

ORDER NO. 00-237

ENTERED MAY 03 2000

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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| In the Matter of the Tariffs for Water |) | |
| Service in the State of Oregon Filed by |) | ORDER |
| Agate Water System. |) | |

DISPOSITION: STIPULATION ADOPTED; RATE INCREASE APPROVED

On November 1, 1999, Agate Water System, (Agate or the Company) filed an application for a general rate increase. On November 16, 1999, the Public Utility Commission of Oregon (Commission) issued Order No. 99-707 suspending the proposed rate increase for investigation pursuant to ORS 757.210 and 757.215.

On December 15, 1999, a public comment meeting and prehearing conference were held in Bend, Oregon. At the meeting, Agate customers voiced a number of concerns relating to service quality, the amount of water pressure available to customers, the capacity of the system to accommodate present and future customer demand, the timing of system improvements, system connection charges and the availability of fire hydrants. At the conference, a procedural schedule was adopted for the remainder of the docket.

On March 24, 2000, a notice of public comment and evidentiary hearing was served on all parties and interested persons. Notice was also published in the Bend Bulletin newspaper.

On April 20, 2000, the public comment and evidentiary hearing was held in Bend, Oregon, before Samuel J. Petrillo, an Administrative Law Judge for the Commission. Appearances were entered by Fred Schilling, President, Agate Water System and Kimberly Cobrain, Assistant Attorney General, on behalf of PUC Staff. Agate customers Vern Clift, Mary Jo Sylvester, and Chuck Hall also attended the hearing.

At the hearing, Agate and Staff offered a stipulation designed to resolve all issues. The agreement allows Agate to increase rates by \$2,015 annually, or 1.28 percent, resulting in total revenues of \$159,275. The stipulation, supporting testimony, and attachments were entered into evidence and are attached to this order as Appendix A. Staff Exhibit No. 3 of Appendix A lists the various adjustments underlying the proposed increase.

Staff and Agate also propose changing the current flat rate structure with a new rate design based on metered usage. Currently, all customers are billed a flat rate of \$24.00 per month. Under the new rate design, customers will pay a base rate of either \$16.97 or \$19.97 depending on the amount of the hookup fee charged to the premises. The lower rate will apply to all premises that were assessed a \$2500 hookup fee prior to PUC regulation, regardless of whether the property subsequently changes hands.

The base rates do not include usage. Usage charges are divided into three blocks and increase with the amount of consumption. Under the new rates, a customer consuming 401 cubic feet – the average monthly consumption for one person -- will pay \$19.71 per month. Customers using 1500 and 2500 cubic feet will pay \$28.32 and \$41.50, respectively. Staff states that the new rate design will encourage conservation, provide financial stability for the company and offer lower rates for customers that use lower quantities of water.

Agate is planning a distribution system improvement project that includes a new well, a 500,000-gallon reservoir and larger water supply mains. The company is currently seeking financing for the project, which is expected to take three years to complete. The increased capacity resulting from the improvements should eliminate many of the problems experienced by Agate customers, including low water pressure during the summer months, lack of fire hydrants and lack of water during power outages. Agate expects that water from its new well should be available within a few months. The new well, together with conservation savings produced by the metered rate design should reduce water pressure problems in the near term. Costs associated with the distribution system project are not included in the revenue requirement in this case because the planned facilities are not currently being used to provide service to Agate's customers.

The Commission finds that the proposed rate increase and rate structure changes set forth in the stipulation are fair and reasonable and should be approved.

ORDER

IT IS ORDERED that:

1. The stipulation included in Appendix A of this order is adopted. Agate Water System is authorized to increase rates by \$2,015 or 1.28 percent, resulting in total annual revenues of \$159,275.

2. Agate Water System shall charge rates in accordance with the rate schedules in tariff PUC Oregon No. 1, Original Sheet Nos. 1-17, set forth in Appendix A of 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 in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to ORS 756.580.