

ORDER NO. 20-084

ENTERED: Mar 13 2020

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UW 179

In the Matter of

SHADOW WOOD WATER SERVICE,  
LLC,

Request for a General Rate Revision.

ORDER

DISPOSITION: STIPULATION ADOPTED; RATE INCREASE APPROVED

**I. SUMMARY**

In this order, we adopt the stipulation between Shadow Wood Water Service, LLC (Shadow Wood or Company), and the Staff of the Public Utility Commission of Oregon (Staff) (Stipulating Parties) and authorize the Company to file tariff sheets setting the residential customer base rate and single tier commodity rate effective April 16, 2020. As a result of this order, the average monthly residential customer bill will increase from \$88.93 to \$91.24 or 2.6 percent.

**II. BACKGROUND AND PROCEDURAL HISTORY**

Shadow Wood is a small water system providing domestic water service to approximately 64 residential customers in West Linn, Oregon and vicinity. It is a wholly-owned subsidiary of Hiland Water Corporation, a privately-owned corporation that owns and operates at least 20 other water systems. Shadow Wood's current rates were established in Order No. 16-334, entered September 6, 2016, in docket UW 165. The stipulation attached to that order specified that Shadow Wood must file a rate case on or before October 20, 2019. That stipulation also included as Condition No. 4(1), a provision that states that the Company will engage a minimum of five financial institutions to attempt to obtain a loan to finance future capital projects prior to using shareholder equity for that purpose.

On, October 18, 2019, Shadow Wood filed a request for a general rate revision, Advice No. 19-1, requesting an effective date of January 17, 2020. In Order No. 19-398, the Commission found good and sufficient cause to investigate the tariffs under

ORS 757.210 and 757.215, and the tariffs were suspended for a nine-month period from the effective date.

On December 3, 2019, a public comment hearing and a prehearing conference were held in West Linn, Oregon. No members of the public were present at the public comment hearing and no petitions to intervene were filed in the proceeding. Shadow Wood was represented at the public comment hearing and the prehearing conference and members of Staff were also present. At the conference, the parties agreed upon a schedule for the proceeding, which the ALJ adopted.

A motion to suspend procedural schedule was filed by Staff on February 25, 2020, and by ruling of that same day, the ALJ granted the motion. On February 26, 2020, the parties jointly filed a Stipulation and Staff filed direct testimony in support of the stipulation, along with a supporting affidavit and a motion to admit the stipulation, testimony and affidavit. The stipulation is attached to this order as Appendix A.

### III. THE INITIAL APPLICATION

Shadow Wood had 2018 test year annual revenues of \$67,451. The Company proposed an overall revenue increase of 5.55 percent or \$3,746 resulting in a revenue requirement of \$71,197 to recover. The application further proposed a total rate base of \$267,694 and a 10.5 percent return on rate base.<sup>1</sup> Its current rates and the rates proposed in its general rate filing are as follows:

#### Current Rates

Base Rate	\$61.85 per meter	No usage included
Commodity Rate	\$0.48 per 100 gallons	For all usage

The current average annualized monthly bill as calculated by the Company is \$87.31.

#### Proposed Rates

Base Rate	\$64.53 per meter	No usage included
Commodity Rate	\$0.49 per 100 gallons	For all usage

The proposed average annualized monthly bill as calculated by the Company would be \$92.19.<sup>2</sup>

As part of its application, Shadow Wood proposed to include an Upper Well Master Meter in its utility plant. The purchase and installation of the meter were paid for out of

<sup>1</sup> Shadow Wood Water Service LLC. Rate Case Application at 4 (Oct 18, 2019).

