

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 175

In the Matter of

SOUTH HILLS WATER SYSTEMS, INC.,

Request for a General Rate Revision.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

On July 29, 2018, South Hills Water System, Inc. (South Hills) filed an application for a general rate revision, requesting an increase in annual revenues of 75 percent from \$34,325 to \$60,000. In Order No. 18-288, we suspended the company's filing for a period not to exceed nine months from September 1, 2018.

On October 12, 2018, a public comment hearing and prehearing conference were held in Hillsboro, Oregon. A number of members of the public asked questions and provided comments. A procedural schedule was adopted on October 15, 2018. Parties to the proceeding are South Hills Water Systems, Inc., Mary Perlmutter, Thomas Borland, Rex Myer, Rosemarie Klas, and Staff of the Public Utility Commission of Oregon.

On November 16, 2018, Staff filed a motion requesting that the procedural schedule in this proceeding be suspended. As grounds for the motion, Staff noted that parties needed further opportunity to finalize and execute a stipulation settling all issues in the case. All parties supported the motion and it was granted.

On January 4, 2019, all parties jointly filed a stipulation settling all issues in this proceeding. In their stipulation, the parties recommend that we adopt a revenue requirement of \$57,576 for a Phase 1 period and a maximum revenue requirement of \$66,000 for a Phase 2 period. This represents an increase of 42.78 and 63.67 percent above the 2016 test year revenues. Their recommendation includes a 9.5 percent rate of return on a total rate base of \$87,426 and \$88,121 respectively for the two phases.

According to the stipulation, the progression to the Phase 2 rate increase is contingent upon South Hills securing a loan for pipe replacement. A copy of the stipulation is attached to this order as Appendix A.

II. BACKGROUND

South Hills is a rate and service regulated investor-owned water utility located in Hillsboro, Oregon. The water utility was constructed in 1971; legally organized as an Oregon corporation on January 1, 1972; and began providing service on June 1, 1972. The utility was purchased by its current owner Wallace Wayne Rogers in 2004. Currently it serves 105 residential customers.

Since its last rate proceeding, South Hills has made no significant improvements, additions, or extension to its water system, but does propose a series of improvements for the future. These include a water tank replacement and line replacements. South Hills has not made any material additions to its system in the past 14 years except for pumps in 2007 and 2018.

South Hills has experienced recent service problems. The main pump has failed due to age and there have been four pipe leaks due to root penetration and six pipe repairs all in the year prior to the filing of the rate revision application.

III. THE STIPULATION

The stipulating parties propose that we adopt a two-phase implementation of a rate increase and that each phase have a distinct revenue requirement. The table below summarizes the proposed revenue requirement agreement between the parties.

| Phase | Revenue Requirement | Amount Collected | Rate Base | Increase over 2016 Test Period | Rate of Return |
|-------|---------------------|------------------|-----------|--------------------------------|----------------|
| 1 | \$57,576 | \$51,576 | \$87,426 | 42.87% | 9.5% |
| 2 | Max \$66,000 | \$60,000 | \$88,121 | 63.67% | 9.5% |

The parties agree that progression to the Phase 2 rate increase is contingent upon the company securing a loan for the replacement of the pipe currently used to connect the company's 4-inch mains to customers' meters. The Phase 2 total revenue requirement is contingent on our review of a Staff recommendation, which will calculate the Phase 2 base after South Hills has filed loan documentation. The Phase 2 increase is also contingent on the South Hills securing a loan from the Oregon Safe Drinking Water

Revolving Loan Fund (SDWRLF) or another source of debt and only after the Phase 1 rates have been in place at least one year. If we approve of Staff's recommendation, the company will update its tariff accordingly.

Under the stipulation, Phase 1 rates will be effective for service rendered on and after March 1, 2019. For metered accounts there will be a 60/40 split between monthly base rates and commodity rates. Consistent with the stipulation, the ultimate Phase 2 fixed customer charge will not exceed \$29.13 and the commodity rate will not exceed \$0.45 per 100 gallons.

The stipulation notes that the parties agree on the creation of an Account 105 Construction Work in Progress, subject to several conditions that must be addressed in a filing in this docket by April 1, 2019. This includes documentation of contracts for construction of a specific project. Updates must be filed prior to August 1, 2019, and a report must be filed at the conclusion of the project. Records must be retained and the use of funds must be restricted consistent with OAR 860-036-2390(2)(b).

The parties agree that South Hills will file a new rate case on or before January 1, 2028, or will file a request to modify this requirement if the company determines that a general rate revision is not necessary. As part of the stipulation, South Hills acknowledges that it may not act contrary to the terms of the stipulation without first seeking and obtaining a modification of Commission order. The company also acknowledges that future property transactions, affiliated interest transactions and new debt transactions may also require Commission filings and advance Commission approval.

IV. RESOLUTION

We find the stipulation to be a reasonable resolution of the issues presented and adopt in its entirety. We acknowledge the effort that was required to address construction work in progress issues associated with this filing. Additionally, we note that the stipulation includes a number of commitments of future action on behalf of South Hills to provide additional information and for Staff to provide additional analysis. We emphasize here that these commitments for future action, analysis and the provision of additional information are important elements to this stipulation and support our finding that the stipulation represents a just and reasonable resolution of issues. It is our expectation that South Hills and Staff will follow through on all representations made in the stipulation.

V. ORDER

IT IS ORDERED that:

1. Advice No. 18-01 filed by South Hills Water System, Inc., is permanently suspended.
2. The stipulation between South Hills Water System, Inc., Mary Perlmutter, Thomas Borland, Rex Myer, Rosemarie Klas and the Staff of the Public Utility Commission of Oregon, attached as Appendix A, is adopted.
3. South Hills Water System, Inc., is authorized to file its tariffs in accord with the stipulation, with an effective date of March 1, 2019.

Made, entered, and effective Feb 06 2019.



Megan W. Decker
Chair



Stephen M. Bloom
Commissioner



Letha Tawney
Commissioner



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 175

In the Matter of
South Hills Water Systems, Inc.
Request for a General Rate Revision

STIPULATION

South Hills Water Systems, Inc. (SH or the Company), appearing by and through its owner, Wayne Rodgers; the Public Utility Commission of Oregon Staff (Staff), appearing by and through its attorney, Elizabeth Uzelac, Assistant Attorney General; and intervenors Thomas Borland, Rosemarie Klas, Rex Myer, and Mary Perlmutter enter into this Stipulation resolving all issues in this case. The parties are hereafter collectively referred to as the Stipulating Parties.

1. The Stipulating Parties support entering into evidence, without requiring any Stipulating Party to lay a foundation for their admission, this Stipulation and its Attachments A (revenue requirement) and B (tariffs), Staff’s Testimony in Support of the Stipulation (Exhibit Staff/100), and additional supporting exhibits (Exhibit Staff/101-103).

2. The Stipulating Parties agree to support and recommend that the Commission adopt a two-phase implementation of a rate increase, each phase of which will involve a distinct total revenue requirement. The Phase 1 total revenue requirement will be \$57,576 (\$51,576 of which will be collected from customers), which includes a 9.5 percent rate of return on a total rate base of \$87,426 and reflects an increase of 42.78 percent over the 2016 test period revenues. The Phase 2 total revenue requirement will be a maximum of \$66,000 (\$60,000 of which will be collected from customers), which includes a 9.5 percent rate of return on a total rate base of \$88,121 and reflects an increase of 63.67 percent over the 2016 test period revenues. The progression to the Phase 2 rate increase is contingent upon the Company securing a loan for the replacement of the black polypropylene pipe currently used to connect SH’s 4 inch mains to customers’ meters (the Black Poly Pipe Project), as described in Paragraph 8 below. The exact

1 Phase 2 total revenue requirement is contingent on the Commission's approval of Staff's
2 recommendation to be developed under the process described in Paragraph 10.A below. The
3 stipulated revenue requirement for Phase 1 and the stipulated maximum possible revenue
4 requirement for Phase 2 are contained in Attachment A to this Stipulation.

5 3. The Stipulating Parties agree to and support the rates, fees, rules, and regulations
6 contained in Attachment B to this Stipulation which includes SH's tariff sheets PUC Oregon No.
7 4, Original Sheet Nos. 1 through 21.

