11.8%	3,958,162	15.0%	101,389,770	12.9%	39.7%	13.2%
Total Kiawah Island Utility	7,120,536	7.4%	884,755	3.4%	50,209,159	6.4%	17.2%	5.7%
TOTAL	96,339,506	100.0%	26,357,388	100.0%	787,662,002	100.0%	300%	100.0%

EXHIBIT 300

DIRECT TESTIMONY

OF

JEFF FARNEY

ON BEHALF OF

OREGON WATER UTILITIES – CLINE BUTTE, INC.

SEPTEMBER 30, 2020

**DIRECT TESTIMONY OF
JEFF FARNEY**

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**DIRECT TESTIMONY OF
JEFF FARNEY**

1

I. INTRODUCTION

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jeff Farney. My business address is 12535 Reed Rd., Sugar Land, Texas
4 77478.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by SouthWest Water Company (“SouthWest”) as Vice President of
7 Information Technology (“IT”).

8 **Q. BRIEFLY DESCRIBE YOUR PRESENT EMPLOYMENT.**

9 A. In my current position, I am responsible for defining, implementing and maintaining
10 efficient, effective, and secure technology solutions that support SouthWest business
11 operations.

12 **Q. BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
13 BACKGROUND.**

14 A. I earned a Mechanical Engineering Degree from the University of Texas at Austin in
15 1988 and a Masters in Business Administration from Texas Tech University in 1990.

16 I am also a graduate of the Federal Bureau of Investigation (FBI) Chief Information
17 Security Officer (CISO) Academy in 2017 which focused on cyber security briefings
18 and threat intelligence associated with the water industry. I have been with SouthWest
19 since October 2012 and am responsible for IT Strategy and Operations for
20 Applications, Infrastructure, Telecommunications, and Cyber Security. Prior to joining
21 SouthWest, I worked primarily in the IT Consulting field, including 12 years with

1 Accenture, with my last role as Associate Partner in the Energy & Utilities Practice. I
2 also spent eight years at LyondellBasell Chemical as Global Head of Information
3 Services supporting the Human Resources and Finance function applications.

4 I have a total of 30 years in IT including approximately 25 years in project and
5 organization management responsible for planning and executing small, medium- and
6 large-scale programs plus managing IT departments responsible for internal customer
7 service.

8 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THIS**
9 **COMMISSION?**

10 A. No.

11 **II. PURPOSE OF DIRECT TESTIMONY**

12 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

13 A. I am testifying on behalf of Oregon Water Utilities – Cline Butte, Inc. (“OWU-CB”).

14 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
15 **PROCEEDING?**

16 A. The purpose of my direct testimony in this proceeding is to discuss SouthWest’s capital
17 program as it relates to IT infrastructure investment.

18 **Q. WAS THIS MATERIAL PREPARED BY YOU OR UNDER YOUR**
19 **SUPERVISION?**

20 A. Yes, it was.

21 **Q. INsofar AS THIS MATERIAL IS FACTUAL IN NATURE, DO YOU**
22 **BELIEVE IT TO BE CORRECT?**

23 A. Yes, I do.

1 **Q. INsofar as this material is in the nature of opinion or**
 2 **JUDGMENT, does it represent your best judgment?**

3 A. Yes, it does.

4 **III. CAPITAL PROGRAM**

5 **Q. PLEASE IDENTIFY THE IT ELEMENTS OF SOUTHWEST’S 2019 CAPITAL**
 6 **PROGRAM.**

7 A. The table below shows a summary of the IT elements of SouthWest’s 2019 capital
 8 program:

<u>IT Element</u>	<u>Amount</u>
Cyber Security	\$257,619.87
Facilities	\$13,131.06
Hardware	\$890,628.32
Software / Website	\$371,196.93
Telecommunications	\$846,416.48
SAP Upgrades	\$2,905,452.30

9 **Q. PLEASE DESCRIBE THE IT ELEMENTS OF SOUTHWEST’S 2019 CAPITAL**
 10 **PROGRAM.**

11 A. IT components of SouthWest’s 2019 capital program include the following:

- 12 • **CYBER SECURITY** - The scope of the cyber security implementation was
 13 primarily the implementation of appliances that identify, protect, detect, and
 14 respond to cyber security threats. The scope of these efforts included malware anti-
 15 virus that uses advanced technology to identify and mitigate threats plus
 16 configuration of SouthWest’s firewall appliances that protect the corporate
 17 network. As part of each of these components, SouthWest leverages its
 18 relationships with government law enforcement organizations including the FBI,
 19 Infragard, and Water Information Sharing and Analysis Center (ISAC). Through

1 my involvement with these groups, I have relationships with the Houston FBI field
2 office that has been very beneficial in bolstering our readiness and cyber posture to
3 work to prevent and mitigate attacks.

