

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 22, 2018

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE June 8, 2018

DATE: May 7, 2018

TO: Public Utility Commission

FROM: Joan Grindeland

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck

SUBJECT: CLEAR WATER SOURCE LLC.: (Docket No. UP 366) Request for Approval of Sale of Property to Alain Cailler, Patricia Cailler, and Mathieu Cailler.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve the sale of Clear Water Source LLC (Clear Water or Company) to Alain Cailler, Patricia Cailler, and Mathieu Cailler (the Caillers) subject to the following conditions:

1. Company shall notify the Commission in advance of any substantive changes to the transfer of properties, including any material changes in price or conditions of service. Any changes to the agreement terms that alter the intent or extent of activities under the agreement from those approved herein shall be submitted for approval in application for a supplemental order (or other appropriate form) in this docket.
2. The Commission reserves the right to review for reasonableness all financial aspects of this transaction in future rate proceedings to determine appropriate ratemaking treatment.

**DISCUSSION:**

Issue

Whether the Commission should approve the sale of Clear Water to the Caillers.

### Applicable Rule or Law

ORS 757.480(5) and OAR 860-036-2120(1) require water utilities doing business in Oregon to obtain Commission approval prior to disposing of the water utility. The Commission has traditionally applied a public interest “no harm” standard when considering whether or not to approve the transaction.<sup>1</sup>

Pursuant to OAR 860-036-2120(4), the utility must provide the Commission and its customers with notice of the sale no less than 60 days prior to the closing date of the transaction.

### Analysis

#### *Background*

Clear Water is a privately owned, rate regulated water utility serving 22 customers, known as Center View Estates Manufactured Home Subdivision in Salem, Oregon. Water is provided by the City of Salem through a master meter, and then each lot is individually metered. Meters are read and billed monthly by DB Clark, LLC.

Clear Water is currently owned by Loren and Joan Malcom, who recently sold Center View Estates to the Caillers. On March 6, 2018, Clear Water filed an application for Commission approval to sell all assets of the Company to the Caillers. Customers were provided with notice of the sale on March 8, 2018, in accordance with OAR 860-036-2120.

Loren and Joan Malcom state that they desire to sell the water system because of their age and health issues. Upon the close of the transaction, both Clear Water and Center View Estates would be owned by the Caillers. Other than a change in the mailing address for billing payments, Clear Water states that there will be no other major effects to the transaction.

The sale is scheduled to close on June 8, 2018.

#### *Scope and Terms of the Sale Contract*

Staff has reviewed the terms of the Sale Contract and did not find any unusual terms or conditions.

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<sup>1</sup> See *In re Cline Butte Water, LLC*, OPUC Docket No. UP 345, Order No. 17-156 at 3-4 (May 1, 2017) (“[W]e apply a ‘no harm’ standard in approving water utility transfer applications”).

*Transfer Pricing and Allocation of Gain*

The sale price of the Company is \$1. The Company's Application notes that the book value is to be determined by the Commission, as Clear Water does not see a value aside from serving the associated community.

*Public Interest Compliance*

Customers will benefit from a utility that is owned and operated by the same owners as the mobile home park, who are both willing and able to operate the utility. The purchasers have more than 30 years of experience operating other mobile home parks in Florida, Arizona and California where public water has been master metered and then privately maintained by a system that distributed to and billed members. The point of contact for customers regarding maintenance and billing issues will continue to be DB Clark LLC, who has provided these services to Clear Water for the past several years. Additionally, there will be no interruption of service, and the rates will remain the same until the Company's next general rate case. The sale should be a seamless transition for customers. No customers have responded to the sale notification mailed March 8, 2018.

Furthermore, Staff investigated the financial ability of the Caillers to acquire and maintain the utility, and does not have any concerns. For these reasons, Staff concludes that customers will not be harmed by the transaction.

*Records Availability, Audit Provisions, and Reporting Requirements*

Clear Water is a service and rate regulated water utility and will remain so after the sale is final. The Commission retains the right to review all rates related to property sales of the Company during a general rate case.

Conclusion

Staff concludes that the sale of Clear Water to the Caillers meets the public interest, no harm standard, and should be approved subject to Staff's conditions.

**PROPOSED COMMISSION MOTION:**

Approve the sale of Clear Water Source, LLC to Alain Cailler, Patricia Cailler, and Mathieu Cailler subject to the conditions stated in Staff's recommendations in this memorandum.