8 4. The Stipulating Parties agree to rates being effective for service rendered on and
9 after March 1, 2019 if the Commission enters an order adopting this Stipulation before March 1,
10 2019. The Stipulating Parties agree to encourage the Commission to enter an order approving
11 this Stipulation before March 1, 2019.

12 5. The Stipulating Parties agree that, for metered accounts, SH's rate design will
13 apply a 60/40 split between monthly base rates and commodity rates.

14 6. Before January 15, 2019, South Hills agrees to file with the Commission an
15 affiliated interest application seeking approval for its officer's salary, consistent with the \$15,600
16 annual figure agreed to in connection with this account in this docket. Staff agrees to make its
17 best efforts to take that filing to the Commission for its consideration on February 14, 2019.

18 7. The Stipulating Parties agree to include in Account 105 Construction Work in
19 Progress (CWIP) in this case the costs associated with replacing the three gate valves that are
20 currently not functioning (the Gate Valves Project), provided that the Commission imposes on
21 SH and SH complies with the following conditions with respect to the Gate Valves Project:

22 **CWIP Condition A: April 1, 2019 Status Update.** SH must file a status update in
23 Docket No. UW 175 on or before April 1, 2019 that includes the following documents
24 and information: (i) a confirmed contract for the Gate Valves Project; and (ii) an
25 estimated start date for the Gate Valves Project that is no later than July 1, 2019.

26

1 **CWIP Condition B: August 1, 2019 Status Update.** SH must file a status update in
2 Docket No. UW 175 on or before August 1, 2019, that includes the following
3 information: (i) the actual start date of the Gate Valves Project; and (ii) if construction for
4 the Gate Valves Project started after July 31, 2019, an explanation for the delay.

5 **CWIP Condition C: Final Project Report.** Upon completion of the Gate Valves
6 Project, SH must file a final project report in Docket No. UW 175 that includes the
7 following information: (i) the final cost of the Gate Valves Project; and (ii) the
8 completion date of the Gate Valves Project.

9 **CWIP Condition D: Records Retention.** SH must retain and provide Staff access to all
10 records pertaining to the Gate Valves Project, including all costs, the assets added to plant
11 in connection with the project, and each such asset's in-service date.

12 **CWIP Condition E: Use of Funds.** Consistent with OAR 860-036-2390(2)(b), SH will
13 use the additional revenues associated with Account 105 Construction Work in Progress
14 solely for the purpose of completing the Gate Valves Project.

15 8. The Stipulating Parties agree that the implementation of a Phase 2 rate increase is
16 contingent on SH securing a loan from the Oregon Safe Drinking Water Revolving Loan Fund
17 (SDWRLF) or another source of debt to fund the Black Poly Pipe Project.

18 9. The Stipulating Parties agree that if SH acquires a loan to fund the Black Poly
19 Pipe Project in satisfaction of the requirement in Paragraph 8 above, the Company may seek to
20 implement a Phase 2 rate increase, provided that the Commission imposes on SH and SH
21 complies with the following conditions with respect to the Phase 2 rate increase:

22 **Phase 2 Condition A: Financing.** The Phase 2 rate increase may only be sought if SH
23 obtains a loan consistent with the requirement in Paragraph 8 of this Stipulation.

24 **Phase 2 Condition B: Waiting Period.** The Phase 2 rate increase may only be
25 implemented only after the Phase 1 rate increase has been in effect for one full year.
26

1 **Phase 2 Condition C: Loan Status Updates and Reporting.** SH must file status
2 updates including the following documents and information in Docket No. UW 175
3 within one week of each becoming available:

4 (i) A copy of SH's Letter of Interest to the SDWRLF;

5 (ii) A copy of the loan documentation, including a repayment schedule,
6 amortization table, and any loan forgiveness options; and

7 (iii) If, at any time, SH is provided loan forgiveness in addition to the amount
8 documented in item (ii) above, all documentation related to such forgiveness.

9 **Phase 2 Condition D: Final Project Report.** Upon completion of the Black Poly Pipe
10 Project, SH must file a final project report in Docket No. UW 175 that includes the
11 following information: (i) the final cost of the Black Poly Pipe Project; and (ii) the
12 completion date of the Black Poly Pipe Project.

13 **Phase 2 Condition E: Records Retention.** SH must retain and provide Staff access to all
14 records pertaining to the Black Poly Pipe Project, including all loan records, all records of
15 costs, all records of the assets added to plant in connection with the project, and each
16 such asset's in-service date.

17 **Phase 2 Condition F: Maximum Revenue Requirement.** Under no circumstance will
18 the Phase 2 rate increase result in revenues from residential customers that are expected
19 to exceed \$60,000 annually (based on the test year consumption provided by SH) or an
20 overall revenue requirement of \$66,000. Consistent with this, the Phase 2 base rate will
21 not exceed \$29.13 and the Phase 2 commodity rate will not exceed \$0.45 per 100 gallons.

22 10. The Stipulating Parties agree to the following procedures to implement the rate
23 change for Phase 2 if Phase 2 Conditions A, B, and C are met as detailed in Paragraph 9 above:

24 A. Once SH files the loan documentation described above in Phase 2 Condition C
25 item ii, Staff will calculate and recommend to the Commission Phase 2 base and
26

1 commodity rates based on the loan terms and documentation. Staff's
2 recommended rates will not exceed those described above in Phase 2 Condition F.

3 B. Once the Commission approves Phase 2 rates, SH will make a compliance filing
4 in Docket No. UW 175 updating its tariffs to reflect the Phase 2 rates approved by
5 the Commission under Paragraph 10.A above. The compliance filing will consist
6 of South Hills's SCHEDULE NO. 1 RESIDENTIAL METERED RATES as
7 adjusted to reflect the base and commodity rates approved by the Commission.

8 C. If SH is provided additional loan forgiveness as described in Phase 2 Condition C
9 Item (iii) above, SH will file information related to that additional loan
10 forgiveness in Docket No. UW 175 within one week of it becoming available.
11 Once SH files such documentation, Staff will recalculate and recommend to the
12 Commission revised Phase 2 rates under the process laid out in Paragraph 10.A.
13 Once the Commission approves such revised Phase 2 rates, South Hills will
14 implement new Phase 2 rates under the process laid out in Paragraph 10.B.

15 11. The Stipulating Parties agree that SH will either file a new rate case on or before
16 January 1, 2028, or will file a request in Docket No. UW 175 seeking a modification of the
17 Commission's order resolving this case if South Hills determines that a general rate revision is
18 not necessary by that date.

19 12. SH acknowledges that, if the Commission adopts this Stipulation, SH may not
20 later act contrary to the terms of this Stipulation without first seeking and obtaining a
21 modification of the relevant Commission order approving the Stipulation. SH additionally
22 acknowledges that future property transactions, affiliated interest transactions, and new debt
23 transactions may also require Commission filings and advance Commission approval.

24 13. The Stipulating Parties have negotiated this Stipulation in good faith and
25 recommend that the Commission adopt the Stipulation in its entirety.

26

1 14. The Stipulating Parties agree that the Stipulation represents a compromise in the
2 positions of the Stipulating Parties. By entering into this Stipulation, no Stipulating Party shall
3 be deemed to have approved, accepted, or consented to the facts, principles, methods, or theories
4 employed by any other Stipulating Party in arriving at the terms of this Stipulation.

5 15. The Stipulating Parties agree that without the written consent of all Stipulating
6 Parties, evidence of conduct or statements, including but not limited to term sheets or other
7 documents created solely for use in settlement conferences in this docket, and conduct or
8 statements made at settlement conferences, are confidential and not admissible in this or any
9 subsequent proceeding, unless independently discoverable or offered for other purposes allowed
10 under ORS 40.190.

11 16. The Stipulating Parties understand that this Stipulation is not binding on the
12 Commission in deciding SH's application for a general rate increase and does not foreclose the
13 Commission from addressing any other issues.


