

CASE: UW 191
WITNESS: YAMADA-PUTTMAN

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 100

**Joint Testimony
in Support of
the Stipulation**

October 25, 2022

1 **Q. Who is sponsoring this testimony?**

2 A. This testimony is jointly sponsored by Public Utility Commission of Oregon
3 (PUC or Commission) Staff and South Coast Water Company, LLC
4 (collectively, Parties or Joint Parties).

5 **Q. Please state your name and qualifications.**

6 A. My name is Stephanie Yamada. I am a Senior Utility Analyst in the Rates,
7 Finance, and Audit Division of the PUC. My witness qualification statement is
8 included in Exhibit Joint Parties/101.

9 My name is Thomas J. Puttman, PE, AICP, LEED AP. I have served as
10 Manager of South Coast Water Company, LLC (South Coast or Company)
11 since its acquisition in 2018. I am a licensed professional engineer and
12 certified planner, specializing in utility investment, development, and
13 management. I currently manage a portfolio of utilities across the western US.

14 **Q. What is the purpose of your joint testimony?**

15 A. The purpose of this testimony is to introduce and support the Stipulation
16 entered into by the Joint Parties in UW 191, South Coast's request for a
17 general rate revision. The Stipulation of the Joint Parties, concurrently filed,
18 resolves all issues in this docket.

19 **Q. Please discuss the process by which settlement was reached.**

20 A. After reviewing the Application and the Company's responses to Staff's Data
21 Requests (DRs), Staff provided an initial settlement offer to the Company on
22 August 25, 2022. The Parties held a settlement conference in this docket on
23 September 13, 2022, and exchanged several additional proposals via email

1 after that time. The Parties reached agreement in principle on all issues in this
2 case on September 27, 2022. Counsel for Staff filed a motion to suspend the
3 procedural schedule on October 3, 2022.

4 **Q. Were there any intervenors in this case?**

5 A. No. No filings for intervenor status were submitted in this case.

6 **Q. Is there any known opposition to the Stipulation?**

7 A. No.

8 **Q. Did you prepare any exhibits for this docket?**

9 A. Yes. We prepared Exhibit Joint Parties/101, consisting of one page, Exhibit
10 Joint Parties/102, consisting of six pages, Exhibit Joint Parties/103, consisting
11 of 93 pages, and Exhibit Joint Parties/104, consisting of 18 pages.

12 **Q. How is your testimony organized?**

13 A. Our testimony is organized as follows:

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1

ISSUE 1 – SUMMARY RECOMMENDATION

2

Q. Please summarize the Joint Parties' recommendation in this case.

3

A. The Joint Parties recommend that the Commission adopt in its entirety the

4

Stipulation agreed to in Docket No. UW 191. The Parties agreed to a Year 1

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revenue requirement of \$74,381, which represents an increase of

6

36.33 percent, or \$19,821, compared to test-year revenues of \$54,560. The

7

Parties agreed to a Year 2 revenue requirement of \$99,175, which represents

8

an increase of 81.77 percent, or \$44,615, compared to test-year revenues.

9

The Parties agreed to a 7.25 percent rate of return on a rate base of \$364,692.

10

The Year 2 figures are summarized on the Revenue Requirement summary

11

found in Exhibit Joint Parties/102, Yamada-Puttman/1-2.

1 **ISSUE 2 – COMPANY DESCRIPTION AND REGULATORY HISTORY**

2 **Q. Please describe South Coast.**

3 A. South Coast is a rate- and service-regulated water utility serving 98 domestic
4 customers in the vicinity of Dunes City, Oregon. The system was originally
5 constructed and began providing service in 1968. The utility is owned by
6 Infrastructure Capital Holdings, LLC (ICH), which is in turn owned 82.5 percent
7 by Concentric Equity Partners (CEC) and 17.5 percent by Puttman Capital,
8 LLC (Puttman Capital).¹ Puttman Capital is owned by Thomas J. Puttman.

9 **Q. Has South Coast experienced any recent changes in ownership?**

10 A. Yes. The Commission previously approved the sale of South Coast in Order
11 No. 19-071, issued March 1, 2019, in Docket No. UP 385. The present case is
12 the first rate case under current ownership.

13 **Q. When was South Coast's last rate case?**

14 A. South Coast's last general rate case was Docket No. UW 134, with rates
15 effective December 1, 2009.

¹ See Exhibit Joint Parties/103, Yamada-Puttman/1, South Coast's response to Staff's DR 1.

ISSUE 3 – SUMMARY OF SOUTH COAST’S GENERAL RATE FILING**Q. Please describe South Coast’s general rate case application.**

A. South Coast filed its Application for a General Rate Revision (Application) in the present docket on May 24, 2022. The Company selected a test-year of January 1, 2020, to December 31, 2020. In its Application, South Coast proposed total annual Year 1 revenues of \$75,497, representing an increase of 38.37 percent over test-year revenues of \$54,560. The Company proposed Year 2 revenues of \$104,857, representing an increase of 92.19 percent over test-year revenues. The Company’s request reflected a Rate of Return (ROR) of 9.5 percent on a rate base of \$369,626.

Q. What rate changes did South Coast propose in its Application?

A. South Coast’s proposed rate changes are summarized in Table 1.

Table 1: Company Proposed Rate Changes

	Current	Year 1 Proposed	Year 2 Proposed
Residential Base Rate	\$36.00	\$39.32	\$54.61
Residential Variable Rate per 100 Gal	\$0.24	\$0.5453	\$0.7573

Q. What are the primary drivers for South Coast’s requested revenue increase?

A. South’s Coast’s Application states that it is “seeking changes in rates because current revenues are insufficient to cover the ongoing costs of continuing to provide safe, reliable, and adequate service while allowing an opportunity for a reasonable return on the utility’s capital investment.”²

² South Coast Application for General Rate Revision, Question 11.

ISSUE 4 – AFFILIATED INTERESTS

Q. Please describe the relationships between South Coast and its affiliates.

A. South Coast is owned by ICH, which is in turn owned by CEC and Puttman Capital. Puttman Capital is owned by Thomas J. Puttman, who also owns Puttman Infrastructure, Inc. (Puttman Infrastructure). While all of these entities share affiliated interest relationships with South Coast as defined in ORS 757.015, the Company transacts only with Puttman Capital and Puttman Infrastructure (Affiliates) for the provision of certain management, Operations and Maintenance (O&M), and customer-related services.

Q. Has the Commission previously approved affiliated interest agreements between South Coast and the Affiliates?

A. Yes. Such agreements were previously approved with Order No. 20-062, issued March 3, 2020, in Docket No. UI 433. In that docket, the Commission limited its approval to South Coast's relationship with the Affiliates, and deferred any determination regarding the costs for services provided, including compliance with the lower of cost or market requirement found in OAR 860-036-2230(2)(e), to the Company's next general rate proceeding.

Q. What is the lower of cost or market requirement found in OAR 860-036-2230(2)(e)?

A. OAR 860-036-2230(2)(e) states that 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 affiliate's cost or the market rate, whichever is lower.

1 **Q. Please describe the services provided to South Coast by Puttman**
2 **Capital.**

3 A. Pursuant to the Management Services Agreement between South Coast and
4 Puttman Capital, Puttman Capital provides certain management services to
5 South Coast, including the management of budgeting, finances, tax
6 preparation, legal services, banking, regulatory compliance, records
7 management, and insurance coverage.³

8 **Q. Please describe the goods and/or services provided to South Coast by**
9 **Puttman Infrastructure.**

10 A. Pursuant to the Operations & Maintenance Services Agreement between
11 South Coast and Puttman Infrastructure, Puttman Infrastructure provides
12 certain O&M services to South Coast, including the management of finances
13 relating to O&M services, system performance monitoring, execution and
14 oversight of maintenance and testing activities, management of equipment,
15 parts, and inventory, safety monitoring, records management, and
16 housekeeping matters.⁴ Puttman Infrastructure also provides certain
17 customer-related services to South Coast pursuant to a Customer Services
18 Agreement, including invoicing and collection of payments as well as records
19 management.⁵

³ See Management Services Agreement, Exhibit Joint Parties/103, Yamada-Puttman/3, provided in South Coast's response to Staff's DR 3.

⁴ See Operations & Maintenance Agreement, Exhibit Joint Parties/103, Yamada-Puttman/51, provided in South Coast's response to Staff's DR 3.

⁵ See Customer Services Agreement, Exhibit Joint Parties/103, Yamada-Puttman/27, provided in South Coast's response to Staff's DR 3.

