Glossary of Utility Terms

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

Above the Line: Expenses incurred in operating a utility that are charged to the ratepayer. All costs included in determining a water company’s cost of service shifted forward to the consumer. They are written above a line drawn on the income statement, separating them from costs paid by investors.

Accelerated Depreciation: An accounting method allowing a company to write off asset more quickly in early years with progressively smaller increments in later years. The three principal methods of accelerated depreciation are sum of the year’s digits, double declining balance, and units of production.

Account Payable: A liability representing an amount owned to a creditor, usually arising from purchase of merchandise or materials and supplies.

Account Receivable: A claim against a debtor usually arising from sales or services rendered.

Account Water: All water for which an account exists, the water is metered, and the account is billed. This concept is preferable to "accounted-for water." See also, authorized water uses and non-account water.

Accounts: Accounts prescribed in the NARUC Uniform System of Accounts for Water Utilities as modified by the Commission.

Accrual: A recording on the books of expenses incurred or of income earned for a period, to reflect the matching of income and expenses to the fullest extent possible, independent of the dates on which cash settlements of such items are made.

Accrual Basis: The basis of accounting under which revenues are recorded when earned and expenditures are recorded when they become liabilities for benefits received, notwithstanding that receipt of the revenue or payments of the expenditures may take place, in whole or in part, in another accounting period. See also cash basis.

Accrued Depreciation: The monetary difference between the original cost of an article and its remaining value.

Accumulated Deferred Income Tax: Balance sheet accounts representing the net balances arising from charges to income. Deferred income taxes are those reductions in income taxes resulting from the use of deductions which will not be fully reflected in the determination of book net income until subsequent periods. Most commonly, they arise from accelerated depreciation for tax purposes instead of straight-line or other non-liberalized depreciation methods used for book purposes (for example, normalization for ratemaking purposes). Accumulated deferred income taxes are those deferred income taxes that accumulate period to period from these postponements.
Accumulated Deferred Investment Tax Credit: The net unamortized balance of investment tax credits spread over the average useful life of the related property, or some other shorter period. This balance sheet account is built up by charges against income in the years in which such credits are realized and is reduced subsequently through credits to income.

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.

Acquisition Adjustment: The difference between the price paid to acquire a facility or a system and the depreciated original cost of the facility or system. Contributions included in the transfer will affect the recorded adjustment. See also plant acquisition adjustment.

Actual cost: Direct costs of parts, materials, and labor of a specific item or project separated from indirect costs.

Ad Valorem Tax: A state or local tax based on the assessed value of the real or personal property.

Advance for Construction: Advance made by or on behalf of customers or others for the purpose of construction, which is to be refunded either wholly or in part. When applicants are refunded the entire amount to which they are entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to contribution in aid of construction.

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

Allowance for Funds Used During Construction (AFUDC): A percentage amount added to construction work in progress (CWIP) to compensate the utility for funds used to finance new plant under construction prior to its inclusion in rate base. A method of capitalizing the cost of money used to build new facilities. See also contributions in aid of construction.

Amortization: The gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

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

Ancillary Charge: A separate charge for an ancillary service that is not included in costs for general water service. These ancillary services often must be performed by the utility and benefit only the individual customer using them and have no system-wide benefit.

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.

Annualization: The process of adjusting a utility company's annual historical information to reflect a full 12-month period for known changes reasonably expected to continue into the future. Annualization adjustments are routinely made in the development of a utility company's total cost of service.
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.

Authorized Water Uses: All water uses known and approved or authorized by the utility. These uses include all metered uses and reliable estimates of all other approved uses such as public, fire, system, operation, and paid-for uses.

Automatic Adjustment Clause: Allows a utility to increase or decrease its rates to cover costs of specific items without a formal hearing before a commission. The utility can automatically change its rates only when the price it pays for those specified items goes up or down. Fuel adjustment clauses are an example.

Automatic Adjustments: Rate adjustments allowed automatically without a formal rate proceeding but subject to a reconciliation proceeding. Commissions have permitted automatic adjustments for such items as purchased power, purchased water, taxes, and SDWA compliance related laboratory expenses. Also known as pass throughs.

Availability Charge: A limited-use dedicated-capacity charge made by a water utility to a property owner between the time when water service is made available to the property and the time when the property connects to the utility's facilities and starts using the service. See also demand contract charge.

Average Demand: The demand on, or output of, a utility system over any interval of time. See also demand.

Average Incremental Cost: For a specified time period, the addition to total cost resulting from an increase in capacity divided by the incremental output provided. See also incremental cost and marginal cost.

Average Load: The total production for the period divided by the hours in the period.

Average Service Life: Used in determining depreciation, the average expected life of all the units in a group of assets.

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

Balance Sheet: Statement of financial position that shows total assets equaling total liabilities plus owners’ equity (assets, liabilities, and net worth of a business).

