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August 26, 2026

Via Electronic Filing

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

RE: Docket No. UW 209 – In the Matter of SALMON VALLEY WATER COMPANY, SUNSTONE WATER, LLC; LAKESHORE WATER COMPANY, LLC; SEAVEY LOOP WATER COMPANY, LLC; and SOUTH COAST WATER COMPANY, LLC, Request for a General Rate Revision.

Attached for Rebuttal & Cross-Answering Testimony filing are the following exhibits:
Exh 600-602 Shearer
Exh 700 Yamada
Exh 800 Bartholomew

Non-Confidential Excel workpapers included with this filing are:

Non-Confidential workpapers:
Sunstone UW 209 Staff RR Exh 601 Shearer.xlsx

/s/ Emily Dolph
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CASE: UW 209
WITNESS: SCOTT SHEARER

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 600

Rebuttal & Cross Answering Testimony

August 12, 2026

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

A. My name is Scott Shearer. I am a Senior Financial Analyst employed in the Water, Telecom, Safety, and Consumers Programs of the Public Utility Commission of Oregon (OPUC). My business address is 201 High Street SE, Suite 100, Salem, Oregon 97301.

Q. Have you previously provided testimony in this case?

A. Yes, my opening testimony is submitted as Staff Exhibit Shearer/100 and my Witness Qualification Statement can be found in Exhibit Staff/101.

Q. Have you prepared any exhibits for this testimony?

A. Yes. I have prepared Exhibit 601, Staff's revised proposed revenue requirement and Exhibit 602, Staff's proposed rate design.

Q. What is the purpose of your testimony?

A. My testimony replies to issues raised in the opening testimonies of Intervenors and Reply Testimony of NW Natural Water Company, LLC (NWN Water), on behalf of the Consolidated Sunstone Utilities (Sunstone), including the following: rate spread and rate design

Q. How is your testimony organized?

A. My testimony is organized as follows:

Summary 2
Issue 1. Revisions to Staff's Revenue Requirement 5
Issue 2. Consolidated Tariff Split 6
Issue 2. Cost of Capital 7
Issue 3. Rate Spread 12
Issue 4. Rate Design 15
Issue 5. Response to Testimony of Todd Ellis 18
Issue 6. Response to Testimony of Carrie Rose 24

SUMMARY

Q. Please Summarize Staff's Rebuttal and Cross Answering Testimony.

A. The Staff exhibit numbers, respective Staff witnesses, and topics published as part of Rebuttal Testimony are identified below. These exhibits continue to support many of Staff's positions and adjustments included in opening testimony but does include some revisions to recommended adjustments based on new information provided in discovery responses, Intervenor Testimony, and Sunstone's Reply Testimony.

In **Exhibit 700, Steph Yamada**, provides Staff's proposed adjustments to Sunstone's Test Year expenses. This exhibit discusses the Staff's response to Company's Reply Testimony around proposed costs related to contract services. Staff's changes described in this testimony, in response to the Company's corrections, revises the revenue requirement expenses, as described later in this testimony

In **Exhibit 800, Joe Bartholomew**, provides Staff's proposed position and updated adjustments to Sunstone's Plant in Service. Staff's changes described in this testimony, in response to the Company's testimony, makes no revisions to the revenue requirement plant in service, as described later in this testimony.

Q. Please Describe Staff's approach to its adjustments.

A. Staff recognizes that some cost increases may be necessary to maintain system reliability and address infrastructure needs. In general, Staff's approach remains focused on opportunities to right-size utility spending,

ensure investment decisions are prudently timed and sized, and evaluate rate structures so that customer rates remain as fair and reasonable as possible. Staff recognizes customers' concerns with the operation of many independent water systems as a consolidated utility and remains dedicated to ensuring that the level of cost review and transparency is not eroded by consolidation.

Q. What is Staff's general response to Sunstone's Reply Testimony?

A. Generally, Staff disagrees with the majority of the Company's stances. Staff's main concern is that the Company appears to expect Staff to either accept the Company's numbers regardless of the actual substantiated information provided (or not provided), or the Company expects Staff to do the Company's work for them and prove its numbers related to the Company's needs for a rate case. Neither of these stances are adequate, nor do they pass the just and reasonable test. Staff submitted over 100 data requests, trying to understand the Company's application and related data filings in the case. Multiple times during that process, the Company submitted late or incomplete responses to Staff's requests, further delaying Staff's reconciliation and analyses. While Staff is usually amenable to providing additional time when asked, in this case, multiple times the Company delayed responding, without providing any warning or request to extend the deadline. As a result, Staff scrambled to include as much relevant information and responses to data request as possible in its testimony, which is why not all information was provided in Staff's Opening Testimony, such as rate spread and rate design.

Simply put, the Company has not demonstrated its need to allocate such a large amount of expenses from the corporate level down to its smaller water systems that do not receive the benefit of said expenses. While Staff appreciates the investment in the assets needed to properly facilitate delivery of safe water, corporate allocations of this magnitude do not belong.

Q. Has Staff updated any of its recommendations or proposed adjustments?

A. Yes. Where additional information was provided through discovery or testimony, Staff was able to update its adjustments. However, in some instances the Company is still investigating or otherwise has yet to produce information explaining amounts proposed for inclusion on the rate base. Without this information, Staff is unable to determine if these expenses reasonably represent costs of providing utility service and continues to recommend their exclusion.

ISSUE 1. REVISIONS TO STAFF'S REVENUE REQUIREMENT

Q. What are Staff's revisions to the revenue requirement?

A. Based on information in the Company's Reply Testimony, Staff agrees with the Company's description of the customer counts for Salmon Valley and makes a $106,126 adjustment (increasing revenue requirement) to relevant Contracted Services accounts, as described in detail in Staff/700 Yamada's testimony. Staff makes no other changes to its proposed revenue requirement. Staff's revised revenue requirement is included as Exhibit 601.

ISSUE 2. CONSOLIDATED TARIFF SPLIT

Q. What is the Company's response to Staff's opening testimony related to Staff's proposed tariff schedule breakdown?

A. The Company is not opposed to the general approach Staff proposes for consolidation by making consolidation in steps over the course of a few rate cases. However, they did not agree with Staff's proposed consolidation method based on regulatory status and believes the Company's original approach is appropriate. The Company does indicate it is open to other potential methods.[1]

Q. Does this change Staff's Consolidation method proposal in its Opening Testimony?

A. No. While Staff understands this is new and novel approach, Staff created a breakdown in what it considered a reasonable spilt of systems, in a manner that is justifiable.

Q. Were there other potential options or methodologies for splitting up the systems that Staff considered?

A. Yes. During its review and analysis, Staff looked at split by geography, system type, system size, and current rates/rate structure. Staff chose the regulatory split as it felt it was the most reasonable way to differentiate the systems.

Q. Is Staff open to discussions around a different methodology?

A. Yes. Staff understands that this is a novel approach to a very new and complex filing by the Company. Staff is open to reviewing and accepting a different approach, as long as it is just and reasonable.

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[1] Consolidated Sunstone Utilities/300 Rowell/Page 59.

ISSUE 2. COST OF CAPITAL

Q. Has Staff's recommendation for Cost of Capital changed?

A. No. Staff continues to support the capital structure, cost of long-term debt, return on equity (ROE), and rate of return proposed in opening testimony.[2] For ease of reference, Staff's "Table 4: Cost of Capital" from its Opening Testimony is included below.

Table 4: Cost of Capital

	Amount	Cap Struct	Cost	Wtd. Cost	
Debt (Hypothetical 50%)	$ 6,454,021	50%	4.66%	2.33%	
Equity (Hypothetical 50%)	$ 6,454,021	50%	9.50%	4.75%	ROE
Total Debt + Equity	$12,908,041	100%		7.08%	ROR

Q. What is Staff's response to the Company's stance on cost of capital?

A. Staff disagrees with the Company's proposed cost of capital. ORS 757.210(1a) states, in part that the Commission "…determine whether [a] rate or schedule is fair, just and reasonable." The Company's Application[3] states:

> The Consolidated Sunstone Utilities carry no debt, so they have a 100% equity capital structure. NWN Water's current capital structure is 85% equity and it is expected to moderate to 82% equity by mid-year 2026. While an 82% equity capital structure is justifiable based on these facts, the Consolidated Sunstone Utilities are proposing a hypothetical capital structure of 60% equity and 40% debt.

However, the Company didn't provide any back-up data or details that would prove the request is just and reasonable. In its Reply Testimony, the Company blames Staff for "…not present[ing] company-specific evidence or

[2] Staff/100 Shearer/27-28.
[3] Consolidated Sunstone Utilities/100 Rowell/Page 12.

analysis demonstrating that the standard assumption is appropriate for the Consolidated Sunstone Utilities' particular risk profile,"[4] while at the same time not presenting evidence supporting the Company's stance or demonstrating its need for its proposed cost of capital. As mentioned above, it is the Company's responsibility to prove its need for a rate increase, not Staff's job to do so for the Company.

Q. Why is a hypothetical capital structure of 50 percent equity and 50 percent debt (50/50) appropriate for Sunstone?

A. The hypothetical 50/50 debt to equity split is appropriate for Sunstone because 1) it is consistent with balancing the interest of the utility and its customers; 2) it is consistent with the capital structure for peer utilities, and 3) the Company has not provided any basis upon which to deviate from this approach.

Q. How does Staff's proposal balance the interest of the utility and its customers?

A. In setting fair, just, and reasonable rates, the Commission is required to balance the interests of the utility and customers.[5] A capital structure with 50 percent equity and 50 percent debt balances the lower cost of borrowing against the credit enhancement represented by equity.[6] The Commission has routinely supported a hypothetical capital structure for ratemaking—regardless

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4 Consolidated Sunstone Utilities/300 Rowell/60.
5 See, ORS 756.040.
6 See, *In the Matters of Portland General Electric Company; Request for a General Rate Revision* (UE 180); Annual Adjustments to Schedule 125 (2007 RVM Filing) (UE 181); Request for a General Rate Revision relating to the Port Westward Plant. (UE 184); Order No. 07-015 at 30-31 (January 12, 2007).

of whether the actual proportion of equity to debt is lower than the 50/50 hypothetical or higher than the 50/50 hypothetical, finding that it "provides a consistent regulatory signal that a balanced structure supports the long-term best interests of utility ratepayers."[7]

Q. How is Staff's proposal consistent with peer utilities?

A. Staff's proposal aligns with the standard cost of capital structure for water and energy companies, including Sunstone's parent company NW Natural Gas.

