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**BEFORE THE PUBLIC UTILITY COMMISSION**  
**OF OREGON**

UP 184

In the Matter of the Application of )  
SALEM DEVELOPMENT, INC. (SDI) for an ) ORDER  
Order Authorizing SDI to transfer its Utility )  
Property to a Wholly Owned Subsidiary, ILLAHE )  
ESTATES WATER SYSTEM, INC., in )  
Exchange for All Stock of ILLAHE ESTATES )  
WATER SYSTEM, INC. )

**DISPOSITION: APPLICATION GRANTED**

On December 20, 2000, the Public Utility Commission (Commission) received an application from Salem Development, Inc. (SDI). SDI requests approval to transfer assets used in the provision of water and wastewater service to a newly formed, wholly owned subsidiary, Illahe Estates Water System (Illahe Water) in exchange for all stock of Illahe Water. Commission approval of the transaction is required under ORS 757.480 and 757.485.

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 April 3, 2001, the Commission adopted the Staff’s recommendation to approve the sale as proposed. Staff’s recommendation, along with supporting exhibits, is attached as Appendixes A, B, and C, 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. SDI and Illahe Water are both considered to be public utilities subject to the Commission’s jurisdiction.



**Applicable Law**

ORS 757.480 provides that, a water utility doing business in Oregon shall first obtain Commission approval for any transaction to sell, lease, assign or otherwise dispose of property of such water 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 860-036-0710 specifies the information regarding notice and approval requirements relating to the sale, transfer, merger, or disposal of a water utility. This application contains the necessary information.

The proposed transfer involves assets which have a net book value in excess of \$300,000. Commission approval of the accounting treatment for this transaction does not constitute approval for ratemaking purposes. There is no indication that the proposed sale will impair the companies' abilities to provide public utility service in Oregon.

**CONCLUSIONS**

1. These companies are public utilities subject to the jurisdiction of the Public Utility Commission of Oregon.
2. The Company's proposed transaction meets the requirements of ORS 757.480 and 757.485.
3. The application should be granted.

**ORDER**

IT IS ORDERED that the application of Salem Development, Inc., for authority to transfer assets to Illahe Estates Water System, is granted, as further described in Appendixes A, B, and C.

Made, entered and effective \_\_\_\_\_.

BY THE COMMISSION:

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**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 to a court pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 3, 2001**

**REGULAR AGENDA** \_\_\_ **CONSENT AGENDA** X **EFFECTIVE DATE** \_\_\_\_\_

**DATE:** March 27, 2001  
**TO:** Phil Nyegaard through Marc Hellman and Mike Myers  
**FROM:** Cameron Speir  
**SUBJECT:** UP 184 – Transfer of assets from Salem Development, Inc. to Illahe Estates Water System

**SUMMARY RECOMMENDATION:**

Pursuant to ORS 757.480 and 757.485, staff recommends the Commission approve the transfer of utility assets from Salem Development, Inc. to Illahe Estates Water System in exchange for stock.

**DISCUSSION:**

On December 20, 2000, Salem Development, Inc. (SDI) applied to the Commission for approval to transfer assets used in the provision of water and wastewater service to a newly formed, wholly owned subsidiary, Illahe Estates Water System (Illahe Water) in exchange for all stock of Illahe Water. Commission approval of the transaction is required under ORS 757.480 and 757.485.

SDI is developer of Illahe Golf Course and the surrounding residential area in Salem, Oregon. SDI constructed and operates a water and waste water system to serve the golf course and residences. SDI's water and waste water system is a fully regulated public utility under ORS 757.005. SDI will transfer real property and easements (described in Attachment A, a copy of an exhibit to the statutory warranty deed submitted with the application), all existing water rights of SDI, water utility plant, equipment and improvements (described in Attachment B, a copy of an exhibit to the General Bill of Sale and Assignment of Assets submitted with the application) and \$350,000 in cash to Illahe Water. SDI estimates that the fair market value of the assets to be transferred is approximately \$776,165. Net book value of the assets is \$308,955. The assets will be recorded in Illahe Water's financial records at net book value.

SDI is requesting the asset transfer in order to separate its real estate and water utility businesses into distinct entities. SDI wants this separation for three reasons. First, the separation is intended to facilitate review of utility finances by the Commission during rate cases and other regulatory actions. Second, the separation should simplify the approval of certain future system improvements by regulatory authorities, including PUC. Third, the separation will also reduce the liability exposure of the two distinct operations.

Staff has reviewed SDI's application and has found no evidence of potential harm to customers as a result of the reorganization and asset transfer. Management and contact persons for the utility will not change and operations should not be affected. Customers may benefit from the reorganization in the form of lower future rates due to the reduced time and expense required for rate case proceedings and the utility's reduced liability exposure. Illahe Water has provided notice to its customers of the proposed asset transfer pursuant to ORS 757.480 and OAR 860-036-0710.

**STAFF RECOMMENDATION:**

Staff recommends approval of the transfer of utility assets from Salem Development, Inc. to Illahe Estates Water System, a subsidiary, pursuant to ORS 757.480 and 757.485, subject to the condition that the assets transferred to Illahe Water are valued at net book value of \$308,955.