

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 20, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: December 9, 2016

TO: Public Utility Commission

FROM: Stephanie Yamada *[Signature]*

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck *[Signature]*

SUBJECT: ROATS WATER SYSTEM: (Docket No. ADV 460/Advice No. 16-04)
Establishes a standard irrigation rate as well as domestic and irrigation rates for The Pines and Crown Villa.

STAFF RECOMMENDATION:

Staff recommends that Roats' request to establish a standard irrigation rate, as well as domestic and irrigation rates for The Pines and Crown Villa, be approved with less than statutory notice, for service rendered on and after January 1, 2017.

DISCUSSION:

Issue

Whether Roats Water System, Inc. (Roats or Company) Advice No. 16-04 should be approved, which would allow the Company to establish rates for standard irrigation service, as well as rates for both domestic and irrigation service in The Pines and Crown Villa, effective with service rendered on and after January 1, 2017.

Applicable Rule or Law

ORS 757.205 requires utilities to file with the Commission schedules showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by the utility within the state.

When a water utility seeks to establish new rates or schedules of rates, it must file such request with the Commission pursuant to ORS 757.210 and OAR 860-036-0630. The Commission may, upon written request or its own motion, after reasonable notice, conduct a hearing to determine whether the rates contained within the schedule are fair,

just and reasonable. The Commission may also order the suspension of the filing pending an investigation pursuant to ORS 757.215(1). Under ORS 757.215(4), if the Commission does not order suspension on the new rate or schedule filed by the utility, but a subsequent hearing on the rate or schedule of rates is held pursuant to ORS 757.210, the revenue collected by the utility is received subject to being refunded.

ORS 757.225 prohibits a utility from charging, demanding, collecting or receiving compensation for any service that is not reflected in its rate schedules, and from demanding, collecting or receiving any rate not specified in such schedule.

Analysis

Currently, Roats is in the process of acquiring a portion of the former Juniper Utility (Juniper) system from the City of Bend. The sale is scheduled to close on or before December 31, 2016, with Roats to begin providing service to its new customers on January 1, 2017. As a result of Roats' acquisition of Juniper, Roats will acquire customers which cannot appropriately be charged according to any rate in Roats' current tariff. Namely, Roats will acquire both domestic and irrigation customers in The Pines (a mobile home park) and Crown Villa (an RV park), as well as "standard" irrigation customers residing outside of The Pines and Crown Villa. Roats does not currently have any schedule on file with the Commission pursuant to which it can serve these customers. As Roats will acquire these customers from the City of Bend and begin serving these customers on January 1, 2017, Roats requires tariffed rates at which these customers can be charged.

Roats submitted an application for a general rate revision on March 15, 2016, docketed as UW 166, in order to establish overall rates inclusive of the Juniper acquisition. This case is still pending. The parties filed a Partial Stipulation in that docket on December 6, 2016, which shows the rates that Roats and Staff stipulated to for all services. No party opposes the Partial Stipulation.¹ A Second Partial Stipulation was filed on December 9, 2017, which resolved between the parties the rate-effective date for new rates, which was the only issue not settled by the Partial Stipulation. The rates that Roats proposes with Advice No. 16-04 are identical to the stipulated rates in UW 166 for standard irrigation, The Pines and Crown Villa irrigation, and base and commodity rates for domestic service in The Pines and Crown Villa. The proposed rates are as follows:

¹ As of 12/13/16, Staff learned that Mr. Pease is planning on objecting to the Partial Stipulation, but he does not appear to object to the rates addressed in this memorandum.

The Pines/Crown Villa Monthly Base Rate	\$17.58
The Pines/Crown Villa Commodity Rate per 100 cubic feet	\$1.86
The Pines/Crown Villa Monthly Irrigation Flat Rate	\$23.16
Standard Monthly Irrigation Flat Rate	\$48.80

Juniper customers proposed to be acquired by Roats who do not fall into one of the above rate categories can be charged according to Roats' current tariffs until the UW 166 rates go into effect. For example, Juniper residential customers can appropriately be charged according to Roats' current Schedule No. 1 – Residential and Commercial Metered Rates.

Staff and the Company engaged in a rigorous process to determine appropriate rates to recommend for Commission approval in the Company's currently pending general rate case. Staff asked, and the Company responded, to 108 data requests. Staff, the Company and Intervenors held numerous workshops and settlement conferences during which information was exchanged. Staff also went on a site visit to view Roats system and to view the soon-to-be acquired Juniper system.

The timing of the Juniper acquisition in relation to the Company's pending general rate case has created a very unique circumstance where the Company will be gaining customers from the City of Bend on January 1, 2017, but the Commission will not have made a determination regarding the prudence of the acquisition and resulting rates by that time. As such, pursuant to ORS 757.205 and ORS 757.225, Roats must have a rate schedule pursuant to which it may charge its newly acquired customers so that they may receive water service, but there will necessarily be a lag between that time and when the Commission determines the prudence of the transaction and just and reasonable rates in the Company's pending general rate case. It is for this reason that Staff recommends that the Commission approve the Company's Advice 16-04. In recognition of the timing issue, Roats has agreed to implement rates on an "interim" basis until final rates are determined in its general rate case, and subject to refund.

Conclusion

Staff agrees that rate schedules are necessary for the Company's newly acquired "standard" irrigation customers and domestic and irrigation customers in The Pines and Crown Villa, as the Company currently has no tariff pursuant to which these customers may be charged upon taking service from the Company. Staff reiterates that Roats will acquire the customers upon the closure of the sale, expected to take place on or before December 31, 2016.

Docket No. ADV 460
December 9, 2016
Page 4

PROPOSED COMMISSION MOTION:

Approve, on less than statutory notice, Roats' request to establish rates for standard irrigation service, irrigation service in The Pines and Crown Villa, and domestic base and commodity rates for The Pines and Crown Villa effective January 1, 2017.

Roats ADV460