

Glossary of Utility Terms

A

Abandonment of Service: Complete or partial discontinuance of service in all or in part of a water company's area.

Above-the Line Treatment of Costs: All costs included in determining a water company's cost of service shifted forward to the consumer.

Accumulated Depreciation (Depreciation Reserve): Amount of plant depreciation, used and accumulated to date. Accumulated Depreciation is deducted from total plant (investment) to arrive at the water company's rate base.

Advertising: Mass communications to relate information, build attitudes, and support action beneficial to the company.

Allowance for Funds Used During Construction (AFUDC): Method of capitalizing the cost of money used to build new facilities.

Ampere: A unit of measurement of electric current, analogous to cubic feet of water flowing per second.

Annual Fee: The annual gross revenue regulatory fee assessed to public utilities operating in Oregon subject to regulation by the Commission. The annual fee is the gross operating revenues multiplied by 0.0025 or \$10, whichever is greater

Applicant: A person who:

- (a) Applies for service with a public utility; or
- (b) Reapplies for service at a new or existing location after service has been discontinued.

Asset: Property or property rights of a business reported on the balance sheet.

Association: Any association of individuals that exclusively provides water service to only members of the association.

B

Backflow Prevention Device: A device, assembly or method to prevent a cross connection or backflow into a potable water system.

Balance Sheet: An accounting statement showing at any one time the assets, liabilities, and net worth of a business.

Base Load: The nearly steady level of demand on a utility system.

Below-the-Line" Treatment of Costs: All disallowed costs excluded from the determination of utility cost of service shifted backward to the investor/owner.

Block Rate: A rate schedule that provides different unit charges for successive blocks or amounts of units consumed.

Bond: A certificate of indebtedness secured by property bearing a promise to pay interest and repay principal of borrowed funds.

Book Depreciation: An allowed expense to recover the cost of original investment in the assets concerned but not to provide their replacement. Thus, book depreciation is often referred to as capital recovery.

Bottom Line: The sum total (at the investor's original cost) of the prudent investment (utility plant that is used and useful in the provision of utility service).

British Thermal Unit (Btu): Quantity of heat necessary to raise one pound of water one degree Fahrenheit at sea level pressure.

C

Capacity: The load for which a machine, apparatus, station or system is rated.

Capital: In a business sense, it is the net dollar investment in a business enterprise. In an economic sense, it is the physical facilities (plant, machinery, equipment, fuel, etc.) used to produce an economic good or service.

Capital Goods: Plant used to further production, such as machines, tools, factories, etc.

Capital-Intensive Business: A business that requires a proportionally greater investment in physical assets/facilities than other businesses.

Capital Recovery: Relates to the recovery of invested capital. It is used to determine book depreciation.

Capital Stock: Common voting stock, ownership securities of a corporation issued and outstanding.

Capital Structure: The proportion of equity and long-term debt represented in the capitalization of a corporation.

Capitalism: An economic system in which individuals are free to earn profit by using the land, labor, and capital available to them.

Charter: See "Corporation Charter."

Class of Service: The different types of service available from a given utility, i.e., domestic, irrigation, fire protection, etc..

Co-customer: A person who meets the definition of “customer” and is jointly responsible with another person for payments to the water company for water service. If only one of the co-customers discontinues service in his/her name, the remaining co-customer will retain customer status only if he/she reapplies for service in his/her own name within 20 days of such discontinuance, provided the company contacts the co-customer or mails a written request for an application to the remaining co-customer within one business day of the discontinuance.

Commercial Customer: A customer who performs or produces a service or product that is a source of revenue, income or livelihood to the customer or others using the premises.

Commission: The Public Utility Commission of Oregon. An agency of government composed of three Commissioners charged with specified duties, functions, and responsibilities.

Commission Decision: Typically, a Commission finalizing a rate case, based on the formal record of evidence in the case.

Competition: Freedom of economic choice in buying, selling, or exchanging of goods and services.

Conglomerate: A large business entity that diversifies into various unrelated lines of business.