1 **Q. What affiliate transactions did South Coast propose to include in rates**
2 **in the present proceeding?**

3 A. South Coast initially proposed to include Affiliate transactions as summarized
4 in Table 2.

Table 2: Company Proposed Affiliate Transactions

Service	Account	Affiliate	Amount
Management	634	Puttman Capital	\$865
O&M	636	Puttman Infrastructure	\$2,633
Customer Service	637	Puttman Infrastructure	\$2,235
TOTAL			\$5,733

5 **Q. Did the Joint Parties agree to include these affiliate transactions in**
6 **rates?**

7 A. The Joint Parties agreed to include affiliate transactions as summarized in
8 Table 3.

Table 3: Stipulated Affiliate Transactions

Service	Account	Affiliate	Amount
Management	634	Puttman Capital	\$2,869
O&M	636	Puttman Infrastructure	\$2,129
Customer Service	637	Puttman Infrastructure	\$5,510
TOTAL			\$10,508

9 The amounts included in each expense account are discussed later in
10 this testimony.

11 **Q. Does the provision of the previously-described goods and services to**
12 **South Coast by the Affiliates comply with the requirement in**
13 **OAR 860-036-2230(2)(e) that such transactions be booked at the lower**
14 **of the affiliate's cost or the market rate?**

- 1 A. The Joint Parties disagree on this point, but agree that the stipulated amounts
- 2 are reasonable for the purposes of the present case.

ISSUE 5 – OPERATING EXPENSES

1
2 **Q. Please summarize the revenue requirement agreed to by the Joint**
3 **Parties.**

4 A. The Joint Parties agreed to a total Year 1 revenue requirement of \$74,381,
5 which represents an increase of \$19,821, or 36.33 percent, over test-year
6 revenues. The Joint Parties agreed to a total Year 2 revenue requirement of
7 \$99,175, which represents an increase of \$44,615, or 81.77 percent, over
8 test-year revenues. The agreed-upon amounts included in each account are
9 summarized in the Adjustment Summary, included as Exhibit Joint Parties/102,
10 Yamada-Puttman/3-4, and explained in more detail below.

11 **Q. Please explain the amount included in Account 611**
12 **(Telephone/Communications).**

13 A. South Coast proposed to include the test-year amount of \$2,533 in this
14 account, and the Joint Parties made no adjustment to that amount. This
15 amount consists of payments to CenturyLink for telephone services. The
16 Company provided invoices from CenturyLink in response to Staff's DR 12.

17 **Q. Please explain the amount included in Account 615 (Purchased Power).**

18 A. South Coast proposed to include the reported test-year amount of \$4,777 in
19 this account. This amount consists of payments to Central Lincoln PUD for
20 electricity at two addresses: 83343 Clear Lake Rd and 3401 Sunset CV
21 (Cove Water Pump). In response to Staff's DR 12, the Company provided
22 invoices from Central Lincoln PUD totaling \$4,560. The Joint Parties agreed to
23 reduce this account to the documented total of \$4,560.

1 **Q. Please explain the amount included in Account 618**
2 **(Chemical/Treatment).**

3 A. The Company proposed no adjustment to the test-year amount of \$1,812 in
4 this account. In response to Staff's DR 12, the Company provided invoices
5 from Oregon Water Services showing purchases for liquid chlorine and caustic
6 soda totaling \$1,482. The Joint Parties agreed to reduce this account to the
7 documented total of \$1,482.

8 **Q. Please explain the amount included in Account 619 (Office Supplies).**

9 A. The Company proposed to reduce its test-year expense of \$152 by \$100,
10 resulting in an Office Supplies expense of \$52. Regarding the proposed
11 reduction, the Company stated that "[a]fter having operated the Company for
12 longer, we have found potential efficiencies that may reduce future operating
13 expenses."⁶ In response to Staff's DR 12.a. and 12.b., the Company provided
14 information indicating that its test-year expense consists of door hangers,
15 envelopes, and mailing supplies. The Joint Parties agreed to make no
16 adjustment to the Company's proposal of \$52.

17 **Q. Please explain the amount included in Account 619.1 (Postage).**

18 A. The Company proposed to reduce its test-year expense of \$546 by \$366,
19 resulting in a postage expense of \$180. Regarding the proposed reduction, the
20 Company stated that "[a]fter having operated the Company for longer, we have
21 found potential efficiencies that may reduce future operating expenses."⁷ The

⁶ See Exhibit Joint Parties/103, Yamada-Puttman/88, South Coast's response to Staff's DR 12.c.

⁷ Ibid.

1 Joint Parties agreed to make no adjustment to the Company's proposal of
2 \$180.

3 **Q. Please explain the amount included in Account 621 (Repairs to Water**
4 **Plant).**

5 A. The Company's expense in this account totaled \$4,419 in the test-year, and
6 the Company provided invoices from Oregon Water Services demonstrating
7 this amount in response to Staff's DR 12. The Company initially proposed to
8 reduce the test-year amount by \$3,919, resulting in an expense of \$500 in this
9 account. The Joint Parties agreed to include a total of \$4,000 in this account to
10 reflect the anticipated ongoing expense relating to repairs.

11 **Q. Please explain the amount included in Account 634 (Contract**
12 **Services—Management).**

13 A. The Company initially proposed \$865 in this account. The Joint Parties agreed
14 to include a total of \$2,869. This amount reflects 24 annual hours of General
15 Manager labor provided by Puttman Capital.

16 **Q. Please explain the amount included in Account 635 (Contract**
17 **Services—Testing).**

18 A. The Company initially proposed no adjustment to the test-year amount of
19 \$3,227 and provided invoices demonstrating that amount in response to Staff's
20 DR 12. The Joint Parties agreed to move \$225 relating to the consumer
21 confidence report to Account 674 (Consumer Confidence Report), resulting in a
22 total of \$3,002 in this account.

1 **Q. Please explain the amount included in Account 636 (Contract**
2 **Services—Labor).**

3 A. The Company initially proposed \$19,761 in this account. The Joint Parties
4 agreed to include \$20,129. This amount includes \$18,000 for system operation
5 services provided by Oregon Water Services and \$2,129 for O&M services
6 provided by Puttman Infrastructure. The anticipated annual O&M labor to be
7 provided by Puttman Infrastructure is summarized in Table 4.

Table 4: Puttman O&M Services

Position	Hours
General Manager	3
Project Manager	6
Utility Manager/Senior Operator	2
Admin & Accounting	16.85
Total	27.85

8 **Q. Please explain the amount included in Account 637 (Contract**
9 **Services—Billing/Collection).**

10 A. The Company initially proposed \$2,235 in this account. The Joint Parties
11 agreed to include \$5,510 in this account for customer-related services provided
12 by Puttman Infrastructure. The anticipated annual customer service labor to be
13 provided by Puttman Infrastructure is summarized in Table 5.

Table 5: Puttman Customer Services

Position	Hours
General Manager	6
Project Manager	14
Admin & Accounting	30.88
Customer Service	48
Total	98.88

1 **Q. Please explain the amount included in Account 639 (Contract**
2 **Services – Other).**

3 A. This account totaled \$2,218 in the test-year, and the Joint Parties agreed to
4 reduce this account to \$0. Regarding the reduction, the Company stated that
5 “[a]fter having operated the Company for longer, we have found potential
6 efficiencies that may reduce future operating expenses.”⁸

7 **Q. Please explain the amount included in Account 657 (General Liability**
8 **Insurance).**

9 A. The test-year expense in this account was \$2,070, and the Company initially
10 proposed no adjustment to that amount. In response to Staff’s DR 12, the
11 Company provided an invoice showing a total annual premium of \$3,074. The
12 Joint Parties agreed to include the total annual premium of \$3,074 in this
13 account.

14 **Q. Please explain the amount included in Account 666 (Amortization of**
15 **Rate Case).**

16 A. In its Application, the Company initially proposed to include \$3,074 relating to
17 PUC rate case preparation in rate base. The Joint Parties agreed to move this
18 item to Account 666 and amortize it over five years, resulting in an annual total
19 of \$741 in this account.

20 **Q. Please explain the amount included in Account 667 (PUC Gross**
21 **Revenue Fee).**

⁸ See Exhibit Joint Parties/103, Yamada-Puttman/88, South Coast’s response to Staff’s DR 12.c.

1 A. The Joint Parties agreed to include \$426 in this account, which reflects the
2 current PUC Fee rate of 0.43 percent of gross revenues.

3 **Q. Please explain the amount included in Account 674 (Consumer**
4 **Confidence Report).**

5 A. The Joint Parties agreed to include \$225 in this account. As discussed
6 previously in this testimony, this amount was moved from Account 635
7 (Testing).

8 **Q. Please explain the amount included in Account 675 (Miscellaneous**
9 **Expense).**

10 A. The test-year expense in this account was \$1,000. Information provided by the
11 Company in response to Staff's DR 12 indicated that this amount was
12 attributable to the refund of a renter deposit. The Joint Parties agreed to
13 reduce this account to \$0 as the expense is not likely to recur.

