

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 13, 2003**

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

DATE: November 4, 2003

TO: Lee Sparling through Marc Hellman and Rebecca Hathhorn

FROM: Kathy Miller

SUBJECT: LONG BUTTE WATER SYSTEM, INC.: (Docket No. UW 96/
Advice No. 03-11) Request to approve Schedule 3, Water
System Infrastructure Fee.

STAFF RECOMMENDATION:

Staff recommends, pursuant to ORS 757.215, that Long Butte Water System, Inc.'s. (LBW) proposed tariff, Original Sheet 3A, Schedule 3, Water System Infrastructure Fee, be suspended for six months effective November 24, 2003.

DISCUSSION:

On October 23, 2003, LBW filed a tariff for approval of a Water System Infrastructure Fee of \$6,900 per customer. LBW is a rate-regulated utility providing water service to 219 customers in the Bend area.

Pat Hodge Construction and Excavation Company (PHCC) is a construction company contracted by LBW to build the water infrastructure necessary for LBW to serve its customers. The infrastructure built by PHCC transmits water past occupied and vacant lots on the butte. Lot owners have access to water service, if desired, and may choose to be a customer of LBW. LBW and PHCC are affiliated interests (AI) in that the same people own both companies.

LBW customers currently pay a one-time fee of \$6,900 directly to PHCC for their proportionate share of the infrastructure costs. The \$6,900 fee per customer has been in place since May 1993. The Commission has never formally reviewed the \$6,900 fee.

LBW submitted UW 96 and its corresponding affiliated interest contract filing (UI 222) per instructions from Administrative Law Judge (ALJ) Tom Barkin in the formal

UW 96
November 4, 2003
Page 2

complaint dockets UCR 37 and UCR 38. The complainants in these dockets alleged that the infrastructure fee is illegal and not cost based.

Staff's report to ALJ Barkin concerning UCR 37 and UCR 38, concluded that a formal complaint docket is not the appropriate venue for reviewing and approving rates. Staff recommended that the infrastructure fee be reviewed in a rate-setting docket.

Staff requests the Commission suspend the tariff for six months to allow staff time to review the reasonableness of LBW's infrastructure fee.

PROPOSED COMMISSION MOTION:

An order be issued to suspend Long Butte Water System, Inc.'s tariff filing (UW 96) submitted on October 23, 2003, Original Sheet No. 3A, Schedule No. 3, for six months effective November 24, 2003.