

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 110

In the Matter of)	
)	
LONG BUTTE WATER SYSTEM, INC.)	ORDER
)	
Application for authorization to increase)	
the company's total annual revenues by)	
\$97,354.00, or 78 percent.)	

DISPOSITION: STIPULATION APPROVED; RATE INCREASE
AUTHORIZED

Procedural History.

On April 13, 2005, Long Butte Water System (Long Butte, LBWS, or the Company) filed an application with the Public Utility Commission of Oregon (Commission), requesting authority to increase its annual revenues by \$77,625. Long Butte subsequently withdrew that application, and on May 31, 2005, filed an amended application requesting a revenue increase of \$97,354, or approximately 78 percent above Calendar Year 2004 revenue.

On June 30, 2005, the Commission issued Order No. 05-820, suspending the proposed revenue increase for six months pursuant to ORS 757.215.

On July 1, 2005, Long Butte filed a motion requesting issuance of a standard protective order to restrict disclosure of confidential information. On July 8, 2005, the Commission entered Order No. 05-827, granting the motion.

On July 27, 2005, the Commission convened a public comment open house and prehearing conference in this matter. The open house was attended by several Long Butte customers, many of whom submitted comments regarding the proposed rate increase. A procedural schedule was adopted at the prehearing conference.

On August 4, 2005, the Administrative Law Judge (ALJ) issued a Conference Report setting forth the procedural schedule in this matter.

On August 18, 2005, the Commission received a petition to intervene from Mr. Dan Rey on behalf of the Whispering Pines Homeowners Association (WPHA). The WPHA also requested an extension of time to file information requests. Both the petition to intervene and request for extension were opposed by Long Butte.

On September 6, 2005, the ALJ convened a telephone prehearing conference to consider the WPHA petition and request for extension. At the conference, the ALJ accepted a proposal by Mr. Rey to withdraw WPHA's petition and file an amended petition to intervene on behalf of himself and Ms. Lisa Roberts. The ALJ also granted an extension of time for intervenors to file information requests. On September 14, 2005, the ALJ issued a conference report detailing the decisions made at the conference.

On September 9, 2005, Mr. Rey and Ms. Roberts (hereafter, Intervenors) filed a petition to intervene pursuant to the agreement reached at the September 6, 2005, prehearing conference.

On September 21, 2005, counsel for Intervenors filed a motion to extend the date for the settlement conference in this proceeding. On October 12, the ALJ convened a telephone prehearing conference to discuss the request. At the conference, the parties agreed to extend the date of the conference to November 3, 2005. On October 17, 2005, the ALJ issued a conference report granting the proposed extension.

On September 29, 2005, Long Butte filed a motion for interim rate relief pending resolution of its pending application. The motion was opposed by Intervenors and the Commission Staff (Staff). On October 25, 2005, the Commission entered Order No. 05-1141 denying Long Butte's motion.

On November 17, 2005, Staff and Long Butte filed joint direct testimony in support of a proposed stipulation (Stipulation) designed to resolve all outstanding issues. On November 21, 2005, Intervenors filed direct testimony opposing certain aspects of the proposed Stipulation.

On November 30, 2005, Staff and LBWS filed rebuttal testimony addressing the issues raised by Intervenors. The Intervenors did not file rebuttal testimony or offer rebuttal testimony at the hearing.

On December 1, 2005, a hearing was held in this matter in accordance with the procedural schedule adopted at the July 27, 2005, prehearing conference. Due to extreme weather conditions, the hearing was conducted by telephone instead of being held in Bend, Oregon, as originally planned.

Staff and Long Butte's joint post-hearing brief was filed on December 15, 2005, and Intervenors' post-hearing brief was filed December 16, 2005.¹

Long Butte Water System, Inc.

LBWS is a rate-regulated public utility providing water service to approximately 244 residential customers in the vicinity of Bend, Oregon. The system is operated by Mr. Patrick Hodge and Mrs. Becky Hodge. Mr. Hodge serves as president of the corporation and Mrs. Hodge serves as secretary. LBWS has not increased its water service rates since they were first established in 1992.

Stipulation.

As noted, the Stipulation offered by Staff and LBWS is designed to resolve all issues. The joint testimony filed in support of the Stipulation details all of the adjustments made by Staff to Long Butte's amended rate application.

The Stipulation adopts Staff's proposed annual revenue requirement of \$175,327, including Staff's recommended 9.76 percent return on a rate base of \$83,732. The 9.76 percent return was determined using a weighted cost-of-capital model incorporating a 10 percent return on equity.

The \$175,327 revenue requirement included in the Stipulation represents a \$50,844 increase over Long Butte's 2004 test-year revenues of \$124,483. Long Butte requested a \$97,354 revenue requirement increase in its amended application.

Under the terms of the Stipulation, Long Butte's base rate would increase from \$23.00 to \$34.38 per month. Additionally, Staff proposed, and the Company agreed to, a two-tier variable rate. The first tier would be \$1.31 per 100 cubic feet (cf) up to 401 cf, and \$1.80 per 100 cubic feet above 401 cf. Staff proposed using a two-tier variable rate to soften the rate increase for low-volume users. Staff recommends a 401 cf limit on the first tier since the Company originally proposed a consumption allowance of 401 cf.

¹ Attached to Intervenors' brief are several documents purporting to substantiate positions advanced by Intervenors. These documents should have been offered at hearing so that Staff and Long Butte could review and respond to them. Because the other parties were deprived of this opportunity, the documents are excluded from consideration.

The following table compares LBWS’s current rates, proposed rates, and final rates set forth in the Stipulation:

Rate Design	Current Rates	LBWS Proposed Rate (includes 401 cf Consumption Allowance)	Staff and LBWS Stipulated Rates (No Consumption Allowance)
Base	\$23.00	\$50.00	\$34.38
Variable (per 100 cf) Tier 1	\$ 1.42	\$ 2.30	\$ 1.31
Variable (per 100 cf) Tier 2	N/A	N/A	\$ 1.80
Total Average Rate	\$42.58	\$72.49	\$57.23

As a result of the stipulated rates, the average monthly rate based on 1,379 cf is \$57.23. This is a 34.23 percent increase in the current monthly cost, but it is also a 21 percent decrease from the Company’s proposed average rate.

Based on the evidence presented in this matter, the Commission makes the following:

FINDINGS OF FACT

Disputed Issues.

Intervenors challenge the following adjustments made in the Stipulation filed by Staff and LBWS: Salary and Wage Expense – Employees; Salary and Wage Expense – Officers; Payroll Tax Expense; Pensions and Benefit Expense; and Transportation Expense. These issues are addressed below:

Salaries and Wages – Employees.

Stipulation. In its amended application, LBWS proposed salaries and wages for three full-time employees in the amount of \$103,860. The stipulation reduces salary and wage expense to \$72,644 and supports two and one-half full-time employees (2.5 FTE). Specifically, Staff and LBWS propose one full-time manager/system operator, one full-time office employee, and one half-time office employee/field laborer. Staff and Long Butte state that the additional half-time employee will:

- Receive training as a certified water specialist, thereby ensuring that a second person is available to respond to emergencies and trouble calls if the manager/system operator is unavailable or on another call.

- Allow LBWS to reduce potential overtime requirements for the water system's manager/system operator (no overtime pay was calculated in the Company's revenue requirement).
- Assist the manager/system operator on jobs that require more than one person, thereby reducing contracting costs.
- Perform routine duties including meter reading, regular maintenance, and parts and supply runs.
- Allow a second person to fill in for the office person when that person is unavailable.
- Assist the office person during heavy workload periods.

The wage rates included in the Stipulation are \$16.60 per hour (\$34,451 per year) for the manager/system operator, \$12.27 per hour (\$25,462 per year) for the office employee, and \$12.27 per hour (\$12,731 per year) for the half-time position. The wage rates fall within the 25th and 50th percentile of prevailing Deschutes County wages.²

The Stipulation also provides that Staff will conduct semiannual audits of time sheets of the three employees (2.5 FTE) hired by Long Butte. The audits will review the duties performed by LBWS personnel and will evaluate the need for and utilization of the half-time position.

Intervenors. Intervenors adopt the pay rates included in the stipulation, but propose that salary and wage expense be set at \$59,913, representing 2.0 FTE. Intervenors maintain that the position descriptions relied upon by Staff and LBWS do not justify the 2.5 FTE recommended in the Stipulation. They make the following arguments:

First, Intervenors assert that the rules and regulations governing miscellaneous service charges in LBWS's tariff already compensate the Company for many of the responsibilities that the manager/system operator and field laborer are expected to perform. For example, the position descriptions provide that either the manager/system operator or the part-time laborer must be available for excavation-related tasks, disconnection and reconnection, and 24-hour emergency response. Intervenors contend, however, that Rules 9, 28, 29, and 36 already compensate LBWS for costs associated with these responsibilities.

