

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 16, 2024**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** May 17, 2024

**DATE:** May 1, 2022

**TO:** Public Utility Commission

**FROM:** Scott Shearer

**THROUGH:** Bryan Conway and Russ Beitzel **SIGNED**

**SUBJECT:** ROATS WATER SYSTEM, INC.:  
(Docket Nos. UI 326, UI 497)  
Requests approval of Affiliated Interest Agreements with William K. Roats.

**STAFF RECOMMENDATION:**

Staff recommends that the Oregon Public Utility Commission (the Commission) approve Roats Water System, Inc.'s (Roats or the Company) Affiliated Interest (AI) commercial property rental agreements with William K. Roats (WKR), subject to the following conditions:

1. The Company will provide the Commission access to all books of account as well as all documents, data, and records that pertain to any payments made from the Company to Affiliates.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any rate proceedings or alternative form of regulation.
3. The Company will notify the Commission in advance of any substantive changes to the Agreement, including any material changes in price. Any such changes shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.
4. The Company will report to the Commission, as part of its annual affiliated interest report, a summary of Affiliate costs charged to the Company.
5. The value related to these AIs will be decided in the concurrent rate case, Docket No. UW 198.

## **DISCUSSION:**

### Issue

Whether the Commission should grant the Company's request to enter into AI commercial property rental agreements with WKR, for the provision of AI services to Roats.

### Applicable Law

Pursuant to ORS 757.015(1) and (2), a corporation or person has an affiliated interest relationship with a public utility when it owns or holds, directly or indirectly, in any chain of successive ownership, at least five percent of the voting securities of that public utility. Further, the Statute states that a corporation that is owned by any corporation or person owning at least five percent of the voting securities of a public utility also has an affiliated interest relationship with the public utility. ORS 757.015(3). Lastly, according to ORS 757.015(5), every corporation that has two or more officers or two or more directors in common with a public utility has an affiliated interest with the public utility.

ORS 757.495(1) and OAR 860-036-2210(2) require that when a public utility enters into a contract with an affiliated interest, it must seek Commission approval of the contract within 90 days of execution of the contract. The contract shall be deemed to be executed on the date the parties sign a written contract or on the date the parties begin to transact business under the contract, whichever date is earlier. ORS 757.495(6) requires the Commission to enter an order on the matter within 90 days after the matter has been submitted to the Commission for consideration.

Pursuant to ORS 757.495(3), the Commission will approve affiliated interest agreements if the terms are fair and reasonable and not contrary to the public interest. However, the Commission need not determine the reasonableness of all financial aspects of the agreement for ratemaking purposes and may reserve that issue for subsequent proceedings.<sup>1</sup>

Pursuant to OAR 860-036-2230(2)(e), when services or supplies are sold to a water utility by an affiliate, sales must be recorded in the water utility's accounts at the lower of the affiliate's cost or the market rate. The affiliate's cost must be calculated using the water utility's most recently authorized rate of return.

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<sup>1</sup> See Order No. 11-071 in Docket No. UI 306.

## Analysis

### *Background*

Roats is a privately owned, fully regulated water utility, serving approximately 4,000 customers in the vicinity of Bend, Oregon. WKR is the majority shareholder of the Company and is the President/CEO.

Roats filed AI applications seeking Commission approval of 1) a revised rental agreement for an existing Commission approved contract (UI 326)<sup>2</sup> and 2) a new rental agreement (UI 497) for additional property, both used for the provision of AI services to the Company by WKR.

The Company filed said supplemental applications on February 28, 2024, pursuant to ORS 757.495(2) and OAR 860-036-2210(2).

### *UI 326 – Revised Rental Contract*

This contract deals with the following property owned by WKR and leased to the Company.

- Property A – 86,530 sq/ft Service Office and equipment lot. The proposed rental amount is \$0.05 per sq/ft of space, totaling \$4,179 per month.
- Property B – 3,000 sq/ft Shop and Warehouse. The proposed rental amount is \$1.00 per sq/ft of space, totaling \$3,000 per month.
- Property C – 56,000 sq/ft “Brookwood” that contains the well and water storage facilities. The proposed rental amount is \$0.05 per sq/ft of space, totaling \$2,800 per month.
- Property D – 2,277 sq/ft Business Office. The proposed rental amount is \$1.00 per sq/ft of space, totaling \$2,024 per month.

