

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 10, 2001

REGULAR AGENDA **CONSENT AGENDA** **EFFECTIVE DATE** _____

DATE: July 2, 2001
TO: Phil Nyegaard through Marc Hellman and Mike Myers
FROM: Kathy Miller
SUBJECT: Advice 01-6 Developer Agreement Special Contract

SUMMARY RECOMMENDATION:

Staff recommends that the Commission approve Avion Water Company's (Avion) revised special contract tariff, Developer Agreement Special Contract (contract), Advice 01-6, to no longer require Avion to rebate money advances paid by developers to Avion for Avion's water service.

DISCUSSION:

Avion filed a revised special contract tariff known as the Developer Agreement Special Contract on June 15, 2001. The current generic contract is executed between Avion and land developers of residential/commercial subdivisions/developments. The contract provides that developers will advance to Avion \$1,000 per residential dwelling unit (and a multiplying factor to adjust for the size of the connection) prior to the subdivision/development receiving water service from Avion. The current contract was approved by the Commission at its October 8, 1996, public meeting. In this current contract Avion rebates the advanced fee back to the developer over a period of 10 years. In return, the developer conveys to Avion all of its rights, title, and interest in and to all water lines, water line easements, pump stations, and any other appurtenances to any water line contained in the development.

Avion no longer wishes to rebate to developers their advance fees. The purpose of the rebate was to avoid significant growth in the company's contributed capital that would reduce Avion's rate base. However, Avion's future projected capital expenditures will exceed, by a large margin, the projected proceeds from the developer advances. Therefore, the revised tariff does not harm Avion's customers or reduce its rate base.

Avion requests approval of its revised contract deleting Section 4 of the contract that addresses Avion's rebate to the developer. Avion is not requesting to change or increase the current developer advance fee schedule. The amount of the advances shall remain the same. If the tariff is approved, the practical implementation of the tariff will be to shift future developer advance fees from Account No. 252 Customer Advances for Construction (that is repayable) to Account No. 271 Contributions in Aid of Construction (that is not repayable).

STAFF RECOMMENDATION:

Staff recommends the Commission approve Avion Water Company's revised tariff, Developer Agreement Special Contract, Advice 01-6, to no longer require Avion to rebate money advanced by developers for water service.