

AFFILIATED INTEREST CONTRACT APPLICATION

Instructions: All applications submitted to the Commission must be filed electronically with the Commission's Filing Center. Documents may be electronically filed by sending the filing as an attachment to an electronic mail message addressed to the Commission's Filing Center at puc.filingcenter@state.or.us.

DATE: June 5, 2018

COMPANY NAME: Government Camp Water Company
ADDRESS: PO Box 86
CITY, STATE, ZIP: Government Camp, Oregon 97028-0067

RE: Government Camp Water Company Affiliated Interest Application with **Lesli Ann Bekins** pursuant to ORS 757.495 and OAR 860-036-2210

This affiliated interest application is submitted in the manner and form indicated by OAR 860-036-2210.

INFORMATION REQUIREMENTS

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

Government Camp Water Company
30294 East Blossom Trail
PO Box 86
Government Camp, Oregon 97028-0067

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

Lesli Ann Bekins, Secretary
PO Box 86
Government Camp, Oregon 97028-0067

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

Lesli Ann Bekins is the Secretary and Owner of Government Camp Water Company and has an affiliate interest with the Company pursuant to ORS 757.015(1) and (4).

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

Ms. Bekins holds 100% ownership of Government Camp Water Company.

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

Not applicable, as Ms. Bekins is an individual.

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

Ms. Bekins will receive lease payments under the Lease Agreement with Government Camp Water Company.

- (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;

The services to be provided entail a lease with Government Camp Water Company for indoor (1,287 square feet) and outdoor (16,704 square feet) storage space from Ms. Bekins to store equipment and supplies necessary for operation and maintenance of the water system, including, but not limited to, pipes, fittings, tools, equipment, inventory, and other materials usual and ordinary to the operation of a private water utility. If these materials are not stored within a reasonable distance of the water system, Company employees must travel to Gresham, Troutdale, or Portland to obtain such materials, depending upon availability.

The attached Lease Agreement for the storage space provides for lease payments of \$1,000 per month, with a two percent annual increase beginning January 1, 2019. The Company also pays the annual property tax for the property, which was \$1,200.32 in 2016. In addition, one must also take into consideration the additional cost of insurance, utilities, maintenance, etc.

The cost on behalf of Ms. Bekins to provide storage premises to the Company is difficult to calculate. The Company has exclusive use of the leased premises. The leased premises are insured under the Company's master insurance policy. In addition, utilities and real property taxes are paid by the Company. For year 2016, these expenses were as follows:

- Real Property Taxes (Clackamas County) - \$1200.32
- Utilities (electric) - \$197.12

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The lease in this matter was previously the subject of docket number UI 399 filed on March 30, 2018. Following conversations with Public Utility Commission (“PUC”) Staff and its counsel, the Company withdrew the application in UI 399 to address Ms. Bekins’ cost in providing the real property for the Company’s use. OAR 860-036-2230(2)(e) provides that services by an affiliate, here lease payments, must be recorded in the water utility's accounts at the affiliate's cost or the market rate, whichever is lower.

If Ms. Bekins were required to charge only her cost in providing the leased space, the amount would be well below market value. Having exclusive use of the property, the Company has historically paid real property taxes, utilities and insurance for use of the land. Ms. Bekins’ cost in providing the land is difficult to ascertain under these conditions. If limited to her expenditures, the cost would be \$0.00. If the Company’s past payments of insurance, real property taxes and utility expenses are attributed to Ms. Bekins, her costs would be \$1397.44 + a commercial insurance expenses (amount unknown). Under either scenario, Ms. Bekins’ cost would be well below the market for a commercial storage lease of similar scope and square footage.

Request for Waiver of OAR 860-036-2230(2)(e). The best interests of the Company’s customers are served by allowing Ms. Bekins to collect reasonable rent for the Company’s use of her property. She is under no obligation to make the land available for the Company’s use. She is free to either lease it for other purposes, market the property for sale, or develop it. Were that to occur, the Company would be compelled to store its equipment elsewhere outside of Government Camp, thereby increasing response times, travel expenses, and storage expenses for space leased elsewhere.