Base Load: The minimum quantity of utility product delivered over a given period of time.
**Base Rate:** A fixed amount charged each month for any of the classes of utility services provided to a customer.

**Base Year:** The actual or test data year on which a financial model is based (that is, the first year of data entry in the model).

**Below the Line:** Expenses incurred in operating a utility that are charged to the investor, not the ratepayers; that is, all income statement items of revenue and expense not included in determining net operating income. If the item falls below the net operating income line of the income statement, it is labeled a below-the-line item. Net operating income is the "line" referred to. See also **above the line**.

**Benefit-to-Cost Ratio:** The value derived from dividing the sum of all benefits from an activity by the sum of all costs associated with that activity. A benefit-to-cost ratio having a value of 1.0 or better would indicate that the program is economically worthwhile. Better analytical tools include the assessment of net benefits or the comparison of cost effectiveness.

**Bilateral Contract:** A contract between a producer and a consumer.

**Bill Tabulation:** A method that shows the number of customer bills rendered at various levels of water usage during a specified period of time for each customer class served by the utility. The tabulation of bills for an historical period provides the basis for identifying typical customer-class usage patterns and aids in the development of rates recognizing such usage patterns.

**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 Cost:** The amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

**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.

**Book Value:** The accounting value of an asset. The book value of a capital asset equals its original cost minus accumulated depreciation. The book value of a share of common stock equals the net worth of the company divided by the number of shares of stock outstanding.

**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.
**Capacity**: The ability of the water utility to have the resources available to meet the water-service needs of its customers. It is the combination of plant- and service related activities required to provide the amount of service required by the customer. The plant facilities required are a composite of all types of facilities needed to provide service. It represents the ability of the water utility to meet the quantity, quality, peak loads, and other service needs of customers or classes of customers served by the utility. See also **dedicated capacity** and **future capacity**.

**Capacity (Demand) Costs**: As used in the commodity demand method, costs associated with providing facilities to meet the peak rates of use, or demands, placed on the system by the customers, including capital related costs on plant designed to meet peak requirements plus the associated operation and maintenance expenses. This cost component may be broken down into costs associated with meeting specific demands, such as maximum-day, maximum-hour, or other periods of time that may be appropriate to the utility.

**Capital**: The money a utility has invested in its facilities. 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**: A term used to designate a condition in which a relatively large dollar investment is required to produce a dollar of revenue.

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

**Capital Program**: A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from a long-term work program or otherwise. It sets forth each project or other contemplated expenditures in which the entity is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

**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 permanent long-term financing of the firm represented by long-term debt, preferred stock, and net worth.

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

**Capitalized Costs**: Costs are capitalized when they are expected to provide benefits over a period longer than one year. Capitalized costs are considered investments and are included in rate base to be recovered from customers over a number of years.

**Cash Basis**: The basis of accounting under which revenues are recorded when cash is received and expenditures are recorded when cash is disbursed. See also **accrual basis**.
Cash Basis for Rates: Rates based on cash requirements for operating expenses, capital, and debt service. Most publicly owned utilities use this basis.

Cash Flow Statement: Statement that explains the change in cash and cash equivalents from one period to the next.

cff: One hundred cubic feet.

Charter: See “Corporation Charter.”

Class A Utilities: Utilities having annual water operating revenues of $1,000,000 or more.

Class B Utilities: Utilities having annual water operating revenues of $200,000 or more but less than $999,999.

Class C Utilities: Utilities having annual water operating revenues of less than $200,000.

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

Classes of Customers: The different types of customers that a utility serves, usually four in number—residential, commercial, industrial, and others. Rate structures are based on the allocation of costs among customers.

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.

Collection-Related Charges: Service fees pertaining principally to the collection and billing functions of the water utility, including delinquency (late) fees and short check (returned check) charges.

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

Commodity (Variable) (Operating) Costs: Costs that tend to vary with the quantity of water produced, including costs of chemicals, a large part of power costs, and other elements that increase or decrease almost directly with the amount of water supplied.

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.

**Consolidated Financial Statements**: Statements issued by legally separate companies that show financial position and income as they would appear if the companies were one legal entity. Such statements reflect an economic, rather than a legal, concept of the entity.

**Consolidated Rates**: A method of pricing that consolidates rates across multiple service territories owned and operated by a multi-system utility that may or may not be contiguous or physically interconnected. Also known as single-tariff pricing.

**Construction Work in Progress (CWIP)**: A subaccount (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. The utility’s investment in facilities under construction but not yet dedicated to service. Plant that is not yet operational may or may not be included in a utility’s rate base. The inclusion of CWIP in rate base varies from one regulatory agency to another. See also allowance for funds used during construction (AFUDC).

