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August 24, 2018

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Attn: Filing Center

RE: UI 400 – Withdrawal of Application Requesting Approval of an Affiliate Interest Agreement with SouthWest Water Company

On June 5, 2018, Oregon Water Utilities-Mountain Lakes, Inc. (OWU-ML) filed an application requesting approval of an affiliate interest agreement (Agreement) with SouthWest Water Company (SouthWest). Pursuant to the Agreement, goods and services would be provided to OWU-ML by SouthWest and its subsidiaries. The filing was made pursuant to ORS 757.495 and OAR 860-036-2210.

Pursuant to discussions with Public Utility Commission of Oregon Staff on August 21, 2018, OWU-ML will withdraw the current application and, consistent with those discussions, refile the application with additional support for its cost and market estimates.

Compliance with OAR 860-036-2210(2)

Term 8 of the term sheet that was included in Order No. 17-168, approving the sale of OWU-ML (then Running Y Water, LLC) to SouthWest required that:

An application must be filed no later than 90-calendar days after the execution of the contract giving rise to the application. The contract is deemed to be executed on the date the parties sign a written contract or on the date the parties begin to transact business under the contract, whichever date is earlier.

Pursuant to this provision, OWU-ML filed applications for approval of affiliate interest agreements on August 31, 2017, which were docketed as UI 388 and UI 390. In accommodation of Staff's request, OWU-ML withdrew these filings on November 8, 2017. The withdrawal letters state:

Staff requested that OWU-ML withdraw the filing[s] to provide additional time for review, make revisions to the affiliated interest agreement, and file a new application that addresses the concerns that Staff raised. OWU-ML will file a new application responsive to Staff's concerns.

Compliance with OAR 860-036-2230(2)(e)

Term 8 of the term sheet that was included in Order No. 17-168, approving the sale of OWU-ML (then Running Y Water, LLC) to SouthWest, stated that OWU-ML would comply with OARs 860-036-2200, -2210, and -2230 when recording affiliate transactions on its books and records. Specifically, OAR 860-036-2230(2)(e) requires:

When services or supplies are sold to a water utility by an affiliate, sales must be recorded in the water utility's accounts at the affiliate's cost or the market rate, whichever is lower. The affiliate's cost must be calculated using the water utility's most recently authorized rate of return.

Notwithstanding OWU-ML's request to withdraw this application, OWU-ML believes that it has complied with Term 8 in that it has recorded the cost of all goods and services received from affiliates at cost, with no profit markup, and reflecting significant economies of scale generated through use of a shared services model.

Sincerely,



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