

RESPONSE TO THE OPC'S OBJECTION AND REQUEST TO SUSPEND TARIFFS

1. On March 27, 2013, Dale W. Johansen d/b/a Johansen Consulting Services, the court-appointed receiver (Receiver) for Rogue Creek Utilities, Inc. (Company), submitted a small utility operating revenue increase request letter to the Commission on behalf of the Company. Through that letter, the Receiver requested an increase of \$40,425 in the Company's annual water system operating revenues and an increase of \$48,565 in the Company's annual sewer system operating revenues.

2. In addition to the "regular" request for increases in the Company's annual operating revenues, the Receiver also submitted proposed revised tariff sheets intended to implement interim increases in the Company's sewer and water rates, as well as special surcharges related to the Company's sewer and water services. The revised tariff sheets bear an effective date of April 26, 2013.

3. On April 2, 2013, the Office of the Public Counsel (OPC) filed The Office of the Public Counsel's Objection and Request to Suspend Tariffs (Objection), in which it requested that the Commission suspend the proposed tariff revisions that were submitted with the Company's small utility operating revenue increase request letter.

4. On April 2, 2013, the Commission issued its Order Directing Company to Respond to the Office of the Public Counsel's Objection (Response Order) in the subject files. In its Response Order, the Commission directed the Company to: (a) file, not later than April 9, 2013, a response to the OPC's objection and motion to suspend; and (b) file, as a part of its response, any exception under which it seeks immediate rate relief which is apparently contrary to Commission rule 4 CSR 240-3.050. This submission is intended to comply with the Commission's Response Order.

5. In paragraph 2 of its Objection the OPC notes that the Company's operating revenue increase request letter did not include any explanation as to why the requested interim rates and surcharges were needed, and that the letter did not include any explanation as to what the surcharges are for or what the money collected through the surcharges will be used for. While this is true so far as the content of the Company's operating revenue increase letter is concerned, it needs to be noted that the Receiver provided representatives of both the OPC and the Commission Staff supporting documentation regarding the need for and the calculation of both the interim rates and the special surcharges (as well as the "regular" requested operating revenue increases) less than an hour after the operating revenue increase letter was submitted to the Commission. The Receiver also provided similar information to representatives of the OPC and the Staff on February 13, 2013, and notified those representatives of the intent to pursue interim rates and special surcharges as a part of the Company's small utility operating revenue increase requests during a telephone conference call on February 14, 2013.

6. In paragraph 2 of its Objection the OPC also notes that the Company's operating revenue increase letter stated the interim rates and surcharges would be subject to refund and/or change pending the resolution of the small utility rate case procedures; and also noted that the language in the proposed revised tariff sheets does not indicate that the surcharges would be subject to refund. In response, the Receiver notes that the OPC's observations in this regard are correct. The proposed special surcharges are not intended to be subject to refund, but the language in the proposed revised tariff sheets clearly indicate the surcharges are subject to change. The reason the special surcharges are not proposed to be subject to refund is that they are intended to cover specific deferred maintenance items and past-due accounts payable and have a specific expiration date.

7. Attached hereto as Attachment 1 is an updated version of the supporting documentation regarding the interim rates and special surcharges that the Receiver previously provided to representatives of the OPC and the Staff. Included in Attachment 1 are the following: (1) a monthly cash flow analysis at current rates; (2) a summary of the "needs" that form the basis for the requested special surcharges; (3) an overview of the calculation of the proposed special surcharges and interim rates; and (4) a monthly cash flow analysis that assumes implementation of the proposed special surcharges and interim rates. Regarding the summary of the "needs" that form the basis for the requested special surcharges, it needs to be noted that the cost of recent emergency sewer system repairs undertaken through the involvement of the Department of Natural Resources (DNR) will replace some of the sewer system deferred maintenance items. Additionally, the nature of those repairs will likely result in costs that significantly exceed the estimated cost of the subject deferred maintenance items; however, the DNR has yet submitted invoices for those repairs.

8. Based upon the information provided in Attachment 1, the Receiver believes it is clear that an unusual, "emergency" situation exists with regard to the Company's current financial circumstances and thus that the implementation of the proposed special surcharges and interim rates is warranted. Additionally, the Receiver believes the provisions of Commission Rule 4 CSR 240-3.050 regarding the submission of tariff revisions pertain to the submission of tariff sheets related to proposed "regular" operating revenue increase requests and not to proposed interim or emergency revenue increase requests, and thus questions whether an exception to those provisions is necessary. However, if an exception to those provisions is deemed necessary, the Receiver believes the Company's current financial circumstances provide a reasonable basis for such an exception.

9. Copies of this document and the attachment are being provided via electronic mail to the following representatives of the Commission Staff and the OPC.

