

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 182

In the Matter of

OREGON WATER UTILITIES – CLINE
BUTTE, INC.,

Request for a General Rate Revision.

ORDER

DISPOSITION: STIPULATION ADOPTED; RATE INCREASE APPROVED

I. INTRODUCTION

In this order, we adopt an uncontested stipulation between the parties resolving all issues related to the application for a general rate revision by Oregon Water Utilities - Cline Butte, Inc. (Cline Butte). A copy of the stipulation is attached to this order, as Appendix A. As a result of this stipulation, Cline Butte's revenue requirement will increase from adjusted test period revenue of \$1,092,763 to \$1,190,522.¹

II. BACKGROUND

Cline Butte is a subsidiary water utility acquired by SouthWest Water Company in 2017. Cline Butte provides water for 1,746 connections in central Oregon, including the Redmond area and The Ridge at Eagle Crest. Cline Butte's last general rate revision was in 2008. Since then, Cline Butte has undergone two changes in ownership, and there have been various updates to the system with the acquisition of a new facility.

On September 30, 2020, Cline Butte filed for a general rate revision. The general rate case application used 2019 as a test year, originally filing test revenues at \$1,109,430 and requesting a revenue requirement of \$1,205,136. On December 28, 2020, Cline Butte filed an errata to OWU/101, Bahr/1-11, replacing pages 26-36. This adjusted the test year revenues to \$1,092,763.² Cline Butte requested a total rate base of \$5,337,242, including a 7.29 percent rate of return, potentially increasing customer base rates by 16 percent. In Order No. 20-327, we suspended the company's filing for investigation and

¹ Staff/100 Beitzel/3

² Staff/100 Beitzel/5, lines 9-10: "The errata filing did not change [Cline Butte's] requested revenue requirement or its proposed rates, only its adjusted test year revenue."

analysis, including a comprehensive examination of Cline Butte's revenues, expenses, proposed adjustments, rate base, capital improvements, and cost of capital, as well as rate spread and design.

On November 3, 2020, The Ridge at Eagle Crest Owner's Association (RECOA) filed a petition to intervene, which was subsequently granted on November 13, 2020. Mike DeWolf and Bill Wordley participated as representatives of the association. RECOA is a nonprofit organization, representing approximately 1,700 housing units in Cline Butte's service area. On November 9, 2020, a prehearing conference and public comment hearing were held. On January 22, 2021, the Commission granted a motion to suspend the procedural schedule, filed in anticipation of a stipulation agreed upon by parties in settlement. On March 1, 2021, Cline Butte, representatives from RECOA, and Staff (collectively, Stipulating Parties) filed a stipulation which was subsequently admitted. On March 16, 2021, Staff filed an errata motion to admit, and requested the stipulation be adopted.

III. THE STIPULATION

The Stipulating Parties agree to recommend and support a total revenue requirement of \$1,190,522. This is an 8.95 percent increase of errata adjusted test period revenues. This allows Cline Butte the opportunity to earn a 7.04 percent rate of return on a total rate base of \$4,452,730.

The Stipulating Parties agree that stipulated rates in this case reflect rate base additions from Cline Butte's last rate case through 2019 and accumulated depreciation through December 31, 2019 associated with these rate base assets. The Stipulating Parties further agree that Cline Butte's capital additions are used and useful and prudent as of the rate-effective date in this case.

The Stipulating Parties agreed to three changes to the rate structure.

First, the Stipulating Parties agreed to Cline Butte's proposal to add base rates for all meter sizes not currently reflected in the Company's tariffs for all customer classes, using American Water Works Association (AWWA) meter equivalency. Meter equivalence means that customers with different line sizes usually pay different monthly base rates based on different capacity and demand factors associated with various supply line sizes. The new base rates assign a charge for potential customer line sizes up to 12 inches for each customer class. This will allow Cline Butte to accept new customers at any common line size without having to file a new tariff.³

³ Staff/100 Beitzel/36.

Next, the Stipulating Parties agreed to combine Cline Butte's Schedule 1 and Schedule 2 Tariffs, without strict adherence to the AWWA line sizing factors to calculate the new Schedule No. 1 Residential/Commercial/Industrial Metered Rates because the water utility standard is to have a given rate schedule reflect all customer classes with similar cost of service requirements. In this case, it was appropriate to combine the Residential and Commercial/Industrial schedules together for that reason. The proposed new schedule does not employ all of the AWWA factors at this time in order to avoid rate shock. The parties agree to work toward meter equivalency, as appropriate, in Cline Butte's future rate cases.⁴

Third, the Stipulating Parties also agreed to include Cline Butte's proposed Commodity Power Cost Adjustment (CPCA), proposed as Schedule 5 in the Application, with certain adjustments. A CPCA allows for incremental changes to the commodity costs for the power necessary to run a utility. According to the Stipulating Parties, unlike many other expenses, power costs can change dramatically with little notice. Because a large power expense change could potentially force a utility to file for a new rate case, the CPCA provides the ability to potentially reduce rate case frequency by making certain adjustments for each customer class when the power expense changes.