Staff recognizes that the Company considers itself incomparable in many ways to other water utilities in Oregon.[8] Without agreeing with this characterization, Staff notes that a notional capital structure set at 50 percent debt and 50 percent equity has served as the Commission's default for all energy general rate cases since 2015, including PGE (UE 294, 2015);[9] NW Natural (UG 388, 2020);[10] Avista Utilities (UG 461, 2023);[11] Pacific Power (UE 433, 2024);[12] Idaho Power Company (UE 426, 2024);[13] and Cascade Natural Gas (UG 390, 2021).[14]

In the most recent examples of energy rate case cost of capital approvals, Order No. 25-420,[15] the Commission approved a Cost of Capital Structure for NW Natural Gas, of 50/50 debt to equity ratio and a return on equity of 9.5

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7 See, *In the Matter of PGE Request for a General Rate Case*, Docket No.435, Order No. 24-454 (October 20, 2024).
8 Consolidated Sunstone Utilities/300, Rowell/20-24.
9 https://apps.puc.state.or.us/orders/2015ords/15-356.pdf, Page 6, Section B1.
10 https://edocs.puc.state.or.us/efdocs/HTB/ug388htb11414.pdf, Page 2 - Table 1.
11 https://apps.puc.state.or.us/orders/2023ords/23-384.pdf, Page 3 – Section IV.A.
12 https://apps.puc.state.or.us/orders/2024ords/24-447.pdf, Page 7, Section 2b.
13 https://edocs.puc.state.or.us/efdocs/HAR/ue426har328610054.pdf, Page 3, Section 1.
14 https://apps.puc.state.or.us/orders/2021ords/21-001.pdf, Appendix A, Page 2, Section 1.
15 https://apps.puc.state.or.us/orders/2025ords/25-420.pdf, Appendix A, Page 3.

percent. In Order No. 24-454[16], the Commission approved cost of capital structure for PGE of a 50/50 debt to equity ratio and a return on equity of 9.256 percent.[17]

As such, based on the Commission's historic practice on the cost of capital treatment for corporate based holding companies that own water utilities, Staff is confident its original cost of capital structure, which is based on a 50/50 theoretical split using 4.66 debt percentage and a 9.50 return on equity percentage, similar to NW Natural Gas' most recent rate case, ensures just and reasonable results.

Q. Are there comparable national statistics for consolidated utilities?

A. No, only a handful of Commission's have ever dealt with this and there is currently no consistent practice**.**

Q. Did the Company provide any justification for adopting its proposed cost of capital?

A. In part. While the Company points to its 100 percent equity structure, it did not provide any explanation or evidence for why a capital structure of 60 percent equity and 40 percent debt split is reasonable or appropriate.[18] Similarly the Company describes some challenges of operating a water utility but does not provide any explanation or evidence for why these challenges support the additional 10 percent cost of equity it proposed.

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16 https://apps.puc.state.or.us/orders/2024ords/24-454.pdf, page 13 at b.

17 https://apps.puc.state.or.us/orders/2024ords/24-454.pdf, page 14 at 3b. Staff notes that the listed percentage in the order is 4.628 percent, but is a 50 percent calculation based on the prior 50/50 debt to equity ratio.

18 Consolidated Sunstone/100, Rowell/13; see further Consolidated Sunstone/100, Rowell/13.

Q. What led Staff to propose a 9.5 percent return on equity?

A. Staff's return on equity remains consistent with Commission approved rates in all recent water cases and is equal to or higher than recent Energy rate cases. ROE represents the Company's profit relative to its equity investment in the rate base of the utility. With these utilities and with this consolidation, Staff did not find any evidence that a departure from recently approved rates was justified. Sunstone is now a holding company of water utilities, under a holding company of other utilities and should be treated similarly. Staff's position and recommendation is consistent with that approach.

ISSUE 3. RATE SPREAD

Q. What is Staff's proposed rate spread?

A. Due to the unique circumstances in this case, staff is recommending a rate spread based on the individual tariff schedule groupings of Salmon Valley; Shady Cove; Group A – previously rate regulated Hiland systems; Group B – previously service regulated systems whose customers petitioned for rate regulation; Group C – previously service regulated Hiland systems; Group D – systems previously owned by IHC and with recent rate proceedings; as opposed to a rate spread based on individual customer types (residential, commercial, irrigation. etc.). Typically, rate spread determines the percentage of overall revenue to be collected by each category of customer type of a single utility. With this case, Staff tried to determine the best grouping of utilities and then spread the revenue of those utility groups based on individual needs of a subject system (Salmon Valley), regulatory status (previous service regulated systems), and recent rate cases (Lakeshore, Seavey Loop, and South Coast) among others. Additionally, any specific schedules that apply across all utilities (non-metered flat rate service, commercial water hauling) and, separately, Illahe Wastewater service.

In addition, as described in opening testimony,[19] Staff lists Illahe Wastewater Services as its own tariff schedule. As this was not originally a part of the filing and the Company proposed keeping rates the same for this case, Staff includes a separate revenue line item, that is in addition to the standard

[19] Staff/100, Shearer/29 .

revenue requirement. Based on the Company's 2025 Annual report filed with the Commission, there was $95,488 in Wastewater revenues, with an estimated 245 residential customers and 1 restaurant customer. The rate details for this schedule are described below. Table 1 shows Staff's proposed rate spread by tariff schedule.

Table 1

Tariff	Title	Systems	Revenue Split
Schedule 1	Salmon Valley	Salmon Valley	$ 991,021
Schedule 2	Shady Cove	Shady Cove	$ 636,203
Schedule 3	Group A	Helton, Hillview, Illahe, Shadow Wood, Westwood, and Wilderness Canyon	$ 339,225
Schedule 4	Group B	Boulder Creek, Heritage, JJ, and Lorna	$ 245,568
Schedule 5	Group C	Barger, Bear Creek, College Park/Penticton*, Echo Mountain, Fryer Hill, Laurelwood, Lombard, Quaker Meadows, Riverbend, Stables, and Wyland	$ 378,374
Schedule 6	Group D	Lakeshore, Seavey Loop, and South Coast	$ 200,937
Schedule 7	Non-Meter Flat Rates	Applies to all	$ 594,640
Schedule 8	Commercial Water Hauler Rates	Applies to all	$ 7,305
		Total Water Revenues	**$ 3,393,273**
Schedule 9	*Illahe Wastewater*	*Illahe*	*$ 95,488*

Q. How was the Rate Spread determined by schedule?

A. In order to create an equitable distribution of costs, Staff designed a five-segment approach for allocating and assigning related costs to each named group noted above. Staff used a mix of direct cost assignment as well as customer-count-based allocations as noted below. This approach follows a

standard rate making concept for revenue determination with some minor adjustments for using a new concept of grouped utilities.

Segment One – Plant Depreciation. Staff used the associated depreciation for all of the known assets for each group.

Segment Two – Contract Services – As this rate case concerns a much larger holding company assigning costs to various utilities, Staff allocated the amount per customer to represent an appropriate allocation of total expenses per group.

Segment Three – Taxes and Other. Staff allocated the amount per customer to represent an appropriate allocation of taxes per group.

Segment Four – Net Income. Net Income is a function of multiplying the Rate of Return by the Rate Base. Staff determined the Rate Base for each group then used the proposed Rate of Return to calculate the Net Income for each group.

Segment Five – Remaining Costs. There were approximately 13 percent of the overall costs unallocated by prior categories, representing more direct costs for each group. Staff worked to determine, as best as possible, an accurate determination of what each group's expenses would be based on information provided to Staff via the application and DR responses.

When combined, the five segments provide a thorough approximation of what each group would need for revenue to function as a stand-alone entity.

ISSUE 4. RATE DESIGN

Q. What is Staff's proposed rate design?

A. As shown in Exhibit 602, Staff used the revenue from the rate spread in Table 1 to calculate each tariff schedule individually, based on connection size, American Water Works Association (AWWA) standard connection factors, a 60/40 base rate to commodity rate split, and a two-tiered commodity rate, with one rate below 10,000 gallons, and one above 10,000 gallons. Due to the complexity of the rates for multiple systems being consolidated, and with Staff proposed schedules differing from the Company's originally proposed rates, Staff is unable to provide a direct rate comparison calculation at this time, however, depending on the specific system/grouping, Staff estimates the average customer seeing between a zero and 25 percent increase.

Q. How did Staff calculate its Rate Design?

A. As noted above, Staff took into account several factors in order to calculate the Rate Design. Each aspect is discussed below.

Connection Size and AWWA factors – For each schedule, Staff used the AWWA line size equivalent factor to further determine the appropriate base rate for each meter size. A 5/8-inch meter is considered a zero factor with a 1-inch meter having a factor of 2.5. This spreads the revenue requirement in a factored manner to better match the needs of providing differing amounts of water to customers.

The 60/40 split – The starting point for splitting the revenue requirement between base rate and commodity rate is traditionally 60 percent base rate to

40 percent commodity rate. This allows the company to have more confidence in calculating cash flow by knowing that a minimum of 60 percent of its revenue is guaranteed each month. Staff did adjust Salmon Valley to 67/33 to match what was approved in its last general rate case.

The Two-Tiered Commodity Rate – Staff approves using a two-tier rate system to better align water conservation and revenue collection from the customers using the most water. There was a challenge in this case, as Staff did not have access to the individual water usage amounts for all customers. Even with that data, it would have been very difficult to manually calculate the information needed for the two tiers. Instead, Staff used a methodology from a recently approved rate case related to one of the systems in this rate case, South Coast.[20] In that rate case, Staff used the individual consumption data for all approximately one hundred customers to determine the consumption over the threshold in order to create the two tiers. Staff used a very similar model in this case in lieu of having actual individual customer data. The 40 percent revenue allocation to Commodity Rates was further split into 60 percent tier one and 40 percent tier two revenue allocation after using a 75 percent to 25 percent consumption allocation for tier one and two respectively, to allow for some amount of customer regression via water conservation once the two-tier system is in place.

[20] See, *In the Matter of South Coast Water Company, LLC, Request for a General Rate Revision*. (UW 203).

In future rate cases, Staff is open to further refining this methodology, but, for a first step toward creating the necessary components of this complex rate case, feels this is an appropriate method.

ISSUE 5. RESPONSE TO TESTIMONY OF TODD ELLIS

Q. Please Describe Mr. Ellis' Opening Testimony.

A. Mr. Ellis' opening testimony consists of 5 parts:

1) Proposed rates competitive with other water systems.
2) Upgrades to and related service quality issues with Salmon Valley Water Company.
3) Lack of detail provided by Sunstone, for meaningful public discourse.
4) Management cost comparisons with other systems.
5) Combining rates across systems.

Q. What is Mr. Ellis' position on how the proposed rates should compare to other water systems?

A. Mr. Ellis compares multiple municipal water system rates with the proposed rates in this docket.[21] His argument appears to be that public water systems and private water systems costs should be similar and therefore rates should be similar.

Q. Does Staff agree with Mr. Ellis' position?

A. In part, yes. Mr. Ellis indicates that water systems costs are universal and water systems are "self-sustaining" meaning that the system pays for and recoups costs based on the individual needs of the system.[22] Staff generally agrees with this perspective. It does not matter who is purchasing equipment, materials, etc., as those costs are standard across the industry. However, this

[21] Ellis/100 page 1 and Exhibit Ellis/102 – City Base Rate Comparison.
[22] Ellis/100 page 2.

argument does not recognize or account for the differences in public and private water systems.