Christina Baker – OPC

Ted Robertson – OPC

Kevin Thompson – Staff

Sarah Kliethermes – Staff

Jim Busch – Staff

ATTACHMENT 1

- (1) Monthly Cash Flow at Current Rates
- (2) Summary of Company "Needs" Related to Proposed Special Surcharges
- (3) Calculation of Proposed Special Surcharges & Interim Rates
- (4) Monthly Cash Flow at Current Rates + Special Surcharges + Interim Rates

Rogue Creek Utilities - Monthly Cash Flow @ Current Rates

Average Monthly Expenses	Amount	Comments
Electricity	\$ 465	from updated rate case EMS runs
Chemicals	\$ 450	from updated rate case EMS runs
Sludge Removal	\$ 140	from updated rate case EMS runs
Certified Contract Operator	\$ 1,200	current contract monthly charge
Receivership Fee	\$ 1,200	court-approved monthly base charge
Receivership Expenses	\$ 535	2 trips per month (including travel time)
Local Labor (Floyd M.)	\$ 160	\$100/mo. base + \$60 for meter reading
U.S. Postal Service	\$ 50	from updated rate case EMS runs
Billing Postcards	\$ 45	from updated rate case EMS runs
Repairs, Maintenance, etc.	\$ 400	from updated rate case EMS runs
PSC Assessment	\$ 110	based on FY2013 - changes in July
DNR Fees	\$ 15	from updated rate case EMS runs
Subtotal "Out-of-Pocket" Expenses	\$ 4,770	
Depreciation Expense	\$ 930	from updated rate case EMS runs
Return on Rate Base	\$ 465	from updated rate case EMS runs
Income Taxes	\$ 115	from updated rate case EMS runs
Subtotal "Non-Cash" Items	\$ 1,510	
Total Cost of Service	\$ 6,280	
Average Monthly Revenues	Amount	Comments
Operating Revenues from Current Rates	\$ 2,780	total annualized from rate case EMS runs
Billings Collection Rate	90%	based on average monthly collections for January 2012 thru January 2013 (\$2,340) compared to annualized revenues from monthly minimum charges
Average Monthly Revenues	\$ 2,500	
Monthly Net - Out-of-Pocket	\$ (2,270)	This would go to zero or slightly positive with implementation of the proposed interim rates and special surcharges.
Monthly Net - Total COS	\$ (3,780)	This would theoretically go to zero at conclusion of rate cases.

Rogue Creek Utilities - Needs for Short-Term Surcharges

System Maintenance/Improvements	Amount	Comments
Sewer Manhole Cleaning - Watercrest Road	\$ 1,500	Dale J estimate (sewer)
Sewer Main Dig-Up / Repair - Watercrest Road (blockage)	\$ 1,500	contractor estimate (sewer)
Sewer Main Dig-Up / Repair - Watercrest Road (break/leak)	\$ 1,500	Dale J estimate (sewer)
Manhole Dig-Up + Main/Lateral Cleaning - Rogue Creek Road	\$ 1,500	Dale J estimate (sewer)
Lift Station Repair (main station at entry to system)	\$ 750	Dale J estimate (sewer)
STP - Repair of Sludge Return Pump	\$ 500	Dale J estimate (sewer)
STP - 2nd Blower/Motor	\$ 2,500	Dale J estimate (sewer)
Subtotal Sewer	\$ 9,750	
Inspections of Water Tanks	\$ 2,685	contractor bid (water)
Replacement of 10 water meters	\$ 1,200	Dale J estimate (water)
5 water meters for future use	\$ 300	Dale J price search (water)
Well - New Pressure Switch and related items	\$ 1,000	Dale J estimate (water)
Subtotal Water	\$ 5,185	
Total System Maintenance/Improvements	\$ 14,935	
Past-Due Accounts Payable	Amount	Comments
Brad Mashek - sewer	\$ 975	\$750 billed (operations at 50/50 split) + Dale J estimates for two unbilled sewer service calls (4 hrs. each @ \$75/hr.)
Brad Mashek - water	\$ 375	
Environmental Management Services - sewer	\$ 2,700	December @ \$300 + Jan/Feb/March/April @ \$1,200/month
Environmental Management Services - water	\$ 2,700	
Floyd Medley - sewer	\$ 350	Oct/Nov/Dec/Jan/Feb/March/April @ \$100 each + four water meter readings (4 hrs. each @ \$15/hr.) - does not include recent extra work re: sewer system problems
Floyd Medley - water	\$ 590	
Johansen Consulting - base fees - sewer	\$ 3,600	Nov/Dec/Jan/Feb/Mar/April @ \$1,200/month
Johansen Consulting - base fees - water	\$ 3,600	
Johansen Consulting - excess hours - sewer	\$ 880	Dale J estimate (thru April) - working on actual amount
Johansen Consulting - excess hours - water	\$ 880	
Johansen Consulting - start-up costs - sewer	\$ 540	identified to date - reviewing records for update
Johansen Consulting - start-up costs - water	\$ 540	
Johansen Consulting - travel expenses - sewer	\$ 1,765	Dale J estimate (thru April @ 2 trips/mo.) - working on actual amount
Johansen Consulting - travel expenses - water	\$ 1,765	
Subtotal Sewer	\$ 10,810	
Subtotal Water	\$ 10,450	
Total Accounts Payable	\$ 21,260	
Total Sewer	\$ 20,560	57% of combined total
Total Water	\$ 15,635	43% of combined total
Combined Total	\$ 36,195	this is 65% of the Company's Total Net Plant In Service

