

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UW 119

In the Matter of	)	
	)	
AGATE WATER	)	ORDER
	)	
Proposed Tariff for Water Service.	)	
Advice No. 06-27	)	

**DISPOSITION: TARIFF SHEETS SUSPENDED**

On October 31, 2006, AGATE WATER filed tariff sheets in Advice No. 06-27 to be effective December 1, 2006. The terms of the proposed tariff sheets are set forth in the Staff Report dated November 13, 2006, attached as the Appendix to this order.

At its November 21, 2006, public meeting, the Public Utility Commission of Oregon found good and sufficient cause exists to investigate the propriety and reasonableness of the tariff sheets pursuant to ORS 757.210 and 757.215. The Commission ordered suspension of the advice pending that investigation.

IT IS ORDERED that Advice No. 06-27 filed by AGATE WATER is suspended for a period of time not to exceed six months from December 1, 2006, the effective date of the tariff sheets.

Made, entered, and effective NOV 24 2006.



BY THE COMMISSION:

Becky Beier  
Becky Beier  
Commission Secretary

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.

ITEM NO. 8

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 21, 2006

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE  December 1, 2006

DATE: November 13, 2006

TO: Public Utility Commission

FROM: Kathy Miller *km*

THROUGH: *ws* Lee Sparling, *mh* Marc Hellman, and *md* Michael Dougherty

SUBJECT: AGATE WATER: (Docket No. UW 119/Advice No. 06-27) Requests a general rate increase in the amount of \$202,800, resulting in annual revenues of \$646,732.

**STAFF RECOMMENDATION:**

Pursuant to ORS 757.215, Staff recommends the proposed tariffs filed by Agate Water (Agate or Company) requesting a general rate increase be suspended for six months effective December 1, 2006.

**DISCUSSION:**

Agate provides water service and fire protection to approximately 1,100 residential customers on the outskirts of Bend, Oregon.

On October 31, 2006, the Company filed a general rate case and proposed tariffs with an effective date of December 1, 2006. The application requests an increase of \$202,800, bringing the Company's annual revenues from \$443,932 to \$646,732.

The increase is necessary to 1) add the remaining plant (not included in the previous rate case) from a \$3,000,000+ capital improvement project to utility plant and 2) keep up with the increased cost of running the system.

Agate has two classes of customers: 1) customers who paid a system development charge (SDC) prior to regulation; and 2) customers who hooked up to the system after regulation that did not pay the SDC (Non-SDC). The customers who paid the SDC are currently charged a smaller base rate for water service.

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Agate's current rates and its proposed rates for both classes of customers are shown in the table below.

CURRENT RATES				
CUSTOMER CLASS	BASE RATE	USAGE RATES PER 100 CUBIC FEET (cf)		
		1ST TIER 0 to 2000 cf	2ND TIER 2001 to 4000 cf	3RD TIER above 4000 cf
Paid SDC	23.55	0.68	1.75	2.04
Did Not Pay SDC	31.19	0.68	1.75	2.04
AGATE PROPOSED RATES				
CLASS	BASE RATE	USAGE RATES PER 100 CUBIC FEET (cf)		
		1ST TIER 0 to 2000 cf	2ND TIER 2000 cf & above	
Paid SDC	27.04	1.04	2.75	
Did Not Pay SDC	34.68	1.04	2.75	

Staff calculates the base rate will increase 15 percent for the SDC Paying customers and 11 percent for the Non-SDC customers. Although the percent increase is different between the two classes of customers, Agate has maintained the \$7.64 differential between the two base rates approved in Agate's last rate case, UW 108. This differential allows the SDC Paying customers to recover the SDC over 30 years, which corresponds to the average utility plant life. Once the SDC Paying customers recoup their SDCs, the two customer classes will come under one rate.

The Company proposes to eliminate the third tier of the usage rate. The proposed rate for the first tier is a 53 percent increase. The proposed rate for the second tier is a 57 percent increase. Under Agate's proposed rate design, the current average monthly rate for SDC Paying customers is \$32.85 and the proposed average monthly rate is \$41.20, or an approximate 25 percent increase. The current average monthly rate for Non-SDC customers is \$40.49 and the proposed average monthly rate is \$48.84 or an approximate 21 percent increase.

Agate's last rate case concluded on October 13, 2005, with the issuance of Commission Order No. 05-1087. The order adopted a stipulated 30.9 percent increase in rates.

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Staff requests the Commission suspend Agate's tariffs (effective December 1, 2006) for six months to give Staff time to review the Company's application.

**PROPOSED COMMISSION MOTION:**

Pursuant to ORS 757.215, proposed tariffs filed by Agate Water be suspended for six months, effective December 1, 2006, to allow Staff adequate time to investigate Agate Water's rate proposal.

AgatepmmUW 119