Cline Butte originally requested to adjust commodity rates by 100 percent of the power cost change, each time power costs increased or decreased.⁵ The stipulation includes the CPCA as requested by Cline Butte, with the following changes:

- a. The CPCA will be limited to a \$0.03 increase to the Commodity rate per customer class per incidence of rate increase from the power supplier;
- b. The CPCA will be collected through an equal increase to the commodity rates (i.e., the cents per hundred cubic feet (ccf) charge) paid by all customers; and
- c. Cline Butte will pass back the full amount of any decrease in power cost from the power supplier.

Staff and Cline Butte agree to work toward developing the appropriate treatment of accumulated deferred income tax and excess deferred income tax prior to the next rate case.

⁴ Staff/100 Beitzel/35-36.

⁵ Staff/100 Beitzel/37.

IV. RESOLUTION

After reviewing the stipulation and Staff’s supporting testimony, we find that Staff performed a comprehensive review of Cline Butte's application and fully considered the issues presented. We appreciate the intervention of RECOA to assist in the development of a stipulated resolution in this case. We find the stipulation to be a reasonable resolution of these issues and adopt the stipulation in its entirety.

V. ORDER

IT IS ORDERED that:

1. Advice No. 20-3 filed by Oregon Water Utilities – Cline Butte, Inc., is permanently suspended.
2. The stipulation between Oregon Water Utilities – Cline Butte, Inc., The Ridge at Eagle Crest Owner’s Association, and Staff of the Public Utility Commission of Oregon, attached as Appendix A, is adopted.
3. Oregon Water Utilities – Cline Butte Inc., is authorized to immediately file tariffs in accordance with the adopted stipulation, with an effective date of May 1, 2021.

Made, entered, and effective APR 27 2021.

Megan W. Decker

Letha Tawney

Megan W. Decker
Chair

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
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UW 182

In the Matter of

OREGON WATER UTILITIES – CLINE
BUTTE, INC.

Request for a General Rate Revision

STIPULATION

This Stipulation is among Oregon Water Utilities – Cline Butte, Inc. (CB or the Company), intervenors Mike DeWolf and Bill Wordley both representing Ridge at Eagle Crest Owner’s Association (RECOA), and the Public Utility Commission of Oregon Staff (Staff) (hereafter, collectively referred to as the Stipulating Parties). At the time this Stipulation was filed there were no other parties to this proceeding.

I. INTRODUCTION

On September 30, 2020 CB filed a request for a General Rate Revision. In its application, CB sought to increase its adjusted test period revenues from \$1,109,430 to \$1,205,136, an increase of 8.63 percent. On December 28, 2020 CB filed an errata related to Test Year annual revenues. With this change, CB sought to increase its adjusted test period revenues from \$1,092,763 to \$1,205,136, an increase of 10.28 percent.

The Stipulating Parties reviewed the Company’s filing and responses to data requests from Staff and intervenors and held two settlement conferences to discuss and address the issues in this case. As a result of those discussions, the Stipulating Parties have reached agreement on all issues as set forth in this Stipulation. The Stipulating Parties respectfully request that the Commission issue an order adopting this Stipulation.

II. TERMS OF THE STIPULATION

1. Revenue Requirement. The Stipulating Parties agree to recommend and support a total revenue requirement of \$1,190,522, as shown in Attachment A, to be collected in rates as

APPENDIX A

1 set forth in Attachment B to this Stipulation. This revenue requirement includes an agreed-upon
2 7.04 percent rate of return on a total rate base of \$4,452,730, and represents an 8.95 percent
3 increase over 2019 errata adjusted test period revenues. The stipulated revenue requirement and
4 adjustments are included as Attachment A to this Stipulation.

5 2. Rate Effective Date. The Stipulating Parties agree to and support rates being
6 effective for service rendered on and after May 1, 2021 or three business days after the date the
7 Commission issues an order adopting this Stipulation, whichever is later.

8 3. Rate Base and Accumulated Depreciation. The Stipulating Parties agree that
9 stipulated rates in this case reflect rate base additions from the Company's last rate case through
10 2019 and accumulated depreciation through December 31, 2019 associated with these rate base
11 assets. The Stipulating Parties further agree that CB's capital additions are used and useful and
12 prudent as of the rate-effective date in this case.

13 4. Schedule Changes. The Stipulating Parties agreed to combine current Tariff
14 Schedule Nos. 1&2 for Residential and Commercial/Industrial customers, respectively, into a
15 single Tariff Schedule for Residential/Commercial/Industrial Metered Rates (RCIMR).
16 Additionally, as noted below, CB will add a new Schedule related to a Commodity Power Cost
17 Adjustment (CPCA). The Stipulating Parties agreed to CB's proposal to add tariff rates for all
18 meter sizes for all customer classes, using American Water Works Association (AWWA) meter
19 equivalency, to allow for new customers that require those meter sizes to receive service without
20 the need for a new tariff filing.