14 17. The Stipulating Parties have negotiated this Stipulation as an integrated
15 document. Accordingly, if the Commission rejects all or any material portion of this Stipulation,
16 or adds any material condition to any final order that is not consistent with this Stipulation, each
17 Stipulating Party reserves the right, upon written notice to the Commission and all parties to this
18 proceeding within 15 days of the date of the Commission's final order, to withdraw from the
19 Stipulation and to present additional evidence and argument on the record. However, prior to
20 withdrawal, any Stipulating Party who wishes to withdraw must engage in good faith negotiation
21 with the other Stipulating Parties. No Party withdrawing from this Stipulation shall be bound to
22 any position, commitment, or condition of this Stipulation. Nothing in this paragraph provides
23 any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's
24 resolution of issues that this Stipulation does not resolve.

25 18. The Stipulating Parties agree to support Commission approval of the Stipulation,
26 throughout this proceeding and any subsequent appeal, and to provide witnesses to sponsor

1 testimony. If any other party to this proceeding challenges this Stipulation or if any other
2 interested person objects to this Stipulation in comments, the Stipulating Parties agree to
3 cooperate in responding to bench requests, preparing supplemental testimony, and participating
4 in cross-examination and to put on such a case as they deem appropriate to respond fully to the
5 issues presented, which may include addressing issues incorporated in the settlements embodied
6 in this Stipulation.

7 18. This Stipulation may be executed in any number of counterparts, each of which
8 will be an original for all purposes, but all of which taken together will constitute one and the
9 same agreement.

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11 DATED: 1/14/2018



Elizabeth B. Uzelac OSB # 170507
Assistant Attorney General
Of Attorneys for PUC Staff

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14 DATED: _____

Wayne Rodgers
Owner of South Hills Water Systems, Inc.

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16 DATED: _____

Thomas Borland
Intervenor

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19 DATED: _____

Rosemarie Klas
Intervenor

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21 DATED: _____

Rex Myer
Intervenor

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24 DATED: _____

Mary Perlmutter
Intervenor

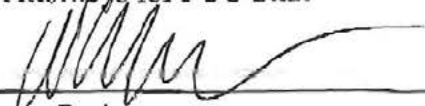
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11 DATED: _____

Elizabeth B. Uzelac OSB # 170507
Assistant Attorney General
Of Attorneys for PUC Staff

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14 DATED: 12/20/18 _____


Wayne Rodgers
Owner of South Hills Water Systems, Inc.

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16 DATED: _____

Thomas Borland
Intervenor

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Rosemarie Klas
Intervenor

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21 DATED: _____

Rex Myer
Intervenor

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23 DATED: _____

Mary Perlmutter
Intervenor



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DATED: _____

Elizabeth B. Uzelac OSB # 170507
Assistant Attorney General
Of Attorneys for PUC Staff

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DATED: _____

Wayne Rodgers
Owner of South Hills Water Systems, Inc.

15

16

DATED: 2 Jan 2019



Thomas Borland
Intervenor

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DATED: _____

Rosemarie Kias
Intervenor

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DATED: _____

Rex Myer
Intervenor

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DATED: _____

Mary Perlmutter
Intervenor

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DATED: _____
Elizabeth B. Uzelac OSB # 170507
Assistant Attorney General
Of Attorneys for PUC Staff

DATED: _____
Wayne Rodgers
Owner of South Hills Water Systems, Inc.

DATED: _____
Thomas Borland
Intervenor

DATED: Jan 2, 2019 _____
Rosemarie Klas
Rosemarie Klas
Intervenor

DATED: _____
Rex Myer
Intervenor

DATED: _____
Mary Perlmutter
Intervenor

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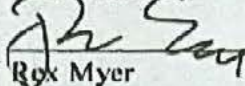
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DATED: _____
Elizabeth B. Uzelac OSB # 170507
Assistant Attorney General
Of Attorneys for PUC Staff

DATED: _____
Wayne Rodgers
Owner of South Hills Water Systems, Inc.

DATED: _____
Thomas Borland
Intervenor

DATED: _____
Rosemarie Klas
Intervenor

DATED: 12/26/2018

Rox Myer
Intervenor

DATED: _____
Mary Perlmutter
Intervenor

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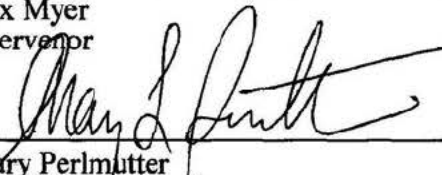
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Elizabeth B. Uzelac OSB # 170507
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Wayne Rodgers
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Rosemarie Klas
Intervenor

DATED: _____
Rex Myer
Intervenor

DATED: _____

Mary Perlmutter
Intervenor

| Revenue Requirement | | Company | | Stipulated | | |
|-----------------------------------|--|-------------------|---------------------|-------------------------|--|----------------------------|
| | | Proposed Increase | 63.67% | Proposed Increase | 42.78% | |
| REVENUES | | Test Year | Company Adjustments | Company Proposed Totals | Stipulated Adjustments to Company Totals | Stipulated Proposed Totals |
| 461.1 | Residential | 34,325 | 25,675 | \$ 60,000 | (8,424) | \$ 51,576 |
| 471 | Miscellaneous Services | 6,000 | | \$ 6,000 | | \$ 6,000 |
| Total Revenue | | \$ 40,325 | \$ 25,675 | \$ 66,000 | \$ (8,424) | \$ 57,576 |
| OPERATING EXPENSES | | | | | | |
| 601 | Salaries and Wages - Employees | | | \$ - | \$ - | \$ - |
| 603 | Salaries and Wages - Officers | | | \$ - | \$ 15,600 | \$ 15,600 |
| 604 | Employee Pension & Benefits | | | \$ - | \$ - | \$ - |
| 610 | Purchased Water | | | \$ - | \$ - | \$ - |
| 611 | Telephone/Communications | 3,432 | | \$ 3,432 | (1,374) | \$ 2,058 |
| 615 | Purchased Power | 2,601 | | \$ 2,601 | \$ - | \$ 2,601 |
| 616 | Fuel for Power Production | | | \$ - | \$ - | \$ - |
| 617 | Other Utilities | | | \$ - | \$ - | \$ - |
| 618 | Chemical / Treatment Expense | 2,252 | | \$ 2,252 | \$ - | \$ 2,252 |
| 619 | Office Supplies | 129 | | \$ 129 | \$ - | \$ 129 |
| 619.1 | Postage | 102 | | \$ 102 | \$ - | \$ 102 |
| 620 | O&M Materials/Supplies | | | \$ - | \$ - | \$ - |
| 621 | Repairs to Water Plant | 2,586 | 80,000 | \$ 82,586 | (80,000) | \$ 2,586 |
| 631 | Contract Svcs - Engineering | | | \$ - | \$ - | \$ - |
| 632 | Contract Svcs - Accounting | 2,650 | | \$ 2,650 | \$ - | \$ 2,650 |
| 633 | Contract Svcs - Legal | | | \$ - | \$ - | \$ - |
| 634 | Contract Svcs - Management Fees | | | \$ - | \$ - | \$ - |
| 635 | Contract Svcs - Testing | | | \$ - | \$ - | \$ - |
| 636 | Contract Svcs - Labor | | | \$ - | \$ - | \$ - |
| 637 | Contract Svcs - Billing/Collection | | | \$ - | \$ - | \$ - |
| 638 | Contract Svcs - Meter Reading | | | \$ - | \$ 6,000 | \$ 6,000 |
| 639 | Contract Svcs - Other | | | \$ - | \$ - | \$ - |
| 641 | Rental of Building/Real Property | | | \$ - | \$ - | \$ - |
| 642 | Rental of Equipment | | | \$ - | \$ - | \$ - |
| 643 | Small Tools | | | \$ - | \$ - | \$ - |
| 648 | Computer/Electronic Expenses | | | \$ - | \$ - | \$ - |
| 650 | Transportation | 4,200 | | \$ 4,200 | (1,614) | \$ 2,586 |
| 656 | Vehicle Insurance | | | \$ - | \$ - | \$ - |
| 657 | General Liability Insurance | 1,047 | | \$ 1,047 | \$ - | \$ 1,047 |
| 658 | Workers' Comp Insurance | | | \$ - | \$ - | \$ - |
| 659 | Insurance - Other | | | \$ - | \$ - | \$ - |
| 666 | Amortz. of Rate Case | 150 | | \$ 150 | 1,183 | \$ 1,333 |
| 667 | Gross Revenue Fee (PUC) | | | \$ - | \$ 173 | \$ 173 |
| 670 | Bad Debt Expense | | | \$ - | \$ - | \$ - |
| 671 | Cross Connection Control Program | | | \$ - | \$ - | \$ - |
| 673 | Training and Certification | | | \$ - | \$ - | \$ - |
| 674 | Consumer Confidence Report | | | \$ - | \$ - | \$ - |
| 675 | Miscellaneous Expense | | | \$ - | \$ - | \$ - |
| OE1 | Other Expense 1 - Dues | 187 | | \$ 187 | \$ - | \$ 187 |
| OE2 | Other Expense 2 - Bank Charges | 231 | | \$ 231 | \$ - | \$ 231 |
| OE4 | Other Expense 4 | | | \$ - | \$ - | \$ - |
| OE5 | Other Expense 5 | | | \$ - | \$ - | \$ - |
| TOTAL OPERATING EXPENSE | | \$ 19,567 | \$ 80,000 | \$ 99,567 | \$ (60,032) | \$ 39,535 |
| OTHER REVENUE DEDUCTIONS | | | | | | |
| 403 | Depreciation Expense | 291 | 2,200 | \$ 2,491 | \$ 2,472 | \$ 4,963 |
| 406 | Amort of Plant Acquisition Adjustment | | | \$ - | \$ - | \$ - |
| 407 | Amortization Expense | | | \$ - | \$ - | \$ - |
| 408.11 | Property Tax | | | \$ - | \$ 1,821 | \$ 1,821 |
| 408.12 | Payroll Tax | | | \$ - | \$ - | \$ - |
| 408.13 | Other | 1,358 | 100 | \$ 1,458 | (1,458) | \$ - |
| 409.10 | Federal Income Tax | | | \$ - | \$ 2,208 | \$ 2,208 |
| 409.11 | Oregon Income Tax | 150 | | \$ 150 | 593 | \$ 743 |
| 409.13 | Extraordinary Items Income Tax | | | \$ - | \$ - | \$ - |
| TOTAL REVENUE DEDUCTIONS | | \$ 21,366 | \$ 82,300 | \$ 103,666 | (54,396) | \$ 49,270 |
| Net Operating Income | | \$ 18,959 | \$ (56,625) | \$ (37,666) | \$ 45,971 | \$ 8,305 |
| UTILITY RATE BASE | | | | | | |
| 101 | Utility Plant in Service | 67,140 | | \$ 67,140 | \$ 82,760 | \$ 149,900 |
| 105 | Construction Work in Progress | | | \$ - | \$ 7,288 | \$ 7,288 |
| 108 | - Accumulated Depreciation of Plant | 66,108 | | \$ 66,108 | 6,949 | \$ 73,057 |
| 271 | - Contributions in Aid of Construction | | | \$ - | \$ - | \$ - |
| 272 | + Accumulated Amortization of CIAC | | | \$ - | \$ - | \$ - |
| 281 | - Accumulated Deferred Income Tax | | | \$ - | \$ - | \$ - |
| | - Excess Capacity | | | \$ - | \$ - | \$ - |
| = NET RATE BASE INVESTMENT | | \$ 1,032 | \$ - | \$ 1,032 | \$ 83,099 | \$ 84,131 |
| Plus: (working capital) | | | | | | |
| 151 | Materials and Supplies Inventory | | | \$ - | \$ - | \$ - |
| | Working Cash (Total Op Exp /12) | | | \$ - | \$ 3,295 | \$ 3,295 |
| TOTAL RATE BASE | | \$ 1,032 | \$ - | \$ 1,032 | \$ 86,394 | \$ 87,426 |
| Rate of Return | | 1837.11% | | -3649.81% | | 9.50% |

