

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 112

In the Matter of)	
)	
RUNNING Y UTILITY COMPANY)	STAFF'S RESPONSE
)	TO BENCH REQUEST
Request for a general rate increase in the)	
amount of \$61,976, or 20 percent.)	

INTRODUCTION

On April 26, 2006, Administrative Law Judge (“ALJ”), Kathryn Logan, issued a bench request in these proceedings. Specifically, the bench request notes that there seems to be a discrepancy in Running Y Utility Company’s (“Company”) noticed increase to its customers and the stipulated increase reached by the parties.

While it is correct that the stipulated revenue requirement is higher than the noticed revenue requirement, this is a result of the Company’s use of a historic test year that was not appropriately adjusted for load growth. The notice sent to customers, however, is consistent with the Company’s stipulated increase on a percentage basis of revenues. Staff believes that the notice was adequate to inform the customers of the magnitude of the proposed increase and that the stipulation is consistent with customer expectations based upon the Company’s notice. Staff takes this opportunity to provide the following responses to the ALJ Logan’s bench request:

1. In *Cline Butte Utility Company*, Order No. 02-446, Staff corrected the utility’s revenue requirement, resulting in a revenue requirement greater than the initial application. Additionally, the customers received notice of a 24.78 percent revenue requirement increase, rather the actual 41.51 percent. The utility was limited to the percentage increase of its requested revenue requirement unless it amended its application and issued a new notice to its customers. Please address how this case applies, if at all, to the instant case?

Response:

The Cline Butte case can be distinguished from this proceeding. The overall revenue requirement percentage increase is not higher than that noticed to the customers. The Stipulated revenue requirement only appears higher than noticed because the Company provided an incorrect baseline revenue that did not account for known and measurable load growth. In fact, while the Company notice stated a 20 percent increase in revenue requirement, the Stipulation only provides an 8.98 percent increase when the correct customer count is employed.

The impact of the stipulated revenue requirement and the fact that it is below the noticed increase is also demonstrated by Attachment A, Table 1, which provides a comparison of the Running Y Utility Company's average bill from the proposed rates to the average bill under those rates contained in the Stipulation. The residential bill is lower by \$2.73 from the proposed rates and other rates are lower and higher consistent with the Commission's discretion to determine the appropriate rate spread and design of revenue requirement.

2. Does the Commission have authority to approve a rate increase based on total revenues that exceed the total revenues requested in a utility's general rate filing? What is the upper limit, or cap, to be applied to a utility's application before a new notice must be, or should be, sent to customers?

Response:

The Commission should not approve a rate increase based upon total revenues that exceeds the total revenues requesting in a utility's general rate filing. *See Cline Butte Utility Company, Order No. 02-446.* However in this proceeding, the Commission is not being asked to approve a rate increase that will provide a level of revenues greater than asked by the Company under the test period used by the Company. As illustrated by Attachment A, Table 2, the proposed revenues, assuming the base test year (excludes customer growth consistent with the company filing), is less than that requested by the Company.

The Company's revenue requirement numbers were historic and not forward-looking. If the rates recommended were applied to this lower test period level, the revenues generated would be less than those identified in the notice. The numbers provided in the Stipulation use the test period, which is updated for the known and measurable increase and customers. This results in increases to both revenues at current rates and revenues at proposed rates.

This situation is not unique. The Commission has a history of using historic test periods. When customer demand for service is increasing, the level of revenues under the historic test period will necessarily be lower than the actual revenues received under the new rate levels. The upper limit on the level of revenues depends on the test period chosen. In this case, the stipulated revenue increase is

less than the 20 percent noticed to customers. The apparent increase above the noticed revenue requirement is simply a reflection of the application of a forward-looking test year to the baseline revenues. Regardless, the stipulated increase in revenue requirement is 8.98 percent and below the noticed 20 percent increase.

3. Please explain what adjustments were made to "Column B" and "Column D." A worksheet showing the adjustments would be helpful.

Response:

The adjustment to Column B was to reflect the Company projected number of customers that would be served during the first year that rates would be in effect. See Staff/100, Sloan/2, lines 7-9.

The adjustments to Column D are to reflect increases in costs as projected in the test period, restated for the updated customer level.

CONCLUSION

To be legally sufficient, the notice to customers should be reasonably calculated to advise the customers of the potential impact of the rate request. In this case, customers were adequately noticed regarding the rates as proposed in the stipulation.

DATED this 2nd day of May 2006.

Respectfully submitted,

HARDY MYERS
Attorney General

/s/ Jason W. Jones
Jason W. Jones, #00059
Assistant Attorney General
Of Attorneys for Staff of the Public
Utility Commission of Oregon

ATTACHMENT A
TABLE 1

	Current Rates RYUC Calc.*	Current Rates Staff Calc.	RYUC Proposed Rates	Staff and RYUC Stipulated Rates
Residential				
Total Average Monthly Bill	\$34.84	\$40.12	\$44.16	\$41.43
Commercial				
5/8" & 3/4"				
Total Average Monthly Bill	\$41.10	\$40.21	\$43.51	\$42.08
1"				
Total Average Monthly Bill	NA	\$118.00	NA	\$124.36
1.5"				
Total Average Monthly Bill	NA	\$405.15	NA	\$439.01
2"				
Total Average Monthly Bill	\$401.99	\$445.97	\$491.90	\$464.44
3"				
Total Average Monthly Bill	NA	\$806.74	NA	\$841.16
Irrigation				
5/8" & 3/4"				
Total Average Monthly Bill (7 mos)	\$44.67	\$33.31	\$54.36	\$43.72
1"				
Total Average Monthly Bill	NA	\$34.40	NA	\$43.66
1.5"				
Total Average Monthly Bill	NA	\$47.80	NA	\$63.87
2"				
Total Average Monthly Bill	\$80.38	\$88.98	\$50.11	\$108.65
Golf Course				
Total Average Monthly Bill	\$9,874.71	\$8,873.78	\$10,799.28	\$10,799.27

*Per Customer Notice

ATTACHMENT A
TABLE 2

A	B	C	D	E	F	G
	RYUC Test Year Revenue	RYUC Requested Revenue	Test Year Customers	Stipulated Rates	Test Year Customers x Stip Rates x 12 months	STIP - RYUC Difference (F - C)
Residential	156,152	200,768	373	41.76	186,918	-13,850
Commercial	67,970	75,748				
5/8" & 3/4"			7	84.38	7,088	
1"			1	170.32	2,044	
1.5"			4	491.17	23,576	
2"			6	517.08	37,230	
3"			1	890.00	10,680	
Total Commercial		75,748			80,618	4,870
Irrigation	16,828	19,746				
5/8" & 3/4"			16	25.50	4,896	
1"			3	25.47	917	
1.5"			4	37.26	1,788	
2"			17	63.38	12,930	
Total Irrigation		19,746			20,531	785
Golf Course	68,196	75,595	1	6299.57	75,595	0
TOTALS	309,146	371,857			363,661	-8,196

1 **CERTIFICATE OF SERVICE**

2
3 I certify that on May 2, 2006, I served the foregoing upon all parties of record in this
4 proceeding by delivering a copy by electronic mail and by mailing a copy by postage prepaid
5 first class mail or by hand delivery/shuttle mail to the parties accepting paper service.

6
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8
9 **RESORT RESOURCES INC**
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