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December 21, 2018

VIA ELECTRONIC FILING AND U.S. MAIL

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

**Re: Docket No. UP 384: NW Natural Water of Oregon, LLC and Sunriver Water, LLC's
Joint Application for an Order Approving the Sale of Sunriver Water, LLC.**

Attention Filing Center:

Attached for filing is an electronic copy of replacement pages for NW Natural Water of Oregon, LLC and Sunriver Water, LLC's Joint Application for an Order Approving the Sale of Sunriver Water, LLC (Joint Application). Certain information in the Joint Application was designated as **Confidential** in the original October 23, 2018 filing, and is being re-designated as **Highly Confidential** in accordance with Order No. 18-487. This filing includes replacement pages 2, 3, 4, 6, 7 and 8 of the Joint Application and a replacement Exhibit A. The changes in the replacement pages are as follows:

- Page 2, line 18: Changes reference to "Confidential Exhibit A" to "Highly Confidential Exhibit A";
- Page 3, footnote 5: Changes reference to "Confidential Exhibit A" to "Highly Confidential Exhibit A";
- Page 4, line 4: Changes reference to "Confidential Exhibit A" to "Highly Confidential Exhibit A";
- Page 6, line 14: Changes reference to "Confidential Exhibit A" to "Highly Confidential Exhibit A";

- Page 7, lines 10-12: Changes reference to "Confidential Exhibit A" to "Highly Confidential Exhibit A" and changes designation of information provided from Confidential to Highly Confidential;
- Page 8, line 1: Changes designation of information provided from Confidential to Highly Confidential;
- Confidential Exhibit A: Changes designation of information in Confidential Exhibit A to Highly Confidential.

Please destroy the hard copies of Confidential pages 7 and 8 of the Joint Application and Confidential Exhibit A that were included with the October 23, 2018 filing. Hard copies of the Highly Confidential portions of the replacement pages to the Joint Application and Highly Confidential Exhibit A will be sent to the Commission via U.S. Priority Mail.

Please contact this office with any questions.

Sincerely,



Wendy McIndoo
Office Manager

Attachments

1 Salmon Valley Water Company to NWN Water LLC.² More recently, Oregon Water was
2 formed to acquire Oregon water utilities under the platform NWN Water LLC. Oregon Water
3 and SRW request approval of this Joint Application as it is consistent with Northwest Natural
4 Holding Company's growth strategy, and SRW's customers will not be harmed and will
5 benefit from new ownership.

II. DISCUSSION

A. Description of Proposed Transaction.

6 SRW is a privately-owned, rate-regulated water utility located in Sunriver, Oregon, and
7 currently provides water service to approximately 4,722 customers in the Sunriver area.
8 SRW is currently owned by Sunriver Resort and is managed by Gary Hutter. Sunriver
9 Resort also owns Sunriver Environmental, LLC ("SRE"), a wastewater utility, which is also
10 being sold to Oregon Water. However, the Commission does not have jurisdiction over the
11 sale of interests in SRE and that portion of the transaction is not the subject of the Joint
12 Application.

13 The SRW sale is structured as a membership interest purchase agreement, in which
14 Oregon Water will purchase all of Sunriver Resort's membership interests in SRW
15 ("Proposed Transaction"). After the Proposed Transaction is completed, SRW will become
16 a wholly-owned subsidiary of Oregon Water. The executed Membership Interest Purchase
17 Agreement between Sunriver Resort and Oregon Water ("Membership Interest Purchase
18 Agreement" or "MIPA") is included as Highly Confidential Exhibit A to this Joint Application.³
19 The MIPA was executed on October 12, 2018, and Commission approval of the Proposed
20 Transaction is a condition of closing. Accordingly, the Proposed Transaction will not close

² *In the Matter of Salmon Valley Water Company, Application for Authorization of the Sale of Salmon Water Company to NW Natural Water Company, LLC*, Docket No. UP 362, Order No. 18-358 (Sept. 26, 2018).

³ The MIPA also includes Sunriver Resort's membership interests in SRE.

1 until after the Commission issues an order in this proceeding approving the Proposed
2 Transaction.

3 After the Proposed Transaction closes, SRW will continue to exist in its current form
4 as a subsidiary of Oregon Water, and as an indirect subsidiary of NW Natural Water LLC.
5 SRW will continue to own all utility property, easements, and water rights. After closing,
6 SRW's current affiliated interest agreement with Sunriver Resort⁴ will be terminated, as
7 SRW and Sunriver Resort will no longer be affiliated. Under the Transition Services
8 Agreement, attached to the MIPA as Appendix B, Sunriver Resort will continue to provide
9 certain services to SRW for six months, unless Oregon Water determines that those
10 services are not required for the entire six-month term.