² To arrive at the manager/system operator's wage, Staff examined the American Water Works' Association's 2005 Water Utility Compensation Survey. The wage proposed by Staff was between the minimum and middle salary range for Senior/Lead Water Treatment Plant Operator, and approximately 12 percent lower than the minimum average salary range for Water Operations Manager.

Second, Intervenors maintain that many of the responsibilities associated with the “physical administration” of the LBWS water system simply do not require both a full-time manager and a half-time laborer. They point to a variety of tasks that they assert can be done in a very short time (e.g., checking water levels, testing reservoir integrity, recording water volume, flushing equipment). Other tasks are performed only infrequently (e.g., collecting water samples, flushing dead-end lines, maintaining road access). Based on information received from Central Electric Cooperative, Intervenors also claim that one person is capable of reading all of the meters on LBWS’s system in a single day.

Further, Intervenors maintain that all of the office work and bookkeeping tasks necessary to operate LBWS can be completed in less than 20 hours per week. This conclusion is based on the testimony of Ms. Margery Weimar.

Staff/LBWS Rebuttal. Staff and LBWS claim that Intervenors misconstrue the basis underlying the Stipulation for 2.5 FTE. They emphasize that, in addition to administrative duties, the half-time employee (.5 FTE) will be expected to perform labor in the field and, more importantly, ensure continuous qualified coverage during off-hours and weekends. Currently, Mr. Hodge is the only water specialist employed by Long Butte. When the full-time water specialist is not working (e.g., after hours, on weekends, vacation or sick days), it is imperative that a trained, part-time employee is available to perform those functions.

Staff and LBWS also state that the Intervenors misunderstand the service charges set and collected by agency rule as compensation for “tasks to be performed” in the course of ordinary business.³ In fact, charges for miscellaneous services, such as connection/disconnection fees for new and existing customers, do not represent services provided in the ordinary course of LBWS’s business. Instead, these customer-specific charges are intended to recover the cost of providing services to particular customers that would not otherwise be incurred by LBWS. Since the charges collected offset the cost of extra services provided to those customers, the charges are not included in the systemwide, ratemaking calculations.

Staff and Long Butte also dispute Intervenors’ claim that customer-caused charges authorized by rule provide the Company with full compensation for weekend and off-hours staffing.⁴ Although such charges are designed to offset specific costs caused by particular customers, they do not compensate Long Butte for the overhead costs of providing 24-hour emergency coverage. Staff and Long Butte assert that Intervenors’ position confuses customer-caused charges with officer and employee compensation.

³ Intervenors Testimony at 2.

⁴ *Id.* at 3.

Commission Decision – Salaries and Wages/Employees. After reviewing the record and the arguments advanced by the parties on this issue, we find that the 2.5 FTE staffing level proposed in the Stipulation represents the most prudent course of action and should be approved for the reasons identified by Staff and Long Butte. The Commission is persuaded that the addition of a half-time employee will provide Long Butte and its customers with valuable insurance against problems that may arise if the system is not continuously staffed with qualified personnel. Moreover, the audit provisions in the Stipulation ensure that customers are not adversely affected. In the event the audit determines that a part-time employee is not required, the reduction in expenses may be taken into account in a future rate investigation.

The Intervenors' proposal, on the other hand, is unacceptable because it fails to realistically address the personnel requirements necessary to ensure continuous coverage to respond to customer needs and emergencies without placing an undue burden on the Company's employees. With respect to the specific arguments advanced by Intervenors, we find as follows:

1. The 2.0 FTE recommendation advocated by Intervenors does not satisfactorily account for the need to provide adequate staffing levels during off-hours and emergencies. Although Mr. and Mrs. Hodge appear to have assumed responsibility for operating the Company by themselves for the past several years, it is not reasonable to assume that this situation can continue indefinitely. Indeed, the most problematic aspect of the Intervenors' proposal is that it increases the possibility that Long Butte will not have sufficient personnel to operate the system in the event of a weekend or after-hours emergency or when one of the full-time employees is unavailable (*e.g.*, sickness, vacation). The prospect of not having sufficient personnel is particularly troubling in the case of the system operator position, where the lack of a trained backup could result in operation practices that endanger the health and safety of Long Butte's customers. In the real world, emergencies do occur, and the Company must be adequately staffed to respond to them.

2. The Commission is not persuaded by the testimony of Ms. Weimar that all of the administrative tasks required of Long Butte can be completed in less than 20 hours per week. Although Ms. Weimar has extensive office/bookkeeping experience, her testimony is lacking in detail and does not set forth an adequate explanation for her conclusions. Moreover, as Staff and Long Butte emphasize, there is no indication that Ms. Weimar is familiar with Long Butte's operation or the regulatory/reporting requirements associated with utility operations. Under the circumstances, we find that more weight should be placed upon the experience of Staff and Long Butte's owners, who are responsible for actually performing the tasks necessary to run the Company.

3. Intervenors' arguments regarding the customer-specific charges authorized by our administrative rules are misplaced. To begin with, the fact that Long Butte assesses customer-specific charges is unrelated to the issue of whether there are enough employees to adequately run the utility operation. The 2.5 FTE recommendation is designed to ensure that Long Butte and its customers have adequate staffing, especially in off-hours and emergency situations. It has nothing to do with the amount of revenue received by the Company for the activities encompassed by our rules.

Furthermore, as Staff and Long Butte observe, the service charges collected pursuant to administrative rule do not compensate the utility for tasks performed in the ordinary course of business and are not included in the calculations used to arrive at the Company's revenue requirement. In other words, since the ratemaking process does not compensate the Company for costs associated with extraordinary activities, revenues associated with those activities are also excluded for ratemaking purposes. Thus, there is no merit to the apparent allegation that Long Butte is receiving double recovery for these activities.

4. The staffing level recommended by Intervenors does not take into account the wage rates incorporated in the Stipulation. By proposing only 2.0 FTE, Intervenors implicitly assume that the two employees will provide coverage for each other, and that one or the other will be available at all times, including evenings and weekends. That assumption raises a number of issues that were not addressed by Intervenors in their testimony. For example, if the office employee must provide backup coverage for the manager/system operator, wages for that employee would have to be adjusted upward to reflect the fact that he/she must be certified as a water specialist. Presumably, wage expense would also have to be adjusted upward to reflect overtime pay required for the two employees to provide off-hours coverage. The increased costs resulting from these adjustments might easily offset any cost savings realized by eliminating the additional .5 FTE proposed in the Stipulation.

Even if it were possible for two full-time employees to share the manager/system operator and office worker positions, there are outstanding questions about Long Butte's ability to attract qualified water specialists who would be willing to perform the extra duties contemplated by Intervenors at the wage levels that have been proposed. Although the Intervenors agree with the wage levels set forth in the Stipulation, those levels are below the average prevailing wage for qualified water specialists.⁵

⁵ As it is, LBWS may find it challenging to hire a qualified individual to fill the .5 FTE position. The part-time employee must be trained as a qualified water specialist, must be able to perform field work, and must also be trained to handle office worker/bookkeeper chores. We would not be surprised if it is difficult to find an individual with these qualifications, especially when the Company is offering below-average wages and no health or pension benefits.

In addition to the arguments discussed above, Intervenors raise two matters in their post-hearing brief:

1. The 2.5 FTE recommendation in the Stipulation is based upon an overall assessment of the job functions associated with each position, as opposed to a detailed breakdown of the time required for an employee to complete each assigned task. Intervenors suggest that they have been forced to perform the latter analysis in order to effectively challenge the number of employee positions proposed in the Stipulation. As a result, Intervenors complain that they have been unfairly required to shoulder the burden of proof on this issue.⁶

Contrary to Intervenors' claim, Long Butte, as the applicant, never relinquishes its burden of proof. Thus, Long Butte and Staff must present substantial evidence in support of the Stipulation, including their recommendation for 2.5 FTE. At the same time, Staff and Long Butte are not obligated to present their case in the same manner as the Intervenors. Nor is the Stipulation necessarily deficient because it does not specify the time necessary to complete each of the tasks assigned to the three Company employees. Indeed, as explained above, the Commission finds there is sufficient evidence in the record to substantiate Staff/Long Butte's claim that 2.5 FTE is required for the satisfactory operation of the water system.

2. As noted elsewhere in this order, the Stipulation provides that Staff will conduct semiannual audits of the time sheets submitted by the three Long Butte employees. The audit will include a review of the duties performed by Long Butte personnel as well as an evaluation of whether a part-time employee is necessary for the continuing operation of the water system. Intervenors argue that conducting an audit after the rate case is "backwards." Put another way, they contend that Long Butte should not hire a part-time worker unless and until the audit demonstrates that an additional .5 FTE is justified.

The Commission finds that the audit procedure set forth in the Stipulation is reasonable. As explained by Staff Witness Michael Dougherty, the audit will involve a comprehensive analysis of Long Butte's operations. In our opinion, such an investigation could not be properly conducted within the limited statutory time frame prescribed for reviewing this rate application. This is particularly true in view of existing constraints upon Staff resources. Furthermore, since Mr. and Mrs. Hodge do not intend to remain as employees of the Company, the audit cannot begin until new employees are hired to fill the positions that will be audited. The hiring process will not occur until after the rate case is completed.

