

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 128

In the Matter of)	
)	
NORTH HILL WATER CORPORATION)	ORDER
)	
Request for a General Rate Revision.)	

DISPOSITION: STIPULATION ADOPTED

INTRODUCTION

North Hill Water Corporation (North Hill or the Company) is a water association with members located near Hermiston, Oregon. The Company provides domestic residential water service to approximately 28 members. North Hill became regulated by the Commission in March 2008, pursuant to ORS 757.063.

On April 7, 2008, North Hill filed an initial application to establish tariffs in compliance with Commission Order No. 08-164. The Company filed a supplemental application on April 14, 2008. On May 13, 2008, the Commission, by Order No. 08-249, suspended North Hill’s proposed tariffs for a period of time not to exceed six months from May 7, 2008.

On May 27, 2008, Chief Administrative Law Judge (ALJ) Michael Grant held a public comment meeting and prehearing conference. Although several customers attended the event, none sought status as a party to the rate proceeding.

On July 25, 2008, North Hill and Staff filed a stipulation (Stipulation) settling all issues between them. In supporting testimony Staff explains and defends the Stipulation.

BACKGROUND

North Hill is struggling with an inadequate water system. The Company currently owns two wells, and, according to the Oregon Water Resources Department (WRD), North Hill's use of the two wells exceeds its water rights.¹ Before North Hill can operate within its legal authority, its water rights need to be adjusted.

A 2006 engineering study by HBH Consulting Engineers (HBH) concluded that the system has additional problems. HBH concluded that the wells lack wellhead protection, the water from the wells is contaminated with coliform bacteria, and the existing 10,000-gallon steel reservoir is inadequate to meet North Hill's storage needs. HBH also concluded that the booster pump station required to pressurize the system is inadequate and inefficient. Finally, the system lacks individual water meters, which prevents North Hill from billing its members based on consumption.

North Hill solved its water-rights problem by transferring its existing water rights from its two wells to a single new well, yet to be constructed, drilled deeply enough to provide a long-term, reliable source of water. North Hill has received approval from WRD for this water-rights transfer.²

North Hill is now in the process of constructing the new well. Consistent with HBH's recommendations, the Company also plans to install a new 25,000-gallon reservoir, add two new pumps adequate to pressurize the system, and install individual water meters. The company also plans to install site fencing and add a chlorine disinfection system. The parties estimate that the total cost for these improvements will be approximately \$353,650.

In order to finance the improvements, North Hill sought a loan from the State's Safe Drinking Water State Revolving Loan Fund. To be eligible for the low-interest loan, however, North Hill was required to be regulated by the Oregon Public Utility Commission.³ Consequently, on March 5, 2008, nineteen members of the Company signed petitions requesting Commission regulation. The number of petitions met the statutory requirement for the exercise of Commission jurisdiction.⁴ On March 13, 2008, the Commission entered Order No. 08-164, ordering the Company to file tariffs.

¹ North Hill's current operations apparently require it to exceed its water rights with one well, but allow it to draw nothing from the second well. The reason for this imbalance is unclear from the testimony.

² WRD ordered the well to be in use by October 2008; however, North Hill has applied for an extension of that deadline.

³ See OAR 123-049-0050(1).

⁴ ORS 757.063 states that a water association is subject to Commission jurisdiction if 20 percent or more of the members of a water association file petitions with the Public Utility Commission requesting such regulation. Nineteen petitions were filed, representing approximately 61 percent of the Company's stated membership. See Order No. 08-164. North Hill also charges an average annual monthly residential rate above \$33 and thus meets the Commission's threshold under OAR 860-036-0030.

North Hill filed its proposed tariffs on April 7, 2008, and April 14, 2008. On July 25, 2008, the parties entered into the Stipulation.

