

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 5, 2005**

REGULAR  X  CONSENT       EFFECTIVE DATE  April 8, 2005

**DATE:** March 30, 2005

**TO:** Public Utility Commission

**FROM:** Kathy Miller

**THROUGH:** Lee Sparling, Marc Hellman, and Rebecca Trujillo

**SUBJECT:** AGATE WATER COMPANY: (Docket No. UW 108/Advice No. 05-22)  
Requests a general rate increase of \$335,708 or 77.8 percent in annual revenues.

**STAFF RECOMMENDATION:**

Staff recommends that, pursuant to ORS 757.215, the proposed tariffs filed by Agate Water Company (Agate or Company) requesting a general rate increase be suspended for six months effective April 8, 2005.

**DISCUSSION:**

Agate filed proposed tariffs on March 7, 2005, for rates effective April 8, 2005, seeking to increase its revenues by \$335,708 or 77.8 percent above its 2003 test period revenues of \$431,309 resulting in total annual revenues of \$767,017.

Agate came under PUC regulation on August 2, 1999, when PUC staff notified Agate it has received petitions for rate regulation from over 20 percent of its customers. The owners of Agate also owned Apache Water Company (Apache). Apache came under PUC regulation when it informed Staff in June 1999 that Apache customers had reached the 500 customer threshold for rate regulation. A subsequent merger of Agate and Apache (now known as Agate Water Company) brought the Company to approximately 1,000 customers. Agate filed its first rate case, UW 72, in November 1999. Agate currently serves 1,054 residential customers in the Bend area.

In its last rate case, Order No. 00-237, issued May 3, 2000, Agate was in the planning stage of a capital construction improvement project that included a new well, a 500,000

gallon reservoir, and larger water supply mains. The Company was seeking financing for the project and the project was expected to take three years to complete.

Since UW 72, the Company has completed a significant amount of construction to improve the system. The Company states it has invested \$3,255,000 in new plant to be in service in July 2005. The improvements were necessary to improve service quality and provide fire protection.

Agate Water Company is seeking the increase in rates to compensate for increased operating expenses, repay its loan for the utility improvements, and add the new utility plant to its rate base. The Company is seeking a 2.28 percent rate of return on a rate base of \$4,028,499.

The Company currently charges a base rate of \$16.97 for those customers who paid a system development fee prior to regulation, and a base rate of \$19.99 to new customers. The current variable usage rate is three tiered with the following charges:

- Tier One: \$0.69 per 100 cubic feet for 1 – 1700 cubic feet
- Tier Two: \$1.60 per 100 cubic feet for 1700 – 2500 cubic feet
- Tier Three: \$2.00 per 100 cubic feet for all usage above 2500 cubic feet

Agate proposes a new base rate of \$36 for all customers and the following three tiered variable usage rate.

- Tier One: \$0.75 per 100 cubic feet for 1 – 1700 cubic feet
- Tier Two: \$1.65 per 100 cubic feet for 1700 – 2500 cubic feet
- Tier Three: \$2.07 per 100 cubic feet for all usage above 2500 cubic feet

The impact on the customers, based on a range of average usage is as follows:

RESIDENTIAL CUSTOMERS USAGE	CURRENT AVERAGE MONTHLY RATE		PROPOSED AVERAGE MONTHLY RATE
	Paid SDC	No SDC paid	
1500 cubic ft	\$27.32	\$30.34	\$47.25
2000 cubic ft	\$33.50	\$36.52	\$53.70
2500 cubic ft	\$41.50	\$44.52	\$61.95
3000 cubic ft	\$70.17	\$73.19	\$90.96

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**PROPOSED COMMISSION MOTION:**

The proposed tariffs filed by Agate Water Company be suspended for six months, pursuant to ORS 757.215, effective April 8, 2005, to allow Staff adequate time to investigate the Company's rate proposal.