Revenue Requirement - Phase Two

| REVENUES | Test Year | Company Adjustments | Company | Stipulated Adjustments to Company Totals | Stipulated |
|--|------------------|---------------------|-------------------------|--|----------------------------|
| | | | Proposed Increase | | Proposed Increase |
| | | | 63.67% | | 63.67% |
| REVENUES | Test Year | Company Adjustments | Company Proposed Totals | Stipulated Adjustments to Company Totals | Stipulated Proposed Totals |
| 461.1 Residential | 34,325 | 25,675 | \$ 60,000 | 0 | \$ 60,000 |
| 471 Miscellaneous Services | 6,000 | | \$ 6,000 | - | \$ 6,000 |
| Total Revenue | \$ 40,325 | \$ 25,675 | \$ 66,000 | \$ 0 | \$ 66,000 |
| Acct. OPERATING EXPENSES | | | | | |
| 601 Salaries and Wages - Employees | | | \$ - | \$ - | \$ - |
| 603 Salaries and Wages - Officers | | | \$ - | \$ 15,600 | \$ 15,600 |
| 604 Employee Pension & Benefits | | | \$ - | \$ - | \$ - |
| 610 Purchased Water | | | \$ - | \$ - | \$ - |
| 611 Telephone/Communications | 3,432 | | \$ 3,432 | \$ (1,374) | \$ 2,058 |
| 615 Purchased Power | 2,601 | | \$ 2,601 | \$ - | \$ 2,601 |
| 616 Fuel for Power Production | | | \$ - | \$ - | \$ - |
| 617 Other Utilities | | | \$ - | \$ - | \$ - |
| 618 Chemical / Treatment Expense | 2,252 | | \$ 2,252 | \$ - | \$ 2,252 |
| 619 Office Supplies | 129 | | \$ 129 | \$ - | \$ 129 |
| 619.1 Postage | 102 | | \$ 102 | \$ - | \$ 102 |
| 620 O&M Materials/Supplies | | | \$ - | \$ - | \$ - |
| 621 Repairs to Water Plant | 2,586 | 80,000 | \$ 82,586 | \$ (80,000) | \$ 2,586 |
| 631 Contract Svcs - Engineering | | | \$ - | \$ - | \$ - |
| 632 Contract Svcs - Accounting | 2,650 | | \$ 2,650 | \$ - | \$ 2,650 |
| 633 Contract Svcs - Legal | | | \$ - | \$ - | \$ - |
| 634 Contract Svcs - Management Fees | | | \$ - | \$ - | \$ - |
| 635 Contract Svcs - Testing | | | \$ - | \$ - | \$ - |
| 636 Contract Svcs - Labor | | | \$ - | \$ - | \$ - |
| 637 Contract Svcs - Billing/Collection | | | \$ - | \$ - | \$ - |
| 638 Contract Svcs - Meter Reading | | | \$ - | \$ 6,000 | \$ 6,000 |
| 639 Contract Svcs - Other | | | \$ - | \$ - | \$ - |
| 641 Rental of Building/Real Property | | | \$ - | \$ - | \$ - |
| 642 Rental of Equipment | | | \$ - | \$ - | \$ - |
| 643 Small Tools | | | \$ - | \$ - | \$ - |
| 648 Computer/Electronic Expenses | | | \$ - | \$ - | \$ - |
| 650 Transportation | 4,200 | | \$ 4,200 | \$ (1,614) | \$ 2,586 |
| 656 Vehicle Insurance | | | \$ - | \$ - | \$ - |
| 657 General Liability Insurance | 1,047 | | \$ 1,047 | \$ - | \$ 1,047 |
| 658 Workers' Comp Insurance | | | \$ - | \$ - | \$ - |
| 659 Insurance - Other | | | \$ - | \$ - | \$ - |
| 666 Amortz. of Rate Case | 150 | | \$ 150 | \$ 1,183 | \$ 1,333 |
| 667 Gross Revenue Fee (PUC) | | | \$ - | \$ 198 | \$ 198 |
| 670 Bad Debt Expense | | | \$ - | \$ - | \$ - |
| 671 Cross Connection Control Program | | | \$ - | \$ - | \$ - |
| 673 Training and Certification | | | \$ - | \$ - | \$ - |
| 674 Consumer Confidence Report | | | \$ - | \$ - | \$ - |
| 675 Miscellaneous Expense | | | \$ - | \$ - | \$ - |
| OE1 Other Expense 1 - Dues | 187 | | \$ 187 | \$ - | \$ 187 |
| OE2 Other Expense 2 - Bank Charges | 231 | | \$ 231 | \$ - | \$ 231 |
| OE4 Other Expense 4 - Loan Payment | | | \$ - | \$ 8,310 | \$ 8,310 |
| OE5 Other Expense 5 | | | \$ - | \$ - | \$ - |
| TOTAL OPERATING EXPENSE | \$ 19,567 | \$ 80,000 | \$ 99,567 | \$ (51,697) | \$ 47,870 |
| OTHER REVENUE DEDUCTIONS | | | | | |
| 403 Depreciation Expense | 291 | 2,200 | \$ 2,491 | \$ 2,472 | \$ 4,963 |
| 406 Amort of Plant Acquisition Adjustment | | | \$ - | \$ - | \$ - |
| 407 Amortization Expense | | | \$ - | \$ - | \$ - |
| 408.11 Property Tax | | | \$ - | \$ 1,821 | \$ 1,821 |
| 408.12 Payroll Tax | | | \$ - | \$ - | \$ - |
| 408.13 Other | 1,358 | 100 | \$ 1,458 | \$ (1,458) | \$ - |
| 409.10 Federal Income Tax | | | \$ - | \$ 2,225 | \$ 2,225 |
| 409.11 Oregon Income Tax | 150 | | \$ 150 | \$ 599 | \$ 749 |
| 409.13 Extraordinary Items Income Tax | | | \$ - | \$ - | \$ - |
| TOTAL REVENUE DEDUCTIONS | \$ 21,366 | \$ 82,300 | \$ 103,666 | \$ (46,037) | \$ 57,629 |
| Net Operating Income | \$ 18,959 | \$ (56,625) | \$ (37,666) | \$ 46,037 | \$ 8,371 |
| UTILITY RATE BASE | | | | | |
| 101 Utility Plant in Service | 67,140 | | \$ 67,140 | \$ 82,760 | \$ 149,900 |
| 105 Construction Work in Progress | | | \$ - | \$ 7,288 | \$ 7,288 |
| 108 - Accumulated Depreciation of Plant | 66,108 | | \$ 66,108 | \$ 6,949 | \$ 73,057 |
| 271 - Contributions in Aid of Construction | | | \$ - | \$ - | \$ - |
| 272 + Accumulated Amortization of CIAC | | | \$ - | \$ - | \$ - |
| 281 - Accumulated Deferred Income Tax | | | \$ - | \$ - | \$ - |
| - Excess Capacity | | | \$ - | \$ - | \$ - |
| = NET RATE BASE INVESTMENT | \$ 1,032 | \$ - | \$ 1,032 | \$ 83,099 | \$ 84,131 |
| Plus: (working capital) | | | | | |
| 151 Materials and Supplies Inventory | | | \$ - | \$ - | \$ - |
| Working Cash (Total Op Exp /12) | | | \$ - | \$ 3,989 | \$ 3,989 |
| TOTAL RATE BASE | \$ 1,032 | \$ - | \$ 1,032 | \$ 87,089 | \$ 88,121 |
| Rate of Return | 1837.11% | | -3649.81% | | 9.50% |