Staff reviewed real estate listings in and around the Bend area and found the following comparable properties:<sup>3</sup>

For Properties A and C:

- Listing 1 – 14,000 sq/ft storage lot in Redmond at \$0.13 per sq/ft.<sup>4</sup>
- Listing 2 – 87,000 sq/ft storage lot in Prineville at \$0.03 per sq/ft.<sup>5</sup>

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<sup>2</sup> See Order No. 13-066.

<sup>3</sup> Note: All real estate listings show price per sq/ft, per year. Staff converted prices to reflect monthly per sq/ft charges.

<sup>4</sup> See Exhibit A, Page 1.

<sup>5</sup> *Id.* at 4.

Staff found the cost for Listing 1 is significantly higher than Roats proposed amount, the property size is not sufficient for Roats' needs, and the distance to the subject property is 21 miles from Roats' location in Bend.<sup>6</sup>

Staff found the cost for Listing 2 is slightly less than Roats proposed amount, the property size much larger than Roats' needs, and the distance to the subject property is 35 miles from Roats' location in Bend.<sup>7</sup>

For Property B:

- Listing 3 – 3,636 sq/ft of industrial space in Bend at \$1.25 per sq/ft.<sup>8</sup>
- Listing 4 – 4,440 sq/ft of industrial space in Bend at \$1.10 per sq/ft.<sup>9</sup>

For Property D:

- Listing 5 – 3,117–6,461 sq/ft office space in Bend at \$3.25 per sq/ft.<sup>10</sup>
- Listing 6 – 800–2,560 sq/ft office space in Bend for \$1.55 per sq/ft.<sup>11</sup>

Staff found both comparable listings are more expensive than the proposed rental amount listed by the Company.

#### *UI 497 – New Rental Contract*

This contract deals with the following property owned by WKR and leased to the Company.

- Property E – 20,037 sq/ft Parking and Storage lot. The proposed rental amount is \$0.05 per sq/ft of space, totaling \$1,002 per month, or \$12,024 per year.

Staff reviewed real estate listings in and around the Bend area and found the following comparable properties:

- Listing 1 – 14,000 sq/ft storage lot in Redmond at \$0.13 per sq/ft.<sup>12</sup>
- Listing 2 – 87,000 sq/ft storage lot in Prineville at \$0.03 per sq/ft.<sup>13</sup>

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<sup>6</sup> *Id.* at 6.

<sup>7</sup> *Id.* at 8.

<sup>8</sup> *Id.* at 10.

<sup>9</sup> *Id.* at 14.

<sup>10</sup> *Id.* at 17.

<sup>11</sup> *Id.* at 20.

<sup>12</sup> *Id.* at 1.

<sup>13</sup> *Id.* at 4.

Staff found the cost for Listing 1 is significantly higher than Roats proposed amount, the property size is not sufficient for Roats' needs, and the distance to the subject property is 21 miles from Roats' location in Bend.<sup>14</sup>

Staff found the cost for Listing 2 is slightly less than Roats proposed amount, the property size much larger than Roats' needs, and the distance to the subject property is 35 miles from Roats' location in Bend.<sup>15</sup>

While the direct cost for Listing 2 is lower than the amount proposed by Roats for the newly leased property, it is wholly unsuitable for Roat's needs based on the distance from Roats operations and the amount of property required to be retained. Any costs savings from the different rates would be lost in the total amount required to be leased and the mileage, wear and tear on equipment, and insurance increases at a minimum.

#### *Terms and Conditions*

Staff reviewed both contracts, between the Company and W. K. Roats and did not observe any unusual terms or conditions in the Agreements. The Agreements appear similar to other property rental agreements typically used by water utility companies.