**Contributions in Aid of Construction**: Any amount of money, services, or property received by a water utility from any person or governmental agency that is provided at no cost to the utility (utility does not have to repay). It represents an addition or transfer to the capital of the utility, and is utilized to offset the acquisition, improvement, or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public. It includes amounts transferred from advances for construction representing any unfunded balances of expired refund contracts or discounts resulting from termination of refund contracts. Contributions received from governmental agencies and others for relocation of water mains or other plant facilities are also included. See also allowance for funds used during construction (AFUDC).

**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.

**Core Customers**: Customers who are captive to a single utility supplier because they have no competitive options.

**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. See ORS Chapter 62.

**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 Causation**: Reflects the idea that costs should be assigned to the revenue-producing objects that cause those costs to be incurred.
**Cost of Capital**: A utility’s cost of capital is the weighted sum of the costs of component parts of the capital structure (that is, debt, preferred equity, and common equity) weighted by their respective proportions in the capital structure.

**Cost of Removal**: The total cost of providing utility service to the system or to a group therein (the latter is commonly referred to as an allocated cost of service). The cost components include operating expenses, depreciation, taxes, and **rate of return** adequate to service investment capital. Cost of service is synonymous with the **revenue requirements** of the system (or segment thereof).

**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.

**Cost-of-Service Study**: Detailed analysis of how a utility allocates the cost of serving different classes of customers.

**Cross-Subsidization**: The practice of using revenues generated from one (often regulated) product or service to support another (often unregulated) one. A cause of concern for regulators.

**Curb Stop**: A shut-off valve attached to a water-service line from a water main to a customer’s premises, which may be operated by a valve key to start or stop flow in the water-supply lines of a building. Also called a curb cock.

**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 Advances for Construction**: A deferred credit account representing cash advances paid to the utility by customers requiring the construction of facilities on their behalf. These advances are refundable; the time or extent of refund depends on revenues from the facilities. Contrast with **contributions in aid of construction** (CIAC).

**Customer Costs**: Those costs associated with serving customers, irrespective of the amount or rate of water use, including meter reading, billing, and customer accounting and collecting expense, as well as maintenance and capital costs related to meters and services.

**Daily-Peak-Load Pricing**: A pricing structure in which prices are higher during hours of peak usage. It can be used for reducing peak use and is expensive to implement since a sophisticated meter reading system would be necessary.

**Data Requests**: Requests from the Commission Staff or others, in the context of a proceeding, for clarification or supplementary information. See also **interrogatories**.

**Debentures**: Certificates of indebtedness issued under an indenture agreement representing long-term borrowings of capital funds, secured only by the general credit of the issuing corporation.
**Debt**: An obligation resulting from the borrowing of money or from the purchase of goods and services.

**Debt/Equity Ratio**: A comparison of the amount of debt to the amount of equity invested in a utility. When the debt is much greater than equity it is referred to as a “highly leveraged” situation.

**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.

**Debt Service**: Expenditures for interest and principal on debt instruments.

**Debt-Service Coverage**: The ratio of net revenues to debt service requirements.

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

**Dedicated Capacity**: The portion of the water utility's total capacity that is set aside or “dedicated” for use by an individual large-use customer or group (class) of customers whose total use is a significant part of the utility's total capacity requirement.

**Dedicated-Capacity Charge**: A charge to ensure that the utility will recover, from those for whom a significant portion of the total capacity has been dedicated, the ongoing costs associated with this capacity. Two types of dedicated capacity charges are the availability charge and the demand contract-charge. See also capacity and future capacity.

**Deferred Charge**: Expenditure not recognized as an expense of the period when made but carried forward as an asset to be written off in future periods, such as for advance rent payments or insurance premiums.

**Demand**: The maximum rate at which a utility product is delivered to a specific point at any given moment. See also average demand.

**Demand Contract Charge**: The use of a dedicated capacity charge incorporated into a contract whereby the water customer agrees to pay the fixed costs associated with a specific share of the investment in utility capacity. See also availability charge.

**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.

**Depletion**: The loss in service value incurred in connection with the exhaustion of the natural resource in the course of service.

**Depreciable Life**: For an asset, the time period or units of activity (such as miles driven for a truck) over which depreciable cost is to be allocated. For tax returns, depreciable life may be shorter than estimated service life.

**Depreciable Plant**: Usually tangible plant in service which is subject to depreciation, depletion, or amortization.
**Depreciation**: Accounting procedure used to set aside the difference between the first cost of an item of plant (capital) and its estimated net salvage at the end of its expected life. This "amount to be depreciated" is treated as an expense to offset revenues for tax purposes over the years of expected life. As applied to depreciable utility plant, the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

**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 net accumulated credit balance arising from provisions for depreciation and/or amortization (both defined herein) of assets, usually utility plant and non-utility property. The net balance reflects current and prior credits less charges but is not a measure of actual depreciation.

**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.

**Discounted Cash-Flow (DCF) Model**: The DCF model is often used in ratemaking for estimating the investor required rate of return on common equity. By definition, the DCF model contends that the market price of a common stock is equal to the cumulative present value of all future cash flows to investors produced by said common stock.