⁶ Intervenor Brief at 2.

Salaries and Wages – Officers.

Mr. Hodge serves as president of LBWS, and Mrs. Hodge serves as secretary. The Stipulation contemplates that each corporate officer will spend 10 hours per month on corporate responsibilities, including financial, tax, risk and facilities management, human resources management, community and public relations, and regulatory matters. In its application, LBWS requested a total expense of \$12,000 based on a rate of \$50.00 per hour. The Stipulation reduced the hourly rate to \$31.06, resulting in a total annual expense of \$7,454.

Intervenors contend that it is unreasonable to assume that Long Butte's officers will spend 20 hours a month on corporate tasks. They assert:

Corporate officers, and in particular the president and secretary, are generally charged with conducting the daily affairs and business of the company, such as would be conducted by the system manager and office/bookkeepers. Given the closely held nature of this corporation it is unlikely that any officer/employee will spend [10] hours a month⁷ conducting corporate affairs. A more realistic and still generous figure would be approximately half that time.⁸

In view of the responsibilities that must be performed by Mr. and Mrs. Hodge as corporate officers, the Commission concludes that the stipulated amount for officer salaries is reasonable. Intervenors do not cite any basis for their recommendation other than their claim that officer duties are subsumed in the day-to-day responsibilities of Long Butte's employees. As Staff and Long Butte point out, however, Long Butte's officers have duties of financial and legal oversight and assume legal, regulatory, and tax responsibilities that are not shared by employees of the Company.

The record indicates that the stipulated amount allocated to officer salaries is based upon actual data reported by the Company. The audit process will confirm the accuracy of this information, and, in so doing, ensure that LBWS customers are adequately protected. If the audit determines that Long Butte's corporate officer functions can reasonably be performed in less time than has been necessary in the past, the expense adjustment may be taken into account in the Company's next rate case.

⁷ In their prefiled testimony, Intervenors incorrectly state that the Stipulation included 20 hours per month for each corporate officer. Intervenors corrected this error at hearing, and clarified that they propose no more than 10 hours per month total for officer salaries.

⁸ Intervenor Testimony at 5-6.

Payroll Taxes.

The Stipulation includes \$7,365 for payroll taxes based upon the assumption that LBWS will employ 2.5 FTE.⁹ Intervenors argue that payroll taxes should be reduced to \$6,505.60 based on their recommendation of 2.0 FTE.

Because we have concluded that LBWS requires 2.5 FTE, the Commission adopts the payroll tax figure included in the Stipulation.

Employee Pensions and Benefits.

Stipulation. The Stipulation includes the amount of \$12,674 for employee health benefits for two full-time employees. No health benefits are included for the half-time employee.¹⁰ The stipulated amount is based on a comparison of health-care quotes using two different scenarios:

Scenario 1¹¹

Position	Sex	Age	Health Plan	LifeWise*	Blue Cross	Clear Choice
System Operator	Male	51	Employee/Spouse	\$ 720.85	\$ 631.80	\$ 701.17
Office Worker	Male	18	Employee Only	\$ 335.30	\$ 300.85	\$ 318.72
Monthly Totals				\$ 1,056.15	\$ 932.65	\$ 1,019.89
Annual Totals				\$12,673.80	\$11,191.80	\$12,238.68

*Stipulated Health Benefit is based on this quote.

Scenario 2

Position	Sex	Age	Health Plan	LifeWise*	Blue Cross	Clear Choice
System Operator	Male	46	Employee/Family	\$ 832.10	\$ 950.05	\$ 834.74
Office Worker	Female	28	Employee Only	\$ 291.95	\$ 316.70	\$ 292.89
Monthly Totals				\$ 1,124.05	\$ 1,266.75	\$ 1,127.63
Annual Totals				\$13,488.60	\$15,201.00	\$13,531.56

Averages	LifeWise	Blue Cross	Clear Choice
Scenario 1	\$12,673.80	\$11,191.80	\$12,238.68
Scenario 2	\$13,488.60	\$15,201.00	\$13,531.56
Total	\$26,162.40	\$26,392.80	\$25,770.24
Average by Insurance Company	\$13,081.20	\$13,196.40	\$12,885.12

⁹ The recommended amount of \$7,365 reflects payroll taxes on total wages of \$80,098 (\$7,454 officer salary and \$72,644 employee wages for 2.5 FTE).

¹⁰ The Stipulation does not include any allowance for employee pensions.

¹¹ Although all plans in Scenarios 1 and 2 are based on a \$500 deductible, there are some variations in co-pay and annual maximum out-of-pocket.

Staff and Long Butte point out that the stipulated \$12,674 health care cost is less than the average of the lowest cost health plan shown in the tables set forth above.

Intervenors. The Intervenors argue that the stipulated health benefit is inflated compared to other available benefit plans annually. In support of their position, they offer following insurance company quotes:

LifeWise
\$500 deductible, 80% Reimbursement, \$20 Co-Pay

Age	30-34	35-39	40-44	45-49
Monthly Cost	\$236	\$253	\$301	\$353

LifeWise
\$1,000 deductible, 80% Reimbursement, \$20 Co-Pay

Age	30-34	35-39	40-44	45-49
Monthly Cost	\$202	\$217	\$258	\$303

Pacific Source
\$500 deductible, 80% Reimbursement, \$25 Co-Pay

Age	30-40	40-50
Monthly Cost	\$158	\$223

Pacific Source
\$1,000 deductible, 80% Reimbursement, \$25 Co-Pay

Age	30-40	40-50
Monthly Cost	\$142	\$202

Intervenors contend that the total health benefit should equal \$7,068. Their estimate is based upon the LifeWise plan, and assumes monthly health premiums for two individuals between 30-49 years of age at a cost of \$294.50 per month for each employee.

Staff and Long Butte argue that the Intervenors’ health benefit recommendation is inadequate because it inappropriately compares an individual insurance plan to the group insurance plan proposed by Staff and LBWS. They point out, for example, that the intervenor plan offers coverage that does not extend to spouses or children.

Commission Decision – Employee Pensions and Benefits. The Commission finds that the health benefit amount included in the Stipulation is reasonable and should be approved. As Staff and Long Butte point out, it is difficult to estimate insurance costs because Long Butte has yet to hire employees to replace Mr. and Mrs. Hodge, and also because insurance costs vary depending upon family status. Nevertheless, it is reasonable to assume, as the Stipulation does, that at least the manager/system operator will have a spouse or family.¹² Intervenors’ proposal is deficient in that respect. In addition, Staff and Long Butte presented documentation regarding the coverage provided by the insurance plans factored into their analysis. In contrast, Intervenors did not present any information to allow the Commission to evaluate the adequacy of the coverage offered by their proposed insurance plans.

Transportation Expense.

Stipulation. The Stipulation recommends that the Commission approve a transportation expense in the amount of \$6,365, based on actual costs and mileage incurred in the test period. Transportation expenses include fuel and maintenance for two vehicles – Vehicle 1 (2003 Toyota 4-Runner) and Vehicle 2 (2000 Ford Ranger) – as well as 50 percent of the lease cost for Vehicle 1.¹³ The three components of the transportation expense adjustment are discussed below:

- **Fuel.** Based on information provided by LBWS, the Stipulation includes \$3,104 for annual fuel expense. This calculation assumes 5,200 miles/year for Vehicle 1 at 17 miles per gallon, 12,000 miles/year for Vehicle 2 at 16 miles per gallon, and a gasoline cost of \$2.94 per gallon. If Staff and Long Butte had used the federal government mileage rate of \$0.485, fuel expense would have been \$8,342, or over twice as much.
- **Lease Cost.** Records provided by Long Butte also indicate that the leased vehicle – Vehicle 1 – is used 50 percent of the time for LBWS’s business, including trips to the post office, travel between the office and plant facilities, meter reading, and officer duties. As a result, Staff and Long Butte agreed that one-half of the lease cost, or \$2,816.34, should be allocated to LBWS.
- **Maintenance.** The Stipulation allocates \$445 for annual maintenance for the two vehicles. The amount is based on actual costs incurred by Long Butte to maintain the vehicles during the test year.

¹² The stipulated health benefit assumes that only the manager/system operator will have a spouse or family. The estimated benefit for the office employee is based on individual coverage. Again, no coverage is provided for the half-time employee.

¹³ The Stipulation also assumes that Long Butte will purchase Vehicle 2 from the Hodges for the amount of \$9,000. This sum is not included in transportation expense, but rather has been moved to the Plant account and will be depreciated over seven years.

Intervenors. Intervenors oppose including one-half of the lease cost of Vehicle 1 in the transportation expense adjustment. They point out that Vehicle 1 is Ms. Hodges' personal vehicle. Since she is not expected to continue working as an LBWS employee, she will only use Vehicle 1 in her status as an LBWS officer. As an alternative to the Stipulation, Intervenors recommend using the actual miles driven multiplied by the maximum mileage allowance set forth in the Internal Revenue Code (IRC). Because Mrs. Hodge is unlikely to drive more than 100 miles a month performing tasks for LBWS, the amount included for Vehicle 1 should be substantially less than that proposed in the Stipulation.

