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CUSTOMER NOTICE

ANNOUNCEMENT OF PROPOSED CHANGES TO YOUR WATER AND WASTEWATER SERVICE RATES.

December 18, 2017

ILLAHE ESTATES WATER SYSTEM, LLC (Illahe) submitted a general rate filing and proposed tariffs with the Public Utility Commission of Oregon (Commission) on December 18, 2017. The purpose of this announcement is to provide you the customer with general information regarding the proposed rates and the effect this filing may have on your water bill.

In 2010, Illahe was sold to its current owner, Hiland Water Corporation. This filing is the first time the new owners have requested a rate increase. The previous owners requested the last rate increase, which was approved 14 years ago in 2003. Since that time, the cost of doing business has increased substantially. The current rates do not generate enough revenue to cover the costs necessary to provide adequate water and wastewater services, operate the systems, and perform required repairs and general and preventative maintenance. In addition, the new owners have made capital improvements (investments) that need to be included in its plant/depreciation schedule and rate base. Lastly, the company should be given the opportunity to earn a reasonable return on its investment.

If you would like a copy of Illahe's application, testimony, and exhibits submitted to the Commission, they are available by calling 503-554-8333 or at the company main office at 700 N College St. Newberg, Oregon. If you would like additional information about the rate filing, you may contact Tina Stringfield at 503-554-8333.

For WATER SERVICE, the company's revenue in 2016 was \$121,572. Illahe is seeking to increase its annual water revenues by \$71,609 resulting in total annual revenues of \$193,181.

For WASTEWATER SERVICE, the company's revenue in 2016 was \$80,765. Illahe is seeking to increase its annual wastewater revenues by \$24,438 resulting in total annual revenues of \$104,843.

Illahe is requesting to move from bi-monthly billing to monthly billing. The company also requests the consumption measurement for billing purposes be calculated using gallons instead of cubic feet. Illahe installed new meters that now measure water usage in gallons so it makes sense to bill consumption in gallons.

WATER RATES & AVERAGE MONTHLY BILLS: CURRENT AND PROPOSED

The table below shows the current average water bills for each meter size. In the table, the current bi-monthly bills are converted to monthly bills for comparison purposes. The total water service average bills include the base charge plus a commodity charge. The commodity

portion of the monthly bill uses the average customer's monthly consumption in 2016 for each meter size. Actual individual consumption will vary. The current commodity charge of \$0.99 is charged for each 100 cubic feet of water used.

Current Company Rates & Average Monthly Bill Using Cubic Feet							
	Meter Size	Average Monthly Usage in Cubic Feet	Commodity Rate	Average Monthly Commodity Price	Bi-Monthly Base Rate	Convert to Monthly Base Rate	CURRENT Total Average Monthly Bill
Residential	5/8" x 3/4"	1,232	\$0.99	\$12.20	\$37.74	\$18.87	\$31.07
Residential	1"	1,538	\$0.99	\$15.23	\$37.74	\$18.87	\$34.10
Residential	1.5"	2,894	\$0.99	\$28.65	\$37.74	\$18.87	\$47.52
Commercial	1"	1,752	\$0.86	\$15.07	\$42.21	\$21.11	\$36.17
Commercial	1.5"	4,332	\$0.86	\$37.25	\$135.27	\$67.64	\$104.89
Commercial	2"	19,461	\$0.86	\$167.37	\$135.27	\$67.64	\$235.00
Commercial	4"	3,557	\$0.86	\$30.59	\$135.27	\$67.64	\$98.22
Irrigation	1.5	4,618	\$0.99	\$45.72	\$135.27	\$67.64	\$113.35

The table below shows what Illahe anticipates the average water monthly bill will be if its proposal is approved by the Commission. The total water service average bills include a base rate plus a commodity charge. The commodity portion of the monthly bill uses the average customer's monthly consumption in 2016 for each meter size. Actual individual consumption will vary. The total average water service bill is a monthly bill and the commodity charge is based upon the cost of \$0.19 per each 100 gallons of water used.