14 **Q. Please explain the amount included in Other Expense Account 2**
15 **(Permit Fees).**

16 A. This account totaled \$327 in the test-year, and the Company proposed no
17 adjustment to that amount. Information provided by the Company in response
18 to Staff's DR 12 indicated that the test-year amount consisted of the following
19 items.

Table 6: Permit Fees

Description	Total
Oregon PUC	\$ 111.67
Oregon Secretary of State	\$ 100.00
License & Permits - Connection 15-99	\$ 30.00
Dunes City business license	\$ 85.00
TOTAL	\$ 326.67

1 The Joint Parties agreed to include \$327 in this account.

2 **Q. Please explain the amount included in Other Expense Account 3 (PUC**
3 **Rate Case).**

4 A. The test-year expense in this account was \$3,707. The Company initially
5 proposed to reduce this account to \$0 and to include this amount in rate base
6 under Account 301 (Organization). As discussed elsewhere in this testimony,
7 the Joint Parties agreed to move this item to Account 666 (Amortization of Rate
8 Case) with a five-year amortization period. The resulting total in this account is
9 \$0.

10 **Q. Please explain the amount included in Other Expense Account 4**
11 **(Amortization of Master Plan).**

12 A. The Company initially proposed to include a \$3,383 System Master Plan item
13 in rate base under Account 301 (Organization). The Joint Parties agreed to
14 move this item to Other Expense Account 4 with a 20-year amortization period,
15 resulting in an annual total of \$169 in this account.

ISSUE 6 – OTHER REVENUE DEDUCTIONS

1
2 **Q. Please explain the amount included in Account 403 (Depreciation**
3 **Expense).**

4 A. As discussed under the Rate Base section elsewhere in this testimony, the
5 Joint Parties agreed to remove the System Master Plan and PUC Rate Case
6 items from the Company's Plant schedule. This change resulted in a \$1,192
7 decrease to Depreciation Expense. The Joint Parties also removed
8 depreciation from the Water Rights item in Account 303 (Land and Land
9 Rights) because assets in that account do not depreciate. This change
10 resulted in additional decrease of \$82 to Depreciation Expense. The resulting
11 total in this account is \$16,664.

12 **Q. Please explain the amount included in Account 408.11 (Property Tax).**

13 A. The Company proposed no change to the test-year amount of \$637 in this
14 account and provided information in response to Staff's DR 12 indicating that
15 this amount is attributable to Lane County property taxes. The Joint Parties
16 agreed to include the test-year amount of \$637 in this account.

17 **Q. Please explain the amount included in Account 409.10 (Federal Income**
18 **Tax).**

19 A. The Joint Parties included \$4,605 in this account, representing a federal tax
20 rate of 21 percent applied to federal taxable income of \$21,928.

21 **Q. Please explain the amount included in Account 409.11 (Oregon Income**
22 **Tax).**

- 1 A. The Joint Parties included \$1,549 in this account, representing a state tax rate
- 2 of 6.6 percent applied to state taxable income of \$23,477.

ISSUE 7 – RATE BASE

Q. Please summarize the utility rate base agreed to by the Joint Parties.

A. The rate base agreed-upon by the Joint Parties is summarized in Table 7 below.

Table 7: Rate Base Summary

Account		Utility Proposed	Adjustments	Stipulated
101	Utility Plant in Service	\$385,110	\$(7,090)	\$378,020
108	- Accumulated Depreciation	\$19,209	\$(1,274)	\$17,935
151	+ Materials & Supplies	\$500	-	\$500
WC	+ Working Cash	\$3,224	\$882	\$4,107
Total Rate Base		\$369,626	\$(4,933)	\$364,692

Q. Please explain the amount included in Account 101 (Utility Plant in Service).

A. As shown in the Company's response to Staff's DR 27 and the Plant schedule submitted with the Application,⁹ South Coast's proposed Utility Plant in Service of \$385,110 consisted of the items shown in Table 8.

⁹ See Exhibit Joint Parties/103, Yamada-Puttman/89, South Coast's response to Staff's DR 27.

Table 8: Proposed Plant

Item	Name and No. of Plant Account	Cost (including labor)	In Service Date
Asset Mgmt Program	301. Organization	\$12,240	Sep-20
Billing System	301. Organization	\$5,722	Sep-20
System Master Plan	301. Organization	\$3,383	May-20
PUC Rate Case	301. Organization	\$3,707	Jan-20
Water Rights	303. Land and Land Rights	\$1,093	Apr-20
Tree Removal	304. Structures & Improvement	\$24,520	Dec-19
Gravel	304. Structures & Improvement	\$14,765	Dec-20
Fencing	304. Structures & Improvement	\$14,287	Dec-20
AKS Mapping	304. Structures & Improvement	\$9,821	Dec-19
Signage	304. Structures & Improvement	\$976	Dec-20
Lighting	304. Structures & Improvement	\$3,723	Dec-20
Communications	304. Structures & Improvement	\$1,853	Dec-20
Old Site Demo	304. Structures & Improvement	\$3,339	Dec-20
Pump Repair	311. Pumping Equipment	\$4,055	Dec-20
Treatment Plant	320. Water Treatment Equip.	\$281,627	Dec-20
TOTAL		\$385,110	

1 As discussed previously, the Joint Parties agreed to remove the \$3,383
2 System Master Plan item from rate base, instead amortizing this amount over
3 20 years in Account OE4. The Joint Parties also removed the \$3,707 PUC
4 Rate Case item from rate base and amortized it over five years in Account 666.
5 These changes reduced Utility Plant in Service by \$7,090, resulting in a total of
6 \$378,020 in this account. The Joint Parties also moved the \$12,240 Asset
7 Management Program and \$5,722 Billing System from Account 301 (a

1 non-depreciating account) to Account 347 (Electronic/Computer Equipment)
2 with an asset life of five years. This change had no net effect on rate base.

3 **Q. Please explain the amount included in Account 108 (Accumulated**
4 **Depreciation).**

5 A. The removal of depreciation associated with the System Master Plan, PUC
6 Rate Case, and Water Rights items (discussed previously) resulted in a
7 corresponding decrease to Accumulated Depreciation of \$1,274. After these
8 adjustments, this account totals \$17,935. As discussed previously, the Joint
9 Parties moved the Asset Management System and Billing System from
10 Account 301 to Account 347. Because South Coast's initial proposal included
11 a five-year asset life for these items, the move had no net effect on
12 depreciation.

13 **Q. Please explain the amount included in Working Cash.**

14 A. The Joint Parties agreed to include Working Cash of \$4,107, which represents
15 one twelfth of total operating expenses.

1

ISSUE 8 – CAPITAL STRUCTURE

2

Q. What cost of capital did South Coast propose in its Application?

3

A. In its Application, South Coast proposed a 100 percent equity structure with an ROR of 9.5 percent.

4

5

Q. What cost of capital did the Joint Parties agree to?

6

A. The Joint Parties agreed to an overall ROR of 7.25 percent, which is computed using a Return on Equity (ROE) of 9.5 percent. The calculation of South Coast's weighted capital costs is summarized in Table 9.

7

8

Table 9: Weighted Capital Costs

Item	Amount	Capital Structure	Cost	Wtd. Cost
Debt (SBA Loan)	\$182,346	50.00%	5.00%	2.50%
Total Equity	\$182,346	50.00%	9.50%	4.75%
Total Debt + Equity	\$364,692	100.00%		7.25%

9

Q. Please describe the debt and equity amounts included in the Cost of Capital calculation.

10

11

A. While South Coast has no debt, the Joint Parties agreed to a hypothetical capital structure consisting of 50 percent debt and 50 percent equity. The Joint Parties further agreed to use a five percent cost of debt and 9.5 percent ROE to calculate the ROR.

12

13

14

ISSUE 9 – RATE SPREAD

Q. What rate spread did the Joint Parties agree to?

A. The Joint Parties agreed to the rate spread summarized in Table 10 below.

Table 10: Rate Spread

Service	Year 1	Year 2
Residential	\$73,256	\$97,675
Miscellaneous Services	\$1,125	\$1,500
TOTAL REVENUE	\$74,381	\$99,175

Q. Please explain how revenues were allocated to the Year 1 and Year 2 revenue requirements.

A. The Year 2 revenue requirement of \$99,175 represents the full amount resulting from the various inclusions described in this testimony. The Joint Parties agreed to implement 75 percent of that amount in Year 1, resulting in a Year 1 revenue requirement of \$74,381.

Q. Why did the Joint Parties agree to implement the rate increase over a two-year period?

A. As the Company's rates have not been increased since 2009, the Year 2 revenue requirement agreed to by the Joint Parties represents a substantial increase in rates. The Joint Parties agreed to implement the revised rates over a two-year period to reduce the rate shock experienced by customers.

