

**ITEM NO. 3**

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 2, 2010**

**REGULAR**   X   **CONSENT**        **EFFECTIVE DATE**       February 13, 2010      

**DATE:** January 19, 2010

**TO:** Public Utility Commission

**FROM:** Dustin Ball

**THROUGH:** Lee Sparling, Marc Hellman, and Michael Dougherty

**SUBJECT:** DWF ROUND LAKE PARK & UTILITIES LLC:  
(Docket No. UW 140/Advice No. 10-3) Requests a general rate revision.

**STAFF RECOMMENDATION:**

Pursuant to ORS 757.215, Staff recommends that the proposed tariffs filed by DWF Round Lake Park & Utilities LLC (Round Lake or Company) requesting to establish rates, which result in a general rate increase for water services, be suspended for six months effective February 13, 2010.

**DISCUSSION:**

Round Lake is a small investor-owned water utility near Klamath Falls, Oregon, which provides water service to approximately 63 residential customers, one golf course, and one RV resort.

The system was brought under rate regulation by the customer petition process in 2005, Order No. 05-145. The Company filed tariff sheets in Advice No. 05-39 to be effective November 30, 2005. On May 2, 2006, the application was withdrawn, see Order 06-212. On December 5, 2008, Round Lake was sold a new ownership. The sale was approved in Order No. 09-132, subject to several conditions, including filing a rate application and associated tariffs. This filing (UW 140) is made to satisfy that condition.

The Company filed tariffs on January 14, 2010, requesting to increase annual revenues by \$5,315. According to Round Lake, this represents an increase of 19.35 percent above the Company's 12-month revenues ending December 31, 2009. Additionally, the Company is seeking to change from a flat rate billing to a metered billing system for its

residential customers only. Round Lake is not seeking a rate of return on rate base in this proceeding.

Round Lake is seeking a rate increase because current revenues do not cover expenses and allow for debt servicing, capital improvements, or repairs.

The Company's current and proposed rates are as follows:

| <b>Customer Class</b> | <b>Current Rates</b>     | <b>Proposed Rates</b>                                     | <b>Percent Increase</b> |
|-----------------------|--------------------------|---|-------------------------|
| Residential           | \$25.00/month flat rate  | \$30.00/month + usage of \$1.50 Per 1000Gal above 5000Gal | 25.20% estimated        |
| RV Resort             | \$500.00/month flat rate | \$500.00/month flat rate                                  | 0.00%                   |
| Golf Course           | \$250.00/month flat rate | \$250.00/month flat rate                                  | 0.00%                   |

As the above table illustrates, Staff estimates that the proposed rate increase for residential customers is approximately 25.20 percent. While the Company cites its rate increase as a percentage of total revenues, when calculated based on the customer class actually affected by the increase, this percentage increases. Although a commodity rate is requested, there are currently no working meters on the water system. As a result, Staff does not have any consumption data to determine a commodity rate. Because meters have not been installed, final rates should continue to be charged on a flat rate basis. In addition, the Company should compile approximately 9 – 12 months of data on consumption prior to requesting metered rates.

Staff believes it is necessary to carefully analyze Round Lake's proposed rate increase and requests the Commission suspend the Company's filed tariffs to allow time to do so. Staff will make a good faith effort to complete its review within the suspension period.

**PROPOSED COMMISSION MOTION:**

Pursuant to ORS 757.215, DWF Round Lake Park & Utilities LLC's proposed tariffs be suspended for six months, effective February 13, 2010, to allow Staff sufficient time to investigate the Company's rate proposal.