

ORDER NO. 18 195

ENTERED MAY 24 2018

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 366

In the Matter of

CLEAR WATER SOURCE LLC,

Application for Sale, Transfer, or Merger of a
Water Utility to Alain Cailler, Patricia Cailler,
and Mathieu Cailler.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on May 22, 2018, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



A handwritten signature in blue ink, appearing to read "Michael Dougherty", is written over a horizontal line.

Michael Dougherty
Chief Operating Officer

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

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ITEM NO. CA\8

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.

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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.¹

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.

¹ 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").

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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.

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