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

NAMING RATES FOR

SOUTH HILLS WATER SYSTEM, INC

PO BOX98

HILLSBORO, OR 97123

503-318-4587

Serving water in the vicinity of

Cornelius, Oregon

| | |
|-------------------------|--|
| Issue Date/ Filing Date | 11-14-2018 Effective for Service on or after TBD |
| Issued By Utility | South Hills Water System, Inc. |

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|-------------------------|--|
| Issue Date/ Filing Date | 11-14-2018 Effective for Service on or after TBD |
| Issued By Utility | South Hills Water System, Inc. |

**SCHEDULE NO. 1
RESIDENTIAL METERED RATES**

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

Applicable: To residential premises.

| SERVICE METER SIZE | MONTHLY BASE RATE | USAGE ALLOWANCE |
|----------------------|-------------------|-----------------|
| 5/8 inch or 3/4 inch | \$25.04 | 0 |

Commodity Usage Rate

| COMMODITY RATE | NO. OF UNITS | MEASURING UNIT |
|----------------|--------------|---------------------|
| \$0.38 | Per Unit | 1 unit= 100 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/ Filing Date | 11-14-2018 Effective for Service on or after TBD |
| Issued By Utility | South Hills Water System, Inc. |

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.

Connection Charge for New Service (Rule Nos. 8 & 9)

| | |
|--|---------|
| Standard 3/4-inch service | At cost |
| Nonstandard 3/4-inch service | At cost |
| Larger than 3/4-inch | At cost |
| Irrigation hookup (if provided on separate system) | At cost |

Meter Test (Rule Nos. 19 & 20)

| | |
|------------------------------------|------|
| First test within 12-month period | N/C |
| Second test within 12-month period | \$25 |

Pressure Test (Rule No. 39)

| | |
|------------------------------------|------|
| First test within 12-month period | N/C |
| Second test within 12-month period | \$25 |

Late-Payment Charge (Rule No. 21)

Pursuant to OAR 860-036-1400

Deposit for Service (Rule No. 5)

Pursuant to OAR 860-036-1220

Returned-Check Charge (Rule No. 22)

\$20 each occurrence

Trouble-Call Charge (Rule No. 35)

| | |
|--|---------------|
| During normal office hours | \$30 per hour |
| After normal office hours on special request | \$40 per hour |

Disconnection/Reconnect Charge (Rule Nos. 28 & 29)

| | |
|--|------|
| During normal office hours | \$30 |
| After normal office hours on special request | \$40 |

Unauthorized Restoration of Service (Rule No. 30)

Disconnection/Reconnection charge plus costs

Damage/Tampering Charge (Rule No. 28)

at cost

Disconnect Site-Visit Charge (Rule No. 29)

\$25

| | |
|-------------------------|--|
| Issue Date/ Filing Date | 11-14-2018 Effective for Service on or after TBD |
| Issued By Utility | South Hills Water System, Inc. |

RULES AND REGULATIONS

Rule 1: Jurisdiction of the Commission

Water systems are subject to regulation as provided under ORS Chapter 757

Rule 2: Definitions

- a. "Applicant" means a person who does not meet the definition of a customer, who applies for service with a water utility.

- 8. "Commission" shall mean the Public Utility Commission of Oregon.

- C. "Commercial service" means water service provided by the water utility that the customer uses in the promotion of a business or business product that is a source of revenue or income to the customer or others using the premises.

- D. "Customer" means a person who is currently receiving water service and is entitled to certain rights as a customer under these rules. A residential customer retains customer status for 20 calendar days following voluntary disconnection of service and must be treated as a customer if he or she reapplies for service within that 20 calendar day period.

- E. "Customer's service line" is defined as the facilities used to convey water from the point of connection to the customer's point of usage. The customer owns and maintains the customer service line.

- F. "Residential service" means water service provided for domestic or irrigation purposes in a residential area and is not considered a commercial service.

- G. "Served" for purpose of delivery of any required notice or document, unless otherwise specifically noted, means: delivered in person, by personal contact over the telephone, or in writing delivered to the party's last known address. If delivered by US Mail, the notice is considered served two calendar days after the date postmarked, the date of postage metering, or deposit in the US Mail, excluding Sundays and postal holidays.

- H. "Utility" shall mean: SOUTH HILLS WATER SYSTEM, INC

- I. "Water service connection" is defined as the facilities used to connect a water utility's distribution network to the point of connection at the customer's service line. The water utility owns and maintains the water service connection.

| | | | |
|-------------------------|--------------------------------|-----------------------------------|-----|
| Issue Date/ Filing Date | 11-14-2018 | Effective for Service on or after | TBD |
| Issued By Utility | South Hills Water System, Inc. | | |

APPLICATION FOR SERVICE

Rule 3: Information for Applicants and Customers (OAR 860-036-1100)

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

- A. A copy of its approved tariffs or statement of rates;
- B. A copy of the utility's rules and regulations applicable to the type of service being provided; and
- C. The option to receive electronic copies of all written notices to be issued on the customer's account.

