



Regulation of Water Utility Rates and Service



Public Utility Commission

The Commission is charged with ensuring safe and adequate water service at fair and reasonable rates. The Commission is a consumer protection and advocacy body; responsible for protecting the customers of any public utility from unjust and unreasonable prices and practices.

The Commission is responsible for balancing the interests of the utility and the consumer in establishing fair and reasonable rates. Rates set by the Commission allows the utility to maintain its credit and attract capital. The utility should be allowed to earn sufficient revenues for reasons of debt service and capital for reinvestment.

PUC STATUTORY AUTHORITY

- ORS 756.070 – 125 INVESTIGATORY POWERS
- ORS 756.160 – 200 ENFORCEMENT & REMEDIES
- ORS 757.005 DEFINES A PUBLIC UTILITY
- ORS 757.020 DUTY TO SERVE
- ORS 757.061 REGULATION OF WATER UTILITIES

Public Utility Commission

- Regulate Rates
- Regulate Service
- Establishes Rates through Rate Cases

THE REGULATORY OBLIGATION OF
THE PUC IS TO BALANCE
THE INTERESTS OF
BOTH CUSTOMERS AND THE UTILITY.

Rate Case Filing

Utility Files an Application Consisting of:

- Brief - summary of application
- Direct Testimony - details of application
- Tariffs - which include:
 - Rate schedules
 - Rules and regulations
 - Additional information they feel is important

Flowchart - Water Rate Case

➤ 1. UTILITY FILING

Utility files application, direct testimony, and tariffs to PUC

➤ 2. NOTIFICATION

Utility notifies customers within 15 days of filing, by an article in the newspaper or direct customer mailing

➤ 3. TARIFF SUSPENSION

Commission orders tariffs suspended to allow time to review the utility's proposal

➤ 4. PUBLIC COMMENT HEARING

Town Hall forum to ask questions, share information, voice concerns/opinions

➤ 5. PREHEARING CONFERENCE

Adopt schedule, Receive petitions to intervene, Establish issues, Identify Parties, Create service list

➤ 6. DISCOVERY

Data Requests/Data Responses

➤ 7. SETTLEMENT CONFERENCE

Staff presents its recommended case to utility and interveners who attempt to reach agreement on as many issues as possible

➤ 8. WRITTEN TESTIMONY

Staff and interveners responding to utility's direct testimony

➤ 9. REBUTTAL TESTIMONY

If Necessary

➤ 10. EVIDENTIARY HEARING

Enter pre-filed testimony into record. Cross-examination of witnesses. Identify issues to be briefed. ALJ briefing instructions.

➤ 11. WRITTEN BRIEFS

Briefs are submitted if requested by the ALJ

➤ 12. COMMISSION DECISION

Commission issues order establishing new rates

Customer Notification

- Utility must provide customer notification within 15 days of filing a rate case by one of these methods:
 - Newspaper article
 - Direct mailing
 - Bill Insert
- To receive copy of filing, call the utility

Suspension of Tariffs

PUC Response to Filed Tariffs:

- ❖ Commission Can Approve
 - ❖ Commission Can Deny or
 - ❖ Commission Can Suspend Tariffs
-
- Staff generally requests a 6 to 9 month suspension to allow time to investigate the utility's proposed rates

PUBLIC COMMENT HEARING

Information Exchange

Ratemaking Process

- PUC Website: www.oregon.gov/puc

Customer Voice Concerns/Comments

- **In Person** at the Public Comment Hearing
- **Telephone** Staff or Consumer Services 1-800-522-2404
- **Mail to:** PUC, PO Box 1088,
Salem OR 97308-1088
- **Fax:** 503-378-5743
- **E-file** Comments to: puc.filingcenter@state.or.us

Consumer Services

**Public Utility Commission
Consumer Services Division**

P.O. Box 1088

Salem OR 97308-1088

FAX: 503-373-7752

1-800-522-2404

puc.filingcenter@state.or.us

Prehearing Conference

Purpose:

- 1) Petition to intervene
- 2) Identify parties
- 3) Create a service list
- 4) Establish issues
- 5) Adopt schedule

Discovery Period

Staff/Interveners Ask Questions

- Burden of Proof is on the Company
- Staff gathers Information
 - Data Requests
 - Data Responses
- Staff Develops Position
- Staff Verifies Facts
 - Revenues
 - Expenses
 - Utility Plant
 - Service Issues
 - Other Issues