- 4 • FACILITIES - The scope of this spend included upgrading the building security
5 system at SouthWest's corporate headquarters in Sugar Land, Texas where some
6 of the IT, accounting and other support groups work.
- 7 • HARDWARE - The scope of this work included implementing computing
8 hardware in both the Houston and the Dallas disaster recovery data centers. Also
9 included was an important hardware item called an uninterruptable power supply
10 (UPS) plus the procurement and deployment of computers and monitors for
11 employees. Items also included hardware in the data center that supports a Wifi
12 upgrade and an important switch and router upgrade for the Sugar Land Texas
13 office.

14 The computing hardware in both the Houston and Dallas data centers
15 supported key operations for the primary and backup computing resources. Among
16 the applications supported by this hardware are Geographical Information System
17 (GIS) technology and associated servers for storage plus cyber security. The UPS
18 installed in SouthWest's corporate headquarters in Sugar Land, Texas where the
19 IT, accounting and other support teams work helps ensure that electrical power to
20 the building remains online even during power outages of short and long in
21 duration. The computer equipment that connects to the SouthWest network is for
22 employees to support business operations and customer service whether at the
23 office or working remote. The Wifi upgrade is necessary to sustain current

1 technology and the associated cyber security protocols to protect data access and
2 information transfers.

- 3 • SOFTWARE/WEBSITE - The scope of this work was a combination of upgrading
4 SouthWest's website, that also includes OWU-CB's website hosting, installing
5 software that backs up a critical virtual computing platform called VM Ware, and
6 the implementation of the upgraded SouthWest email and collaboration platform
7 called Office 365. The new website features the presentation of useful information
8 for customers, including OWU-CB customers, that allowed them to work in a self-
9 service manner. For example, OWU-CB customers were able to sign up for text
10 alerts for billing and outage notifications. When complete, the upgraded website
11 will be fully ADA compliant and also provide content in Spanish. Many of the
12 computing resources run on what are known as virtual machines which are
13 extremely efficient and flexible vs. traditional hardware servers. There is unique
14 technology that performs backups for this type of computing and this was the scope.
15 The Office 365 implementation was a strategic upgrade of both the email
16 processing platform and an associated collaboration suite. With the email servers
17 managed by Microsoft, SouthWest was able to reduce risk associated with both
18 email security and reliability. The collaboration suite that included Teams, One
19 Drive, and SharePoint has been instrumental to support employees and business
20 processes during the remote workforce model during the 2020 COVID-19
21 pandemic.
- 22 • TELECOMMUNICATIONS - This project included the software, hardware and
23 labor to implement the call center standard platform Cisco Collaboration Enterprise

1 Solution and a product called Unified Contact Center Express. Scope included
2 voice instant messaging audio and video conferencing. It offers provided an
3 integrated customer support technology platform with the market leader in
4 customer call center automation and provides excellent service for customers. In
5 addition, it offers a fully integrated suite of products as opposed to a disjointed
6 architecture requiring resources to manage multiple vendors to run the Call Center
7 adjunct applications. With the Cisco platform there are various features geared
8 toward improving efficiency customer service such as: Courtesy Customer
9 Callback if they choose to not sit on hold, Customer web-based chat,
10 teleconferencing, video conferencing and unified communications that integrates
11 with Office 365. This platform also enabled our call center agents to work remote
12 during the COVID-19 pandemic and continue to take customer calls via the Cisco
13 platform. In addition, employees were able to utilize some of the collaboration
14 tools available including the video conferencing application called Cisco WebEx.

15 Another important need met by this upgrade is that the hardware that was to
16 be replaced would have been approximately ten years old and thus increasingly
17 unstable and vulnerable to cyber threats that were neither known nor understood
18 when the platform was designed.