Both the Company and Ms. Bekins believe it is appropriate for Ms. Bekins to charge a reasonable rent for the Company’s use of the property and therefore request a waiver of OAR 860-036-2230(2)(e). The availability of Ms. Bekins’ property for use by the Company promotes efficiency and customer service. In addition, alternative commercial storage space is not readily available in Government Camp.

The Commission has approved waivers in the past under similar circumstances encountered by Roats Water System, INC. and Sunriver Water, LLC. See PUC Docket Nos. UI 326 (Or. No. 13-066) and UI 355 (Or. No. 15-245), respectively. In both the *Roats* and *Sunriver* cases, the Commission recognized disincentive that may arise through enforcement of the “lower of cost or market rule” as described in the predecessor rule to OAR 860-036-2230(2)(e).¹ The same analysis can be used here. Approval of the contract at cost would provide a disincentive for Ms. Bekins to provide land for the Company’s use.

The Company recently performed a market study as part of its research into the possibility of renting storage space elsewhere. Below is the information from that study

¹ OAR 860-036-0739 was renumbered, effective January 24, 2017.

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on what storage space costs and what availability there is in the Government Camp area where the water system is located.

Inside Storage

Below are samples of inside storage spaces recently available in the Clackamas area. At the time of this study, there was nothing available in Government Camp.

The average cost per square foot ("SF") is \$1.14 per month for storage space. However, the lowest rate is .89 cents. So, $1,287 \text{ SF} \times \$0.89 = \$1,145.43$ per month $\times 12$ months = \$13,745.16 per year.

- Money Saver Mini Storage; an 11 ft. X 20 ft. unit (max size available) rents for \$265 per month. This equals 220 SF for \$1.20 per SF per month (\$265/220 SF).
- Public Storage (Powell Blvd.); a 10 ft. X 20 ft. unit (max size available) rents for \$177 per month. This equals 200 SF for \$.89 per SF per month (\$177/200 SF).
- Public Storage (Hogan Rd.); a 10 ft. X 25 ft. unit (max size available) rents for \$268 per month. This equals 250 SF for \$1.07 per SF per month (\$268/250 SF).
- Northwest Self Storage (82nd Dr.); a 10 ft. X 20 ft. unit (max size available) rents for \$259 per month. This equals 200 SF for \$1.30 per SF per month (\$259/200 SF).
- Northwest Self Storage (Hwy 212); a 10 ft. X 30 ft. unit (max size available) rents for \$329 per month. This equals 300 SF for \$1.10 per SF per month (\$329/300 SF).
- A Storage Place; a 10 ft. X 25 ft. unit (max size available) rents for \$315 per month. This equals 250 SF for \$1.26 per SF per month (\$315/250 SF).

Outside Storage Lot

At the time of this study, there were no outside storage lots available in Government Camp. The LoopNet Commercial Real Estate website listed only two land sites available for lease in the Clackamas area. One listed the rate as "Negotiable" and the other was:

- 9201 SE Tolbert Street
Clackamas, OR 97015
27,000 SF Land for Lease
\$0.19 /SF/Month

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This was all available information for land lease. However, in a recent (2013) affiliated interest agreement, the outside storage area rate in the Commission approved agreement was \$.05 per SF per month. Therefore, $\$.05 \times 16,704 \text{ SF} = \835.20 per month $\times 12 = \$10,022.40$ per year.

- (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;

The Company will pay \$1,000 per month in 2018, or \$12,000 total in 2018, under the Lease Agreement. The Lease Agreement provides that the lease price shall increase by two percent annually, beginning January 1, 2019. The monthly lease charges will be recorded under account 641, and the annual real property tax payment will be recorded under account 408.11.

