

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 254

In the Matter of)	
)	
PETE'S MOUNTAIN WATER COMPANY, INC.)	ORDER
)	
Application for affiliated interest agreement between the Company and Terry L. Webber and Suzanne Webber.)	

**DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND
REPORTING REQUIREMENTS**

On September 26, 2006, Pete’s Mountain Water Company, Inc. (the Company) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.015, ORS 757.490 and OAR 860-036-0730, requesting approval of a room rental agreement (office space) between the Company and Terry L. Webber and Suzanne Webber, affiliated interests. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

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 10, 2006, the Commission adopted Staff’s recommendations.

OPINION

Jurisdiction

ORS 757.005 defines a "public utility," and the Company is a public utility subject to the Commission's jurisdiction.

Affiliation

An affiliated interest relationship exists, as defined 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, as modified herein, including certain conditions and reporting requirements.

ORDER

IT IS ORDERED that the application of Pete’s Mountain Water Company to enter into an affiliated interest transaction with Terry L. Webber and Suzanne Webber is approved, subject to the conditions further stated in Appendix A.

Made, entered, and effective OCT 12 2006.



BY THE COMMISSION:

Becky L. Beier

Becky L. Beier
 Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

Carol

ITEM NO. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 10, 2006

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: September 28, 2006

TO: Public Utility Commission

FROM: Marion Anderson *MSA*

THROUGH: *in* Lee Sparling, *W* Marc Hellman, and *W* Michael Dougherty

SUBJECT: PETE'S MOUNTAIN WATER COMPANY INC: (Docket No. UI 254)
Application for affiliated interest agreement between the Company and Terry L. Webber and Suzanne Webber.

STAFF RECOMMENDATION:

The Public Utility Commission (PUC or Commission) should approve the application of Pete's Mountain Water Company, Inc. (Pete's or the Company) for an affiliated interest agreement with the following conditions.

1. The Company shall provide the Commission access to all books of account, as well as all documents, data, and records that pertain to any transactions with affiliates.
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. The Company 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.

DISCUSSION:

This application was filed on September 26, 2006, pursuant to ORS 757.015 and 757.490, and OAR 860-036-0730. The Webbers own the Company and this application is an outgrowth of the concurrent rate case, UW 117.

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The following issues were investigated:

- Scope of the Agreement
- Transfer Pricing
- Determination of Public Interest Compliance
- Records Availability, Audit Provisions, and Reporting Requirements

Scope of the Agreement: This filing deals with the rental of a room of approximately 131 square feet within the Webbers home. This rental serves as Pete's business office.

Transfer Pricing: The proposed rental price is \$1,902 per annum. This charge supports \$1.21 per square foot per month. The application lists a survey conducted in the nearby city of Canby that showed small office spaces were about \$3.00 per square foot per month. Additionally, \$52 for annual electricity used in the office is requested.

I called four realtors located in Canby and received advice that the rental charge seemed reasonable. I take no issue with the power cost.

Determination of Public Interest Compliance: This agreement is fair and reasonable and not contrary to the public interest.

Records Availability, Audit Provisions, and Reporting Requirements: Staff Recommendation Condition No. 1 affords necessary access to any relevant records.

Based on the review of this application, Staff concludes the following:

1. The arrangement's scope is reasonable.
2. Potential transactions, as qualified, will not harm customers and are not contrary to the public interest with the recommended conditions.
3. Necessary records are available.

PROPOSED COMMISSION MOTION:

Pete's affiliated interest agreement with Terry L. Webber and Suzanne Webber be approved, subject to the recommended conditions.

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