Q. What differences between public and private water systems should be considered?

A. Along with base rates, comparisons between public and private water systems would need to appropriately consider the political nature of municipal systems, the requirement for return on investments, access to capital, similarity of connection sizes, and impact of commodity rates.

Since municipality systems are operated for and by the citizens of a city, the citizens control the rates that are charged by who they vote for. As such, municipality water rates can be subject to the political climate at any given time. For example, when rates for municipal water systems are too low to recoup system costs, those costs may be paid from tax revenue. This may result in system costs appearing lower than they are.

Regulated systems are, by their nature, monopolies that do not have the same backstop. Moreover, municipal systems can be run at cost, while rates charged by regulated systems must cover the expenses, plant costs, and provide an opportunity for the system to earn a return on its investments. Additionally, cities have access to the bond market for capital when large expenses are incurred, whereas a regulated utility is subject to credit agency interest costs.

For example, the prevailing municipal bond market rates range from roughly 3.30 percent for a 10-year AAA-rated bond to about 4.60 percent for a

30-year AA-rated bond.[23] In contrast, typical private utility infrastructure loans currently carry interest rates ranging from 6.5 percent to 9.0 percent, dictated by borrower creditworthiness, collateral, and the short-term construction risk.[24]

Mr. Ellis provides anecdotal evidence "… that most public water systems are also self-sustaining, as opposed to prior times when those systems may have been operated as part of a municipality's general fund…."[25] While this is an important perspective, there is no direct evidence presented by Mr. Ellis that shows the actual calculations behind any municipal owned water system and whether or not a system is supported by taxpayer dollars.

Additionally, Mr. Ellis does not clarify in his data the connection size comparison between cities listed in his testimony, versus the combined

5/8-inch and 3/4-inch connections proposed by the company, so Staff is unable to truly contrast the differences between the two scenarios. Also, while Mr. Ellis lists a variety of city base rates in his analysis, he fails to provide details of base rates in all cities, such as Portland ($80.15), Bend ($29.79 to $44.69), and Klamath Falls ($2.01). This disparity shows that trying to compare systems can be challenging without knowing the entirety of how the rates were determined.

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[23] https://www.rd.usda.gov/media/file/download/usda-rd-sfh-single-close-construction-01152026.pdf rities-Market-Summary.pdf *and* https://www.rd.usda.gov/media/file/download/usda-rd-sfh-single-close-construction-01152026.pdf sights ICE AAA Muni Curve.

[24] https://www.rd.usda.gov/media/file/download/usda-rd-sfh-single-close-construction-01152026.pdf.

[25] Ellis/100, page 2.

Finally, Mr. Ellis' testimony focuses on base rate comparisons, without taking into account commodity rates as a part of the equation. For example, Mr. Ellis lists the City of Sheridan as having zero base rate. However, the City of Sheridan charges $8.53 per 100 cubic foot of water (equal to 748 gallons), whereas the company is proposing a rate of $.405 per 100 gallons of water (for tier one usage). For an average household usage of 3000 gallons, this equals $34.21 in usage charges for the City of Sheridan, versus $12.15 for the Company's proposed usage charges for the same amount of water.

While on its face, it would be reasonable to assume rates should be similar for municipal owned water systems and private water systems, there are too many factors and rate designs to fully and accurately compare the two.

Q. What is Mr. Ellis' concern with the upgrades and service quality issues with Salmon Valley?

A. Mr. Ellis' primary concern appears to be related to a perceived lack of information provided by the Company, which he states limits the ability for the public to fully vet the Company's request.[26]

Q. Is Mr. Ellis' concern accurate?

A. In part, yes, and in part, no. Based on the Commission's current process for filing water rate cases, the information related to plant in service is not readily available and provided as a part of the application. However, as a part of Staff's review and extensive data requests, the Company provided data on nearly 1250 plant in service line items, including specific line items related to

[26] Ellis/100, page 3.

Salmon Valley and its upgrades.[27] As a part of Staff's analysis, it recommended removing over 200 items as not used and useful.[28] All data requests were made available to intervenors in this case, including Mr. Ellis.

Q. How does Staff respond to Mr. Ellis' concern about transparency?

A. It is unclear if Mr. Ellis is referring to the general public and its access to information in rate cases, or if it is specific to intervenors. Due to the extremely large amount of data and potential confidential information provided, it would be unreasonable for any Company to be required to provide detailed information of complete asset listings as part of the application or communication to the general public. Each utility customer has the opportunity to become an intervenor to the case to gain access to detailed information including. asset lists. As a neutral representative, Staff performs an in-depth review of the assets along with other aspects of the Company's operations.

Q. What is Mr. Ellis' position on management costs?

A. Mr. Ellis points to several concerns related to the costs of management, compared to other systems, mainly the large discrepancy of management cost for the Sunstone group, versus other similarly sized systems.[29]

Q. Does Staff agree with this concern?

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27 Staff/400, Bartholomew/2-9.
28 Staff/402, Bartholomew/1.
29 Ellis/100, page 4

A. Yes. As described in detail in Staff's opening testimony,[30] Staff has similar concerns related to the management costs proposed by the Company and recommended substantial reductions in these accounts.

Q. What is Mr. Ellis' position on combining systems and rate bases across multiple systems?

A. Mr. Ellis' main concern appears to be related to the potential harm from cross-subsidization across systems, where one system pays for costs of other systems.

Q. How does Staff respond to concerns about cross-subsidization?

A. This case is a departure from the Commission's traditional handling of water rate making, where the individual costs of a system are paid for by the customers of that system. Staff agrees that cross-subsidization has the potential to harm customers and suggests several protections to minimize the likelihood of harm occurring. As discussed in opening testimony, Staff is persuaded that a consolidation of systems and rates is reasonable, as long as customer protections are kept in place and customer impact is monitored through future rate proceedings.[31]

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30 Staff Exhibit 200/Yamada.
31 Staff/100, Shearer/17.

ISSUE 6. RESPONSE TO TESTIMONY OF CARRIE ROSE

Q. Please describe Ms. Rose's testimony.

A. Ms. Rose's main concerns appear to be related to unreasonable spending, poor management, and lack of transparency.[32]

Q. Is Ms. Rose's testimony pertinent to this proceeding?

A. Some general aspects are pertinent, but many of the items Ms. Rose lists appear to rehash issues from the previous rate case for Seavey Loop.[33] For example, fencing and landscaping used to protect the system are issues Ms. Rose brought up in the prior rate case.[34] Staff values public input and finds Ms. Rose's testimony pertinent and helpful in ensuring a thorough review was completed. The specific items related to spending and management were addressed in the previous docket. Staff reviewed the stipulation from Seavey Loop's prior rate proceeding and determined that the Company is meeting the terms that the Commission approved in Order No. 25-357.

Q. How does Staff respond to Ms. Rose's concerns around transparency?

A. It is unclear whether Ms. Rose's concern is with the general public having access to information or not, but the Commission's current standards and processes were followed, and all relevant data was either available through Staff's data requests, or through Ms. Rose having the ability to ask requests of

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32 Rose/100, page 1-3.

33 *See In the Matter of Seavey Loop Water Company, LLC, Request for a General Rate Revision,* Docket No. UW 202, Opening Testimony of Carrie Rose (May 8, 2025), https://edocs.puc.state.or.us/efdocs/HTB/uw202htb336647113.pdf.

34 *Id*.; *see also*, *In the Matter of Seavey Loop Water Company, LLC, Request for a General Rate Revision,* Docket No. UW 202, Carrie Rose Objection to Stipulation (June 16, 2025) https://edocs.puc.state.or.us/efdocs/HAE/uw202hae337533113.pdf.

her own. Additionally, Staff's recommendations for accounting and the ability to ask additional questions in the future rates cases within the context of the protective order and discovery process also ensures adequacy transparency.

