Docket No. AR 673
Notice of Workshop 1

Date:	Thursday, March 26, 2026
Time:	9:00 a.m. – 11:00 a.m. Pacific Time
Access:	**Link to Microsoft Teams Meeting** Meeting ID: 257 566 638 906 72 Passcode: o7wY9v4G Or by phone +1 503-446-4951,,140725898# Phone conference ID: 140 725 898#

Agenda

9:00 – 9:10 a.m.	Introduction and Workshop Overview
9:10 – 9:30 a.m.	SB 845 Overview
9:30 – 10:50 a.m.	Open Discussion: Discussion Document & Stakeholder Input
10:50 – 11:00 a.m.	Next Steps

Overview

Enacted during the 2025 legislative session, SB 845 primarily authorizes the Oregon Public Utility Commission (PUC) to order the sale of a water utility that is unable to provide safe and adequate service. The PUC must establish Oregon Administrative Rules (OARs) to implement the provisions of SB 845, and has opened Docket No. AR 673 to address this issue.

This is the first stakeholder workshop planned for the informal rulemaking process. The purpose of Workshop 1 is to introduce issues that must be addressed in the new rules and to gather stakeholder perspectives on the implementation of the new law. Staff has prepared a document for discussion during Workshop 1. Stakeholders are invited to provide comments, suggestions, and edits by April 9, 2026. Input received during the workshop and through written comments will be used to develop specific draft rule language for consideration at Workshop 2.

If you have questions about this docket, please contact:
Steph Yamada
stephanie.yamada@puc.oregon.gov
(971) 375-5110

SB 845 Overview

SB 845 authorizes the Oregon Public Utility Commission (PUC) to order the sale of an existing (incumbent) water utility when the utility cannot provide safe and adequate water service or has failed to correct serious problems. Before ordering a sale, the PUC must give notice, explain its concerns, and allow the utility an opportunity to pursue alternatives.

• Authority to Order a Sale: The PUC may order the sale of a water utility after a contested case process if it determines the utility cannot or will not fix issues that jeopardize public health or safety and if alternative remedies are not viable.

• Required Notice and Opportunity to take Alternative Actions: Before initiating the contested case, the Commission must provide written notice to the utility, detail its concerns, and allow the utility to pursue acceptable alternative actions (such as repairs, new management, contracting with another operator, or merging with another utility).

• Evaluation of Alternatives: The Commission is required to consider whether less drastic actions—like repairs, reorganization, new management, or municipal acquisition—are practical before ordering a sale.

• Oversight of Rate Base and Transaction Costs: If the utility submits an application seeking acquisition approval under existing statutes, the Commission will set the utility's rate base within specified limits and determine how acquisition-related costs may be recovered in rates.

• Appointment of an Independent Administrator: The Commission may appoint an independent administrator to protect customers' interests and ensure safe and adequate service during the process.

• Establishing the Sale Process: If a sale is ordered, the PUC establishes the procedures for the sale. The sale price is negotiated between the selling utility and the acquiring entity.

Issues for Consideration in Rulemaking

- Should the Commission adopt minimum time frames to permit an incumbent water utility to take an alternative action as defined by the statute.
- Should the Commission establish a standard process for sale of the incumbent water utility if a sale is ordered.
- How should the Commission address a utility operator who refuses to participate in a contested case or utility sale.
- How should the Commission address instances where no buyer for a utility can be found.

New Rules – High Level/Scope

Commission Notice of Safety or Adequacy of Service Violation

(1) If a water utility is found to be in violation of statutory or regulatory standards affecting the safety and adequacy of potable water service, prior to opening a contested case to determine whether to order the sale of the water utility, the Commission will issue written notice to the utility. The notice will:
   a. Identify the specific violations committed by the utility,
   b. State the alternative actions the water utility may take to avoid a sale,
   c. Provide a reasonable time frame, as determined by the Commission, for the utility to take alternative action,
   d. State the Commission's intent to open a contested case if the issue is not remedied, and
   e. Provide 30 days for the water utility to provide an initial response to the Commission.

(2) Within 30 days of the issuance of a notice under this section, the water utility must provide an initial response to the Commission. The initial response must:
   a. State which alternative action(s) the water utility will take to remedy the issue,
   b. Indicate whether the water utility plans to complete such actions within the time frame identified in the Commission's initial notice,
   c. Identify the estimated cost of completing the chosen action(s), including how the necessary funds will be secured, and
   d. Identify the water utility's plans for protecting customers while the necessary actions are underway.

(3) If the water utility fails to provide its initial response within 30 days or fails to take appropriate corrective actions within the time frame specified in the notice, the Commission will proceed with opening a contested case.

Sale of Water Utility

(1) When the Commission orders the sale of a water utility, it will establish a process for carrying out the sale by order.

(2) In establishing a sale process as described in this section, the Commission's considerations may include, but are not limited to:
   a. The type and severity of the utility's safety violations,
   b. The anticipated amount of time needed to correct the safety violations,
   c. Utility size and complexity
   d. The anticipated availability of potential buyers,
   e. Potential impacts to customers, and

f. The financial condition of the water utility.

Buyer Evaluation Criteria

(1) Once a buyer has been selected, the sale price for the water utility will be determined by negotiation between the buyer and the seller. In the event the seller is unavailable or unwilling to participate, the Commission will serve in place of the seller.
(2) The Commission will review the proposed sale pursuant to ORS 757.480 and OAR 860-036-2110.

Rate Base Determination

When the Commission orders the sale of a water utility, the utility's rate base will be established based on the net book value of the utility unless the Commission determines an acquisition adjustment is merited based on the benefit to the customers being acquired and the public interest on a case-by-case basis.

Proposed Amendments to Existing OARs

860-036-1700
Appointment of Regent to Operate and Manage a Water System

If the Commission determines that a water utility's ownership or management results in inadequate service, threatens the health or safety of the customers, or threatens the financial viability of the water utility, then the Commission may appoint a regent to operate and manage the water utility.

Statutory/Other Authority: ORS 183, 756 & 757
Statutes/Other Implemented: ORS 756.040, 757.020, 757.066.

[Note: consider amendments related to Independent Administrator roles.]

860-036-1710
Expenditure of Charges Collected Under ORS 756.310 to Make Emergency Repairs

~~(1)~~ The Commission may use up to **$100,000** per biennium of the charges collected under ORS 756.310 to make emergency repairs for water utilities **under the conditions set forth in ORS 757.068**. ~~The Commission may expend monies under the provisions of this rule if the Commission determines that repairs to the~~

~~water system are necessary for the health and safety of the customers or the water utility.~~

(2) The Commission will seek recovery of charges used under this rule from the water utility providing service. Interest will not accrue on the outstanding balance.

~~(3) The Commission may also recover penalties as provided in ORS 756.350 from the time the charges are expended.~~

Statutory/Other Authority: ORS 183, 756 & 757
Statutes/Other Implemented: ORS 756.040, 757.068 & 757.310