Staff/Long Butte raise several objections to Intervenors' proposal. First, they point out that the monthly lease cost included in the Stipulation for Vehicle 1 is not \$465 as Intervenors claim,¹⁴ but rather only \$234.70/month. Second, they point out that the IRC mileage allowance is actually 48.5 cents per mile, instead of the 40.5 cents per mile figure used in Intervenors' testimony.¹⁵

Staff and Long Butte also dispute Intervenors' claim that Vehicle 1 will only be used 100 miles per month. They emphasize that, even if Intervenors are correct and their proposed methodology is adopted, the transportation expense adjustment will increase rather than decrease.

Commission Decision – Transportation Expense. The Commission finds that the transportation expense adjustment proposed by Staff and Long Butte is reasonable and should be adopted. To begin with, Long Butte's records indicate that Vehicle 1 was driven 5,200 miles on company business during the test year. Even if Mrs. Hodge only uses Vehicle 1 for officer duties in the future, it is clear that the Company will have to use some other vehicle to accomplish the other tasks performed by Vehicle 1 during the test year. It is unreasonable to assume that the driving associated with those tasks will no longer be necessary. That being the case, we think that including one-half of the monthly lease cost of Vehicle 1 – or \$234.70/month – is a reasonable proxy for the costs that Long Butte will incur to operate a second vehicle (whether or not that vehicle is Vehicle 1).

More persuasive is the fact that Intervenors' proposal actually produces a greater transportation expense than that included in the Stipulation. Intervenors claim that Vehicle 1 will only be used 100 miles per month, or 1,200 miles per year. At 48.5 cents per mile, the annual cost for Vehicle 1 is therefore \$582. Intervenors do not dispute the mileage attributed to Vehicle 2; *i.e.*, 12,000 miles per year. At 48.5 cents per mile, the annual cost for Vehicle 2 equals \$5,820. Thus, under Intervenors approach, the total annual cost for both vehicles equals \$6,402, or \$37 more than the total transportation expense adjustment included in the Stipulation.

¹⁴ Intervenors' Testimony at 8.

¹⁵ *Id.* At hearing, Intervenors agreed with Staff that the current IRC rate is 48.5 cents per mile.

Undisputed Issues.

Waiver of OAR 860-036-0130. As part of the Stipulation, Staff and Long Butte agree to a waiver of OAR 860-036-0130 governing late-payment charges.¹⁶ Pursuant to Order No. 05-097, Long Butte is currently authorized to apply a late fee to amounts more than 30 days past due.¹⁷ The stipulated change will permit the Company to assess a late fee on the 16th day after a bill is mailed rather than after 30 days. As a result, the procedures for assessing late-payment charges will correspond with OAR 860-036-0245, which authorizes water utilities to mail disconnection notices on the 16th day after bills are mailed. As a condition of the proposed waiver, the Stipulation also requires Long Butte to (a) file a revised tariff and rule change to conform to the waiver, and (b) provide customers with a 15-day disconnection notice instead of a 5-day disconnection notice. Intervenors did not address the proposed waiver.

The Commission finds that the proposed waiver and conditions set forth in the Stipulation are reasonable and should be granted. The resulting changes will correct a problem created by the current rules which permit Long Butte to send out notices of disconnection before it is authorized to assess late charges. The waiver will permit the Company to assess late charges on the 16th day of each month, or the day after bills become due and payable. In addition, Long Butte will now be required to send customers a 15-day notice of disconnection, rather than the 5-day disconnection notice set forth in OAR 860-036-0245.

Cross Connection Control Program Tariff. As part of the Stipulation, Long Butte agrees to file a Cross Connection Control Program Tariff within 120 days of Commission approval. Intervenors did not address the proposal. The Commission finds that this element of the Stipulation is reasonable and should be approved.

Other Adjustments. The Stipulation includes a number of adjustments to the amended application that have not been disputed. The Commission has reviewed those adjustments and concludes that they are fair and reasonable.

Summary of Decision.

Based on the evidence presented, the Commission finds that the Stipulation is a reasonable resolution of all issues and that the rates set forth therein are fair, just, and reasonable. Accordingly, the Stipulation should be approved in its entirety.

¹⁶ OAR 860-036-0130(1) states that “a water utility may apply a late-payment charge to customer accounts not paid in full each month, provided the water utility has filed the late-payment charge in its tariffs or statement of rates.”

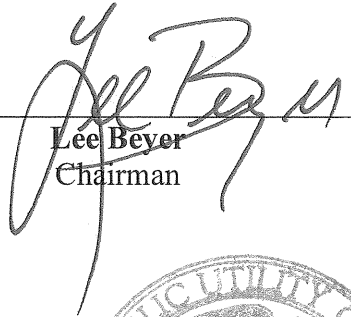
¹⁷ Long Butte’s authorized late-payment charge equals 1.7 percent of the overdue amount or \$3.00, whichever is greater.

ORDER

IT IS ORDERED that:

1. The tariff schedules set forth in the amended application filed by Long Butte Water System are permanently suspended.
2. The Stipulation and revised tariff schedules proposed by Staff and Long Butte Water System, attached as Appendix A, and incorporated herein, are approved.
3. The revised tariff schedules set forth in the Stipulation shall become effective February 1, 2006.

Made, entered, and effective JAN 23 2006.



Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UW 110

In the Matter of the Revised Tariff Schedules)
Filed by LONG BUTTE WATER SYSTEM,) STIPULATION
INC. General Rate Case.)

Long Butte Water System, Inc. (LBWS or Company), appearing by and through its attorney, Martin E. Hanson and the Public Utility Commission Staff (Staff) appearing by and through its attorney, Jason W. Jones, Assistant Attorney General, enter into this Stipulation and resolution of all issues between them. The intervenors, Dan Rey and Lisa Roberts, appearing by and through their attorney Timothy G. Elliott, did not sign the Stipulation. Dan Rey, Lisa Roberts, and Timothy G. Elliott attended the Settlement Conference, but did not agree with settlement reached by Staff and the Company.

1.

Both Staff and the Company will support having the Joint Testimony and the Exhibits in support of the Joint Testimony, attached hereto, received into evidence pursuant to this Stipulation.

2.

Staff and the Company agree and support an increase in revenue of \$50,844 or 40.8 percent, resulting in total revenue of \$175,327. Attachment A shows the stipulated revenue requirement. LBWS' tariff sheets, PUC Oregon No. 2, Original Sheets No. 1 through 20, showing the Company's proposed rates, rules, and regulations consistent with this Stipulation, are included as Attachment B.

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3.

Staff and the Company support the rate schedule set forth in tariff sheet PUC Oregon No. 2, Original Sheet No. 3, Schedule No. 1, Residential Metered Rates.

4.

Staff and the Company support the rate schedule set forth in tariff sheet PUC Oregon No. 2, Original Sheet No. 4, Schedule No. 2, Miscellaneous Service Charges.

5.

Staff and the Company support a waiver of OAR 860-036-0130 Late-Payment Charge, with the following conditions: Long Butte Water System, Inc. must file a revised tariff and rule change to conform to the waiver. Long Butte Water System, Inc. must provide a 15-day disconnect notice instead of a 5-day disconnect notice.

6.

The Company agrees to file, no later than 120 days after Commission approval of this docket, a report to the Commission on the status of personnel hiring for the Manger/System Operator, Office employee, and part-time employee. Additionally, the Company agrees to cooperate fully with Staff audits of the Company's time cards to be conducted semi-annually for a period of two years after approval of this docket.

7.

The Company agrees to file a Cross Connection Control Program Tariff within 120 days after Commission approval of this docket.

8.

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.

9.

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.

10.

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

DATED this 15th day of November 2005.

Respectfully submitted,

HARDY MYERS
Attorney General



Jason W. Jones, # 00059
Assistant Attorney General
Of Attorneys for PUC Staff

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DATED this 15th day of November 2005.

Martin E. Hansen
Attorney for
Long Butte Water System, Inc.

