

FINDINGS OF FACT

At the hearing the following exhibits were admitted into evidence: Staff Exh. #1, the proposed stipulation (unsigned), with a chart of the results of operations from Staff's case (Attachment A), and proposed tariff sheets (Attachment B); Staff Exh. #2, the direct testimony of Kathy Miller in support of the stipulation; Staff Exh. #3, exhibits (charts and spreadsheets) to Staff's testimony in support of the stipulation; and Staff Exh. #4, the signed stipulation. Staff witness Kathy Miller also testified in response to questions from the Administrative Law Judge. The exhibits and the testimony of Ms. Miller comprise the record in this proceeding. Staff Exhs. #1, #2, and #3 are attached to this order as Appendix A and incorporated herein by reference.

Marina is a rate-regulated water utility serving approximately 44 residential customers near Veneta, Oregon. The tariffs filed by Marina would increase revenues by \$6,600, or 42 percent, resulting in total annual revenues of \$22,311. This would result in an average monthly rate of \$40.42, compared with the current average monthly rate of \$29.76. The current average monthly rate exceeds the threshold amount provided in OAR 860-036-0030(1)(a).

The Stipulation provides that Marina will be allowed to increase annual revenues over test period revenues by \$3,088, or 19.02 percent, resulting in total revenues of \$19,329. This is less than the amount originally requested by the Company. The increased revenues are to be collected through rates according to the rate schedules set forth in the proposed tariff sheets attached to the stipulation as Attachment B. The stipulation also provides that the Company will develop and implement a customer service line cleaning program using nitrogen gas to clean the customer service line from the customer's outside faucet to the meter. The customers would pay for the cost of the nitrogen gas – approximately \$20.00 per cylinder – while the Company would provide the labor free of charge.

Staff testified that its review of the Company's results of operations indicates that a revenue increase of \$3,088 above test year revenues, or 19.02 percent, is warranted. Staff recommends an overall rate of return of 6.41 percent on a rate base of \$17,772. Staff further recommends that 40 percent of the proposed revenues be assigned to the variable rate and 60 percent assigned to the base rate. The proposed increase would result in an average monthly residential rate of \$35.20. Staff testified that the rates agreed to are reasonable for a water system with the characteristics of Marina. In addition, Staff noted that the parties agreed to some housekeeping changes in the Company's tariffs, to comply with new rules and rule changes adopted in Rulemaking Docket AR 328.

With regard to the adequacy of service, Staff indicated that the customer service lines contain an accumulation of manganese and iron, which results in reduced water pressure and water containing dark particulates. Staff submits that the customer service line cleaning program should address this problem. In addition, the Company agreed to establish an appropriate flushing schedule to help clean the debris from the tanks and water mainlines. The flushing schedule has been published and customers already notified of when the flushings will occur.

Upon inquiry by the Administrative Law Judge, Staff explained that the flushing program was agreed to by the Company after the prehearing conference, and so is not reflected in the stipulation. Staff indicated that the flushings will occur every week, but that the schedule will decrease in the future to once every month, and eventually to once every three years. Staff also noted that customers should not use the water when the Company's system is being flushed, because the customers could get debris in their own systems. Moreover, it was noted that with regard to the customer service line cleaning program, there exists the possibility that pipe could break under the nitrogen pressure, and this breakage would be the responsibility of the customer.¹

The Commission has reviewed all of the evidence, and finds that the stipulation represents a reasonable resolution of the issues in this case. However, the Commission does have some concern regarding customer notification of the risk attendant with the flushing program and customer service line cleaning program.

The record does not reflect the contents of the notification sent to customers regarding the flushing schedule. The Commission finds that this notification should indicate the day and time when flushings will occur, as well as a warning that customers should not use the water during the scheduled flushings, to avoid the danger of getting debris in the customers' systems. To the extent that the original notification did not contain this information, a new notification should be sent. In addition, the Commission finds that the Company should also send customer notification explaining the customer service line cleaning program, including information on when the program will commence, how customers can request and make arrangements for the cleaning of their service lines, an explanation of the risks that pipe might break during the cleaning and that such breakage will be the responsibility of the customer, and a statement that the program is voluntary.

With the caveat concerning customer notification, the stipulation provides an appropriate resolution of the issues in this case.

CONCLUSIONS OF LAW

The Commission has jurisdiction over Marina Water, Inc. by virtue of ORS 757.005(1)(a)(A) and OAR 860-036-0030. Pursuant to ORS 757.020, Marina Water, Inc., is required to furnish safe and adequate service at just and reasonable rates. Based upon its finding that the stipulation provides for a reasonable resolution of the issues in this case, the Commission concludes that the stipulation executed between Marina Water, Inc., and the Staff of the Commission should be approved.

¹ The question was a follow-up to a comment made by the Company during the public meeting. The Company noted that the condition of customers' pipes varies depending on the age and maintenance of the pipe, and that the Company would not be responsible if a customer's pipe broke during the customer service line cleaning program.

ORDER

IT IS ORDERED that:

1. The revised tariffs filed by Marina Water, Inc., on April 1, 1999, are rejected.
2. The stipulation signed by Marina Water, Inc., and the Staff of the Commission on August 9, 1999, is approved.
3. Marina Water, Inc., is authorized to increase revenues by \$3,088, or 19.02 percent, in conformity with the proposed tariff sheets attached to the stipulation as Attachment B.
4. The proposed tariff sheets attached to the stipulation as Attachment B are approved to be effective as of the next billing cycle subsequent to the date of this order.
5. Marina Water, Inc., shall provide customer notification regarding the flushing program and customer service line cleaning program, consistent with this order.

Made, entered, and effective _____.

Ron Eachus
Chairman

Roger Hamilton
Commissioner

Joan H. Smith
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements of OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070. A party may appeal this order to a court pursuant to ORS 756.580.

ORDER NO. 99-610

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