

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: June 25, 2008**

REGULAR  CONSENT  EFFECTIVE DATE  NA

**DATE:** June 12, 2008

**TO:** Public Utility Commission

**FROM:** Marion Anderson

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

**SUBJECT:** CROOKED RIVER RANCH WATER COMPANY: (Docket No. UI 282)  
Affiliated interest application with Jacquie Rooks.

**STAFF RECOMMENDATION:**

The Commission should approve the application of Crooked River Ranch Water Company (Crooked River or the Company) for an affiliated interest agreement with Jacquie Rooks subject to the following conditions:

1. Crooked River shall provide the Commission access to all books of account, as well as all documents, data, and records that pertain to any transactions with affiliates.
2. The Commission reserves the right to re-review, for reasonableness, all financial aspects of this arrangement in any rate proceeding or earnings review under an alternative form of regulation.
3. Crooked River 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. Assuming 2007 as the base year, the maximum that the Commission should allow in rates concerning the employment contract with Mrs. Rooks is \$44,250 in total compensation (wages and benefits). Subsequent years should be escalated by the consumer price index (CPI-U). Any overage above this amount should be disallowed for ratemaking purposes.

5. Crooked River shall file a written employment contract for Mrs. Rooks within 15 days of the June 25, 2008, Public Meeting date. In addition, the Company shall file all associated Board of Directors' minutes and resolutions concerning Mrs. Rooks' employment and pay with Crooked River within 15 days of the June 25, 2008, Public Meeting date.

### **DISCUSSION:**

This application was filed on May 20, 2008, pursuant to ORS 757.015, 757.495 and OAR 860-036-0730. Docket UW 120, Order No. 08-243 dated 5/02/08, stated that:

Crooked River Ranch Water Company shall file with the Public Utility Commission of Oregon its application for approval of its contracts with James and Jacquie Rooks within 15 days of the date of this order.

Calendar days are normative for Commission purposes in this determination unless some other specification is made. Therefore, this filing is overdue. Jacquie Rooks is the spouse of James Rooks, General Manager of Crooked River and is employed as Office Manager. The filing arises from UW 120 Order No. 07-527, dated 11/29/07, page 2:

Because the General Manager also is a member of the Board, and because he has relatives that are also employed by Crooked River, we treat the manager and his family as "affiliated interests" and require that the Company file any contracts with the manager and his family for Commission approval.

In its application, Crooked River states:

Crooked River Ranch Water Company submits this application under compulsion by the PUC without waiving its position that the PUC has no authority to demand the filing of this application and that Crooked River Ranch Water Company is under no legal obligation to obtain PUC's approval of the employment relationship described herein.

The Company is factually wrong concerning its legal obligation to obtain the Commission's approval. The Commission asserted jurisdiction of Crooked River in Commission Order No. 06-642 dated November 11, 2006. Because the Commission clearly has jurisdiction over Crooked River, the Company is obligated to follow the

Commission's statutes and rules. As a result, Staff takes no recognition of the application's disclaimers of Commission authority concerning this filing.

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

As previously noted, no written agreement was submitted in the filing. Per the application, Mrs. Rooks' duties include personnel oversight and training, bookkeeping (A/R, A/P, and payroll), general clerical duties, office equipment maintenance, and customer interactions.

Transfer Pricing

The application requests an hourly wage of \$18.00 plus medical and dental benefits. The \$18.58 hourly wage approved in Order No. 07-527 exceeds the application's request. However, pursuant to OAR 860-036-0739, Allocation of Costs by a Water Utility, the amount paid by a utility to an affiliated interest is required to be at cost of the market rate, whichever is lower.

For comparative purposes, the Oregon Employment Department's Oregon Labor Market Information System (OLMIS-www.olmis.org) was referenced. The following hourly wage range was obtained for First-Line Supervisors/Managers of Office and Administrative Support Workers employed in Crooks/Deschutes/Jefferson counties:

<u>10<sup>th</sup> Percentile</u>	<u>50<sup>th</sup> Percentile</u>	<u>90<sup>th</sup> Percentile</u>
\$14.26	\$20.97	\$29.29

In UW 120, Staff examined the Company's costs concerning medical and dental benefits. Staff recommended and the Commission accepted the Company amount of \$28,390 for 5 Full-time Employees (FTE). As a result, \$28,390 divided by 5 FTE equals \$5,678 for medical and dental benefits for each FTE.

The aforementioned calculations yield the following schedule:

<u>Position</u>	<u>Hourly Wage</u>	<u>Annual Benefits Cost</u>	<u>Annual Compensation</u>
Office Manager	\$18.58	\$5,678	\$44,250

It is noted that the \$44,250 remuneration for Mrs. Rooks is all that the Commission will allow in rates.

Determination of Public Interest Compliance

This agreement is presumed fair and not unreasonable and therefore not demonstrably contrary to ratepayer interest by virtue of the UW 120 rate case decisions.

Records Availability, Audit Provisions, and Reporting Requirements

Staff Recommendation Condition No. 1 affords necessary access to any relevant records.

**PROPOSED COMMISSION MOTION:**

The compensation to Jacquie Rooks recognized for ratemaking purposes at Crooked River Ranch Water Company be approved subject to the five recommended conditions.