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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UW 91

In the Matter of	)	
	)	
A & G LLC WATER & SEWER	)	
	)	ORDER
Application for Emergency Rate Increase	)	
in the Amount of \$39,053.35 or 189	)	
percent.	)	

DISPOSITION: STIPULATION ADOPTED

**Background**

A & G Water and Sewer, L.L.C. (A&G), provides water and wastewater services to one commercial and 52 residential customers at Aspen Creek Mobile Home Park. On October 4, 2002, Commission Staff contacted A&G and informed it that A&G meets the conditions for Commission rate regulation. Staff required A&G to file for Commission approval of its rates and charges.

On January 9, 2003, A&G filed a request for a general rate increase of \$39,053.35 in total revenues or 189 percent (Advice No. 03-1). A&G was charging a combined water and sewer rate of \$32.10 for residential customers and \$48 for its one commercial customer. The proposed monthly water and sewer rates were \$72 for residential customers and \$113 for the commercial customer. In addition, A&G proposed a \$400 monthly charge to the commercial customer for the two irrigation creeks that run through the customer's property, a mobile home park. The creeks are operated April through October each year.

The City of Redmond provides A&G with water and A&G then bills its customers. At the time of its application, A&G owed the City of Redmond \$3,292. A&G's former rates did not cover the cost of the water purchased from the city starting in May 2002, and A&G was operating at a loss each month.

At the January 21, 2003, Regular Public Meeting, the Commission suspended the rate increase to determine the propriety and reasonableness of the proposed rates (ORS 757.215(5)). We allowed an interim increase to \$57.77 per month for

residential water and wastewater, \$86.66 per month for interim commercial water and wastewater, and no amount for the operation of the two creeks.

In its general rate filing, A&G requested an increase of \$39,053.35 in total annual revenues (189 percent, from \$20,692.99 to \$59,746.34). A prehearing conference was held in this matter in Redmond. At this conference parties agreed to a schedule, which included settlement conferences. Three parties intervened in this docket: Marisol Benz, Chris Fox, and Terrence Milbert.

Prior to settlement discussions, Commission Staff reviewed the rate filing to determine appropriate revenues, expenses, rate base, and rate of return. Staff also developed what it considered fair and reasonable water and wastewater rates to generate the appropriate revenue requirement. Staff and A&G reached a settlement with respect to A&G's revenue requirement, but none of the intervenors signed the stipulation.

A hearing was held in this matter on June 25, 2003, in Redmond. Staff appeared through Jason Jones, Assistant Attorney General. Intervenors Benz and Milbert also appeared.

### **Applicable Law**

ORS 757.005(1)(A) provides that a public utility includes a privately owned water utility that provides wastewater services to the public inside the boundaries of a city. ORS 757.061(4) states that a water utility that provides wastewater services to the public inside the boundaries of a city is subject to ORS 757.205, which requires public utilities to file rate schedules with the Commission, regardless of the number of customers served.

### **Findings of Fact and the Stipulation**

A&G is located within the boundaries of the City of Redmond and provides water and wastewater services to customers of Aspen Creek Mobile Home Park (Aspen Creek). Therefore, A&G is a rate-regulated company.

Staff and the company reached agreement on A&G's rates and memorialized their agreement in a Stipulation that is attached as Appendix A to this order and incorporated herein by reference. Staff's analysis of A&G's rate filing<sup>1</sup> indicated that A&G has justified an increase in total revenues of \$28,216<sup>2</sup>, or 136 percent. This increase would produce a net operating income of \$5,132 based on total annual revenues of \$48,910. Based on comparison with other regulated water utilities with similar

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<sup>1</sup> Tables showing Staff's calculations and adjustments are appended to this order as Attachment A and incorporated herein.

<sup>2</sup> Page 1, line 21 of Stipulation (attached as Appendix A) reads \$28,225, but Staff re-totaled its figures to read \$28,216.

financial profiles, Staff determined that an overall rate of return of 10 percent on a rate base of \$51,332 is appropriate. The increase will produce an average monthly residential bill of \$66.42 and an average monthly commercial bill of \$625.39.