THE STIPULATION

Summary

In order to meet its system needs and finance the new improvements, North Hill initially proposed an increase of \$14,150 in annual revenues from its 2007 test-year revenues, from \$9,250 to \$23,400. It proposed a 4.81 percent rate of return on a rate base of \$262,851, which generated a monthly flat rate of \$75 for each member.⁵

The Stipulation provides for an increase of \$13,316 over North Hill's annual 2007 revenues, for total annual revenues of \$22,566, with a 1 percent rate of return on a rate base of \$267,494. This results in a monthly flat rate of \$67.16 for each member.

Revenue Requirement

Operating Expenses. Staff made a number of adjustments to North Hill's test year, including moving expenses into appropriate accounts, moving capital expenditures to plant, and adjusting expenses to comport with documentation provided by the Company. Staff's adjustments yielded total annual operating expenses of \$8,355. Staff also calculated approximately \$11,501 in annual depreciation expense, yielding total annual revenue deductions of \$19,866.

Rate Base. North Hill's stipulated rate base includes a combination of old plant and proposed new construction. A major component of North Hill's rate base will be the new well and improvements.

Construction work in progress (CWIP) may be included in rate base under certain circumstances. The Commission may allow the costs of specific capital improvements to be included in water utility rates "if the water utility is required to use the additional revenues solely for the purpose of completing the capital improvement." ORS 757.355(2). North Hill has been awarded a 1 percent interest loan for \$353,650 to finance the new improvements, to be paid back over 30 years.⁶ Staff asserts that North Hill's capital improvement projects are currently underway, and that it is necessary to put CWIP into plant at this time so that North Hill can collect revenues necessary to make its annual loan payment, due in December 2009.

⁵ Staff explains that North Hill's proposed rates would result in an 87.5 percent increase over existing rates, a flat \$40 per month, implemented in January 2008. The stipulated rates would be about 68 percent higher than existing rates.

⁶ Staff notes that 25 percent of the loan will be forgiven.

The Stipulation adjusts North Hill's proposed rate base to include the new construction and to account for other issues identified by Staff. Staff added \$353,650 for CWIP, the total amount of the capital improvements in progress but not yet used and useful. The parties worked with DWP and the Oregon Economic and Community Development Department (OECDD) to obtain forgiveness for 25 percent of the loan financing the construction, so Staff subtracted \$88,413 to protect members from paying for the part of the loan that will be forgiven.

Staff also added \$16,456 to utility plant, the amount used and paid for by North Hill, and deducted \$14,896 for accumulated depreciation to represent the accumulated value of the wear and tear on the system's plant. Staff also recommended including \$696 in working cash. These adjustments yield the stipulated rate base of \$267,494.

The Stipulation includes a 1 percent rate of return on rate base, reflecting the costs of North Hill's loan.

Rates

The Stipulation provides for a flat rate for water usage of \$67.16 per month.⁷ Staff explains that the parties tried to keep rates as low as possible by narrowing the scope and cost of new construction and improvements. The parties worked with DWP and OECDD to reduce costs in the following ways:

- North Hill's loan initially required the Company to pay \$12,000 in out-of-pocket administrative costs. The agreement was modified to roll these costs into North Hill's loan.
- Staff and North Hill agreed to narrow the list of improvements to include only the most pressing, immediate needs of the water system, reducing the estimated construction costs from \$463,700 to \$353,650.⁸
- Staff obtained from OECDD the maximum amount of loan forgiveness permitted by law, reducing the total loan amount by 25 percent, or \$88,413.
- Staff obtained a new well testing schedule from DWP for the next three years that will phase out testing of the old wells once the new well is operational, saving the Company approximately \$5,000.

⁷ North Hill proposed a flat rate of \$75 per month.

⁸ North Hill's loan is intended to finance the following critical projects: (1) a new well; (2) a new 25,000-gallon reservoir; (3) improvements to North Hill's booster station; (4) site fencing; (5) installation of source and individual water meters; and (6) connecting the new well to a chlorine disinfection system and the new reservoir. Other projects that would have improved the system more aggressively were rejected. The \$463,700 cost estimate did not include upgrades that would allow for fire flow. The cost estimate for improvements that would allow for fire flow was even higher, at \$843,200.