#### *Transfer Pricing*

Based on the above information, Staff determined that both Agreements meet the lower of costs or market rates for service provided to Roats. Staff notes that, due to rounding, the individual figures listed do not equal exact amounts for month and yearly totals. However, given the safeguards provided by Conditions 2 and 5, Staff believes the contracts are reasonable.

#### *Public Interest Compliance*

The costs for each of the property listings is less than the comparable market rents for similar pieces or property and therefore is an overall benefit to customers. Staff believes the agreements are fair and reasonable, and not contrary to the public interest.

#### Conclusion

Based on the review of this application, Staff concludes the following:

1. The proposed affiliated interest agreements are fair, reasonable, and not contrary to the public interest; and
2. Necessary records are available.

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<sup>14</sup> *Id.* at 6.

<sup>15</sup> *Id.* at 8.

Docket Nos. UI 326, UI 497  
May 1, 2024  
Page 6

The Company has reviewed a draft of this memo and voiced no concerns.

**PROPOSED COMMISSION MOTION:**

Approve Roats Water System, Inc.'s Affiliated Interest commercial property rental agreements with William K. Roats, subject to Staff's conditions identified in the Staff Recommendation section of this staff report.

Roats UI 326, UI 497



# NW 6th Street Land Listing | 710 NW Maple Ave

0.33 Acres of Commercial Land for Lease in Redmond, OR 97756

Land / Oregon / Redmond / 710 NW Maple Ave, Redmond, OR 97756



2 NE CORNER PERSPECTIVE VIEW



1 NW CORNER PERSPECTIVE VIEW

Call

Message



# NW 6th Street Land Listing | 710 NW Maple Ave

0.33 Acres of Commercial Land for Lease in Redmond, OR 97756



## HIGHLIGHTS

New commercial development with high visibility in a growing

Near Wal Mart super center, Home Depot and new multi

Message





## NW 6th Street Land Listing | 710 NW Maple Ave

0.33 Acres of Commercial Land for Lease in Redmond, OR 97756

Lease Term **Negotiable**

New retail and/or restaurant development project on two contiguous C1 Commercial lots at the corner of NW Maple and 6th St in Redmond. The building will total 6,000sf with outdoor seating options. The project footprint is 36,600sf with approx 50 parking spaces and a drive throught on the East end unit. High visibility lighted intersection near Wal Mart Super Center. Base rent \$3.50/sf with Monthly NNN charges approx \$.50/sf. Now accepting LOI's. Tenant's buildout requirements will be considered in the final design. Suite 1 on the West corner is 60 X 40 and 2,400sf. Suite 2 in the middle is 40 X 40 with 1,600sf and Suite 3 on the East corner is 36 X 54 with 2,000sf and a drivethrough.

### PROPERTY OVERVIEW

New retail and/or restaurant development project on two contiguous C1 Commercial lots at the corner of NW Maple and 6th St in Redmond. The building will total 6,000sf with outdoor seating options. The project footprint is 36,600sf with approx 50 parking spaces and a drive throught on the East end unit. High visibility lighted intersection near Wal Mart Super

Center. Base rent \$3.50/sf with Monthly NNN charges approx \$.50/sf. Now accepting LOI's. Tenant's buildout requirements will be considered in the final design. Suite 1 on the West corner is 60 X 40 and 2,400sf. Suite 2 in the middle is 40 X 40 with 1,600sf and Suite 3 on the East corner is 36 X 54 with 2,000sf and a drivethrough.

### PROPERTY FACTS

Message



# Baldwin Industrial Park Land Lease | 2731 SW High Desert Dr

2 Acres of Industrial Land for Lease in Prineville, OR 97754



## HIGHLIGHTS

Highway Frontage

Located across Highway from Facebook

Message



## Baldwin Industrial Park Land Lease | 2731 SW High Desert Dr

2 Acres of Industrial Land for Lease in Prineville, OR 97754

Lease Term **Negotiable**

2 acre graveled lot available in Baldwin Industrial Park, Prineville. Across from Facebook, with excellent highway visibility. Has water and sewer stubbed to property line but not connected. Lease Rate \$2800./month

