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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UW 78

In the Matter of the Application of ILLAHE)
ESTATES WATER SYSTEM, INC., for) ORDER
Approval of the Existing Rate System.)

DISPOSITION: STIPULATION APPROVED/RATES AUTHORIZED

On May 1, 2001, Illahe Estates Water System, Inc. (Illahe Estates), filed tariff sheets in Advice No. 01-3 to be effective May 31, 2001. At its May 22, 2001, Public Meeting, the Public Utility Commission of Oregon found that good and sufficient cause existed to investigate the propriety and reasonableness of the tariff sheets pursuant to ORS 757.210 and 757.215. In Order No. 01-429, the Commission ordered suspension of the Advice pending the investigation. The suspension was for a period not to exceed six months from May 31, 2001, the effective date on the tariff sheets. On November 20, 2001, the Commission issued Order No. 01 982, extending the suspension period for an additional three months, as is allowed under ORS 757.215(1).

On June 11, 2001, an Administrative Law Judge for the Commission conducted a public comment hearing and a prehearing conference in Salem, Oregon. No members of the public appeared. A schedule for the proceeding was adopted. The schedule was subsequently modified at the request of Staff and the company.

On February 5, 2002, Administrative Law Judge Allen Scott conducted a public comment meeting and an evidentiary hearing in Salem, Oregon. The company was represented by Cinda M. Conroyd, Attorney at Law. Staff was represented by Jason Jones, Assistant Attorney General. Two members of the public appeared at the public comment meeting. They expressed no opposition to the rates and tariffs described in this order. At the hearing, Staff and the company submitted a stipulated agreement resolving all issues in this matter and exhibits supporting the stipulation.

DISCUSSION

The attached stipulation and Staff testimony and exhibits are summarized below.

Illahe currently serves approximately 188 residential customers and one commercial customer in Salem. Illahe's general rate case filed on May 1, 2001, proposed to establish combined water and wastewater annual revenues of \$126,923, with a 10 percent rate of return on a rate base of \$308,955. The company proposed no change to its total revenues or current rates.

In late 2001, the company filed an amended proposal. Staff's analysis of the amended filing indicates that the company could justify a 58.2 percent increase in water revenue. The parties stipulated, however, to a 40 percent increase in water revenues. This 40 percent increase stipulated to represents a \$27,649 increase in water revenues resulting in annual revenues of \$96,770. The stipulated water revenue is spread over the residential customer class and commercial customer class as follows: \$89,958 to the residential customer class and \$6,812 to the commercial customer class.

The residential revenues are split as follows: 50 percent of the revenues is allocated to the base rate and 50 percent is allocated to the commodity rate. The commercial water revenues are split as follows: 35 percent is allocated to the base rate and 65 percent is allocated to the commodity rate. The allocation varies from the Commission's target split between a base rate and commodity rate of 60 percent and 40 percent, respectively. The departure from the target split is a result of the company's desire to keep the base rate close to its current base rates.

The stipulation results in a residential bimonthly base rate of \$39.88, with no consumption allowance, and a commodity rate of \$1.04 per each 100 cubic feet (CF) of water consumed. The average bimonthly residential charge at the new rates is approximately \$79.60. This compares to the company's current average bimonthly residential bill of \$52.06. The stipulation results in a bimonthly commercial base rate of \$47.26, with no consumption allowance for one inch meters, and \$151.43 for one and one half inch meters, or a \$198.69 combined base rate, again, with no consumption allowance. Illahe's one commercial customer's average bimonthly charge at the new rate is approximately \$936.65, compared to a current average monthly commercial bill of \$652.31.

With respect to wastewater, Staff's analysis indicates that Illahe could justify a 20.6 percent increase in wastewater revenue. This increase would produce total annual revenues of \$66,175, including a 10 percent rate of return on a rate base of \$224,540. However, the parties stipulated to a 16.4 percent increase in wastewater revenues. The 16.4 percent increase represents a \$9,006 increase in wastewater revenues resulting in annual revenues of \$63,898. The stipulated wastewater revenue is spread between the residential customer class and the commercial customer class as follows: \$56,255 to the residential class and \$7,643 to the commercial class. The parties stipulated to a flat bimonthly rate of \$49.87 for residential customers and a flat bimonthly rate of \$1,273.83 for the commercial customer.

Illahe has an affiliated interest contract with Salem Development, Inc., for management services. The company filed an application for approval of this contract on January 22, 2002. The stipulation in this case provides that the management contract expense is not included in the rates stipulated to by the parties. When the Commission approves the affiliated interest application, the company may make a filing to include this expense in rates. No determination regarding the treatment of this expense is made in the present docket.

This is the company's first tariff filing. Therefore, the company's rules and regulations and miscellaneous fees are being established in this rate case. They are contained in Attachment B to the stipulation.

DISPOSITION

The Commission has examined the stipulation and attachments and the entire record in this case. The Commission concludes that the stipulation is an appropriate resolution of all issues and that the rates established therein are just and reasonable. The Commission adopts the stipulation and all attachments.

CONCLUSIONS

1. The agreements in the attached stipulation are reasonable and should be adopted.
2. The rates set out in the stipulation are reasonable and proper.

ORDER

IT IS ORDERED that:

1. The stipulation between PUC Staff and Illahe Estates Water System, Inc., Appendix A to this order, is adopted.
2. The rates contained in the stipulation are effective as of March 2, 2002.
3. The tariff sheets in Advice No. 01-3, filed May 1, 2001, are permanently suspended.

Made, entered, and effective_____.

Roy Hemmingway
Chairman

Lee Beyer
Commissioner

Joan H. Smith
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.