Q. Does this conclude your testimony?

A. Yes.

CASE: UW 209
WITNESS: SCOTT SHEARER

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 601

Revised Revenue Requirement

August 26, 2026

Company Name+B1:H1B1:H92	Sunstone
Docket No.	UW 209
Test Year	7/1/2024-6/30/2025

Revenue Requirement

Company Proposed Increase	Staff Proposed Increase
51.04%	16.80%

	REVENUES	Test Year	Company Adjustments	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals
460	Unmetered			$ -	235,583	$ 235,583
461.1	Residential	2,877,513	1,482,941	$ 4,360,454	(1,230,570)	$ 3,129,884
461.2	Commercial			$ -		$ -
462	Fire Protection Sales			$ -		$ -
465	Irrigation Water Sales			$ -		$ -
466	Water Sales for Resale			$ -		$ -
471	Miscellaneous Services	27,806		$ 27,806		$ 27,806
475	Cross Connection Control			$ -		$ -
472	Cell Tower Lease Payments			$ -		$ -
				$ -		$ -
	Total Revenue	**$ 2,905,319**	**$ 1,482,941**	**$ 4,388,260**	**$ (994,987)**	**$ 3,393,273**
Acct .	**OPERATING EXPENSES**					
601	Salaries and Wages - Employees	163,708		$ 163,708	$ (163,708)	$ -
603	Salaries and Wages - Officers			$ -	$ -	$ -
604	Employee Pension & Benefits	47,649	4,211	$ 51,860	$ (51,860)	$ -
610	Purchased Water	9,894		$ 9,894	$ -	$ 9,894
611	Telephone/Communications	32,454	649	$ 33,103	$ -	$ 33,103
615	Purchased Power	157,048		$ 157,048	$ -	$ 157,048
616	Fuel for Power Production			$ -	$ -	$ -
617	Other Utilities (Garbage, Gas)	2,642	53	$ 2,695	$ -	$ 2,695
618	Chemical / Treatment Expense	14,066	281	$ 14,347	$ -	$ 14,347
619	Office Supplies	3,751	75	$ 3,826	$ -	$ 3,826
619.1	Postage	7,460	149	$ 7,609	$ -	$ 7,609
620	O&M Materials/Supplies	44,743	895	$ 45,638	$ -	$ 45,638
621	Repairs to Water Plant	2,256	45	$ 2,301	$ -	$ 2,301
631	Contract Svcs - Engineering	957		$ 957	$ -	$ 957
632	Contract Svcs - Accounting			$ -	$ -	$ -
633	Contract Svcs - Legal	12,790		$ 12,790	$ (5,381)	$ 7,409
634	Contract Svcs - Management Fees	92,122	157,474	$ 249,596	$ (179,130)	$ 70,466
635	Contract Svcs - Testing	37,244		$ 37,244	$ -	$ 37,244
636	Contract Svcs - Labor	926,281	(15,630)	$ 910,651	$ (196,829)	$ 713,822
637	Contract Svcs - Billing/Collection	12,744	1,274	$ 14,018	$ (8,242)	$ 5,776
638	Contract Svcs - Meter Reading			$ -	$ -	$ -
639	Contract Svcs - Other	72,612		$ 72,612	$ (38,179)	$ 34,433
641	Rental of Building/Real Property	12,875	258	$ 13,133	$ -	$ 13,133
642	Rental of Equipment	52,676	1,054	$ 53,730	$ (37,182)	$ 16,548
643	Small Tools			$ -	$ -	$ -
648	Computer/Electronic Expenses	24,808	496	$ 25,304	$ (12,267)	$ 13,037
650	Transportation	55,275	1,105	$ 56,380	$ (39,965)	$ 16,415
656	Vehicle Insurance			$ -	$ -	$ -
657	General Liability Insurance	40,320	806	$ 41,126	$ -	$ 41,126
658	Workers' Comp Insurance			$ -	$ -	$ -
659	Insurance - Other			$ -	$ -	$ -
666	Amortz. of Rate Case			$ -	$ -	$ -
667	Gross Revenue Fee (PUC)	12,474	7,273	$ 19,747	$ (7,531)	$ 12,216
670	Bad Debt Expense	38,449		$ 38,449	$ -	$ 38,449
671	Cross Connection Control Program	2,448	49	$ 2,497	$ -	$ 2,497
673	Training and Certification	43	1	$ 44	$ -	$ 44
674	Consumer Confidence Report			$ -	$ -	$ -
675	Miscellaneous Expense	34,897	698	$ 35,595	$ (8,430)	$ 27,165
OE1	Other Expense 1 Permit Fees	31,909	638	$ 32,547	$ -	$ 32,547
OE2	Other Expense 2 Easement Fee	7,156	143	$ 7,299	$ -	$ 7,299
OE3	Other Expense 3 OHA Fees	4,329	87	$ 4,416	$ -	$ 4,416
OE4	Other Expense 4 CAT Tax		23,001	$ 23,001	$ (23,001)	$ -
OE5	Other Expense 5			$ -	$ -	$ -
	TOTAL OPERATING EXPENSE	**$ 1,958,080**	**$ 185,085**	**$ 2,143,165**	**$ (771,705)**	**$ 1,371,460**
	OTHER REVENUE DEDUCTIONS					
403	Depreciation Expense	644,266	176,952	$ 821,218	$ (15,578)	$ 805,640
406	Amort of Plant Acquisition Adjustment			$ -	$ -	$ -
407	Amortization Expense	4,999		$ 4,999	$ -	$ 4,999
408.11	Property Tax	58,229	11,418	$ 69,647	$ (3,436)	$ 66,211
408.12	Payroll Tax	15,158		$ 15,158	$ (15,158)	$ -
408.13	Other	(426)		$ (426)	$ 12,894	$ 12,468
409.10	Federal Income Tax	17,380	195,271	$ 212,651	$ (49,554)	$ 163,097
409.11	Oregon Income Tax	12,196	60,271	$ 72,467	$ (17,586)	$ 54,881
409.13	Extraordinary Items Income Tax			$ -	$ -	$ -
	TOTAL REVENUE DEDUCTIONS	**$ 2,709,882**	**$ 628,997**	**$ 3,338,879**	**$ (860,124)**	**$ 2,478,755**
	Net Operating Income	**$ 195,437**	**$ 853,944**	**$ 1,049,381**	**$ (134,863)**	**$ 914,518**
	UTILITY RATE BASE					
101	Utility Plant in Service	17,333,098	3,398,746	$ 20,731,844	$ (1,022,656)	$ 19,709,188
105	Construction Work in Progress			$ -	$ -	$ -
108	- Accumulated Depreciation of Plant	6,103,952	88,476	$ 6,192,428	$ (588,129)	$ 5,604,299
271	- Contributions in Aid of Construction	363,710		$ 363,710	$ (363,710)	$ -
272	+ Accumulated Amortization of CIAC	292,049		$ 292,049	$ (292,049)	$ -
281	- Accumulated Deferred Income Tax	1,311,485	(9,225)	$ 1,302,260	$ -	$ 1,302,260
	- Excess Capacity			$ -	$ -	$ -
	= NET RATE BASE INVESTMENT	**$ 9,846,000**	**$ 3,319,495**	**$ 13,165,495**	**$ (362,866)**	**$ 12,802,629**
	Plus: (working capital)					
151	Materials and Supplies Inventory			$ -	$ -	$ -
	Working Cash (Total Op Exp /12)	163,173	15,424	$ 178,597	$ (64,309)	$ 114,288
	TOTAL RATE BASE	**$ 10,009,173**	**$ 3,334,919**	**$ 13,344,092**	**$ (427,175)**	**$ 12,916,917**
	Rate of Return	1.95%		7.86%		7.08%

CASE: UW 209
WITNESS: SCOTT SHEARER

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 602

Rate Design

August 26, 2026

Rate Design

Salmon Valley — Revenue Allocation: **991,021**

Allocated to Base Rates: 67.00%
Allocated to Commodity Rates: 33.00%

Base Rates

Revenue Allocation: **663,984**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8" and 3/4" Adjusted	463	1.0	463	83.20%	$ 552,425	**$ 99.43**
3/4"		1.5	-	0.00%	$ -	**$ 149.14**
1"	29	2.5	73	13.03%	$ 86,503	**$ 248.57**
1 1/2"	1	5.0	5	0.90%	$ 5,966	**$ 497.14**
2"	2	8.0	16	2.88%	$ 19,090	**$ 795.43**
3"		15.0	-	0.00%	$ -	**$ 1,491.43**
4"		25.0	-	0.00%	$ -	**$ 2,485.71**
6"		50.0	-	0.00%	$ -	**$ 4,971.43**
8"		80.0	-	0.00%	$ -	**$ 7,954.29**
TOTAL	495		557	100.00%	$ 663,984	

Commodity Rate

Revenue Allocation: **327,037**

Annual Total Consumption		34,337,520	Gallons
Allocation Percentage Tier 1	75%	25,753,140	
Allocation Percentage Tier 2	25%	8,584,380	

Tier 1 (Monthly Consumption Up to & Including 10000 Gallons)

Revenue Allocation (%)	60%	
Revenue Allocation ($)	$ 196,222	
Threshold	10,000	Gal
Annual Consumption	25,753,140	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	257,531	Units
Commodity Rate:	**$ 0.76**	per unit

Tier 2 (Monthly Consumption over 10000 Gallons)

Revenue Allocation (%)	40%	
Revenue Allocation ($)	$ 130,815	
Annual Consumption*	8,584,380	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	85,844	Units
Commodity Rate:	**$ 1.52**	per unit

Rate Design

Shady Cove — Revenue Allocation: **636,203**

Allocated to Base Rates: 60.00%
Allocated to Commodity Rates: 40.00%

Base Rates

Revenue Allocation: **381,722**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"	258	1.0	258	61.14%	$ 233,375	**$ 75.38**
3/4"		1.5	-	0.00%	$ -	**$ 113.07**
1"	36	2.5	90	21.33%	$ 81,410	**$ 188.45**
1 1/2"	2	5.0	10	2.37%	$ 9,046	**$ 376.90**
2"	8	8.0	64	15.17%	$ 57,891	**$ 603.04**
3"		15.0	-	0.00%	$ -	**$ 1,130.69**
4"		25.0	-	0.00%	$ -	**$ 1,884.49**
6"		50.0	-	0.00%	$ -	**$ 3,768.97**
8"		80.0	-	0.00%	$ -	**$ 6,030.36**
TOTAL	304		422	100.00%	$ 381,722	

Commodity Rate

Revenue Allocation: **254,481**

Annual Consumption		40,689,396	Gallons
Allocation Percentage Tier 1	75%	30,517,047	
Allocation Percentage Tier 2	25%	10,172,349	

Tier 1 (Monthly Consumption Up to & Including 10000

Revenue Allocation (%)	60%	
Revenue Allocation ($)	$ 152,689	
Threshold	10,000	Gal
Annual Consumption	30,517,047	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	305,170	Units
Commodity Rate:	**$ 0.50**	per unit

Tier 2 (Monthly Consumption over 10000 Gallons)

Revenue Allocation (%)	40%	
Revenue Allocation ($)	$ 101,792	
Annual Consumption*	10,172,349	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	101,723	Units
Commodity Rate:	**$ 1.00**	per unit

Rate Design

Sunstone Group A — Revenue Allocation: **339,225**

Helton, Hillview, Illahe, Shadow Wood, Westwood, and Wilderness Canyon

Allocated to Base Rates: 60.00%
Allocated to Commodity Rates: 40.00%

Base Rates

Revenue Allocation: **203,535**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"	260	1.0	260	32.08%	$ 65,292	**$ 20.93**
3/4"		1.5	-	0.00%	$ -	**$ 31.39**
1"	189	2.5	473	58.30%	$ 118,656	**$ 52.32**
1 1/2"	6	5.0	30	3.70%	$ 7,534	**$ 104.63**
2"	1	8.0	8	0.99%	$ 2,009	**$ 167.42**
3"	1	15.0	15	1.85%	$ 3,767	**$ 313.90**
4"	1	25.0	25	3.08%	$ 6,278	**$ 523.17**
6"		50.0	-	0.00%	$ -	**$ 1,046.35**
8"		80.0	-	0.00%	$ -	**$ 1,674.15**
TOTAL	458		811	100.00%	$ 203,535	

Commodity Rate

Revenue Allocation: **135,690**

Annual Consumption		86,958,278	Gallons
Allocation Percentage Tier 1	75%	65,218,709	
Allocation Percentage Tier 2	25%	21,739,570	

Tier 1 (Monthly Consumption Up to & Including 10000 Gallons)

Revenue Allocation (%)	60%	
Revenue Allocation ($)	$ 81,414	
Threshold	10,000	Gal
Annual Consumption	65,218,709	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	652,187	Units
Commodity Rate:	**$ 0.12**	per unit

Tier 2 (Monthly Consumption over 10000 Gallons)

Revenue Allocation (%)	40%	
Revenue Allocation ($)	$ 54,276	
Annual Consumption*	21,739,570	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	217,396	Units
Commodity Rate:	**$ 0.25**	per unit

Rate Design

Sunstone Group B — Revenue Allocation: **245,568**

Boulder Creek, Heritage, JJ, and Lorna

Allocated to Base Rates: 60.00%
Allocated to Commodity Rates: 40.00%

Base Rates

Revenue Allocation: **147,341**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"	258	1.0	258	99.04%	$ 145,927	**$ 47.13**
3/4"		1.5	-	0.00%	$ -	**$ 70.70**
1"	1	2.5	3	0.96%	$ 1,414	**$ 117.84**
1 1/2"		5.0	-	0.00%	$ -	**$ 235.67**
2"		8.0	-	0.00%	$ -	**$ 377.07**
3"		15.0	-	0.00%	$ -	**$ 707.01**
4"		25.0	-	0.00%	$ -	**$ 1,178.35**
6"		50.0	-	0.00%	$ -	**$ 2,356.70**
8"		80.0	-	0.00%	$ -	**$ 3,770.72**
TOTAL	259		261	100.00%	$ 147,341	

