



Water Utility Regulation in Detail – FACT SHEET

Service Regulation

Service Regulation means the Oregon Public Utility Commission (PUC) regulates a privately owned utility's service through enforcement of all applicable Oregon Administrative Rules (OAR 860-036), *except* those rules related to the rates the utility charges. This means that the PUC does *not* determine whether the utility's rates are fair, just and reasonable.

Full Regulation

Full regulation, also known as Rate Regulation, means the PUC regulates a privately owned utility's service through enforcement of all applicable statutes and Oregon Administrative Rules (OAR 860-036), *including* those related to rates. The PUC's role in full regulation is to ensure that safe and adequate service is provided at fair, just and reasonable rates. In other words, the PUC (rather than the utility) determines the rates and terms of service applicable to customers.

How does a utility become regulated?

Any water utility providing service to the public and charging at least \$24 a month (total bill) is subject to service regulation by the PUC. Any water utility providing service to the public that serves over 500 customers is fully regulated.

For water utilities serving less than 500 customers that propose average monthly rates above the PUC established rate thresholds for various pipe sizes (e.g., currently \$54 for unmetered service and \$57 for metered service for customers served by meter diameter of less than one inch) must give the utility's customers the opportunity to petition the PUC for Full Regulation. The rate thresholds are found in OAR 860-036-1910. If valid petitions are received from at least 20 percent of customers, the utility will be subject to full regulation by the PUC.

What does Full Regulation entail?

If at least 20 percent of the utility's customers petition the PUC for full regulation, the utility will be required to file a rate case, which includes both the utility's proposed rates and the evidence necessary to support the requested amounts. The utility is also required to file its rules and regulations related to providing service.

Once the case is filed, there is an opportunity for customers of the utility to intervene in the case, and to provide comment and evidence about issues that concern the customer. Customers can intervene individually, or in some cases, there is a

homeowners association that will intervene on their behalf. A schedule is set for the case, which includes dates for pre-filed written testimony, a hearing, and legal briefing.

PUC Staff review the utility's accounting records and other factors to make a recommendation to the Commission about the utility's proposed rates. Staff may find cost items that it finds are too high, and others that may be too low. Staff's job is to take a balanced look at the proposed rates, considering both customer interests and the interests of the utility. The objective of rate regulation is to ensure that there are sufficient revenues to cover reasonable operating costs and to provide the utility with an opportunity to earn a reasonable return on its investment. Costs to be considered include, but are not limited to, infrastructure investments, taxes, salaries, operating expenses, and rate case costs. Other parties may also engage in this review process through applying for and being granted status as an Intervener in the rate case process.

The Commission then makes a final determination about fair, just and reasonable rates at the conclusion of the case. A utility is required to charge rates in accordance with its approved rates and regulations.

It is important to understand that if a utility is required to file a rate case the resulting rates will be established based solely on the PUC's decision regarding the review of costs described above. ***As a result, the rates resulting from the rate case may end up either higher or lower than the rates proposed by the utility in their initial notice to customers.***