LONG BUTTE WATER SYSTEM UW 110 Test Year: 2004			Company Case 78.2%			Staff 40.8%					
Acct. No.		A	B	C	D	E	F	G	H	I	
	REVENUES	Balance Per Application Test Year: 2004	Proposed Company Adjustments	Adjusted Results (A+B=C)	Company Proposed Rev Changes	Proposed Results (C+D=E)	Proposed Staff Adjustments	Adjusted Results	Staff Proposed Rev Changes	Proposed Results	
1	461.1 Residential Water Sales	124,483		124,483	97,354	221,837	0	124,483	50,844	175,327	
2	461.2 Commercial Water Sales	0		0		0	0	0	0	0	
3	Tariff Schedule 4A (Infrastructure)	75,900	(75,900)	0		0	(75,900)	0	0	0	
4	Backflow Testing	5,725	(5,725)	0		0	(5,725)	0	0	0	
5	471 Misc. Revenues	9,019	(9,019)	0		0	(9,019)	0	0	0	
6	TOTAL REVENUE	215,127	(90,644)	124,483	97,354	221,837	(90,644)	124,483	50,844	175,327	
7	OPERATING EXPENSES										
9	601 Salaries and Wages - Employees	0	103,860	103,860		103,860	72,644	72,644		72,644	
10	603 Salaries and Wages - Officers	0	12,000	12,000		12,000	7,454	7,454		7,454	
11	604 Employee Pension & Benefits	0	11,809	11,809		11,809	12,674	12,674		12,674	
12	610 Purchased Water	0	0	0		0	0	0		0	
13	611 Telephone/Communications	929	1,237	2,166		2,166	1,300	2,229		2,229	
14	615 Purchased Power	15,871	0	15,871		15,871	737	16,608		16,608	
15	618 Chemical / Treatment Expense	1,211	789	2,000		2,000	(1,211)	0		0	
16	619 Office Supplies	540	736	1,276		1,276	313	853		853	
17	619.1 Postage	1,264	100	1,364		1,364	327	1,591		1,591	
18	620 O&M Materials/Supplies	2,824	0	2,824		2,824	(1,558)	1,266		1,266	
19	621 Repairs to Water Plant	7,695	(4,979)	2,716		2,716	(6,773)	922		922	
20	631 Contract Svcs - Engineering	0	0	0		0	0	0		0	
21	632 Contract Svcs - Accounting	600	400	1,000		1,000	400	1,000		1,000	
22	633 Contract Svcs - Legal	28,854	(26,854)	2,000		2,000	(20,542)	8,312		8,312	
23	634 Contract Svcs - Management Fees	0	0	0		0	0	0		0	
24	635 Contract Svcs - Testing	0	0	0		0	1,356	1,356		1,356	
25	636 Contract Svcs - Labor	65,298	(62,298)	3,000		3,000	(62,298)	3,000		3,000	
26	637 Contract Svcs - Billing/Collection	0	0	0		0	0	0		0	
27	638 Contract Svcs - Meter Reading	0	0	0		0	0	0		0	
28	639 Contract Svcs - Other	0	0	0		0	0	0		0	
29	641 Rental of Building/Real Property	0	3,744	3,744		3,744	3,928	3,928		3,928	
30	642 Rental of Equipment	0	1,500	1,500		1,500	1,500	1,500		1,500	
31	643 Small Tools	0	100	100		100	100	100		100	
32	648 Computer/Electronic	1,210	200	1,410		1,410	(494)	716		716	
33	650 Transportation	3,099	3,843	6,942		6,942	3,266	6,365		6,365	
34	656 Vehicle Insurance	0	1,033	1,033		1,033	1,033	1,033		1,033	
35	657 General Liability Insurance	1,000	(154)	846		846	(154)	846		846	
36	658 Workers' Comp Insurance	0	2,952	2,952		2,952	2,258	2,258		2,258	
37	659 Insurance - Other	0	0	0		0	0	0		0	
38	660 Public Relations/Advertising	0	0	0		0	0	0		0	
39	666 Amortz. of Rate Case	0	9,618	9,618		9,618	0	0		0	
40	667 Gross Revenue Fee (PUC)	339	50	389		389	(28)	311	127	438	
41	668 Water Resource Conservation	0	0	0		0	0	0		0	
42	670 Bad Debt Expense	566	(366)	200		200	(366)	200		200	
43	671 Cross Connection Control Program	4,097	(4,097)	0		0	(4,097)	0		0	
44	672 System Capacity Dev Program	0	0	0		0	0	0		0	
45	673 Training and Certification	80	80	160		160	80	160		160	
46	674 Consumer Confidence Report	526	(200)	326		326	(343)	183		183	
47	675 General Expense	76,248	(75,900)	348		348	(75,724)	524		524	
48	TOTAL OPERATING EXPENSE	212,251	(20,797)	191,454	0	191,454	(64,218)	148,033	127	148,160	
50	403 Depreciation Expense	612	5,620	6,232		6,232	5,995	6,607		6,607	
51	407 Amortization Expense						0	0		0	
52	408.11 Property Taxes	6,629	331	6,960		6,960	(3,726)	2,903		2,903	
53	408.12 Payroll Taxes	0	8,132	8,132		8,132	7,365	7,365		7,365	
54	408.13 Licenses/Fees	100	100	100		100	0	0		0	
55	409.11 Oregon Income Tax	10	0	10		10	(2,380)	(2,370)	3,347	679	
56	409.10 Federal Income Tax	0	0	0		0	(5,052)	(5,052)	7,105	1,442	
57	TOTAL REVENUE DEDUCTIONS	219,602	(6,714)	212,888	0	212,888	(62,016)	157,586	10,580	167,156	
58	NET OPERATING INCOME	(4,475)	(83,930)	(88,405)	97,354	8,949	(28,628)	(33,103)	40,264	8,171	
60	101 Utility Plant in Service	1,766,339	106,020	1,872,359		1,872,359	(1,656,304)	110,035		110,035	
61	Less:							167,039			
62	108.1 Depreciation Reserve	13,429	0	13,429		13,429	30,686	44,115		44,115	
63	271 Contributions in Aid of Const	1,664,585	75,900	1,740,485		1,740,485	(1,664,585)	0		0	
64	272 Amortization of CIAC							0		0	
65	281 Accumulated Deferred Income Tax							0		0	
66	Net Utility Plant	88,325	30,120	118,445	0	118,445	(22,405)	65,920	0	65,920	
67	Plus: (working capital)										
68	151 Materials and Supplies Inventory	5,465	0	5,465		5,465	0	5,465		5,465	
69	Working Cash (Total Op Exp /12)	0	14,000	14,000		14,000	(5,352)	12,336	11	12,347	
70	TOTAL RATE BASE	93,790	44,120	137,910	0	137,910	(27,756)	66,034	11	83,732	
71	Rate of Return	-4.77%		-64.10%		6.49%				9.76%	

Containing Rules and Regulations Governing Water Utility Service

NAMING RATES FOR

Long Butte Water System Inc

(name of utility)

PO BOX 7648

(address)

Bend OR 97708-7648

(city, state, & zip code)

(541) 383-2863

(telephone number)

(541) 383-6511

(fax numbers)

Serving water in the vicinity of

Bend, Oregon

Issue Date		Effective Date	
Issued By	(date filing was mailed)	(at least 30 days after PUC receives filing)	
	Long Butte Water System, Inc.		
Signed By	(name of utility)		
	Patrick R. Hodge	President	
	(print name)	(title)	(signature of owner or corporate officer)

Table of Contents

<u>Schedule No.</u>	<u>Page No.</u>
	Title Page 1
	Index 2
1	Residential Metered Rates 3
2	Miscellaneous Charges 4
3	Water System Infrastructure Fee 5
	Rules and Regulations 6-20

Issue Date		Effective Date	
	<i>(date filing was mailed)</i>		<i>(at least 30 days after PUC receives filing)</i>
Issued By	Long Butte Water System, Inc.		
	<i>(name of utility)</i>		
Signed By	Patrick R. Hodge	President	
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

SCHEDULE NO. 1

RESIDENTIAL METERED RATES

Available: To customers of the Utility at Long Butte Water System, Inc., at Bend/Redmond, Oregon, and vicinity.

Applicable: To residential premises.

Base Rate

Service Meter Size	Monthly Base Rate	Usage Allowance	Unit of Measure
5/8 or 3/4 inch	\$34.38	N/A	<input checked="" type="checkbox"/> cubic feet <input type="checkbox"/> gallons

Commodity Usage Rate

Commodity Rate	Per	Number of Units	Unit of Measure		Base Usage Allowance	Unit of Measure
\$1.31	Per	100	<input checked="" type="checkbox"/> cubic feet	Through	401	<input checked="" type="checkbox"/> cubic feet
			<input type="checkbox"/> gallons			<input type="checkbox"/> gallons
\$1.80	Per	100	<input checked="" type="checkbox"/> cubic feet	Above	401	<input checked="" type="checkbox"/> cubic feet
			<input type="checkbox"/> gallons			<input type="checkbox"/> gallons

(Sample: \$1.00 per 100 gallons above 3000 gallons)

Special Provisions:

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc., shall be metered. Charges shall be made at the rates specified in this schedule. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

Issue Date		Effective Date	
Issued By	<i>(date filing was mailed)</i>	<i>(at least 30 days after PUC receives filing)</i>	
	Long Butte Water System, Inc.		
Signed By	<i>(name of utility)</i>		
	Patrick R. Hodge	President	
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

SCHEDULE NO. 2
MISCELLANEOUS SERVICE CHARGES

This schedule lists the miscellaneous charges included in the utility's Rules and Regulations; refer to the appropriate rules for an explanation of charges and conditions under which they apply.