Commodity Rate

Revenue Allocation: **98,227**

Annual Consumption		23,092,175	Gallons
Allocation Percentage Tier 1	75%	17,319,131	
Allocation Percentage Tier 2	25%	5,773,044	

Tier 1 (Monthly Consumption Up to & Including 10000 Gallons)

Revenue Allocation (%)	60%	
Revenue Allocation ($)	$ 58,936	
Threshold	10,000	Gal
Annual Consumption	17,319,131	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	173,191	Units
Commodity Rate:	**$ 0.34**	per unit

Tier 2 (Monthly Consumption over 10000 Gallons)

Revenue Allocation (%)	40%	
Revenue Allocation ($)	$ 39,291	
Annual Consumption*	5,773,044	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	57,730	Units
Commodity Rate:	**$ 0.68**	per unit

Rate Design

Sunstone Group C

Barger, Bear Creek, College Park/Penticton, Echo Mountain, Fryer Hill, Laurelwood, Lombard, Quaker Meadows, Riverbend, Stables, and Wyland*

Revenue Allocation: **378,374**

Allocated to Base Rates: 60.00%

Allocated to Commodity Rates: 40.00%

Base Rates

Revenue Allocation: **227,025**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"	489	1.0	489	79.32%	$ 180,073	**$ 30.69**
3/4"		1.5	-	0.00%	$ -	**$ 46.03**
1"	49	2.5	123	19.87%	$ 45,110	**$ 76.72**
1 1/2"	1	5.0	5	0.81%	$ 1,841	**$ 153.44**
2"		8.0	-	0.00%	$ -	**$ 245.50**
3"		15.0	-	0.00%	$ -	**$ 460.31**
4"		25.0	-	0.00%	$ -	**$ 767.18**
6"		50.0	-	0.00%	$ -	**$ 1,534.36**
8"		80.0	-	0.00%	$ -	**$ 2,454.98**
TOTAL	539		617	100.00%	$ 227,025	

Commodity Rate

Revenue Allocation: **151,350**

Annual Consumption		132,474,552	Gallons
Allocation Percentage Tier 1	75%	99,355,914	
Allocation Percentage Tier 2	25%	33,118,638	

Tier 1 (Monthly Consumption Up to & Including 10000 Gallons)

Revenue Allocation (%)	60%	
Revenue Allocation ($)	$ 90,810	
Threshold	10,000	Gal
Annual Consumption	99,355,914	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	993,559	Units
Commodity Rate:	**$ 0.09**	per unit

Tier 2 (Monthly Consumption over 10000 Gallons)

Revenue Allocation (%)	40%	
Revenue Allocation ($)	$ 60,540	
Annual Consumption*	33,118,638	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	331,186	Units
Commodity Rate:	**$ 0.18**	per unit

Rate Design

Sunstone Group D — Revenue Allocation: **200,937**

Lakeshore, Seavey Loop, and South Coast

Allocated to Base Rates: 60.00%
Allocated to Commodity Rates: 40.00%

Base Rates

Revenue Allocation: **120,562**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"	195	1.0	195	100.00%	$ 120,562	**$ 51.52**
3/4"		1.5	-	0.00%	$ -	**$ 77.28**
1"		2.5	-	0.00%	$ -	**$ 128.81**
1 1/2"		5.0	-	0.00%	$ -	**$ 257.61**
2"		8.0	-	0.00%	$ -	**$ 412.18**
3"		15.0	-	0.00%	$ -	**$ 772.84**
4"		25.0	-	0.00%	$ -	**$ 1,288.06**
6"		50.0	-	0.00%	$ -	**$ 2,576.12**
8"		80.0	-	0.00%	$ -	**$ 4,121.79**
TOTAL	195		195	100.00%	$ 120,562	

Commodity Rate

Revenue Allocation: **80,375**

Annual Consumption	10,614,445	Gallons
Allocation Percentage Tier 1	75%	7,960,834
Allocation Percentage Tier 2	25%	2,653,611

Tier 1 (Monthly Consumption Up to & Including 10000 Gallons)

Revenue Allocation (%)	60%	of commodity rate
Revenue Allocation ($)	$ 48,225	
Threshold	10,000	Gal
Annual Consumption	7,960,834	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	79,608	Units
Commodity Rate:	**$ 0.61**	per unit

Tier 2 (Monthly Consumption over 10000 Gallons)

Revenue Allocation (%)	40%	
Revenue Allocation ($)	$ 32,150	
Annual Consumption*	2,653,611	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	26,536	Units
Commodity Rate:	**$ 1.21**	per unit

Rate Design

Non Metered Flat Rate

Revenue Allocation: **594,640**

College Park, Seavey Loop

Allocated to Base Rates: 100.00%
Allocated to Commodity Rates: 0.00%

Base Rates

Revenue Allocation: **594,640**

Connection size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8" and 3/4" Adjusted	882	1.0	882	96.18%	$ 571,944	**$ 54.04**
3/4"		1.5	-	0.00%	$ -	**$ 81.06**
1"	14	2.5	35	3.82%	$ 22,696	**$ 135.10**
1 1/2"		5.0	-	0.00%	$ -	**$ 270.19**
2"		8.0	-	0.00%	$ -	**$ 432.31**
3"		15.0	-	0.00%	$ -	**$ 810.58**
4"		25.0	-	0.00%	$ -	**$ 1,350.96**
6"		50.0	-	0.00%	$ -	**$ 2,701.93**
8"		80.0	-	0.00%	$ -	**$ 4,323.08**
TOTAL	896		917	100.00%	$ 594,640	

Rate Design

Commercial Water Haulers

Revenue Allocation: **7,305**

Allocated to Base Rates: 0.00%
Allocated to Commodity Rates: 100.00%

Base Rates

Revenue Allocation: -

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
		1.0	-	0.00%	$ -	$ -
		1.5	-	0.00%	$ -	$ -
		2.5	-	0.00%	$ -	$ -
		5.0	-	0.00%	$ -	$ -
SC	1	8.0	8	100.00%	$ -	$ -
		15.0	-	0.00%	$ -	$ -
		25.0	-	0.00%	$ -	$ -
		50.0	-	0.00%	$ -	$ -
		80.0	-	0.00%	$ -	$ -
TOTAL	1		8	100.00%	$ -	

Commodity Rate

Revenue Allocation: **7,305**

Annual Total Consumption	2,397,228	Gallons
Allocation Percentage Tier 1	75%	1,797,921.00
Allocation Percentage Tier 2	25%	599,307.00

Tier 1 (Monthly Consumption Up to & Including 10000 Gallons)

Revenue Allocation (%)	60%	of commodity rate
Revenue Allocation ($)	$ 4,383	
Threshold	10,000	Gal
Annual Consumption	2,397,228	Gal
Unit of Measurement	100	Gal
Annual Units of Consumption	23,972	Units
Commodity Rate:	**$ 0.18**	per unit

Tier 2 (Monthly Consumption over 10000 Gallons)

Revenue Al	40%	
Revenue Al	$ 2,922	
Annual Cor	15,501,372	Gal
Unit of Mea	100	Gal
Annual Uni	155,014	Units
Commodity	**$ 0.02**	per unit

Rate Design

Illahe Wastewater	Revenue Allocation:	95,488

Allocated to Base Rates:	100.00%
Allocated to Commodity Rates:	0.00%

Base Rates

Revenue Allocation: **95,488**

Meter Size	Customers	% of Total	Revenue Allocation	Base Rate
Res/Com	245	90.55%	$ 86,465	**$ 29.41**
Restaurant	1	9.45%	$ 9,023	**$ 751.90**
TOTAL	246	100.00%	$ 95,488	

CASE: UW 209
WITNESS: STEPH YAMADA

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 700

Rebuttal & Cross-Answering Testimony

August 26, 2026

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

A. My name is Steph Yamada. I am a Senior Utility Analyst employed in the Water, Telecom, Safety, and Consumers Program of the Public Utility Commission of Oregon (OPUC). My business address is 201 High Street SE, Suite 100, Salem, Oregon 97301.

Q. Have you previously provided testimony in this case?

A. Yes. I previously provided Opening Testimony in Exhibit Staff/200, with supporting Exhibits Staff/201-203, which include my Witness Qualifications Statement.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address and respond to the Company's August 12, 2026, Reply Testimony relating to affiliated interest costs, labor costs, and contract services.

Q. Did you prepare any additional exhibits for this docket?

A. No.

Q. How is your testimony organized?

A. My testimony is organized as follows:

Issue 1. Summary 3
Table 1: Staff Expense Changes to OT Position 6
Issue 2. Labor Expenses 7
Comparative Labor Analysis 9
Table 2: Recent Cases Labor Costs per Customer (Modified) 10
Pre-Acquisition Labor Analysis 12
Table 3: Pre-NWN Labor Costs per Customer 14
Table 4: Staff's Opening Testimony Labor Proposal 16
Table 5: Staff's Revised Labor Proposal 16

Market Rate Analysis..... 16
Additional Inclusions..... 17
Issue 3. Disputed Non-Labor Expenses..... 20
Table 6: Disputed Non-Labor Accounts – Company vs. Staff OT..... 20

ISSUE 1. SUMMARY

Q. Please summarize your Opening Testimony position.

A. In Opening Testimony, I provided Staff's analysis of affiliated interest costs, labor costs, contract services, and taxes. I recommended a total expense decrease of $944,141, representing a 46 percent reduction to the Company's proposal of $2,048,645 in the areas subject to my analysis. Approximately 74 percent of that adjustment was related to affiliate labor costs. I also addressed the lack of transparency around affiliated interest transactions and recommended conditions necessary to facilitate a system level review of expenses.

Q. Please summarize the Company's response to Staff's recommendations.

A. While the Company provided many qualitative and rhetorical arguments regarding its affiliate operations, it did not demonstrate that its proposed inclusions are quantitatively and measurably appropriate. The Company disagreed with Staff's adjustments and methodologies regarding labor, transportation, and rental expenses, but made $91,784 in reductions to labor-related accounts 601, 634, 636, and 637.[1] The Company accepted Staff's recommended Conditions 1 through 3 relating to affiliate costs, accepted Condition 4 subject to its position that NWN Gas costs are already covered, and did not oppose but will seek additional clarification regarding Condition 5.

[1] Consolidated Sunstone Utilities/307, Rowell/1.

Q. What were the primary reasons for Staff's recommended Opening Testimony adjustments?

A. The Company's proposals were unclear, difficult to follow, and lacked sufficient detail necessary to assess the underlying amounts. My Opening Testimony summarizes the Company's request as Staff understands it. To simplify the presentation, Staff assessed the Company's affiliate costs by categories: 1, 2.1, 2.2, 2.3, 2.4, 2.5, 3, and 4.

