

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 19, 2013

REGULAR  X  CONSENT       EFFECTIVE DATE  December 31, 2013

DATE: December 12, 2013

TO: Public Utility Commission

FROM: Laurel Anderson *LA*

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck *BAC* *BH*

SUBJECT: ALSEA PROPERTIES, INC: (Docket No. UW 159/Advice No. 13-15)  
Requests a general rate revision and requests interim rate relief, subject to refund.

**STAFF RECOMMENDATION:**

Pursuant to ORS 757.215, Staff recommends that proposed tariffs filed by Alsea Properties, Inc. (Alsea or Company) requesting a general rate increase of \$30,268, resulting in annual revenues of \$51,107, be suspended for six months effective December 31, 2013.

Pursuant to 757.215(5), Staff recommends the proposed interim rate request filed by Alsea be approved as modified by Staff. The Company proposed an interim monthly base rate of \$25.25 and a commodity rate of \$.007 per gallon. Staff recommends an interim monthly base rate of \$23 and a commodity rate of \$.0021 per gallon, which is equal to the current commodity rate.

**DISCUSSION:**

Background

Alsea is a rate-regulated water system in Tidewater, Oregon. The subdivision is fully built-out serving 81 customers. The Company came under rate regulation in 1999 by customer petition. On November 27, 2013, Alsea filed an application for a general rate increase with a request for interim rates. This is the Company's second rate case since coming under regulation.

In its application, Alsea states that a rate increase, the first in fifteen years, is necessary because the Company's annual expenses exceed its revenues. According to Alsea's

application, test year expenses were \$30,136 for the year ending January 31, 2013. This was \$9,297 more than the revenues of \$20,839 reported for the same period. Additionally, Alsea states it has outstanding invoices for accounting, tax, and bookkeeping fees totaling \$5,630, due to current inadequate revenues. Additionally, with the deterioration of the system, the board was activated this summer to address current operating issues.

The Company states that the major cause of this dire situation is that revenues have remained flat while expenses have jumped 72 percent, resulting in the cash reserves being drawn down by half. On November 30, 2013, the Company had a cash balance of \$14,071 with additional invoices totaling \$3,534 for testing, repairs, and a water right filing. In addition, Alsea has identified a necessary repair to an exposed mainline from the redwood tank. This section of mainline has been identified as a safety concern and there is high risk of distribution failure due to potential breaks in this line. The bid on this repair is \$14,750, with the work scheduled to be completed in April, 2014.

ORS 757.215(5) states that the Commission may, in a suspension order, authorize an interim rate under which the utility's revenues will be increased by an amount deemed reasonable by the Commission, but not more than the amount requested by the utility. The interim rate remains in effect until terminated by the Commission. If the interim rate, or any portion thereof, is found to be unjustified upon completion of the rate case, it will be refunded, with interest, to the customers.

Because Alsea is a small water company with very limited access to capital, Staff believes that an interim rate increase in these circumstances is appropriate to allow the Company to meet its ongoing expenses until the Commission approved new rates. Given the information above, Staff believes a 50 percent interim increase in the base rate, resulting in a 35.5 percent increase in revenue, is reasonable. This increase is subject to refund with interest if found to be unjustified upon completion of the rate case.

Table A shows the residential metered customers base and variable rates under the current tariffed rates, Alsea's proposed interim rates, and Staff's proposed interim rates.

**TABLE A**

<u>Residential</u>	<u>Current</u>	<u>Alsea Proposed</u>	<u>Staff's Proposed</u>
	<u>Rate</u>	<u>Interim Rate</u>	<u>Interim Rate</u>
Base Rate	\$15.25	\$25.25	\$23.00
Variable Rate	\$.0021	\$.007	\$.0021

Table B shows a comparison of average monthly bills for residential customers who use an average of 3,125 gallons per month, under current rates, Alsea's proposed interim rates, and Staff's proposed interim rates.

**TABLE B**

<u>Residential</u>	<u>Current Mo</u> <u>Bill</u>	<u>Alsea Proposed</u> <u>Interim Mo Bill</u>	<u>Staff Proposed</u> <u>Interim Mo Bill</u>
5/8" & 3/4"	\$21.81	\$47.13	\$29.56

**PROPOSED COMMISSION MOTION:**

Pursuant to ORS 757.215(5), the proposed tariffs filed by Alsea Properties, Inc. be suspended for six months, effective December 31, 2013, to allow Staff sufficient time to investigate the Company's rate proposal; and, pursuant to ORS 757.215, Staff's proposed interim rate increase be granted effective December 31, 2013, subject to refund with interest as provided by ORS 757.215(6).