The Stipulation proposes a flat monthly rate for members because North Hill's lack of individual water meters means that it cannot calculate charges based on consumption. Staff notes that North Hill intends to install meters as part of its planned improvements. Once the meters are in use and North Hill has established a consumption history, Staff explains, North Hill is to file tariffs with the Commission to establish metered rates.

DISCUSSION

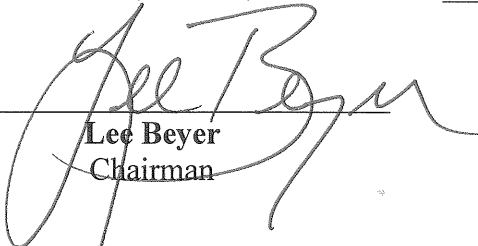
The Commission has reviewed the Stipulation, together with the supporting testimony and exhibits filed by Staff. We conclude that the revenue requirement and rate design proposals set forth in the Stipulation are fair, just, and reasonable and should be adopted. The Stipulation is attached to this Order as Appendix A and incorporated in this Order by reference.

ORDER

IT IS ORDERED that:

1. The Stipulation attached to this Order as Appendix A is adopted.
2. North Hill Water Corporation shall charge rates in accordance with the schedules attached to Appendix A.
3. The revised tariff schedules set forth in the Stipulation shall become effective September 1, 2008.
4. The tariffs filed by North Hill Water Corporation on April 7 and April 14, 2008, are permanently suspended.
5. Within 60 days after North Hill Water Corporation has installed meters and established a consumption history, it shall file tariffs with the Commission to establish metered rates.

Made, entered, and effective AUG 26 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.

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UW 128

In the Matter of NORTH HILL)
WATER CORPORATION) STIPULATION
for a General Rate Increase.)

North Hill Water Corporation (North Hill or Association) represented by Sylvia Bush, Secretary/Treasurer, and the Public Utility Commission Staff (Staff) appearing by and through its attorney, Jason W. Jones, Assistant Attorney General, (Parties) enter into this agreement in settlement of all issues between them.

1.

Staff's written testimony, marked as Staff Exhibit/100 and Staff Exhibit/101, and Attachments A and B to the Stipulation, which are attached hereto, will be received in evidence pursuant to this Stipulation without requiring any party to lay a foundation for its admission.

2.

The Parties agree to a total Revenue Requirement of \$22,566, which is a 144 percent overall increase in annual revenues, with a one percent return on a rate base of \$267,494. The stipulated Revenue Requirement is included as Attachment A.

1 3.

2 The Parties agree and support a flat monthly residential rate of \$67.16. The
3 Association serves domestic water to residential members only. The rate agreed to by
4 the Parties is set forth in the tariff sheet designated PUC Oregon No. 1, Original Sheet
5 No. 3. Attachment B contains the tariffs.

6 4.

7 The Parties agree and support the Association charging Miscellaneous
8 Services Charges according to Schedule No. 2 as set forth in the tariff sheet
9 designated PUC Oregon No. 1, Original Sheet No. 4.

10 5.

11 By entering into this Stipulation, no Party shall be deemed to have approved,
12 accepted, or consented to the facts, principles methods, or theories employed by any
13 other Party in arriving at the agreed revenue requirement, rate spread, and rate
14 design.

15 6.

16 The Parties recommend that the Commission adopt this Stipulation in its entirety.
17 The Parties have negotiated this Stipulation as an integrated document. Accordingly,
18 if the Commission rejects all or any material portion of this Stipulation, each Party
19 reserves the right, upon written notice to the Commission and all Parties to this
20 proceeding within 15 days of the date of the Commission's order, to withdraw from the
21 Stipulation and request an opportunity for the presentation of additional evidence and
22 argument.

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7.

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 25th day of July 2008.

Respectfully submitted,

HARDY MYERS
Attorney General

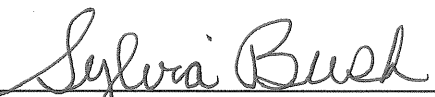


Jason W. Jones, # 00059
Assistant Attorney General
Of Attorneys for PUC Staff

7.