- (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,

Using the current storage space, as documented above, is the only option available in Government Camp and offers the lowest-cost alternative. Therefore, customers benefit the most from the Company's lease of this storage space as opposed to farther, higher cost alternatives. Customers also benefit from local storage of necessary materials to maintain and repair the water system as needed. Leasing storage space outside the Government Camp area would involve higher lease rates, additional expenditures of time and money transporting materials between the storage area and the water system, and possible delays in repairs because the Company can't get to the parts/equipment at the storage area due to poor road conditions in the winter.

- (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.

As explained above, Government Camp Water Company recently performed a market study as part of its research into the possibility of renting storage space elsewhere. Upon completion of the market study, the Company selected the current storage space for the reasons stated above.

- (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;

Sub-item (k) is not applicable to this application.

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ATTACHMENTS

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

A copy of the proposed Lease is provided with this Application.

- (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.

There are no responsive documents to Sub-item (m). The managing officers of Government Camp Water Company have authority to enter the transaction without Board or Shareholder approval.

For the reasons set forth above, Government Camp Water Company respectfully requests that the Commission issue an order approving the affiliated interest contract between, Government Camp Water Company and Lesli Ann Bekins, pursuant to the provisions of ORS 757.495 and OAR 860-036-2210.

DATE: June 5, 2018

NAME OF COMPANY: Government Camp Water Company

DocuSigned by:

Lesli Ann Bekins

(SIGNATURE OF AUTHORIZED PERSON)

Lesli Ann Bekins

(PLEASE PRINT NAME)

Secretary

(TITLE)

COMMERCIAL LEASE AGREEMENT: STORAGE

THIS LEASE AGREEMENT ("Lease") is made as of the 1st day of January, 2018 ("Effective Date"), by and between Lesli Ann Bekins ("Landlord"), and Government Camp Water Company ("Tenant").

WITNESSETH:

WHEREAS, Landlord is the owner of certain real property more particularly described within Exhibit A attached hereto; and

WHEREAS, Tenant is a private water utility with its service area in Government Camp, Oregon; and

WHEREAS, Tenant desires to lease property from Landlord, all under the terms and conditions set forth below, for indoor and outdoor storage; and

WHEREAS, Tenant, through market research, has determined that it cannot obtain the same or similar quality of indoor and outdoor storage in a reasonably local vicinity to Tenant's service area and on a comparable economic basis elsewhere; and

NOW, THEREFORE, in consideration of the foregoing, the terms and conditions set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1.

LEASE OF LEASED PREMISES: Landlord hereby leases the Leased Premises (described below) to Tenant, and Tenant hereby leases the Leased Premises from Landlord, all under the terms and conditions more fully set forth herein.

2.

DESCRIPTION OF LEASED PREMISES: The Leased Premises shall consist of (a) the real property (hereinafter "Property") described within Exhibit A attached hereto, (b) one barn ("Building") on the Property containing approximately 1,287 square feet of indoor storage space with electrical service and lighting, and (c) outdoor storage space on the Property containing approximately 16,704 square feet. The Property, Building, and outdoor storage space are collectively called the "Leased Premises." The street address for the Leased Premises is 30294 East Wy East Trail, Government Camp, Oregon, 97028.

3.

TERM OF LEASE:

3.1 Initial Term. The initial term of this Lease shall be one year (i.e., 12 full calendar

months plus any partial month, commencing on the Lease Commencement Date (as defined herein)). The Initial Term and any exercised Extended Term (defined below) shall be collectively known as the "Term."

3.2 Extended Term. Tenant shall have a right of first refusal to extend this Lease under the terms provided herein for additional one-year leases. Such additional periods shall be the "Extended Term" and commence immediately upon the end of the initial term or immediately preceding extended term. Tenant's right of first refusal may be exercised by Tenant by delivering written notice to Landlord before the expiration of the initial term. Unless provided otherwise by the Lease, and subject to rental adjustment provided under Section 5.2 herein, the Extended Term shall be upon the same terms, covenants and conditions as shall be in effect immediately prior to such extension. The term of this Lease shall be extended through the Extended Term without the execution of any further instrument.

3.3 Right of Termination. Either party may terminate this Lease Agreement by providing ninety (90) days' written notice of termination to the other party.

