

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 81

In the Matter of)	
)	ORDER
WILLAMETTE WATER COMPANY)	
)	
Application for Revised Rate Schedules)	
(General Rate Application.))	

**DISPOSITION: STIPULATION APPROVED/RATES AUTHORIZED/
CONDITIONS IMPOSED**

On September 18, 2001, Willamette Water Company (the Company) filed a request for a general rate increase in annual revenues of \$16,438 or 10 percent, as well as an interim rate relief in the amount of \$9,337 or 5.7 percent. In Order No. 01-908, entered November 21, 2001, the Public Utility Commission of Oregon found good and sufficient cause to investigate the propriety and reasonableness of the tariff sheets and suspended the advice pending that investigation, as well as allowing the interim increase.

On December 6, 2001, a public comment and prehearing conference were held in Eugene, Oregon. A schedule for the proceeding was adopted. The Goshen Rural Fire Protection District (the Intervenor) filed a petition to intervene, which was approved.

In Order No. 02-161, entered on March 13, 2002, a three month extension until July 2002 for rates schedules suspension was granted. On April 10, 2002, a revised schedule for the proceeding was adopted.

On May 29, 2002, a public comment and evidentiary hearing were held in Eugene, Oregon. The Company was represented by Mike Straub, authorized representative. Jason Jones, Assistant Attorney General, represented PUC Staff. Intervenor, Goshen Fire District, was represented by Gary Ackley, attorney, and Randy Wood, authorized representative.

Staff offered a stipulation entered into by all parties resolving all issues in the case. Staff also offered testimony explaining and supporting the stipulation.

DISCUSSION

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

Results of Operations

Staff, Goshen and the Company agreed that the Company can increase its annual revenue by \$16,436 or approximately 10%. This will result in total revenues of \$180,284. However, the parties stipulated to rate based on a \$174,612 revenue requirement. The deduction in revenue requirement was necessary to remove certain non-ratemaking revenues accidentally included in the revenue requirement. Staff identified the mistake after the parties had agreed to the \$180,284 requirement.

Staff, Goshen and the Company agreed that the Company could increase community and residential water service rates by \$39,962 or approximately 24 percent. This will result in total water sales revenues of \$166,136.

The fire protection rate is reduced 74.7 percent and the public fire protection rate is reduced 16.5 percent.

Conditions

The stipulation contains a fire hydrant maintenance agreement between the Company and the Intervenor in which Goshen annually shall do:

1. Weed removal around the hydrants.
2. Exercise the hydrants – i.e. flush and check flow.
3. Check and service hydrant cap seals and valve stems using greasing material identified by the Company.
4. Notify the Company with respect to needed repairs.

Goshen will not be charge for leakage from the hydrants unless the leakage is caused by an act of Goshen.

DISPOSITION

The Commission has examined the stipulation with 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 adjustments stipulated to by Staff and the Company as shown in the attached stipulation are reasonable and should be adopted. Willamette Water Company should be allowed to file revised rate schedules consistent with those adjustments.
2. The rates set out in the stipulation are reasonable and proper.
3. The conditions set out in the stipulation are appropriate and are adopted.

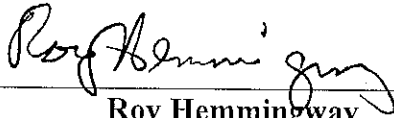
ORDER

IT IS ORDERED that:


1. The rate schedules proposed by Willamette Water are permanently suspended.
2. The stipulation, Appendix A to this order, is adopted.

JUN 28 2002

Made, entered, and effective _____



Roy Hemmingway
Chairman



Lee Beyer
Commissioner



Joan H. Smith
Commissioner

ORDER NO. 02-425

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.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UW 81

In the Matter of the Revised Tariff Schedules)
Filed by Willamette Water Company's)
(General Rate Application).) STIPULATION

Willamette Water Company, (the Company), appearing by and through its Operations Manager, Lana Johnson; and the Goshen Fire District (the Intervenor), appearing by and through its attorney Gary Ackley; and the Public Utility Commission Staff (Staff), appearing by and through its attorney, Assistant Attorney General Jason Jones, enter into this agreement in settlement of all issues between them.

1.

Attachments A and B and C, which are attached hereto, and Staff's testimony will be received in evidence pursuant to this stipulation.

2.

