

CASE: UW 172
WITNESS: JOAN GRINDELAND

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 300

**Testimony in Support of the Amended
Stipulation**

March 20, 2018

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

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

7 **Q. ARE YOU THE SAME JOAN GRINDELAND WHO PREVIOUSLY**
8 **SUBMITTED TESTIMONY IN THIS PROCEEDING?**

9 A. Yes.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my testimony is to describe and support the amended
12 stipulation reached in Mountain Home Water District's (Mt. Home or Company)
13 request for a general rate revision in Docket UW 172 ("Amended Stipulation").¹

14 **Q. DID THE PARTIES REACH A SETTLEMENT IN DOCKET NO. UW 172?**

15 A. Yes. The Amended Stipulation entered into by Mt. Home, Interveners Mel and
16 Connie Kroker, and Staff (the Stipulating Parties) settles all issues in this
17 docket.

18

¹ The Stipulating Parties filed the original Stipulation on February 22, 2018. After the Stipulation was filed, Mt. Home received confirmation that Nate Seymour was no longer taking service from the Company, rendering the alternative rate in the Stipulation moot. The Stipulating Parties subsequently filed the Amended Stipulation to address this fact and clarify the agreed upon applicable monthly rate and terms of service.

1 **Q. PLEASE SUMMARIZE THE STIPULATING PARTIES' RECOMMENDATION**
2 **IN THIS CASE.**

3 The Stipulating Parties recommend the Commission adopt in its entirety the
4 Amended Stipulation agreed to in Docket No. UW 172. The Amended
5 Stipulation recommends a revenue requirement of \$19,485 as compared to Mt.
6 Home's request of \$20,100, resulting in an annual revenue increase of \$17,245
7 or 777 percent above the Company's 2016 Test Year revenues, with an
8 opportunity to earn an 8.9 percent rate of return on a rate base of \$73,723. The
9 calculation of the Stipulating Parties' revenue requirement is shown in Exhibit
10 Staff/301, Grindeland/1. This results in a monthly rate of \$541.26 for each of
11 the three users remaining on the system.²

12 The Stipulating Parties further agree that each household is permitted
13 to use an equal share of one half acre for non-commercial garden irrigation.

14 The rates and regulations agreed to in this case are premised on the
15 commitment by the Krokors to drill their own well and leave the system, at
16 which point Mt. Home will no longer provide water service to the public.

17 **Q. DID YOU PREPARE EXHIBITS FOR THIS DOCKET?**

18 A. Yes. I prepared Exhibit Staff/301, consisting of 1 page.

19

² Since the time that the Stipulation was filed, the Company received confirmation that its other customer, Nate Seymour, completed his own well and disconnected from the utility system in January 2018. See Staff/302, Grindeland/1 (e-mail confirmation from Jennie Bricker). In light of this fact, the Stipulating Parties filed the Amended Stipulation concurrent with this testimony.

1 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

2 A. My testimony is organized as follows:

3 Issue 1 -- Resolved Revenue Requirement Issues 3

4 Issue 2 -- Resolved Rate Issues 7

5 Issue 3 -- Resolved Restrictions on Usage for Lawn and Non-commercial

6 Gardens.....8

7 Exhibit 301 ---- E-mail confirming Seymour Well Completion/9

8 **ISSUE 1: RESOLVED REVENUE REQUIREMENT ISSUES**

9 **Q. PLEASE PROVIDE A SUMMARY EXPLANATION OF ALL REVENUE**
10 **REQUIREMENT ADJUSTMENTS RECOMMENDED BY STIPULATING**
11 **PARTIES.**

12 A. A summary of all of the adjustments made to the Revenue Requirement can be
13 found in Attachment A to the Amended Stipulation. Below is a summary
14 explanation of the major adjustments to the Revenue Requirement that were
15 agreed upon by the Stipulating Parties. The agreed upon Revenue
16 Requirement is based on the inclusion of prudent replacement well costs in
17 rate base, which renders an assessment for capital costs related to the
18 replacement well unnecessary.

19 **Purchased Power**

20 In its Initial Application, the Company did not request any expenses related to
21 purchased power. As stated in Opening Testimony, the Company responded
22 to DR 1 with their 2016 test year actuals and anticipated adjustments. The
23 Company requested \$1,673 which staff adjusted to actuals of \$1,680. The
24 Stipulating Parties agreed that to this amount.

1 **Repairs to Water Plant**

2 In its Initial Application, the Company did not request any expenses related to
3 repairs to water plant. Instead, it requested a contingency fund of \$3,000 which
4 was detailed in Staff's Opening Testimony. In my Opening Testimony, I
5 recommended repair expense of \$1,339 based on the rationale outlined in that
6 testimony. As a result of discussions, the Stipulating Parties agreed to include
7 \$400 of maintenance and repairs factoring in the newer age of the well and the
8 older parts of the distribution system.

9 **Contract Services-Legal**

10 The Company proposed an annual legal expense of \$9,900 based on two to
11 four hours per month of legal fees. In Opening Testimony, Staff proposed an
12 annual expense of \$2,500 representing approximately one hour per month of
13 legal fees, based on the rationale contained in that testimony. The Stipulating
14 Parties agreed to an annual expense of \$1,200 to allow for legal expenses
15 associated with day to day operations of the utility.

