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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UP 208

In the Matter of	)	
A&G LLC WATER & SEWER	)	ORDER
Request for Approval to Sell Company to	)	
MACADAM LLC.	)	

**DISPOSITION: APPLICATION APPROVED WITH CONDITIONS**

On November 18, 2003, the Public Utility Commission of Oregon (Commission) received an application from A&G LLC Water & Sewer Company (A&G), pursuant to ORS 757.480, and OAR 860-037-0515, requesting approval to sell A&G to Macadam LLC.

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 December 4, 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 sale will be accomplished pursuant to a Purchase Agreement (Agreement) between A&G and Bob Bowden, dba Macadam, dated November 3, 2003. The Agreement is for the purchase of Aspen Creek Mobile Home Park and land including A&G. Escrow is expected to close on or before December 31, 2003. Macadam is located in Lakewood, WA.

Macadam has no previous experience in operating a water company, but does have general business experience including the ownership and operation of mobile home parks, real estate brokerage, mortgage brokerage and a construction company.

**ORDER**

IT IS ORDERED that the application of A&G LLC Water & Sewer Company is approved, as further described in Appendix A.

Made, entered and effective \_\_\_\_\_.

BY THE COMMISSION:

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**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: December 4, 2003**

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE \_\_\_\_\_

**DATE:** November 19, 2003

**TO:** Lee Sparling through Marc Hellman and Rebecca Hathhorn

**FROM:** Michael Dougherty

**SUBJECT:** A&G WATER & SEWER COMPANY: (Docket No. UP 208) Application for Approval of the Sale of A&G Water & Sewer Company to Macadam LLC.

**STAFF RECOMMENDATION:**

The Commission should approve A&G Water & Sewer Company's (A&G) application to sell A&G to Macadam LLC (Macadam), subject to the following conditions:

1. A&G shall provide the Commission access to all books of account, as well as documents, data, and records that pertain to the sale of A&G.
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. A&G shall notify the Commission in advance of any substantive changes to the sale. Any such change shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.
4. Any proposed rate changes by Macadam shall be properly filed in accordance with ORS 757.205, ORS 757.220, OAR 860-037-0435 and OAR 860-037-0440.
5. Macadam shall ensure meters are installed at all locations by February 1, 2004 in order to make certain metered billing properly occurs for all customers as required by Commission Order No. 03 - 458, dated July 25, 2003.

APPENDIX A  
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**DISCUSSION:**

Background

A&G filed this application on November 18, 2003, pursuant to ORS 757.480 and OAR 860-037-0515. A&G seeks a Commission order authorizing the sale of A&G to Macadam. A&G is a rate regulated water/wastewater utility that serves one commercial and fifty-two residential customers at the Aspen Creek Mobile Home Park (MHP) in Redmond, Oregon. A&G purchases potable water and sewer services from the City of Redmond and distributes these services to customers living in the MHP. A&G's net utility plant is valued at \$22,539.

The sale will be accomplished pursuant to a Purchase Agreement (Agreement) between A&G and Bob Bowden, dba Macadam, dated November 3, 2003. The Agreement is for the purchase of Aspen Creek Mobile Home Park and land including A&G. Escrow is expected to close on or before December 31, 2003. Macadam is located in Lakewood, WA.

Macadam has no previous experience in operating a water company, but does have general business experience including the ownership and operation of mobile home parks, real estate brokerage, mortgage brokerage and a construction company.

Issues

Staff investigated the following issues:

1. Scope and Terms of the Agreement
2. Public Interest Compliance
3. Records Availability, Audit Provisions and Reporting Requirements

Scope and Terms of the Agreement – Based upon Staff's analysis of the Agreement, there appears to be no unusual or restrictive terms that will harm customers. The total purchase price of the MHP, including A&G, is \$3,172,750. The Standard Addendum to the Agreement specifically addresses the acquisition of A&G; however, the purchase price of A&G is not listed separately from the total purchase price of the MHP.

Public Interest Compliance – Although Macadam does not have previous experience in operating a water company, it has owned and operated numerous businesses including mobile home parks and a construction company. The application stated that Macadam does not anticipate any negative effects of the sale on A&G customers. Upon purchase of A&G, Macadam will be required to adhere to all rules concerning regulation of water utilities including providing adequate service.

The application also stated that Macadam has not expressed any plans of raising rates in the near future. A&G received approval for a general rate increase in Commission Order No. 03-458 (UW 91), dated July 25, 2003. Any increase of rates would require approval of the Commission.

A&G notified customers of the sale sixty-days prior to the closing date of the transaction as required by OAR 860-037-0510, *Notice and Approval Requirements Relating to the Sale, Transfer, Merger, or Disposal of a Water/Wastewater Utility*. A&G provided both verbal and written notification of the sale to customers.

As a result of the transfer of utility property, Macadam will need to verify that meters are installed in all locations by February 1, 2004 in order to ensure metered billing properly occurs for all customers, as required by Commission Order No. 03 - 458, dated July 25, 2003.

Records Availability, Audit Provisions and Reporting Requirements – The proposed ordering condition No. 1 provides the necessary records access to A&G's relevant books and records.

After review of the filing, Staff concludes that the application is fair and reasonable and not contrary to the public interest.

**PROPOSED COMMISSION MOTION:**

A&G Water & Sewer Company's UP 208 application for approval to sell A&G Water & Sewer Company to the Macadam Group LLC, subject to the five conditions stated in this memorandum, is approved.