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 24 day of July 2008.



Sylvia Bush, Secretary/Treasurer
North Hill Water Corporation

Acct. No.		A	B	C	D		
		Balance Per Application Test Year: 2007	Proposed Company Adjustments	Adjusted Results (A+B=C)	Proposed Staff Adjustments	Adjusted Results (A+F=G)	Staff Proposed Rev Changes
REVENUES							
461.1	Residential Water Sales	9,250	14,150	23,400	4,190	13,440	22,565
471	Misc. Revenues	0	0	0	0	0	0
	Special Contracts	0	0	0	0	0	0
	TOTAL REVENUE	9,250	14,150	23,400	4,190	13,440	22,566
OPERATING EXPENSES							
601	Salaries and Wages - Employees	0		0	480	480	480
603	Salaries and Wages - Officers	0		0	0	0	0
604	Employee Pension & Benefits	0		0	0	0	0
610	Purchased Water	0		0	0	0	0
611	Telephone/Communications	0		0	0	0	0
615	Purchased Power	3,537		3,537	508	4,045	4,045
618	Chemical / Treatment Expense	445		445	48	493	493
619	Office Supplies	183		183	58	241	241
619.1	Postage	41		41	124	165	165
620	O&M Materials/Supplies	0		0	0	0	0
621	Repairs to Water Plant	573		573	(208)	365	365
631	Contract Svcs - Engineering	175		175	(175)	0	0
632	Contract Svcs - Accounting	684		684	(184)	500	500
633	Contract Svcs - Legal	0		0	0	0	0
634	Contract Svcs - Management Fees	0		0	0	0	0
635	Contract Svcs - Testing	568		568	942	1,510	1,510
636	Contract Svcs - Labor	0		0	0	0	0
637	Contract Svcs - Billing/Collection	0		0	0	0	0
638	Contract Svcs - Meter Reading	0		0	0	0	0
639	Contract Svcs - Other	0		0	0	0	0
641	Rental of Building/Real Property	0		0	0	0	0
642	Rental of Equipment	0		0	0	0	0
643	Small Tools	0		0	0	0	0
648	Computer/Electronic Expenses	0		0	0	0	0
650	Transportation	87		87	13	100	100
656	Vehicle Insurance	0		0	0	0	0
657	General Liability Insurance	0		0	0	0	0
658	Workers' Comp Insurance	0		0	0	0	0
659	Insurance - Other	0		0	0	0	0
660	Public Relations/Advertising	0		0	0	0	0
666	Amortz. of Rate Case	0		0	0	0	0
667	Gross Revenue Fee (PUC)	0		0	34	34	(2)
668	Water Resource Conservation	0		0	0	0	0
670	Bad Debt Expense	0		0	0	0	0
671	Cross Connection Control Program	0		0	0	0	0
672	System Program Funds	0		0	0	0	0
673	Training and Certification	0		0	0	0	0
674	Consumer Confidence Report	200		200	0	200	200
675	General Expense	226		226	0	226	226
	TOTAL OPERATING EXPENSE	6,719	0	6,719	1,639	8,358	(2)
	OTHER REVENUE DEDUCTIONS			6,719	1,639	8,358	8,355
403	Depreciation Expense	4,025		4,025	7,476	11,501	11,501
407	Amortization Expense	0		0	0	0	0
408.11	Property Tax	0		0	0	0	0
408.12	Payroll Tax	0		0	0	0	0
408.13	Other	0		0	0	0	0
409.11	Oregon Income Tax	10		10	0	10	10
409.10	Federal Income Tax	0		0	0	0	0
	TOTAL REVENUE DEDUCTIONS	10,754	0	10,754	9,114	19,868	(2)
	NET OPERATING INCOME	(1,504)	14,150	12,646	(4,924)	(6,428)	9,103
101	Utility Plant in Service	0	265,238	265,238	16,456	16,456	16,456
	Plus Construction Work in Progress	0	0	0	353,650	353,650	353,650
108.1	Less Depreciation Reserve	0	2,947	2,947	(14,896)	(14,896)	(14,896)
	Less Loan Forgiveness	0	0	0	(88,413)	(88,413)	(88,413)
272	Amortization of CIAC	0	0	0	0	0	0
281	Accumulated Deferred Income Tax	0	0	0	0	0	0
	Net Utility Plant	0	262,291	262,291	266,798	266,798	0
	Plus: (working capital)			262,291		266,798	266,798
151	Materials and Supplies Inventory	0	0	0	0	0	0
	Working Cash (Total Op Exp /12)	560	0	560	136	696	696
	TOTAL RATE BASE	560	262,291	262,851	266,934	267,494	0
	Rate of Return			4.81%		-2.40%	1.00%