Conservation: The wise and efficient use of resources.

Conservation Programs: Water company programs aimed at reducing total water usage by customer, improving efficiency, or economic incentives.

Contributions In Aid of Construction: Any money, services or property received by a water company to fund capital investments at no cost to the water company and with no obligation to repay.

Construction Work in Progress (CWIP): Account 105 in the utility plant section of the balance sheet representing the costs of utility plant under construction but not yet placed in service. Plant, that is not yet operational may or may not be included in a utility’s rate base.

Cooperative: A legal form of business similar to a corporation, except that ownership is vested in members rather than stockholders, and benefits are in the form of products or services rather than profits. A cooperative is defined in ORS Chapter 62.

Corporation: An artificial personality, created by law to enable a business or other enterprise to be carried out with limited liability to its owners, and with unlimited tenure that is independent of the lives of the owners.

Corporation Charter: A grant of authority from a state for a business to exist as a corporation, stating its powers, purposes, and rights.

Cost-based: The direct and indirect costs of a specific item or project, including overhead and a reasonable expected return on investment.

Cost of Service: A term used in utility regulation to mean the dollar amount or total sum required to produce any given utility service. Costs may be fixed or variable according to time or conditions. Decreasing cost exists where the price per unit decreases with the volume of output.

Customer: A person who has applied for, been accepted, and is currently receiving service unless otherwise noted. A customer who voluntarily disconnects service and subsequently asks for service with the same company at a new or existing location within 20 days after disconnection retains customer status.

Customer Costs: Expenses especially incurred by a utility for any given customer. The expense is independent of the quantity of service used, and would include such things as billing, meter reading, etc.

D

Debenture: A bond backed by the general credit of the company but without a specific pledge of property by mortgage or by other collateral.

Debt Capital: A utility's long-term liability represented by borrowed funds.

Declining Block Rates: Rates providing a proportionally lower charge for increased consumption.

Demand Costs: Costs incurred to meet customer demands for service independent of the quantity of service used or of the number of customers served. Largely related to investment in plant and facilities.

Depreciation: The wearing out or loss of service value of property used in business operations.

Depreciation Expense: The annual expense allowance for the depreciation of property representing that portion that has been "used up" during an accounting period.

Depreciation Reserve (Accumulated Depreciation): The formal account that represents the accumulation of yearly allowances for depreciation expense.

Deregulation: The opening of a regulated industry, such as the telecommunications industry, to competition by legislative action.

Differential Pricing: Having varied rate schedules for different classes of service in order to spread service costs fairly or encourage special classes of service use.

Direct Cost: The cost of parts, materials and labor that can be directly tied to producing specific goods or services.

Discovery: A period of time during a rate case when parties request information from other parties in order to develop a supportable position regarding the rates and other related issues in the utility's rate case.

Discrimination (Unlawful): The charging a different rate for the same service not lawfully justified by differences in cost of service or conditions of service. Not every difference is an unlawful discrimination.

District: A quasi-municipal corporation as defined under ORS Chapter 198.

Diversification: The practice of engaging in more than one line of business.

Divestiture: The compulsory transfer or disposal of interests (such as stock in a corporation) by government order.

Dividend: A payment or distribution of a corporation's earnings to its stockholders.

E

Earnings: The net revenues remaining from business after all expenses/costs are accounted for.

Economic System: The way in which economic activities and economic resources are organized to produce goods and services.

Economies of Scale: The principal that increased size of operations yields increased efficiency, as well as greater output.

Emergency: An extraordinary interruption of the usual course of water service by a natural cause, an unforeseen event, or a combination of unexpected circumstances; an urgent need for assistance or relief; or the resulting state that calls for immediate action.

Eminent Domain: The authority whereby land may be taken from a private owner in order to permit use by the public.

Environmental Controls: Regulations requiring utilities to build and operate facilities in such a way as to preserve a healthy environment and conform with aesthetic, historic, and recreational patterns established within the service area.