**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.

**Distribution System Improvement Charge (DSIC)**: A surcharge mechanism designed to pay for system improvements and enhance revenue recovery between rate cases.

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

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

**Diversity Factor**: The sum of noncoincident demands of a group divided by the group coincident demand. See also load factor and utilization factor.
**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.

**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. Exist when the unit or average cost of general water service decreases with the expansion of water system capacity. Economies of scale (or size) can be defined either in the context of changes in total system capacity or changes in a single component of the water system (such as treatment). See also **economies of scope**.

**Economies of Scope:** Exist when the average cost of combined general water service and fire protection service is less than the cost of providing each service separately; that is, the unit cost of providing multiple services is less than if they were provided by separate utilities. See also **economies of scale**.

**Elasticity:** The responsiveness of one variable in relation to a change in another variable. For example, the price elasticity of demand indicates the change in demand associated with a change in price.

**Embedded Costs:** Money already spent for investment in plant and in operating expenses. Those costs that are in existence at any point in time regardless of the date originally incurred and that affect current operations on a continuing basis.

**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:** Right of the government and other entities to take private property for public use.

**End Use:** Use of a utility product for a particular purpose by its ultimate customer.

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

**EPA:** Environmental Protection Agency. Established in 1970 by the National Environmental Policy Act of 1969.

**Equity:** The net worth of a business, consisting of capital stock, capital (or paid in) surplus, earned surplus (or retained earnings), and, occasionally, certain net worth reserves. The utility investment supplied by the sale of common stock. There is no fixed interest on these common stocks.
**Equivalent Customer:** The means of relating large-use customers to a single family unit or other small-use customer unit, such as a 5/8-inch meter customer. It would represent a composite of all elements of cost differences between the unitary customers and the large use customers to be served. Normally, it is expressed as a ratio of the small-use customer unit.

**Equivalent Meters:** The number of 5/8-inch meters equivalent in flow to a larger meter. Used to calculate monthly service charges.

**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. See also hearing.

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

**Exclusivity:** The opportunity to be the sole service provider within an enfranchised service territory.

**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.

**Expedited Proceeding:** A regulatory proceeding for which issues are narrowed or time frames are accelerated so that a decision can be reached sooner than in a traditional proceeding.

**Expenditures:** The money spent by a utility during its test year for rates and benefits for its employees, for maintenance, for customer service, for materials and supplies, for fuel for administration of the company, taxes, etc.

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

**Extension of Service:** Addition of services or service territories beyond original terms or boundaries.

**Extra-Capacity Costs:** As used in the base-extra capacity method, those costs associated with meeting rate of use requirements in excess of average, including operation and maintenance expenses and capital costs for system capacity beyond those required for average rate of use. These costs may be subdivided into costs necessary to meet maximum-day extra demand, maximum-hour extra demand, or other extra-demand criteria appropriate to the utility.

**Extraordinary Item:** A material expense or revenue item characterized both by its unusual nature and infrequency of occurrence that is shown along with its income tax effects separately from ordinary income and income from discontinued operations on the income statement. A loss from an earthquake would probably be classified as an extraordinary item.

**Extraordinary Property Losses:** An amortizable account that includes the depreciated value of property abandoned or damaged by circumstances that could not reasonably have been anticipated and which is not covered by insurance.
Factors of Production: The resources needed for the creation of goods and services, such as labor, land, and capital goods.

Fair Market Value: Generally the term applies to the amount that a willing buyer will pay a willing seller in an arm's-length transaction. Because of the predominant use of original cost in the rate base and the constraints that original-cost factors place on the rates that may be charged, the depreciated book cost of utility plant may be a prominent factor in establishing fair market value for a utility system.

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.


Fire Main: Any main forming part of an integrated system used exclusively for fire protection purposes.

Fire-Protection Charge: A charge made to recover the cost of providing both public and private fire-protection service to the communities served by the utility.

Fixed Cost (Expense): An expenditure or expense that does not vary with volume of activity, at least in the short run. For example, interest on borrowed funds, insurance, or general overhead expenses. See also variable costs.

Fixture Rate: A pricing structure in which prices for a given time period are set for each water using fixture (that is, faucets, toilets, etc.) at the location where service is provided. Although very imprecise, it is more usage oriented than a flat fee.

Flat Fee: A periodic fixed charge for water service that is unrelated to the amount of water consumed, typically used when customers are unmetered. It is not the same as a uniform rate (which is sometimes known as a flat commodity rate).

Flat Rate: See flat fee.

Flow-Through Tax Treatment: Only actual taxes to be paid for the period are included in the income statement and collected from ratepayers. See also normalization.
**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. See registered dispute.

**Franchise:** A privilege to do business that may be limited to specified period of time and/or geographical area and may or may not be exclusive.