Q. Please explain how revenues were allocated to Miscellaneous Services.

A. The Joint Parties agreed to allocate \$1,500 for Miscellaneous Services in Year 2. The Year 1 amount of \$1,125 represents 75 percent of the Year 2 amount.

ISSUE 10 – RATE DESIGN

Q. Please describe the rate components for South Coast’s Schedule No. 1 Residential Domestic service.

A. South Coast’s Schedule No. 1 service rates consist of a monthly base rate, which is assessed regardless of the quantity of water used, and a commodity rate (also known as a variable or usage rate), which is assessed per unit of water consumed. South Coast’s water is measured in units of 100 gallons. The base rate provides a reliable revenue stream that enables the Company to cover its fixed costs even during the portions of the year when water consumption is low.

Q. Please describe the rate design associated with the agreed-upon revenue allocation to Schedule No. 1 Residential Domestic service.

A. In designing water rates, Staff typically allocates 60 percent of associated revenues to base rates and 40 percent to commodity rates. The Joint Parties agreed to do the same in this case, resulting in a Year 1 allocation of \$43,954 to base rates and \$29,303 to commodity rates, and a Year 2 allocation of \$58,605 to base rates and \$39,070 to commodity rates.

Q. Please explain how base rates are developed.

A. Water base rates are typically designed such that customers with larger meter sizes pay higher rates than those with smaller meters. This is because “the safe operating flow, or capacity, of a particular size of meter is essentially the limiting factor in terms of the demand that can be exerted on the water system

1 through the meter.”¹⁰ Furthermore, “the potential demand or capacity
2 requirements placed on the water system...is generally an accepted basis for
3 determining the level of charge applicable to the customer.”¹¹ As such, Staff
4 typically uses a standard set of factors, sometimes referred to as “AWWA
5 factors,” to determine the appropriate relative differences in base rates for
6 different meter sizes. For example, the standard factor for a five-eighths inch
7 base rate is one, and the standard factor for a one inch base rate is 2.5, which
8 means that a customer with a one inch meter would typically pay a base rate
9 that is approximately 2.5 times that of a customer with a five-eighths inch
10 meter.

11 **Q. What are the Joint Parties’ agreed-upon base rates for Schedule No. 1**
12 **Residential and Commercial Domestic service?**

13 A. The Joint Parties agreed to use the standard factors to allocate base rates in
14 this case. The resulting Schedule No. 1 base rates are summarized in
15 Table 11.

¹⁰ Principles of Water Rates, Fees, and Charges (M1) (6th Edition). American Water Works Association, 2012, Page 324.

¹¹ Ibid.

Table 11: Schedule No. 1 Residential Domestic Base Rates

Meter Size	Count	Factors	Customer Equivalency	% of Total	Year 1 Base Rate	Year 2 Base Rate
5/8"	98	1.0	98	100%	\$37.38	\$49.83
3/4"		1.5	-	0%	\$56.06	\$74.75
1"		2.5	-	0%	\$93.44	\$124.59
1 1/2"		5.0	-	0%	\$186.88	\$249.17
2"		8.0	-	0%	\$299.01	\$398.67
3"		15.0	-	0%	\$560.63	\$747.51
4"		25.0	-	0%	\$934.39	\$1,245.85
6"		50.0	-	0%	\$1,868.78	\$2,491.71
8"		80.0	-	0%	\$2,990.05	\$3,986.73
TOTAL	98		98	100%		

1 **Q. Why did the Joint Parties include base rates for meter sizes for which**
2 **there are no current customers?**

3 A. The Joint Parties calculated base rates at various meter sizes to address the
4 hypothetical possibility of customers being added at new meter sizes in the
5 future. The Joint Parties recognize that, while such a scenario is unlikely, the
6 presence of rates for various meter sizes in South Coast's tariff would provide
7 clarity regarding the appropriate rates to be charged should such a scenario
8 arise.

9 **Q. What customer counts did the Joint Parties use to calculate base**
10 **rates?**

11 A. The Joint Parties agreed to use a total customer count of 98. Under
12 Questions 30 and 33 of its Application, the Company indicated a total customer
13 count of 96. In response to Staff's DR 28, the Company clarified that two
14 customers are not currently charged for water service, stating that "[n]either of
15 the known non-paying customers mentioned are included on the customer

1 count of 96.”¹² The Company further stated that its “plan is to sunset such
2 arrangements so that every customer is metered and charged.”¹³

3 **Q. Please explain how the Schedule No. 1 Residential Domestic**
4 **commodity rate was calculated.**

5 A. The Schedule No. 1 commodity rate was calculated based on annual
6 residential domestic consumption of 6,860,101 gallons (or 68,601 100-gallon
7 units). The commodity rate revenue allocation was divided by the number of
8 consumption units to arrive at a commodity rate. For Year 1, the resulting
9 commodity rate is \$0.43 per 100-gallon unit. The Year 2 commodity rate is
10 \$0.57 per 100-gallon unit.

11 **Q. Did the Joint Parties make any changes to test-year consumption**
12 **figures?**

13 A. Yes. In response to Staff’s DR 20, the Company provided each customer’s
14 test-year consumption information indicating that consumption totaled
15 6,790,100 gallons in the test-year. As discussed previously, in response to
16 Staff’s DR 28, the Company indicated that two customers—Unbilled
17 Customers 1 & 2—are not currently charged for water service. Unbilled
18 Customer 1’s consumption was included in the provided consumption total of
19 6,790,100 gallons, but Unbilled Customer 2’s consumption was not included.
20 The Joint Parties divided the total consumption figure by 97 (the total customer
21 count of 98 minus Unbilled Customer 1) to arrive at an average consumption

¹² See Exhibit Joint Parties/103, Yamada-Puttman/91, South Coast’s response to Staff’s DR 28.b.

¹³ See Exhibit Joint Parties/103, Yamada-Puttman/91, South Coast’s response to Staff’s DR 28.a.

1 amount of 70,001 gallons per customer. The Joint Parties added this to the
2 test-year consumption total of 6,790,100 as an estimate for Unbilled
3 Customer 2's consumption. The resulting total consumption figure used to
4 calculate the commodity rate is 6,860,101 gallons.

5 **Q. Did the Joint Parties agree to any other changes to South Coast's**
6 **rates?**

7 A. Yes. As shown in the proposed tariff submitted with the Application, the
8 Company proposed to price several Miscellaneous Services "at cost." In
9 response to Staff's DR 22, the Company stated, "[b]ecause we rely on a
10 contractor for these services, we cannot anticipate the exact associated cost
11 for each item, ahead of being invoiced by the contractor."¹⁴ The contractor
12 referenced here is Oregon Water Services. The Joint Parties agreed to the
13 proposed "at cost" pricing for the Company's miscellaneous services.

14 **Q. What effect do the Joint Parties' agreed-upon rates have on average**
15 **customer bills?**

16 A. The change in average bills resulting from the Parties' agreed-upon rates is
17 summarized on the Revenue and Bill Comparison found in Exhibit Joint
18 Parties/102, Yamada-Puttman/5.

¹⁴ See Exhibit Joint Parties/103, Yamada-Puttman/92, South Coast's response to Staff's DR 22.

1

ISSUE 11 – CUSTOMER COMMENTS

2

Q. Did South Coast notify customers of its requested rate increase?

3

A. Yes. Pursuant to OAR 860-036-2030, customers must be notified within

4

15 days of the filing of a request for a general rate revision. South Coast also

5

filed a copy of the customer notice along with its Application.

6

Q. Did any customers contact the Commission regarding South Coast's

7

proposed rate increase?

8

A. Yes. Multiple customers provided written and verbal comments to the

9

Commission's Consumer Services Section regarding this docket.

10

Q. Please summarize the most significant concerns expressed by

11

customers in this docket.

12

A. The most significant customer comments and concerns received in this docket

13

are discussed below. The comments themselves are attached as Exhibit 104.

14

The concern most commonly expressed by customers in this docket

15

relates to the degree of the rate increase. Several customers indicated that,

16

while some increase is likely appropriate, the Company's requested increase is

17

too high and would be burdensome for many customers. As discussed

18

elsewhere throughout this testimony, the Joint Parties' agreed-upon rates are

19

based on demonstrated costs incurred by the Company. The Joint Parties'

20

agreed-upon Year 2 revenue requirement is approximately 5.42 percent less

21

than that proposed in the Company's Application.

22

Multiple customers expressed a preference for base rates to remain low,

23

and for customers with higher usage to pay more. As discussed elsewhere in

1 this testimony, the Joint Parties allocated 60 percent of applicable revenues to
2 base rates and 40 percent to variable rates. This allocation is typical for
3 Commission-regulated water utilities. The resulting increase to variable rates
4 is larger than the corresponding increase to base rates, as shown in the Rate
5 Comparison included in Exhibit Joint Parties/102, Yamada-Puttman/5.