Rule 4: Application for Service (OAR 860-036-1200)

Application for water service must be made for each individual property to be served. The application shall identify the name of the applicant, the service address, the billing address, the contact information where the applicant can be reached, the type of water service requested and its intended use, and the name to be used to identify the account, if different than the applicant's actual name. The applicant shall, at this time, pay any scheduled fees or deposits. An application is a request for service and shall not be accepted until the applicant establishes credit as set forth in OAR 860-036-1210.

An application for service must be made where:

- A. An applicant, who has not previously been served by the Utility, requests service; or
- B. Service has been involuntarily discontinued in accordance with the Utility and Commission rules, and service is requested; or
- 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 type of use to which the water is put, or the number of premises served.

Rule 5: Establishment of Credit, Surety Agreements, Deposits, Interest, and Refunds of Deposits (OAR 860-036-1210, 1220, 1230, 1240, 1250, and 1260)

The utility may require an applicant or customer to pay a deposit as a guarantee of payment for services provided. Amounts held by a water utility may not exceed one-sixth of the actual or estimated annual billing for the premises. (OAR 860-036-1220)

| | |
|-------------------------|--|
| Issue Date/ Filing Date | 11-14-2018 Effective for Service on or after TBD |
| Issued By Utility | South Hills Water System, Inc. |

The water utility may adjust the deposit amount when a customer moves to a new location within the water utility's service area, and the anticipated bill at the new residence will be at least 20 percent greater than the basis of the existing deposit. (OAR 860-036-1220(5))

The Utility must inform any residential applicant or customer who is required to pay a deposit of the opportunity to provide a written surety agreement in lieu of paying the deposit. A surety agreement obligates another qualifying residential customer of the same utility to pay an amount up to the required deposit if the secured account is later disconnected and a balance remains owing following the due date for the closing charges. To qualify as a surety, the other residential customer must have had 12 months of continuous service with the Utility without a late payment. (OAR 860-036-1230)

The Utility shall pay interest on deposits at the rate established by the Commission. After the customer has paid its water service bills for 12 consecutive months without having had service discontinued for nonpayment, or did not have 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)** (OAR 860-036-1250 and 1260):

- D** 1. Issuing the customer a refund check, or
- [g]** 2. Crediting the customer's account; however, a customer is entitled to a refund upon request pursuant to OAR 860-036-1260

Rule 6: Customer Service Line (OAR 860-036-1300(2))

The customer shall own and maintain the customer service line and promptly repair all breaks and leaks. For non-metered service, the customer service line begins at the property line or utility-owned shut-off valve. For metered service, the customer service line begins on the customer's side of the meter or utility-owned shut-off valve. The Utility shall not be responsible for any damage or poor service due to inadequacy of the customer service line or any portion of the customer's plumbing. All leaks in the customer service 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.

| | |
|--------------------------|---|
| Issue Date / Filing Date | 11-14-2018 \ Effective for Service on or after \ TBD |
| Issued By Utility | South Hills Water System, Inc. |

Rule 8: Water Service Connections (OAR 860-036-1300)

The water service connection is defined as the facilities used to connect the Utility's distribution network to the point of connection at the customer's service line. The Utility owns, operates, maintains, and replaces the service connection when necessary and promptly repairs all breaks and leaks. The customer shall not be responsible for any damage or poor service due to inadequacy of the Utility's service lines or any portion of the Utility's plumbing.

Rule 9: Service Connection Charge (OAR 860-036-1300(3))

An applicant requesting permanent water service to a premise not previously supplied with permanent service by the Utility may be required to pay the cost of the service connection, including or excluding the meter as provided in Rule No. 8 and the Utility's Miscellaneous Service Charges in this tariff.

Rule 10: Main Line Extension Policy (OAR 860-036-1310)

A main line extension is defined as the extension of the Utility's main line necessary to provide service to a customer when the property does not currently have main line frontage.

Main line extension charges, if any, are stated in the Utility's tariff or statement of rates.

The Utility maintains a main line extension policy that lists all applicable charges; and describes the advance and refund provisions, including a description of the mechanisms for collecting and rebating the amount charged equitably among the customers who paid for the cost of the line, and provides the time period during which the advance and rebate provisions apply.

Rule 11: 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.

Rule 12: Multiple Residences/Commercial Users

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

| | |
|-------------------------|--|
| Issue Date/ Filing Date | 11-14-2018 Effective for Service on or after TBD |
| Issued By Utility | South Hills Water System, Inc. |

Rule 13: Utility Access to Private Property (OAR 860-036-1370, -1500)

Customers shall provide regular access to Utility-owned service lines that may extend onto the customer's premises 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 14: Restriction on Entering a Customer Residence (OAR 860-036-1330)

No 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 15: Refusal of Service Due to Customer Accounts (OAR 860-036-1270)

The Utility may refuse to provide service if:

- A. The applicant has amounts owing under a tariff or statement of rates; or
- B The applicant for residential service has a roommate with amounts owing under a tariff or statement of rates, and the applicant lived with the roommate at the time the amounts owing were incurred.

Exception: If the applicant for residential service was a former residential customer with amounts owing, was involuntarily disconnected for non-payment, and applies for service within 20 calendar days of the disconnection, the Utility must provide service upon receipt of one-half of the amount owed with the remainder due within 30 calendar days. If the former customer fails to pay the remaining amounts within 30 calendar days, the Utility may disconnect service after issuing a 7-calendar day disconnection notice in accordance with OAR 860-036-1510(4).

If service is disconnected, the Utility may refuse to restore service until it receives full payment of all amounts owing, including reconnection charges allowed under OAR 860-036-1580.

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.

| | |
|-------------------------|---|
| Issue Date/ Filing Date | 11-14-2018 .Effective for Service on or after , TBD |
| Issued By Utility | South Hills Water System, Inc. |

Rule 16: Refusal of Service Due to Utility Facilities (OAR 860-036-1270}

The Utility shall not accept an application for service or materially change service to a customer if the Utility does not have adequate facilities, resources or capacity 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 within seven calendar days, informing applicant that the details upon which the Utility's decision was based may be requested.

The details will include, but not be limited to:

- A. Provide the information required by OAR 860-036-1100(2);
- B. Explain the specific reasons for refusing water service;
- C. Inform the applicant of the right to request details upon which the Utility's decision was based; and
- D. Inform the applicant of the right to dispute the refusal by contacting the Consumer Services Section at the contact information provided in OAR 860-001-0020(2).

Rule 17: Refusal of Service Due to Customer Facilities (OAR 860-036-1270}

The Utility will refuse service to an applicant 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 applicant within seven calendar days stating the reason(s) for refusal and providing information regarding the Commission's complaint process.

METERS

Rule 18: Utility Meters (OAR 860-036-1350}

The Utility owns, maintains, and operates all meters. Meters placed in service will 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 will be provided with a suitable cover.

| | | | |
|--------------------------|--------------------------------|-----------------------------------|-----|
| Issue Date / Filing Date | 11-14-2018 | Effective for Service on or after | TBD |
| Issued By Utility | South Hills Water System, Inc. | | |

Where additional meters are installed by the Utility or relocated for the convenience of the customer, the actual cost incurred for any meter relocation requested by the customer will be assessed.

The 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.

Rule 19: Meter Testing {OAR 860-036-1350}

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

- A. Meter identification number and location;
- B. Reason for making the test;
- C. Method of testing;
- D. The beginning and ending meter readings;
- E. Test results and conclusion; and
- F. All data taken at the time of the test.

Rule 20: Customer-Requested Meter Test {OAR 860-036-1360}

A customer may request that the Utility test the service meter once every 12 months at no cost. Such test shall be made within seven calendar days of the receipt of the request unless the customer fails to provide the Utility reasonable access to the meter. The customer or the customer's representative has the right to be present during the test, which is to be scheduled at a mutually agreeable time. Within seven calendar days of performing the requested meter test, report shall be provided to the customer stating:

- A. The name of the customer requesting the test and the service address where the meter was tested;
- B. The date the meter test was requested and the date the meter test was performed;
- C. The name of the person performing the test;
- D. The meter identification number and location;
- E. The beginning and ending meter readings; and
- F. The actual test results and conclusion.