Staff, the Intervenor, and the Company agree that the Company will be allowed to increase its annual revenue by \$16,436, or approximately 10 percent, resulting in total revenues of \$180,284. However, the parties stipulated to rates based on a \$174,612 revenue requirement. The stipulated deduction in revenue requirement was required to remove certain nonratemaking revenues inadvertently included in the revenue requirement identified after the parties had agreed to the \$180,284 revenue requirement.

3.

Attachment "A" attached hereto shows the stipulated revenue requirement for water sales and fire protection. Attachment "B" shows the rates stipulated to by the parties. Attachment "C" is the fire hydrant maintenance agreement negotiated between the Company and the Intervenor as a condition of the stipulation.

4.

Staff, the Intervenor, and the Company agree that the Company will be allowed to increase residential and commercial water service rates by \$39,962, or approximately 24 percent,

resulting in total water sales revenues of \$166,136. The private fire protection rate and public fire protection rate are reduced 74.7 percent and 16.5 percent, respectively.

5.

Staff, the Intervenor, and the Company agree that the Company shall charge rates according to the rate schedules set forth in this stipulation. The company will file tariffs in accordance with the stipulated rates, attached hereto as Attachment "B."

6.

Staff, the Intervenor, and the Company agree that as a condition of this stipulation the Company and the Intervenor shall enter into a maintenance agreement regarding fire hydrants, attached hereto as Attachment "C."

7.

By entering into this Stipulation, no party shall be deemed to have approved, accepted, or consented to the facts, principles, methods, or theories employed by any other party in arriving at the agreed revenue requirement and rate spread and design.

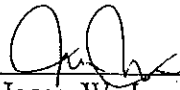
8.

The parties recommend that the Commission adopt this Stipulation in its entirety. The parties have negotiated this Stipulation as an integrated document. Accordingly, if the Commission rejects all or any material portion of this Stipulation, each party reserves the right, upon written notice to the Commission and all parties to this proceeding within 15 days of the date of the Commission's order, to withdraw from the stipulation and request an opportunity for the presentation of additional evidence and argument.

9.

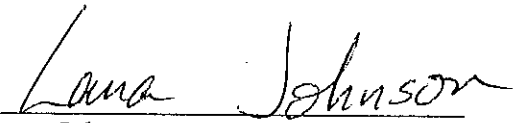
The parties understand that this stipulation is not binding on the Commission in ruling on Willamette Water Company's application and does not foreclose the Commission from addressing other issues.

DATED this 29th day of May 2002



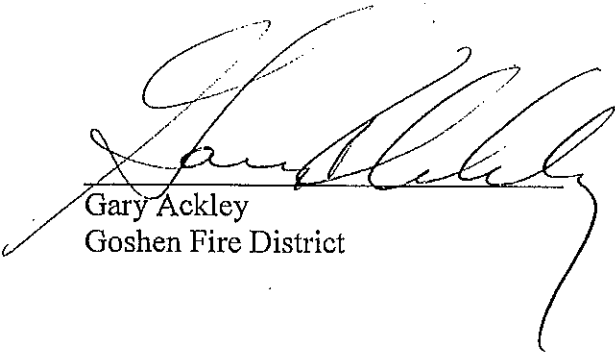
Jason W. Jones
Assistant Attorney General
Of Attorneys for OPUC Staff