6 Multiple customers stated that the Company's proposed rate increase
7 seems especially high given the recent water use restrictions imposed by the
8 Company. Those restrictions are discussed elsewhere in this testimony.

9 One customer alleged that some customers of the Company do not pay
10 for water service. As a result of that comment, Staff issued a DR to South
11 Coast requesting additional information on that topic, and South Coast
12 responded affirming that two customers receive free service resulting from
13 arrangements made by the previous owner of the system.¹⁵ As discussed
14 previously, the Company intends to eliminate such arrangements, and the Joint
15 Parties included the missing customers and their associated consumption for
16 the purpose of calculating rates in this case. The Parties also agreed to
17 provisions that require South Coast to follow up with the Commission regarding
18 this matter in early 2023. This topic is discussed in more detail elsewhere in
19 this testimony.

20 Two customers stated that they were not aware of any meters having
21 been replaced despite a statement on the Company's application that meters
22 were replaced. As a result of these comments, Staff issued its DR 31 to

¹⁵ See Exhibit Joint Parties/103, Yamada-Puttman/91, South Coast's response to Staff's DR 28.

1 South Coast. In response, the Company affirmed that “[a]round 2017-18, prior
2 to the Company’s acquisition of the system, meters were replaced for all
3 94 customers.”¹⁶

4 Some customers expressed that the Company’s proposed rate increase
5 would result in rates that are higher than those of nearby utilities, such as the
6 City of Florence or the Heceta Water People’s Utility District. As discussed
7 throughout this testimony, the rates agreed to by the Joint Parties result from
8 specific and documented costs of South Coast. The operation of South Coast
9 and the associated costs may differ from nearby utilities for myriad reasons,
10 including customer count, age of system assets, water sources, etc.

¹⁶ See Exhibit Joint Parties/103, Yamada-Puttman/93, South Coast’s response to Staff’s DR 31.

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ISSUE 12 – OTHER ISSUES

Q. Did the Joint Parties agree on a rate effective date?

A. Yes. The Joint Parties agreed on a Year 1 rate effective date of January 1, 2023, and a Year 2 rate effective date of January 1, 2024.

Q. Did the Joint Parties agree to any additional provisions?

A. Yes. As shown in the Stipulation, the Joint Parties agreed that South Coast will ensure that all customers are appropriately metered and charged for service no later than January 1, 2023, and that South Coast will file an update describing the resolution of that issue on or before that date. The Joint Parties also agreed that South Coast will submit Annual Results of Operations reports for reporting years 2020 and 2021 no later than January 1, 2023, and will continue submitting such required reports by April 1 of each year. Additionally, the Parties agreed that South Coast will submit, no later than April 1, 2023, a report detailing the status of its efforts to improve system capacity as described in response to Questions 46 and 47 of the Application, and will comply with usage restriction requirements described in OAR 860-036-1670.

Q. Please explain the provision to ensure that all customers are metered and charged for service by January 1, 2023.

A. In response to Staff’s DR 28, the Company stated that two customers currently receive free water service.¹⁷ Pursuant to ORS 757.310, a “public utility may not charge a customer a rate or an amount for a service that is different from the rate or amount prescribed in the schedules or tariffs for the public utility.”

¹⁷ See Exhibit Joint Parties/103, Yamada-Puttman/91, South Coast’s response to Staff’s DR 28.

1 ORS 757.320 further prohibits a public utility from providing discounted service
2 to certain customers in exchange for the furnishing of facilities, which one
3 customer is currently receiving in exchange for granting an easement to the
4 utility. The requirement for the Company to begin charging these customers
5 and to file an update with the Commission by January 1, 2023, is intended to
6 ensure that all customers are charged in accordance with applicable tariffs
7 going forward.

8 **Q. Please explain the provisions relating to the Company's filing of**
9 **Annual Results of Operations Reports.**

10 A. Annual Results of Operations Reports show information relating to regulated
11 water utilities' customer counts and financial operations and are required to be
12 filed with the Commission by April 1 of each year. South Coast most recently
13 filed such a report on March 30, 2020, reflecting the 2019 calendar year. The
14 Joint Parties' agreed-upon provision for South Coast to file 2020, 2021, and
15 future reports is intended to bring the Company's reporting up to date.

16 **Q. Please explain the provisions relating to system capacity and water**
17 **use restrictions.**

18 A. In its Application, the Company stated that "Capacity limits have been reached
19 at the peak of summer irrigation season, requiring Utility to request that
20 residents water their yards on alternating days. Dyer Engineering has been
21 retained to study the sources of the limit (the system is not performing to full
22 engineered flow capacity)..."¹⁸ The requirement for South Coast to file a status

¹⁸ Application, Page 19, Questions 46 and 47.

1 report regarding its capacity improvement efforts by April 1, 2023, will enable
2 Staff to monitor the progress of this issue and make additional
3 recommendations as necessary. Furthermore, OAR 860-036-1670 allows
4 water utilities to restrict usage in times of water shortages “after providing
5 notice to its customers and the Consumer Services Section.” The explicit
6 requirement for the Company to comply with this rule is intended to ensure that
7 notice of any future usage restrictions is properly filed with the Commission’s
8 Consumer Services Section.

9 **Q. Does this conclude your testimony?**

10 A. Yes.

CASE: UW 191
WITNESS: STEPHANIE YAMADA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 101

Witness Qualification Statement

October 25, 2022

WITNESS QUALIFICATION STATEMENT

NAME: Stephanie Yamada

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst
Rates, Finance and Audit Division

ADDRESS: 201 High St SE, Suite 100, Salem, OR, 97301

EDUCATION: Master of Business Administration
Western Governors University

Bachelor of Science in Accounting
University of Oregon

EXPERIENCE: I have been employed with the Public Utility Commission of Oregon since 2013. I am currently a Senior Utility Analyst in the Rates and Regulation Section of the Rates, Finance and Audit Division. My responsibilities include leading research and providing technical support on a wide range of technical and policy issues for water and telecommunications companies. I have analyzed and addressed numerous telecommunications issues including special contracts, promotional concessions, tariff changes, price listings, numbering issues, service abandonment, property sales, and price plans, and provided testimony in UM 1895. With regard to water, I have analyzed and addressed numerous issues including tariff changes, property sales, affiliated interest transactions, financing requests, revenue requirement calculations, cost of service, rate spread, and rate design. I have also served as case manager on several water rate cases, and have provided testimony in UW 163, UW 166, UW 173, UP 384, UW 176, UW 181, and UW 189.

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 102

Summary Tables

October 25, 2022

Revenue Requirement

Company Proposed Increase
92.19%

Stipulated Increase
81.77%

	Test Year	Company Adjustments	Company Proposed Totals	Adjustments to Company Totals	Stipulated Totals (Year 2)	
REVENUES						
460	Unmetered		\$ -		\$ -	
461.1	Residential	54,560	50,297	104,857	(7,182)	97,675
461.2	Commercial			\$ -		\$ -
462	Fire Protection Sales			\$ -		\$ -
465	Irrigation Water Sales			\$ -		\$ -
466	Water Sales for Resale			\$ -		\$ -
471	Miscellaneous Services			\$ -	1,500	1,500
475	Cross Connection Control			\$ -		\$ -
	Other			\$ -		\$ -
				\$ -		\$ -
	Total Revenue	\$ 54,560	\$ 50,297	\$ 104,857	\$ (5,682)	\$ 99,175

