

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UI 530

In the Matter of

DWF ROUND LAKE UTILITIES, LLC,

Application for an Affiliated Interest  
Contract with Round Lake MHP LLC.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on December 9, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



**Alison Lackey**

Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA18

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 9, 2025**

**REGULAR** \_\_\_\_\_ **CONSENT**   X   **EFFECTIVE DATE** \_\_\_\_\_ **N/A**

**DATE:** November 25, 2025

**TO:** Public Utility Commission

**FROM:** Steph Yamada

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

**SUBJECT:** DWF ROUND LAKE PARK & UTILITIES, LLC:  
(Docket No. UI 530)  
Requests approval of an Affiliated Interest agreement with Round Lake MHP LLC.

**STAFF RECOMMENDATION:**

The Public Utility Commission of Oregon (Commission) should approve DWF Round Lake Park & Utilities' (Round Lake or Company) application for approval to transact with affiliate Round Lake MHP LLC (RLMHP), 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 transactions involving RLMHP.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of these transactions in any rate proceedings or alternative form of regulation.
3. The Company will notify the Commission of any substantive changes to the Affiliated Services Agreement (ASA) in advance of the changes taking effect. 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 its transactions with RLMHP.
5. Staff's recommendation is limited to the nature of the proposed transactions between the Company and RLMHP and does not support the inclusion of any

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specific dollar amount in rates, which should be determined in future rate case proceedings.

6. The Company must provide, in its next general rate proceeding, detailed information to demonstrate compliance with the “lower of cost or market” requirement of OAR 860-036-2230(2)(e), including 1) the affiliate’s costs of providing services under the ASA and 2) the market rates of those services in the utility’s vicinity, unless a waiver of the rule is justified.

## **DISCUSSION:**

### Issue

Whether the Commission should approve the Company’s request to transact with affiliate RLMHP for goods and services, as set forth in the ASA filed with the application.

### Applicable Law, Rule, and Commission Order

Pursuant to ORS 757.015(3), a corporation or person has an affiliated interest relationship with a public utility when it owns or holds, directly or indirectly, or is in any chain of successive ownership, of at least five percent of the voting securities of that public utility. Pursuant to ORS 757.015(3), every 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. Pursuant 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. ORS 757.495(6) requires the Commission to enter an order 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>

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

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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.

OAR 860-036-2360 requires all rate-regulated water utilities to annually submit an affiliated interest report.

ORS 756.990(2) authorizes the Commission to assess penalties of up to \$10,000 for each time a public utility violates a commission administered statute, requirement, or order.

### Analysis

#### *Background*

Round Lake is a privately owned, rate- and service-regulated water utility serving approximately 70 customers in the vicinity of Klamath Falls, Oregon. The utility primarily serves a mobile home park as well as a neighboring subdivision. Round Lake is a wholly-owned subsidiary of RLMHP. Approval for the sale of the utility to RLMHP is addressed separately in Docket No. UP 437. As a wholly-owned subsidiary, Round Lake has an affiliated interest relationship with RLMHP.

Pursuant to ORS 757.495 and OAR 860-036-2210, on October 2, 2025, the Company filed an affiliated interest application for Commission approval of an ASA with RLMHP. The application was filed in the manner and form required by OAR 860-036-2200. The ASA establishes the terms and conditions under which services are provided to the Company by RLMHP.

While the filed ASA was signed October 2, 2025, Staff understands that Round Lake has been transacting with RLMHP since 2019, when RLMHP purchased the utility. Consequently, the ASA was not filed within 90 days of execution as required by ORS 757.495(1) and OAR 860-036-2210(2). Similarly, the Company failed to file the required affiliated interest report for the last six years.

The Company states that it was unaware of the requirement for Commission approval; it filed the present application after conversations with Staff revealed that a filing was necessary. Staff has no evidence to suggest that the delay in filing caused harm to any party. Consequently, Staff does not recommend the Commission pursue penalties against Round Lake.

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*Terms and Conditions of the Agreement*

Pursuant to the ASA, RLMHP will provide the following services to Round Lake at the corresponding rates:

- Regulatory Compliance & Reporting: \$35/hour
- Bookkeeping & Accounting Services: \$18-\$50/hour (based on staff level and CPA involvement)
- Maintenance (Chlorination, System Upkeep): \$16-\$18/hour
- Meter Reading: \$12-\$14/hour
- Emergency Plumbing: Billed at contractor cost
- Accounting Software: \$50/month (allocated at cost)
- Electricity, Property Taxes, Insurance: Billed at cost on a pass-through basis

It is Staff's understanding that all costs attributable to the utility are incurred at the parent company level and then either directly assigned or allocated to the utility as appropriate. Consequently, all costs incurred by the utility can be considered to be affiliate transactions. The utility has no direct employees; all labor associated with the utility is performed or contracted by employees of RLMHP.

