

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: June 2, 2009**

REGULAR  CONSENT  EFFECTIVE DATE \_\_\_\_\_ NA \_\_\_\_\_

**DATE:** May 15, 2009

**TO:** Public Utility Commission

**FROM:** Marion Anderson

**THROUGH:** Lee Sparling, Marc Hellman, and 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.

## **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:

\$31.45*2 hours per month*12 months=\$754.80 [oversight]
\$21.25*9 hours per month*12 months=\$2,295 [operation]
Total \$3,049.80

### 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.