Rogue Creek Utilities - Calculation of Monthly Special Surcharges & Monthly Interim Rates

Water Service	
Total Revenue Increase Needed *	\$ 40,495
Depreciation *	\$ (4,315)
Return on Rate Base *	\$ (2,310)
Income Taxes *	\$ (575)
Revenue Increase Needed for "Out-of-Pocket" Items	\$ 33,295

* from updated rate case EMS Run

Monthly Special Surcharge	
Deferred Maintenance Items *	\$ 5,185
Past-Due Accounts Payable *	\$ 10,450
Carrying Costs * *	\$ 515
Total Surcharge Items	\$ 16,150
Number of Customers	100
Months for Collection	11
Monthly Surcharge Needed	\$ 14.68

* from Needs for Surcharges tab
* * assumes loan @ 6.5% for 11 months

Monthly Interim Rate	
Revenue Increase Needed for "Out-of-Pocket" Items	\$ 33,295
Revenue Increase Recovered thru Monthly Special Surcharge	\$ 15,635
Revenue Increase to Recover thru Monthly Interim Rate	\$ 17,660
Number of Customers	100
Months for Collection	12
Monthly Interim Rate Needed	\$ 14.72

Sewer Service	
Total Revenue Increase Needed *	\$ 49,115
Depreciation *	\$ (6,825)
Return on Rate Base *	\$ (3,280)
Income Taxes *	\$ (815)
Revenue Increase Needed for "Out-of-Pocket" Items	\$ 38,195

* from updated rate case EMS run

Monthly Special Surcharge	
Deferred Maintenance Items *	\$ 9,750
Past-Due Accounts Payable *	\$ 10,810
Carrying Costs * *	\$ 675
Total Surcharge Items	\$ 21,235
Number of Customers	94
Months for Collection	11
Monthly Surcharge Needed	\$ 20.54

* from Needs for Surcharges tab
* * assumes loan @ 6.5% for 11 months

Monthly Interim Rate	
Revenue Increase Needed for "Out-of-Pocket" Items	\$ 38,195
Revenue Increase Recovered thru Monthly Special Surcharge	\$ 20,560
Revenue Increase to Recover thru Monthly Interim Rate	\$ 17,635
Number of Customers	94
Months for Collection	12
Monthly Interim Rate Needed	\$ 15.63

Rogue Creek Utilities - Monthly Cash Flow @ Current Rates + Special Surcharges + Interim Rates

Average Monthly Expenses	Amount	Comments
Electricity	\$ 465	from updated rate case EMS runs
Chemicals	\$ 450	from updated rate case EMS runs
Sludge Removal	\$ 140	from updated rate case EMS runs
Certified Contract Operator	\$ 1,200	current contract monthly charge
Receivership Fee	\$ 1,200	court-approved monthly base charge
Receivership Expenses	\$ 535	2 trips per month (including travel time)
Local Labor (Floyd M.)	\$ 160	\$100/mo. base + \$60 for meter reading
U.S. Postal Service	\$ 50	from updated rate case EMS runs
Billing Postcards	\$ 45	from updated rate case EMS runs
Repairs, Maintenance, etc.	\$ 400	from updated rate case EMS runs
PSC Assessment	\$ 110	based on FY2013 - changes in July
DNR Fees	\$ 15	from updated rate case EMS runs
Loan Payment	\$ 3,400	\$36,195 loan at 6.5% for 11-month term
Subtotal "Out-of-Pocket" Expenses	\$ 8,170	
Depreciation Expense	\$ 930	from updated rate case EMS runs
Return on Rate Base	\$ 465	from updated rate case EMS runs
Income Taxes	\$ 115	from updated rate case EMS runs
Subtotal "Non-Cash" Items	\$ 1,510	
Total Cost of Service	\$ 9,680	
Average Monthly Revenues	Amount	Comments
Operating Revenues from Current Rates	\$ 2,780	total annualized from rate case EMS runs
Operating Revenues from Surcharges	\$ 3,400	
Operating Revenues from Interim Rates	\$ 2,940	
Billing Collection Rate	90%	based on average monthly collections for January 2012 thru January 2013 (\$2,340) compared to annualized revenues from monthly minimum charges
Average Monthly Revenues	\$ 8,210	
Monthly Net - Out-of-Pocket	\$ 40	
Monthly Net - Total COS	\$ (1,470)	This would theoretically go to zero at conclusion of rate cases.