Acct . **OPERATING EXPENSES**

601	Salaries and Wages - Employees			\$ -	\$ -	\$ -
603	Salaries and Wages - Officers			\$ -	\$ -	\$ -
604	Employee Pension & Benefits			\$ -	\$ -	\$ -
610	Purchased Water			\$ -	\$ -	\$ -
611	Telephone/Communications	2,533		2,533	\$ -	2,533
615	Purchased Power	4,777		4,777	(217)	4,560
616	Fuel for Power Production			\$ -	\$ -	\$ -
617	Other Utilities			\$ -	\$ -	\$ -
618	Chemical / Treatment Expense	1,812		1,812	(330)	1,482
619	Office Supplies	152	(100)	52	\$ -	52
619.1	Postage	546	(366)	180	\$ -	180
620	O&M Materials/Supplies			\$ -	\$ -	\$ -
621	Repairs to Water Plant	4,419	(3,919)	500	3,500	4,000
631	Contract Svcs - Engineering			\$ -	\$ -	\$ -
632	Contract Svcs - Accounting			\$ -	\$ -	\$ -
633	Contract Svcs - Legal			\$ -	\$ -	\$ -
634	Contract Svcs - Management Fees	2,545	(1,680)	865	2,003	2,869
635	Contract Svcs - Testing	3,227		3,227	(225)	3,002
636	Contract Svcs - Labor	19,761		19,761	367	20,129
637	Contract Svcs - Billing/Collection	6,573	(4,338)	2,235	3,276	5,510
638	Contract Svcs - Meter Reading			\$ -	\$ -	\$ -
639	Contract Svcs - Other	2,218	(2,218)	(0)	\$ -	(0)
641	Rental of Building/Real Property			\$ -	\$ -	\$ -
642	Rental of Equipment			\$ -	\$ -	\$ -
643	Small Tools			\$ -	\$ -	\$ -
648	Computer/Electronic Expenses			\$ -	\$ -	\$ -
650	Transportation			\$ -	\$ -	\$ -
656	Vehicle Insurance			\$ -	\$ -	\$ -
657	General Liability Insurance	2,070		2,070	1,004	3,074
658	Workers' Comp Insurance			\$ -	\$ -	\$ -
659	Insurance - Other			\$ -	\$ -	\$ -
666	Amortz. of Rate Case			\$ -	741	741
667	Gross Revenue Fee (PUC)	354		354	72	426
670	Bad Debt Expense			\$ -	\$ -	\$ -
671	Cross Connection Control Program			\$ -	\$ -	\$ -

		Test Year	Company Adjustments	Company Proposed Totals	Adjustments to Company Totals	Stipulated Totals (Year 2)
673	Training and Certification			\$ -	\$ -	\$ -
674	Consumer Confidence Report			\$ -	\$ 225	\$ 225
675	Miscellaneous Expense	1,000	(1,000)	\$ -	\$ -	\$ -
OE1	Other Expense 1 - Professional Services	-		\$ -	\$ -	\$ -
OE2	Other Expense 2 - Permit Fees	327		\$ 327	\$ -	\$ 327
OE3	Other Expense 3 - PUC	3,707	(3,707)	\$ -	\$ -	\$ -
OE4	Other Expense 4 - Master Plan Amort.			\$ -	\$ 169	\$ 169
OE5	Other Expense 5			\$ -	\$ -	\$ -
TOTAL OPERATING EXPENSE		\$ 56,020	\$ (17,328)	\$ 38,692	\$ 10,587	\$ 49,279

OTHER REVENUE DEDUCTIONS

403	Depreciation Expense	17,938		\$ 17,938	\$ (1,274)	\$ 16,664
406	Amort of Plant Acquisition Adjustment			\$ -	\$ -	\$ -
407	Amortization Expense			\$ -	\$ -	\$ -
408.11	Property Tax	637		\$ 637	\$ -	\$ 637
408.12	Payroll Tax			\$ -	\$ -	\$ -
408.13	Other			\$ -	\$ -	\$ -
409.10	Federal Income Tax	9,334		\$ 9,334	\$ (4,729)	\$ 4,605
409.11	Oregon Income Tax	3,141		\$ 3,141	\$ (1,591)	\$ 1,549
409.13	Extraordinary Items Income Tax			\$ -	\$ -	\$ -
TOTAL REVENUE DEDUCTIONS		\$ 87,071	\$ (17,328)	\$ 69,743	\$ 2,992	\$ 72,735
Net Operating Income		\$ (32,511)	\$ 67,625	\$ 35,114	\$ (8,674)	\$ 26,440

UTILITY RATE BASE

101	Utility Plant in Service	385,110		\$ 385,110	\$ (7,090)	\$ 378,020
105	Construction Work in Progress			\$ -	\$ -	\$ -
108	- Accumulated Depreciation of Plant	19,209		\$ 19,209	\$ (1,274)	\$ 17,935
271	- Contributions in Aid of Construction			\$ -	\$ -	\$ -
272	+ Accumulated Amortization of CIAC			\$ -	\$ -	\$ -
281	- Accumulated Deferred Income Tax			\$ -	\$ -	\$ -
	- Excess Capacity			\$ -	\$ -	\$ -
= NET RATE BASE INVESTMENT		\$ 365,901	\$ -	\$ 365,901	\$ (5,816)	\$ 360,085
Plus: (working capital)						
151	Materials and Supplies Inventory	500		\$ 500	\$ -	\$ 500
	Working Cash (Total Op Exp /12)	3,224		\$ 3,224	\$ 882	\$ 4,107
TOTAL RATE BASE		\$ 369,626	\$ -	\$ 369,626	\$ (4,933)	\$ 364,692
Rate of Return		-8.80%		9.50%		7.25%

Adjustment Summary

Company Proposed Totals	Adjustments to Company Totals	Stipulated Totals (Year 2)	Explanation of Adjustment
REVENUES			
Unmetered	\$ -	\$ -	
Residential	\$ 104,857	\$ (7,182)	\$ 97,675 Residential domestic revenues.
Commercial	\$ -	\$ -	\$ -
Fire Protection Sales	\$ -	\$ -	\$ -
Irrigation Water Sales	\$ -	\$ -	\$ -
Water Sales for Resale	\$ -	\$ -	\$ -
Miscellaneous Services	\$ -	\$ 1,500	\$ 1,500 Estimate for Misc. Service revenues.
Cross Connection Control	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
Total Revenue	\$ 104,857	\$ (5,682)	\$ 99,175

Acct. **OPERATING EXPENSES**

601 Salaries and Wages - Employees	\$ -	\$ -	\$ -	
603 Salaries and Wages - Officers	\$ -	\$ -	\$ -	
604 Employee Pension & Benefits	\$ -	\$ -	\$ -	
610 Purchased Water	\$ -	\$ -	\$ -	
611 Telephone/Communications	\$ 2,533	\$ -	\$ 2,533	No adjustment.
615 Purchased Power	\$ 4,777	\$ (217)	\$ 4,560	Reduced to total of provided Central Lincoln PUD invoices.
616 Fuel for Power Production	\$ -	\$ -	\$ -	
617 Other Utilities	\$ -	\$ -	\$ -	
618 Chemical / Treatment Expense	\$ 1,812	\$ (330)	\$ 1,482	Reduced to total of Oregon Water Services items for chlorine and caustic soda.
619 Office Supplies	\$ 52	\$ -	\$ 52	No adjustment.
619.1 Postage	\$ 180	\$ -	\$ 180	No adjustment.
620 O&M Materials/Supplies	\$ -	\$ -	\$ -	
621 Repairs to Water Plant	\$ 500	\$ 3,500	\$ 4,000	Increased to \$4,000
631 Contract Svcs - Engineering	\$ -	\$ -	\$ -	
632 Contract Svcs - Accounting	\$ -	\$ -	\$ -	
633 Contract Svcs - Legal	\$ -	\$ -	\$ -	
634 Contract Svcs - Management Fees	\$ 865	\$ 2,003	\$ 2,869	Reflects 24 hours of General Management labor.
635 Contract Svcs - Testing	\$ 3,227	\$ (225)	\$ 3,002	Moved Consumer Confidence Report to Account 674.
636 Contract Svcs - Labor	\$ 19,761	\$ 367	\$ 20,129	Includes \$18K system operation and \$2,129 for 27.85 hours Puttman labor.
637 Contract Svcs - Billing/Collection	\$ 2,235	\$ 3,276	\$ 5,510	Reflects 98.88 hours Puttman labor.
638 Contract Svcs - Meter Reading	\$ -	\$ -	\$ -	
639 Contract Svcs - Other	\$ (0)	\$ -	\$ (0)	No adjustment.
641 Rental of Building/Real Property	\$ -	\$ -	\$ -	
642 Rental of Equipment	\$ -	\$ -	\$ -	
643 Small Tools	\$ -	\$ -	\$ -	
648 Computer/Electronic Expenses	\$ -	\$ -	\$ -	
650 Transportation	\$ -	\$ -	\$ -	
656 Vehicle Insurance	\$ -	\$ -	\$ -	
657 General Liability Insurance	\$ 2,070	\$ 1,004	\$ 3,074	Increased to documented amount.