In many cases, those categories consist of additional consolidated sub-categories as presented by the Company, and the underlying composition of those items is unknown or unreasonably difficult to assess. For example, Table 17 in my Opening Testimony shows the Company's Category 2.2 proposals, which the Company further splits into 14 sub-categories. It is impossible to assess the reasonableness of those amounts based on the information provided in the table due to a lack of underlying details, such as the specific purpose, quantity and unit cost associated with each individual line item.

Furthermore, it is difficult to trace affiliate costs to their ultimate source—such costs may originate with any of several affiliated entities and may be assigned or allocated down through multiple layers of affiliates. The Company's affiliate cost proposals appear to be largely driven by the amounts incurred by affiliates rather than the needs of the affected water systems.

Additionally, the relationship of affiliate cost categories to specific operating expense accounts is unclear. Some expense types are present in multiple areas—for example, the Company proposes legal expenses in Categories 2.1, 2.2, 2.5, and an additional $12,790 in Account 633 (Contract Services – Legal). The spreading of costs between multiple affiliate cost categories and multiple operating expense accounts adds complexity, making it difficult to understand the Company's cost proposals and, in turn, to assess their reasonableness.

Q. Did the Company modify its proposal in its Reply Testimony?

A. Yes. In the areas subject to my analysis, the Company reduced its expense proposal by $91,784 to $1,956,861, representing a decrease of four percent compared to its initial proposal.[2]

Q. Does Staff update any of its recommendations in this testimony?

A. Yes. My recommended changes result in a total increase of $106,704 compared to my Opening Testimony position, as summarized in the following table.

[2] Consolidated Sunstone Utilities/307, Rowell/1.

Table 1: Staff Expense Changes to OT Position			
Acct.	**Staff OT**	**Staff RT**	**Change**
601 – Salary/Wage	$0	$0	$0
604 – Pension/Ben	$0	$0	$0
631 – Engineering	$957	$957	$0
633 – Legal	$0	$7,409	$7,409
634 – Mgmt Fees	$70,466	$70,466	$0
635 – Testing	$37,244	$37,244	$0
636 – Labor	$619,984	$713,822	$93,838
637 – Bill/Collect	$5,776	$5,776	$0
639 – Contract Other	$34,434	$34,434	$0
642 – Equip. Rental	$13,068	$15,432	$2,364
648 – Computer/Elec	$10,522	$10,522	$0
650 – Transportation	$13,901	$16,415	$2,515
675 – Misc. Expense	$2,072	$2,072	$0
OE4/408.13 – CAT	$12,041	$12,468	$427
408.11 – Prop Tax	$66,211	$66,211	$0
408.12 – Payroll Tax	$0	$0	$0
409.10 – Fed Tax	$162,984	$163,097	$113
409.11 – OR Tax	$54,843	$54,881	$38
	$1,104,504	**$1,211,207**	**$106,704**

These changes result in a reduction of 41 percent compared to the Company's initial proposal of $2,048,645, and a reduction of 38 percent compared to the Company's Reply Testimony proposal of $1,956,862.

ISSUE 2. LABOR EXPENSES

Q. What adjustments or methodologies did the Company disagree with for labor expenses?

A. The Company's Reply Testimony primarily criticized Staff's methodologies, including the comparisons used to illustrate the excessive nature of the Company's proposals as well as Staff's use of per-customer proxy figures. The Company also argued that its labor cost proposals reflect improvements since NW Natural acquired these systems.

Q. Does the Company's criticism of Staff's methodologies demonstrate that the Company's proposals are reasonable?

A. No. Arguments against Staff's methodologies do not represent evidence in support of the Company's proposals. The Company carries the burden of proof in demonstrating that its proposed inclusions are just and reasonable; Staff maintains that the Company has not made such a demonstration, and that available evidence reveals the Company's proposals to be excessive.

Q. What did Staff propose as an alternative to the Company's requested affiliate cost inclusions?

A. Since sufficient detail needed to assess the reasonableness of the Company's proposed actual costs is unavailable, Staff proposed that a reasonable proxy be used where needed. Specifically, for Account 642 (Equipment Rental), Account 650 (Transportation), and the sum of all labor accounts, Staff recommended using per-customer cost levels from prior to NW Natural's acquisition (inflation-adjusted to 2026) as a proxy to calculate a reasonable

inclusion. Staff notes that all of the water systems included in this case were operating without deficiency prior to the acquisition; thus, a pre-acquisition proxy is appropriate. Staff also proposed certain conditions that would clarify the Company's recording of affiliate costs going forward—ideally, additional clarity in future cases would enable costs to be included based on actual amounts rather than proxy figures.

Q. The Company argues that Staff's use of proxy figures represents inappropriate ratemaking. Does Staff agree?

A. No, but Staff acknowledges that the use of proxy figures is not preferred. Ideally, appropriate amounts would be established based on actual costs that the utility has proven to be just and reasonable. In this case, these conditions have not been met. In such circumstances, proxy figures represent the best available metric by which to estimate an appropriate inclusion and, by extension, their use represents sound ratemaking.

Q. Why did Staff conclude that the Company's proposed labor costs were particularly excessive despite a lack of clarity regarding their composition?

A. Staff conducted three analyses, summarized below, to assess the Company's proposed labor costs, and all three indicated the Company's proposals are high. Two of these analyses focused on the aggregated sum of labor-related accounts (identified in my Opening Testimony as Accounts 601, 603, 604, 634, 636, 638, and 408.12) on a per-customer basis and the third evaluated market

wages. As shown in my Opening Testimony, against all three metrics, the Company's proposals are excessive.

- Comparative Labor: Staff compared the Company's UW 209 proposal across labor-related accounts to other recent water rate cases as approved by the Commission.
- Pre-Acquisition Labor: The second analysis compared Company's UW 209 proposal across labor-related accounts to levels that were present prior to NW Natural's acquisition of the affected systems (inflation-adjusted to 2026 dollars).
- Market Rates: The third analysis compared the Company's Category 1 wage rates (the largest affiliate labor cost category) to market rates by position.

Comparative Labor Analysis

Q. What aspects of Staff's comparative analysis against other utilities' recent rate cases did the Company disagree with?

A. The Company disagreed with the inclusion of Avion Water Company, Inc. and Roats Water System, Inc. (both are Oregon water utilities rate regulated by the PUC) in the comparison because those utilities are larger than Sunstone, and pointed out several other ways in which the included utilities differ from Sunstone. The Company also argued that Staff's identified labor-related accounts omit Account 637 (billing/collection) and Account 639 (contract services – other). The Company also disagreed with Staff's use of the CPI as

an escalator, arguing that it does not "represent today's efficient cost"[3] while also arguing that Staff failed to escalate figures from recent rate cases.[4] The Company also generally disagreed with Staff's examination of costs on a per-customer basis.

Q. How would modifying the analysis impact the comparison to other water utilities' recent rate cases?

A. After removing Avion and Roats, adding Accounts 637 and 639, and escalating figures to 2026, the revised figures reflected in recent rate cases are summarized in the following table.

Table 2: Recent Cases Labor Costs per Customer (Modified)

Docket	Water Company	Labor Cost (2026 $s)	Customers	Cost per Customer
UW 206	Crooked River	$605,114	1,587	$381
UW 205	Agate	$647,439	1,273	$509
UW 204	Government Camp	$162,680	462	$352
UW 201	Metolius Meadows	$49,556	158	$314
	Total	**$1,464,789**	**3,480**	**$421**

Incorporating changes made in Reply Testimony, the Company's equivalent proposal in this rate case is $511 per customer, which is higher than every example shown in the previous table and 21 percent higher than the $421 average.

Q. What does this revised analysis illustrate?

A. This revised analysis illustrates that, even when viewed through the Company's modified lens, the Company's proposal remains high compared to

[3] Consolidated Sunstone Utilities/300, Rowell/22.
[4] Consolidated Sunstone Utilities/300, Rowell/24.

approved amounts in recent rate cases. While it is true that differences exist between Sunstone and the comparators used in this analysis, the same is true for all water utilities regulated by the Commission. Despite individual differences between systems, a high-level examination of cost levels provides valuable insight into typical costs required to operate small water utilities.

Q. The Company argued that past rate case figures should be escalated from the test year, not the year in which an order was issued. Does Staff agree?

A. No. During water rate cases, costs are typically adjusted to reflect the rate effective period, including "known and measurable" adjustments to a historical test year. As such, the approved figures more accurately reflect the year in which the order was issued than the test year. All of the comparative rate cases shown in the previous table were completed in 2025; Staff's revised analysis therefore escalates all figures from 2025 to 2026 using the CPI-U.

Q. Does this revised comparison to other utilities modify Staff's recommendations regarding labor cost inclusions?

A. No. While this analysis illustrates the excessive nature the Company's labor proposals, it does not directly impact Staff's proposal. Staff's Opening Testimony labor proposal was based on cost levels that were present prior to NW Natural's acquisition of the affected systems, not the average of other utilities, and Staff maintains that approach here.

Pre-Acquisition Labor Analysis

Q. Why do per-customer pre-NW Natural figures represent a reasonable proxy for estimation purposes?

A. Although Staff referenced other utilities' recent rate cases as a comparator, cost levels that were present prior to NW Natural's acquisition of the affected systems provide the best approximation for what costs would be absent the affiliate relationship with NW Natural. The Company argues that the included labor cost should not be established "by substituting someone else's numbers for ours."[5] Staff agrees; the relevant systems' actual pre-NW Natural levels represent a better proxy than the other utilities included in Staff's comparative analysis. Per-customer figures adequately capture differences in customer counts between rate cases, provide a means for broad system comparisons, and are generally appropriate and useful for estimation purposes.

Q. Why is the All-Urban CPI (i.e., the CPI-U) an appropriate escalator for labor figures?

A. This is the same escalator utilized in Staff's Wage and Salary Model in energy utility rate cases, the use of which the Commission has reaffirmed on several occasions. For example, in its Order No. 20-473, the Commission states, "[a]s we have previously explained, this method incorporates actual market-based data by using actual historic wages as a starting point, but also ensures utilities are incented to minimize labor costs by using the All-Urban CPI to escalate

[5] Consolidated Sunstone Utilities/300, Rowell/23.

historic wages…."[6] Staff's proposal in this case essentially follows the same principle by beginning with known labor costs (as reflected in a basket of relevant labor-related accounts) and escalating those actual costs in accordance with the CPI-U.

Q. What aspects of Staff's cost comparison to pre-acquisition levels does the Company disagree with?

A. In addition to items identified previously, the Company primarily disagrees with the Salmon Valley customer count utilized by Staff. Specifically, in calculating per-customer cost levels prior to NW Natural's ownership, Staff utilized figures from rate cases prior to NW Natural's acquisition of the affected systems, as described in my Opening Testimony. For Salmon Valley, the relevant past rate case was UW 158, with a customer count of 913. The Company identified that its proposed customer count in the present case is significantly lower, at 674. This change is not directly related to NW Natural's acquisition of Salmon Valley; the Company previously proposed the use of the higher count in past cases under NW Natural ownership.[7] Staff understands that the Company reduced the count in this case to more accurately reflect the number of customer meters.