- 19 • SAP UPGRADES - The coordinated effort of upgrading SAP to its most recent
20 proven commercialized version (referred to as the “SAP Upgrade”) plus
21 implementing SAP’s in memory data base platform Business Suite on Hana
22 (referred to as “Hana”) provided numerous benefits to SouthWest and OWU-CB
23 customers as well as business operations and information technology support. The

1 SAP Upgrade scope involved technically moving from the prior version of SAP
2 being used by SouthWest, called ERP Central Component (ECC) and Customer
3 Relationship Management & Billing (CRM&B) Enhancement Pack 4 (EP4), to
4 ECC CRM&B EP8 for Hana. To provide context on how critical these applications
5 are to the business, ECC and CRM&B run applications that include modules within
6 the SAP Industry Solution Utilities package (ISU), Financial / General Ledger /
7 Controlling (FICO), Customer Accounting (FICA), Metering and Meter Read
8 Interfaces, Billing and Collections, Inventory Management, Procurement, Service
9 Order Management, Customer Information System (CIS), Human Resources (HR)
10 and Benefits, Payroll. SouthWest had been using EP4 since the original
11 implementation in 2011. Without this upgrade the system would have become
12 increasingly unstable and the likelihood of application failures and security
13 breaches would have increased as will the risk of negatively impacting business
14 operations and customer service.

15 The upgrade also provided cyber security updates that contribute to
16 compliance with Payment Card Industry (PCI) regulations that protects customer
17 cardholder information. By upgrading the system to the current version ECC EP8,
18 many risks to our customers were greatly reduced. SAP Business Suite on Hana
19 (replacing Microsoft SQL Server database) is a database that not only supports the
20 ECC modules noted previously but also brings together transactions and analytics
21 on a single in-memory platform in order to improve performance and functionality.
22 This allows for elimination of the existing SAP ECC & CRM&B interfaces to

1 Microsoft SQL Databases which is not ideal as it included a multi-vendor solution
 2 and required constant attention.

3 The Hana platform will provide many other benefits. There were a significant
 4 number of manual processes and technical interfaces required to move data from
 5 the transactional system (ECC) to the reporting system (Business Warehouse) in
 6 order to produce information for the Public Utility Commission of Oregon. The
 7 Hana platform puts this information in one central location and thus enables
 8 improved timeliness and quality of reporting. Implementing Hana in conjunction
 9 with the upgrade also allows for the eventual implementation of Advanced
 10 Metering Infrastructure (AMI) and the ability to store and process large amounts of
 11 data that interface with smart meters to help customers better manage water
 12 consumption. Hana also includes Advanced Analytics to enable improved customer
 13 service.

14 **Q. PLEASE IDENTIFY THE IT ELEMENTS OF SOUTHWEST’S 2018 CAPITAL**
 15 **PROGRAM.**

16 A. The table below shows a summary of the IT elements of SouthWest’s 2018 capital
 17 program:

<u>IT Element</u>	<u>Amount</u>
Cyber security	\$46,197.92
Facilities	\$41,438.10
Hardware	\$56,068.44
Software / Website	\$8,053.80
SAP Upgrades	\$164,187.07
Infrastructure Reliability Upgrade	\$1,550,370.00

1 **Q. PLEASE DESCRIBE THE IT ELEMENTS OF SOUTHWEST'S 2018 CAPITAL**
2 **PROGRAM.**

- 3 • **CYBER SECURITY** - The scope of the cyber security implementation was
4 primarily the procurement of licenses for the email gateway that monitors inbound
5 and outbound emails and address any cyber security issues. Among the items that
6 this security application addresses are threats involving malware, ransomware, and
7 payloads that are sent via email.
- 8 • **FACILITIES** - The scope of this spend covered upgrades of two air conditioner
9 units at SouthWest's corporate headquarters in Sugar Land, Texas where some of
10 the IT, accounting and other support groups operate from.
- 11 • **HARDWARE** - The scope of the hardware implementation included refreshing
12 laptop computers and monitors for employees after the 3 to 4-year window expired
13 for their prior machines. As part of this effort, the computer operating systems were
14 upgraded to Microsoft Windows 10 which enabled a number of functional
15 enhancements and cyber security features.
- 16 • **SOFTWARE/WEBSITE** - The scope of this project was primarily software licenses
17 to support employee computing needs.
- 18 • **SAP UPGRADES** - The scope of this area included key human resources – payroll
19 items such as updating SouthWest's payroll systems to account for the Federal Tax
20 Cut and Jobs Act. In addition, new automation was implemented to enhance
21 customer service processes. These included improved precision to help field
22 workers identify premise addresses in large complexes to reduce the time of service.
23 Other items include supporting non-utility billing to unify the customer payment

1 experience for supplementary services like backflow testing. Automation was also
2 implemented to provide additional installment plans for customers who needed
3 extra time to pay their invoices.