	Company Proposed Totals	Adjustments to Company Totals	Stipulated Totals (Year 2)	Explanation of Adjustment
658 Workers' Comp Insurance	\$ -	\$ -	\$ -	
659 Insurance - Other	\$ -	\$ -	\$ -	
666 Amortz. of Rate Case	\$ -	\$ 741	\$ 741	Moved \$3,707 PUC Rate Case item from Plant; amortized over 5 years.
667 Gross Revenue Fee (PUC)	\$ 354	\$ 72	\$ 426	Automatic calculation at 0.43% of revenue.
670 Bad Debt Expense	\$ -	\$ -	\$ -	
671 Cross Connection Control Program	\$ -	\$ -	\$ -	
673 Training and Certification	\$ -	\$ -	\$ -	
674 Consumer Confidence Report	\$ -	\$ 225	\$ 225	Moved from Account 635.
675 Miscellaneous Expense	\$ -	\$ -	\$ -	
OE1 Other Expense 1 - Professional Services	\$ -	\$ -	\$ -	
OE2 Other Expense 2 - Permit Fees	\$ 327	\$ -	\$ 327	No adjustment.
OE3 Other Expense 3 - PUC	\$ -	\$ -	\$ -	
OE4 Other Expense 4 - Master Plan Amort.	\$ -	\$ 169	\$ 169	Moved \$3,383 Master Plan from Plant; amortized over 20 years.
OE5 Other Expense 5	\$ -	\$ -	\$ -	
TOTAL OPERATING EXPENSE	\$ 38,692	\$ 10,587	\$ 49,279	

OTHER REVENUE DEDUCTIONS

403 Depreciation Expense	\$ 17,938	\$ (1,274)	\$ 16,664	Removed PUC Rate Case & Master Plan items; removed Water Rights depreciation.
406 Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	
407 Amortization Expense	\$ -	\$ -	\$ -	
408.11 Property Tax	\$ 637	\$ -	\$ 637	No adjustment.
408.12 Payroll Tax	\$ -	\$ -	\$ -	
408.13 Other	\$ -	\$ -	\$ -	
409.10 Federal Income Tax	\$ 9,334	\$ (4,729)	\$ 4,605	Automatic calculation at 21 percent of taxable income.
409.11 Oregon Income Tax	\$ 3,141	\$ (1,591)	\$ 1,549	Automatic calculation at 6.6 percent of taxable income.
409.13 Extraordinary Items Income Tax	\$ -	\$ -	\$ -	
TOTAL REVENUE DEDUCTIONS	\$ 69,743	\$ 2,992	\$ 72,735	
Net Operating Income	\$ 35,114	\$ (8,674)	\$ 26,440	

UTILITY RATE BASE

101 Utility Plant in Service	\$ 385,110	\$ (7,090)	\$ 378,020	Removed PUC Rate Case & Master Plan items.
105 Construction Work in Progress	\$ -	\$ -	\$ -	
108 - Accumulated Depreciation of Plant	\$ 19,209	\$ (1,274)	\$ 17,935	Removed PUC Rate Case & Master Plan items; removed Water Rights depreciation.
271 - Contributions in Aid of Construction	\$ -	\$ -	\$ -	
272 + Accumulated Amortization of CIAC	\$ -	\$ -	\$ -	
281 - Accumulated Deferred Income Tax	\$ -	\$ -	\$ -	
- Excess Capacity	\$ -	\$ -	\$ -	
= NET RATE BASE INVESTMENT	\$ 365,901	\$ (5,816)	\$ 360,085	
Plus: (working capital)				
151 Materials and Supplies Inventory	\$ 500	\$ -	\$ 500	No adjustment.
Working Cash (Total Op Exp /12)	\$ 3,224	\$ 882	\$ 4,107	Automatic calculation at 1/12th of operating expenses.
TOTAL RATE BASE	\$ 369,626	\$ (4,933)	\$ 364,692	
Rate of Return	9.50%	0.00%	7.25%	Hypothetical 50/50 debt/equity capital structure w/ 5% debt and 9.5% ROE.

Rate Comparison

Rate	Current	Year 1	Change from Current	Year 2	Change from Current
Base Rate	\$ 36.00	\$ 37.38	4%	\$ 49.83	38%
Variable Rate	\$ 0.24	\$ 0.43	78%	\$ 0.57	137%

Revenue and Bill Comparison

Current Rates*									
Service	Customers	Base Rate	Base Revenue	Avg. Usage (gal)	Usage Rate	Units (gal)	Usage Revenue	Total Revenue	Average Bill
Residential 5/8"	98	\$ 36.00	\$ 42,336	5,833	\$ 0.24	100	\$ 16,464	\$ 58,800	\$ 50.00

*Calculated using assumed consumption & customer counts

Stipulated Rates										Bill Change from Current
Year 1										
Service	Customers	Base Rate	Base Revenue	Avg. Usage (gal)	Usage Rate	Units (gal)	Usage Revenue	Total Revenue	Average Bill	
Residential 5/8"	98	\$ 37.38	\$ 43,954	5,833	\$ 0.43	100	\$ 29,303	\$ 73,256	\$ 62.29	24.58%
Misc. Service Revenue								\$ 1,125		
TOTAL REVENUE								\$ 74,381		

Year 2										Bill Change from Current
Service	Customers	Base Rate	Base Revenue	Avg. Usage (gal)	Usage Rate	Units (gal)	Usage Revenue	Total Revenue	Average Bill	
Residential 5/8"	98	\$ 49.83	\$ 58,605	5,833	\$ 0.57	100	\$ 39,070	\$ 97,675	\$ 83.06	66.11%
Misc. Service Revenue								\$ 1,500		
TOTAL REVENUE								\$ 99,175		

Invested Plant

Account Description	Date Acquired	Utility Plant Orig Cost	Less Excess Capacity Adj to Plant	Total Adj Plant	NARUC Asset Life	Annual Deprec	Final Month of Deprec	2020	Accum. Deprec.	Remaining Plant
Organization	Various	-	-	-	-	-	Various	-	-	-
Franchises	Various	-	-	-	-	-	Various	-	-	-
Land and Land Rights	Various	1,093	-	1,093	-	-	Various	-	-	1,093
Structures and Improvements	Various	73,283	-	73,283	35	2,094	Various	1,210	1,304	71,979
Collecting and Impounding Reservoirs	Various	-	-	-	50	-	Various	-	-	-
Lake, River and Other Intakes	Various	-	-	-	35	-	Various	-	-	-
Wells and Springs	Various	-	-	-	25	-	Various	-	-	-
Infiltration Galleries and Tunnels	Various	-	-	-	25	-	Various	-	-	-
Supply Main	Various	-	-	-	50	-	Various	-	-	-
Power Generation Equipment	Various	-	-	-	30	-	Various	-	-	-
Pumping Equipment	Various	4,055	-	4,055	20	203	Various	175	178	3,877
Water Treatment Equipment	Various	281,627	-	281,627	20	14,081	Various	14,081	15,255	266,372
Distribution Reservoir and Standpipes	Various	-	-	-	50	-	Various	-	-	-
Transmission and Distribution Mains	Various	-	-	-	50	-	Various	-	-	-
Services	Various	-	-	-	30	-	Various	-	-	-
Meters and Meter Installations	Various	-	-	-	20	-	Various	-	-	-
Hydrants	Various	-	-	-	40	-	Various	-	-	-
Cross Connection Control	Various	-	-	-	15	-	Various	-	-	-
Other Plant	Various	-	-	-	30	-	Various	-	-	-
Office Furniture and Equipment	Various	-	-	-	20	-	Various	-	-	-
Transportation Equipment	Various	-	-	-	7	-	Various	-	-	-
Tools, Shop, and Garage Equipment	Various	-	-	-	15	-	Various	-	-	-
Laboratory Equipment	Various	-	-	-	15	-	Various	-	-	-
Power Operated Equipment	Various	-	-	-	10	-	Various	-	-	-
Communication Equipment	Various	-	-	-	10	-	Various	-	-	-
Electronic/Computer Equipment	Various	17,962	-	17,962	5	3,592	Various	1,197	1,197	16,764
Miscellaneous Equipment	Various	-	-	-	10	-	Various	-	-	-
TOTALS	Various	378,020	-	378,020	Various	19,970	Various	16,664	17,935	360,085

Original Plant In Service Cost	378,020
Less: Excess Capacity	-
"Used & Useful" Plant	378,020
Less Accum Depreciation	17,935
NET PLANT	360,085

Depreciation Expense	16,664
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**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 103

Data Request Responses & Attachments

October 25, 2022

1. Please describe the ownership structure of the Company and its affiliates, including the applicable ownership percentages attributable to each affiliate.

Company Response:

South Coast Water Company, LLC (“SCWC”) is 100% owned by Infrastructure Capital Holdings, LLC (“ICH”). ICH is owned by Concentric Equity Partners (“CEP”) and Puttman Capital. CEP owns 82.5% of ICH and Puttman Capital owns 17.5%. As such, CEP owns 82.5% of LWC and Puttman Capital owns 17.5% of LWC. There are three (3) Managers of the ICH Board: One Manager is from Puttman Capital and two Managers are from CEP.

3. Please provide all agreements between the Company and any affiliated interests for the provision of goods and services, including the following as described in Docket No. UI 433:
 - a. Management Services – services provided by Puttman Capital,
 - b. Operations and Maintenance Services – services provided by Puttman Infrastructure, and
 - c. Customer Services – services provided by Puttman Infrastructure.

Company Response:

See Attachment A (Affiliated Interest Agreements).