**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.

**Fully Distributed Costing:** A cost accounting method in which each job or service absorbs a share of each of the costs of rendering service. It requires the allocation of indirect fixed overhead costs in their entirety, which in turn requires the calculation of predetermined over-head rates. The method uses five cost assignment criteria: (1) cost causation, (2) traceability, (3) variability, (4) capacity required, and (5) beneficiality. Also known as full costing, fully allocated costing, and absorption costing.

**Functional-Cost Method:** A method by which costs of service are separated into four functions that describe the activities of a water utility: (1) production and transmission, (2) distribution, (3) customer costs, and (4) hydrants and connections. This method has not had wide acceptance in recent years because it requires much judgment and fails to recognize that major portions of costs are capacity or demand related.

**Future Capacity:** The capacity for services somewhat in excess of immediate requirements that is built into a utility in anticipation of increased demands for service resulting from higher uses by existing customers or from growth in the service area. See also capacity and dedicated capacity.

**Future Test Year:** Use of future 12-month-period projected utility financial data to evaluate a proposed tariff revision. See also historic test year and test year. Also known as a forecast test year.

**Generally Accepted Accounting Principles (GAAP):** The conventions, rules, and procedures necessary to define accepted accounting practice at a particular time; includes both broad guidelines and relatively detailed practices and procedures.

**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.
Hearing: The official proceeding before a Commission or Hearing Examiner for the purpose of examining evidence and hearing testimony from staff and intervenors. See also evidentiary hearing.

Hearings Officer: The individual appointed by the Commission to conduct hearings and take evidence in a rate case. Also known as Administrative Law Judge.

Historic Cost: The initial cost to the person who holds the property. Original cost and historic cost are the same when property has not changed ownership. When utility property of an operating unit or system nature changes ownership, the original cost carries forward and is maintained by the new owner, although the purchase price (that is, historic cost to the new owner) may be something different. Original cost minus any expenditures deemed by a Commission to be fraudulent, unwise, or extravagant.

Historic Test Year: Use of a past 12-month period (usually the immediately preceding period) utility financial data to evaluate a proposed tariff revision. See also future test year and test year.

Holding Company: A corporation that usually owns a controlling interest in the stock of at least one other corporation. Generally, a utility holding company will have investment objectives for a specific kind of utility (water, gas, electric, etc.).

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.

Imminence: A test to determine how soon a capital asset will be put into actual use in providing utility service; that is, how soon it will be used and useful. See also used and useful.

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

Income, Net: Profit (or funds available after a utility pays its expenses, taxes and interest on long-term debt), which is available to pay dividends to stockholders who have invested in the utility and/or to reinvest in new utility property.

Income Statement: The statement of revenues, expenses, gains, and losses for the period (such as month or year) ending with net income for the period.

Income, Utility Operating: The revenue available to pay for the use of the capital invested in the utility after the subtraction of operating expenses, depredation, and taxes.

Increasing-Block Pricing: A pricing structure, also known as inverted block pricing, in which the average and marginal price per block of use increases as consumption increases. It can be used for reducing average (and sometimes peak) use, and large volume users consider its use inequitable.
**Incremental Cost**: The change in total cost resulting from a change in capacity, output, or services provided. See also **average incremental cost** and **marginal cost**.

**Incremental-Cost-Pricing Method** (for determining **system-development charges**): A method in which new customers would be responsible for their share of the cost of the last increment of defined **system development charge facilities** and/or the increment of planned future additions to meet their needs. See also **system buy-in method**.

**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.

**Interconnection**: The connection of two or more systems. It has more precise meaning for different industries (depending on the nature of network).

**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.

**Intergenerational Equity**: The idea that one generation of customers should not incur costs to pay for facilities that benefit another generation of customers.

**Interim Rates**: Rates that are allowed to go into effect, subject to refund and sometimes under bond, until the Commission issues its final order.

**Interrogatories**: Requests from the Commission or others, in the context of a proceeding, for clarification or supplementary information. See also **data requests**.

**Interstate**: Operations conducted across state lines.

**Intervenor**: Representatives of consumer groups and others who wish to question the validity or necessity of all or part of a rate case. 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.

**Intrastate**: Operations within the boundaries of one state.

**Investment**: An expenditure to acquire property or other assets in order to produce revenue; the asset so acquired; hence, a current expenditure made in anticipation of future income.

**Investor-Owned Utility**: A utility owned, operated by, and responsible to its shareholders (investors).

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

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

Life Expectancy: The time period during which an article is expected to render efficient service. See also remaining life.

Liquidity: Refers to the availability of cash, or near cash resources, for meeting a firm's obligations.

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

Load Factor: The ratio of average demand to peak demand, defined with reference to a specific time period or type of peak load, such as maximum-hour or maximum-day. The load factor is operationalized as the ratio of actual consumption over a period, to the maximum (peak) demand multiplied by the length of a period (the period can be hourly, daily, monthly or annual). See also diversity factor and utilization factor.

