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March 29, 2019

**VIA ELECTRONIC FILING**

Attention: Filing Center  
Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
P.O. Box 1088  
Salem, Oregon 97308-1088

**Re: UP 384 - In the Matter of SUNRIVER WATER, LLC and NW NATURAL WATER OF OREGON, Joint Application for Approval of the Sale of Sunriver Water, LLC.**

Attention Filing Center:

Enclosed for filing in the above-referenced docket is an electronic copy of the Stipulating Parties' Stipulation.

Please contact this office with any questions.

Sincerely,

A handwritten signature in blue ink that reads "Alisha Till".

Alisha Till  
Paralegal

Attachment

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UP 384, UP 391 (CONSOLIDATED)**

In the Matters of

The Joint Application for Approval of the Sale of  
SUNRIVER WATER, LLC, to NW NATURAL WATER  
OF OREGON, LLC, Pursuant to ORS 757.480 and  
OAR 860-036-2120 (UP 384),

and

The Application for Approval of the Assignment of  
Assets by SUNRIVER WATER, LLC to SUNRIVER  
RESORT LIMITED PARTNERSHIP, Pursuant to ORS  
757.480 and OAR 860-036-2120 (UP 391).

**STIPULATION**

**I. INTRODUCTION**

1           The purpose of this Stipulation is to resolve all issues among all parties to these  
2 consolidated proceedings, specifically NW Natural Water of Oregon, LLC (“Oregon Water”),  
3 Sunriver Water, LLC (“SRW”), Staff of the Public Utility Commission of Oregon (“Staff”),  
4 Oregon Citizens’ Utility Board (“CUB”), and the Sunriver Owners Association (“SROA”);  
5 collectively, the parties are referred to herein as the “Stipulating Parties.” The Stipulating  
6 Parties are the only parties to these consolidated proceedings, and they expect this Stipulation  
7 to resolve all the issues raised in these consolidated proceedings with no exceptions.

**II. BACKGROUND**

8           On October 23, 2018, Oregon Water and SRW filed a Joint Application with the Public  
9 Utility Commission of Oregon (the “Commission”), requesting approval of the sale of SRW by  
10 Sunriver Resort Limited Partnership (“SRLP”) to Oregon Water, as set forth in the Membership  
11 Interest Purchase Agreement (“MIPA”) between SRLP, as Seller, and Oregon Water, as  
12 Purchaser, dated October 12, 2018 (Confidential Exhibit A to the Joint Application). The  
13 Commission assigned Docket No. UP 384 (“UP 384”) to consider the Joint Application. CUB

1 filed its notice of intervention on October 29, 2018. SROA filed a petition to intervene on  
2 November 19, 2018. On December 17, 2018, the Commission held a prehearing conference  
3 at which it granted the petition to intervene by SROA. On December 17, 2018 (corrected  
4 December 20, 2018), the Chief Administrative Law Judge (the “Chief ALJ”) issued a  
5 Prehearing Conference Memorandum setting forth the procedural schedule agreed to by the  
6 Stipulating Parties, including the dates for the filing of testimony and briefs, the date of a  
7 settlement conference, and the tentative date of the Commission decision (June 24, 2019).

8 On January 16, 2019, SRW filed an Application with the Commission requesting  
9 approval of the assignment of certain assets of SRW to SRLP, which the Commission  
10 assigned Docket No. UP 391 (“UP 391”). On the same date, SRW filed a motion to  
11 consolidate UP 384 and UP 391. On January 17, 2019, the Chief ALJ issued a Ruling granting  
12 the motion to consolidate UP 384 and UP 391 (the “Consolidated Proceedings”), and  
13 designating UP 384 as the lead docket.

14 The transaction for which Oregon Water and SRW request Commission approval in  
15 the Joint Application filed in UP 384 and the transaction for which SRW requests Commission  
16 approval in the Application filed in UP 391 collectively are referred to herein as the  
17 “Transactions.”

