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**BEFORE THE PUBLIC UTILITY COMMISSION**  
**OF OREGON**

UW 85

In the Matter of )  
 )  
CLINE BUTTE UTILITY COMPANY ) ORDER  
 )  
Proposed Tariffs for Water Service in the )  
State of Oregon. )

**DISPOSITION: STIPULATION APPROVED/RATE INCREASE  
AUTHORIZED**

On February 15, 2002, Cline Butte Utility Company (Company) filed tariff sheets in Advice No. 02-1 to be effective March 15, 2002. Company requested an increase of \$91,808 in annual revenues, or a 24.78 percent increase from the 2001 annual revenues of \$370,561, resulting in new total annual revenues of \$462,369. The current average monthly residential rate is approximately \$34.50, which would increase to approximately \$36.33. Company claims that the additional revenue is needed to cover increased costs and to encourage water conservation.

On March 6, 2002, the Public Utility Commission of Oregon issued order No. 02-140, suspending the advice pending an investigation.

On March 20, 2002, Administrative Law Judge (ALJ) Kathryn Logan held a prehearing conference and public comment session in Redmond, Oregon. No customers attended or requested party status.

On June 19, 2002, a public comment meeting and evidentiary hearing was held in Redmond, Oregon. No customers attended. Staff and Company submitted a stipulation resolving all issues in the case.

### **Stipulation and Testimony**

During Staff's investigation, Staff discovered that Company's proposed rate increase included revenues that should not be used in ratemaking, such as service connection fees and backflow testing. Using the corrected revenue figures, Company's application actually resulted in an increase of 41.51 percent or \$98,261 in annual revenues, resulting in total revenues of \$456,833.

Company's notice to its customers, however, proposed a lesser revenue increase of 24.78 percent. Company is limited to this percentage increase unless it amends its application and sends a new notice to its customers. Company chose to not amend the current application. This decision resulted in the parties stipulating to a revenue requirement of \$402,820, which represents a 24.78 percent or \$60,333 increase in annual revenues, after a \$19,659 Staff adjustment.

The rate of return was calculated on the 24.78 percent increase in revenue. Although Company asked for a 10 percent rate of return, the calculated rate of return was 5.79 percent on a rate base of \$2,778,842. Company agreed to this lower return rate in order to maintain the revenue increase.

Due to Company's choice to stay with the 24.78 percent increase, the parties stipulated to the proposed rates, rate spread and rate design. The average monthly rate for a residential customer will increase to \$35.38, an increase of \$.88 per month.

The stipulation, Appendix A, is attached to and incorporated in this order.

### **Discussion**

After reviewing the stipulation and supporting testimony, the Commission concludes that the stipulation is an appropriate resolution of all the issues and that the rates established are just and reasonable. We adopt the stipulation and all attachments.

**ORDER**

IT IS ORDERED that:

1. Advice No. 02-1 is permanently suspended.
2. The stipulation, attached as Appendix A, is adopted in its entirety.
3. The rates set out in the stipulation become effective upon entry of this order.

Made, entered, and effective \_\_\_\_\_.

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**Roy Hemmingway**  
Chairman

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**Lee Beyer**  
Commissioner

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**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.