

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 22, 2001

REGULAR  CONSENT  EFFECTIVE DATE \_\_\_\_\_

**DATE:** October 15, 2001

**TO:** Chairman Roy Hemmingway  
Commissioners Joan Smith, and Lee Beyer

**FROM:** Rick Willis

**SUBJECT:** Update on PUC's Water Program. Informational only.

**SUMMARY RECOMMENDATION:**

None

**DISCUSSION:** Overview of Water Program (report attached)

**Rick Willis:** Introduction

**Mike Myers:** History of Water Regulation at PUC

**Kathy Miller:** Regulation Criteria  
Current Status

**Rick Willis:** Water Revenues

**STAFF RECOMMENDATIONS:**

None

# OREGON PUBLIC UTILITY COMMISSION OVERVIEW OF WATER PROGRAM

## HISTORY

Legislative changes to water regulation over the years, according to PUC records:

- 1971 Any debt-free, non-profit water system donated to a city excluded from the definition of a public utility.
- 1979 Excluded from the definition of a public utility, any water utility that served less than 200 customers at an average annual residential rate of \$10 per month or less, provided adequate and non-discriminatory service, and had less than \$20,000 annual gross operating revenues.
- 1983 Excluded from the definition of a public utility, any water utility that served less than 300 customers at a rate of \$15 per month or less, and provided adequate and non-discriminating service.
- 1987 New threshold rate of \$18.00 per month established.
- 1989 Exemption established from rate regulation for companies with less than 500 customers if fewer than 20 percent of customers petition for such regulation.
- 1989 Threshold rate moved from statute to Commission rules and a new threshold rate of \$24.00 per month established.
- 1999 House Bill 2681 changed law to include in the definition of public utility any water utility that also provides wastewater service “within a city limits.”

(The original version of the bill did not contain the “within a city limits” language We supported this version because the intent of the bill was to fill a void in the protection of wastewater customers of investor owned utilities, irrespective of where the customers were served. Sunriver was successful in lobbying the legislature to include the “within a city limits” language in the bill, resulting in the exclusion of Sunriver’s wastewater utility from regulation.)

- 1999 Senate Bill 712 provides for exclusive service territories for regulated investor-owned companies.

(The original bill, which we supported, excluded water companies in Lane County in recognition of the Lane County Boundary Commission’s authority over service territories—the version of the bill enacted into law did not contain the exclusion.)

## **REGULATION CRITERIA**

### WATER REGULATION

The PUC has statutory authority to regulate the rates and service of a water utility that meets the definition of a public utility in ORS 757.005. This definition includes investor-owned utilities, cooperatives and homeowner associations that provide service outside the organization's membership, and mobile home parks that have a separate and specific charge for water that is not a pass through of cost. In addition the water utility must 1) serve over 300 customers, or 2) charge an annual average monthly residential rate for water service over \$18, or 3) provide inadequate service, or 4) provide discriminatory service to meet the definition of a public utility. All public water utilities are subject to PUC's service regulation.

PUC initiates rate regulation of a public water utility if: 1) it serves over 500 customers, or 2) the utility serves less than 500 customers, proposes to increase its annual average monthly residential rate over the threshold established by the Commission (currently at \$24/month), and 20 percent or more of the customers petition the PUC for rate regulation.

### WASTEWATER REGULATION

PUC initiates service and rate regulation of wastewater service provided by joint water and wastewater utilities that meet the definition of a public utility in ORS 757.005, which is, that the joint water/wastewater utility provides wastewater service to the public inside the boundaries of a city, irrespective of the number of customers or rates.

## **CURRENT STATUS**

The PUC rate, regulates 25 water utilities and 57 water utilities under service regulation in Oregon. We currently have six rate cases and five contested service territory cases in process. There are three rate cases due imminently, with three more expected in the near future. We also have 14 complaint dockets, four investigations underway, three rulemakings, as well as other issues being addressed by Water staff.

## WATER REVENUES

Water revenue fee collections are due by April 1<sup>st</sup> of each year. PUC reported to the legislature last session that the cost to run the water program per biennium was about \$562,000. Collections last biennium were \$33,808. Projections of water revenues for the next six years are:

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$18,556	\$18,742	\$18,929	\$19,119	\$19,310	\$19,503

In a letter to Representative Butler last session, the Commission stated that if a study of water regulation funding were to be conducted, three possible conclusions could result:

The first would be to continue with the status quo.

The second, which would require legislation, would be to increase the PUC fee for water companies. We estimated that the fee for water companies would have to be raised from its present level of 0.25 percent of the gross operating revenue to approximately 5.0 percent of the gross operating revenue in order to fully fund water regulation. This would result in a monthly charge for revenue fees of about \$2.00 a month for a typical water customer. The current fee charge is about \$0.10 per month. A \$2.00 per month increase in the residential rate would bring more companies above the threshold for exemption from rate regulation. We do not know at this time how many companies would become regulated as there are hundreds of small water companies in Oregon.

Our third possible conclusion was for water companies to be deregulated. This would also require legislation.