### PROPERTY OVERVIEW

2 acre graveled lot available in Baldwin Industrial Park, Prineville. Across from Facebook, with excellent highway visibility. Has

water and sewer stubbed to property line but not connected. Lease Rate \$2800./month

### PROPERTY FACTS

Rental Rate **\$0.39/SF/YR**  
Property Type **Land**

Property Subtype **Industrial**

MAP

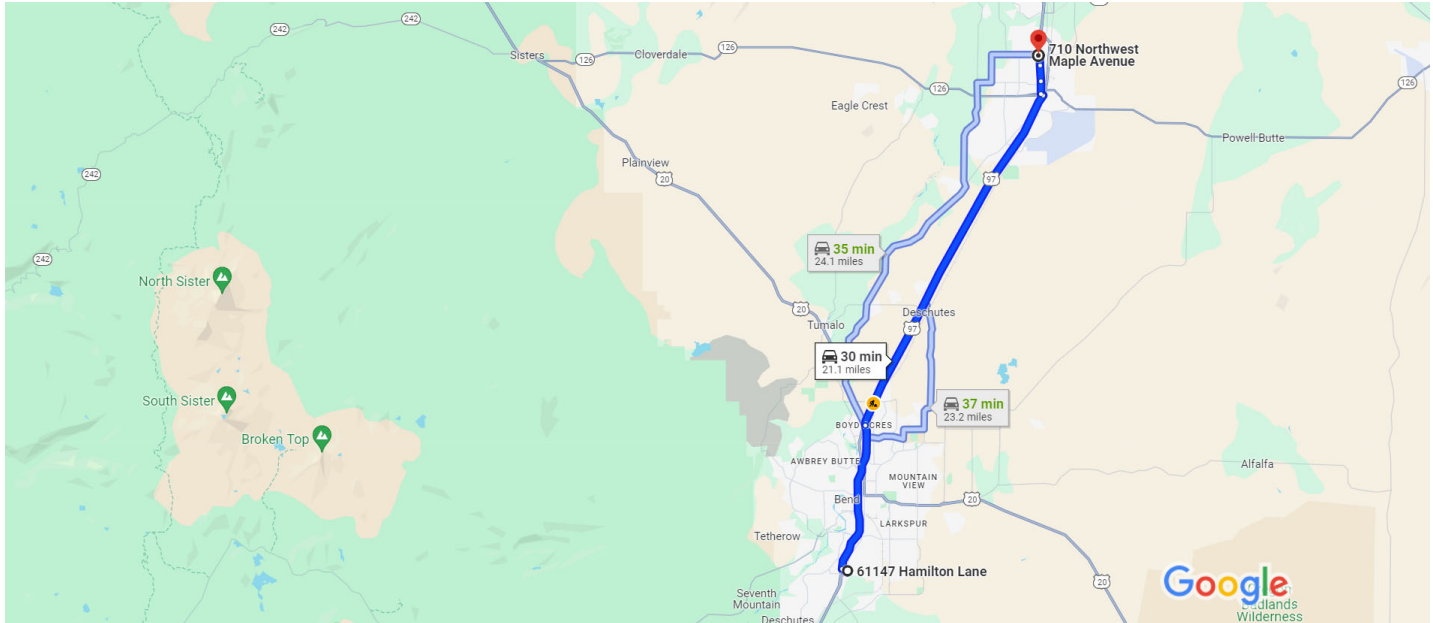


Message



61147 Hamilton Ln, Bend, OR 97702 to 710 NW Maple Ave, Redmond, OR 97756

Drive 21.1 miles, 30 min



Map data ©2024 Google 2 mi

61147 Hamilton Ln  
Bend, OR 97702

Take Old Murphy Rd and Pinebrook Blvd to US-97 N/Bend Pkwy


- 2 min (0.4 mi)
- ↑ 1. Head south on Hamilton Ln toward Roats Ln  
⚠ Restricted usage road
- 367 ft
- ↪ 2. Turn right onto Old Murphy Rd
- 0.1 mi
- ↪ 3. Turn right onto S Hwy 97
- 410 ft
- ↩ 4. Turn left onto Pinebrook Blvd
- 0.1 mi