Equity Capital: Ownership investment in a corporation evidenced by common stocks.

Evidentiary Hearing: A court-like forum presided over by an Administrative Law Judge where evidence regarding a utility's rate case is put into a formal record. In a contested case, the parties enter evidence through testimony and related documents supporting their positions into the record. Witnesses are subject to cross-examination.

Excise Tax: Taxes imposed on the manufacture, sale, or consumption of commodities and services.

Exempt Water Company: A water company that meets the definition of a public utility in ORS 757.005, but is exempt from regulation as provided in ORS 757.061.

Expenses: Charges incurred in operating a business, such as wages, taxes, materials and supplies, etc.

Extension of Service: A term used to describe the introduction of service to areas adjacent to those already being served.

F

Factors of Production: The resources needed for the creation of goods and services, such as labor, land, and capital goods.

Fair and Reasonable: Not confiscatory or not excessive. Regarding utility rates, the PUC cannot force a utility to charge rates that do not cover the reasonable expense of doing business.

Fair Return: A legal concept of the amount of earnings to be allowed a utility company.

Fixed Costs: The costs associated with a business enterprise that do not vary in relation to changes in volume of output, such as interest on borrowed funds, insurance, or general overhead expenses.

Flat Rate: A rate schedule that provides for a specified charge irrespective of the quantity of service used.

Forced connection: A water company or its customers being required by law, regulation, rule, or company policy to retrofit, improve, or change the original service connection. All retrofits, improvements, additions or changes to the original service connection will be the operational and financial responsibility of the company, with the following exceptions (1) any national or state laws or rules clearly assigning such costs to the customer, or (2) the Commission otherwise approves as provided in OAR 860-036-0105(1) and (2).

Formal complaint: A written complaint filed with the Commission's Administrative Hearings Division.

Franchise: A grant of authority from a municipality to a public utility authorizing it to operate within the municipality's boundary.

Franchise Tax: A local tax imposed for the privilege of providing utility service within city limits.

Free Enterprise: The right to use one's own property in the way one chooses.

G

Gigawatt (gw): One thousand megawatts.

Gross Income: Total revenue earned by a company: All revenue collected from customers for water sales (and wastewater sales when wastewater service is regulated by the OPUC), other water (and wastewater) revenues and miscellaneous revenues. Gross operating revenues do not include payments that are passed through to other entities and not maintained by the public utility.

H

Human Resource Management: A contemporary approach to the management of people that recognizes employees as critical investments in the performance and future growth of the organization.

Hydroelectric Power: Electric energy generated by the force of water.

I

Income: Revenues received from sales and other operations of a business.

Income and Expense Statement: Financial statements showing the operational results of a business over a period of time, such as month or year.

Indirect Cost: A cost item that cannot be identified specifically with a single cost objective and is allocated to the utility by a parent or affiliate on a reasonable and approved basis.

Informational Hearing: During a rate case, a forum provided for customers to express their opinions on the utility's rate case and any other matters relevant to the operation of the company.

Interested Person: A member of the public (see Public) who requests to be informally involved in a utility rate case. Interested persons receive notice of all hearings and special events associated with a utility rate case.

Interim Rates: Emergency rates granted by a utility commission to a utility while its rate case is pending.

Interstate: Operations conducted across state lines.

Intrastate: Operations within the boundaries of one state.

Intervenor: A member of the public (see Public) who petitions for and is granted formal party status in a utility rate case. Intervenors are allowed to submit testimony, present witnesses at hearings, and cross-examine witnesses.

Investor-owned Utility: A utility company owned and operated by one or more investors to serve the public.

Irrigation Customer: A customer who receives potable or nonpotable water for the purpose of irrigation through a separate meter, line or water system

K

Kilowatt (kw): A measure of electric energy equal to 1,000 watts.

Kilowatt-hour (kwh): A measure of electricity consumption equivalent to the use of 1,000 watts of power over a period of one hour.

L

Labor: In an economic sense, means human effort devoted to producing goods and services.

