

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 125

In the Matter of)
)
WILLAMETTE WATER COMPANY) ORDER
)
Request for a general rate revision and)
interim rate increase.)

**DISPOSITION: INTERIM RATE RELIEF GRANTED; TARIFF
SHEETS SUSPENDED**

On December 19, 2007, Willamette Water Company (Willamette or Company) filed a request to increase annual revenues by \$37,066 or 20.86 percent. *See* Advice No. 07-35. The company also seeks an interim rate increase of \$21,322 annually or 12 percent, to be effective February 1, 2008.

Willamette is located in Goshen, Oregon, and provides water service to approximately 54 commercial customers, 9 industrial customers, 9 fire protection customers, and 100 residential customers. The company purchases all of its water from the Eugene Water and Electric Board (EWEB).

Willamette states that a rate increase is necessary because the company's expenses exceed its revenues. Due to inadequate revenues, Willamette states that it is unable to pay invoices totaling more than \$76,000. This shortage is due primarily to the increased cost of purchased water, which comprises over 32 percent of the company's total operating expense. Willamette explains that EWEB has increased the rate of purchased water by almost 27 percent since 2002, and EWEB will propose an additional 17.5 percent increase in May 2008.

Under ORS 757.215(1), the Public Utility Commission of Oregon (Commission) may suspend a proposed rate increase to evaluate the proposed rates. While such an investigation is pending, the Commission may allow an interim increase in an amount deemed reasonable. Any such interim increase is subject to refund, with interest, if the Commission's investigation concludes that all or a portion of the interim rate was not justified. *See* ORS 757.215(5).

At its January 22, 2008, public meeting, the Commission adopted the Commission Staff's (Staff) recommendation to suspend Willamette's filing for a period of six months for investigation, and to grant the company's request for interim rate relief, subject to refund. A copy of Staff's recommendation, in Staff Report dated January 15, 2008, is attached as Appendix A and incorporated by reference.

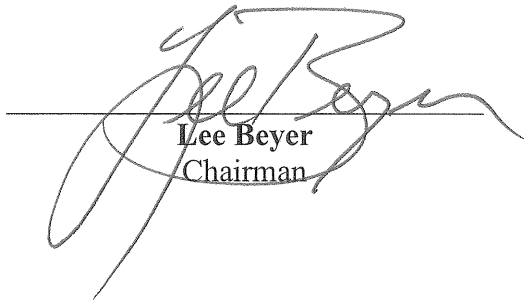
Interim rate increases are disfavored and are generally granted only where the company is in dire need and unable to continue adequate service to its customers without the additional funds. *See In re Salmon River Water Company*, Order No. 04-407. In this case, we find it appropriate to adopt an interim rate increase to help Willamette increase its revenues to meet expenses and ensure the continued provision of water to its customers.

ORDER

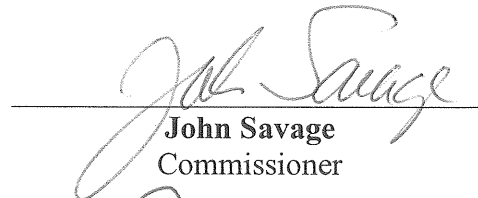
IT IS ORDERED that:

1. Advice No. 07-35, filed by Willamette Water Company, is suspended for a period of six months, effective February 1, 2008, pending investigation into the propriety and reasonableness of the rates.
2. Willamette Water Company's request for an interim rate increase of 12 percent, for service on and after February 1, 2008, is granted. All interim rates collected are subject to refund.


Made, entered, and effective JAN 28 2008 .



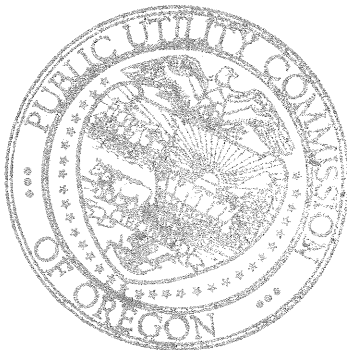
Lee Beyer
Chairman



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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 22, 2008**

REGULAR X CONSENT EFFECTIVE DATE February 1, 2008

DATE: January 15, 2008

TO: Public Utility Commission

FROM: Renee Sloan *RS*

THROUGH: *li* Lee Sparling, *A* Marc Hellman, and *my* Michael Dougherty

SUBJECT: WILLAMETTE WATER COMPANY: (Docket No. UW 125/Advice No. 07-35) Requests a general rate increase in the amount of \$22,018, resulting in annual revenues of \$214,744 and also requests interim rate relief through an across-the-board increase of 12 percent to each base and commodity rate.

STAFF RECOMMENDATION:

Pursuant to ORS 757.215, Staff recommends that proposed tariffs filed by Willamette Water Company (Willamette or Company) requesting a general rate increase of \$37,066, be suspended for six months effective February 1, 2008.¹

Pursuant to 757.215, Staff recommends that Willamette's request for an interim rate increase of 12 percent be granted with an effective date of February 1, 2008.