<sup>2</sup> Staff/100, Brock/5.

the Company's equity. The meter was installed and useful as of January 31, 2019, which was outside of the test year and adds \$2,621 to the Company's rate base.<sup>3</sup>

#### **IV. STAFF'S ANALYSIS AND STIPULATED ADJUSTMENTS**

Staff states that its investigation and analysis of Shadow Wood's general rate filing included a comprehensive examination the Company's revenues, expenses, proposed adjustments, rate spread and rate design, its affiliated interest relationship and the associated cost allocation method, the Master Service Agreement of the allocations between the companies, rate base, capital improvements, cost of capital, capital structure, quality of service, and capacity.<sup>4</sup>

##### **A. Plant Investment**

In its testimony, Staff first addresses the question of the capital investment in the Upper Well Master Meter. Staff concluded that, as a practical matter, the Company did not violate Condition No. 4(1) through the use of equity, rather than debt financing, because of the small amount of the investment and the difficulty for small utilities such as Shadow Water to obtain bank financing for capital projects. Staff concluded that the expenditure was therefore appropriate and the investment should be reflected in the Company's rates.<sup>5</sup> Staff's analysis leads the parties to jointly propose amending Condition No. 4(1) in two respects. The first, identified as Condition 6 in the stipulation, is to limit the requirement to seek financing for capital improvement projects to only those that are greater than \$10,000. The second amendment is a modification that now requires quotes or other documentation from three (instead of five) financial institutions or other sources of funding and documentation detailing efforts made by the Company to obtain future debt financing.<sup>6</sup>

##### **B. Expenses**

Staff also examined Shadow Wood's expenses for prudence and reasonableness as well as for compliance with rules and statutes applicable to water companies. The Stipulating Parties agreed to certain adjustments,<sup>7</sup> which may be summarized as follows:

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<sup>3</sup> *Id.* at 5-6.

<sup>4</sup> *Id.* at 7-8. Staff notes that the only customer concerns voiced since the prior rate case related to the three fire hydrants within the Company's territory. Staff concludes that there were no issues relating to them that would be appropriate to address in this rate case.

<sup>5</sup> *Id.* at 6.

<sup>6</sup> *Id.* at 6-7, 14-15.

<sup>7</sup> *Id.* at 8-11.

<b>Account</b>	<b>Company Proposal</b>	<b>Stipulation Amount</b>	<b>Net Change</b>	<b>Purpose of Adjustment</b>
604: Employee Pension & Benefits	\$1,273	\$1,396	\$123	Correlate with historic 13.5% load on employee base wages
620: O&M materials and supplies	\$1,543	\$2,182	\$639	Reflect 2016, 2017 & 2018 annual reports average
635: Contract Services-Testing	\$1,815	\$1,508	(\$307)	Reflect 2016, 2017 & 2018 annual reports average
642: Equipment Rental	\$1,325	\$1,006	(\$319)	Reflect 2016, 2017 & 2019 annual reports average
658: Workers' Compensation Ins.	\$0	112	\$112	Correct inadvertent omission, reflect averaged 2017 and 2018 expense
666: Amortization of Rate Case	\$6,293	\$5,885	(\$408)	Reflect amortization over 5 years instead of 3 years
675: Miscellaneous Expenses	\$421	\$362	(\$59)	Remove charitable donations
OE2: Other Expense 2	\$0	\$196	\$196	Correct erroneous allocation factor of .0213 to .0217
408.12 Payroll Tax	\$0	\$1,103	\$1,103	Correct inadvertent omission

### **C. Ratemaking Treatment of Capital Investment**

#### **1. *Capital Structure***

Shadow Wood's capital structure is 100 percent shareholder equity. Staff noted that a capital structure consisting of both equity and debt typically results in a lower rate of return borne by customers. Paragraph 6 in the Stipulation requires the Company to attempt to obtain other financing options before making future capital investments over

\$10,000 to ensure that, going forward, Shadow Wood will reasonably attempt to secure least-cost financing options for the benefit of its customers.<sup>8</sup>

**2. *Cost of Capital/Cost of Equity***

Shadow Wood's initial filing included 10.5 percent cost of capital based on a 10.5 percent cost of equity, due to the fact that there is no debt in its capital structure; the allowed rate of return would therefore equal the proposed cost of equity.<sup>9</sup> In line with recent, similar cases, the parties stipulated to a 9.5 percent cost of equity.<sup>10</sup>

**D. *Revenue Requirement***

The parties stipulated to a revenue requirement of \$70,469, reflecting a 4.47 percent or \$3,018 increase over test year revenues of \$67,451, compared to the Company's proposed 5.55 percent increase.<sup>11</sup>

