

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 280

In the Matter of)	
)	
SEVENTH MOUNTAIN GOLF VILLAGE)	ORDER
WATER COMPANY)	
)	
Application for an Affiliated Interest Contract)	
with Dale Bernards.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On January 22, 2008, Seventh Mountain Golf Village Water Company (the Company) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.015, ORS 757.495 and OAR 860-036-0730, requesting approval of an affiliated interest contract with Dale Bernards. 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 February 26, 2008, the Commission adopted Staff's recommendation.

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 Seventh Mountain Golf Village Water Company to enter into an affiliated interest contract with Dale Bernards is approved, subject to the conditions further stated in Appendix A.

Made, entered, and effective FEB 29 2008.

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.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 26, 2008

REGULAR _____ CONSENT X EFFECTIVE DATE _____ NA _____

DATE: February 11, 2008

TO: Public Utility Commission

FROM: Marion Anderson *MSA*

THROUGH: *u* Lee Sparling, Marc Hellman, and Michael Dougherty *m*

SUBJECT: SEVENTH MOUNTAIN GOLF VILLAGE WATER COMPANY: (Docket No. UI 280) Application for an affiliated interest contract between Seventh Mountain Golf Village Water Company and Dale Bernards.

STAFF RECOMMENDATION:

The Public Utility Commission (PUC or Commission) should approve the application of Seventh Mountain Golf Village Water Company (SMGV or the Company) for an affiliated interest agreement with Dale Bernards 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 payments to Dale Bernards.
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.
4. Total 2008 compensation payments to Dale Bernards shall not exceed \$2,400.
5. The Company may escalate the salary listed in the previous condition on an annual basis at a percentage not to exceed the annual Consumers Price Index – All Urban Consumers (CPI-U) published by the U.S. Bureau of Labor Statistics (BLS).

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DISCUSSION:

This application was filed on January 22, 2008, pursuant to ORS 757.015, 757.495, and OAR 860-036-0730. Mr. Bernards owns the Company; therefore, an affiliated interest relationship exists.

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

Mr. Bernards makes ongoing operational and capital investment decisions for SMGV. He is the utility's interface for the state and local regulatory organizations.

Transfer Pricing

The requested compensation is \$200 per month. This is nominal given the duties.

Determination of Public Interest Compliance

With the inclusion of Staff's recommended conditions, the employment services 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. The contract will not harm customers and is not contrary to the public interest with the recommended conditions.
3. Necessary records are available.

PROPOSED COMMISSION MOTION:

Seventh Mountain Golf Village Water Company's affiliated interest agreement with Dale Bernards be approved, subject to the recommended conditions.