16 **Contract Services-Testing**

17 In its Initial Application, the Company did not request any expenses related to
18 testing services. As stated in my Opening Testimony, the Company responded
19 to DR 1 with its 2016 test year actuals and anticipated adjustments. The
20 Company requested \$120, which Staff adjusted to equal actual costs of \$150.
21 The Stipulating Parties agreed that this amount is reasonable to include in
22 rates.

1 **Contract Services-Other**

2 In its Initial Application, the Company proposed an annual Contract Services-
3 Other amount of \$4,500 to hire a company to operate the system. The
4 Company's estimate of these costs was based on information submitted by a
5 reputable provider who is already providing service to another nearby utility.
6 The Stipulating Parties agree that this is a reasonable amount to include in
7 rates for a contractor operating the utility.

8 **PUC Fee**

9 The Company did not request any expenses related the OPUC fee. Stipulating
10 Parties have adjusted this item consistent with applicable rates adding \$58.

11 **Amortization of Rate Case**

12 The Company did not request any amortization of the rate case in its Initial
13 Application. As described in my Opening Testimony, I approximated rate case
14 expenses at \$56,000 and spread those costs over three years, to coincide with
15 the requirement to file a new rate case in three years. This resulted in
16 amortization of rate case costs at \$18,667 each year for three years. The
17 Stipulating Parties agreed to remove the amortization of the rate case expense
18 based on the aforementioned premise that the Krokors will drill their own well
19 and leave the system.

20 **Contingency Account**

21 As mentioned above and described more fully in my Opening Testimony, the
22 Company requested a contingency fund of \$3,000, related to repairs of the
23 water plant. As described in Staff Opening Testimony, for-profit utilities can

1 rely on their authorized rate of return (ROR) to provide funds necessary for
2 unanticipated contingencies. Mt. Home is a for-profit utility and can rely, at
3 least in part, on its rate of return if funds are needed to address unanticipated
4 contingencies. The Stipulating Parties agreed that the Company will be able to
5 recover its repair expenses through the amounts provided in the Repairs to
6 Water Plant described above, and that ROR provided in this case may be
7 relied upon to provide reserves for unanticipated contingencies and, therefore,
8 have removed the \$3,000 in the Contingency Account.

9 **State and Federal Taxes**

10 As stated in Staff Opening Testimony, the Company did not request any
11 expenses related state and federal income taxes. The Stipulating Parties have
12 adjusted these items to be consistent with tax rates in effect during the test year
13 and agreed to include Federal taxes of \$1,158 and State taxes of \$545.

14 **Plant in Service**

15 The Stipulating Parties agree to total plant in service of \$77,969. This amount
16 includes the \$85,309 in Staff Opening Testimony adjusted for the removal of
17 the \$7,340 in repairs of the old well prior to drilling the new well. As described
18 in the Amended Stipulation, the Stipulating Parties agree that \$62,374 should
19 be added to rate base representing the prudent investment in the replacement
20 well.

21 **Accumulated Depreciation**

22 The Stipulating Parties agree to include Accumulated Depreciation consistent
23 with the plant lives and in-service dates provided by the Company. Based on

1 the plant adjustment described above in Plant in Service, the accumulated
2 depreciation of plant was lowered from \$5,206 to \$4,986.

3 **Cost of Capital**

4 The Stipulating Parties agreed to an 8.9 percent Return on Equity (ROE) which
5 represents a slight increase to the 8.6 percent ROE reflected in Staff Opening
6 Testimony. The Stipulating Parties also agreed to a capital structure containing
7 100 percent equity.

8 **ISSUE 2: RESOLVED RATE ISSUES**

9 **Q. PLEASE PROVIDE A BRIEF EXPLANATION OF THE RATE SPREAD AND**
10 **RATE DESIGN AGREED TO BY THE STIPULATING PARTIES.**

11 A. The Stipulating Parties agree to and support the rate of \$541.26 per month,
12 which is calculated based on providing service to three households on the
13 system at the time the rates from this docket are stipulated to go into effect:
14 1) the Krokors, 2) Dr. Ironside, and 3) Valerie Meyer.

15 The Stipulating Parties further agree that new rates will become
16 effective date on July 1, 2018. In the event that the Krokors are unable to
17 secure an alternative water source, the Stipulating Parties agree that the
18 Company will not file a general rate case until after December 31, 2018.

19

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Exhibit in Support of the Amended Stipulation

March 20, 2018

GRINDELAND Joan

From: Jennie Bricker <jennie@jbrickerlaw.com>
Sent: Wednesday, January 31, 2018 12:31 PM
To: MOSER Sommer; GRINDELAND Joan; HELLEBUYCK Bruce; Peter Mohr
Subject: UW 172: Seymour Well

Please see below for confirmation that Nate Seymour has disconnected from the water system.

Jennie Bricker
Land & Water Law
503-928-0976
jennie@jbrickerlaw.com
www.jbrickerlaw.com

Begin forwarded message:

From: Nathan Seymour <Nate@pacwestconsultinggroup.com>
Date: January 31, 2018 at 8:52:08 AM PST
To: "jennie@jbrickerlaw.com" <jennie@jbrickerlaw.com>
Cc: "k.l.ironside@gmail.com" <k.l.ironside@gmail.com>, "meyer.jeremyr@gmail.com" <meyer.jeremyr@gmail.com>, "meyer.valerie@gmail.com" <meyer.valerie@gmail.com>
Subject: Seymour Well

Hi Jennie,

I just wanted to let you know that we are no longer connected to the shared well. We completed the work yesterday.

Thanks,

Nate Seymour
503-855-9099

Sent from my iPhone

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