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September 30, 2026

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
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Re: UW 209 – In the Matter of Salmon Valley Water Company, Sunstone Water, LLC; Lakeshore Water Company, LLC; Seavey Loop Water Company, LLC; and South Coast Water Company, LLC, Request for a General Rate Revision – Motion for Waiver of OAR 860-036-1940(2)(c)

NW Natural Water Company, LLC hereby files a Motion for Waiver of OAR 860-036-1940(2)(c) on behalf of Salmon Valley Water Company, Sunstone Water, LLC, Lakeshore Water Company, LLC, Seavey Loop Water Company, LLC, and South Coast Water Company, LLC (the "Consolidated Sunstone Utilities") for the above-reference docket.

Please address correspondence on this matter as follows:

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Sincerely,

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Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UW 209

In the Matter of Salmon Valley Water Company, Sunstone Water, LLC, Lakeshore Water Company, LLC, Seavey Loop Water Company, LLC, and South Coast Water Company, LLC Request for a General Rate Revision	**MOTION FOR WAIVER OF OAR 860-036-1940(2)(c)**

Pursuant to Oregon Administrative Rule ("OAR") 860-001-0420, Salmon Valley Water Company, Sunstone Water, LLC, Lakeshore Water Company, LLC, Seavey Loop Water Company, LLC, and South Coast Water Company, LLC (collectively, the "Consolidated Sunstone Utilities") respectfully request that the Oregon Public Utility Commission ("Commission") grant a narrow waiver of OAR 860-036-1940(2)(c) in docket UW 209. The request is consistent with the recommendation of Commission Staff ("Staff") witness Scott Shearer in Staff's opening testimony. Staff/100, Shearer.

INTRODUCTION

This consolidated rate case involves 26 small water systems across western Oregon. Eleven are currently regulated by the Commission only for service (*i.e.*, Barger, Bear Creek, College Park/Penticton, Echo Mountain, Fryer Hill, Laurelwood, Lombard, Quacker Meadows, Riverbend, Stables, and Wyland, collectively the "Affected Systems") and would become rate regulated for the first time through the proposed consolidation. Oregon Administrative Rule 860-036-1940 governs how a small water utility ordinarily opts into rate regulation. As explained below, the Consolidated Sunstone Utilities' Application satisfied subsection (1) of OAR 860-036-1940, which requires a written request for rate regulation. *See* OAR 860-036-1940(1). The associated

customer notice contained all the elements enumerated under subsection (2) of the rule except the express statement required under paragraph (2)(c) that the Affected Systems are seeking to be rate regulated. However, the notice conveyed the substance of the rule, and, as Staff acknowledged, an additional standalone notice could confuse customers. Staff therefore recommended that the Consolidated Sunstone Utilities seek this waiver.

Since Staff filed its testimony, the case has progressed. Certain parties have developed a proposed settlement in principle to address the revenue issues for all 26 systems in this rate case, including the currently service-regulated systems at issue here. Settlement discussions remain ongoing. The proposed settlement contemplates that the service-regulated systems would become rate regulated as part of the consolidated utility. The Consolidated Sunstone Utilities accordingly request waiver of the requirement under OAR 860-036-1940(2)(c) that the customer notice expressly state that those systems are seeking rate regulation.

PROCEDURAL HISTORY

On December 31, 2025, the Consolidated Sunstone Utilities filed their Application for a general rate revision ("Application") initiating this docket. The Application requests, among other things: (1) consolidation of the rates for the 26 separate water systems using a single revenue requirement, a single rate base, a single cost of capital, and one consolidated tariff book; and (2) a traditional rate case proceeding for the Consolidated Sunstone Utilities. Customers served by all 26 systems, including the service-regulated systems at issue in this motion, received the customer notice associated with this docket, informing them of the proposed consolidated rates and their opportunity to participate in this proceeding.

As stated above, the Affected Systems are currently service regulated only. Under the rate consolidation proposed in this docket, the Affected Systems would become subject to rate regulation for the first time, as components of a single utility rather than as standalone utilities. The Affected Systems are, therefore, not seeking to become rate regulated through the standalone, single-system opt-in process contemplated by OAR 860-036-1940. Rather, their conversion to rate-regulated status is squarely presented to the Commission as an integrated part of this rate case.