**Containing Rules and Regulations
Governing Water Utility Service**

NAMING RATES FOR

North Hill Water Corporation

**31066 Cecil Street
Hermiston Oregon 97838**

541-720-1890

In the vicinity of
Hermiston, Oregon

Issue Date		Effective Date	
Issued By	North Hill Water Corporation		
Signed By			
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

Advice No. _____
(FOR PUC USE ONLY)

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Issued By	North Hill Water Corporation		
Signed By			
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

Advice No. _____
 (FOR PUC USE ONLY)

SCHEDULE NO. 1
RESIDENTIAL FLAT RATES

Available: To customers of the Utility at Hermiston, Oregon, and vicinity.

Applicable: To residential premises.

Flat Rate

Service / Meter Size	Monthly Base Rate
1/2" to 3/4"	\$67.16

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	North Hill Water Corporation		
Signed By			
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

Advice No. _____
 (FOR PUC USE ONLY)

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)	At Cost
<u>Meter Test</u> (Rule No. 21)	
First test within 12-month period	N/C
Second test within 12-month period	\$20
<u>Pressure Test</u> (Rule No. 40)	
First test within 12-month period	N/C
Second test within 12-month period	\$20
<u>Late-Payment Charge</u> (Rule No. 22)	Pursuant to OAR 860-036-0130
Charged on amounts more than 30 days past due	(as of 1/1/08 – 1.7%)
<u>Deposit for Service</u> (Rule No. 5)	Pursuant to OAR 860-036-0050
Pursuant to OAR 860-036-0040(2)	(as of 1/1/08 – 4%)
<u>Returned-Check Charge</u> (Rule No. 23)	\$25
<u>Trouble-Call Charge</u> (Rule No. 36)	
During normal office hours	\$30
After normal office hours on special request	\$45
<u>Disconnection/Reconnect Charge</u> (Rule No. 28 & 29)	
During normal office hours	\$30
After normal office hours on special request	\$45
<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)	\$30

Issue Date		Effective Date	
Issued By	North Hill Water Corporation		
Signed By			
	(print name)	(title)	(signature of owner or corporate officer)

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(FOR PUC USE ONLY)

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 North Hill Water Corporation.**
- B. "Applicant" shall mean any person, business, or organization that 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	
Issued By	North Hill Water Corporation		
Signed By			
	(print name)	(title)	(signature of owner or corporate officer)

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 (FOR PUC USE ONLY)

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	
Issued By	North Hill Water Corporation		
Signed By			
	<i>(print name)</i>	<i>(title)</i>	<i>(signature of owner or corporate officer)</i>

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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: **X 2) crediting the customer's account.** The customer is entitled to a refund check upon request.

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 premise 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.

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Signed By			
	(print name)	(title)	(signature of owner or corporate officer)

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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 5 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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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; and
- 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.

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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.

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

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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.

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:

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- 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.

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. 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 (when installed);
- B. Beginning and ending dates of the period of service to which the bill applies;

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- 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.

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

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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.

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, or 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 five 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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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

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reconnection, and the reconnection charge listed on the Miscellaneous Service Charges Schedule are paid in full.

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

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D. Probable date of termination of such restriction.

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.

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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.

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.

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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.

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

As required by the Department of Human Services, Drinking Water Program.

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