

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 191

In the Matter of

SOUTH COAST WATER COMPANY,
LLC,

Request for a General Rate Revision.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. SUMMARY

In this order, we adopt an uncontested all-party stipulation resolving all issues related to the application for a general rate revision (Application) by South Coast Water Company, LLC (South Coast). As a result of the stipulation, South Coast's annual revenues will increase by \$44,615 over two years from test year revenues of \$54,560 to \$99,175, representing an increase of 81.77 percent. The first-year revenue requirement is 75 percent of the entire second-year revenue requirement and represents an increase of 36.33 percent over test year revenues. It is effective January 1, 2023. At the end of the two-year phased-in rate increase on January 1, 2024, residential customers with an average usage of 5,833 gallons per month will experience a bill increase of approximately \$33.06 or 66.11 percent per month over current bills. The stipulation includes an agreement to allow South Coast to earn a rate of return (ROR) of 7.25 percent on a total rate base of \$364,692.

II. BACKGROUND AND PROCEDURAL HISTORY

South Coast is a rate-and service-regulated water utility providing service to 98 residential customers near Dunes City, Oregon. On May 24, 2022, South Coast filed an application for a general rate revision, based on a calendar year 2020 test year, including tariff sheets in Advice No. 22-01 to be effective January 1, 2023. South Coast proposed an increase in annual revenues from \$54,560 to \$104,857 over a two-year period (or 92.19 percent). In its filing, South Coast asserted that an increase in rates was needed to provide safe, reliable, and adequate service while allowing an opportunity for a reasonable rate of return on the utility's capital investment. South Coast noted it had not

increased water rates since 2008 and pointed to increased operating expenses and significant capital investments to improve water quality, system reliability, and enhanced customer service support as driving the need for a rate increase. South Coast's request reflected a ROR of 9.5 percent in year 2 on a rate base of \$369,626.

South Coast shares affiliated interest relationships, as defined in ORS 757.015, with Infrastructure Capital Holdings, LLC, Concentric Equity Partners, and Puttman Capital, which is owned by Thomas J. Puttman. Mr. Puttman also owns Puttman Infrastructure, Inc. South Coast transacts with Puttman Capital and Puttman Infrastructure for the provision of certain management, operations and maintenance, and customer-related services. We previously addressed affiliated interest relationship agreements in docket UI 433, Order No. 20-062.¹ In that docket, we limited approval of South Coast's relationship with the affiliates, and deferred determination regarding the costs for services provided, including compliance with the lower of cost or market requirement under OAR 860-036-2230(2)(e) to the company's next general rate case. In Order No. 22-224, we suspended Advice No. 22-01 to conduct a comprehensive examination of the company's revenues, expenses, proposed adjustments, rate base, capital improvements, and cost of capital, as well as rate spread and design. A public comment hearing and a prehearing conference were held on July 11, 2022. South Coast customers submitted thirteen comments regarding the proposed rate increase.²

On October 25, 2022, Staff and South Coast filed an all-party stipulation resolving all issues in this proceeding with supporting testimony and exhibits. A copy of the stipulation, including its attachments (revenue requirement and illustrative tariffs), is attached, as Appendix A, to this order.

III. THE STIPULATION

The stipulation presents a comprehensive settlement of all issues. The stipulating parties recommend and request that we approve the stipulation in its entirety.

The stipulation provides for a two-year phase-in of increased revenues, with a total revenue requirement of \$74,381 in Year 1 and \$99,175 in Year 2, as shown in Appendix A, Attachment A, to be collected as rates as set forth in the illustrative tariffs. The Year 1 revenue requirement is 75 percent of the full Year 2 amount. In Year 1, the new rates include a monthly base charge of \$37.38 for a customer with a 5/8-inch meter, and a usage rate of \$0.43 per 100 gallons. In year 2, the new rates include a monthly base charge of \$49.83 for a customer with a 5/8-inch meter, and a usage rate of \$0.57 per 100

¹ *In the Matter of South Coast Water Company, Request for Approval of a Management Services Agreement, Operations and Maintenance Services Agreement, and a Customer Services Agreement*, Docket No. UI 433, Order No. 20-062 (Mar 3, 2020).

² Joint Parties/104, Yamada-Puttman.

gallons. The Year 2 revenue requirement includes an agreed-upon 7.25 percent rate of return on a total rate base of \$364,692 and represents an 81.77 percent increase over the test period revenues included in the company's application. Additionally, the stipulating parties agree that the stipulated amounts included in rates for services provided by affiliates are reasonable for the purposes of this rate case. The stipulating parties agree to a Year 1 rate effective date of January 1, 2023, and a Year 2 rate effective date of January 1, 2024.