- 4 • **INFRASTRUCTURE RELIABILITY UPGRADE** - In order to enhance the
5 robustness of the computing infrastructure, we implemented an Infrastructure as a
6 Service (IAAS) model to run SouthWest's SAP system hosted by Amazon Web
7 Services (AWS). This was in lieu of purchasing hardware for a leased data center
8 and was the best approach for supporting this platform and ultimately providing
9 service to our customers in a reliable and cost-effective manner. After consultation
10 with industry experts, an agreement was reached with AWS for cloud computing
11 services for a 41-month period from July 2018 – November 2021. The parties are
12 also working on an extension through 2023 and this approach and budget has been
13 approved by SouthWest's board of directors.

14 Recommendations for the best approach (traditional data center vs. IAAS
15 via AWS) were provided by smartShift Technologies, which is included with my
16 direct testimony as Attachment OWU/301. Protiviti - a leading cyber security firm
17 - documents Protiviti's support of the Cloud Computing Strategy, as well as the
18 excellent track record of SouthWest in terms of cyber security in a memo included
19 with my direct testimony as CONFIDENTIAL Attachment OWU/302.

20 **Q. PLEASE IDENTIFY THE IT ELEMENTS OF SOUTHWEST'S 2017 CAPITAL**
21 **PROGRAM.**

22 A. The table below shows a summary of the IT elements of SouthWest's 2017 capital
23 program as of the acquisition date of OWU-CB:

<u>IT Element</u>	<u>Amount</u>
Cyber security	\$81,119.91
Hardware	\$62,161.57
Software / Website	\$857,771.50
SAP Upgrades	\$80,367.91

1
2 **Q. PLEASE DESCRIBE THE IT ELEMENTS OF SOUTHWEST'S 2017 CAPITAL**
3 **PROGRAM.**

- 4 • **CYBER SECURITY** - The scope of the cyber security implementation involved
5 the implementation of upgraded technology to secure customer payment
6 information plus an upgrade of the SouthWest's virtual private network (VPN)
7 technology called Net Motion. The VPN allows employees to access SouthWest's
8 network while not physically located in one of our offices in a safe and secure
9 manner. This also serves as a perimeter defense against cyber-attacks.
- 10 • **HARDWARE** - The primary component of the hardware purchase was a Wifi
11 Controller that manages the Wifi access points distributed throughout office
12 workplaces. Wifi enables employees to access SouthWest's network and computer
13 applications to provide customer service and back office functions.
- 14 • **SOFTWARE/WEBSITE** - The primary scope of the software implementation was
15 an upgrade of the software used to support our field operations via a work order,
16 dispatch, and tracking system called Work Manager. This system is integrated with
17 SAP and the customer service functionality and enables an automated, efficient
18 process by which the field operator can respond to customer requests, asset
19 maintenance, and other mission critical operations processes.
- 20 • **SAP UPGRADES** - The primary scope in this area included upgrading
21 functionality that provides services for our customers. Among the items that

1 enhanced customer service processes included automating the customer refund
2 process, adding new billing and payment functionality, and supporting customer
3 service metric reporting. In addition, some of the configuration that supports
4 employee human resources processes such as time entry and overtime tracking were
5 enhanced as well. Features that automate the processing and posting of customer
6 payments to their accounts were also upgraded.

7 **IV. ALLOCATIONS AND BENEFITS**

8 **Q. HOW ARE COSTS OF SOUTHWEST'S IT PROJECTS ALLOCATED TO**
9 **OWU-CB?**

10 A. Mujeeb Hafeez provides detail in his direct testimony on the allocations to OWU-CB
11 of corporate costs, including parent company base, of which the above-described
12 projects are part.

13 **Q. PLEASE DISCUSS SPECIFICALLY HOW OWU-CB'S CUSTOMERS**
14 **BENEFIT FROM SOUTHWEST'S CAPITAL IT PROJECTS.**

15 A. The benefits of SouthWest's IT projects accrue to customers of all its operating units,
16 including OWU-CB. A strong corporate IT function enhances reliability and security
17 of the systems that are necessary to provide safe and reliable water and wastewater
18 service.