Load Management Programs: Techniques designed to reduce demand at peak times, thereby improving system load factors.

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.

Marginal Cost: The change in total cost resulting from producing (or not producing) a single incremental unit of a product or service. It is composed of: (1) the change in operating cost caused by changing the rate of utilization of existing capacity, and (2) the cost of expanding capacity, including the operating costs associated with increased capacity. See also average incremental cost and incremental cost.

Master Metering: The use of one bulk meter for multiple tenants.

Megawatt (mw): One thousand kilowatts.

Metered Service: Meters record actual use in order to bill a utility customer accurately. See also unmetered service.
**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.

**Mixed Test Year**: A combination of the **historic test year** and **future test year** approaches also known as a partial future test year. See also **test year**.

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

**Monopoly (natural)**: A public utility that operate most efficiently when it is the only seller in the market. A natural monopoly is sanctioned to achieve efficient production and distribution. Utility monopolies are controlled through regulation instead of competition.

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

**Multiple-Family Dwelling**: A residential structure or group of structures which is capable of separately housing more than one family unit.

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

**National Association of Regulatory Utility Commissioners (NARUC)**: A national organization of utility commissioners and staff formed to study and address complex issues of utility regulation.

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

**Net Original Cost (Net Plant)**: The original cost of utility property minus any accumulated depreciation.

**Net Salvage Value**: The value of property retired less the cost of removal.

**Net Worth**: Capital plus capital surplus plus retained earnings.

**Non-Account Water**: The sum of all water produced or purchased by a water utility that is not covered by account water. The term is preferred to the term unaccounted-for water.

**Nondiscrimination**: In general usage, reasonably equal treatment for all.

**Nonoperating Items**: Although sometimes used interchangeably with **nonutility items**, this term may more properly be used to describe items such as **construction work in progress** that is not currently used in providing utility service. It has also been applied traditionally to financial items (for example, **interest expense**).

**Non-recurring**: Said of an event that is not expected to happen often for a given firm.
Nonutility Items: All items of revenue, expense, and investment not associated, either by direct assignment or by allocation, with providing service to the utility customer.

Normalization: An accounting method that allows a utility to evenly recover over its years of operation, revenues from customers to pay income taxes. See also flow-through tax treatment.

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

Obligation to Serve: The legal obligation to provide service on a nondiscriminatory basis.

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

On-Peak: A period of relatively high system demands. See also off-peak and peak 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.

Operating Expenses: Expenses related to maintaining day-to-day utility functions, including operation and maintenance expenses, taxes and depreciation and amortization costs, but not interest payments or dividends. Operating costs are recovered from customers on a current basis, as opposed to capitalized costs.

Operating Income: Operating revenue less operating expenses.

Operating Ratio: The ratio, generally expressed as a percentage, of operating expenses to operating revenues.

Operating Revenues: The amounts billed by the utility for utility services rendered and for other services incidental thereto.

Original Cost: As applied to utility plant, the cost of such property to the person first devoting it to public service.

Outage: The period during which a generating unit, transmission line, or other facility is out of service.
**Peak Demand**: The maximum level of operating requirements (that is, production) placed upon the system by customer usage during a specified period of time (instantaneous peak, thirty-minute peak, one-hour peak and one-day peak outputs are common points of reference). It may be measured by an operating segment of the company, such as a customer class, or for the entire company, depending on intended use of the data. See also off-peak and on-peak.

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

**People's Utility District (PUD)**: A quasi municipal 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.

**Plant Acquisition Adjustment**: The difference between the cost to the utility of acquired plant and the original cost of the plant less the amount credited at the time of acquisition for depreciation and amortization and contributions in aid of construction. See also acquisition adjustment.

**Plant Held for Future Use**: Cost of land or other property acquired by a utility but not yet used for generation, transmission, or distribution purposes. See also utility plant in service.

**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.

**Profit, Utility**: The return on investment earned by utility investors.

**Pro Forma Statements**: Hypothetical statements. Financial statements as they would appear if some event, such as a merger or increased production and sales, had occurred or were to occur. Pro forma is often spelled as one word.

**Property Retired**: As applied to utility plant, property that has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

**Provision**: Often the exact amount of an expense is uncertain, but must be recognized currently anyway. For example, "Provision for Income Taxes" is used to mean the estimate of income tax expense.

**Prudence**: A consideration of whether investments are dishonest or obviously wasteful.
**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 a water utility's property used in computing an authorized return under the applicable laws and/or regulatory policies of the agency setting rates for the utility.

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

**Rate Base Regulation**: A method of regulation in which a public utility is limited in operations to revenue at a level which will recover no more than its expenses plus an allowed rate of return on its rate base.

**Rate Design**: Allocating the utility’s revenue requirement within a particular customer class. See rate structure.

**Rate of Return**: The realized rate of return is the percentage factor obtained by dividing the net operating income from utility operations by the rate base. An adequate rate of return is the percentage factor that, when multiplied by the rate base, produces earnings that will meet the interest and equity requirements of the capital used to support the rate base. The measure of the adequacy of the rate-of-return factor is usually based upon cost-of-capital measurements.

