

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 190(1)

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|--|---|-------|
| In the Matter of |) | |
| |) | ORDER |
| ODELL WATER COMPANY |) | |
| |) | |
| Amendments to a Commission Approved |) | |
| Services Agreement with an Affiliated Interest |) | |

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On February 10, 2005, Odell Water Company (Odell) filed an application pursuant to ORS 757.015(5) and 757.495 and OAR 860-036-0730 to amend a service contract between Odell and D & P Orchards, Inc. The contract was previously approved by the Commission in Order No. 01-562, dated July 6, 2001.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on March 8, 2005, the Commission adopted Staff's recommendation to approve the amendments. Staff's recommendation report is attached as Appendix A, and is incorporated by reference.

ORDER

IT IS ORDERED that the requested amendments to the existing services agreement between Odell Water Company and D & P Orchards, Inc., be approved, subject to certain conditions, as further stated in Appendix A.

Made, entered, and effective MAR 15 2005.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 8, 2005**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A** _____

DATE: February 28, 2005

TO: Public Utility Commission

FROM: Marion Anderson

THROUGH: Lee Sparling, Marc Hellman, and Rebecca Trujillo

SUBJECT: ODELL WATER COMPANY: (Docket No. UI 190(1)) Amendments to a Commission Approved Services Agreement with an Affiliated Interest.

STAFF RECOMMENDATION:

The Commission should approve the amendments to the existing contract between Odell Water Company (Odell) and its affiliate with the following conditions:

1. Odell shall provide the Commission access to all books of account, as well as all documents, data and records of Odell and its affiliate that pertain to transactions between the two.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of this arrangement in any rate proceeding or earnings review under an alternative form of regulation.
3. Odell shall notify the Commission in advance of any substantive changes to the agreement, including any material changes in any cost. Any changes to the agreement terms that alter the intent and extent of activities, under the agreement from those approved herein, shall be submitted for approval in an application for a supplemental order (or other appropriate format) in this docket.

DISCUSSION:

This application was filed on February 10, 2005, pursuant to ORS 757.015(5) and 757.495, and OAR 860-036-0730. The existing contract was approved by Order No. 01-562, dated July 6, 2001. The affiliate listed in that order, D & B Orchards, Inc., is actually D & P Orchards Inc. (D & P). D & P is an agricultural entity providing labor, equipment rental, and transportation services to the utility. An errata order issuance by the Commission Administrative Hearings Division has been requested to make that correction.

The following issues were investigated:

- ◆ Scope of the Agreement
- ◆ Transfer Pricing
- ◆ Determination of Public Interest Compliance
- ◆ Records Availability, Audit Provisions, and Reporting Requirements

Scope of the Agreement: The currently authorized services are labor, equipment rental, and transportation services. A land lease addition is requested.

Transfer Pricing and Determination of Public Interest Compliance: Under the previous agreement, labor is contracted at \$10 per hour and Odell has agreed to that contract amount through 2005. Starting in 2006, the Oregon minimum wage annual inflation rate escalator will be applied to the \$10. The formula used applies the increase in the U.S. City Average Consumer Price Index for All Urban Consumers for all items. The wage amount increase will be rounded to the nearest five cents.

Equipment rental consists of a dump truck billed at \$50 per hour. The new authorization is an annual charge of \$750. This is the average of the years since the previous Commission contract approval of the hourly rate.

As to transportation services, Odell has requested Commission recognition that there are several D & P vehicles used in the normal conduct of Odell's utility operations. The annual IRS rate for business vehicle usage will be applied to actual annual aggregate mileage.

All three of the aforementioned charge bases were previously approved by the Commission.

Finally, a new \$2,000 annual land lease charge recognition is requested for access to and construction of a reservoir, pump station, and transmission pipes. The basis for this charge is the foregone orchard produce revenue for the leased space. Staff finds this to be just and reasonable.

Records Availability, Audit Provisions, and Reporting Requirements: Condition No. 1 provides necessary access to records.

Based on the review of this application, Staff concludes the following:

1. Transfer pricing is acceptable.
2. Customers are not harmed by these transactions.
3. Necessary records are available.
4. The transactions are not contrary to the public interest with the recommended conditions.

PROPOSED COMMISSION MOTION:

The requested amendments to the existing services agreement between Odell Water Company and D & P Orchards Inc. be approved, subject to the aforementioned conditions.