19 **Q. IN YOUR OPINION ARE SOUTHWEST'S CAPITAL IT PROJECTS ALL**
20 **USED AND USEFUL FOR OWU-CB'S PROVISION OF UTILITY SERVICE**
21 **TO ITS CUSTOMERS?**

22 A. Yes, based on my role as Vice President of IT, I can attest that all of the capital IT
23 projects listed in my testimony are all used and useful to the provision of service to

1 OWU-CB customers and aid in the reliability and security of the systems that are
2 necessary to provide safe and reliable water and wastewater service.

3 **V. CONCLUSION**

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

5 **A.** Yes, it does.

Exhibit OWU/301
smartShift Technologies Letter

July 26, 2019

Mr. Jeff Farney
Director IT
SouthWest Water Company
12535 Reed Road
Sugar Land, TX 77478

RE: SAP Infrastructure Selection

Dear Mr. Farney,

This letter has been prepared by smartShift Technologies to provide feedback on SouthWest Water Company's decision to select Amazon Web Services (AWS) to provide infrastructure hosting for SouthWest Water Company's critical SAP systems.

smartShift Technologies, headquartered in Boston, is a global technology and services provider specializing in SAP and enterprise system modernization and migration. smartShift has completed over 700 successful SAP modernization projects. Six of the top-ten SAP customers in the world utilize smartShift's technology and expertise. smartShift is also a consulting, migration, and managed service provider partner to leading cloud infrastructure providers including AWS, Microsoft Azure, Google Cloud, Virtustream, and others. smartShift does not have exclusivity agreements with any infrastructure vendors and provides vendor agnostic guidance and support for its customers.

smartShift was engaged by SouthWest Water Company in 2017 to provide advisement services for SouthWest Water Company's SAP upgrade initiative. smartShift reviewed SouthWest Water Company's existing infrastructure, present-state and proposed future-state SAP landscapes, proposed architectures, and goals and objectives with respect to critical and necessary upgrades to modernize SouthWest Water Company's SAP systems.

smartShift facilitated a review and vendor selection process to identify and evaluate best-in-class infrastructure options for SouthWest Water Company's SAP systems, including comparison of traditional on premise options to offerings now available from cloud hyperscalers such as AWS and private cloud specialist infrastructure providers such as Virtustream. During the evaluation, AWS's Cloud Economics Team was also engaged to provide assistance with overall cost optimization review and to support verification of accounting treatment in alignment with SouthWest Water Company's finance team and independent accountants.

As a result of the evaluation and selection process, Amazon Web Services was selected at the best-choice provider for SouthWest Water Company's SAP infrastructure needs.

The following were key findings supporting the decision to use AWS for SouthWest Water Company's SAP infrastructure:

- SAP certified infrastructure, best practices, and solution offerings for SAP on AWS have matured since 2016 and are now market leading. In-fact, SAP itself utilizes AWS infrastructure for the SAP National Security Services Secure Cloud and for SAP's HEC (HANA Enterprise Cloud) infrastructure service offerings.



- AWS is able to provide a more cost effective solution vs. other alternatives, making AWS a good fiscal choice.
- AWS is able to provide far higher reliability than is possible via a traditional data center approach and at far lower cost. For example AWS provides multi-data center and multi-region availability and disaster recovery, and Amazon's S3 storage reliability is unsurpassed at 99.999999999% design durability.
- AWS is able to provide greater information and asset security than would be possible via a traditional data center approach. This is confirmed by both Forrester Research, and Gartner, made evident by AWS's market-leading assurance program certifications, and demonstrated by the use of AWS as a strategic vendor by high-security national security and defense organizations including the DoD, NSA, and CIA.
- AWS is able to support capitalization accounting requirements and enhanced system security through their "dedicated hosts" capability, which provides the ability to reserve and use specific, dedicated physical machines.

After evaluating the alternatives, for the reasons noted above as well as the favorable overall economics, improved reliability for SouthWest Water users and customers, and ability to support future business demands without constraints, SouthWest Water Company selected AWS. It is smartShift's professional opinion that this decision was and remains an excellent choice.

Sincerely,

Jack (Scott) Loose

VP of Operations

smartShift Technology, Inc.

sloose@smartshiftech.com

617-335-5100

CONFIDENTIAL Exhibit OWU/302

Protiviti Cybersecurity Memo

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END OF FILING