Proposed Rates and Average Monthly Bills

Proposed Company Rates & Average Monthly Bill Using Gallons						
	Meter Size	Average Monthly Usage in Gallons per customer	Commodity Rate Per 100 Gallons	Average Monthly Commodity Price	Monthly Base Rate	Total Average Monthly Bill
Residential	5/8" x 3/4"	9,218	\$ 0.19	\$17.54	\$31.89	\$49.43
Residential	1"	11,507	\$ 0.19	\$21.90	\$31.89	\$53.79
Residential	1.5"	21,647	\$ 0.19	\$41.20	\$114.30	\$155.50
Commercial	1"	13,108	\$ 0.19	\$24.95	\$31.89	\$56.84
Commercial	1.5"	32,405	\$ 0.19	\$61.67	\$114.30	\$175.97
Commercial	2"	145,590	\$ 0.19	\$277.07	\$114.30	\$391.38
Commercial	4"	26,608	\$ 0.19	\$50.64	\$114.30	\$164.94
Irrigation	1.5	34,547	\$ 0.19	\$65.75	\$114.30	\$180.05

**WASTEWATER RATES & AVERAGE MONTHLY BILLS:
CURRENT AND PROPOSED**

The current and proposed wastewater rates are shown below. Wastewater rates are flat rates, which means that there is no commodity charge. The current rates are shown at the bi-monthly rate and are then converted to monthly rates for comparison purposes. The proposed rates are monthly rates.

RESIDENTIAL & COMMERCIAL WASTEWATER FLAT RATES

Current Wastewater Rates & Average Monthly Bills					
Size of Line	Average Monthly Usage	Commodity Rate	Average Bi-Monthly Flat Rate	BI MONTHLY FLAT RATE CONVERTED TO MONTHLY	Total Average Monthly Bill
5/8" x 3/4"	NONE	NONE	\$49.87	\$24.94	\$24.94
1"	NONE	NONE	\$49.87	\$24.94	\$24.94
1 1/2"	NONE	NONE	\$49.87	\$24.94	\$24.94
2"	NONE	NONE	\$49.87	\$24.94	\$24.94
3"	NONE	NONE	\$49.87	\$24.94	\$24.94
4"	NONE	NONE	\$49.87	\$24.94	\$24.94

Proposed Wastewater Rates & Average Monthly Bills					
Size of Line	Average Monthly Usage	Commodity Rate	Average Monthly Commodity Price	PROPOSED MONTHLY FLAT RATE	Total Average Monthly Bill
5/8" x 3/4"	NONE	NONE	NONE	\$30.07	\$30.07
1"	NONE	NONE	NONE	\$30.07	\$30.07
1 1/2"	NONE	NONE	NONE	\$30.07	\$30.07
2"	NONE	NONE	NONE	\$150.34	\$150.34
3"	NONE	NONE	NONE	\$150.34	\$150.34
4"	NONE	NONE	NONE	\$150.34	\$150.34

There are currently no 2-inch, 3-inch, or 4-inch wastewater customers in this customer class.

**SPECIAL TARIFF FOR RESTAURANT WASTEWATER CUSTOMER:
CURRENT AND PROPOSED RATE**

The restaurant poses a special problem for wastewater service. It requires specialized cleaning of the pipes due to the amount of grease that it uses and is flushed down the wastewater pipes. Therefore, the restaurant has its own special tariff apart from the other wastewater customers. The tables below show the current bi-monthly flat rate for the restaurant, which is converted to a monthly rate for comparison purposes. The proposed restaurant wastewater rate is shown as a monthly rate.

CURRENT RESTAURANT WASTEWATER FLAT RATE

Current Restaurant Wastewater Rate & Average Monthly Bill					
Size of Line	Average Monthly Usage	Commodity Rate	CURRENT BI-MONTHLY FLAT RATE	BI MONTHLY FLAT RATE CONVERTED TO MONTHLY	Total Average Monthly Bill
2"	NONE	NONE	\$1,273.83	\$636.92	\$636.92

PROPOSED RESTAURANT WASTEWATER FLAT RATE

Proposed Restaurant Wastewater Rate & Average Monthly Bill					
Size of Line	Average Monthly Usage	Commodity Rate	Average Monthly Commodity Price	MONTHLY FLAT RATE	Total Average Monthly Bill
2"	NONE	NONE	NONE	\$768.68	\$768.68

If you would like to receive notices of the time and place of hearings on rate case, you can request this by contacting the Commission at 1-800-522-2404; TTY 711, or mail your request to:

PUBLIC UTILITY COMMISSION OF OREGON
ADMINISTRATIVE HEARINGS DIVISION
PO BOX 1088
SALEM OR 97308

Please note that the calculations and statements contained in this announcement and in the filing submitted by Illahe to the Commission are not binding on the Commission.

cc: PUC Administrative Hearings Division, PO Box 1088, Salem OR 97308