3.4 Termination by Lack of Affiliation. If Landlord ceases to have an affiliated interest in Tenant as defined in Oregon Revised Statute 757.015, this Lease Agreement shall immediately be terminated at such time without further action.

4.

LEASE COMMENCEMENT DATE: The "Lease Commencement Date" shall be January 1, 2018.

5.

RENT AND FINANCIAL MATTERS:

5.1 Rent. Commencing on the Lease Commencement Date, Tenant shall be obligated to pay and shall pay rent. Tenant agrees to pay to the order of Landlord the sum of 12 equal monthly payments in the amount of one thousand and no/100 dollars (**\$1,000.00**). Monthly payment shall be due on or before the first day of each month that this lease agreement remains in effect. Tenant also agrees to pay as rent the annual property tax for the Leased Premises, on or before the due date, such payment made directly to the taxing entity.

5.2 Rent For Extended Term. If Tenant timely and properly gives written notice of Tenant's desire to exercise the right of first refusal, the parties shall be bound to the applicable Extended Term upon all of the foregoing terms and conditions; provided, however, monthly rent payments during the Extended Term shall be adjusted by a two percent (2%) increase from the previous year's rent.

5.3 Utilities. Utilities shall remain in the name of Landlord. Landlord will forward all utility billings and invoices to Tenant for satisfaction. Tenant shall pay directly to all utility providers all charges respecting the Leased Premises incurred during the Term. Tenant shall pay on a

timely basis to the appropriate utility or other supplier all charges for utility services used, rendered, and/or supplied upon or in connection with the Leased Premises.

6.

CONDITIONS OF USE FOR LEASED PREMISES: Tenant agrees to use the property only for the purpose of storage of equipment, tools, materials, and inventory for its private water utility business. Tenant shall not use the Leased Premises for any other purpose.

6.1 Compliance with Law. It shall be Tenant's obligation to obtain any permits or licenses required in connection with Tenant's use of the premises. Tenant shall promptly comply with all laws, ordinances, orders, rules, regulations, and requirements of all federal, state, municipal or other governmental or quasi-governmental authorities or bodies then having jurisdiction over the Leased Premises (or any part thereof) and/or the use and occupation thereof by Tenant, and Tenant shall so perform and comply. Tenant agrees to give Landlord notice of violation or claimed violation of any law, ordinance, rule, regulation or requirement.

6.2 Tenant Improvements. Tenant will not make any improvements, alterations, installations or additions to the Leased Premises which (a) involve a modification to the exterior or structure of the Building or (b) require a permit unless: (i) Tenant receives Landlord's prior written consent, which will not be unreasonably withheld, conditioned, or delayed; (ii) the work is performed only by licensed and adequately insured contractors reasonably approved in advance by Landlord; (iii) the work is carried out pursuant to all necessary permits or governmental and/or other approvals, the responsibility and cost of obtaining which will be borne solely by Tenant; (iv) Tenant pays all costs of such work; and (v) the parties shall document Tenant's responsibilities to remove all or none of such items upon termination of the Lease, and to repair any damage caused by such removal, all at Tenant's sole cost and expense. Unless otherwise agreed upon in writing, any improvements to the real property not removed by Tenant shall remain the property of the Landlord upon termination of this Lease.

6.3 Waste. Tenant shall not commit or permit any waste, strip, damage to or misuse of the Leased Premises. Tenant shall conduct all operations in a reasonable manner and consistent with good management practices. Landlord or Landlord's representatives may enter the Leased Premises during normal business hours with at least two (2) business days' prior written notice (except in the event of emergency) to verify Tenant's compliance with this Lease.

6.4 Tenant Management; Maintenance. Commencing on the Lease Commencement Date and continuing thereafter, Tenant shall manage the Leased Premises (including the Building) in accordance with best management practices usual and ordinary to undeveloped open land. Tenant shall be responsible for repairs, replacements, and maintenance to the Leased Premises including (i) all exterior elements of the Property, including non-public driveway and parking, and (ii) any and all other portions of the Leased Premises which are not required to be maintained by Landlord under the Lease.