Load: The total demand for service on a utility system at any given time.

Load Management Programs: Utility programs designed to shift loads away from periods of high demand, thereby improving system load factors.

M

Mainline Extension: The extension of a main line to an area not previously served. If the main line extension is required at a potential customer's request to receive service, the cost of such extension will comply with the company's main line extension policy in its statement of rates or as filed in its PUC tariffs.

Megawatt (mw): One thousand kilowatts.

Miscellaneous Revenue: Service revenue other than water sales, including connection or hookup fees, reconnection fees, revenue from maintenance or installation on customers' premises and other charges recorded in the Miscellaneous Services Revenue account.

Money Market: Sources of capital, including bankers, brokers-dealers in stocks and bonds, and various lending agencies.

Mortgage Bond: A bond offering security for repayment in the form of a mortgage on the company's property or some specified part thereof.

Municipal Ownership: A term used to mean that a business enterprise is owned and operated by a municipal government.

N

Natural Monopoly: A business, such as a public utility, which operates most efficiently when it is the only seller in a market.

Normalizing Adjustment: Adjustments made to a utility's expenses or revenues for abnormal or nonrecurring amounts that may be embedded in utility operations.

O

Off-peak Rates: Special rates, usually quite low, for service supplied during periods of relatively low demand.

Operating Costs: Expenses and capital costs incurred in a business arising from or directly related to producing the service.

Original Cost: The initial measure of fair value, based on the amount of investment made to build or buy a given plant devoted to public service.

Otherwise Exempt: A public utility that has gone through the petition process to raise rates or charges over the Commission's threshold(s) and 20 percent or more of the customers did not petition PUC for rate regulation. The otherwise exempt utility is a public utility subject to the Commission's service regulations.

P

Peak Load: The maximum load consumed or produced in a stated period of time.

People's Utility District (PUD): A corporation as defined in ORS Chapter 261.

Petition for Reconsideration: If a utility disagrees (factually) with a Commission's order, it may petition (within 60 days of the order) the Commission for reconsideration. The Commission will determine if a new finding of facts is warranted. (Basis for reconsideration is generally regarding a point of law or new evidence that was not available previously.) A new order disposing of the reconsideration issues will then be issued.

Physical Depreciation: Loss of service usefulness or life due to wear and tear from use or other causes, such as rust or rot.

Preferred Stock: Evidences of ownership interest in a corporation which have been granted a preference (although considered as capital debt), most usually in the distribution of dividends before payment of dividends to common stockholders.

Profit (Net): Remaining income after deducting business expenses and costs before taxes.

Public: As it relates to utility rate cases, customers and any other person who has an interest in or is affected by the utility's service and rates.

Public Relations: The activity of developing and maintaining favorable opinions others have regarding the utility.

Public Service Advertising: Designed to benefit the public and indirectly build goodwill for the sponsoring utility. Advertising used to encourage conservation of energy is public service advertising.

Public Utility: A business enterprise rendering a service considered essential to the public and, as such, subject to regulation in the public interest, usually by state or federal law. Public utility" has the meaning given the term in ORS 757.005 and ORS 757.061. The term does not include districts, PUDs, cooperatives, or municipalities.



Rate Base: The value of net utility property as allowed by a regulatory commission for ratemaking purposes.

Rate Case: A formal proceeding before a regulatory commission involving the rates to be charged for a public utility service.

Rate Design: Allocating the utility's revenue requirement within a particular customer class.

Rate of Return: The return earned or allowed to be earned by a utility enterprise calculated as a percentage of its equity or rate base.

Rate Schedule: A statement/schedule of the utility charge to the customer for receipt of a utility service.

Rate Spread: The allocation of the utility's revenue requirement among the various classes of customers.

Rate-Regulated Utility: A public utility as defined in ORS 757.005 that is not exempt from certain financial regulations and conditions under ORS 757.061.

Regulation: The process whereby a governmental agency asserts its authority or controls over some phase or unit of economic activity of an entity.