<u>Connection Charge for New Service</u> (Rule No. 9)	
Standard ¾-inch service	\$450.00
Larger than ¾-inch	\$450.00 (plus additional costs)
 <u>Meter Test</u> (Rule No. 21)	
First test within 12-month period	N/C
Second test within 12-month period	\$25.00 plus costs
 <u>Pressure Test</u> (Rule No. 40)	
First test within 12-month period	N/C
Second test within 12-month period	\$25.00
 <u>Late-Payment Charge</u> (Rule No. 22)	
Charged on the due date of the bill or the 16 th date from mailing, whichever is the latest.	Pursuant to OAR 860-036-0050 (as of 1/1/05-1.7%) but no less than \$3.00
 <u>Deposit for Service</u> (Rule No. 5)	
Pursuant to OAR 860-036 0040(2)	Pursuant to OAR 860-036-0050 (as of 1/1/05 - 2%)
 <u>Returned-Check Charge</u> (Rule No. 23)	\$25.00 each occurrence
 <u>Trouble-Call Charge</u> (Rule No. 36)	
During normal office hours	\$35.00 per hour
After normal office hours on special request	\$50.00 per hour
 <u>Disconnection/Reconnect Charge</u> (Rule No. 28 & 29)	
During normal office hours	\$25.00
After normal office hours on special request	\$50.00
 <u>Unauthorized Restoration of Service</u> (Rule No. 30)	Reconnection charge plus costs
 <u>Damage/Tampering Charge</u> (Rule No. 34)	At cost
 <u>Disconnect-Visit Charge</u> (Rule No. 29)	\$25.00

Issue Date	Effective Date
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Issued By	Long Butte Water System, Inc.
<i>(name of utility)</i>	
Signed By	Patrick R. Hodge President
<i>(print name)</i>	<i>(title)</i>
	<i>(signature of owner or corporate officer)</i>

SCHEDULE NO. 3

WATER SYSTEM INFRASTRUCTURE FEE

Available: To the property owners within a portion of the Whispering Pines Estates subdivision located in Bend, Deschutes County, Oregon.

Applicable: To the property owners within that portion of the Whispering Pines Estates subdivision that have an existing water service mainline distribution piping available in that street.

System Infrastructure Fee \$6,900

Special Provisions:

1. Payment of the system infrastructure fee is to be paid prior to a service connection installation. The fee does not include the cost of the service connection.

Issue Date		Effective Date	
Issued By	<i>(date filing was mailed)</i>		<i>(at least 30 days after PUC receives filing)</i>
	Long Butte Water System, Inc.		
Signed By	<i>(name of utility)</i>		
	Patrick R. Hodge	President	
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

RULES AND REGULATIONS

Rule 1: Jurisdiction of the Commission

The Rules and Regulations herein shall be subject to the rules and regulations of the Public Utility Commission of Oregon.

Rule 2: Definitions

- A. "Utility" shall mean Long Butte Water System, Inc.
- B. "Applicant" shall mean any person, business, or organization who applies for service or reapplies for service at a new existing location after service has been discontinued, except as noted in the definition of "Customer."
- C. "Commission" shall mean the Public Utility Commission of Oregon.
- D. "Customer" shall mean any person, business, or organization who has applied for, been accepted to receive, or is currently receiving service. A customer who voluntarily discontinues service at the same or different premises within 20 (twenty) days after discontinuance retains customer status.
- E. "Residential customer premises" shall mean any dwelling and its land including, but not limited to, a house, apartment, condominium, townhouse, cottage, cabin, mobile home, or trailer house.
- F. "Commercial customer premises" shall mean any premises at which a customer carries on any major activity of gaining a livelihood or performing a public service. Such activity may be of a business, industrial, professional, or public nature.
- G. "Main" shall mean the pipe laid in the street, alley, or other right-of-way for the distribution of water to customers. It shall not include service lines.
- H. "Service connection" shall mean the pipe, stops, fittings, meter, and meter box laid from the main to the property line of the premises served.
- I. "Customer line" shall mean the pipe, stops, and fittings leading from the property line to the premises served.
- J. Point of Delivery is the property line or the outlet swivel/union of the meter defining where the service connection stops and the customer line starts.

Issue Date		Effective Date	
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	Long Butte Water System, Inc.		
Signed By	<i>(name of utility)</i>		
	Patrick R. Hodge	President	
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

APPLICATION FOR SERVICE

Rule 3: Customer/Applicant Information (OAR 860-036-0015)

The utility shall provide or be able to provide customers or applicants with the following information:

- A. Instructions on how to read meters, either in writing or by explanation;
- B. Application and contract forms;
- C. Utility rules and regulations;
- D. Commission rules and regulations;
- E. Approved tariffs;
- F. Rights and Responsibilities Summary for Oregon Utility Consumers;
- G. Notices in foreign languages, if applicable;
- H. The utility's business address, telephone number, and emergency telephone number; and
- I. Notices approved by the Commission.

Rule 4: Application for Service (OAR 860-036-0035)

Application for water service must be made for each individual service. The application shall identify the applicant, the premises to be served, the billing address if different, the type of use to which the water is to be put, and an agreement to conform to the Rules and Regulations of the utility as a condition for receiving such service. The applicant shall, at this time, pay any scheduled fees or deposits. An application is a request for water utility service and shall not be accepted until the applicant establishes credit as set forth in OAR 860-036-0040.

An application for water service must be made where:

- A. An applicant who has not previously been served by the water utility requests service;
- B. Service has been involuntarily discontinued in accordance with the utility and Commission rules, and service is sought;
- C. Service has been voluntarily discontinued and a request to restore service has not been made within 20 days; or
- D. There is a change in the identity of a customer, the type of use to which the water is put, or the number of premises served.

Issue Date		Effective Date	
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	Long Butte Water System, Inc.		
Signed By	<i>(name of utility)</i>		
	Patrick R. Hodge	President	
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

Rule 5: Deposit for Service (OAR 860-036-0040)

In accordance with the Commission's rules for credit establishment and deposit waiver, an applicant or a customer may be required to make a deposit to secure payment of bills for service. The deposit shall not exceed one-sixth (1/6) the amount of reasonable estimated billings for one year's use of service at the premises during the prior year or upon the type and size of the customer's equipment that will use the service. (OAR 860-036-0040)

The utility shall pay interest on deposits at the rate established by the Commission. After the customer has paid bills for service for 12 consecutive months without having had service discontinued for nonpayment, or more than two occasions in which a shut-off notice was issued, and the customer is not then delinquent in the payment of bills, the utility shall promptly and automatically refund the deposit plus accrued interest by (check one):

- 1) issuing the customer a refund check
- 2) crediting the customer's account

Rule 6: Customer Service Line

The customer shall own and maintain the customer service line and promptly repair all breaks and leaks. The utility shall not be responsible for any damage or poor service due to inadequacy of the customer line or any portion of the customer's plumbing. All leaks in the customer line, faucets, and all other parts of the plumbing owned or controlled by the customer shall be promptly repaired so as not to waste water.

Rule 7: Separate Control of Service

All premises supplied with water will be served through service lines so placed as to enable the utility to control the supply to each individual premises using a valve placed within and near the line of the street, the utility right-of-way, or at the meter.

Rule 8: Service Connections (OAR 860-036-0060)

The utility shall furnish and install at its own expense all necessary trenching, pipe, valves, and fittings between its main line and the customer's service line. Such installation shall be designated as the service connection. The utility shall own, operate, maintain, and replace the service connection when necessary and promptly repair all breaks and leaks. The customer shall not be responsible for any damage or poor service due to inadequacy of the service lines or any portion of the utility's plumbing.

Issue Date		Effective Date	
Issued By	(date filing was mailed)		(at least 30 days after PUC receives filing)
	Long Butte Water System, Inc.		
Signed By	(name of utility)		
	Patrick R. Hodge	President	
	(print name)	(title)	(signature of owner or corporate officer)

Rule 9: Service Connection Charge

An applicant requesting permanent water service to premises not previously supplied with permanent water service by the utility shall be required to pay the service connection charge listed in the utility's Miscellaneous Service Charges Schedule.

Rule 10: Main Line Extension Policy (OAR 860-036-0065)

The utility shall specify the size, character, and location of pipes and appurtenances in any main line extension. Main line extensions shall normally be along streets, roads, highways, or other satisfactory rights-of-way. All construction work shall conform to all applicable rules, regulations, codes, and industry standards. Each main line extension shall normally extend along applicant's property line to the point the applicant's service line would be at a 90-degree angle to the street or main line.

Rule 11: Main Line Advances and Refunds Policy

Each new customer requesting a main line extension shall advance the utility the cost-base amount necessary to extend the main line to provide service.

For a period of five years after construction of the requested main line extension, the utility shall also collect from any additional applicants whose service connections or service lines shall connect to said main line extension an amount per foot equal to the new applicant's proportionate share of the main line extension cost for that portion used. The utility will then refund the share differential amount to those customers who previously shared the cost of said main line extension. Refunds shall not exceed the amount originally advanced.

No part of the distribution system installed prior to the request for a main line extension shall be used to calculate any customer advance or refund.