6.5 Landlord Maintenance. Commencing on the Lease Commencement Date, Landlord's sole maintenance responsibility for the Leased Premises shall be the Structural Portions of the

Building in a manner usual and ordinary to maintenance of a rural barn of like condition, except to the extent such maintenance is required as a result of the wrongful acts or omissions of Tenant, its agents, employees or contractors. For purposes hereof, the "Structural Portions of the Building" means the Building's exterior walls, footings, structural portions of load-bearing walls, and structural columns and beams. Tenant shall promptly report in writing to Landlord any defective condition in the Structural Portions of the Building actually known to Tenant which Landlord is required to repair.

6.6 Liens. Tenant will not do anything, or permit anything to be done, which subjects all or any part of the Leased Premises or Tenant's interest therein to any lien or encumbrance. If at any time prior to or during the Term any lien or order for payment of money, which shall have been either created by, caused (directly or indirectly) by, or suffered against Tenant, shall be filed against the Leased Premises or any part thereof, Tenant, at its sole cost and expense, shall cause the same to be discharged by payment, bonding or otherwise, within thirty (30) days after the filing thereof unless such lien or order is contested by Tenant in good faith and Tenant provides sufficient security or evidence of financial ability, in each case to the reasonable satisfaction of Landlord, to pay the amount of such lien or order.

6.7 Disclaimer. Landlord disclaims any warranty that the premises are suitable for Tenant's use and Tenant acknowledges that it has had a full opportunity to inspect the Lease Premises and make its own determination in this regard.

7.

INSURANCE:

7.1 Tenant's Insurance. Tenant will purchase at its sole cost a policy of commercial general liability insurance covering the Leased Premises, the business conducted by Tenant there, equipment, fixtures and other improvements installed and/or owned by Landlord and used in connection with the Building, insuring the same against commercial general liability or loss or damage by fire, lightning, explosion, windstorm, earthquake and such other hazards, casualties, risks and contingencies now covered by or that may hereafter be considered as included within, the standard casualty and property insurance policy. Property insurance with respect to the Building shall be carried by Tenant in an amount at least equal to the actual replacement costs of the Building. The policy will be kept in force during the entire Term. Tenant shall also carry (i) causes of loss-special form (formerly "all risk") property insurance for the full replacement cost of all Tenant's personal property and on all alterations, additions and improvements (including fixtures) made by Tenant to the Building or the Leased Premises, and Landlord shall have no obligation or liability therefor; and (ii) workers' compensation insurance as required by the State of Oregon in amounts as may be required by applicable statute. The limits of Tenant's insurance shall not limit Tenant's liability under this Lease.

8.

DAMAGE AND DESTRUCTION:

8.1 General Rule. If during the Term, the Building becomes damaged or destroyed in whole or in part by fire, other casualty or any other cause, Tenant will immediately notify Landlord of such event. This Lease will remain in full force and effect, except that the rent will be abated proportionately to the extent and for the period that all or a portion of the Leased Premises are rendered untenable (provided Tenant does not in fact utilize the untenable portion of the Leased Premises) as a result of such casualty damage. Within thirty (30) days after the date of the casualty Landlord shall prepare a written estimate of the time period required to repair and restore the damaged portions of the Building and deliver such estimate to Tenant.

8.2 Right of Termination. In the event that, based on the written estimate, the damage or destruction to the Leased Premises is so extensive that it cannot be repaired or restored within a period of sixty (60) days, measured from the date of Landlord's receipt of insurance proceeds from the insurer of the Building, each of Landlord and Tenant shall have the unilateral right to terminate this Lease upon written notice to the other given within fifteen (15) business days after Tenant's receipt of Landlord's written estimate. This Lease will then terminate one day after either party gives the other written notice of its desire to terminate the Lease. In the event of such termination, the Rent will be adjusted and paid to the date of the damage or destruction, and Tenant will immediately vacate the Lease Premises.