Staff made numerous adjustments to A&G's test year, both upward and downward, based on information gathered in discovery. The largest adjustment was for excess capacity. A&G's plant was built to serve 104 lots but currently serves only 52, or 50 percent of the lots for which the system was built. Staff made an excess capacity adjustment of 50 percent, or \$52,800, for plant in service. As more customers are added to A&G's system, Staff will consider including a higher amount of rate base.

Staff also reviewed A&G's record keeping practices and adequacy of service issues. A number of A&G customers have contacted the Commission's Consumer Services Division because of problems resulting from A&G's record keeping. In one complaint, from January 2003, the customer received notice that water would be disconnected because of two delinquent payments. The customer had canceled checks showing that payment had been made and requested that A&G identify which payments had not been made. A&G was unable to provide an itemization showing bill date, due date, and amount due of each bill for the past 12 months, as requested by Consumer Services. The company stated that its bookkeeper had quit and A&G's owner did not know what the bookkeeper had done.

As to adequacy of service, the Commission has documented consumer complaints against A&G as far back as 1999, with the most recent occurring in January 2003. Along with billing issues, the complaints addressed discriminatory disconnection of service, unsatisfactory communications, and the company's lack of response to customer concerns. Some customers indicated problems with contacting the company and several reported that both the owner and A&G's office staff have on occasion abruptly terminated telephone conversations. Staff tried to discuss these complaints with the company, but the company did not return telephone calls or respond to Staff's email messages.

The rate spread the parties agreed to in the Stipulation designates \$26,127 in revenues from water and \$22,783 in revenues from wastewater. Water revenue is allocated as follows:

Residential	\$10,830
Commercial	\$15,297

Wastewater revenue is allocated as follows:

Residential	\$22,390
Commercial	\$ 393

The Stipulation adopts a rate design under which customers pay for water based on consumption rather than paying the current flat rate for combined water and sewer service. The following rate design, set out in the Stipulation, combines a monthly base rate and a metered rate for consumption:

Residential customer rates

Monthly base rate	\$23.62 (no consumption included)
Commodity rate	\$.079 per 100 cubic feet
Wastewater base rate	\$35.49
Average monthly bill	\$66.42

Staff used A&G’s consumption records provided by the City of Redmond to determine average residential consumption. By averaging usage during the months of November through March, when the creeks do not operate, Staff calculated the average total residential monthly usage to be about 48,700 cubic feet per month. Staff used that amount as residential usage during the months of April through November, when the creeks operate, and used the actual consumption amounts for November through March. Based on these calculations, Staff determined that A&G residential customers used an average of 577,500 cubic feet of water in 2002. Dividing that figure by 52 customers over 12 months resulted in a monthly average residential consumption of 925 cubic feet per month. At \$.079 per 100 cubic feet, the average residential commodity charge is \$7.31 per month. The base charge of \$23.62 plus the commodity charge results in a total average residential water bill of \$30.93. The average residential wastewater bill is \$35.49; together, these result in a total monthly average residential bill of \$66.42.

Staff used similar calculations to determine the following commercial rates. Staff learned from the City of Redmond that A&G’s commercial customer used 815,700 cubic feet of water in 2002. The primary commercial consumption occurs during the months of April through October, when the creeks operate. The average monthly commercial bill for water, at \$.079 per 100 cubic feet, is \$537.

Commercial rates

Monthly base rate	\$ 35.32 (no consumption included)
Commodity rate	\$ .079 per 100 cubic feet
Wastewater base	\$ 53.07
Average monthly bill	\$625.39

The company requested a separate irrigation rate for the creeks that run through the park. Staff does not recommend a separate irrigation rate. The rate design Staff proposed covers the total operating expense of A&G and includes running the creeks during the summer months. Staff believes that the creeks provide aesthetic benefit to all customers.