If a customer requests a meter test more often than once in any 12-month period, and the test results indicate that the meter is registering within the two percent performance standard, the

| | | |
|-------------------------|--------------------------------|--|
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| Issued By Utility | South Hills Water System, Inc. | |

customer may be assessed a reasonable charge for the test if the charge is included in the Miscellaneous Service Charges Schedule. If the meter registers outside the two percent performance standard, the Utility may not charge the customer for the meter test.

BILLING

Rule 21: Billing Information and Late-Payment Charge (OAR 860-036 1100(2), 1400, and 1430)

All bills, including closing bills, are due and payable at the Utility office within at least 15 days when rendered by deposit in the mail or other reasonable means of delivery, unless otherwise specified on the bill. The date of presentation is the date on which the Utility mails the bill.

As near as practical, meters shall be read (check one) **D** monthly, **!ZI** bimonthly, or **D** quarterly on the corresponding day of each meter reading or billing period. The bill will be rendered immediately thereafter. The Utility will provide its customers with timely billings every month or as indicated in its tariffs or statement of rates.

All water service bills will show:

- A. Separate line items for past due balance, payments and credits, new charges, late fees, and total account balance;
- B. The date new charges are due;
- C. Calculation of new charges including base or flat rate, usage billing tiers and rates, beginning and ending meter readings, the dates the meter was read, rate schedule, billing period, and number of days in the billing period;
- D. The date any late payment charge was applied and an explanation of the terms of the late payment charge; and
- E. Any other information necessary for the computation of the bill.

A late-payment charge may be assessed against any account that has an unpaid balance when the next bill is being prepared. The charge will be computed on the delinquent balance owing at the time of preparing the subsequent month's bill at the late-payment rate specified in the Miscellaneous Service Charges Schedule. The late-payment rate is determined annually by the Commission, and the Utility will be notified of the rate.

If an account is permitted to become delinquent, the Utility may disconnect water service by giving proper notice to the customer as provided in Rules 28 & 29, prior to or after the Utility assesses the late payment charge.

| | |
|-------------------------|--|
| Issue Date/ Filing Date | 11-14-2018 Effective for Service on or after TBD |
| Issued By Utility | South Hills Water System, Inc. |

Rule 22: Returned Payment Charge

The Returned Payment Charge listed on the Miscellaneous Service Charges Schedule shall be billed for each occasion a customer submits any type of noncash payment (check, debit, electronic, etc.) that is not honored, for any reason, by a bank or other financial institution.

Rule 23: 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, a reasonable effort will be made to read the meter upon opening and closing a customer's account. Consumption will be charged at scheduled rates. Any minimum monthly charge will be prorated.

Rule 24: Adjustment of Bills (OAR 860-036-1440)

When an overbilling occurs, the Utility will refund or credit amounts incorrectly collected. No refund or credit will be issued for incorrect billings which occurred more than three years before the incorrect billing was discovered.

When an underbilling occurs, the Utility will issue a bill to collect amounts owing for the 12-month period ending on the date on which the water utility issued the last incorrect bill. When such under collected amounts are billed to customers, the Utility will provide written notice to the customer detailing:

- A. The circumstances and time period of the billing error;
- B. The corrected bill amount and the amount of the necessary adjustment;
- C. The Commission's consumer complaint process; and
- D. The right for a current or former customer to enter into a time-payment agreement with the Utility.

The Utility will not bill for services provided more than two years before the underbilling was discovered. No billing adjustment will be required if a meter registers less than two percent error under conditions of normal operation. The Utility may waive rebilling or issuing a refund check when the costs make such action uneconomical.

Rule 25: Transfer Billings (OAR 860-036-1450)

If the Utility determines that a customer owes an amount from a closed account the customer previously held with the Utility, the Utility may transfer the closed account balance to the customer's current account.

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The Utility will give the customer prior notice of the transfer, including:

- A. The amount due under the prior account; and
- 8. The period when the balance was incurred; and
- C. The service address under which the bill was incurred.

If the customer has an amount remaining on an existing time-payment agreement, the customer may enter into a new time-payment agreement to include the transfer. The Utility will not transfer a balance owing on a non-residential account to a residential account.

DISCONNECTION OF WATER SERVICE

Rule 26: Voluntary Discontinuance (OAR 860-036-1560)

A customer requesting disconnection of service must provide the Utility with at least seven calendar days' advance notice. The customer is responsible for all service provided for seven calendar days following the request for disconnection or until service is disconnected, whichever comes first; or if the customer identified a specific date for disconnection in excess of seven calendar days, the customer is responsible for service rendered up to and including the requested date of disconnection.

Rates are based on continuous service. Disconnect and reconnect transactions do not relieve a customer from the obligation to pay the base rate or minimum charge that accumulates during the period of time the service is voluntarily disconnected for up to 12 months. Should the customer wish to recommence service within 12 months at the same premise, the customer will be required to pay the accumulated minimum monthly charge or base rate as if service had been continuous. The reconnection charge listed on the Miscellaneous Service Charges Schedule will be applicable at the time of reconnection.

Nothing in this rule prevents the Utility from temporarily interrupting service to protect the health and safety of its customers or to maintain the integrity of its system.

Rule 27: Emergency Disconnection (OAR 860-036-1630)

The Utility may terminate service in emergencies when life or property is endangered without following the procedures set forth in OAR 860-036-1630. Immediately thereafter, the Utility will notify the customer and the Commission. When the emergency termination was through no fault of the customer, the Utility shall not charge the customer for disconnection or restoration of service.

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Rule 28: Disconnection of Water Service Charge for Cause (OAR 860-036-1500, -1510, -1520, -1530, and 1550)

The Utility may disconnect service when:

- A. A customer fails to pay charges due for services rendered under a water utility tariff or statement of rates;
- B. A customer fails to pay a deposit, fails to timely provide a surety under OAR 860 036-1230 or comply with its terms, or fails to comply with the terms of a deposit installment agreement under OAR 860-036-1240;
- C. A customer fails to comply by the terms of a payment agreement under OAR 860 036-1240(3) or 860-036-1420;
- D. A customer provides false identification to establish or to continue service;
- E. A customer has facilities that do not comply with the applicable codes, rules, regulations, or the best practices governing safe and adequate water service, including compliance with the water utility's Cross Connection Control Program;
- F. A customer fails to provide reasonable access to the meter or premises;
- G. A customer tampers with water utility facilities or engages in theft of service or unauthorized use of water;
- H. A customer fails to comply with water restriction requirements under OAR 860-036-1670; or
- I. The Commission approves the disconnection of service.

If the disconnection is due to failure to pay a deposit, secure a surety agreement, abide by a deposit installment agreement, abide by the terms of a payment arrangement, or due to the theft of service, tampering with utility property, diverting water, or unauthorized use of water, the Utility will provide one 7-day written disconnection notice prior to disconnection. For other disconnections, the Utility will provide two written notices in advance of disconnection: one 15-day notice and one 7-day notice.

If the disconnection is due to a customer's failure to comply with a water use restriction imposed under OAR 860-036-1670, the utility may disconnect the customer without issuing either a 15-calendar day or 7-calendar day disconnection notice.

The notices shall include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility,
- B. State that the customer's water service is subject to disconnection on or after a specific date;

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- C. Provide the grounds for the proposed disconnection;
- D. State what actions the customer must take in order to avoid disconnection; and
- E. A statement that the customer may dispute the disconnection by contacting the Commission's Consumer Services Section.

If the disconnection notice is for nonpayment, the notice shall also include:

- A. The amount the customer must pay to avoid disconnection;
- 8. Provide information about the customer's eligibility for a time-payment agreement provided in OAR 860-036-1420 for residential customers, unless the customer is being disconnected for failing to comply with an existing time-payment agreement or has engaged in theft of service, tampering with utility property, diverting water, or unauthorized use of water; and; and
- C. A statement that once service is disconnected, the water utility will reconnect service only after the customer reapplies for service and pays all applicable charges..

The ?-calendar day and 15-calendar day advance written notices of disconnection will be hand-delivered in person to the customer or adult at the premises, or sent by the US Mail to the customer's billing address and designated representative. Mailed notices are considered served two calendar days after deposited in the US Mail, excluding Sundays and postal holidays. If the customer has requested to receive notices electronically, the Utility will provide an electronic notice in addition to the written notices.

Within 48 hours of disconnection, the Utility will make a good-faith effort to contact the customer or an adult at the residence and provide notice 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 disconnected.

