

**PETE'S MOUNTAIN WATER COMPANY, INC.**

P.O. Box 418  
Canby OR 97013-0418

February 9, 2007

Oregon Public Utility Commission  
P.O. Box 2148  
Salem OR 97308

**Attention:** Vikie Bailey-Goggins

RE: **AFFILIATED INTEREST APPLICATION** of **PETE'S MOUNTAIN WATER COMPANY, INC.** (herein called "the Company") with **TERRY L. WEBBER** (herein called "Mr. Webber") pursuant to ORS 757.495 and OAR 860-036-0730

Dear Ms. Bailey-Goggins:

This affiliated interest application is submitted in the manner and form indicated by OAR 860-036-0730.

**INFORMATION REQUIREMENTS**

**(a)The applicant's exact name and the address of its principal business office:**

PETE'S MOUNTAIN WATER COMPANY, INC., P.O. Box 418, Canby OR 97013-0418.

**(b) The name and address of the persons authorized on the water utility's behalf, to receive notices, inquiries, and communications regarding the information:**

SUZANNE WEBBER, P.O. Box 418, Canby OR 97013-0418.

and

JAMES A. COX, Attorney at Law, 1530 Rainier Rd., Woodburn OR 97071.

**(c) A statement describing the relationship between the water utility and the contracting entity as defined by ORS 757.015 and 757.490:**

Mr. Webber, jointly with his wife Suzanne Webber, owns two-thirds (2/3) of the outstanding stock of the Company.

**(d) The amount, kind, and ratio to total voting securities held, if applicable:**

Mr. Webber, jointly with his wife Suzanne Webber, owns two-thirds (2/3) of the outstanding voting stock of the Company.

**(e) A list of all officers and directors of the affiliated interest who are also officers or directors of the applicant:**

None. Mr. Webber is an individual, not a corporation.

**(f) The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract:**

Mr. Webber is an officer, director and shareholder of the Company.

**(g) A description of the goods or services to be provided, the cost incurred in providing each of the goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services:**

Note: Mr. Webber has been furnishing the services described herein for many years. This has been done without the filing of an Affiliated Interest ("AI") Application because of the position previously taken by PUC Staff that an AI application was not required for personal services furnished by a stockholder/officer to a regulated utility such as the applicant. The Commission, in the Applicant's pending rate case (UW117), has overruled the Staff's position. This application is therefore being filed to bring the Company into compliance with the Commission's ruling.

The affiliated party's services fall into two categories:

- (1) Perform maintenance, service and repair of the system's wells, pumping equipment, water lines, meters, and other facilities and property. Perform the duties of a certified water operator if Suzanne Webber is unavailable or unable to perform those duties. Be available and on call at all times to respond to customer complaints that cannot be handled by Suzanne Webber, and to take care of emergencies that may arise needing immediate attention.
- (2) Perform corporate management, planning and governance as required of a president and director of a corporation.

Mr. Webber's employment will be on an "at will" basis. Services in both of the above categories will be provided on an hourly basis. The compensation for services in the first category will be \$25 per hour; and for services in the second category, \$50 per hour. In both categories the rate of compensation may be adjusted annually based on changes in the Consumer Price Index in the Portland Metropolitan Area. Appropriate business records will be kept showing the dates on which services are performed, the nature and location of the work, and the time spent.

The "maintenance, service and repair" work cannot be feasibly done by outside providers. Commercial sources capable of doing that kind of work are not available day or night on short notice. If an outside provider were hired, the rates (usually plus mileage and equipment charges) would be in excess of \$25 per hour. Small jobs that could be handled by Mr. Webber

in an hour or two could not economically be contracted out to an outside provider because of "minimum charge" rates for service calls by outside providers.

**(h) An estimate of the amount the water utility will pay annually for the goods or services and the accounts in which it will record the charges:**

The estimated annual payment to Mr. Webber for the first category of services (maintenance, service and repair) is \$2,000. The costs will be charged to the wages, salaries and personal services account.