11 It is the Parties' intention that SRW's manager, Gary Hutter, will continue in his current
12 role. Moreover, the MIPA and related appendices ensure that upon completion of the
13 transaction, all of Sunriver's employees providing services to SRW—including those
14 providing office management, customer service, billing, and operations and maintenance
15 support for SRW—will have the opportunity to continue to do so as employees of Oregon
16 Water.⁵ Thus, from the perspective of SRW's customers, the transition of ownership to
17 Oregon Water will be seamless.

⁴ See *In the Matter of Sunriver Water LLC, Request for Approval of Affiliated Interest Agreement with Sunriver Resort Limited Partnership*, Docket No. UI 378, Order No. 16-452 (Nov. 23, 2016).

⁵ See, Highly Confidential Exhibit A, MIPA, Section 7.8, and Transition Services Agreement, attached to the MIPA as Appendix B. Note that the personnel currently performing services for SRW are employees of Sunriver Resort. Pursuant to Section 7.8, upon closing, those employees, if still employed by Sunriver Resort as of the closing date, will be offered employment by Oregon Water—except that certain persons providing administrative services will remain employed by Sunriver Resort and will provide transition services pursuant to the Transition Services Agreement. Most of Sunriver Resort's employees currently performing services for SRW split their time between SRW and its unregulated affiliated, SRE. After closing, Oregon Water intends to continue to share employees between SRW and SRE, and commits that the costs associated with shared employees will be allocated consistent with their historical allocation. Oregon Water will evaluate the appropriateness of the allocation of employee time on an ongoing basis.

B. Legal Standard - ORS 757.480(5) Imposes a “No Harm” Standard.

1 In accordance with ORS 757.480(5), Commission authorization is required before a
2 water utility doing business in Oregon may “sell, lease, assign, or otherwise dispose of”
3 water utility property necessary for public service and valued in excess of \$10,000. Pursuant
4 to the MIPA (attached as Highly Confidential Exhibit A), all of Sunriver Resort’s membership
5 interests in SRW will be sold to Oregon Water.⁶ The statute at issue in this proceeding,
6 ORS 757.480, requires approval by the Commission for the Proposed Transaction. The
7 Commission has interpreted this statute as imposing a “no harm” standard.⁷

C. The Proposed Transaction Satisfies the “No Harm” Standard.

8 SRW’s customers will not be harmed by the Proposed Transaction, and will in fact
9 benefit from new ownership.

10 **First**, SRW’s customers will experience no disruption in service and will not be harmed
11 by the Proposed Transaction. Because SRW will continue to operate and remain intact after
12 the Proposed Transaction—with the same management and employees, same billing
13 platform, and same service—SRW’s customers will experience no disruption in service as
14 a result of the sale.

15 **Second**, SRW’s parent, Oregon Water, and its parent, NWN Water LLC, will share
16 common executive team members with their affiliate, NW Natural, and thus SRW will benefit
17 from the experience and expertise of NW Natural. In particular, SRW’s customers will
18 benefit from NW Natural’s experience and expertise in planning for, building, and
19 maintaining safe and reliable pipeline infrastructure. SRW will continue to need ongoing

⁶ Sunriver Resort will retain Well 12 (Crosswater Golf irrigation well and associated water rights) and previously abandoned Well 4, and Sunriver Resort will continue to be responsible for capital and operating costs associated with these retained facilities.

⁷ *In re Cline Butte Water, LLC*, 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”); *In the Matter of Alsea Properties, Inc., Request for Approval to Sell Westwood Vill. to Highland Water Corp*, Docket No. UP 300, Order No. 14 230 (June 24, 2014); *In the Matter of a Legal Standard for Approval of Mergers*, Docket No. UM 1011, 01-778 at 10 (Sept. 4, 2010).