DATED this 29 day of May 2002



Lana Johnson
Willamette Water Company

DATED this 29 day of May 2002



Gary Ackley
Goshen Fire District

	A	B	C	D	E	F	G	H	I
	Balance Per	Amended	Adjusted	Company	Proposed	Proposed	Adjusted	Staff	Proposed
	Application	Proposed	Results	Proposed	Results	Staff	Results	Proposed	Results
	2000	Company	(A+B=C)	Rev Changes	(C+D=E)	Adjustments	(A+F=G)	Rev Changes	(G+H=I)
		Adjustments							
1 Commercial/Industrial Rev	126,174	0	126,174	9,238	135,412	0	126,174	39,962	166,136
2 Rev Public Hydrant Fee &	14,994	0	14,994	14,678	29,672	(13,611)	1,383	5,010	6,393
3 Revenue - Private Fire Rev	22,680	0	22,680	(7,480)	15,200	(21,218)	1,462	621	2,083
4 TOTAL REVENUE	163,848	0	163,848	16,436	180,284	0	129,020	45,592	174,612
					10.03%				
5 Operating Expenses									
6 Salaries and Wages	13,829	6,600	20,429		20,429	17,755	31,584		31,584
7 Salaries and Wages	53,583	0	53,583		53,583	(29,052)	24,531		24,531
8 Training and Certification	328	50	378		378	50	378		378
9 Purchased Water	51,587	9,337	60,924		60,924	11,015	62,602		62,602
10 Depreciation of Equipment	0	7,600	7,600		7,600	7,600	7,600		7,600
11 Materials and Supplies	1,846	0	1,846		1,846	2,297	4,143		4,143
12 Contractual Services - Accounting	1,225	200	1,425		1,425	200	1,425		1,425
13 Contractual Services - Legal	2,400	2,600	5,000		5,000	0	2,400		2,400
14 Contractual Services - Testing	689	200	889		889	0	689		689
15 Utility Water Plant	2,490	0	2,490		2,490	0	2,490		2,490
16 Depreciation of Building/Real Property	4,178	0	4,178		4,178	0	4,178		4,178
17 Transportation Expense	2,634	0	2,634		2,634	0	2,634		2,634
18 Vehicle Liability Insurance	2,439	575	3,014		3,014	575	3,014		3,014
19 New Service Inst and Main Line Const	30,737	(15,737)	15,000		15,000	(30,737)	0		0
20 Const Insurance	330	207	537		537	330	660		660
21 Office Supplies	2,749	0	2,749		2,749	0	2,749		2,749
22 Utility Commission	486	88	574		574	(76)	410	114	524
23 Bad Debt Expense	1,760	(500)	1,260		1,260	(500)	1,260		1,260
24 Rate Case Expense	0				0	520	520		520
25 Miscellaneous Expense	6,680	0	6,680		6,680	(2,317)	4,363		4,363
26 TOTAL OPERATING EXPENSES	179,970	11,220	191,190	0	191,190	(22,340)	157,630	114	157,744
27 Depreciation Expense	642	0	642		642	1,561	2,203		2,203
28 Amortization Expense	0	0	0		0	0	0		0
29 Taxes Other Than Income Tax	7,499	0	7,499	0	7,499	(2,688)	4,811		4,811
30 Oregon Income Tax	0	924	924		924	(52)	(52)	3,002	2,950
31 Federal Income Tax	0	1,965	1,965	0	1,965	(112)	(112)	6,371	6,259
32 TOTAL REVENUE DEDUCTIONS	188,111	0	202,220	0	202,220	(23,631)	164,480	9,487	173,967
33 NET OPERATING INCOME	(24,263)	0	(38,372)	16,436	(21,936)	23,631	(35,460)	43,353	7,893
34 Utility Plant in Service	30,249	0	30,249		30,249	86,017	116,266		116,266
35 Less:									
36 Accumulated Depreciation	24,023	0	24,023		24,023	26,463	50,486		50,486
37 Contributions In Aid of Const	0	0	0		0	0	0		0
38 Unamortized Retired Plant	0	0	0		0	0	0		0
39 Amortization of CIAC	0	0	0		0	0	0		0
40 Net Utility Plant	6,226	0	6,226	0	6,226	59,554	65,780	0	65,780
41 Plus: (working capital)									
42 Materials and Supplies Inventory	0	0	0		0	0	0		0
43 Working Cash (1/12 of line 21 Total Oper Expenses)	15,646	0	15,646		15,646	(2,510)	13,136	9	13,145
44 TOTAL RATE BASE	21,872	0	21,872	0	21,872	57,044	78,916	9	78,925
45 Rate of Return									10.00%

(Line 31 Net Operating Income divided by Line 40 Total Rate Base)

Oregon Income Tax Rate: 6.60% (ORrate)
 Federal Income Tax Rate: 15.00% (Fedrate)
 Net to Gross Factor: 1.2628 (Factor)

Proposed Revenues of: \$166,136

Base/Commodity Split

Variable Rate Proposed Rev
40.00% \$166,136 = \$66,454

Base Rate Proposed Rev
60.00% \$166,136 = \$99,681
\$166,136

BASE RATE		Current Mo	Proposed Mo	Total Annual
Size of Line	# of Customers	Base Rate	Base Rate	Revenues
Residential				
3/4"	87	\$18.46	\$23.85	\$24,902
1"	6	\$28.80	\$37.21	\$2,679
1 1/2"	0	\$44.29	\$0.00	\$0
2"	0	\$77.20	\$0.00	\$0
3"	0	\$166.15	\$0.00	\$0
Commercial				
3/4"	27	\$18.46	\$23.85	\$7,728
1"	16	\$28.80	\$37.21	\$7,145
1 1/2"	6	\$44.29	\$57.23	\$4,120
2"	3	\$77.20	\$99.75	\$3,591
3"	1	\$166.15	\$214.69	\$2,576
6"	4	\$369.15	\$476.99	\$22,896
8"	2	\$775.28	\$1,001.77	\$24,043
TOTALS	152		29.2%	\$99,681
			PERCENT	