8.3 Restoration by Landlord. Unless this Lease is terminated as set forth above, or the parties agree otherwise in writing, Landlord shall (a) repair or restore the damaged portions of the Leased Premises with reasonable speed, subject to reasonable delays for adjusting losses under insurance policies and Force Majeure and (b) this Lease shall remain in effect.

9.

DEFAULT: Upon the expiration of any applicable notice or cure period, each of the following constitutes a material breach and a default by Tenant or Landlord, as the case may be, under this Lease:

- (i) Tenant's failure to pay rent when due under the terms of this Lease;
- (ii) Tenant's or Landlord's failure to perform any other term, covenant or condition required by this Lease and failure to cure within thirty (30) calendar days after receipt of written notice specifying the nature of the default with reasonable particularity from Landlord or Tenant, as the case may be;
- (iii) Abandonment by the Tenant of the Leased Premises;
- (iv) Bankruptcy of a Party as follows:
 - a. The Party commences a voluntary case under title 11 of the United States Code or the corresponding provisions of any successor laws;
 - b. Anyone commences an involuntary case against the Company under title 11 of

the United States Code or the corresponding provisions of any successor laws and either (A) the case is not dismissed by midnight at the end of the 60th day after commencement or (B) the court before which the case is pending issues an order for relief or similar order approving the case;

- c. A court of competent jurisdiction appoints, or the Party makes an assignment of all or substantially all of its assets to, a custodian (as that term is defined in title 11 of the United States Code or the corresponding provisions of any successor laws) for the Party or all or substantially all of its assets; and
- d. The Party fails generally to pay its debts as they become due (unless those debts are subject to a good-faith dispute as to liability or amount) or acknowledges in writing that it is unable to do so

In the event of default, Landlord shall have the right to re-enter, take possession of the Leased Premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages. Such right shall be cumulative and in addition to all other remedies available to Landlord under applicable law. Landlord shall, in addition to all rights and remedies of Landlord set forth in this Lease, be excused from any performance obligations hereunder.

10.

ASSIGNMENT: No part of the Leased Premises may be assigned, mortgaged or subleased, nor may a right of use of any portion of the Leased Premises be conferred on any third persons by any other means without the prior written consent of the Landlord. This provision shall apply to all transfers by operation of law and transfers to and by trustees in bankruptcy, receivers, administrators, executors and legatees. No consent in one instance shall prevent the provision from applying to a subsequent instance.

11.

NON-WAIVER: In the event Landlord or Tenant does not seek the other's strict performance of any provision of this Lease, or does not exercise any right it has, neither Tenant nor Landlord will be construed as waiving its right to strictly enforce Landlord's or Tenant's performance in the future. There will be no waiver by Landlord or Tenant of any Lease provision unless expressed in writing and signed by the party against whom such waiver is being alleged.

12.

ACCEPTANCE OF LEASED PREMISES: The taking of possession of the Leased Premises by Tenant on the Lease Commencement Date shall constitute an acknowledgment by Tenant that, other than with respect to latent defects, the Leased Property is acceptable to Tenant on an "as is" basis.

13.

INSPECTION: The Landlord reserves the right to herself and her agents to go upon the Leased

Premises at reasonable and proper times to inspect the same for the purpose of determining that the Lease Agreement is being properly observed and that all of the terms are being kept and performed by the Tenant. Landlord shall have the right to enter Leased Premises at any and all times to do emergency maintenance or repairs and Tenant shall not lock or bar Leased Premises from entry of Landlord for this purpose. If door locks are to be changed for any reason, Landlord shall give permission to Tenant before this is done and Tenant shall give new key to Landlord.

14.

MISCELLANEOUS:

14.1 Severability, Enforceability. If any provision of this Lease Agreement, or its application to any person, is found invalid or unenforceable, the remainder of this Lease Agreement or its application will not be affected.

