

# OVERVIEW OF WATER REGULATION

Oregonians are provided water service from over 3,500 state-wide systems. The majority of Oregonians receive their water from roughly 1,100 municipalities and publicly-owned water systems<sup>1</sup> that are not regulated by the Public Utility Commission (Commission).

The Commission mainly regulates private or investor-owned water utilities. The monopolistic nature of water service to customers makes it difficult to create a competitive market; hence, regulation is a vital and necessary government function. The Commission regulates to ensure adequate service at fair and reasonable rates and assigns 2.3 full-time equivalent positions to oversee water utility regulation.

As of January 2010, the Commission regulates 82 water companies that meet the statutory definition of a "public utility." These utilities include: (a) privately-owned systems, (b) some homeowner associations, (c) some mobile home parks, and (d) one joint water and wastewater investor-owned system. The 1999 Legislature authorized the Commission to regulate wastewater rates and services for those water utilities that jointly provide wastewater and water service for customers residing within city limits.

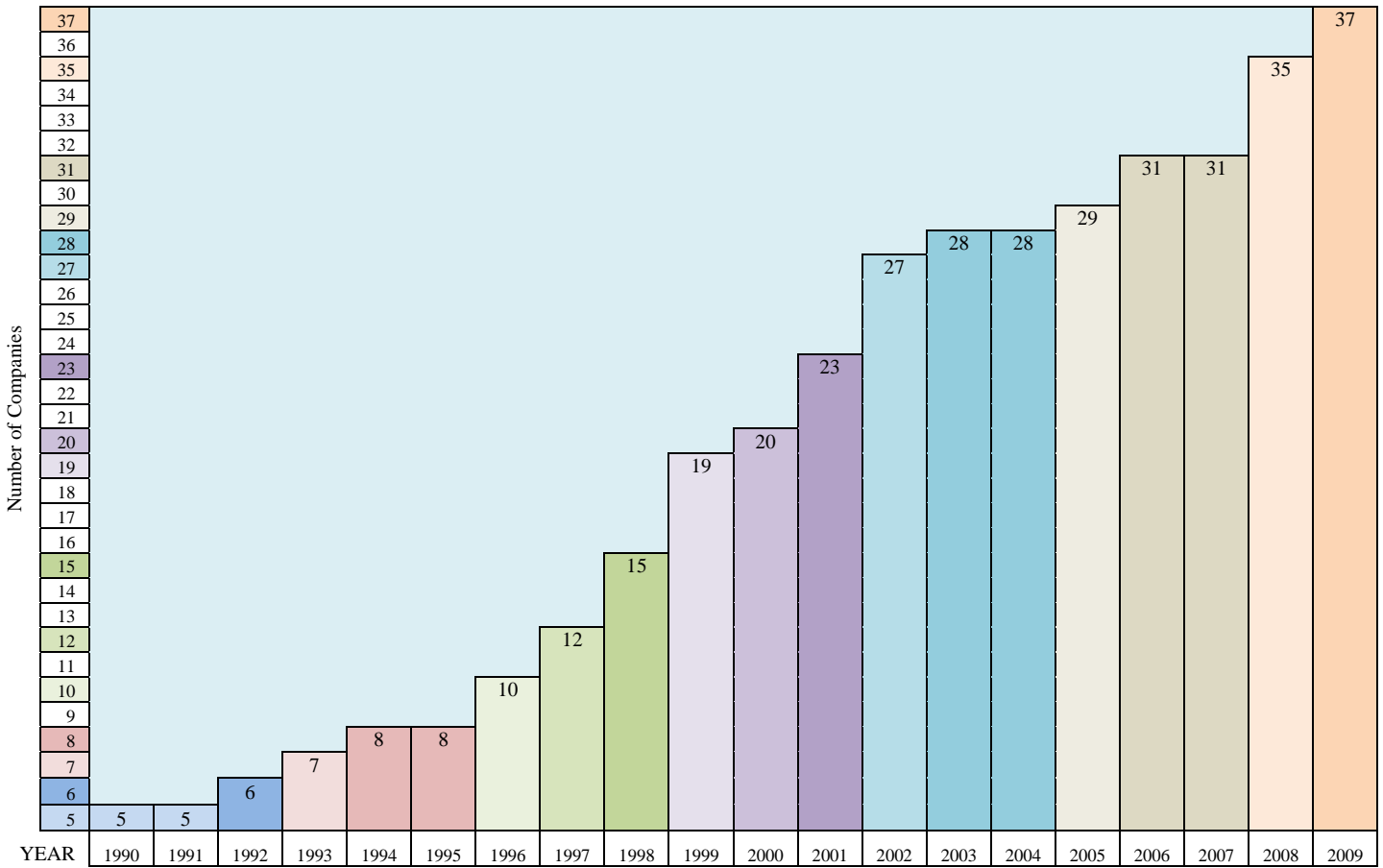
Of these 82 regulated water utilities, 45 are regulated for service. While these utilities meet the definition of a public utility in ORS 757.061, they are not regulated with respect to the rates they charge. Public utilities that are regulated for service must comply with Commission rules and regulations on service matters such as water quality, pressure, customer service, and plant maintenance. The Commission investigates customer service complaints to ensure compliance with service standards.