Rule 12: Types of Use

Water service may be supplied for residential, commercial, irrigation, temporary construction, special contracts, fire prevention, and other uses. The utility shall file separate rate schedules for each type of use and basis of supply.

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	Long Butte Water System, Inc.		
Signed By	<i>(name of utility)</i>		
	Patrick R. Hodge	President	
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

Rule 13: Multiple Residences

An apartment building, mobile home park, motel, trailer camp, duplex, townhouse, or any other property consisting of more than one residential unit, if served through one service line, shall be considered to be equivalent to the number of dwelling units when determining the customer count.

Rule 14: Utility Access to Private Property (OAR 860-036-0120(3)(b) and OAR 860-036-0205(3))

Customers shall provide access during reasonable hours to utility-owned service lines that extend onto the premises of the customer for the purposes of reading meters, maintenance, inspections, or removal of utility property at the time service is to be discontinued. Where the customer does not cooperate in providing reasonable access to the meter or to the premises, as required by law or to determine if a health or safety hazard exists, it is grounds for disconnection.

Rule 15: Restriction on Entering a Customer Residence (OAR 860-036-0085)

No water utility employee shall enter the residence of its customers without proper authorization except in an emergency when life or property is endangered.

REFUSAL OF SERVICE

Rule 16: Refusal of Service Due to Customer Accounts (OAR 860-036-0080(1-3))

The utility may refuse to serve an applicant until receipt of full payment of overdue amounts, or other obligations related to a prior account of the applicant with the utility, when the following circumstances exist:

- A. An overdue amount remains outstanding by a customer at the service address;
- B. The applicant resided at the service address indicated in (A) during the time the overdue charges were incurred; or
- C. The person indicated in (A) will reside at the location to be served under the new application. (OAR 860-036-0080)

Service shall not be refused for matters not related to water service. Residential service shall not be refused due to obligations connected with nonresidential service.

If service is refused under this rule, the utility shall inform the applicant or customer of the reasons for the refusal and of the Commission's dispute resolution process.

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Issued By	(date filing was mailed)	(at least 30 days after PUC receives filing)	
	Long Butte Water System, Inc.		
Signed By	(name of utility)		
	Patrick R. Hodge	President	
	(print name)	(title)	(signature of owner or corporate officer)

Rule 17: Refusal of Service Due to Utility Facilities (OAR 860-036-0080(7))

The utility shall not accept an application for service or materially change service to a customer if the utility does not have adequate facilities or water resources to render the service applied for, or if the desired service is of a character that is likely to unfavorably affect reasonable service to other customers.

For refusal of service under this rule, the utility shall provide a written letter of refusal to the applicant informing applicant that the details upon which the utility's decision was based may be requested. A copy of such notice will be sent to the Commission. The details will include, but not be limited to:

- A. Current capacity and load measured in gallons or cubic feet per minute;
- B. Current capacity and load measured in pounds per square inch;
- C. Cost to the utility for additional capacity in order to provide the additional service; and
- D. Information regarding the appeal process of the utility's refusal to provide service is available through the Commission's dispute resolution process pursuant to OAR 860-036-0025.

Rule 18: Refusal of Service Due to Customer Facilities (OAR 860-036-0080(4-6))

The utility shall refuse service to an applicant or customer whose facilities do not comply with applicable plumbing codes or, if in the best judgment of the utility, are of such a character that safe and satisfactory service cannot be given.

If service is refused under this rule, the utility will provide written notification to the customer within 10 working days stating the reason(s) for refusal and providing information regarding the Commission's complaint process. A copy of the notification will also be sent to the Commission.

METERS

Rule 19: Utility Meters (OAR 860-036-0105)

The utility shall own, maintain, and operate all meters. Meters placed in service shall be adequate in size and design for the type of service, set at convenient locations, accessible to the utility, subject to the utility's control, and placed in a meter box or vault between the street curb and property line. Each meter box or vault shall be provided with a suitable cover.

Where additional meters are furnished by the utility or relocated for the convenience of the customer, a reasonable charge may be made in accordance with a schedule approved by the Commission.

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	Patrick R. Hodge	President	
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

The water utility shall have the right to set meters or other devices for the detection and prevention of fraud or waste without notice to the customer.

Each customer shall provide the utility with regular access to the meter on the customer's property. Failure to permit access at reasonable times and after reasonable notice by the utility requesting access is grounds for disconnection. (OAR 860-036-0120) Should damage result to the meter from molesting, tampering, or willful neglect on the part of the customer, the utility shall repair or replace the meter and may bill the customer for the reasonable cost. (OAR 860-036-0105(6))

Rule 20: Meter Testing (OAR 860-036-0110)

The meter shall be tested prior to or within 30 (thirty) days of installation to determine it is accurate to register not more than 2 percent error. No meter shall be allowed to remain in service if it registers an error in excess of 2 percent under normal operating conditions. The utility shall maintain a record of all meter tests and results. Meter test result records shall include:

- A. Information necessary to identify the meter;
- B. Reason for making the test;
- C. Date of test;
- D. Method of testing;
- E. Meter readings;
- F. Test results; and
- G. Any other information required to permit convenient checking of methods employed.

Rule 21: Customer-Requested Meter Test (OAR 860-036-0115)

A customer may request that the utility test the service meter; such test shall be made within 20 working days of the receipt of such request at no cost to the customer. The customer has the right to be present during said test, which is to be scheduled at a mutually agreeable time. A written report shall be provided to the customer stating:

- A. Customer's name;
- B. Date of the customer's request;
- C. Address at which the meter has been installed;
- D. Meter identification number;
- E. Date of actual test; and
- F. Test results.

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If a customer requests a meter test more often than once in any 12-month period, the deposit listed on the Miscellaneous Service Charges Schedule may be required to recover the cost of the test. If the meter is found to register more than 2 percent fast under conditions of normal operation, the utility shall refund the deposit to the customer.

BILLING

Rule 22: Billing Information / Late-Payment Charge (OAR 860-036-0120, OAR 860-036-0125 and OAR 860-036-0130)

Bills are due and payable when rendered by deposit in the mail or other reasonable means of delivery. As near as practical, meters shall be read at monthly, bimonthly, quarterly, or annual intervals on the corresponding day of each meter reading or billing period. The bill shall be rendered immediately thereafter. (OAR 860-036-0120(3) requires water utilities to bill at monthly intervals. A utility may request upon application special authority by the Commission to bill at intervals other than monthly.) The utility shall make reasonable efforts to prepare opening and closing bills from actual meter readings. When there is good reason for doing so, estimated bills may be submitted. Any estimated billings shall be clearly designated as such.

The late-payment charge determined by the Commission and listed on the Miscellaneous Service Charges Schedule shall be applied to all overdue balances at the time of preparing the subsequent months' bill or balances owing that are 30 days old.

All bills become delinquent if not paid within 15 days of the date of transmittal of the bill. (OAR 860-036-0125 requires a minimum of 15 days.) If permitted to become delinquent, water service may be terminated after proper notice as provided in Rule 29, Disconnection/Reconnection Visit Charge.

All water service bills shall show:

- A. Beginning and ending meter readings for the billing period;
- B. Beginning and ending dates of the period of service to which the bill applies;
- C. For all metered bills, beginning and ending meter readings for the period for which the bill is rendered;
- D. Number of units of service supplied stated in gallons or cubic feet;
- E. Schedule number under which the bill was computed;
- F. Delinquent date of the bill;
- G. Total amount due; and
- H. Any other information necessary for the computation of the bill.

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Rule 23: Returned-Check Charge

The returned-check charge listed on the Miscellaneous Service Charges Schedule shall be billed for each occasion a customer submits a check for payment that is not honored, for any reason, by a bank or other financial institution.

Rule 24: Prorating of Bills

Initial and final bills will be prorated according to the number of days service was rendered and on the basis of a 31-day month. For metered services, the meter will be read upon opening and closing a customer's account. Consumption will be charged at scheduled rates. Any minimum monthly charge will be prorated.

Rule 25: Adjustment of Bills (860-036-0135)

When an underbilling or overbilling occurs, the utility shall provide written notice to the customer detailing the circumstances, period of time, and the amount of the adjustment. If it can be shown that the error was due to an identifiable cause, the date of which can be fixed, the overcharge or undercharge shall be computed back to such date. If no date can be fixed, the utility shall refund the overcharge or rebill the undercharge for no more than six months' usage. In no event shall an overbilling or underbilling be for more than three years' usage. No billing adjustment shall be required if a meter registers less than 2 percent error under conditions of normal operation.

When a customer is required to repay an underbilling, the customer shall be entitled to enter into a time-payment agreement without regard to whether the customer already participates in such an agreement. If the customer and the utility cannot agree upon payment terms, the Commission shall establish terms and conditions to govern the repayment obligation. The utility shall provide written notice advising the customer of the opportunity to enter into a time-payment agreement and of the Commission's complaint process.