1 [water utility] necessary or useful in performance of its duties, or any part thereof with a
2 value in excess of \$10,000.” As described further below, this Joint Application satisfies the
3 requirements of OAR 860-036-2120.

a. Application Form

4 OAR 860-036-2120(3) requires that “[a] water utility or the other party to these
5 transactions must request authorization using the application form available” on the
6 Commission’s website. SRW and Oregon Water have provided the information required in
7 the Commission’s application form in Section II.D.3, below.

b. Notice

8 As required by OAR 860-036-2120(4), SRW will provide notice of the Proposed
9 Transaction to its customers more than 60 calendar days prior to the closing of the
10 transaction, and will provide a copy to the Commission’s Consumer Services Section.
11 Additionally, SRW will post notice at the utility’s office and on its website. SRW’s draft notice
12 is included as Exhibit B to this Joint Application.

**3. Water Utility Application for an Order Authorizing the Sale, Transfer, or
Merger pursuant to ORS 757.480 and OAR 860-036-2120**

13 The information required by the Commission’s application form is set forth below.

**a. Attach a copy of the contract or agreement to this application. The
contract/agreement must contain the exact terms and provisions of
the transaction. The Commission will be advised in writing of the
exact date the transaction is entered into and that the terms and
provisions of the contract/agreement are the same as set forth
herein, if this application is approved.**

14 The MIPA was entered into on October 12, 2018, and is included as Highly
15 Confidential Exhibit A to this Joint Application. SRW will be a wholly-owned subsidiary of
16 Oregon Water.

**b. List the names, addresses, telephone numbers, and e-mail
addresses of each purchaser or party in the transaction.**

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Sunriver Resort LP

Justin Palfreyman
NW Natural Water of Oregon, LLC

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c. Describe the utility property that is affected by this transaction.

1 Oregon Water is acquiring all membership interests in SRW, and SRW will continue
2 to exist as a subsidiary of Oregon Water after the transaction and will continue to own all of
3 its utility property, except for the irrigation well, Well #12, and certain associated water rights,
4 which are being retained by Sunriver Resort to provide irrigation service to Crosswater Golf
5 Course.⁸ The property owned by SRW—and which SRW will continue to own after the
6 Proposed Transaction closes—includes, but is not limited to, three domestic wells, one
7 domestic test well to be constructed, four finished water storage reservoirs, two major
8 booster pump stations with associated pressure reducing valves, water meters, fire
9 hydrants, and valves, and approximately 420,000 feet of distribution system pipelines.

d. Price and net book value.

10 The purchase price for SRW and SRE together is [REDACTED]
11 [REDACTED], payable as set forth in the MIPA attached as Highly
12 Confidential Exhibit A to this Joint Application. Of that amount, [REDACTED]

⁸ Well #4—which is no longer in use, has no associated water rights, and does not supply water to the system—will be retained by Sunriver Resort.

1 [REDACTED] is attributable to SRW. The net book value of SRW's
2 assets is \$2,548,589 million.

e. List the reasons the applicant desires to sell, transfer, or merge its property and any facts supporting the reasons why the transaction is proposed.

3 The current owner of SRW desires to sell the water system because the current owner
4 is the operator of the Sunriver Resort and its associated properties and amenities. While
5 the utility business supports its ongoing businesses, the utility is not the current owner's
6 primary focus. Accordingly, the current owner believes the sale is in the best interest of the
7 community and SRW's customers. The current owner will remain the largest customer of
8 SRW following the sale and will benefit with all other customers from the ongoing efficient
9 and well-managed operation of Sunriver Water.

f. List and discuss all effects of the transaction upon current customers.

10 Oregon Water expects that the Proposed Transaction will be seamless from SRW's
11 customers' perspective, and customers will experience no interruption in service in
12 connection with the sale of SRW. There will be no immediate changes to SRW's rates or
13 billing system, and customers will continue to be able to pay bills online as they have in the
14 past. The Parties intend that SRW will retain its current management and staff, who will
15 remain available for customer service and emergency response just the same as before the
16 Proposed Transaction.⁹

g. List and discuss the benefits current customers will realize from this transaction.

17 Oregon Water expects that SRW's customers will benefit as a result of the Proposed
18 Transaction. See discussion in Section II.C, above.

⁹ See fn. 4 and accompanying text.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 384

**Exhibit A to Joint Application for an Order Approving
the Sale of Sunriver Water, LLC**

HIGHLY CONFIDENTIAL

Membership Interest Purchase Agreement

December 21, 2018

(Replaces version filed on October 23, 2018)

**EXHIBIT IS HIGHLY CONFIDENTIAL
SUBJECT TO MODIFIED
PROTECTIVE ORDER NO. 18-487
AND WILL BE PROVIDED
SEPARATELY**