System-Wide Service Issues

- Pressure Problems
- Billing Problems
- Customer Service
- Capacity Issues
- Service Interruptions
- Contaminated Water

*Individual Service Problems – Contact Utility First
Contact PUC Consumer Services Section if issues
are not resolved

Staff's Analysis & Recommendation

Staff investigates and develops a case that:

- Allows company to recover its prudent and reasonable cost of service
- Gives company an opportunity to earn a reasonable return on its investment
- Addresses service issues

Determining Rates

1. DETERMINING REVENUE REQUIREMENT

Revenue Requirement = Revenue – Expenses

Revenue Requirement is the amount of income needed to cover expenses plus a reasonable rate of return. (A nonprofit company will not earn a rate of return, but may be allowed to deposit into a contingency fund to accumulate funds for emergencies and repairs.)

Revenue is the overall amount of income the company receives in an average year.

Expenses are what it costs to run the company.

Depreciation is the devaluation of plant over time.

Rate of return is the reasonable amount of return the company is allowed on its investments.

2. RATE SPREAD

Rate spread is the allocation of the revenue requirement to the various classes of customers (residential, commercial, etc.). Customers with common characteristics are grouped into customer classes. If it is possible to determine the costs associated with the different customer classes, the costs should be allocated to the customer class that incurs the cost.

3. RATE DESIGN

Rate design is the determination of the rate or price structure for each customer class. The revenue requirement has already been determined and divided among the different customer classes. Now the customer service rate must be designed to provide for the recovery of the allocated revenue requirement within each class. There are several different types of rate structures that can be used. Rate design is to determine the most appropriate rate structure for each customer class.

Settlement Conference

- Staff presents its settlement case
 - ❑ Only parties may participate
 - ❑ Customers may attend but have no input
 - ❑ Documents available for review by all
- Parties attempt to reach agreement
 - ❑ Stipulation
 - ❑ Partial stipulation
- Contested case

Testimony

- ✓ Written Testimony Filed
 - Stating the Party's Position
 - Staff testimony
 - Intervener testimony

- ✓ Rebuttal Testimony
(if necessary)

Evidentiary Hearing

In a Contested Case:

- ALJ Presides
- Testimony is entered into the record
- Cross-examination of witnesses
- Briefs, identify issues if requested

ALJ Drafts Order and Recommendation

- Reviews the evidence in the record
- Writes a draft order
- Makes the **recommendation** to the Commission.

Commission Issues Order

- Establishes New Rates
- Sets Effective Date of New Rates
- Resolution of Outstanding Issues

May Petition for Reconsideration

- If warranted, Commission will review

Administrative Law Judge (ALJ)

- Is an attorney employed by the Commission
- Presides over hearings in an impartial way
- Adopts schedule for the case
- Resolves procedural issues among the parties
- Ask questions at the hearing of any Party
- Recommends a decision to the Commission

Staff – Party to the Case

- Represented by Assistant Attorney General from the Department of Justice
- Reviews the application, gathers information about the case
- Presents Staff's recommendation at Settlement, negotiates settlement
- Files written testimony in support of the case or files written testimony in support of a stipulation (if settlement is reached)

Utility – Party to the Case

- Files direct testimony (application for new rates)
- May choose to be represented by counsel but it is not required
- Responds to data requests from Staff and Intervenor
- Has burden of demonstrating rate request is justified

Intervener – Party to the Case

- Usually a customer or customers' representative
- May choose to be represented by counsel; not required
- Receives copies of testimony, exhibits, and other documents
- May file written testimony prior to the Evidentiary Hearing
- May cross-examine witnesses at Evidentiary Hearing
- May not argue points of law unless you are an attorney

Non-Party Status

Interested Person/Public

- May request to receive copies of ALJ rulings and orders
- Notify PUC at (503) 378-6678 or puc.hearings@state.or.us, reference the UW Docket number to request to receive notices
- May not participate in settlement discussions or at the Evidentiary Hearing, but are welcome to attend and observe the proceedings.

How to Participate

| CUSTOMER/PUBLIC | PARTY TO THE CASE |
|-----------------------------------|------------------------------------|
| Request to Receive Notices | Apply for Intervener Status |
| Comments/Opinions/Questions | Comments/Opinions/Questions |
| by Mail | by Mail |
| by Telephone | by Telephone |
| by E-mail | by E-mail |
| by Fax | by Fax |
| Receive Notices | Receives Notices |
| | Participate in Settlement Conf |
| | May Submit Testimony |
| | Participate in Evidentiary Hearing |

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