Follow US-97 N to SW Glacier Ave in Redmond


- 23 min (19.1 mi)
- ↪ 5. Turn right onto US-97 N/Bend Pkwy
- 5.5 mi
- ↩ 6. Keep left to continue on US-97 N  
i Pass by Taco Bell (on the right in 13.3 mi)
- 13.6 mi

Take SW 5th St and NW 6th St to NW Maple Ave


- 5 min (1.6 mi)

-  7. Use the 2nd from the left lane to turn left onto SW Glacier Ave  


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 0.1 mi
-  8. Turn right onto SW 5th St  



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 0.5 mi
-  9. Continue straight onto NW 5th St  

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 0.6 mi
-  10. Continue onto NW 6th St  

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 0.4 mi
-  11. Turn left onto NW Maple Ave  
 Destination will be on the left  

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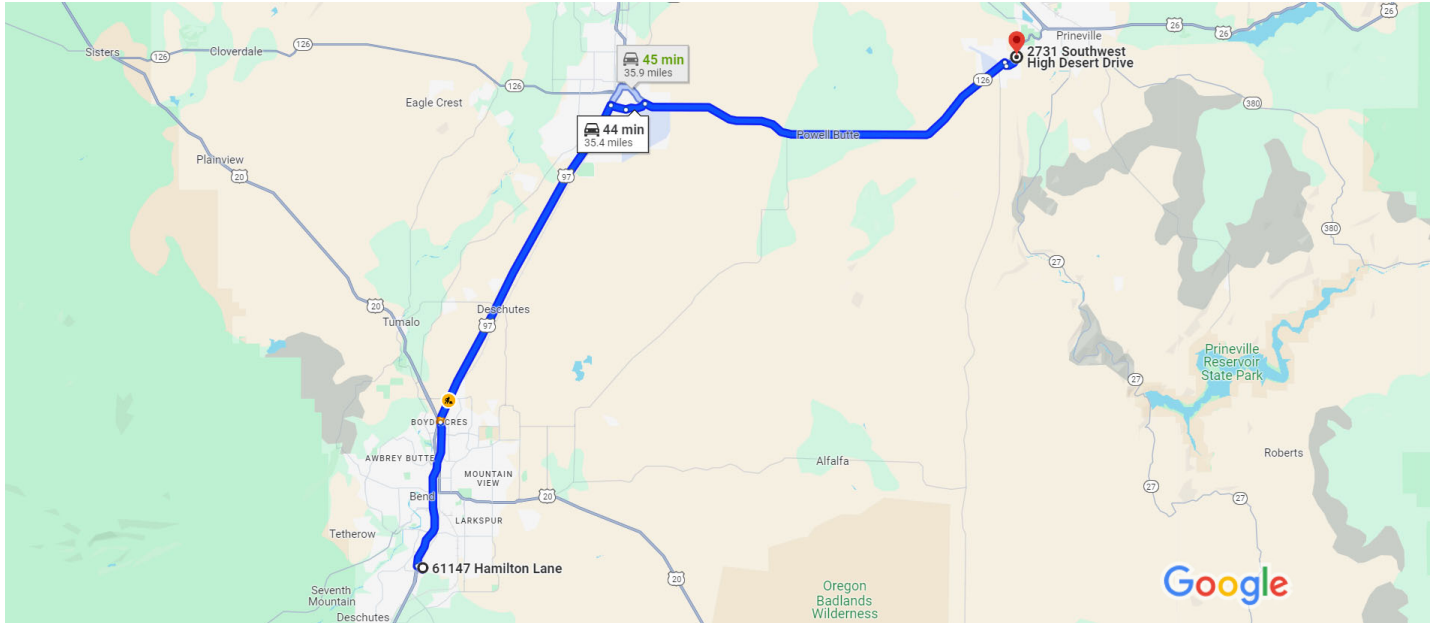
 299 ft