Staff reviewed the ASA and identified no issues or concerns with the general terms and conditions of the agreement. Should the terms or conditions of the ASA change, pursuant to Staff's recommended Condition 3, the Company would be required to notify the Commission in advance of any substantive changes to the ASA prior to the changes taking effect. Any such changes shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.

*Transfer Pricing*

The application and ASA show an estimated total of \$60,000-\$80,000 per year in affiliate transactions. However, in response to a Staff Information Request (IR), the Company later stated that this estimate was incorrect because it was based upon the recent actual operating loss associated with the utility, which was \$80,000 in 2024 and is expected to total \$65,000 at year-end 2025. Since the losses are netted against revenues, total operating costs are higher than the stated loss amounts.

Regarding the operating losses, Staff notes that Round Lake has not increased rates since early 2011 (Docket No. UW 144). A rate case is necessary to bring rates into alignment with current costs. The Company intends to file a rate case in 2026. Staff also intends to recommend that such a requirement be imposed in Docket No. UP 437.

Based on income statements submitted by the Company, operating expenses booked to the utility totaled \$140,878 in 2024 and \$102,458 in 2025 (through October). This is

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a more accurate estimate for the anticipated annual transaction total than the \$60,000-\$80,000 range initially provided. Additionally, RLMHP may procure capital improvements related to the utility, though the exact cost and nature of such investments is not currently known.

The proposed transactions appear to comply with the “lower of cost or market” requirement of OAR 860-036-2230(2)(e). The ASA specifies that affiliate rates “shall not exceed market value for comparable services,” and Staff’s analysis supports that the hourly labor rates shown previously do not appear to exceed market rates. The ASA further specifies that, “[w]here specialized or emergency services are required, the Affiliate shall seek competitive bids or utilize third-party contractors, passing through such costs to the Utility without markup.” In such cases, the affiliate’s cost is generally equal to the market rate.

While the proposed rates generally appear to comply with the “lower of cost or market” rule, the reasonableness of the relevant costs, their appropriate ratemaking treatment, and their compliance with OAR 860-036-2230 will best be determined in the Company’s next general rate proceeding. In its next rate case, Staff expects the Company to provide detailed information regarding 1) the affiliate’s costs of providing services under the ASA and 2) the market rates of those services in the utility’s vicinity. If a waiver of OAR 860-036-2230 is determined to be necessary and justified at that time, the Commission may grant it for good cause shown. Specific transactions pursuant to the ASA will have no impact on rates until and unless the Commission approves such inclusions in a general rate proceeding.

#### *Public Interest Compliance*

Section (i) of the application states that the “water utility and the Mobile home park operating company are inextricably linked by geography and operating history” and that the “combination of services allows the utility to reduce operating costs, and make sure that there is a constant supply of institutionally knowledgeable labor to service customers.” Staff generally agrees that the utility may benefit from the sharing of certain costs with the mobile home park, as well as the expertise of the affiliate’s management. The ASA appears to be fair and reasonable, and not contrary to the public interest.

#### *Records Availability, Audit Provisions, and Reporting Requirements*

Staff’s recommended conditions allow Commission examination of the Company’s records concerning the ASA. Furthermore, the ASA specifies that “[n]othing in this Agreement shall impair the Commission’s authority to review, audit, and approve or disallow affiliate charges pursuant to ORS 757.495.”

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OAR 860-036-2360 provides that, “[b]y June 1 of each year, all rate-regulated water utilities having an affiliated interest transaction occurring during the period from January 1 through December 31 of the immediately preceding year must file an Affiliated Interest Report.” The Company is not current with such reporting. In response to Staff’s IR 9, the Company stated, “We were unaware that this was a requirement and plan on doing so going forward.” Staff’s recommended conditions reiterate that the Company must file a summary of its affiliate transactions annually.

### Conclusion

Based on the review of the ASA, Staff concludes that the proposed agreement is fair and reasonable and not contrary to the public interest and should be approved. This recommendation does not support any specific dollar amount for transactions made pursuant to the ASA, which should be determined in a future rate case.

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

### **PROPOSED COMMISSION MOTION:**

Approve the Round Lake’s application for approval of the ASA with RLMHP, subject to Staff’s recommended conditions.

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