

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 21, 2003**

REGULAR x CONSENT EFFECTIVE DATE February 1, 2003

DATE: January 14, 2003

TO: John Savage through Marc Hellman

FROM: Rebecca Hathhorn

SUBJECT: A & G LLC SEWER & WATER: (Docket No. UW 91/Advice No. 03-1) (1) Requests a rate increase in the amount of \$39,053.35, or 189 percent; and (2) requests emergency interim rate relief in the amount of \$39,053.35, or 189 percent.

STAFF RECOMMENDATION:

Pursuant to ORS 757.215, Staff recommends that A&G LLC Sewer and Water's proposed tariffs be suspended for six months, effective February 1, 2003. Staff recommends that interim rates, subject to refund, be approved for A&G Sewer and Water as proposed in Alternative 1 in this memo (Residential at \$57.77 and Commercial at \$86.66).

DISCUSSION:

On January 10, 2003, A & G Water and Sewer (A&G or the Company) filed a general rate case requesting an increase in total revenues of \$39,053.35, from \$20,692.99, or 189 percent increase pursuant to ORS 757.205 and 757.215. A&G is a privately owned water and sewer company that provides service to 50 residential customers and one commercial customer near Redmond, Oregon. A&G also requested Commission authorization for an interim rate increase. A&G came under Commission jurisdiction in 1999 when the wastewater statute, ORS 757.005(1)(a)(A), came in effect. Since that time, PUC has been in communication with A&G requesting a rate filing application.

A&G is currently charging a combined water and sewer rate of \$32.10 for residential customers and \$48 for the one commercial customer. The proposed monthly rates for residential customers are \$72 and \$113 for the commercial customer. In addition, the Company is proposing \$400 monthly charge to the commercial customer for the two creeks that run through the property. The creeks are operated April through October each year.

The City of Redmond provides the Company with water and A&G then bills its customers. Currently, there is an outstanding balance of \$3292 owed to the City of Redmond. The rates currently charged have not covered the cost of the purchased water since May, 2002 and the Company is operating at a loss each month. In the past, the commercial customer, Aspen Creek Mobile Home Park (ACMHP), has paid any difference between the City of Redmond bill and what is collected by the residents of ACMHP. However, with increased water usage by all customers and a recent increase in rates by the City of Redmond, the ongoing deficiency in revenues has increased significantly. The owner of A&G has reported to PUC Staff that she will be making an additional \$2,900 payment to the City of Redmond this week, however, those payments were not posted as of the date of this letter. The extra funds came in part from the checking account of A&G (\$500) and from the commercial customer (\$2400). This leaves the balance with the City of \$392.

Staff proposes three alternatives for Commission consideration:

1. Approve an interim rate that will cover the cost of purchasing water from the City of Redmond, including remaining past due amounts, and also include \$600 for monthly operating expenses until permanent rates are set by the Commission.
2. Approve an interim rate that will cover the cost of purchasing water from the City of Redmond, including remaining past due amounts, based on usage from February through July (permanent rates could reasonably be expected to be approved near the end of July), and also include \$600 for monthly operating expenses.
3. Set no interim rates.

Alternative 1

Staff has calculated that interim rates for this proposal as follows:

Residential	\$57.77
Commercial	\$86.66

Staff believes that it is critical that A&G be able to cover its expenses on a monthly basis. Purchasing water from the City of Redmond is A&G's primary expense and the proposed rates take into account the recent rate increase by the City. In addition, A&G has other operating expenses including bookkeeping, maintenance, office supplies, telephone, and electric. This does not take into consideration salaries and wages for the owner or a profit. All the expenses of the Company will be reviewed thoroughly by

Staff over the next several months. In addition, the interim rates proposed would be subject to refund.

Staff believes it is prudent to adopt Alternative 1. Although, on average, the rates are higher than what the expected cost of purchased water will be in the early months of 2003, the Company will experience much higher costs beginning in May 2003 from the City of Redmond due to increased water usage. Alternative 1 covers any unforeseen risk that permanent rates may not be adopted in July 2003. In addition, the rates in Alternative 1 cover the purchased water expense and a small amount of operating expenses. After Staff has reviewed the rate case application of A&G, it is likely that expenses will be much higher and therefore, the proposed permanent rates will likely be in excess of the proposed interim rates.

Alternative 2

Staff has calculated that interim rates for this proposal as follows:

Residential	\$56.01
Commercial	\$84.01

Staff forecasted the City of Redmond rates using its current rates and based on A&G's water usage from last year from February through July. The water usage is highest from May through October. Most of the time that the interim rates will be in effect are during low water usage months given that Staff believes that permanent rates may be approved the end of July. This alternative may put the Company in jeopardy if the permanent rates are not in effect by August 2003. As in Alternative 1, operating expenses of \$600 are included.

Alternative 3

The Commission could decline to approve interim rates and suspend the proposed rates until Staff has had time to review all the expenses of the Company. This alternative will very likely put the Company in jeopardy since the City of Redmond bill must be paid on a monthly basis and current rates do not collect enough to cover even the monthly expenses associated with purchasing the water.

PROPOSED COMMISSION MOTION:

A&G LLC Sewer and Water's proposed tariffs be suspended for six months to allow time for Staff review and that interim rates, subject to refund, as proposed in Staff's memo, which results in residential monthly rates of \$57.77 and a commercial monthly rate of \$86.66, be approved.