

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 20, 2005**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** June 1, 2005

DATE: November 29, 2005

TO: Public Utility Commission

FROM: Marion Anderson

THROUGH: Lee Sparling, Marc Hellman, and Michael Dougherty

SUBJECT: HILAND CORPORATION dba HILLVIEW WATER, SHADOW WOOD WATER SERVICE, and WILDERNESS CANYON WATER: (Docket No. UI 243) Application for Approval of an Office Manager Agreement with Marilyn Olson, an Affiliated Interest.

STAFF RECOMMENDATION:

The Commission should approve the application of Hiland Corporation dba Hillview Water, Shadow Wood Water Service, and Wilderness Canyon Water (Hiland), for an office manager agreement with Marilyn Olson, an affiliated interest, with the following conditions.

1. Hiland shall provide the Commission access to all books of account, as well as all documents, data and records that pertain to any transactions with Marilyn Olson.
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. Hiland 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. The hourly wage shown in the Discussion section will be loaded with 6.2 percent Social Security and 1.45 percent Medicare taxes. Additional loadings for benefits, capped at the Bureau of Labor's standard of 25.9 percent, (health, dental, retirement, insurance, vacation, etc.) shall be documented.

DISCUSSION:

This application was filed October 19, 2005, under ORS 757.495 and OAR 860-036-0730. Marilyn Olson is an owner of Hiland, establishing the affiliation under ORS 757.015. Hiland has other non rate-regulated water utility subsidiaries.

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 Arrangement and Risk Assessment: Marilyn Olson will provide the following services under this contract: 1. Fifteen hours of regularly scheduled office hours per week. 2. Answering telephone calls and billing questions. 3. Dispensing late notices and shut off bills. 4. Processing customer payments into the billing program. 5. Corresponding with other entities as required.

Transfer Pricing: The hourly wage for Office Manager services will be \$15. Per non-updated information furnished in a recent rate case, there are twelve Hiland subsidiaries. This wage will be allocated on the basis of pro-rated water utility subsidiary customer count.

Evaluation of Terms and Conditions and Determination of Public Interest Compliance: Nothing untoward was noted by Staff in the review of the contract's terms and conditions.

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 will not harm customers and are not contrary to the public interest with the recommended conditions.
3. Necessary records are available.

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PROPOSED COMMISSION MOTION:

Hiland's office manager contract with Marilyn Olson, an affiliated interest, be approved subject to the four recommended conditions.