

June 29, 2007

**Roats Water System, Inc.
61147 Hamilton Lane
Bend, OR 97702**

Vikie Bailey-Goggins
Oregon Public Utility Commission
P.O. Box 2148
Salem, OR 97308-2148

RE: Roats Water System, Inc. Affiliated Interest Application with William K. Roats pursuant to ORS 757.495 and OAR 860-036-0730

Dear Ms. Bailey-Goggins:

This affiliated interest application is submitted in the manner and form indicated by OAR 860-036-0730.

Information Requirements

- a) The applicant's exact name and the address of its principal business office;**

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

- b) The name and address of the person authorized on the water utility's behalf, to receive notices, inquires and communications regarding the information;**

William K. Roats
61147 Hamilton Lane
Bend, OR 97702

- c) A statement describing the relationship between the water utility and the contacting entity as defined by ORS 757.015 and 757.490;**

William K. Roats is President and CEO of Roats Water System, Inc.

- d) The amount, kind and ratio to total voting securities held, if applicable;**

Not applicable

- e) A list of all officers and directors of the affiliated interest who are also officers or directors of the applicant;**

Not applicable

- f) The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract;**

William K. Roats wages for services performed in capacity as President and CEO.

- g) A description of the goods or services to be provided, the cost incurred in providing each of the goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services;**

Roats Water System, Inc. desires to properly compensate William K. Roats for services performed.

- h) An estimate of the amount the water utility will pay annually for the goods or services and the accounts in which it will record the charges;**

Roats Water System, Inc. requests annual compensation of \$116,480 for William K. Roats.

- i) The reasons, in detail, relied upon by the water utility for procuring the proposed goods or services from the affiliate and benefits, if any, utility customers and the general public will derive from the provision of goods or services,**

Following the Central Oregon trends for rising wages and using AWWA averages for executive compensation, Roats Water System, Inc., desires to compensate William K. Roats at a level commensurate with duties performed. William K. Roats is the chief executive officer, chief financial officer and chief engineer for Roats Water System, Inc. These functions performed at a high degree of competence provide direct costs savings to Roats Water System, Inc., customers and to the general public.

- j) A description of the procurement process and the reasons, in pertinent detail appropriate to the complexity of the procurement, relied upon by the water utility for procuring the proposed goods or services without a competitive procurement process, if such a process is not used,**

By combining several executive functions in William K. Roats, the utility saves overhead costs and creates efficiency in decision making.

- k) Transfer prices in contracts or agreements for the procurement of goods or services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process;**

This compensation level fits in the appropriate salary range for top executives in AWWA statistics.

Attachments

- l) A copy of the proposed contract or agreement between the water utility and the contracting entity; and**

Oregon is an at will employment state, therefore, no contract has been included.

- m) Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.**

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Not applicable- resolutions adopting staff findings will be executed.

For the reasons set forth above, Roats Water System, Inc., respectfully requests that the Commission issue an order approving the affiliated interest contract between, Roats Water System, Inc. and William K. Roats, pursuant to the provisions of ORS 757.495 and OAR 860-0386-730.

Date: June 29, 2007

Roats Water System, Inc.

William K Roats
(Signature of Authorized Person)

William K. Roats
(Please Print Name)

President
(Title)