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BEFORE THE PUBLIC UTILITY COMMISSION**

OF OREGON

UP 207

| | | |
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| In the Matter of |) | |
| SOUTH HILLS WATER SYSTEM, INC. |) | ORDER |
| Application for an Order Authorizing the Sale |) | |
| of Utility Property to WALLACE WAYNE |) | |
| RODGERS. |) | |

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On September 12, 2003, the Public Utility Commission of Oregon (Commission) received an application from South Hills Water System, Inc., pursuant to ORS 757.480, ORS 757.485, OAR 860-036-0710, and OAR 860-036-0715, requesting approval to sell the utility's Hillsboro property to Wallace Wayne Rodgers.

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 October 30, 2003, the Commission adopted Staff's recommendation to approve the sale of assets as proposed. Staff's recommendation is attached as Appendix A and is incorporated by reference.

OPINION

Under ORS 757.480, any water utility doing business in Oregon shall first obtain Commission approval for any transaction to sell, lease, assign or otherwise dispose of property.

The current owner's health is the major issue underlying the sale. The purchaser owns six of the locations served by the system and has the financial resources to maintain/improve service. The sale price of \$175,000 represents a substantial premium to the utility's net worth, as shown on the 2002 financial statements.

ORDER

IT IS ORDERED that the application of South Hills Water System, Inc. is approved, as further described in Appendix A.

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: OCTOBER 30, 2003**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** 30 Days After Approval

DATE: October 21, 2003

TO: Lee Sparling through Marc Hellman and Rebecca Hathorn

FROM: Marion Anderson

SUBJECT: SOUTH HILLS WATER SYSTEM, INC.: (Docket No. UP 207)
Application for approval to sell the utility's property located in the City of Hillsboro.

STAFF RECOMMENDATION:

The Commission should approve the sale of property by South Hills Water System, Inc. (South Hills) to Wallace Wayne Rodgers with the following conditions:

1. Per the Oregon Department of Human Services Drinking Water Program's requirements, this system must be under a certified water system operator's supervision. The new owner will secure certification or hire a certified water system operator as soon as possible after transfer of ownership.
2. The required 60-day notice to customers under OAR 860-036-0710(2)(a) is waived.
3. South Hills shall provide the Commission access to all books of account, as well as documents, data, and records that pertain to the sale.
4. The Commission reserves the right to review for reasonableness all financial aspects of this arrangement in any rate proceeding or earnings review under an alternative form of regulation.
5. South Hills shall notify the Commission in advance of any substantive changes to this agreement, including any material changes in any cost.

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6. Any changes to the agreement terms that alter the intent and extent of activities under the agreement from those approved herein shall be

STAFF RECOMMENDATION: (continued)

submitted for approval in an application for a supplemental order (or other appropriate format) in this docket.

DISCUSSION:

This application was filed on September 12, 2003, pursuant to ORS 757.480, ORS 757.485, OAR 860-036-0710, and OAR 860-036-0715. The property designated for sale is contained within the award of exclusive service territory as shown in Order No. 02-668, Appendix A. The system currently serves 103 locations.

Staff investigated the following issues:

Scope and Terms of the Agreement to Sell Real Estate: A copy of the agreement, signed by both parties and witnessed on September 5, 2003, was submitted and examined by staff. The sale price of \$175,000 represents a substantial premium to the utility's net worth, as shown on the 2002 financial statements. The special clauses in agreement were appropriate to the situation, in my opinion.

Public Interest Compliance: The current owner's health is the major issue underlying the sale. The purchaser owns six of the locations served by the system and has the financial resources to maintain/improve service.

Records Availability, Audit Provisions and Reporting Requirements: The proposed ordering condition No. 3 provides the necessary access to South Hills' books and records.

The company requested a waiver of the 60-day requirement to notify customers of the sale. Notice was made (a copy was furnished to staff) on October 7, 2003. The sale agreement states that the closing will be 30 days after PUC approval. Staff agrees to this waiver request since the closing will provide nearly 60 days for customers.

With the previously listed conditions, this sale appears to be fair, reasonable, and not contrary to the public interest.

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PROPOSED COMMISSION MOTION:

The requested sale of property by South Hills Water System, Inc. to Wallace Wayne Rodgers be approved subject to the conditions stated in this memorandum.

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