**E. *Rate Design/Rate Spread***

The Company only has residential customers and their rates are comprised of a base rate that is charged regardless of water consumption and a commodity rate (usage rate) that is charged per 100 gallons of water consumed. Under the stipulated rate design in the approved annual revenue requirement, 70 percent of the rates are recovered through the non-variable monthly base rate. This ensures that the Company receives adequate funds to operate during the winter months when water usage is lower. As the other 30 percent of revenue is recovered through the commodity rate, this design ensures that customers are paying for their own actual water use per month. A base rate plus commodity charge structure also encourages water conservation, as a customer's bill will increase as consumption increases. Under the stipulation, as calculated by Staff and agreed upon by the parties, the average residential bill will increase from \$88.93 to \$91.24.<sup>12</sup>

**V. *CONCLUSION***

The Commission admits the stipulation and Staff's direct testimony into the record in this docket. The Commission finds that the proposed revenue requirement and rate structure changes set forth in the stipulation are fair and reasonable and should be approved.

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<sup>8</sup> *Id.* at 12.

<sup>9</sup> *Id.* at 12-13.

<sup>10</sup> *Id.* at 13.

<sup>11</sup> *Id.* at 14, Staff Exhibit 102, Brock/1.

<sup>12</sup> Staff/100, Brock/14-15.

**VI. ORDER**

IT IS ORDERED that:

1. Advice No. 19-1 is permanently suspended.
2. The stipulation, attached to this order as Appendix A, between Shadow Wood Water Service LLC and the Staff of the Public Utility Commission of Oregon, is adopted.
3. Shadow Wood Water Service LLC is authorized and directed to file tariffs as set forth in the adopted stipulation, with an effective date of April 16, 2020.

Made, entered, and effective Mar 13 2020.



**Megan W. Decker**  
Chair



**Letha Tawney**  
Commissioner



**Mark R. Thompson**  
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 179

In the Matter of  
Shadow Wood Water Service, LLC  
Request for a General Rate Revision

STIPULATION

Shadow Wood Water Service, LLC. (Shadow Wood or Company), appearing by and through its Secretary/Treasurer, Silas Olson of Shadow Wood, and the Public Utility Commission of Oregon Staff (Staff), appearing by and through its attorney, Elizabeth Uzelac, Assistant Attorney General, hereafter collectively referred to as the Stipulating Parties, enter into this Stipulation resolving all issues in this case. At the time this Stipulation was filed there were no other parties to this proceeding.

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 written Testimony in Support of the Stipulation (Exhibit Staff/100), and additional supporting exhibits (Exhibit Staff/101, Exhibits Staff 102, and Exhibits Staff 103).

2.

The Stipulating Parties agree to support and recommend that the Commission adopt a total revenue requirement of \$70,469, which includes a 9.50 percent rate of return on a total rate base of \$267,365, and reflects an increase of 4.47 percent over the 2018 test period revenues. The stipulated revenue requirement is contained in Attachment A to this Stipulation.

1 3.

2 The Stipulating Parties agree to and support the rates, fees, rules, and regulations  
3 contained in Attachment B to this Stipulation, which includes Shadow Wood's tariff sheets PUC  
4 Oregon No. 5, Original Sheet Nos. 1 through 22.

5 4.

6 The Stipulating Parties agree to rates being effective for service rendered on and after  
7 April 16, 2020, or three business days after the date the Public Utility Commission of Oregon  
8 (Commission) enters an order adopting this Stipulation, whichever is later.

9 5.

10 The Stipulating Parties agree that Shadow Wood's rate design will apply a 70/30 split  
11 between monthly base rates and commodity rates.

12 6.

13 The Stipulating Parties agree that Shadow Wood shall engage a minimum of three  
14 financial institutions or sources of funding to attempt to obtain debt financing prior to using  
15 shareholder equity to finance future capital projects that are greater than \$10,000. Shadow Wood  
16 agrees to provide indicative quotes or other documentation, as necessary, to document its efforts  
17 to obtain debt financing.

18 7.

19 The Stipulating Parties have negotiated this Stipulation in good faith and recommend that  
20 the Commission adopt the Stipulation in its entirety.

