



e-FILING REPORT COVER SHEET

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REPORT NAME: Docket No. UI 326 Supplemental letter to application

COMPANY NAME: Roats Water System

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation: RE (Electric) RG (Gas) RW (Water) RO (Other)

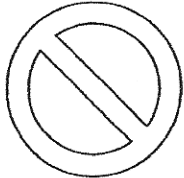
Report is required by: OAR Enter rule number
Statute Enter statute number
Order Enter PUC Order No
Other Enter reason

Is this report associated with a specific docket/case? No Yes

If yes, enter docket number: UI 326

List applicable Key Words for this report to facilitate electronic search:
Roats, affiliated interest

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- Annual Fee Statement form and payment remittance or
- OUS or RSPF Surcharge form or surcharge remittance or
- Any other Telecommunications Reporting or
- Any daily safety or safety incident reports or
- Accident reports required by ORS 654.715

Please file the above reports according to their individual instructions.

February 13, 2013

Roats Water System Inc.
61147 Hamilton Ln.
Bend, OR 97702

Vikie Bailey-Goggins
Oregon Public Utility Commission
PO Box 2148
Salem, OR 97308

RE: Supplemental letter to UI 326 Affiliated Interest Application

Dear Ms. Baily-Goggins:

This letter is being filed supplemental to Roats Water System Inc's (Roats or Company) affiliated interest application, which is docketed by the Public Utility Commission as UI 326.

According to OAR 860-036-0739(4)(e), affiliated interest expenses should be at the lower of cost or market. Roats, in conjunction with its filed application, hereby requests a waiver of said rule for this specific affiliated interest application. Because the property has been owned for many years, its accounting cost is significantly lower than its market value. The owner of the property has not charged the Company rent in the past; therefore, the Company's revenue requirement has been less than it otherwise would have been. This means customers pay less for water service.

However, at this time, the owner of the property has the ability to sell or rent the property for greater than the cost of the property. The Company would likely have difficulty finding another suitable property in a desirable location at a reasonable cost on which to operate its business. Should the owner decide to sell or rent it to another entity, customers of the Company would likely end up paying more in expenses (rental and relocation) than the amount being requested in this application for rental expense. Therefore, granting this waiver is in the public interest, as customers would likely pay more if this waiver were not granted. Further details of the reasons for the request are also already generally set forth in the application.

Signed,



W. K. Roats, President
Roats Water System Inc.