710 NW Maple Ave  
Redmond, OR 97756



61147 Hamilton Ln, Bend, OR 97702 to 2731 SW High Desert Dr, Prineville, OR 97754

Drive 35.4 miles, 44 min



Map data ©2024 Google 2 mi

61147 Hamilton Ln  
Bend, OR 97702

Take Old Murphy Rd and Pinebrook Blvd to US-97 N/Bend Pkwy







- 2 min (0.4 mi)
- ↑ 1. Head south on Hamilton Ln toward Roats Ln  
⚠ Restricted usage road
- 367 ft
- ↘ 2. Turn right onto Old Murphy Rd
- 0.1 mi
- ↘ 3. Turn right onto S Hwy 97
- 410 ft
- ↙ 4. Turn left onto Pinebrook Blvd
- 0.1 mi

Follow US-97 N to SW Veterans Way in Redmond

- 22 min (18.6 mi)
- ↘ 5. Turn right onto US-97 N/Bend Pkwy
- 5.5 mi
- ↙ 6. Keep left to continue on US-97 N
- 13.1 mi

Take OR-126 W to your destination in Prineville

- 21 min (16.5 mi)

-  7. Turn right onto SW Veterans Way  
----- 0.6 mi
-  8. Turn left onto SE Veterans Way  
----- 0.8 mi
-  9. Turn right onto OR-126 W  
----- 14.4 mi
-  10. At the traffic circle, take the 1st exit onto SW Tom  
McCall Rd  
----- 0.1 mi
-  11. Turn left onto SW High Desert Dr  
----- 0.6 mi
-  12. Turn left  
----- 62 ft

2731 SW High Desert Dr  
Prineville, OR 97754



## Industrial/Flex Suite in NE Bend | 2447 NE 4th St

3,636 SF of Industrial Space Available in Bend, OR 97701

[Industrial Space](#) / [Oregon](#) / [Bend](#) / 2447 NE 4th St, Bend, OR [97701](#)



Call

Message





## Industrial/Flex Suite in NE Bend | 2447 NE 4th St

3,636 SF of Industrial Space Available in Bend, OR 97701



### SUBLEASE HIGHLIGHTS

2,024 SF warehouse

14' roll-up door

Large private office/conference room

18'x16' outdoor yard with fence for secured storage

Monument and building signage

Easy access to Hwy 97

Message



## Industrial/Flex Suite in NE Bend | 2447 NE 4th St

3,636 SF of Industrial Space Available in Bend, OR 97701

SIZE

**3,636 SF**

TERM

**Feb 2027**

RENTAL RATE

**\$15.00 /SF/YR**

SPACE USE

**Industrial**

CONDITION

**Full Build-Out**

AVAILABLE

**Now**

[Details](#)

### PROPERTY OVERVIEW

\*FREE RENT negotiable with term\*  
Industrial suite for sublease in the High Desert Industrial Park (Building 5) just off Butler Market with excellent visibility from 4th st. First floor features reception/office, restroom, and break room with

warehouse includes a 14' roll-up door. Mezzanine includes open storage and a large private office/conference room. 18'x16' outdoor yard storage which can be fenced for secure storage. Monument and building signage

Message



**Industrial/Flex Suite in NE Bend | 2447 NE 4th St**  
3,636 SF of Industrial Space Available in Bend, OR 97701

Water	City
Sewer	City
Power Supply	Volts: 480 Phase: 3
Zoning	IL - IL (Light Industrial)

### ATTACHMENTS

[2447 NE 4th St Lease Flyer 04182024](#) ↓

MAP



Message



# 63008 Sherman Rd

4,440 SF of Industrial Space Available in Bend, OR 97703

[Industrial Space](#) / [Oregon](#) / [Bend](#) / 63008 Sherman Rd, Bend, OR 97703



Call

Message



# 63008 Sherman Rd

4,440 SF of Industrial Space Available in Bend, OR 97703



## FEATURES

Standard Parking Spaces **10**

Display Rental Rate

Message



## 63008 Sherman Rd

4,440 SF of Industrial Space Available in Bend, OR 97703

TERM

**5 Years**

RENTAL RATE

**\$13.20/SF/YR**

SPACE USE

**Industrial**

CONDITION

-

AVAILABLE

**Now**

[Details](#)

### PROPERTY OVERVIEW

Former Jed's WoodWorking location is now available. A 4,440 sq ft industrial building with two roll up doors at opposite ends of the building. A small showroom, break room and two offices upstairs located in the front center of the

space. The building currently has a dust collection system and a large air compressor installed. Large paved parking area. Fenced gravel lot to the south is not included in this lease offering.

