

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 285

In the Matter of

MILL MAR ESTATES WATER, INC.

Affiliated Interest Application with Paige
Harrison.

ORDER

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On May 11, 2009, Mill Mar Estates Water, Inc., (Mill Mar) filed an application, with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.015, ORS 757.495, and OAR 860-036-0730. Mill Mar's filing seeks approval of an affiliated interest agreement with Paige Harrison. Paige Harrison owns the company, creating the need to file for Commission approval of any contractual arrangement between the two entities. A full description of the filing 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 June 2, 2009, the Commission adopted Staff's recommendation.

OPINION

Affiliation

An affiliated interest relationship exists under ORS 757.015.

Applicable Law

ORS 757.495 requires a public utility 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 reserves that issue for a subsequent proceeding.

CONCLUSIONS

1. An affiliated interest relationship exists.
2. The services contract is fair, reasonable, and not contrary to the public interest.
3. The application should be approved, with certain conditions.

ORDER

IT IS ORDERED that Mill Mar Estates Water, Inc.'s affiliated interest agreement with Paige Harrison is approved, subject to the conditions stated in the Staff Report attached as Appendix A.

Made, entered, and effective JUN 04 2009.

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: June 2, 2009

REGULAR _____ CONSENT X EFFECTIVE DATE _____ NA _____

DATE: May 15, 2009

TO: Public Utility Commission

FROM: Marion Anderson *MSA*

THROUGH: *ln* Lee Sparling, *A* Marc Hellman, and *mt* Michael Dougherty

SUBJECT: MILL MAR ESTATES WATER, INC.: (Docket No. UI 285) Application for an affiliated interest contract between Mill Mar Estates Water, Inc. and Paige Harrison.

STAFF RECOMMENDATION:

The Public Utility Commission (PUC or Commission) should approve the application of Mill Mar Estates Water, Inc. (Mill Mar or the Company) for an affiliated interest agreement with Paige Harrison 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 Paige Harrison.
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 2009 compensation payments to Paige Harrison shall not exceed \$3,049.80.
5. The Company may escalate the salary listed in the previous condition on an annual basis, beginning January 1, 2010, at a percentage not to exceed the annual Consumers Price Index – All Urban Consumers published by the U.S. Bureau of Labor Statistics.

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DISCUSSION:

In compliance with the stipulation of Order No. 09-100, this application was filed on May 11, 2009, pursuant to ORS 757.015, 757.495, and OAR 860-036-0730. Paige Harrison 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

Paige Harrison performs "all necessary administrative, financial, and operator duties to operate the Company. In addition, she performs corporate oversight functions..."

Transfer Pricing

The expense allowance for this agreement in the UW 131 rate case stipulation is as follows:

$$\begin{aligned} & \$31.45 * 2 \text{ hours per month} * 12 \text{ months} = \$754.80 \text{ [oversight]} \\ & \$21.25 * 9 \text{ hours per month} * 12 \text{ months} = \$2,295 \text{ [operation]} \\ & \text{Total } \$3,049.80 \end{aligned}$$

Determination of Public Interest Compliance

With the inclusion of Staff's recommended conditions, this 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.

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PROPOSED COMMISSION MOTION:

Mill Mar Estates Water, Inc.'s affiliated interest agreement with Paige Harrison be approved, subject to the recommended conditions.

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