



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

January 6, 2011

ROSE LODGE WATER COMPANY, INC.
BETTE CARTER
PO BOX 807
NEOTSU, OR 97364

RE: Rose Lodge Water Company, Inc.

Bear Creek and Boulder Creek Water Systems are rate-regulated public water utilities subject to the authority and jurisdiction of the Oregon Public Utility Commission (Commission). Rose Lodge Water Company, Inc. (Rose Lodge) is the parent company of Bear Creek and Boulder Creek Water Systems. All public water utilities are required to provide safe and adequate water service to its customers.

Since June 2010, the Commission has received a significant number of service complaints from customers of Rose Lodge about the water being provided by Bear Creek and Boulder Creek Water Systems. The Commission's Consumer Services Section (CSS) has logged and tracked these complaints. Although some individual complaints have been resolved, there are numerous recurring and system-wide problems that must be resolved. It is imperative that you resolve the service problems you are subjecting your customers to.

SERVICE COMPLAINTS

1. Inaccurate billings
2. Untimely payment posting and posting errors
3. Complaints against Company personnel
4. Water outages
5. Low water pressure
6. Inaccurate meter readings

To avoid further Commission or other agency enforcement action regarding these service complaints, Rose Lodge must address and resolve the service problems listed above.

ACTION REQUIRED

Rose Lodge must:

1. Submit a list of customers that appear to be carrying a balance owing as of the first of December 2010 to CSS.
2. Audit and correct all customer accounts from August 2009 to date to ensure that each customer has been accurately billed for the service actually used.
3. Audit each customer account from August 2009 to date to ensure proper recording of each customer payment received.
4. Submit audited accounts to CSS for review and approval prior to the Company taking any action against customers.
5. Develop a written complaint investigation procedure and submit to CSS for review and approval.
6. Create a complaint log that records every customer complaint. The complaint log is subject to review by CSS upon request. The log must include the following:
 - The date the complaint was received.
 - A summary of the complaint.
 - What the Company did to resolve the complaint.
 - The date the complaint was closed.
7. Create a water pressure log and monitor and record system water pressure on a daily basis to be measured at the highest elevation in the distribution system. The log is subject to review by CSS upon request.
8. Maintain and submit weekly water pressure reports to the CSS showing the week's daily water pressure as measured at the highest elevation in the distribution system.
9. If the pressure falls below 20 PSI, report the pressure to CSS immediately (1-800-522-2404), along with the Company's proposed action for correcting the pressure problem.
10. Require anyone reading meters to write the meter reading down on paper as the meter is read on site. No meter reader will call out meter readings to another person. Meter readings logs are subject to review by CSS.

On or before January 18, 2011, Rose Lodge will:

1. Submit a list of all customers with a balance owing as of the first of December 2010, showing the customer's name, address, account number, and balance.
2. Submit the Company's complaint investigation procedure for review and approval.
3. Submit the weekly water pressure report for the week of January 9, 2011, through January 16, 2011, as measured at the highest elevation in the distribution system.
4. Submit the customer complaint log for all complaints received by the Company from January 7, 2011, through January 16, 2011.
5. Submit a progress report regarding the 10 action items listed above describing:
 - A. What service issues have been resolved, and what the Company did to resolve those problems;
 - B. What service issues are in the process of being resolved and how the Company is addressing those problems; and
 - C. What service issues have not been addressed. For each issue not yet addressed, provide a plan of action to resolve the problem.

Should you fail to file the information required above regarding the Company's progress by January 18, 2011, the Commission may initiate legal remedies, which can include assessing fines, appointing a regent to operate and manage the water system, or court-ordered injunctive relief.

The Commission's Oregon Administrative Rules (OAR) Chapter 860, Division 036, dictate service standards that must be met regarding water pressure, water outages, water supply, billings, meter reading, customer service, and customer information. As you can see from the list of customer complaints in Attachment A, the Company has had an extremely high number of complaints in a short time period for a utility the size of Rose Lodge.

The attached complaints do not reflect the numerous repeat complaints of the same nature received by the Commission. The large number of complaints and the fact that there are recurring complaints indicate that the Company is failing in its duty to adequately resolve complaints. The Company is also in violation of the Commission's statutes and administrative rules, which regulate water utilities to ensure they provide adequate and safe service.

RATE CASE APPLICATION AND TARIFF FILING

The Company's rate application and proposed tariffs were due to the Commission on December 17, 2010. The Commission has not yet received the Company's filing. The Company has until January 24, 2011, to file its application and proposed tariffs.

WATER QUALITY

The Commission is also aware that Rose Lodge is in violation of the Drinking Water Program (DWP) surface water treatment rule, and the customers are being served unfiltered surface water that is unsafe to drink. Oregon Revised Statutes (ORS) 757.020 requires every public utility to furnish adequate and safe service. This means that Rose Lodge is also in violation of the Commission's statute ORS 757.020.

Sincerely,

/s/ Jason W. Jones

Jason W. Jones
Assistant Attorney General
Business Activities Section

JWJ:nal/2467603-v1

Enclosures

cc: Rick Willis, PUC w/o enc.
Marc Hellman, PUC w/o enc.
Michael Dougherty, PUC w/o enc.
Kathy Miller, PUC w/o enc.
Phil Boyle, PUC w/o enc.
Charla Muntz, PUC w/o enc.
Dave Leland, DWP w/o enc.
Joe Carlson, DWP w/o enc.
Karen Kelley, DWP w/o enc.
Fred Kalish, DWP w/o enc.
Amy Chapman, LCEHD w/o enc.
Chandler Brown, Rose Lodge Water Co. Inc. w/o enc.