Disconnection of Water Service to Tenants:

- A. If a water utility's records show that a residential billing address is different from the service address, the water utility must mail a duplicate notice to the service address, unless the utility has verified that the service address is occupied by the customer.
- 8. If a water utility's records show that the service location is a master-metered, multi-dwelling service address, the water utility must provide a duplicate of the ?-calendar day disconnection notice to each unit at the service address. The disconnection notice must be addressed to "Tenant." The envelope must bear a bold notice stating, "IMPORTANT NOTICE REGARDING DISCONNECTION OF WATER UTILITY SERVICE." Tenant notices may not include the dollar amount owing.

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C. The water utility must notify the Consumer Services Section at least seven calendar days before disconnecting service to a master-metered, multi-dwelling premise.

Time Payment Agreements (OAR 860-036-1420)

Customers who are notified of pending disconnection, due to reasons other than theft of service, tampering, unauthorized use of water, or failure to abide by the terms of a Time Payment Plan, may choose between two Time Payment Agreement options. The Utility will offer such customers a choice of a levelized-payment plan and an equal-pay arrearage plan. The Utility and customer may mutually agree to an alternate payment arrangement provided it be in writing and signed by all parties.

Disconnection for Failure to Comply With a Time Payment Agreement (OAR 860-036-1510(4)(b))

A time-payment agreement disconnection occurs when a customer fails to comply with the terms of a written time-payment agreement between the customer and the Utility, or the Utility permits a time-payment agreement charge to become delinquent. The Utility will give the customer a 7- day written notice before the water service may be disconnected.

Rule 29: Disconnection, Reconnection and Field Visit Charge (OAR 860-036-1580)

Disconnection and Reconnection Charges

When service was disconnected pursuant to (OAR 860-036-1500), the Utility may charge the disconnect fee and reconnect fee stated in its tariff prior to reconnecting service.

Field Visit Charge

The Utility may assess a field visit charge whenever the Utility visits a residential service address intending to reconnect or disconnect service, but due to customer action, the Utility is unable to complete the reconnection or disconnection at the time of the visit. The field visit charge is listed in the tariff.

Rule 30: Unauthorized Restoration of Service (OAR 860-036-1590)

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 as provided by OAR 860-036-1510.

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Rule 31: Unauthorized Use (OAR 860-036-1590)

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. If the Utility discovers that a customer tampered with or engaged in unauthorized use of utility property facilities, the Utility shall notify the customer of the violations and may take one or more of the following actions:

- A. Repair or restore the facilities and charge the customer the costs incurred;
- B. Adjust the customer's prior billing for loss of revenue under applicable tariffs or schedule of rates;
- C. Initiate a service disconnection as provided by OAR 860-036-151 O;
- D. Require a new application for service that accurately reflects the customer's proposed water use; and
- E. Assess a deposit for restored or continued service.

Rule 32: Interruption of Service (OAR 860-036-1630, -1640)

The Utility may perform an unscheduled interruption of service as necessary to protect the health and safety of its customers or to maintain the integrity of its system. If an unscheduled interruption of service is required, the water utility must:

- A. Make a reasonable effort to notify the customers affected and the Consumer Services Section in advance of the interruption;
- B. Report the unscheduled interruption to the Consumer Services Section at the contact information provided in OAR 860-001-0020(2), and
- C. Restore service as soon as it is reasonably possible after resolving the issue, unless other arrangements are agreed to by the affected customers.

The Utility may schedule water service interruptions for maintenance and repairs in such a manner that reasonably minimizes customer inconvenience. The Utility will provide advance written notice to all customers affected by any scheduled service interruption, and will post the notice in the utility's office and on its website, if available. The notice will include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- B. The date, time, and estimated duration of the scheduled interruption;
- C. The purpose of the interruption;
- D. A statement cautioning customers to avoid using water during service interruptions to prevent debris in the customers' service lines; and
- E. The contact information for the Consumer Services Section provided in OAR 860 001-0020(2).

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Notices of scheduled interruptions of service must be served by a door hanger or personal delivery to an adult at the affected premises at least five calendar days in advance of the service interruption or by US Mail at least ten calendar days prior to the service interruption. In addition electronic notice must be provided to customers who requested to receive notices electronically.

Rule 33: Water Usage Restrictions (OAR 860-036-1670)

The Utility shall exercise due diligence to furnish a continuous and adequate supply of water to its customers. During times of water shortage, the Utility will equitably apportion its available water supply among its customers with regard to public health and safety. In times of water shortages, the Utility may restrict water usage after providing written notice to its customers and the Consumer Services Section. Notice will also be posted in the Utility's office and on its website, if available. The notification must state the reason and nature of the restrictions, the date restrictions will become effective, the estimated date the restrictions end, and that failure to comply with the restrictions is grounds for disconnection.

If a customer fails to comply with the water restrictions after receiving written notification, the Utility will provide a separate written warning letter to the customer including:

- A. The date;
- B. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- C. The customer's name, account number, mailing address, service address if different;
- D. The water use restrictions and statement of how the customer is violating those restrictions;
- E. A statement that the customer's water service is subject to disconnection on or after a specific date;
- F. A warning to the customer that failure to immediately comply with the restrictions may result in disconnection of service; and
- G. A statement that the customer may dispute disconnection by contacting the Consumer Services Section. The notice must include the Consumer Services Section's contact information provided in OAR 860-001-0020(2).

If a customer fails to comply with the water restrictions after receiving written notification and the warning letter, the Utility will consult with the Consumer Services Section to determine if disconnection is appropriate.

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SERVICE QUALITY

Rule 34: Adequacy of Water Service (OAR 860-036-1600)

The Utility will maintain its facilities according to industry rules, regulations, and standards and in such condition to provide safe, adequate, and continuous service to its customers.

The Utility will not intentionally diminish the quality of service below the level that can reasonably be provided by its facilities.

Rule 35: 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 36: Water Purity (OAR 860-036-1610)

The Utility will provide a domestic water supply that is free from bodily injurious physical elements and disease-producing bacteria and reasonably free from elements that cause physical damage to customer property, including but not limited to pipes, valves, appliances, and personal property.

Rule 37: Water Pressure (OAR 860-036-1650)

The Utility will maintain adequate water pressure. In general, water pressure measuring between 45 and 80 pounds per square inch in the water mains is considered adequate. However, adequate pressure may vary depending on each individual water system.

The Utility may temporarily reduce or increase water pressure for fire flows, noticed repairs and maintenance, scheduled or emergency flushing, and unscheduled or emergency repairs and outages.

Rule 38: Pressure Surveys (OAR 860-036-1650)

The Utility will maintain permanent pressure recording gauges at various locations to measure the system's water pressure, and will have a portable gauge to measure water pressure in any part of the system. The Utility will maintain all pressure gauges in good operating condition, test periodically for accuracy, and recalibrate or replace when necessary.

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Rule 39: Customer-Requested Pressure Test (OAR 860-036-1660)

Upon customer request, the Utility will perform a water pressure test within seven calendar days of the request. The first pressure test in any 12- month period will be at no charge. If the customer requests an additional pressure test within any 12-month period at the same premises, the Utility will assess the customer a charge in accordance with the service charges set forth in Schedule 9 of the tariff. The pressure will be measured at a point adjacent to the meter on the customer service line or other reasonable point most likely to reflect the actual service pressure.

The Utility will provide a written report to the customer within seven calendar days of the pressure test. The report will include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- B. The customer's name and service address where the pressure was tested;
- C. The date the pressure test was requested and the date the pressure test was performed;
- D. The name of the company or employee performing the test;
- E. The place where the pressure was measured;
- F. The actual pressure reading; and
- G. The conclusion based on the test result.

Rule 40: Utility Line Location (One Call Program)

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 41: Cross Connection/Backflow Prevention Program (OAR 860-036-1680)

All customers must comply with the Utility's Cross Connection Control Program to protect the water system from contamination. A customer's failure to comply is grounds for disconnection under OAR 860-036-1500.

The Utility will comply with the rules and regulations for the Cross Connection/Backflow Prevention Program, as provided in ORS Chapter 333 and the Utility's approved Backflow Prevention tariff or statement of rates.

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