18 On January 17, 2019, Oregon Water and SRW filed the Direct Testimony of Justin  
19 Palfreyman and the Direct Testimony of Thomas O’Shea, respectively.

20 The Commission held a Public Comment Hearing on the Consolidated Proceedings  
21 on February 7, 2019, in Sunriver, Oregon.

22 On February 21, 2019, Staff, CUB and SROA, respectively, filed the Responsive  
23 Testimony (and exhibits) of Stephanie Yamada, the Response Testimony of William Gehrke,  
24 and the Responsive Testimony of Hugh Palcic.

1 The Stipulating Parties held a settlement conference on February 28, 2019, a  
2 workshop on March 8, 2019, and a settlement conference on March 12, 2019. As a result of  
3 those discussions, the Stipulating Parties reached a comprehensive settlement on all issues  
4 in the Consolidated Proceedings and memorialize the comprehensive settlement in this  
5 Stipulation.

### III. TERMS OF AGREEMENT

6 The Stipulating Parties agree that this Stipulation resolves all issues among all parties  
7 to these Consolidated Proceedings, as set forth below.

8 1. The Stipulating Parties agree that, upon Commission approval and the closing  
9 of the Transactions, Oregon Water and SRW, as applicable, shall be subject to the following  
10 conditions:

11 Condition 1. SRW will not, at any point in time, be owned by Northwest Natural Gas  
12 Company (“NWN Gas”) or any subsidiary of NWN Gas.

13 Condition 2. SRW shall provide the Commission access to all books of account as  
14 well as all documents, data, and records that pertain to the transfer of  
15 properties or to transactions between SRW and Oregon Water or any  
16 other affiliate.  
17

18 Condition 3. SRW shall notify the Commission if substantive changes are made to  
19 the MIPA, including any material changes in price. Any substantive  
20 changes to the MIPA terms that alter the intent or extent of the MIPA  
21 from those approved herein shall be submitted for Commission  
22 approval in an application for a supplemental order (or other  
23 appropriate form) in the Consolidated Proceedings.

24 Condition 4. SRW will provide notice to the Commission within ten (10) days of the  
25 closing of the Transactions.





1           Condition 19. In its next general rate proceeding, SRW will demonstrate that all  
2           assets transferred to SRLP as described in the UP 391 Application  
3           have been removed from customer rates.

4           Condition 20. SRW will not include the start-up costs of the contemplated stand-alone  
5           Information Technology network (referenced in Mr. Palfreyman's Direct  
6           Testimony) in rates in any subsequent rate case following Commission  
7           approval of the Transactions.

8           Condition 21. The Stipulating Parties agree that the net value of Well #4 is \$64,350.  
9           Based on the historical utilization of Well #4 by SRW, the Stipulating  
10          Parties agree that domestic customers will be allocated \$40,837 as a  
11          one-time bill credit. The remaining \$23,513 is allocated to SRW. The  
12          Stipulating Parties agree that SRW will calculate the one-time bill credit  
13          by apportioning the \$40,837 to domestic rate schedules on the basis of  
14          volumes using calendar year 2018 volumes. SRW then will issue the  
15          one-time bill credit to each customer on an equal amount per customer  
16          basis within each rate schedule. SRW will issue the one-time bill credit  
17          within sixty (60) days of the closing of the Transactions.

18          Condition 22. The Stipulating Parties agree that the net value of Well #12 is \$95,716.  
19          Based on the historical utilization of Well #12 by SRW, the Stipulating  
20          Parties agree that domestic customers will be allocated \$29,451 as a  
21          one-time bill credit, and that customers on the Golf Course rate  
22          schedule will be allocated \$58,902 as a one-time credit. The remaining  
23          \$7,363 is allocated to SRW.

24                               The Stipulating Parties agree that SRW will calculate the bill  
25          credit for domestic customers by apportioning the \$29,451 to domestic

1 rate schedules on the basis of volumes using calendar year 2018  
2 volumes. SRW then will issue the one-time bill credit to each customer  
3 on an equal amount per customer basis within each rate schedule.  
4 SRW will issue the one-time bill credit within sixty (60) days of the  
5 closing of the Transactions.