The company installed meters when Aspen Creek was constructed in 1997, but did not have the work force to read meters. The Stipulation provides that

meters will be read and provides labor costs to read them. Effective with the September billing for usage in August, customers will be billed based on meter readings. Until this order rescinds them, customers will pay the interim rates approved by the Commission in Order No. 03-059. After that time, Staff has calculated flat rates to be in effect from the date of the Commission order in this docket until A&G implements the meter reading rates effective with August usage. Those rates are:

Residential water	\$ 40.70
Residential wastewater	\$ 35.49
Total residential rates	\$ 76.19
Commercial water	\$ 60.86
Commercial wastewater	\$ 53.07
Total commercial rates	\$113.93

The company currently bills in advance. On June 15, A&G billed for July charges. However, when metered rates begin on August 1, the company will read meters at the end of the month and will send bills in early September for August usage and base charges. Due to the transition from flat rates to metered rates, this will result in no revenue collected in August. To alleviate the financial difficulties associated with having no cash flow in August, A&G should bill the current interim flat rates for August charges on July 15. Then, in early September, A&G should bill the proposed base rates for September along with August usage charges. This results in continued billing in advance, so A&G must skip one month's base charges to correct the billing cycle. Staff recommends that A&G bill only for usage for the month of December 2003 and not bill the base charges for that month. This proposal is contained in the Stipulation.

### **Discussion and Conclusions**

We have reviewed the Stipulation and find it reasonable. Staff has made appropriate adjustments to the company's filing and has set rates so as to allow the company to earn a reasonable rate of return on its investment. The Stipulation should be adopted in its entirety

The company must develop a satisfactory system of record keeping. ORS 756.090 requires a company to maintain records of each customer's consumption, amount due, date billed, date due, and date paid, and to provide those records to the Commission or to a customer on request. OAR 860-036-0120 states that all water service bills must show: (1) beginning and ending meter readings for the period the bill is rendered; (2) the date of the meter reading; (3) the number of units of service supplied, clearly stated in gallons or cubic feet; (4) the schedule number under which the bill was computed; (5) the delinquent date of the bill; (6) the total amount due; and (7) any other information needed to compute the bill. We recommend that A&G set up and maintain a record keeping system that will enable the company to provide complete billings to customers and payment records to customers or to the Commission on request.

We are also concerned about A&G's adequacy of service complaints. OAR 860-036-0301 states:

No water utility shall purposely or willfully provide substandard service or inadequate service where the water utility has the capacity to provide adequate service as determined by the Commission.

Thus A&G is obligated to provide adequate service.

OAR 860-036-0205 states the grounds for disconnecting water utility service. A&G may disconnect a customer only for the reasons listed in that rule, or if a customer requests disconnection (OAR 860-036-0210) or in an emergency situation (OAR 860-036-0215). When disconnecting customers, the company must follow the procedures established in OAR 860-036-0245.

As to A&G's customer relations, we urge A&G to work toward improving communications with its customers.

Finally, regarding A&G's failure to respond to customer concerns in a timely manner, A&G must abide by the requirements in OAR 860-026-0015(9), which states:

Each water utility shall maintain a business location and a regular telephone number at which it may be contacted directly by customers, applicants, or the Commission during its regular business hours. The water utility shall respond to nonemergency customer inquiries, complaints, and service problems within a reasonable time period. For purposes of this rule, a reasonable time period is considered to be within 24 hours.

## **ORDER**

IT IS ORDERED that:

1. The Stipulation between Commission Staff and A & G LLC Water and Sewer is adopted in its entirety.
2. Tariff sheets filed with the Commission on January 9, 2003, are permanently suspended.
3. Tariffs filed as part of the Stipulation shall become effective on August 1, 2003.

4. Between the date of this order and August 1, 2003, A & G LLC Water and Sewer shall charge the following rates:

Residential water	\$ 40.70
Residential wastewater	\$ 35.49
Total residential rates	\$ 76.19
Commercial water	\$ 60.86
Commercial wastewater	\$ 53.07
Total commercial rates	\$113.93

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

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**Roy Hemmingway**  
Chairman

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**Lee Beyer**  
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.