

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 8, 2007**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** May 15, 2007

DATE: April 26, 2007

TO: Public Utility Commission

FROM: Renee Sloan

THROUGH: Lee Sparling, Marc Hellman, and Michael Dougherty

SUBJECT: ROATS WATER SYSTEM INC: (Advice No. 07-11) Requests Revisions to Schedule No. 2, Cross Connection Control Program, Backflow Prevention Device Testing Fees.

STAFF RECOMMENDATION:

Pursuant to ORS 757.205, Staff recommends the Commission approve the proposed revisions to Roats Water System Inc's (Roats or Company) Schedule No. 2, Cross Connection Control Program, Backflow Prevention Device Testing Fees, with an effective date of May 15, 2007.

DISCUSSION:

On April 10, 2007, Roats filed Advice No. 07-11 proposing revisions to the Company's backflow prevention device testing fees listed in Schedule No. 2. Roats states that the proposed changes are intended to make the Company's Cross Connection Control Program more efficient and to aid customers in meeting testing requirements on their backflow prevention devices in accordance with Oregon Administrative Rules.

Following discussions with Staff, Roats filed a revised tariff on April 25, 2007, to clarify how new customers will be notified of their options for selecting a backflow prevention device tester. In order to implement the effective date of May 15, 2007, Roats also filed a Less Than Statutory Notice (LSN).

OAR 333-061-0070 through OAR 333-061-0072 require water utilities to identify cross-connection hazards or potential hazards on a customer's property and require any customer with those conditions to purchase, install, inspect, maintain, repair, and replace (if necessary) backflow prevention devices (device). The customer, not the

water utility, owns the device. OAR 333-061-0070(5)(b) requires annual testing for each device with the test results provided to the utility.

OAR 333-061-0070(9)(c) requires a water utility to track all devices on its system and submit an annual report to the Department of Human Services Cross Connection Program. If a customer does not provide the test results to the utility when due, the utility may disconnect water service.

Customers may choose any qualified person or company to do the testing. A water utility, if qualified, can offer backflow prevention device testing services to its customers; however, customers are not obligated to retain the utility to provide the testing service.

In Advice 07-11, Roats proposes enrolling every customer with a backflow prevention device in the \$2.50 per month program while providing each customer an opt-out option. After May 15, 2007, Roats will send each customer a Notice of Enrollment, including an Opt-Out Notice. Each customer who wishes to have the device tested by a state certified backflow assembly tester other than Roats must sign and return the Opt-Out Notice to Roats within 30 days. At the time they sign up with Roats, new customers will be handed a form on which they can either select Roats to test their device(s) or opt out of Roats' testing program in favor of selecting another tester. New customers will be allowed 30 days to return the Opt-Out Notice to Roats.

Under this program, Roats will test customer-owned backflow prevention devices installed with the water meter. Roats will automatically schedule annual tests at the customer's convenience prior to the annual testing deadline. The Company will bill the customer \$2.50 per month as a separate line item on the monthly water bill.

For customers enrolled in the program, the agreement will automatically renew annually unless a customer notifies Roats in writing, 15 days prior to termination, of the decision to opt out of the program. A customer may withdraw from this contract at any time with a 15-day written notice to Roats.

Customers who opt out of the program are responsible for testing their own device(s). Roats will contact opt-out customers each spring, giving them 60 days notice that their device needs to be tested and the results submitted to Roats. Opt-out customers must notify Roats of the name of the tester they select and the date the backflow prevention device test is scheduled. If a customer opts out and then fails to meet annual testing requirements, including providing test results to Roats, Roats will charge \$45 for that year's test and will automatically enroll the customer in the \$2.50 plan. The increased charge of \$45 results from additional administrative and scheduling time the Company will incur as a result of a customer's failure to meet annual testing requirements.

The \$2.50 per month is the same rate Roats currently charges in Schedule No. 2 under the Easy Monthly Amount plan. Under that plan, customers must opt in to select Roats to test the device or opt out if they want someone other than Roats to test the device. The \$30 per year cost of the opt-in program is comparable to the prices charged by independent backflow prevention device testers in the Bend area.

Roats stated it has researched the matter, analyzing other utilities' experiences, and learned that an automatic enrollment program with an opt-out option was superior to an opt-in style program. The Company believes its customers will benefit from a much more efficient and comprehensive backflow device testing program. Staff's research shows the fees proposed by Roats are fair and reasonable.

Because Roats' proposed tariff is an opt-out design, Staff will treat the backflow prevention device testing revenues and costs as an above-the-line program. Staff has communicated this accounting treatment to Roats, and the Company agrees with this treatment.

PROPOSED COMMISSION MOTION:

The LSN application be accepted and the proposed revisions to Roats Water System Inc's Schedule No. 2 be approved with an effective date of May 15, 2007.