6 The Stipulating Parties agree that SRW will calculate the bill  
7 credit for the two customers on the Golf Course Rate Schedule (SRLP  
8 and Caldera Springs Owners Association (CSOA)) by apportioning the  
9 \$58,902 to those customers on the basis of volumes used by each  
10 customer in calendar year 2018. The amount due to CSOA will be  
11 made as a one-time bill credit. Because SRLP will no longer be a Golf  
12 Course Irrigation customer following closing of the Transactions, SRW  
13 will pay the amount due to SRLP by check. SRW will issue the one-  
14 time bill credit and check within sixty (60) days of the closing of the  
15 Transactions.

16 Condition 23. If, during the ten (10)-year period following the closing of the  
17 Transactions, SRW is required to complete a mitigation project or to  
18 obtain additional mitigation credits (beyond the 2.1 acre-feet of  
19 permanent mitigation credits that SRW has already acquired) to serve  
20 utility customers in its current service territory (plus the 614-acre  
21 Caldera Springs annexation) in order to use water permitted by Permit  
22 G-17882 or any other permit or right, SRW will bear the cost of that  
23 mitigation project or those mitigation credits up to the equivalent of 90  
24 credits. "Bearing the cost" means that SRW will not include in its  
25 revenue requirement any expense (including depreciation) associated



1 with such a mitigation project or mitigation credits, and SRW will not  
2 include its investment in any such mitigation project or mitigation credits  
3 in rate base. For the avoidance of doubt, SRW's investment in or  
4 acquisition of any storage facility will not be considered a mitigation  
5 project or related to mitigation credits for the purpose of this paragraph;  
6 provided that the investment in or acquisition of such storage facility  
7 does not require SRW to complete a mitigation project or obtain  
8 mitigation credits (beyond the 2.1 acre-feet of permanent mitigation  
9 credits that SRW has already acquired) pursuant to OAR chapter 690,  
10 divisions 505 or 521, respectively.

11 2. Right of First Refusal. SROA asserted that it may possess a Right of First  
12 Refusal, Right of First Offer, or other right to purchase the ownership interests or assets of  
13 SRW (collectively, "ROFR"). SRW, SRLP and Oregon Water dispute that any such ROFR  
14 exists. SROA and Staff have conducted discovery relating to this issue. For the purpose of  
15 resolving these Consolidated Proceedings on the terms and conditions set forth in this  
16 Stipulation, which SROA believes are in the best interest of it and its members, SROA  
17 agrees to forever waive any right it may have or have had under any ROFR, to release and  
18 discharge SRW, SRLP and Oregon Water from any claim SROA has made or could have  
19 made under any ROFR, and to terminate and extinguish any ROFR. This paragraph is  
20 intended to benefit SRW, SRLP and Oregon Water and may be enforced by SRW, Oregon  
21 Water and SRLP as a third-party beneficiary to this Stipulation. All Stipulating Parties concur  
22 with the foregoing resolution of the ROFR issue on the basis and belief that it results in no  
23 harm to SRW or its customers, including SROA.

1           3.    The Stipulating Parties recommend and request that the Commission approve  
2    the provisions described herein as appropriate and reasonable resolutions of the identified  
3    issues in the Consolidated Proceedings.

4           4.    The Stipulating Parties agree that the Transactions and this Stipulation meet  
5    the “no harm” standard in ORS 757.480, as interpreted by the Commission.

6           5.    This Stipulation will be offered into the record as evidence pursuant to OAR  
7    860-001-0350(7). The Stipulating Parties agree to support this Stipulation throughout this  
8    proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and  
9    recommend that the Commission issue an order adopting this Stipulation without  
10   modification. The Stipulating Parties also agree to cooperate in drafting and submitting joint  
11   testimony and/or a brief in support of this Stipulation in accordance with OAR 860-001-  
12   0350(7).

