

SB 845 A STAFF MEASURE SUMMARY

House Committee On Agriculture, Land Use, Natural Resources, and Water

Prepared By: Anna Glueder, LPRO Analyst

Meeting Dates: 4/28, 5/12

WHAT THE MEASURE DOES:

The measure authorizes the Public Utilities Commission (PUC) to order the sale of an incumbent water utility if it cannot reasonably be expected to provide safe and/or adequate service to customers and establishes conditions for acquisition approval.

Detailed Summary:

Authorizes PUC to order the sale of an incumbent water utility, if after a notice and contested case, it determines that the utility

- violates statutory or regulatory standards that affect the safety and adequacy of its service,
- fails to comply within a reasonable time with a commission order regarding service safety and adequacy,
- is unable to provide and maintain safe and adequate service,
- through its continued operation, poses an unreasonable risk to public health or safety due to contamination, dilapidated infrastructure, or inadequate water or sanitary facilities, and
- alternative actions to a sale have been considered but are impractical or economically unfeasible.

Requires PUC to establish a process for the sale of an incumbent water utility. States that the sale price will be determined through an agreement between the utility and the acquiring entity. Establishes that prior to opening a contested case, PUC must provide written notice that includes PUC's intent to open a contested case, identifies specific reasons and a basis for the intent, and provides the utility a reasonable opportunity to take alternative actions to the sale. Alternative actions that may be taken include

- repairing, replacing, or remedying the conditions that led to PUC's intent to open a contested case.
- reorganizing the utility under new management.
- contracting with another water utility or management company to operate the utility.
- appointing an independent administrator to ensure safe and adequate service.
- merging with one or more other water utilities.
- acquisition by a municipality, municipal utility, cooperative association, or people's utility district.

Requires that if an incumbent water utility receives a notice and files an application for the sale, lease, or other transaction of its utility, PUC will set the utility's rate base between its net book value and the acquiring entity's offered purchase price. Requires PUC to evaluate the value based on the benefit to the utility's customers and the public interest. Defers transaction costs incurred by the acquiring entity, such as environmental, legal, and financing costs, for later recovery in rates at the incumbent utility's weighted average cost of capital. Authorizes PUC to appoint an independent administrator to represent or protect the interests of incumbent water utility customers during the acquisition and transition. Increases to \$100,000 the amount of the fee revenue the PUC may use to fund emergency repairs to the water utilities and authorizes PUC to order the utility to carry out these emergency repairs in addition to or in lieu of expending funds to make the repairs.

FISCAL: Has minimal fiscal impact

REVENUE: No revenue impact

SENATE VOTE: Ayes 18; Nays 9; Excused 3

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Oregon Public Utility Commission (PUC) regulates a portion of the state's 3,500 water systems, including some investor-owned water utilities that provide service to Oregonians, ensuring that they offer safe and reliable water at reasonable rates. Regulated water utilities must adhere to PUC service rules and regulations, which cover areas such as water quality, pressure, customer service, and maintenance. PUC also investigates complaints to ensure that customers receive safe and adequate water service. Some regulated utilities are required to follow PUC rules concerning rates to ensure that residents receive water service at fair and reasonable costs.