**(i) The reasons, in detail, relied upon by the water utility for procuring the proposed goods or services from the affiliate and benefits, if any, utility customers and the general public will derive from the provision of goods or services:**

The reasons for procuring services from Mr. Webber are convenience and substantial cost saving. The customers will benefit from the reduced expense because the Company's cost of doing business, which would be passed along to customers in determining water rates, is thereby reduced. No benefit to members of the general public other than customers is perceived.

**(j) A description of the procurement process and the reasons, in pertinent detail appropriate to the complexity of the procurement, relied upon by the water utility for procuring the proposed goods or services without a competitive procurement process, if such a process is not used,**

Because of the unique situation with a corporate officer and director being available, willing and competent to provide such services, a competitive procurement process is not feasible.

**(k) Transfer prices in contracts or agreements for the procurement of goods or services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process:**

The services that would be available under a competitive procurement process would be inferior to the level of service that Mr. Webber can provide, would be less convenient and more costly, and would not be in the best interests of the water users or the Company.

**ATTACHMENT**

**(l) A Copy of the resolution of the Company's directors authorizing the proposed transactions is included herewith. Stockholders' approval is not required. Because the employment will be on an "at will" basis, and because Mr. Webber as an officer and director of the Company has agreed to the resolution, no separate written employment contract is required.**

Pete's Mountain Water Company, Inc.

February 9, 2007

Page 4

For the reasons set forth above, PETE'S MOUNTAIN WATER COMPANY, INC. respectfully requests that the Commission issue an order approving the affiliated interest contract between PETE'S MOUNTAIN WATER COMPANY, INC and TERRY L. WEBBER pursuant to the provisions of ORS 757.495 and OAR 860-0386-730.

DATED: February 9, 2007.

PETE'S MOUNTAIN WATER COMPANY, INC.

By \_\_\_\_\_  
Terry L. Webber, President

By \_\_\_\_\_  
Suzanne Webber, Secretary

MEETING OF DIRECTORS  
OF PETE'S MOUNTAIN WATER CO., INC.,  
AN OREGON CORPORATION

A special meeting of the directors was convened on February 9, 2007.

All directors were present and waived notice of the meeting.

It was discussed that the Oregon Public Utility Commission has insisted that the corporation enter into a written agreement, which has heretofore been a verbal arrangement, with Terry L. Webber for compensation for his services.

The conflict of interest between Terry L. Webber and Suzanne Webber on the one hand, and the Corporation on the other hand, was recognized and acknowledged. However since they are the only directors of the corporation, and since the approval of the agreement was determined to be in the corporation's best interests and not detrimental to the interests of the other stockholder, they proceeded upon the advice of counsel to consider and vote on the issue.

A motion for adoption of the following resolution was moved, seconded and unanimously passed:

“RESOLVED: The Corporation hereby enters into an agreement with Terry L. Webber for him to provide services to the corporation in two categories:

- (1) To perform maintenance, service and repair of the system's wells, pumping equipment, water lines, meters, and other facilities and property on an as-needed basis; to perform the duties of a certified water operator if Suzanne Webber is unavailable or unable to perform those duties; to be available and on call at all reasonable times to respond to customer complaints that cannot be handled by Suzanne Webber; and to take care of emergencies that may arise needing immediate attention; and
- (2) To perform and provide to the best of his ability corporate management, planning and governance and to attend meetings as required of a president and director of a corporation.

Mr. Webber's employment will be on an "at will" basis. Services in both of the above categories will be provided on an hourly basis. The compensation for services in the first category will be \$25 per hour; and for services in the second category, \$50 per hour. In both categories the rate of compensation may be adjusted annually based on changes in the Consumer Price Index in the Portland

Metropolitan Area. Appropriate business records will be kept showing the dates on which services are performed, the nature and location of the work, and the time spent.

This resolution shall become effective without further action by the corporation or Mr. Webber upon approval of the Affiliated Interest Application to the Public Utility Commission for such services. Mr. Webber shall endorse his acceptance and approval of this resolution by his signature, in his individual capacity, on this resolution.”

There being no further business to come before the directors, the meeting was adjourned.

---

Suzanne Webber, Secretary

Approved:

---

Terry L. Webber, Director

Approved and agreed:

---

Terry L. Webber, individually