DISCUSSION:

Background

Willamette is located in Goshen, Oregon, and provides water service to approximately 54 commercial customers, 9 industrial customers, 9 fire protection customers, and about 100 residential customers. The Company purchases all its water from the Eugene Water and Electric Board (EWEB).

On September 18, 2001, Willamette filed a rate increase request for \$16,436 in total annual revenues or 10 percent above test year revenues. In addition, the Company requested approval of an immediate interim increase of \$9,337, or 5.7 percent, to recover the increase in the wholesale cost of water from EWEB.

¹ The \$22,028 increase noted in the Public Meeting Memo is calculated by taking the \$37,066 increase in retail water revenues and subtracting \$15,048 in revenues from other than water sales.

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The Public Utility Commission (Commission) issued Order No. 01-908 on October 31, 2001, allowing the interim rate increase with an effective date of November 1, 2001. Willamette's current rates were approved by Commission Order No. 02-425, issued June 28, 2002 (UW 81).

UW 125/Advice 07-35

On December 19, 2007, Willamette filed a rate case application with the Commission (UW 125/Advice 07-35). The Company filed a replacement application and tariffs on January 2, 2008, requesting an effective date of February 1, 2008. In its application, Willamette proposes to increase Test Year (2006) water sales revenues by \$37,066, or 20.86 percent. In addition, the Company requests an interim rate increase of 12 percent, or \$21,322 annually, to be effective February 1, 2008.

Willamette states that a rate increase, the first in over five years, is necessary because the Company's annual expenses exceed its revenues. According to Willamette's 2006 Annual Report,² total 2006 expenses were \$200,029, which is \$22,351 more than the 2006 revenues of \$177,678. Additionally, Willamette states it is unable to pay invoices totaling \$76,096.94, due to current inadequate revenues.

A major cause of this dire situation is the steadily increasing cost of purchased water, which comprises over 32 percent of Willamette's total operating expense. EWEB has raised the rate for Willamette's purchased water by nearly 27 percent since 2002. Staff was told by EWEB personnel that EWEB's Board proposes to implement an additional 17.5 percent increase to Willamette's cost of wholesale water in May 2008. That rate hike would increase Willamette's cost of purchased water by almost 44 percent since the Commission approved the Company's current rates in 2002.

ORS 757.215(5) states that the Commission may, in a suspension order, authorize an interim rate under which the utility's revenues will be increased by an amount deemed reasonable by the Commission, but not more than the amount requested by the utility. The interim rate remains in effect until terminated by the Commission. If the interim rate, or any portion thereof, is found to be unjustified upon completion of the rate case, it will be refunded to the customers.

Table A shows the base and variable rates for Residential customers with 5/8" or 3/4" meters under current tariffs, proposed interim tariffs, and proposed tariffs per UW 125.

² The 2007 Annual Report is not due until April 1, 2008, and as such, the 2006 Annual Report is the most current report on file.

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TABLE A

<u>Residential</u>	<u>Current</u>	<u>Proposed Interim</u>	<u>Proposed UW 125</u>
Base Rate	\$23.85	\$26.71	\$28.31
Variable Rate	\$1.34	\$1.50	\$1.88

Table B shows a comparison of average monthly bills for Residential customers with 5/8" or 3/4" meters who use an average of 959.6 cubic feet per month, under current rates, proposed interim rates, and proposed rates per UW 125.

TABLE B

<u>Residential</u>	<u>Current</u>	<u>Proposed Interim</u>	<u>Proposed UW 125</u>
5/8" & 3/4"	\$36.80	\$41.10	\$46.35

Based on the Company's application, Willamette is requesting a 21 percent increase in water sales revenues. Because Purchased Water, a Management Contract,³ and Contract Services – Labor (water operator) make up approximately 76 percent of the Company's operating expenses, Staff believes that the final rate increase determined by the Commission will exceed 12 percent, especially in light of EWEB's proposed increase in purchased water. As a result, Staff believes that the proposed interim rate increase is necessary to allow the Company to meet its ongoing expenses. However, the Company understands that if the interim rates exceed the final Commission-approved rates, customers will be refunded any overpayments plus interest calculated at the Company's authorized rate of return.

Given the information above, Staff believes a 12 percent interim rate increase, subject to refund with interest, is reasonable.

PROPOSED COMMISSION MOTION:

Pursuant to ORS 757.215, the proposed tariffs filed by Willamette Water Company be suspended for six months, effective February 1, 2008, to allow Staff sufficient time to investigate the Company's rate proposal; and, pursuant to ORS 757.215, Willamette's proposed 12 percent interim rate increase be granted, effective February 1, 2008, subject to refund with interest.

UW 125 Willamette

³ Order No. 07-436 (UI 272) approved \$7,192.75 monthly for a management agreement between Willamette and Frontier Resources, LLC. The agreement includes amounts for Administrative and Management Services, Office Rent, Accounting, Transportation, and Cell Phone Expense.