

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 15, 2002**

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

DATE: October 8, 2002

TO: John Savage through Marc Hellman and Rebecca Hathhorn

FROM: Kathy Miller

SUBJECT: SEVENTH MOUNTAIN GOLF VILLAGE WATER COMPANY: Staff request to open adequacy of service investigation and Commission order for compliance.

STAFF RECOMMENDATION:

Staff recommends pursuant to ORS 756.040 and 756.515 the Commission open an investigation regarding the administration and operation of safe and adequate water service by Seventh Mountain Golf Village Water Company (Seventh Mountain or Company). Staff also recommends pursuant to ORS 756.105 and 756.115 that the Commission order Seventh Mountain to comply with Commission Order No. 97-291 (Attachment A) and Staff's requirements as detailed below and in a letter dated July 24, 2002, from Department of Justice to Dale Bernards, included as Attachment B.

DISCUSSION:

Staff has received customer complaints regarding the operation and administration of Seventh Mountain on and off since its last rate case. Staff has continually monitored the company through the customers. When requested by the customers, PUC has been involved in the issues. However, a general lack of response by the Company to its customers has created a need for further action by the Commission.

In response to the outstanding complaints, Staff has attempted to contact the company on several occasions, sometimes successfully, requesting information and asking for a response to the customer complaints. Following is a summary of the attempts to contact the Company:

- July 2000 by telephone – left message
- April 2001 by letter – no response received
- August 2001 by telephone – left message
- September 2001 by telephone – left message
- October 2001 by telephone – attempt successful

- February 2002 by telephone – attempt successful
- July 2002 by letter – no response received

After failing to resolve the matter by telephone, Assistant Attorney General (AAG), Jason Jones, sent a letter dated July 24, 2002, from the Department of Justice to Dale Bernards, Registered Agent for the Company, requiring information and company compliance. In the letter, AAG Jones specified what was required of the Company (Attachment B). As of the writing of this memorandum, the Company has not provided any response to the AAG's letter.

According to the AAG letter the following company information was due to the PUC on August 31, 2002:

- Year 2000 and 2001 annual reports as required by OAR 860-036-0815
- A statement explaining the difference in revenue for 2001, the company's financial statements, and its 2001 general ledger indicating all revenues collected from each customer, including the golf course, for each month during 2001

In addition, the Company was to have submitted the following to PUC by September 30, 2002:

- A meter installation plan
- A system flushing plan and schedule
- A status report of the Company's progress addressing system issues detailed in the Oregon Health Services Drinking Water Program's (DWP) Sanitary Survey of the Company dated August 31, 2000

Lastly, by September 30, 2002, the Company was required to:

- Conduct a second fire flow test, with proper notice, to confirm adequate supply to the satisfaction of Susie Lovisco, Fire Inspector

As stated previously, Staff has made repeated attempts to contact the Company and has requested it submit 2000 and 2001 annual reports and to address customer concerns. The Company acknowledged Staff's requests during phone calls in October 2001 and February 2002 but has not yet submitted annual reports or complied with any requested requirements.

The Company established its tariffs with PUC in 1997, Docket UW 55. In that rate case, Staff recommended a refund to the residential customers based on the customers past subsidy of the Widgi Creek Golf Course (golf course), a commercial customer of

Seventh Mountain. The total amount of the refund proposed was \$21,081. Staff proposed three adjustments to the total amount of the refund. One of the adjustments was for meter installation. The Company was in the process of installing meters to residential customers and an adjustment was made to compensate for the cost of the meters and meter installation. It was the intent of the Order that meters be installed, which is supported by the stipulation entered into by the Company and Staff and also Staff's testimony filed in UW 55. Staff has received information from customers that the meter installation has not been completed.

On March 25, 2002, customers reported a significant loss of water pressure. According to documents received by Staff, the golf course personnel tried to resolve the problem because there was no on-site operator of the system. Mr. Butch Rodgers was called to restore pressure. Following the restoration of water pressure, Mr. Rodgers reported to Staff that he had observed a lack of system maintenance and repairs.

Seventh Mountain appears to be in violation of the following statutes and administrative rules for the reasons stated:

- Failure to provide requested information, i.e., Company status report on DWP's Sanitary Survey issues, statement explaining the difference in revenues reported for 2001, the Company financial statements for 2001, and the Company general ledger for 2001 for all revenues reported by month.
 - Violation of ORS 756.105, 756.115, 757.120, 757.125
- Failure to submit utility annual reports.
 - Violation of ORS 756.105, 756.115, 757.120, 757.125, 757.135 and OAR 860-036-0815
- Lack of system maintenance.
 - Violation of ORS 757.020 and OAR 860-036-0305
- Failure to provide a metering plan.
 - Violation of ORS 756.105 and 756.115
- Failure to provide a system flushing plan.
 - Violation of ORS 757.020 and OAR 860-036-0305(4)
- Failure to make timely repairs.
 - Violation of ORS 757.020 and OAR 860-036-0305(6)
- Failure to communicate with customers reporting service problems and those affected by service problems.
 - Violation of ORS 757.020 and OAR 860-036-0015(10)(11), 860-036-0075 and 860-036-0301(7)

- Failure to provide adequate water pressure.
 - Violation of ORS 757.020 and OAR 860-036-0315
- Failure to provide notice of and complete a fire flow test.
 - Violation of ORS 756.070, 757.020 and OAR 860-036-0325(1)

Staff has been communicating with the customers of Seventh Mountain through e-mail and telephone. Staff also met with the customers in Bend in May 2002. The customers are a well-organized group and have contact with the Company through e-mail. The customers have informed Staff that as a result of the Department of Justice letter the Company has given permission to Butch Rodgers to purchase and install meters, and to complete the tasks recommended in the Sanitary Survey. Regardless, it is Staff's belief that while the customers of Seventh Mountain are conscientious and concerned about the water system, the Company has been lax in responding to PUC requirements. It is not the customer's responsibility to ensure the requirements detailed in the Department of Justice letter are completed; rather, it is the Company's responsibility.

The administration and operation of the Company to provide safe and adequate service should be investigated and the Company should be ordered to comply with the following requirements:

1. Provide both the 2000 and 2001 annual reports.
2. Provide a meter installation plan.
3. Provide a copy of the Company's flushing plan and schedule.
4. Provide a status report on the Sanitary Survey.
5. Provide a statement explaining the difference in revenue for 2001, the Company's 2002 financial statement, and its 2001 general ledger indicating all revenues collected from each customer, including the golf course, for each month of 2001.
6. Conduct a fire flow test giving 10-day prior notice of the test date, site, and attendees.

PROPOSED COMMISSION MOTION:

Pursuant to ORS 756.040, 756.105, 756.115, and 756.515 and pertinent PUC Administrative Rules, an investigation be opened into the administration and operation of Seventh Mountain Golf Village Water Company to provide safe and adequate water service and the Company be ordered to comply with the required actions as detailed in Staff's Public Meeting Memo and the July 24, 2002, letter from the Department of Justice.