**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 Structure**: The design and organization of billing charges by customer class to distribute the revenue requirement among customer classes and rating periods. See rate design.

**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.

**Receivable**: Any collectible whether or not it is currently due.
**Recoverable Leakage**: All water from breaks and leaks that are repaired or are considered to be economical to repair. See also **system leakage** and **unavoidable leakage**.

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

**Regulatory Compact**: The implied long-term societal agreement by which utilities are granted the right to provide service in exchange for meeting regulatory standards and requirements for rates and services.

**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. See **formal complaint**.

**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.

**Remaining Life**: The expected future service life of an asset at any given age. See also **life expectancy**.

**Replacement (or Replacing)**: The construction or installation of utility plant in place of property retired, together with the removal of the property retired.

**Removal Costs**: The costs of disposing of plant, whether by demolishing, dismantling, abandoning, sale, or other. Removal costs increase the amount to be recovered as depreciation expense.

**Replacement Cost**: An estimate of the cost to replace the existing facilities (either as currently structured or as redesigned to embrace new technology) with facilities that will perform the same functions. This method recognizes the benefits of presently available technology in replacing the system. For example, a number of small generating units may be replaced with a single large unit at lower unit costs and greater efficiency.

**Reseller**: In general, any entity that purchases goods or services to in turn sell the same goods or services to a third party.

**Residential Customer**: One of four classes of utility customers composed primarily of private housing dwellers.

**Residual Value**: Value of property after its useful life is over. See **salvage**.

**Retained Earnings**: Corporate earnings that are not paid out in dividends.

**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 on Equity: The return to shareholders, that is, the utility's net income expressed as a percentage of that portion of a utility's total investment provided by the common shareholders through the purchase of stock and retained earnings.

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 of return (rate base times rate of return) plus operating expenses. The sum total of the revenues required to pay all operating and capital costs of providing service 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.

Sales for Resale: A customer, sales, and revenue classification covering water supplied to other utilities or to public authorities for resale or distribution.

Salvage: The value realized from plant removed or otherwise disposed. This may be in the form of cash, debits to the materials and supplies accounts, trade-in allowance, or other consideration. Salvage reduces the amount of plant costs required to be recovered as depreciation expense.

Salvage Value: The amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

Scarcity Pricing: A pricing structure in which the cost of developing new supplies is attached to existing use. It can be used to reduce average use and where supplies are diminishing (that is, a finite supply) so that costs for developing new supplies are paid for by current users.

Seasonal Pricing: A pricing structure in which the price level during the season of peak use (summer) is higher than the level during the winter. It can be used to reduce peak use, and large volume users consider its use equitable. It can be effective for summer tourist communities.

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 Life: The time between the date utility plant can be included in utility plant in service, or utility plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production. Average service life is the weighted average of the lives for all units within a plant account or group.
Service Obligations: Obligations that are among the duties a public utility is to perform. Such duties include (1) serving all customers within its service territory boundaries; (2) providing adequate service; and (3) rendering 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.

Short-Term Debt: Notes, drafts, acceptances, commercial paper, or other similar evidences of indebtedness payable on demand on which by their terms are payable within one year from the date of issuance.

Spatial Pricing: A pricing structure, also known as zonal pricing, in which users pay for the actual costs of supplying water to their establishment. Costs (and hence prices) will tend to vary regionally within the service sector. Spatial pricing can be used to discourage new or difficult to serve connections and is used in areas where the distribution system is being expanded rapidly and being expanded in difficult to serve areas (long mains, pumps, and so on).

Special-Purpose Surcharge: A surcharge added to customer bills for a specific period of time, the revenues from which are used to fund a specific project or purpose. An example is the distribution system improvement charge.

Staff: Public Utility Commission of Oregon 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.

Standby Service: A class of service wherein the utility does not serve the customer on a regular basis, but only when called upon to do so by the customer.

Stipulation: A signed, written agreement presented to the Commission which eliminates, either total or partial, differences between the parties involved in a proceeding before the Commission. The procedure expedites the regulatory process.

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.

Sunk Cost: Costs incurred in the past that are not affected by, and hence irrelevant for, current decisions, aside from income tax effects; contrast with incremental costs and imputed costs. For example, the acquisition cost of machinery. The current exit value of the machine is irrelevant to a decision of whether or not to scrap the machinery.

Supply Main: Any main, pipe, aqueduct or canal, the primary purpose of which is to convey water from one unit to another unit in the source of supply, water treatment or pumping plant and generally providing no service connections with customers. See also transmission and distribution main.
**System Buy-In Method**: A method of determining a system development charge from new customers (or developers who represent them) based on the premise that new customers are entitled to water service at the same prices charged to existing customers. The fee to new customers is related to the embedded average equity investment in the reserve capacity or new capacity used to serve them. See also incremental-cost pricing method.