21 8.

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

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1 9.

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

7 10.

8 The Stipulating Parties understand that this Stipulation is not binding on the Commission  
9 in deciding Shadow Wood's application for a general rate increase, and does not foreclose the  
10 Commission from addressing any other issues.

11 11.

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

23 12.

24 The Stipulating Parties agree to support Commission approval of the Stipulation,  
25 throughout this proceeding and any subsequent appeal, and to provide either witnesses to sponsor  
26 testimony or legal representatives to support this Stipulation. If any other party to this

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

6 13.

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

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DATED this 25<sup>th</sup> day of February, 2020.

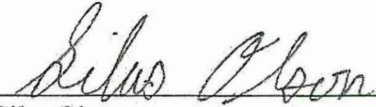


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Elizabeth B. Uzelac OSB # 170507  
Assistant Attorney General  
Of Attorneys for PUC Staff

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DATED this 25<sup>th</sup> day of February, 2020.

  
\_\_\_\_\_  
Silas Olson  
Secretary/Treasurer  
Shadow Wood Water Service LLC

[illegible]

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

**NAMING RATES FOR**

**SHADOW WOOD WATER SERVICE LLC**

**PO BOX 699**

**NEWBERG, OR 97312**

**503-554-8333**

Serving water in the vicinity of

West Linn, Oregon

Issue Date / Filing Date		Effective for Service on or after	April 16, 2020
Issued By Utility	SHADOW WOOD WATER SERVICE LLC		

Advice No.

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Issue Date / Filing Date		Effective for Service on or after	April 16, 2020
Issued By Utility	SHADOW WOOD WATER SERVICE LLC		

Advice No.

**SCHEDULE NO. 1**  
**RESIDENTIAL METERED RATES**

**Available:** To customers of the Utility at West Linn, Oregon, and vicinity.

**Applicable:** To residential premises.

**Base Rate**

Service Meter Size	Monthly Base Rate	Usage Allowance
5/8 inch or 3/4 inch	\$63.87	None
1 inch	N/A	N/A

**Commodity Usage Rate**

Commodity Rate		No. of Units	Measuring Unit	Base Usage Allowance
\$0.49	Per	100	Gallons	None

**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		Effective for Service on or after	April 16, 2020
Issued By Utility	SHADOW WOOD WATER SERVICE LLC		

Advice No.

**SCHEDULE NO. 2**  
**BLANK TARIFF FOR FUTURE USE**

**Available:** To customers of the Utility at West Linn, Oregon, and vicinity.

**Applicable:** To residential premises.

SERVICE LINE SIZE		CONSUMPTION
5/8 inch or 3/4 inch		
1 inch		
1½ inches		

**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 when possible. Charges shall be made at the rates specified to the type of customer:
  - Schedule No. 1, Residential Metered Rates

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.

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Advice No.

### SCHEDULE NO. 3

#### 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 ¾-inch service	At cost
Nonstandard ¾-inch service	At cost
Larger than ¾-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	\$20.00

Pressure Test (Rule No. 39)

First test within 12-month period	N/C
Second test within 12-month period	\$20.00

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)

\$25.00 (each occurrence)

Trouble-Call Charge (Rule No. 35)

During normal office hours	\$25.00 per hour
After normal office hours on special request	\$40.00 per hour

Disconnection Charge (Rule No. 28)

\$35.00

Reconnection Charge (Rule No. 29)

During normal office hours	\$25.00
After normal office hours on special request	\$35.00

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)

\$35.00

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Advice No.

## 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.
- B. "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: SHADOW WOOD WATER SERVICE LLC
- 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.

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Advice No.

## 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)

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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):

- ☐ 1. Issuing the customer a refund check, or
- ☒ 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.

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Advice No.

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.

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Advice No.

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.

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**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.

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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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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)** ☒ monthly, ☐ bimonthly, or ☐ 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.

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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 under-billing 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 under-billing 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
- B. 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;
- B. 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 7-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.
- B. 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 7-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 860-036-1510;
- 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.

Shadow wood Water Service does not provide any cross connection or backflow services. All cross connection and backflow services are contracted through an outside contractor.

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