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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UI 212

In the Matter of)	
)	ORDER
CEDAR TREE WATER)	
)	
Affiliated Interest Application with PIPE DOC)	
LLC)	

DISPOSITION: APPLICATION APPROVED, WITH CONDITIONS AND REPORTING REQUIREMENTS

On March 31, 2003, Cedar Tree Park (Cedar Tree) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.495 and OAR 860-036-0730, for a maintenance and administrative service contract with Pipe Doc LLC (Pipe Doc), an affiliated interest.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on May 7, 2003, the Commission adopted Staff's recommendation and approved the transfer, with conditions and reporting requirements. Staff's recommendation report is attached as Appendix A and incorporated by reference.

OPINION

Jurisdiction

ORS 757.005 defines a "public utility" as anyone providing heat, light, water or power service to the public in Oregon. The Company is a public utility subject to the Commission's jurisdiction.

Affiliation

An affiliated interest relationship exists under ORS 757.015.

Applicable Law

ORS 757.495 requires public utilities to seek approval of contracts with affiliated interests within 90 days after execution of the contract.

ORS 757.495(3) requires the Commission to approve the contract if the Commission finds that the contract is fair and reasonable and not contrary to the public interest. However, the Commission need not determine the reasonableness of all the financial aspects of the contract for ratemaking purposes. The Commission may reserve that issue for a subsequent proceeding.

CONCLUSIONS

1. The Company is a public utility subject to the jurisdiction of the Commission.
2. An affiliated interest relationship exists.
3. The agreement is fair, reasonable, and not contrary to the public interest.
4. The application should be granted, with certain conditions and reporting requirements.

ORDER

IT IS ORDERED that:

- 1) The application of Cedar Tree Park to enter into an affiliated transaction with Pipe Doc LLC is approved.
- 2) Cedar Tree Park shall provide the Commission access to all books of account, as well as documents, data and records of Cedar Tree Park and Pipe Doc LLC's affiliated interests that pertain to this transaction.
- 3) The Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any rate proceeding of alternative form of regulation.

- 4) Cedar Tree Park shall notify the Commission in advance of any substantive changes to the agreement, including any material change in price. Any such change shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.

Made, entered, and effective _____.

BY THE COMMISSION:

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 7, 2003**

REGULAR _____ CONSENT X EFFECTIVE DATE _____

DATE: April 14, 2003

TO: John Savage through Marc Hellman and Rebecca Hathorn

FROM: Michael Dougherty

SUBJECT: CEDAR TREE PARK: (Docket No. UI 212) Application for Approval of a Maintenance and Administrative Service Contract with Pipe Doc LLC.

STAFF RECOMMENDATION:

The Commission should approve Cedar Tree Park's (Cedar Tree) application for a maintenance and administrative service contract with Pipe Doc LLC. (Pipe Doc), an affiliated interest, and include the following conditions:

1. Cedar Tree shall provide the Commission access to all books of account, as well as documents, data, and records of Cedar Tree's and Pipe Doc's affiliated interests that pertain to this transaction.
2. The Commission reserves the right to review for reasonableness all financial aspects of this transaction in any rate proceeding or alternative form of regulation.
3. Cedar Tree shall notify the Commission in advance of any substantive changes to the agreement, including any material change in price. Any such change shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.

DISCUSSION:

Cedar Tree filed this application on March 31, 2003, pursuant to ORS 757.495 and OAR 860-036-0730. Cedar Tree requests authorization from the Commission for Pipe Doc to provide maintenance and administrative services related to the operations of the water system.

The contract consists of maintenance, repair and replacement services to the water system, supplying needed chemicals to the water system and administrative services such as typing, research, answering and making calls, relaying messages, etc. Additionally, Melvin Olson, owner of Pipe Doc and Cedar Tree, is a Certified Water Operator and provides necessary testing on a regular basis and 24/7-call service access via pager. Cedar Tree is currently serving 24 customers.

Melvin Olson is the owner and president of both Hiland Water (Hiland), which Cedar Tree is an operating division and Pipe Doc. Therefore Cedar Tree and Pipe Doc are affiliated interests under ORS 757.015.

The annual cost billed by Pipe Doc for maintenance and administrative services is \$2,400. Pipe Doc expects to bill out 192 hours for maintenance services and 72 hours for administrative services per year. All accounts charged to Cedar Tree are recorded on Hiland's books and shown as assigned costs to the water systems on Hiland's accounting spreadsheets.

Staff reviewed the terms of the agreement, the transfer price, records availability, audit provisions and reporting requirements. Staff found that there were no restrictive aspects to this maintenance and administrative contract. Cedar Tree is paying approximately \$10 per hour for maintenance and administrative services.

Staff compared this cost to comparable costs of water maintenance and administrative services and determined that Cedar Tree is paying the lower of cost or fair market value. Customers are likely not harmed by this transaction because Cedar Tree is paying a fair and reasonable price and meeting the Commission's transfer pricing policy.

After review of the filing, Staff concludes that the application involves an affiliated interest transaction that is fair and reasonable and not contrary to the public interest, with the inclusion of the proposed ordering conditions.

PROPOSED COMMISSION MOTION:

Cedar Tree Park's UI 212 application to enter into an affiliated interest transaction with Pipe Doc LLC, including the three recommended conditions stated in this memorandum, be approved.

UI 212 - Cedar Tree Park