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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 88

In the Matter of)	
)	
SQUAW CREEK CANYON)	
DEVELOPMENT)	ORDER
)	
Application to increase the utility's total)	
annual revenues from \$34,972 to \$45,500.)	

**DISPOSITION: STIPULATION ADOPTED; RATE INCREASE
APPROVED**

On March 1, 2002, Squaw Creek Canyon Development (Squaw Creek or Company) notified its customers that rates would increase on April 1, 2002, and advised the customers that they could petition the Commission by April 30, 2002, for rate regulation. No customer petitioned the Commission for rate regulation by that date and, by letter dated May 8, 2002, the Commission informed the Company that it could increase its residential rates and fees effective April 30, 2002. Shortly thereafter, over 20 percent of the Company's customers petitioned the Commission and asked that the new rates be investigated. On June 18, 2002, the Commission staff (Staff) notified the Company that it was required to file tariffs with the Commission. Pursuant to OAR-860-036-0410(8), the Commission's jurisdiction began on that date and the rates and charges in effect were deemed interim rates during the pendency of the tariff filing application.

On August 19, 2002, the Company filed tariff sheets in Advice No. 02-6 to be effective September 18, 2002. At its September 17, public meeting, the Commission found good and sufficient cause to investigate the tariffs and, by order No. 02-649 entered September 17, 2002, the tariffs were suspended for a six-month period.

On October 2, 2002, Administrative Law Judge Allan J. Arlow (the ALJ) presided at a public comment meeting and prehearing conference held in Sisters, Oregon. At the prehearing conference, Joel Kinney, Larry D. Scheer and Robert C. Smith were granted party status to the proceeding and a schedule was adopted. Darrell Lockard was designated an interested person.

Staff, Company and intervening parties held settlement discussions and, on February 7, 2003, counsel for Staff filed a Motion to Suspend Rates for Additional Three Months and Hold Current Schedule in Abeyance in order that the parties could attempt to resolve outstanding issues prior to the expiration of the suspension period. No party opposed the motion and the Commission, by Order No. 03-152 entered March 10, 2003, granted the motion, held the schedule in abeyance and, pursuant to ORS 757.215(1), extended the suspension period through June 17, 2003.

On February 24, 2003, a settlement conference was held in Sisters, Oregon, at which Staff, Company and intervenor Larry Scheer were present. Intervenors Joel Kinney and Robert C. Smith were not present. However, by e-mail of February 5, 2003, Intervenor Smith provided Staff with his views with respect to rate design proposals put forward by himself, interested person Darryl Lockard and Staff at a previous conference. The parties present resolved all issues regarding the Company's tariff filing. On March 11, 2003, Staff filed the Direct Testimony in Support of Stipulation of Renee Sloan (Stipulation). All parties present at the February 24, 2003 Settlement Conference signed the Stipulation, as did intervenor Smith, indicating that each had reviewed and agreed with it.¹ Staff also filed exhibits to the Stipulation and the revised Tariffs.² Neither intervenor Joel Kinney nor interested person Darrell Lockard filed any comments with the Commission with respect to the Stipulation.

Discussion. According to the Stipulation, the rate increase proposed by the Company would result in annual revenues of \$45,500, an increase of \$10,528 or 30.1 percent over test year revenues. Staff concurred in the Company's assertion that, even with the increase, it would be operating at a loss. Staff's analysis determined that the proposed increase was justified and the intervenors concurred.

The Staff made excess capacity adjustments to the Plant in Service investment because only 100 of the 285 platted lots (35.09 percent) are currently being served by the Company. Therefore, the Stipulation includes a total downward adjustment of \$620,503 to the \$1,072,120 adjusted original cost of total plant. After the adjustment, the Staff found a rate of return of -7.69 percent.³

The increase in revenues will result in an average annual monthly residential bill of \$35.94, a 59.5 percent increase over the \$22.53 average bill during the test year. The Stipulation also includes changes in rate design, reducing usage in the base rate from 8,000 gallons to 4,000 gallons, while raising the base rate from \$17.90 to \$23.00 per month and increasing the per-gallon usage charge thereafter. Certain miscellaneous fees set forth in Staff Exhibit 4 were also included.

¹ Staff Exhibit 1 (Staff/1/Sloan).

² Staff Exhibits 2-4 (Staff/2-4/Sloan).

³ Staff/3 Attachment A (Staff/3/Sloan).

Conclusion. The Commission admits the Stipulation into the record in this docket. The Commission finds that the proposed rate increase and rate structure changes set forth in the Stipulation are fair and reasonable and should be approved.

ORDER

IT IS ORDERED that:

1. The Stipulation attached to this order as Appendix A is adopted. Squaw Creek Canyon Development is authorized to increase rates by \$10,528, or 30.1 percent, resulting in total annual revenues of \$45,500.
2. Squaw Creek Canyon Development shall charge rates in accordance with the rate schedules in tariff PUC Oregon No. 1, Original Sheets Nos. 1-21, set forth in Appendix A of this Order.

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.