The remaining 37 utilities are regulated for rates and service. These utilities serve approximately 24,000 customers. The Commission's responsibility includes ensuring that these utilities offer adequate service at fair and reasonable rates. The Commission not only investigates customer service complaints to ensure compliance with the service standards, it also reviews water companies' cost of service and approves appropriate rates for different customer classes.

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<sup>1</sup> Publicly-owned water systems such as Peoples Utility Districts, Cooperatives, Local Improvement Districts, and other districts.

The chart below shows the increase in rate and service regulated water utilities since 1990.



## SERVICE REGULATED WATER UTILITIES

All water companies meeting the definition of a public utility are subject to service regulation.

- **A private or investor-owned water system providing water service meets the definition of a public utility and is regulated for service if any of the following apply:**
  - It charges average monthly rates that exceed \$18 per month; or
  - It provides inadequate service as determined by the Commission; or
  - It provides discriminatory service as determined by the Commission.

- **An association providing water service to customers that are not members of the association meets the definition of a public utility and its service is regulated if:**
  - It charges average monthly rates that exceed \$18; or
  - It provides inadequate service as determined by the Commission; or
  - It provides discriminatory service as determined by the Commission.
  
- **A mobile home park providing water service meets the definition of a public utility and its service is regulated if:**
  - It is serving customers that are outside the mobile home park and
    - Charges average monthly rates that exceed \$18 per month; or
    - Provides inadequate service as determined by the Commission; or
    - Provides discriminatory service as determined by the Commission; or
  - The MHP landlord does not comply with the requirements for water service as found in ORS 90.532, 90.534, and 90.536. ORS 90.532(6) states:

A landlord who provides utilities or services only to tenants of the landlord in compliance with this section and ORS 90.534 and 90.536 is not a public utility for purposes of ORS chapter 757.

**RATE & SERVICE REGULATED WATER UTILITIES**

- **A private or investor-owned company providing water service is subject to rate and service regulation if it meets at least one of the following criteria:**
  - Serves more than 500 customers; or
  - Requests rate regulation; or
  - Charges above the Commission established fee or rate thresholds for metered and non-metered systems and 20 percent of the customers petition for rate regulation. The current thresholds are summarized on the following page.
  - It jointly provides wastewater and water service for customers residing within city limits.

- **An association that provides water service is subject to rate and service regulation if:**
  - 20 percent of the members petition the Commission for rate regulation; or
  - It serves customers who are not members of the association and charges above the Commission established rate thresholds and 20 percent of the customers petition for rate regulation.
  
- **A mobile home park that provides water service is subject to rate and service regulation if:**
  - It does not comply with the requirements for water service as found in ORS 90.532, 90.534, and 90.536 and charges above the Commission established rate thresholds and 20 percent of the customers petition for rate regulation; or
  - It provides service to customers outside the park and charges above the Commission established rate thresholds and 20 percent of the customers petition for rate regulation.

**COMMISSION ESTABLISHED THRESHOLDS (OAR 860-036-0030)**

- \$33 annual average monthly residential or small commercial (line size one inch or less) flat or unmetered rate.
  
- \$36 annual average monthly residential or small commercial (meter size one inch or less) metered rate.
  
- \$110 annual average monthly large commercial (line size greater than one inch) flat or unmetered rate.
  
- \$119 annual average monthly large commercial (meter size greater than one inch) metered rate.
  
- A standard hook-up fee that exceeds \$450 or a nonstandard hook-up fee that is not at actual cost.
  
- Any system development or like fee that is not cost-based.