COMMODITY
RATE

\$1.34 PER 100 CUBIC FEET

Proposed Rev \$66,454 divided by Consumption 49,609 = 1.33956

\$32.82 Average Monthly Bill
3/4" Resi Serv
Based on Avg Consumption

4,960,900 Total Annual Consumpt
0 - base consumpt
4960900 divided by 100
from existing 49,609
base rates

Consumption per App
748700 Residential
4214200 Commercial/Industrial
0
0
0
0
0
4,960,900

Proposed Revenues of: \$8,468

Fire Protection Public		Proposed Rev			
	75.41%	\$8,468	=	\$6,385.72	
Fire Protection Private		Proposed Rev			
	<u>24.59%</u>	\$8,468	=	\$2,082.28	
	100.00%			\$8,468.00	

BASE RATE			Current Mo	Proposed Mo	Total Annual
Size of Line	# of Customers		Base Rate	Base Rate	Revenues
Public Fire Protection	46		\$13.86	\$11.57	\$6,386
1"				\$0.00	\$0
1 1/2"				\$0.00	\$0
2"				\$0.00	\$0
3"				\$0.00	\$0
					\$6,386
					-16.534%
Standpipe Private Fire Protect	15		\$45.73	\$11.57	\$2,082
1"				\$0.00	\$0
1 1/2"				\$0.00	\$0
2"				\$0.00	\$0
3"				\$0.00	\$0
6"				\$0.00	\$0
8"				\$0.00	\$0
					\$2,082
TOTALS					-74.703%

APPENDIX A
 OF 8

ACKLEY MELENDY & KELLY, LLP

ATTORNEYS AT LAW
30 NORTH FIFTH STREET • P.O. BOX 725
COTTAGE GROVE, OREGON 97424TELEPHONE (541) 942-2453
FAX (541) 942-2455GARY R. ACKLEY
PATRICK S. MELENDY
SEAN D. KELLY

May 14, 2002

Kathy Miller
Senior Water Utility Analyst
Public Utility Commission
550 Capitol St. NE, Suite 215
Salem, OR 97301-2551

Re: UW 81 Stipulated Order

Dear Ms. Miller:

To follow up our discussion related to the shared maintenance and testing of hydrants in this case, Goshen and WWC agree that Goshen shall do the following on an annual basis:

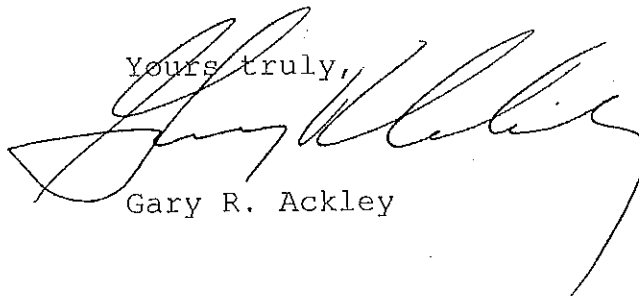
- a. Weed removal around hydrants
- b. Exercise hydrants - i.e. flush and check flow
- c. Check and service hydrant cap seals and valve stems using greasing materials identified by WWC.
- d. Notice WWC with respect to needed repairs

Goshen will not be charged for leakage from the hydrants unless the leakage is caused by acts of Goshen.

Please let us know if you need more details with respect to this portion of the Stipulated Order.

Thanks for your help.

Yours truly,



Gary R. Ackley

GRA/mr

cc: Lana Johnson
Randy Wood

ACKLEY MELENDY & KELLY, LLP

ATTORNEYS AT LAW
30 NORTH FIFTH STREET • P.O. BOX 725
COTTAGE GROVE, OREGON 97424

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GARY R. ACKLEY
PATRICK S. MELENDY
SEAN D. KELLY

May 14, 2002

Kathy Miller
Senior Water Utility Analyst
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550 Capitol St. NE, Suite 215
Salem, OR 97301-2551

Re: OW 81 Stipulated Order

Dear Ms. Miller:

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Please let us know if you need more details with respect to this portion of the Stipulated Order.

Thanks for your help.

Yours truly,

GARY R. ACKLEY
Gary R. Ackley

GRA/mr
cc: Lana Johnson
Randy Wood

This is acceptable to us.

Lana Johnson
Willamette Water Company