Q. Does Staff agree to adjust the Salmon Valley customer count?

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6 Order No. 20-473, Page 102.

7 Advice Letter No. 23-1, Salmon Valley's UW 195 Rate Case filing under NW Natural ownership, https://edocs.puc.state.or.us/efdocs/UAA/uaa162748.pdf, and Advice Letter No. 20-1, Salmon Valley's UW 184 Rate Case filing under NW Natural ownership, https://edocs.puc.state.or.us/efdocs/UAA/uaa123638.pdf.

A. Yes. The use of a higher customer count in the denominator results in a lower calculated cost per customer. The Company argues that applying this lower per-customer figure to the updated customer count lowers the inclusion related to Salmon Valley, and Staff agrees. Consequently, Staff revises the customer count used to calculate per-customer costs prior to NW Natural's ownership from 913 to 674.

Q. How do the identified modifications impact the labor cost per customer?

A. Compared to Staff's Opening Testimony, the revised pre-NW Natural figures after adding Accounts 637 and 639 and updating the Salmon Valley customer count are summarized in the following table.

Table 3: Pre-NWN Labor Costs per Customer

System	Staff Opening Testimony	Staff Revised Cost	Change
Salmon Valley	**$278**	**$381**	**37%**
Lakeshore	$250	$291	16%
Seavey Loop	$252	$338	34%
South Coast	$270	$335	24%
Total ICH	**$261**	**$324**	**24%**
Helton	$257	$273	6%
Hillview	$361	$404	12%
Illahe	$247	$263	7%
Shadow Wood	$275	$279	1%
Westwood	$190	$281	47%
Total Sunstone	**$245**	**$274**	**12%**

As shown here, these changes increased Salmon Valley's calculated pre-NW Natural labor cost from $278 to $381 per customer. In the aggregate, the revised pre-NW Natural labor costs for these nine systems total $443,253

across 1,321 customers, or $336 per customer, compared to the $266 per customer reflected in Staff's Opening Testimony. Staff did not modify its CPI escalation methodology compared to its Opening Testimony, which is appropriate, as discussed previously.

Q. How do Staff's revised pre-NW Natural labor costs compare to the Company's UW 209 proposals as revised in the Company's Reply Testimony?

A. The Company did not separate its Reply Testimony totals by system, so system-specific comparisons are unavailable. As mentioned previously, the Company's Reply Testimony reflects a revised labor proposal of $511 per customer across all systems—this is 52 percent higher than Staff's revised pre-NW Natural figure of $336 per customer across the nine systems for which data are available.

Q. What does this revised analysis illustrate?

A. This analysis again illustrates that the Company's overall proposed labor costs are substantially higher under NW Natural ownership than they were previously, which continues to support Staff's conclusion that the Company's UW 209 labor proposals are excessive.

Q. Do Staff's revised pre-NW Natural costs modify Staff's recommended labor cost inclusions?

A. Yes. As discussed in my Opening Testimony, I previously recommended an adjustment to establish the combined total of Accounts 601, 603, 604, 634, 636, 638, and 408.12 at an appropriate overall amount based on known cost

levels that were present before NW Natural acquired these systems. For simplicity, this adjustment was applied entirely to account 636. After that adjustment, the affiliate labor totals reflected in Staff's Opening Testimony were as shown in the following table.

Table 4: Staff's Opening Testimony Labor Proposal			
Tariff Group	**Customers**	**Cust per Customer**	**Amount**
Salmon Valley	674	$278	$187,282
Shady Cove	305	$245	$74,847
Sunstone A	458	$245	$112,394
Sunstone B	259	$245	$63,559
Sunstone C	821	$245	$201,475
Sunstone D	195	$261	$50,893
Total	**2,712**	**$254**	**$690,450**

The restatement of pre-NW Natural costs increases Staff's Account 636 proposal by an additional $93,838. The addition of Accounts 637 and 639 results in a total labor proposal of $824,498, as shown in the following table.

Table 5: Staff's Revised Labor Proposal			
Tariff Group	**Customers**	**Cost per Customer**	**Amount**
Salmon Valley	674	$381	$256,992
Shady Cove	305	$274	$83,474
Sunstone A	458	$274	$125,348
Sunstone B	259	$274	$70,885
Sunstone C	821	$274	$224,696
Sunstone D	195	$324	$63,104
Total	**2,712**	**$304**	**$824,498**

Market Rate Analysis

Q. What aspects of Staff's market rate analysis did the Company disagree with?

A. The Company disagrees with Staff's approach for assessing whether proposed expenses meet the lower of cost or market requirement. Regarding

both rental and labor costs, the Company states that NW Natural charges a 20 percent profit markup to non-affiliated clients and does not charge this markup to affiliates. The Company therefore concludes that "affiliated clients essentially receive a 20% discount relative to…unaffiliated clients,"[8] arguing that this represents "clear evidence that the [affiliate rates] are below market rates."[9]

Q. How does Staff respond to this argument?

A. The Company's business practices related to unaffiliated clients have no relationship to market rates as used in the "lower of cost or market" assessment. As discussed in my Opening Testimony, this assessment compares affiliate costs to market rates that would apply in the water system's vicinity absent the affiliate relationship. Staff typically performs this analysis on a cost-by-cost basis—for example, the affiliate's costs for tax preparation, meter reading, and legal labor would be separately compared against market rate equivalents in the utility's vicinity. There is no evidence to suggest that the affiliate's cost plus 20 percent represents the market rate that would be present absent the affiliate relationship. This argument is therefore irrelevant to the present case.

Additional Inclusions

Q. Does the Company argue that labor cost inclusions beyond Staff's present recommendation are merited?

[8] Consolidated Sunstone Utilities/300, Rowell/16.
[9] Consolidated Sunstone Utilities/300, Rowell/30.

A. Yes. The Company has provided various narrative arguments suggesting that NW Natural provides the affected systems with an increased level of service compared to prior ownership. The Company also argues that Salmon Valley's operational costs, including labor costs, have increased since NW Natural's acquisition in part due to the addition of the Foxglove 7 well and related improvements. Since Staff's recommendation is based on cost levels that were present prior to NW Natural's ownership, it does not include any additional amounts related to these items.

Q. How does Staff respond to those arguments?

A. To the extent that any improvements provided under NW Natural ownership are reasonable and necessary for the provision of safe and adequate service, Staff does not object to their inclusion. However, the affected systems do not generally appear to have been in distress prior to NW Natural's acquisition—since they were already providing safe and adequate service, the Company should demonstrate the necessity of any new operational improvements provided by NW Natural. As described in my Opening Testimony, to the extent that improvements are not necessary, their cost should not be borne by customers.

Furthermore, the Company has provided only qualitative arguments in support of its overall cost proposals; it has not provided quantitative, measurable cost justification of the alleged improvements associated with NW Natural ownership or increased labor necessitated by Salmon Valley's Foxglove 7 improvements. As shown previously, Staff's per-customer labor

proposal for Salmon Valley is already significantly higher than for all other tariff groups. Staff is not persuaded that further increases are necessary.

Q. How does Staff's labor proposal (the sum of Accounts 601, 603, 604, 634, 636, 637, 638, 639, and 408.12) compare to the Company's proposal?

A. Incorporating the adjustments made in Reply Testimony, the Company's revised labor cost across these accounts totals $1,385,820; Staff's revised labor proposal of $824,498 represents a decrease of $561,322, or 41 percent, compared to that amount.

Q. Are additional adjustments needed to Accounts 601, 603, 604, 634, 636, 637, 638, 639, or 408.12?

A. No. Although the Company disagreed with specific aspects of Staff's analysis affecting these accounts, Staff's overall labor adjustment effectively renders those issues moot by setting the sum of these accounts at an appropriate overall level. As discussed previously, a broad analysis of the Company's proposal reveals the overall amounts to be unreasonable, and details regarding specific actual costs remain unclear. Staff's overall labor adjustment solves this issue effectively and efficiently for the purposes of this rate case, rendering any further adjustment related to these accounts unnecessary.

ISSUE 3. DISPUTED NON-LABOR EXPENSES

Q. Other than the labor accounts identified previously, what accounts subject to your analysis remain in dispute?

A. In its Reply Testimony, the Company adjusted only labor-related accounts. Of the remaining accounts subject to my analysis, the Corporate Activity Tax, Property Tax, Federal Income Tax and Oregon Income Tax calculations are dependent on other figures in the case—I do not believe the underlying calculation methodologies are in dispute, though the dollar amounts will differ depending on other inclusions. The remaining disputed accounts as reflected in Staff's Opening Testimony are summarized in the following table.

Table 6: Disputed Non-Labor Accounts – Company vs. Staff OT

Account		Company	Staff OT	Difference
633	Contract Svc - Legal	$12,790	$0	($12,790)
642	Rental of Equipment	$52,614	$13,068	($39,546)
648	Computer/Electronic	$22,789	$10,522	($12,267)
650	Transportation	$56,380	$13,901	($42,480)
675	Misc. Expense	$10,502	$2,072	($8,430)
Total		**$155,074**	**$39,563**	**($115,511)**

Q. Does Staff propose modifications to its recommendation for these accounts?

A. Yes. Staff provides updated recommendations for Account 633 (Contract Services-Legal), Accounts 642 (Equipment Rental) and 650 (Transportation). Staff proposes no changes to previous recommendations for Accounts 648 and 675.

Q. Why does Staff continue to support its recommendation for Accounts 648 and 675?

A. Staff proposes no changes to previous recommendations for Accounts 648 and 675 because Staff's existing proposal reflects a combined total of $12,594 in these two accounts. This amount is higher than the calculated pre-NW Natural equivalent, which would be $7,675.

Q. What update does Staff propose to its recommendation for Account 633 (Contract Services-Legal)?

A. Staff proposes to include legal costs at the pre-NW Natural level of $2.73 per customer, resulting in an increase of $7,409 to Account 633. Staff's previous recommendation to reduce Account 633 (Contract Services-Legal) to $0 was based on an argument that affiliate legal costs are already included elsewhere. However, since this account is not included in the overall affiliate labor adjustment, a separate inclusion for legal costs may be appropriate.

Q. What update does Staff propose to its recommendation for Accounts 642 (Equipment Rental) and 650 (Transportation)?

A. In Opening Testimony, Staff calculated Accounts 642 and 650 based on pre-NW Natural cost levels. While Staff maintains this position, the update to Salmon Valley's customer count increases these accounts by a combined total of $4,879 compared to the Opening Testimony position.

Q. What were Staff's Opening Testimony arguments related to equipment rental and mileage (transportation) costs?

A. In Opening Testimony, Staff argued that these costs are likely higher under NW Natural ownership than they would be otherwise. This is largely due to the

need to transport equipment between the affiliate's central location and the individual water systems. Absent the affiliate relationship, equipment would presumably be rented more locally to the subject water systems, which would reduce these costs.