On July 22, 2026, Staff filed its opening testimony. Staff witness Scott Shearer stated that, although the Application satisfied OAR 860-036-1940(1), the customer notice did not appear to include the statement required by OAR 860-036-1940(2)(c) for the Affected Systems. "Due to the circumstances and complexity of this docket," Staff recommended that the Consolidated Sunstone Utilities seek a waiver to avoid confusing customers with another notice in addition to the overlapping notices already provided in this docket and the related consolidation docket, UP 439. This motion follows that recommendation.

After the filing of opening testimony, the parties engaged in settlement discussions. Those discussions have produced a proposed settlement in principle addressing the revenue issues for all 26 systems.

APPLICABLE LAW

Oregon Administrative Rule 860-036-1940 governs the process by which a water utility serving fewer than 500 customers may request to become rate regulated by the Commission. Subsection (1) addresses the utility's application for rate regulation. Subsection (2) describes the notice the utility must provide of its request for rate regulation. The notice must contain five elements: (a) the date; (b) the information required by OAR 860-036-1100(2); (c) a statement that the water utility is seeking to be rate regulated by the Commission; (d) the reasons the water utility

is seeking rate regulation; and (e) a statement that customers with questions may contact the Commission's Consumer Services Section.

The Application in this docket satisfied OAR 860-036-1940(1) with respect to the Affected Systems, as Staff's opening testimony confirms. Compliance with subsection (1) is therefore not at issue.

The rate case notice provided to customers in connection with this docket likewise satisfied nearly all elements of OAR 860-036-1940(2). It was dated; included the utility and Commission contact information and related content required by OAR 860-036-1100(2); described the requested relief, including consolidation of the Affected Systems into a single rate-regulated utility; and directed customers with questions to the Commission's Consumer Services Section. It did not, however, expressly state that the Affected Systems were seeking rate regulation under OAR 860-036-1940.

WAIVER REQUEST

Consistent with Staff's recommendation, the Consolidated Sunstone Utilities request that the Commission waive the customer-notice statement requirement of OAR 860-036-1940(2)(c) as applied to the Affected Systems. Good cause supports the requested waiver. First, the waiver is narrow. The Application in this docket satisfied OAR 860-036-1940(1), and the customer notice contained all the elements required by OAR 860-036-1940(2) except for the express statement that the Affected Systems are "seeking to be rate regulated." The notice otherwise provided the required information, described the proposed consolidation and rates, and directed customers to the Commission's Consumer Services Section.

Second, the rate case notice informed customers of the proposed rates and their opportunity to participate, fulfilling the practical purpose of subsection (2)(c) without a duplicative mailing. An additional notice, after those issued in this docket and UP 439, could instead confuse customers about which notice governs, when rates may change, and how to participate.

Third, the proposed settlement in principle further supports the requested waiver. The revenue issues addressed by the proposal include the costs of serving the Affected Systems, and the settlement framework contemplates their transition to rate regulation as part of the consolidated utility. The parties continue to work on rate spread and rate design.

Fourth, customers received notice of the proposed rates and an opportunity to participate in this proceeding, and public comments have generally favored greater oversight.

Finally, the waiver will not limit the Commission's or Staff's review. The request remains before the Commission in the Application, which satisfies OAR 860-036-1940(1), and will be resolved by the Commission's final order.

CONCLUSION

The Application satisfied OAR 860-036-1940(1), and the customer notice substantially satisfied OAR 860-036-1940(2), except for the discrete statement required by paragraph (2)(c). Denying the waiver would provide no meaningful additional customer protection and could delay rate regulation of the Affected Systems and the Commission's review of their rates, terms, and conditions of service. Consistent with Staff's recommendation, the Consolidated Sunstone Utilities respectfully request that the Commission waive OAR 860-036-1940(2)(c) as applied to the Affected Systems. The Consolidated Sunstone Utilities have notified all parties to this proceeding of the substance of this motion.

Respectfully submitted this 30th day of September 2026.

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