21 5. AWWA Factors. The Stipulating Parties agreed to use all but one of the standard
22 AWWA factors to calculate the new Schedule No. 1, RCIMR, base rates in this case. The
23 Stipulating Parties agree to work toward meter equivalency as appropriate in the Company's
24 future rate cases.

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1 6. Commodity Power Cost Adjustment. The Stipulating Parties agreed to include
2 CB's proposed CPCA, which is the proposed Schedule 6 in the Application, with the following
3 changes:

4 a. The CPCA will be limited to a \$0.03 increase to the Commodity rate per customer
5 class per incidence of rate increase from the power supplier;

6 b. The CPCA will be collected through an equal increase to the commodity rates (i.e., the
7 cents per ccf charge) paid by all customers; and

8 c. CB will pass back the full amount of any decrease in power cost from the power
9 supplier.

10 7. Accumulated Deferred Income Taxes and Excess Deferred Income Taxes. Staff
11 and CB agree to, prior to the next rate case, work toward developing the appropriate treatment of
12 Accumulated Deferred Income Tax (ADIT) and Excess Deferred Income Tax (EDIT) in future
13 rate cases.

14 8. The Stipulating Parties agree that this Stipulation is in the public interest and, in
15 the unique circumstances present in this case, will result in rates that are fair, reasonable, and
16 will meet the standard set forth in ORS 756.040.

17 9. The Stipulating Parties have negotiated this Stipulation in good faith and
18 recommend that the Commission adopt the Stipulation in its entirety.

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

23 11. The Stipulating Parties agree that without the written consent of all Stipulating
24 Parties, evidence of conduct or statements, including but not limited to term sheets or other
25 documents created solely for use in settlement conferences in this docket, and conduct or
26 statements made at settlement conferences, are confidential and not admissible in this or any

1 subsequent proceeding, unless independently discoverable or offered for other purposes allowed
2 under ORS 40.190.

3 12. The Stipulating Parties support entering into evidence, without requiring any
4 Stipulating party to lay a foundation for its admission, this Stipulation, Staff's written testimony
5 in support of the Stipulation (Exhibit Staff/100), and additional supporting exhibits (Exhibits
6 Staff/101, Staff/102, and Staff/103).

7 13. The Stipulating Parties understand that this Stipulation addresses only CB's
8 request for a general rate increase in this instance, is not binding on the Commission in deciding
9 CB's application for a general rate increase, and does not foreclose the Commission from
10 addressing any other issues or foreclose a Stipulating Party from raising other issues in a
11 different proceeding.

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

23 15. The Stipulating Parties agree to support Commission approval of the Stipulation,
24 throughout this proceeding and any subsequent appeal, and to provide witnesses to sponsor
25 testimony. If any other party to this proceeding challenges this Stipulation or if any other
26 interested person objects to this Stipulation in comments, the Stipulating Parties agree to

1 cooperate in responding to bench requests, preparing supplemental testimony, and participating
2 in cross-examination and to put on such a case as they deem appropriate to respond fully to the
3 issues presented, which may include addressing issues incorporated in the settlements embodied
4 in this Stipulation.

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

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DATED: February 24, 2021 /s/Jill Goatcher
Jill D Goatcher OSB # 202294
Assistant Attorney General
Of Attorneys for Staff of the Public Utility
Commission of Oregon

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DATED: February 26, 2021 
Irion Sanger OSB # 003750
Of Attorney for Oregon Water Utilities –
Cline Butte, Inc.

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DATED: _____
Mike DeWolf
Of RECOA

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DATED: _____
Bill Wordley
Of RECOA

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9 DATED: February 24, 2021

/s/Jill Goatcher
Jill D Goatcher OSB # 202294
Assistant Attorney General
Of Attorneys for Staff of the Public Utility
Commission of Oregon

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13 DATED: _____

Irion Sanger OSB # 003750
Of Attorney for Oregon Water Utilities –
Cline Butte, Inc.

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16 DATED: 2/25/2021

Michael DeWolf
Mike DeWolf
Of RECOA

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21 DATED: _____

Bill Wordley
Of RECOA

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DATED: February 24, 2021 /s/Jill Goatcher
Jill D Goatcher OSB # 202294
Assistant Attorney General
Of Attorneys for Staff of the Public Utility
Commission of Oregon

DATED: _____ Irion Sanger OSB # 003750
Of Attorney for Oregon Water Utilities –
Cline Butte, Inc.

DATED: _____ Mike DeWolf
Of RECOA

DATED: 2/25/2021 William E Wordley
Bill Wordley
Of RECOA