

ORDER NO. 99-522

ENTERED AUG 26 1999

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 163

In the Matter of the Sale of Hillview Acres Water)
District and Wilderness Canyon Water District to) ORDER
Hiland Water Corporation.)

DISPOSITION: SALE APPROVED

On May 27, 1999, the Commission received an application from John W. Sisson, owner and operator of both Hillview Acres Water District and Wilderness Canyon Water District filed pursuant to ORS 757.480 and OAR 860-036-0715, requesting approval to the above mentioned water systems to Hiland Water Corporation. The property included in the sale consists of wells, tanks, and pipes. No real estate is being conveyed as both systems are located on legal easements or rights of way.

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 August 24, 1999, the Commission adopted the Staff's recommendation to approve the sale as proposed. Staff's recommendation is attached as Appendix A and is 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.

Applicable Law

ORS 757.480 provides that a public utility doing business in Oregon shall first obtain Commission approval for any transaction to sell, lease, assign or otherwise dispose of property of such public utility necessary or useful in the performance of its duties to the public or any part thereof of a value in excess of \$10,000.

OAR 860-036-0715 specifies the information a public utility must submit when it makes application to sell or lease its property. This application contains the necessary information.

The proposed sale involves property which has a value in excess of \$10,000. Commission approval of the accounting treatment for this transaction does not constitute approval for ratemaking purposes.

CONCLUSIONS

1. The Company is a public utility subject to the jurisdiction of the Public Utility Commission of Oregon.
2. The Company’s proposed transaction meets the requirements of ORS 757.480.
3. The application should be granted.

ORDER

IT IS ORDERED that the application of John W. Sisson for authority to sell Hillview Acres Water District and Wilderness Canyon Water District to Hiland Water Corporation is granted, subject to conditions, if any, stated in Appendix A.

Made, entered, and effective _____ .

BY THE COMMISSION:

Vikie Bailey-Goggins
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order pursuant to ORS 756.580.

up163.doc

Appendix A

ITEM NO. CA 10

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 24, 1999**

REGULAR AGENDA ___ **CONSENT AGENDA** **X** **EFFECTIVE DATE** _____

DATE: August 17, 1999
TO: Bill Warren through Marc Hellman and Mike Myers
FROM: Kathy Miller
SUBJECT: UP 163, Sale of Hillview Acres Water District and Wilderness Canyon Water District

SUMMARY RECOMMENDATION:

Staff recommends, pursuant to ORS 757.480 and OAR 860-036-0715, that the Commission approve the sale of Hillview Acres Water District (Hillview) and Wilderness Canyon Water District (Wilderness) to Hiland Water Corporation (Hiland).

DISCUSSION:

Hillview and Wilderness are rate-regulated water utilities located in Newberg, Oregon, serving a combined customer count of 23 customers. On May 27, 1999, John W. Sisson, owner and operator of both Hillview and Wilderness, filed an application for authority to sell the above-mentioned water systems to Hiland. Mr. Sisson seeks to sell the water system for the following reasons:

- 1. To provide more experienced professional service for customers.
- 2. To free the current owner to devote more time to his primary business and source of income.
- 3. To allow the current owner the freedom to relocate his personal residence.

The proposed purchaser, Hiland, currently operates three water utilities with a combined total of 140 customers and seeks to expand Hiland's overall business activity. Melvin Olson, president of Hiland, is a certified water operator. Mr. Olson's primary business is operating water systems. He has several operators on staff to provide more experienced and professional service to Hillview and Wilderness customers. Hiland asserts it is financially able and willing to take over operations of the water systems.

The purchase price for both systems is \$18,000 at 12 percent interest, payable at \$474 per month for 48 months. The property included in the sale consists of wells, tanks, and pipes in their current conditions. No real estate is being conveyed in this sale. Both systems are located on legal easements or rights of way.

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In PUC Order No. 99-086 and 99-085, both entered February 17, 1999, the Commission adopted stipulations setting new rates effective March 1, 1999, for Hillview and Wilderness, respectively. The rates approved by the above-mentioned orders are:

Hillview - Base rate of \$26.10 for the first 3,750 gallons of water used and a variable rate of \$.89 per each 750 gallons above the initial 3,750 gallons.

Wilderness – Base rate of \$20.34 for the first 3,750 gallons of water used and a variable rate of \$1.38 per each 750 gallons above the initial 3,750 gallons.

Mr. Olson has indicated that if the sale is approved, he is not planning to file an application with the Commission for a general rate increase in the near future.

The conditions agreed upon by all parties in both stipulations are almost identical. They are:

1. Clean the pump house floors regularly.
2. Set up a regular flushing schedule to facilitate flushing of the water mains.
3. Notify customers on monthly billing statements as to the times the system will be flushed. If the specific day and time cannot be provided, then morning or afternoon should be indicated.
4. Locate and expose all flushing points in the system.
5. Remove the fiberglass insulation at the wellhead protection box and replace it with two inch thick close cell foam insulation, attaching it to the inside of the box as well as the lid.
6. Have the tanks cleaned annually by a professional service. The cost to perform the function is provided for in the rate case underlying the stipulation. It was agreed that the tanks for Hillview should be cleaned in the spring of 1999.
7. A 24-hour time line for responding to complaints.
8. Immediate customer notification (by phone or in person) when it is necessary to chlorinate or otherwise chemically treat water for health reasons.
9. The extension cord extending from the well house to the sump pump must be shielded in conduit. (Hillview only.)

Hiland acknowledges and accepts the transfer of responsibility for compliance with all conditions in the stipulation, listed above, in conjunction with the sale of the system. It should be noted that John Sisson did not clean the tanks in the spring of 1999 as stipulated. If this sale is approved, Mr. Olson will complete the tank cleaning.

In addition, PUC Consumer Services has one outstanding Hillview customer complaint concerning the following:

1. Timely Billings: The customer claims the company did not mail April and July billings on a timely basis. Customers must have a minimum of 15 days to pay the bill before the bill become delinquent.

2. Appropriate Billings: The customer states that the company billings do not include all information necessary to compute charges. Hillview billings must include the tariff schedule under which the bill was computed.

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3. Water Quality: Customer complains of brown water.
4. Appropriate Flushing Schedule: The customer asserts that the company is not complying with the established flushing schedule.
5. A 24-Hour Response Time: The Company is required to respond to/acknowledge receipt of customer complaint/inquiry within 24 hours.
6. Tank Cleaning: Water tanks have not been cleaned.
7. Proper Drainage: The tanks are located on the customer's property. The customer requests the company to provide an appropriate drainage point when the tanks are emptied.
8. Easement Maintenance: The customer is concerned with the company's maintenance of the utility easement(s) on customer property.

Mr. Olson is aware of the above-mentioned issues and agrees to work towards the resolution of these problems.

The sale of the utilities appears to be beneficial to the current owner by freeing Mr. Sisson to pursue his own career; beneficial to the proposed purchaser, Mr. Olson, by expanding his business; and beneficial to the customers because they will receive better water service provided by an experienced and professional operator.

STAFF RECOMMENDATION:

Staff recommends, pursuant to ORS 757.480 and OAR 860-036-0715, that the Commission approve the sale of Hillview Acres Water District and Wilderness Canyon Water District to Hiland Water Corporation (Hiland).