The parties also agreed to the following under the stipulation:

- South Coast will ensure that all customers are appropriately metered and charged for service no later than January 1, 2023.
- South Coast will file an update in this docket no later than January 1, 2023, stating: (a) whether Unbilled Customers 1 & 2 have begun being charged for service in accordance with applicable tariffs; (b) the date(s) on which tariffed rates became (or are expected to become) applicable to Unbilled Customers 1 & 2; (c) whether and how the issue of metering Unbilled Customer 2's consumption was resolved and the associated cost; and (d) whether South Coast reached a compensation agreement with Unbilled Customer 1 regarding a utility easement, and if so, the amount of such compensation.
- South Coast will submit an Annual Results of Operations Report to the Commission in Docket No. RW 30 no later than April 1st of each year.
- South Coast will submit Annual Results of Operations Reports for reporting years 2020 and 2021 to the Commission in Docket No. RW 30 no later than January 1, 2023.
- South Coast will submit a report in UW 191 detailing the status of its efforts to improve system capacity as described in response to Questions 46 and 47 of the Company's rate case application by April 1, 2023.
- South Coast will comply with OAR 860-036-1670 regarding water use restrictions, including the requirement under Section 1 to provide written notice to the PUC Consumer Services Section.

IV. RESOLUTION

We reviewed the stipulation, its attachments, and the supporting testimony and exhibits. We find that the stipulation is a reasonable resolution of all issues presented in the docket. Customers submitted comments expressing concerns about (1) the magnitude of South Coast's proposed rate increase; (2) that some customers received free water service; (3) that not all customers had meters recently replaced; and (4) that the proposed rate increases would result in rates that are higher than nearby utilities. The increase under this stipulation represents a reduction from the company's proposal, but we

recognize that it remains a significant increase to customers. However, we are satisfied that the rates under the stipulation are based on the company's demonstrated and increased costs to provide service to customers, which had not been updated since the company's last rate increase in 2009. These costs, which have not been included in South Coast's rates previously, include water quality, reliability, and customer service improvements such as switching water sources, construction of a new treatment plant and storage tanks, demolition of an old treatment plant, security and vulnerability improvements, new customer meters, new website, and a new customer billing platform.

We note that after seeing public comments regarding customers receiving free water service, PUC Staff sought additional information and South Coast disclosed that two of its customers receive free water service, with one of those customers receiving free water service in exchange for granting an easement to the utility. Such arrangements are prohibited by ORS 757.310. As part of the stipulation, South Coast will begin charging all customers for water service.

We are satisfied with South Coast's representations that all meters were replaced in 2017-18. While water service rates for surrounding utilities may be different than those proposed here, the rates agreed to by the parties result from South Coast's specific and documented costs. Those costs are different from those incurred by other utilities for a variety of reasons.

Additionally, in docket UI 433, we limited approval of South Coast's relationship with the affiliates, and deferred determination regarding the costs for services provided, including compliance with OAR 860-036-2230(2)(e) to the company's next general rate case. Here, the stipulating parties do not agree regarding compliance with the lower-of-cost-versus-market rule but do agree that the stipulated amounts included in rates for services provided by affiliates are reasonable for the purposes of this rate case.

Accordingly, for good cause shown, we waive OAR 860-036-2230(2)(e) for the purposes of establishing rates in this proceeding.³ We adopt the stipulation in its entirety, and direct that the company file tariff sheets in compliance with this order with an effective date of January 1, 2023 for Year 1 and January 1, 2024 for Year 2.

³ OAR 860-036-1000(3).

V. ORDER

IT IS ORDERED that:

1. Advice No. 22-01 filed by South Coast Water Company, LLC, is permanently suspended.
2. The stipulation between South Coast Water Company, LLC, and the Staff of the Public Utility Commission of Oregon, attached as Appendix A, is adopted.
3. South Coast Water Company, LLC, must file tariff sheets in compliance with this order as soon as practicable and no later than 3:00 p.m. on December 19, 2022, to implement the phase one rate increase with an effective date of January 1, 2023.
4. South Coast Water Company, LLC, must file tariff sheets in compliance with this order as soon as practicable and no later than 3:00 p.m. on December 18, 2023, to implement the phase two rate increase with an effective date of January 1, 2024.
5. South Coast Water Company, LLC, must ensure that all customers are appropriately metered and charged for service no later than January 1, 2023.
6. South Coast Water Company, LLC, must file an update in this docket no later than January 1, 2023 stating: (a) whether Unbilled Customers 1 & 2 have begun being charged for service in accordance with applicable tariffs; (b) the date(s) on which tariffed rates became (or are expected to become) applicable to Unbilled Customers 1 & 2; (c) whether and how the issue of metering Unbilled Customer 2's consumption was resolved and the associated cost; and (d) whether South Coast reached a compensation agreement with Unbilled Customer 1 regarding a utility easement, and if so, the amount of such compensation.
7. South Coast Water Company, LLC, must submit an Annual Results of Operations Report to the Commission in docket RW 30 no later than April 1st of each year.
8. South Coast Water Company, LLC, must submit Annual Results of Operations Reports for reporting years 2020 and 2021 to the Commission in docket RW 30 no later than January 1, 2023.
9. South Coast Water Company, LLC, must submit a report in UW 191 detailing the status of its efforts to improve system capacity as described in response to Questions 46 and 47 of the Company's rate case application by April 1, 2023.

10. South Coast Water Company, LLC, must comply with OAR 860-036-1670 regarding water use restrictions, including the requirement under Section 1 to provide written notice to the PUC Consumer Services Section.

Made, entered, and effective Nov 30, 2022.



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.