Q. Please address the Company's response to these arguments.

A. In its Reply Testimony, the Company primarily argued that its per-unit rental and mileage costs align with market rates.[10] To clarify, Staff is not disputing the per-unit rates; Staff is disputing the overall total, which is affected by the quantity of units in addition to the per-unit rates. The centralized nature of the affiliate relationship increases mileage costs by increasing the number of miles traveled. This increased distance also increases the amount of time for which equipment must be rented. Staff's proposal to calculate these amounts based on cost levels that were present prior to NW Natural's ownership reasonably removes any cost increases that are solely attributable to increased travel resulting from the affiliate relationship.

Q. Does the Company address how affiliate rental costs compare to market rates?

A. Yes. As discussed for labor costs, the Company argues that forgoing the 20 percent profit markup charged to non-affiliated clients represents market rates. This mischaracterizes how market rates are assessed.

Q. Are there other affiliate-related items in dispute?

[10] Consolidated Sunstone Utilities/300, Rowell/49-53.

A. Yes. In its Opening Testimony, Staff recommended that the Company be required to file for Commission approval to transact with any affiliated interests whose costs are ultimately booked to the subject water systems that have not been previously approved by the Commission. Staff identified that NW Natural Holding Company (HoldCo), NW Natural Gas Company (NWN Gas), NW Natural Water of Washington, and NW Natural Water of Oregon fall into this category. In its Reply Testimony, the Company stated that it "disagrees with Staff on this point to the extent they argue that costs from NW Natural Gas have not already been approved."[11] However, the Company also states that it is "not opposed to filing the relevant applications if the Commission deems it appropriate."[12]

Q. How does Staff respond?

A. Staff appreciates the additional information provided by the Company demonstrating that all individual water systems subject to this proceeding are included under the master services agreement.

Q. Does this conclude your testimony?

A. Yes.

[11] Consolidated Sunstone Utilities/300, Rowell/11.
[12] Consolidated Sunstone Utilities/300, Rowell/12.

CASE: UW 209
WITNESS: JOSEPH BARTHOLOMEW

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 800

Rebuttal & Cross-Answering Testimony

August 26, 2026

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

A. My name is Joseph Bartholomew. I am a Senior Utility Analyst employed in the Energy Program of the Public Utility Commission of Oregon (OPUC). My business address is 201 High Street SE, Suite 100, Salem, Oregon 97301.

Q. Have you previously provided testimony in this case?

A. Yes. I previously provided testimony in Staff's 400 Exhibits, which includes my witness qualification statement in Exhibit 401.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to evaluate and respond to the Company's Reply Testimony of my opening testimony regarding Utility Plant in Service.

Q. Did you prepare any exhibits for this docket?

A. Yes. I prepared Exhibit Staff/800, consisting of 8 pages.

Q. How is your testimony organized?

A. My testimony is organized as follows:

Issue 1. Utility Plant in Service..... 2

ISSUE 1. UTILITY PLANT IN SERVICE

Q. Please summarize the Company's response to the Utility Plant in Service adjustments recommended by Staff.

A. The Company agrees with many adjustments recommended by Staff, but contests adjustments recommended for Account 331 (Transition and Distribution Mains), Account 347 (Electronic/Computer Equipment), and Account 339 (Other Plant).[1]

Q. Why did Staff recommend its adjustment to Account 331?

A. Staff's analysis of the Company's utility plant in service found that there are seven line items for "system acquisition" or "purchase price" in Account 331 for plant invested in the revenue requirement provided by the company for Penticton, Collage Park, Echo Mountain, Boulder Creek, Bear Creek, and Salmon Valley water systems.[2] For example, there is a line item that has $100,000 being depreciated over 50 years labeled "System acquisition PENTICTON" and another line item that has $175,000 being depreciated over 50 years labeled "Purchase price PENTICTON." It is Staff's understanding, based on the description of these line items by the company, that these dollar amounts were used for the purchase of the water systems in excess of net assets, which the Commission typically does not allow to be passed to rate payers.

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1 Consolidated Sunstone Utilities/300, Rowell/ 2.
2 See exhibit Staff/402, Bartholomew/3. These systems are highlighted in red.

Q. What was the Company's response to the Utility Plant in Service Account 331 adjustments made by Staff?

A. The Company disagreed that the amounts listed in this account for Penticton/College Park, Echo Mountain, Boulder Creek, Bear Creek, and Salmon Valley are acquisition adjustments. The Company states "… these are the assets that existed at the time the systems were acquired by their previous owner. The descriptions of these assets do contain references to the acquisitions but that does not mean they are acquisition adjustments. Those references indicate that the referenced assets existed at the time of acquisition."[3]

Q. Did the Company provide evidence that the assets in question existed at the time the systems were acquired and not acquisition adjustments?

A. The Company mentioned an order (but did not provide the order number) in its reply testimony approving the purchase of Boulder Creek and Bear Creek for $45,248 of distribution assets and a $4,752 acquisition premium.[4] However the Company did not provide additional explanation for amounts recorded for Penticton/College Park, Echo Mountain, or Salmon Valley.

Q. Did Staff find the Company's answer to be true?

A. Yes, in part. Staff found Commission Order No. 11-438, in Docket No. UP 277, that allowed a portion of what the Company claims in the above question and answer.[5] In the approved Commission order, it states that the Company is

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[3] Consolidated Sunstone Utilities/300, Rowell/ 4 - 5.
[4] Consolidated Sunstone Utilities/300, Rowell/ 5.
[5] https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=17056.

allowed to amortize, over a 15-year period, the acquisition adjustment (goodwill) of $4,752 for the purchase of the two systems referenced above. The Company started depreciating these systems in March 1, 2012. With the 15-year time frame in mind, the acquisition adjustment will be fully amortized by March 1, 2027, which is only a few months after a potential rate effective date. Staff feels this amount should be removed rather than allowing a collection beyond the intended amortization period. The Company also amortized $50,000 for these systems over 50 years, not the amount approved in the order.

Q. Did Staff ask the Company to provide details about the asset list the Company is referencing above, which they called acquisition adjustments or purchase price in their Reply Testimony?

A. In the Company's Reply Testimony, it states "In discussions with Staff subsequent to the filing of Staff's Opening Testimony, Staff requested that the Company provide the following in testimony:"[6]

1. A list of assets, install dates, and asset life for all items within each "acquisition" line item.
2. If an asset list isn't available, please provide a common-sense adjustment to represent assets that aren't in use, especially those that were acquired in 2002 or greater than 10 years ago.

[6] Consolidated Sunstone Utilities/300, Rowell 5/6.

3. Confirmation that items listed in #1 above were not already included in the individual plant schedules submitted with the application. If any items were included, please explain.
4. An explanation of why these would not be considered acquisition adjustment costs that would need to be approved by the Commission in a UP docket.
5. The Orders cited during settlement that provide Commission approval of specific costs.

Q. Did the Company provide answers to these questions in their Reply Testimony?

A. No, the Company responded in its Reply Testimony with the following: "The Company is conducting research necessary to comply with Staff's above request and will provide an update to Staff when its research is complete."

Due to the Company's current lack of response to the five questions and what Staff explained in their testimony above, Staff feels the Company did not supply enough justification for their response to Staff's testimony regarding Utility Plant in Service Account 331; therefore, Staff's makes no further adjustment at this time but is open to further revisions should additional evidence be provided by the Company.

Q. Why did Staff recommend its adjustment to Account 339?

A. Staff sent the company Staff Data Request (DR) 33 requesting a detailed description of assets that were labeled "Other Structures* SHADOW WOOD",

"Amazon Salmon Valley" and "?? Salmon Valley."[7] Some of the items on the list that Staff removed had either no description, or a vague, incomplete description. For example, "2' elbow 45 degrees stainless steel" or "1" steel cast pipe fitting." These are just descriptors of what the item is but no details on what it was used for and its purpose.

Q. What was the Company response to the Utility Plant in Service Account 339 adjustments made by Staff?

A. The Company responded with the following:

> Mr. Bartholomew recommends removal of assets with a collective original cost of $15,535. These assets consist of a fully depreciated asset at Shadow Wood with an original cost of $13,405 and several assets purchased through Amazon.com for Salmon Valley in 2021 and 2022. The Company agrees that the fully depreciated asset at Shadow Wood should be removed from rate base. However, in response to Staff DR 33 the Company provided explanations for many of the Amazon.com purchases and demonstrated they were for plant and equipment used in the provision of service. The Company does not agree that the assets that were fully explained should be removed from rate base. The total reduction in original cost for Account 339 the Company agrees to is $14,441 consisting of the fully depreciated Shadow Wood asset and $1,036 of small items purchased through Amazon.[8]

Q. What is Staff's response to the Company?

A. Staff removed items that the Company did not provide any justification for in its response to Staff DR 33. Staff also removed items they felt were not prudent to be passed on to the rate payer, for example "WallarGe Digital Wall Clock" or "WallarGe Desk Clock". Staff's original adjustment to this account was

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7 See exhibit Staff/402, Bartholomew/4/5.
8 Consolidated Sunstone Utilities/300, Rowell 6/7.

$15,535, to which the Company agreed with $15,477 of Staff's total adjustment. That leaves a $58 difference between Staff and the Company to which the Company did not provide a list of assets justifying the difference; therefore, Staff's original adjustment remains.

Q. What was the Company response to the Utility Plant in Service Account 347 adjustments made by Staff?

A. In its Reply Testimony, the Company stated:

> Mr. Bartholomew proposes to remove assets with a collective original cost of $6,548 from this account, stating that the Company was unable to provide a detailed description of these assets in its response to Staff DR 33. The Company disagrees. Its description of these assets is sufficient. Most of these assets are electrical equipment that was part of the Foxglove Well treatment plant project, operating and controlling the treatment facility that is measurably reducing iron and manganese in Salmon Valley's water. The Company does not agree that these assets should be removed from rate base.[9]

Q. What is Staff's response to the Company's Reply Testimony in Account 347?

A. Staff removed 18 items from this account for a few reasons.

1. 17 items will be fully depreciated or will fully depreciate shortly after the rate effective date in this rate case.
2. One item "Circuit board Salmon Valley" has two identical entry's and when Staff asked in DR 33 for the Company to inform Staff if they are duplicates, the Company did not respond.

[9] Consolidated Sunstone Utilities/300, Rowell 8.

3. The Company did not provide a detailed description for any of the assets which were requested by Staff. For example, when the Company submitted its application, this account had assets with a description of “Circuit board Salmon Valley” and Staff asked for a detailed description of this asset which the Company responded with “Circuit Board.” Another example, in the Company’s initial application they had several items labeled “USA Blue Book Salmon Valley” as a description in this account, Staff requested a detailed description for these items which the company responded with “Electronic tools and equipment.”

None of the responses provided by the company were detailed enough for Staff to understand how the items were being used or how they are useful in conjunction with other assets. Staff’s original adjustment will remain.

Q. Does this conclude your testimony?

A. Yes.