13          6.    If this Stipulation is challenged, the Stipulating Parties agree that they will  
14   continue to support the Commission’s adoption of the terms of this Stipulation.

15          7.    The Stipulating Parties have negotiated this Stipulation as an integrated  
16   document. If the Commission rejects all or any material portion of this Stipulation or imposes  
17   additional material conditions in approving this Stipulation, any of the Stipulating Parties are  
18   entitled to withdraw from this Stipulation or exercise any other rights provided in OAR 860-  
19   001-0350(9). To withdraw from this Stipulation, a Stipulating Party must provide written  
20   notice to the Commission and the other Stipulating Parties within five (5) days of service of  
21   the final order rejecting, modifying or conditioning this Stipulation.

22          8.    By entering into this Stipulation, no Stipulating Party approves, admits, or  
23   consents to the facts, principles, methods, or theories employed by any other Stipulating  
24   Party in arriving at the terms of this Stipulation, other than those specifically identified in the  
25   body of this Stipulation. No Stipulating Party shall be deemed to have agreed that any

1 provision of this Stipulation is appropriate for resolving issues in any other proceeding,  
2 except as specifically identified in this Stipulation.

3 9. This Stipulation is not enforceable by any Stipulating Party unless and until  
4 adopted by the Commission in a final order. Each signatory to this Stipulation avers that  
5 they are signing this Stipulation in good faith and that they intend to abide by the terms of  
6 this Stipulation unless and until this Stipulation is rejected or adopted only in part by the  
7 Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction  
8 to enforce or modify this Stipulation. If the Commission rejects or modifies this Stipulation,  
9 the Stipulating Parties reserve the right to seek reconsideration or rehearing of the  
10 Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the  
11 Commission order under ORS 756.610.

12 10. This Stipulation may be executed in counterparts and each signed counterpart  
13 shall constitute an original document.

14

15 (REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

1            This Stipulation is entered into by each Stipulating Party on the date entered below  
2 such Stipulating Party's signature.

3

4            DATED this 29<sup>th</sup> day of March, 2019.

NW NATURAL WATER OF OREGON,  
LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

*Lisa Rechner*  
3/29/19

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

Date: \_\_\_\_\_

SUNRIVER WATER, LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

Date: \_\_\_\_\_

SUNRIVER OWNERS ASSOCIATION

By: \_\_\_\_\_

Date: \_\_\_\_\_

5

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NW NATURAL WATER OF OREGON,  
LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By:  \_\_\_\_\_

Date: 3/29/2019 \_\_\_\_\_

SUNRIVER WATER, LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON CITIZENS' UTILITY BOARD

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LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

Date: \_\_\_\_\_

SUNRIVER WATER, LLC

BY: SUNRIVER RESORTS LIMITED  
PARTNERSHIP, ITS MEMBER

BY: LOWE SUNRIVER, INC.,  
ITS GENERAL PARTNER

BY:   
CHRISTOPHER CURRIE,  
SENIOR VICE PRESIDENT

DATE: 3/28/19

OREGON CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

Date: \_\_\_\_\_

SUNRIVER OWNERS ASSOCIATION

By: \_\_\_\_\_

Date: \_\_\_\_\_

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LLC

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

SUNRIVER WATER, LLC

OREGON CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

By: W. M. Crute

Date: \_\_\_\_\_

Date: 3-28-19

SUNRIVER OWNERS ASSOCIATION

By: \_\_\_\_\_

Date: \_\_\_\_\_

5  
6  
7  
8  
9  
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Date: \_\_\_\_\_

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COMMISSION OF OREGON

By: \_\_\_\_\_

Date: \_\_\_\_\_

SUNRIVER WATER, LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

Date: \_\_\_\_\_

SUNRIVER OWNERS ASSOCIATION

By:  \_\_\_\_\_

Date: 3/28/19 \_\_\_\_\_

5