

## TESTIMONY

**Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

- A. My name is Bill Roats. I am the president and owner of Roats Water System, Inc. (Roats).  
My business address is 61147 Hamilton Ln., Bend, Oregon, 97702.

**Q. PLEASE DESCRIBE YOUR EXPERIENCE AS A WATER PROVIDER.**

- A. I have worked in the water industry for over 50 years. Roats Water System Inc. was started in 1963 by my father when I was 12 years old. Since that time, I have been involved in the operation and management of Roats. During my junior high and high school years, I worked nights, weekends and summers helping build the water system and learned all aspects of how to operate and manage the system. Everything from helping with pump house construction, installation of pumping equipment, mainlines, meters and office work (including record keeping and typing monthly water bills on a manual type writer). In 1989 my father retired, and I became President.

Roats has grown from a small rural water system operating outside of Bend's city limits to a modern organization serving numerous subdivisions and commercial accounts within the city's limits. Over the last 25 years, Bend has experienced rapid growth that has put high service demands on our system. Roats serves commercial business such as Walmart, Factory Outlet Stores and Albertsons. These commercial accounts require large fire flows and must meet city standards and specifications. We have met the challenge and built a well-planned, modern and robust water system.

I hope this brief history about me and the water system will be helpful to the Commission in understanding our situation as a family-owned and operated business.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to clarify information Staff provided in their testimony, providing the Commission with a more comprehensive picture of the rate case in this Docket.

**Q. WHAT INFORMATION DOES ROATS WISH TO CLARIFY?**

A. In Staff's testimony (Staff/100, Issue 3), Staff describes Roats' application for a general rate increase filed with the Commission on March 15, 2016. In Yamada/5, Lines 1-3, Staff states "Roats revenues represent an increase of 108 percent over test year revenues of \$1,079,919." Although staff mentions, in a Footnote, that much of the increase is related to the acquisition of new customers, I do not believe this adequately explains the impact of acquiring these new customers has on Roats rate case. This acquisition results in a 95 percent increase in the number of customers Roats will be serving.

**Q. PLEASE EXPLAIN HOW STAFF CALCULATED THE 108 PERCENT INCREASE AS SHOWN IN ITS TESTIMONY.**

A. Staff calculated the 108 percent increase by using the 2015 test year revenues of \$1,07,919, which represent the revenue from only the 1,749 existing Roats customers. Staff compared that revenue to Roats proposed revenues of \$2,247,981, which represents the revenue needed to serve our 1,749 existing customers plus the additional 1,660 Juniper customers

we are acquiring (totaling 3,409 customers). This comparison is inadequate and misleading. The test year revenue reflects the cost to serve 1,749 customers; whereas, the proposed revenue reflects the cost to serve 3,409 customers. See calculations below:

	Proposed Revenue in Application*	Test Year**	A-B=C	Test Year**	C Divided By D =E
	3,409 Customers	1,749 Customers			Percentage Increase
<b>Staff's 108% Revenue Increase Calculation</b>	\$2,247,981	\$1,079,919	\$1,168,062	\$1,079,919	108.16%
* Proposed revenue is driven by cost of service to Roats existing customers, Juniper residential, The Pines, Crown Villa, and Juniper Irrigation.					
** Test Year Revenues represents only existing Roats Customers.					
	A	B	C	D	E
	Proposed Revenue In Application*	2015 Revenues Including Roats & Juniper **	A-B=C	2015 Revenues Including Roats & Juniper **	C Divided By D =E
	3,409 Customers	3,409 Customers			
<b>Percentage Increase with Roats &amp; Juniper 2015 Revenues Calculation</b>	\$2,247,981	\$1,661,702	\$586,279	\$1,661,702	35.28%
* Proposed revenue is driven by cost of service to Roats existing customers, Juniper residential, The Pines, Crown Villa, and Juniper Irrigation.					
** 2015 Revenues represents revenue from existing Roats customers, Juniper residential, The Pines, Crown Villa, and Juniper Irrigation.					
see calculation of 2015 revenues below					
<b>CALCULATION OF 2015 REVENUE INCLUDING JUNIPER ACQUISITION AND EXISTING ROATS CUSTOMERS</b>					
Residential 2015 Revenues (Including Juniper residential)	taken from app	1,360,277			
Juniper Irrigation 2015 Revenues	taken from app	301,425			
Total 2015 Revenues including Roats & Juniper		1,661,702			

The math Staff used to calculate the 108% increase is correct; however, the comparison is unsound in that Staff is equating the test year revenue requirement for 1,749 customers to Roats' proposed revenues to serve 3,409 customers. As illustrated above, if the test year revenues were adjusted to reflect revenues from all 3,409 customers, Roats' proposed revenue, in fact, represents a 35.28 percent increase. And please note, it has been 11 years since Roats last rate case. As the Owner and President of Roats, it is important to me that

the Commission see the whole picture and not think I was asking for an excessive and unreasonable rate increase.

**Q. WHY DID ROATS' INCLUDE REVENUE FROM THE JUNIPER ACQUISITION CUSTOMERS IN THE TEST YEAR REVENUE IN ITS APPLICATION.**

A. Roats' application includes the 2015 test year revenues from the existing 1,749 customers and the 2015 revenues I calculated for the additional 1,660 Juniper customers Roats is acquiring. I used this approach so I could accurately determine how much revenue would be necessary to serve all 3,409 customers. Since I included the expenses associated with the Juniper system, the revenues needed to be included as well. This was the most reasonable approach to account for the addition of 1,660 new customers in the rate case.