

ORDER NO. 04-328

ENTERED JUN 14 2004

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UI 225

In the Matter of)	
)	ORDER
SHADOW WOOD WATER COMPANY)	
)	
Request for approval of Agreement for Pipe)	
Doc LLC to provide services to Shadow Wood)	
Water Service.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On February 3, 2004, Shadow Wood Water Service (Shadow Wood) filed an application with the Public Utility Commission of Oregon (Commission) for a maintenance and administrative service agreement with Pipe Doc LLC (Pipe Doc), an affiliated interest, to provide services. After Staff's examination, an amendment was filed and is discussed in the Staff Report 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.

Based upon 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 June 8, 2004, the Commission adopted Staff's recommendation to approve the application.

ORDER

IT IS ORDERED that the application of Shadow Wood Water Service to enter into an affiliated interest agreement with Pipe Doc LLC, is approved, subject to certain conditions, as further stated 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: JUNE 8, 2004**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** JANUARY 2, 2003

DATE: May 27, 2004

TO: Lee Sparling through Marc Hellman and Rebecca Hathhorn

FROM: Marion Anderson

SUBJECT: SHADOW WOOD WATER SERVICE: (Docket No. UI 225) Request for approval of agreement for Pipe Doc LLC to provide services.

STAFF RECOMMENDATION:

The Commission should approve Shadow Wood Water Service's (Shadow Wood) amended application for a maintenance and administrative services agreement with Pipe Doc LLC (Pipe Doc), an affiliated interest, with the following conditions:

1. Shadow Wood shall provide the Commission access to all books of account, as well as all documents, data and records of Shadow Wood and Pipe Doc that pertain to transactions between the two.
2. 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.
3. Shadow Wood shall notify the Commission in advance of any substantive changes to the agreement, including any material changes in any cost. Any changes to the agreement terms that alter the intent and extent of activities under the agreement from those approved herein shall be submitted for approval in an application for a supplemental order (or other appropriate format) in this docket.
4. Subcontracted charges incurred by Pipe Doc, as agent for Shadow Wood, will be reimbursed at cost.
5. The bookkeeping/secretarial annual subcontracted authorization will be allowed a reasonable inflationary increase over time.

DISCUSSION:

Melvin Olson owns Shadow Wood and Pipe Doc. This establishes them as affiliated interests under ORS 757.015.

The original application was filed on February 3, 2004, pursuant to ORS 757.495 and OAR 860-036-0730. This agreement listed the provision of operating services for Shadow Wood's system by Pipe Doc with a proposed charge to Shadow Wood of \$100 per month. The services furnished to Shadow Wood by Pipe Doc are water sampling, emergency availability, continuance of certified operator status with the authorizing authority, and repairs and improvements coordination.

Pursuant to staff's examination of the contract, an amended agreement was filed with the following changes: 1) maintenance was added to the operating services. 2) reimbursement was listed to Pipe Doc by the utility for all expenses incurred for system repair, maintenance, and improvements. Further, required subcontracting was added. 3) bookkeeping and secretarial subcontracting expense reimbursement was added.

Finally, a re-amended agreement increasing the Pipe Doc monthly payment for services rendered to \$200 was submitted.

The separately stated bookkeeping and secretarial annual subcontracted authorization is \$800 under current rate case UW 97.

This agreement is considered to be fair and reasonable, and not contrary to the public interest.

PROPOSED COMMISSION MOTION:

Shadow Wood Water Service's application to enter into an affiliated interest agreement with Pipe Doc LLC, conditioned on the staff recommendations listed in this memorandum, be approved effective January 2, 2003.