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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4204

In the Matter of)	
)	
ROATS WATER SYSTEM INC.)	ORDER
)	
Request for Authority to Borrow \$1,200,000.)	

**DISPOSITION: APPLICATION APPROVED; WITH
CONDITIONS AND REPORTING REQUIREMENTS**

On March 25, 2004, Roats Water System, Inc. (Roats) submitted an application with the Public Utility Commission of Oregon (Commission), requesting authority to finance \$1,200,000 to add to its water utility system. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on April 27, 2004, the Commission adopted Staff's recommendation and approved Roats' current request.

ORDER

IT IS ORDERED THAT the application of Roats Water System, Inc., for authorization to borrow \$1,200,000, is granted, subject to the conditions and reporting requirements, as further specified in Appendix A.

Made, entered and effective _____.

BY THE COMMISSION:

Becky Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 27, 2004**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** April 27, 2004

DATE: April 29, 2004

TO: Lee Sparling through Marc Hellman and Bryan Conway

FROM: Ming Peng

SUBJECT: ROATS WATER SYSTEM, INC.: (Docket No. UF 4204) Application for authority to borrow \$1,200,000.

STAFF RECOMMENDATION:

The Commission should approve Roats Water System, Inc.'s (Roats or Company) application, granting authority to borrow \$1,200,000 to expand its water utility facilities subject to the following requirements:

1. The Company will provide a final Report of Capital Expenditures upon completion of the proposed construction that indicates the actual amounts expended and will provide reconciliation with the loan.
2. The Company shall provide a report indicating the final terms of the loan. Its interest rate shall not exceed 7.5% and the total fees shall not exceed .5% (one-half) of one percent.
3. The Commission reserves judgment on the reasonableness of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capital costs and structure are just and reasonable.

DISCUSSION:

On March 25, 2004, Roats filed an application with the Commission, under Oregon Revised Statute (ORS) 757.415, for authority to borrow \$1.2 million for the improvement and expansion of their water system in the Bend area. Staff analyzed the requirements of the application under Oregon Administrative Rule (OAR) 860-27-030.

The Company represents that it will use the proceeds for the purposes consistent with ORS 757.415 (1), which includes the acquisition of utility property or the construction, completion,

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extension or improvement of utility facilities; or the improvement or maintenance of service.

The Company provided an adequate description of the proposed construction and indicated that the financing will be through a conventional bank loan from the Bank of the Cascades with a fixed interest rate of 7.5% and an 11-year term. The loan will require interest-only payments for the first two years and then shall convert to a nine-year amortizing loan. The financing (origination) expenses associated with the loan are expected to be 0.5% of the loan amount. The loan's terms, rate, and expenses appear reasonable.

Mr. William Roats, president of the Company, presented Staff with a detailed explanation of the proposed development and the reasons supporting the decision. Mr. Roats represents that the development and expansion of a water system in the Bend area is due to the rapid growth in the area. The improvements are needed to provide consistent, reliable and satisfactory water pressure to the customers. The Company proposes to begin construction in the first week of April 2004 and complete the work before November 1, 2004.

PROPOSED COMMISSION MOTION:

Roats' application for authority to finance \$1,200,000 be approved with Staff's Conditions.

UF 4204 – Roats' application for authority to finance \$1,200,000.