14.2 Successors and Assigns. Subject to the restrictions on the transfer of Tenant's interest hereunder as set forth herein, this Lease Agreement and all of its provisions, individually and collectively, will bind and inure to the benefit of Landlord and Tenant, and their respective heirs, distributees, executors, administrators, successors, personal and legal representatives and their permitted assigns.

14.3 Quiet Enjoyment. Landlord covenants to Tenant that, so long as Tenant pays the rent and performs all other obligations imposed on Tenant under this Lease, and subject to all matters of record and all mortgages and other financing arrangements, Tenant will peaceably hold and enjoy the Leased Premises throughout the Term without hindrance or impairment from Landlord or those claiming through Landlord.

14.4 Force Majeure. In the event that either party to this Lease Agreement is delayed, hindered or prevented, by reason of strikes, lock-outs, inability to procure materials, delays in transportation, failure of power, restrictive governmental laws or regulations that prevent, delay or prohibit the ability to perform, riots, insurrection, war, fire or other casualties, acts of God, extreme rain or other weather conditions beyond normal conditions for the season, or any other reason not reasonably within the control of the party so delayed, hindered or prevented, from performing work or doing any act required under the terms of this Lease, then performance of such act will be excused for the period of the delay, and the period of the performance of any such act will be extended for a period equal to the period of such delay.

14.5 Confidentiality. Landlord and Tenant acknowledge and agree that certain non-public information supplied by each to the other during the term of this Lease Agreement may be proprietary or confidential. All such non-public information shall be received in confidence and kept confidential, unless as otherwise required by applicable law and consistent with the Oregon Public Utility Commission's mandate to ensure safe, reliable, and high-quality service at just and reasonable rates.

14.6 Waiver of Jury Trial. Landlord and Tenant desire a prompt resolution of any litigation between them with respect to this Lease. To that end, Landlord and Tenant waive trial

by jury in any action, suit, proceeding and/or counterclaim brought by either against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Leased Premises, any claim of injury or damage and/or any statutory remedy. This waiver is knowingly, intentionally and voluntarily made by Tenant.

14.7 Governing Law. This Lease Agreement is made in the State of Oregon and will be governed in all respects by the laws of the State of Oregon without regard to principles of conflicts of laws.

14.8 Exhibits Incorporated. All exhibits or other attachments to this Lease Agreement are a part of this Lease Agreement and are incorporated by reference into this Lease Agreement.

14.9 Amendments. This Lease Agreement may not be modified orally or in any other manner other than by an agreement in writing signed by Landlord and Tenant or their respective successors in interest.

14.10 Attorneys' Fees. In the event of any litigation arising under or pursuant to the terms of this Lease Agreement, the non-prevailing party in such litigation shall pay the actual and reasonable fees and expenses incurred in connection with such litigation, including court costs and attorneys' fees and expenses.

14.11 Entire Agreement. This Lease Agreement constitutes and expresses the entire agreement of the Parties hereto and supersedes any previous negotiations or agreements.

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15.

NOTICES: Notices shall be given to the respective parties at the following addresses:

LANDLORD:

Lesli Ann Bekins
2220 SE Sparrow St.
Milwaukie, Oregon 97222
(503) 260-1342

TENANT:

Government Camp Water Company
PO Box 86
Government Camp, Oregon 97028-0067
Office: (503) 260-1342

IN WITNESS WHEREOF, the parties have executed this agreement, effective on the Effective Date provided above.



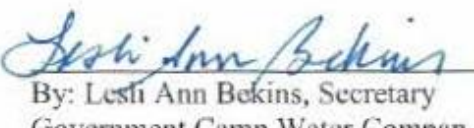
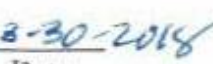
			
Lesli Ann Bekins (Landlord)	Date	By: Lesli Ann Bekins, Secretary Government Camp Water Compan (Tenant)	Date

EXHIBIT A

Lots 14 and 15 of Block 6 of Government Camp Park Subdivision, Plat No. 0611, as recorded in the County of Clackamas August 4, 1937, and further described as Clackamas County Parcel No. 00990413 (Tax Lot 4500 of Map 38Q14DC04500).