### WAREHOUSE FACILITY FACTS

Message



## 2219 NW Labiche Ln

3,117 - 6,461 SF of Office Space Available in Bend, OR 97703



Message



## 2219 NW Labiche Ln

3,117 - 6,461 SF of Office Space Available in Bend, OR 97703



### HIGHLIGHTS

Class A office/medical building on Bend's west side

Great location near NorthWest Crossing shops & restaurants

Signage available on the interior and exterior of the building

NorthWest Crossing is home to more than 1,550 housing units stretching over 486 acres

22 onsite parking spaces

### ALL AVAILABLE SPACE (1)

Display Rental Rate as

**\$/SF/YR**

#### 1st Floor

SIZE

**3,117-6,461 SF**

TERM

**1-20 Years**

RENTAL RATE

**\$39.00 /SF/YR**

SPACE USE

**Office**

CONDITION

Message





## 2219 NW Labiche Ln

3,117 - 6,461 SF of Office Space Available in Bend, OR 97703

### PROPERTY OVERVIEW

This new Class A office/medical building on Bend's west side is in the desirable NorthWest Crossing community, across the street from Shevlin Crossing and Shevlin Health and Wellness. This is a prime location for professionals seeking to elevate their practice or business. The development enjoys

close proximity to an array of popular restaurants, shops, schools, and businesses, offering convenience and accessibility for both clients and employees. With exterior and interior signage available, your business will be proudly displayed in this coveted part of Bend.

### PROPERTY FACTS

Building Type	<b>Office</b>
Building Height	<b>1 Story</b>
Building Size	<b>6,461 SF</b>
Typical Floor Size	<b>6,461 SF</b>
Parking	<b>22 Surface Parking Spaces</b>

### ATTACHMENTS

[Marketing Flyer](#) ↓

### LINKS

Message



### 551 NE Greenwood Ave

800 - 2,560 SF of Space Available in Bend, OR 97701



## HIGHLIGHTS

private parking lot, drive-thru carport, and single tenancy building

Message



### 551 NE Greenwood Ave

800 - 2,560 SF of Space Available in Bend, OR 97701

HOUSES

## ALL AVAILABLE SPACES (2)

Display Rental Rate as

[\\$/SF/YR](#)

### 1st Floor, Ste 1st

SIZE

**1,760 SF**

TERM

**1-10 Years**

RENTAL RATE

**\$18.60/SF/YR**

SPACE USE

**Office/Retail**

CONDITION

-

AVAILABLE

**Now**

[Details](#)

### 2nd Floor, Ste 2nd

SIZE

**800 SF**

TERM

**1-10 Years**

RENTAL RATE

**\$18.60/SF/YR**

SPACE USE

**Office/Medical**

CONDITION

-

AVAILABLE

**Now**

[Details](#)

## PROPERTY OVERVIEW

Excellent high-traffic exposure on thru carport, 9 parking spaces.

[Message](#)



### 551 NE Greenwood Ave

800 - 2,560 SF of Space Available in Bend, OR 97701

(medical, retail, services etc), with 5 private offices on the lower floor, and large reception and product

rooms. Heating and air conditioning central -- upstairs no air conditioning.

### PROPERTY FACTS

Building Type	<b>Office</b>
Year Built/Renovated	<b>1946/2020</b>
Building Height	<b>2 Stories</b>
Building Size	<b>2,560 SF</b>
Building Class	<b>C</b>
Typical Floor Size	<b>1,280 SF</b>
Parking	<b>9 Surface Parking Spaces</b>

MAP



Message