

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 23, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE Upon Approval

DATE: June 9, 2015

TO: Public Utility Commission

FROM: Jim Stanage *JS*

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebu *BAK*

SUBJECT: AVION WATER COMPANY; (Docket No. UP 319) Request for Authorization to Purchase Desert Springs Water Company.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve the sale of the Desert Springs Water Company to Avion Water Company be approved with conditions.

DISCUSSION:

This application was filed on February 27, 2015, pursuant to ORS 757.480(5). The statute requires that the Commission be notified within 60 days following the sale date, but this transaction occurred on August 25, 2014. Commission staff advised Avion that Commission approval of the sale was necessary.

ISSUE:

Should the sale of Desert Springs Water Company to Avion Water Company be approved by the Commission?

RULE:

Under ORS 757.480(5), the Commission generally applies a public interest "no harm" standard in considering whether or not to approve the transaction.

The reason Desert Springs desired to sell its utility property was because the well had failed and Desert Springs could not afford to repair it and supply water to its customers.

The well failure was due to a lightning strike on July 31, 2014. Avion stepped in and installed an intertie to Cimarron City during the emergency.

Scope and Terms of the Asset Purchase Agreement

The Seller, Nichole Malloy Dixon, an individual, is the sole owner of Desert Springs and owns all of its assets. The property to be sold consists of a water source facility (well), a 40,000 gallon reservoir, and distribution system that consists of approximately 10,639 feet of 6 inch PVC mains. Customer services are all metered. The system is called the "Desert Springs Water System" and is located in Cimarron City, Bend, Oregon. It serves domestic water to 55 property owners, which was also the case at the time of the property sale.

Transfer Pricing and Allocation of Gain

The purchase price of the property was designated as \$55,000 plus Avion assumed the then existing water system repairs and liabilities, as well as the legal expense of the sale. That agreement was signed by both parties on August 25, 2014.

Avion is a financially stable company with access to employees certified in all facets of water operation and water quality.

Staff believes the terms of the sale are fair and reasonable.

Public Interest Compliance

The current customers have benefited from this transaction in several ways: (1) The water utility is being operated by a professional water company that operates other water systems during the regular course of business; (2) Avion maintains an office with regular office hours dedicated to customer service; (3) The company also maintains a website where customers can pay online and find other information related to water; and (4) Avion possesses a staff of water operation professionals dedicated to providing quality service and safe drinking water.

The purchasers are financially able and willing to take over and operate the utility property. The Commission has previously approved Avion purchases multiple times.

Avion has owned and operated water systems for approximately 46 years. Avion is currently responsible for small water systems around the State serving approximately 11,500 customers in the Bend, La Pine, Powell Butte and Redmond areas of Oregon. It is a growing water utility and desires to acquire the water system.

Records Availability, Audit Provisions, and Reporting Requirements

Proposed conditions 1 and 2, below, provide the necessary access to Avion's financial records.

Staff notes that the Commission retains the ability to review all rates related to property sales of the company through general rate case filings.

Conclusion

Staff concludes that the sale of Desert Springs to Avion meets the public interest no harm standard and should be approved.

PROPOSED COMMISSION MOTION:

The sale of the Desert Springs Water Company to Avion Water Company be approved with the following conditions:

1. Avion shall provide the Commission access to all books of account as well as documents, data, and records that pertain to the sale and reporting requirements.
2. The Commission reserves the right to review for reasonableness all financial aspects of the arrangement in any rate proceeding or earnings review.