Reproduction Cost: As a measure of fair value, is the amount that would be required to build a given plant today.

Registered Dispute: An unresolved issue between a customer/applicant and a company that is under investigation by the Commission's Consumer Services Section. This is an informal complaint, not a formal complaint.

Residential Customer: A customer who is classified as a residential customer receiving domestic water service and is not a commercial customer.

Restating Adjustment: An adjustment made to utility expense/costs for amounts that reflect known and measurable changes that will occur subsequent to the actual test period.

Return: The amount of earnings after expenses and costs are deducted from revenues. May be expressed as a percentage of the rate base or equity.

Regulatory Obligation: In order for a utility to provide basic, adequate, reliable service, it must receive sufficient revenues to cover the reasonable cost of providing service and allow the utility an opportunity to earn a reasonable return on its prudent investment. It is the PUC's regulatory obligation to determine a fair revenue level, given the utility's financial situation under normal economic conditions and to protect customers from unsafe, unreliable, inadequate utility service at unreasonable rates.

Revenue Bond: A bond, upon which the company promises to pay interest only if revenues are earned, sometimes called an income bond.

Revenue Requirement: The amount a utility must collect to recover all costs/expenses and provide a fair return to investors.

Revenue Tax: Taxes imposed on business gross receipts or otherwise based on revenue, sometimes in place of, or in addition to, property taxes.

S

Seasonal Rates: Rates providing economic incentive for off-peak use of service on a seasonal rather than daily basis.

Service Territory: The area in which a utility has the exclusive right to supply or make available its utility service.

Service Obligations: A term used to mean the obligations that are among the duties a public utility is to perform. Such duties include (1) to serve all customers within its service territory boundaries; (2) to provide adequate service; and (3) to render safe, efficient, and nondiscriminatory service at reasonable rates.

Service Standard: Stated performance required to be maintained in rendering service.

Settlement Conference: A meeting during the rate case process where staff, utility, and intervenors attempt to resolve issues identified in the utility's rate case.

Staff: The Oregon PUC staff consists of analysts, auditors, and experts in ratemaking regulation. Staff investigates rate cases, prepares testimony, testifies at hearings, and makes recommendations to the Commission.

Straight-line Rate: A rate schedule that provides for a constant charge per unit of consumption regardless of the amount consumed.

Subsidiary: A company whose stock is owned by a controlling organization.

System Development Charge (SDC) The proportionate fee charged by a company prior to service being initiated that encompasses the cost of the system allocated to all potential customers.

T

Tariff: A published collection of rate schedules and terms and conditions for use of utility service.

Testimony: A written presentation that describes a party's position on the various issues in a rate case.

Two-way Communication: The flow of information upward from employees to management, as well as downward from management to employees.

U

Uncommitted (Excess) Capacity: Capacity in excess of that needed to satisfy customer utility demands.

Uniform Accounting System: A system of accounts prescribed by a state or federal regulatory commission for use by the utility companies under its jurisdiction.

Used and Useful Rule: The utility is entitled to earn a return on all its property used and useful in the provision of utility service.

Useful Life: The period of time over which property is depreciated, the length of time that property or equipment is expected to last before replacement.

Utility Income: Revenues received by a utility company from sales of its service (distinguished from nonutility income as revenue received from other activities, such as rent from property leased to others).

V

Valuation: The assigning of values to the properties of a utility enterprise to establish fair value for ratemaking or other purposes.

Variable Expenses: The expenses/costs associated with providing utility service that vary with the changes in the volume of output.

Volt: The unit of electromotive force or electric pressure analogous to water pressure to pounds per square inch.

W

Watt: The electrical unit of power or rate of doing work.

Working Cash: The amount of cash required to operate a utility during the interim between the provision of service and receipt of payment, such as a 30-day lead/lag or 1/12 of the utility's total operating expense.

Water Company: Any water system providing service in Oregon that is currently or may come under the Commission's jurisdiction and authority.