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	Patrick R. Hodge	President	
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

DISCONNECTION OF WATER SERVICE

Rule 26: Voluntary Discontinuance (OAR 860-036-0210)

Except for emergencies, customers who (for any reason) wish to have service discontinued shall provide the utility with at least five days' advance notice of the requested date of discontinuance of service. Until the utility receives such notice, the customer shall be held responsible for all service rendered. Should the customer wish to recommence service within 12 months at the same premises, the customer will be required to pay the customary minimum monthly charge as if service had been continuous. The reconnection charge listed on the Miscellaneous Service Charges Schedule will be applicable at the time of reconnection.

Rule 27: Emergency Disconnection (OAR 860-036-0215)

The utility may terminate service in emergencies when life or property is endangered without following the procedures set forth in OAR 860-036-0245. Immediately thereafter, the utility will notify the customer and the Commission. When the emergency termination was through no fault of the customer, there shall be no charge made for restoration of service.

Rule 28: Disconnection of Water Service Charge for Cause (OAR 860-036-0205 and 0245)

When a customer fails to comply with the utility's rules and regulations other than permitting a bill or a charge for regulated services to become delinquent, the utility shall give at least five days' written notice before water may be shut off. When a customer permits a bill or charge for regulated services to become delinquent (except for nonpayment of a time-payment agreement*), the utility shall give at least 15 days' written notice before water may be shut off. The notice shall state:

- A. The reason(s) for the proposed disconnection;
- B. The earliest date for disconnection;
- C. The amount to be paid to avoid disconnection;
- D. An explanation of the time-payment provision of OAR 860-036-0125;
- E. Information regarding the Commission's dispute resolution process; and
- F. The Commission's Consumer Services toll-free number, 1-800-522-2404.

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	Long Butte Water System, Inc.		
Signed By	<i>(name of utility)</i>		
	Patrick R. Hodge	President	
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

Prior to disconnection on the day that the water utility expects to disconnect service, the utility must make a good-faith effort to physically contact the customer to be disconnected or an adult at the customer's premise to be disconnected to advise the customer or adult of the proposed disconnection. If contact is not made, the utility shall leave a notice in a conspicuous place at the customer's premise informing the customer that service has been or is about to be disconnected. The utility shall document its efforts to provide notice and make that documentation available to the customer upon request.

Service shall not be shut off for nonemergencies on a Friday or the day of a state- or utility-recognized holiday or the day prior to such holiday. (OAR 860-036-0220)

The utility shall not disconnect residential service due to the failure to pay or meet obligations associated with nonresidential service. (OAR 860-036-0225)

A water utility may not disconnect residential service for nonpayment if a customer enters into a written time-payment plan. The utility will offer such customers a choice of payment agreements between a levelized-payment plan and an equal-pay arrearage plan or some other mutually agreeable alternate payment arrangement agreed to in writing. (OAR 860-036-0125)

*When a customer fails to comply with the terms of a written time-payment agreement between the customer and/or the utility permits a time-payment agreement charge to become delinquent, the utility shall give at least 15 days' written notice before the water may be shut off.

Rule 29: Reconnection Charge and Disconnection Visit Charge (OAR 860-036-0080 and 0245(7))

Service shall not be restored until the utility's rules and regulations are complied with and/or payment is made in the amount overdue and any additional disconnection, reconnection, or disconnection visit charges incurred as listed on the Miscellaneous Service Charges Schedule are paid.

Rule 30: Unauthorized Restoration of Service

After the water has been disconnected or shut off at the curb stop or at the meter, if any person not authorized by the utility should turn it on, the water service line may be disconnected without notice. Service shall not be reconnected until all arrearages, all cost-of-service disconnection and reconnection, and the reconnection charge listed on the Miscellaneous Service Charges Schedule are paid in full.

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Rule 31: Unauthorized Use

No person shall be allowed to make connection to the utility mains, or to make any alteration to service connections, or to turn a curb stop off or on to any premises, without written permission of the utility. Meter tampering, diverting service, or any other unauthorized use of service will automatically cause a disconnection of the water service and meter removal. All fees, costs of disconnection and reconnection, past-due billings, and service charges listed on the Miscellaneous Service Charges Schedule must be paid in full before any service is restored. An advance deposit for restoration of service may be required.

Rule 32: Interruption of Service (OAR 860-036-0075)

The utility shall have the right to shut off the water supply temporarily for repairs and other necessary purposes. The utility shall use all reasonable and practicable measures to notify affected customers in advance of such discontinuance of service except in the case of emergency repairs. The utility shall not be liable for any inconvenience suffered by the customer or damage to the customer's property arising from such discontinuance of service.

The utility shall keep a record of all service interruptions affecting its whole system or a major section thereof, including the time and date of interruption, duration, and cause or purpose of interruption.

Rule 33: Water Supply/Usage Restrictions (OAR 860-036-0325)

The utility shall exercise due diligence to furnish a continuous and adequate supply of water to its customers. If water restrictions are necessary to equitably apportion its available water supply among its customers with due regard to public health and safety, the utility shall provide written notification to its customers and the Commission including:

- A. Reason for the restriction;
- B. Nature and extent of the restriction;
- C. Effective date of the restriction; and
- D. Probable date of termination of such restriction.

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	Patrick R. Hodge	President	
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Rule 34: Damages/Tampering

Should damage result to any of the utility's property from molesting or willful neglect by the customer to a meter or meter box located in the customer's building, the utility will repair or replace such equipment and will bill the customer for the costs incurred.

SERVICE QUALITY

Rule 35: System Maintenance (OAR 860-036-0305)

The utility shall have and maintain its entire plant, distribution system, and hydrants in such condition that it will furnish safe, adequate, and reasonable continuous service. The utility shall inspect its facilities in such manner and with such frequency as may be necessary to ensure a reasonably complete knowledge of its condition and adequacy at all times.

The utility shall keep such records of all routine maintenance as considered necessary for the proper maintenance of its system, including regular flushing schedules, exercising of valves, and valve inspections.

Rule 36: Trouble Call

The trouble-call charge listed on the Miscellaneous Service Charges Schedule may be billed whenever a customer requests that the utility visit the customer's premises to remedy a service problem and the problem is due to the customer's facilities.

Rule 37: Water Purity (OAR 860-036-0310)

The utility shall deliver water for domestic purposes free from bodily injurious physical elements and disease-producing bacteria and shall cause such tests to be made and precautions taken as will ensure the constant purity of its supply.

The utility shall keep a record of all water quality testings, results, monitoring, and reports.

The utility shall deliver domestic water that is reasonably free from elements that cause physical damage to customer property such as pipes, valves, appliances, and personal property. A water supply that causes such damage will be remedied until the conditions are such as to not reasonably justify the necessary investment.

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Rule 38: Water Pressure (OAR 860-036-0315)

Each water utility shall maintain pressure at a minimum of 20 pounds per square inch (psi) for health reasons to each customer at all times and not exceed a maximum of 125 psi. The 20 psi and 125 psi standards are not presumed to be adequate service and do not restrict the authority of the Commission to require improvements where water pressure or flow is inadequate.

In general, 40 psi of water pressure in the water mains is usually adequate for the purposes of this rule. Adequate pressure may vary depending on each individual water system and its customers' circumstances. In the case of a dispute, the Commission will determine the appropriate water pressure for the water utility.

Rule 39: Pressure Surveys (OAR 860-036-0320)

The utility shall have a permanently placed pressure gauge located on a main that is representative of the system's pressure. A portable gauge in good working condition shall be available for checking pressure conditions in any part of the distribution area.

Rule 40: Customer-Requested Pressure Test (OAR 860-036-0320)

Upon customer request, the utility will perform a water pressure test within 20 working days of the request at no cost to the customer. If the customer requests more than one pressure test within any 12-month period, a deposit to recover the reasonable cost of the additional test may be required of the customer. The deposit shall be returned if the pressure test indicates less than 20 psi or more than 125 psi. The customer or designated representative has the right to be present at the pressure test, and said test shall be conducted at a mutually agreeable time.

For metered service, the pressure will be tested at a point adjacent to the meter on the customer's service line. For nonmetered service, the pressure will be tested at the customer's service line or hose bibb or other reasonable point likely to best reflect the actual service pressure.

Rule 41: Maps/Records (OAR 860-036-0335)

The utility shall keep on file current maps and records of the entire plant showing size, location, character, and date of installation of major plant items, including shut-off valves.

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Rule 42: Utility Line Location (One Call Program) (OAR 860-036-0345)

The utility and its customers will comply with the requirements of OAR 952-001-0010 through and including OAR 952-001-0090 (One Call Program) regarding identification and notification of underground facilities.

Rule 43: Cross Connection/Backflow Prevention Program

The utility requires that all metered service connections have a state approved Backflow Prevention Device installed prior to service beginning. All devices must be installed at a location specified by the utility. All devices must be installed by the owner or a state licensed plumber. All devices must be tested upon installation and certified to have been installed properly and is operating properly. Devices must be tested annually to insure proper operation. All costs associated with installation, maintenance and testing is to the sole burden of the customer.

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