**System Development Charge (SDC)**: A contribution of capital toward recently completed or planned future backup plant facilities necessary to meet the service needs of new customers to which such fees apply. Two methods used to determine the amount of these changes are the system buy-in method and incremental-cost pricing method. Various terms have been used to describe these charges in the industry, but regardless of the term used, these charges have the purpose of providing funds to be used to finance all or part of capital improvements necessary to serve new customers and are raised outside of capital to be served from general water-use rates. Also known as a system-capacity charge. The proportionate fee charged by a company prior to service being initiated that encompasses the cost of the system allocated to all potential customers.

**System-Development Charge Facilities**: Those facilities, or a portion of those facilities, that have been identified as being required for new customer growth. The cost of the facilities will be recovered in total or in part through a system-development charge.

**System Leakage**: All water that is lost from the system through leaks and breaks and includes all unavoidable leaks, and all recoverable leaks and breaks. See also recoverable leakage and unavoidable leakage.

**System Water Losses**: Water from all losses such as theft, illegal connections, unauthorized uses, malfunctioning controls, differences in use quantities caused by meter error and any other loss which is not a result of a leak or a break.

**Tariff**: The authorized list of charges for a utility's services. A published collection of rate schedules and terms and conditions for use of utility service.

**Test Year**: The annualized period for which costs are to be analyzed and rates established. The twelve-month operating period selected to evaluate the cost of service and the adequacy of rates in effect or being sought. Frequently, the term "test period" is used, and may refer simply to the test year or expressly to the adjusted test year. See also, historic test year, future test year, and mixed test year.

**Transmission**: The transportation of utility product in bulk from generation (source) to distribution facilities.

**Transmission and Distribution Main**: Any main the primary purpose of which is to convey water, requiring no further processing except incidental chlorination or pressure boosting, from a unit in the source of supply, water treatment of pumping plant and generally providing no service connections with customers. See also supply main.

**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.

Unaccounted-for Water: Nonaccount water for which the utility literally cannot account. See account water.

Unavoidable Leakage: All water from underground leaks that, due to the small amount of actual water lost would cost more to locate and repair than the value of the water saved over a reasonable amount of time. See also recoverable leakage and system leakage.

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.

Uniform Rate: A pricing structure in which the price per unit is constant as consumption increases. It may be somewhat effective in reducing average use, and large volume users consider its use equitable. It is also known as a flat rate or a uniform block rate, but is not the same as a flat fee.

Uniform System of Accounts (USOA): A list of accounts for the purpose of classifying all plant and expenses associated with a utility's operations. The USOA specifies a number for each account, together with a title and a description of content, and prescribes the rules and regulations governing the use of such accounts. Federal and/or state regulatory authorities may prescribe a system of accounts.

Unit Cost: The cost of producing a unit of a product or service. An example would be the cost of treating a thousand gallons of potable water for use by the water utility's customers.

Unmetered Service: Utility service and billed without being recorded by a meter. See also metered service.

Used and Useful: A test for determining the admissibility of utility plant as a component of rate base. Plant must be in use (not under construction or standing idle awaiting abandonment) and useful (actively helping the utility provide efficient service). See also imminence and utility plant in service.

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.

User Charges: The monthly, bimonthly, quarterly, or other periodic charges made to the users of water service through the general water-rate structures of the water utility.

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).
Utility Plant Acquisition Adjustment: The difference between the price paid to acquire an operating unit or system of a utility and the rate base of the acquired property.

Utility Plant Held for Future Use: Costs of land or other property acquired by a utility but not yet used for serving customers.

Utility Plant in Service: The land, facilities, and equipment used to generate, transmit, and/or distribute utility service. See also plant held for future use and used and useful.

Utility Water Use: That water which is removed from the distribution system by the utility for the purpose of maintaining and operating the system. This should include both metered and unmetered water removed with those unmetered uses being reliably estimated.

Utilization Factor: The ratio of the maximum demand of a system to the installed capacity of the system. See also diversity factor and load factor.

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

Variable Charges: Periodic charges to customers that vary with water use, unlike fixed charges.

Variable Costs (Expenses): Costs that vary with the level of production or usage. In the long term, all costs are variable. See also fixed cost.

Vertical Integration: The utility company performs all major utility services for its customers, including production, transforming, transmittal, and distribution. Monopoly utilities in the past frequently provided vertical service; with increasing competition, rates for component parts of services are being disaggregated (or unbundled) and offered separately.

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

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

Wholesale Service: A situation in which water is sold to a customer at one or more major points of delivery for resale to individual retail customers within the wholesale customer’s service area.

Working Capital (Cash): The amount of cash or other liquid assets (including materials and supplies) that a company must have on hand to meet the current cost of operations until it is reimbursed by its customers. 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.