The logo for Puttman Capital, featuring the words "PUTTMAN" and "CAPITAL" stacked vertically in white, uppercase, sans-serif font, set against a solid blue rectangular background.

**PUTTMAN
CAPITAL**

Utility:

SOUTH COAST WATER COMPANY

Agreement for:

MANAGEMENT SERVICES

Date:

June 1, 2019

Puttman Capital, LLC | 620 SW Fifth Avenue, Suite 1100 Portland, OR 97204

www.puttman.com

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EXHIBITS

The following Exhibits are attached hereto and incorporated by this reference:

- Exhibit A Management Services Scope of Work
- Exhibit B Reimbursable Costs
- Exhibit C Preliminary Annual Management Services Budget

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT (the “**Agreement**”) is made and entered into as of this first day of June, 2019 by and between Puttman Capital, LLC, an Oregon limited liability company with its principal place of business at 620 SW Fifth Avenue, Suite 1100, Portland, OR 97204 (“**Contractor**”), and South Coast Water Company, LLC, an Oregon limited liability company with its principal place of business at 620 SW Fifth Avenue, Suite 1100, Portland, Oregon 97204 (“**Owner**”).

RECITALS

WHEREAS, Owner owns a water utility (the “**Company**”) that provides water service to customers in Dunes City, Oregon.

WHEREAS, Owner desires to contract for management of the Company, and Contractor has agreed to provide such management services for the Company on the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and the recitals that are incorporated herein by this reference, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions

“**Agreement**” means this “Management Services Agreement,” including its amendments, attachments, exhibits, appendices and any other document or documents that are incorporated by reference.

“**Annual Management Budget**” has the meaning set forth in Section 2.3.

“**Annual Management Plan**” has the meaning set forth in Section 2.3.

“**Applicable Laws**” means any applicable law, regulation, ordinance, rule, order or determination of any federal, state, county or municipal authority.

“**Change Order**” is a written agreement prepared by Contractor or Owner after the execution of this Agreement, requiring a change in the Services and the amount of the adjustment, if any, in the Annual Management Budget; provided, that such changes and/or adjustments must allow for the Company to be operated in compliance with Applicable Law and this Agreement.

“**Commencement Date**” the meaning set forth in Section 4.2.

“**Company**” has the meaning set forth in the Recitals.

“**Confidential Documents or Information**” is defined in Section 9.3.

“**Consumer Price Index**” means annual consumer price index for OR-WA published by the US Bureau of Labor Statistics for the previous Contract Year.

“**Contract Representative**” means the person authorized by Contractor and Owner to represent it in connection with this Agreement. Contract Representatives for each party are defined in Section 10.1. Either party may change its Contract Representative by written notice to the other party.

“**Contract Year**” has the meaning set forth in Section 4.2.

“**Contractor**” shall have the meaning set forth in the preamble to this Agreement.

“**Owner**” shall have the meaning set forth in the preamble to this Agreement.

“**Prudent Practice**” means practices, methods and acts that, in the exercise of reasonable judgment on the facts known (or that reasonably should have been known) at the time a decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices.

“**Reimbursable Costs**” are described in Exhibit B.

“**Services**” shall mean the management of the Company as more fully described in Exhibit A.

“**Subcontractor**” shall mean a person or entity who has a direct contract with the Contractor to perform a portion of the Services.

“**Term**” means the period of time designated in Section 4.1 during which Contractor shall provide the Services contemplated by this Agreement.

ARTICLE 2 MANAGEMENT SERVICES

2.1 General

Starting on the Commencement Date and continuing throughout the remainder of the term of this Agreement, Contractor shall manage the Company consistent with the terms of this Agreement. In particular, the following shall apply:

(a) Management of Company. Contractor shall manage the Company in conformance with all Applicable Laws, Prudent Practice, and the Management Services Scope of Work.

(b) Qualified Management Personnel. Contractor shall provide all personnel and Subcontractors as are reasonably necessary to perform the Services. Contractor may, in its sole

discretion, assign one or more Subcontractors to perform a portion of the Services. Such personnel and Subcontractors shall have the appropriate qualifications, licenses, certifications, skills, training, and experience to perform the Services.

(c) Any services not explicitly described as being performed by Contractor or its Subcontractors are excluded. If agreed to by Change Order, Contractor shall provide additional services. This Agreement shall apply to all additional services performed by Contractor or its Subcontractors by Change Order.

2.2 Management Scope of Work

(a) Management Services Scope of Work. Contractor will provide the Services described in Exhibit A.

2.3 Annual Management Plan and Budget

(a) Preliminary Annual Management Services Plan and Budget. At least ninety (90) days before the beginning of each Contract Year, Contractor shall prepare and submit to Owner a proposed Annual Management Budget and Annual Management Plan for the Contract Year.

(b) Owner Review and Approval of Annual Management Services Plan and Budget. Owner shall review Contractor's proposed Annual Management Budget and Annual Management Plan within thirty (30) days following receipt of the proposals. Owner may, by written request, propose changes, additions, deletions and modifications to the proposals. If requested by Contractor, Owner shall provide Contractor any cost information in Owner's possession from previous Contract Years applicable to items in the proposed Annual Management Budget. Owner and Contractor will then meet and use commercially reasonable efforts to agree upon a final Annual Management Budget and Annual Management Plan, which shall be approved in writing by both parties.

(c) Final Annual Management Services Plan and Budget. The final Annual Management Budget and Annual Management Plan shall remain in effect throughout the applicable Contract Year, subject to revisions and amendments proposed by either party and agreed to in writing by the other party.

(d) Notification. Contractor shall notify Owner as soon as reasonably possible of any significant deviations or discrepancies from the projections contained in the Annual Management Budget or Annual Management Plan.

(e) Dispute. If the parties are unable to reach agreement concerning any item or portion of the Annual Management Budget for any Contract Year by November 1 of the prior Contract Year, the Annual Management Budget shall be an amount equal to (1) the prior Contract Year's Annual Management Budget plus (2) CPI plus 2% of the prior Contract Year's Annual Management Budget but not to exceed 5%.

2.4 Manager Reporting

Contractor shall, during the term of this Agreement, furnish or cause to be furnished to Owner the following reports concerning the Services:

(a) *Quarterly Manager Report*. Contractor shall submit quarterly: (i) a progress report covering all activities during such month with respect to the Services, including a listing of any significant management problems, planned remedial actions, and major activities planned for the next reporting period; and (ii) an itemized statement of all Reimbursable Costs paid or incurred monthly during the quarter.

(b) *Annual Manager Report*. Within sixty (60) days after the end of each Contract Year, Contractor shall submit an annual report describing, in detail substantially similar to that contained in the quarterly reports referred to in Section 2.4(a) : (i) the Company activities and management data for such Contract Year; (ii) a comparison of such Company activities and management data with the goals set forth in the Annual Management Plan and Annual Management Budget for such Contract Year and an explanation of any substantial deviations. Within thirty (30) days after submission of each annual report, Contractor shall meet with Owner to review and discuss the report.

(c) Upon obtaining knowledge thereof, Contractor shall promptly notify Owner in writing of: (i) any litigation, claims, disputes or actions concerning the System or the Services; (ii) any refusal or threatened refusal to grant, renew or extend any license, permit, authorization or consent relating to the System or the Services; and (iii) any investigation by any governmental authority relating to the System or the Services.

(d) Contractor shall monitor, record, generate, prepare and submit on behalf of Owner all management data and information that: (i) Owner must report to any person or entity under any System Agreement; (ii) Owner must report to any government agency or other person or entity under applicable Laws; or (iii) Owner reasonably requests.

ARTICLE 3 COMPENSATION AND PAYMENT

3.1 Cost of Services

As compensation to Contractor for performance of the Services hereunder, Owner shall reimburse Contractor for all costs incurred by Contractor in performing the Services at cost plus 0%, including but not limited to the costs set forth in Exhibit B (“**Reimbursable Costs**”), as follows:

(a) Contractor shall not incur Reimbursable Costs unless they are incurred in accordance with the applicable Annual Management Budget except in the case of an emergency.

(b) If Contractor becomes aware that Reimbursable Costs will exceed the amount provided in the applicable Annual Management Budget by ten percent (10%) or more, Contractor shall use reasonable efforts to notify Owner within ten (10) days and shall not, without Owner’s

approval, perform any further Services that will cause or increase a budget overrun except in the event of an emergency.

(c) If Owner refuses to authorize expenditures in excess of the Annual Management Budget, Contractor shall be relieved of those obligations under this Agreement that cannot be performed without the expenditures Owner refuses to approve.

3.2 Payment

(a) Contractor shall provide invoices to Owner by the fifteenth (15th) day of each month for the Reimbursable Costs incurred for the previous month after the Commencement Date. Payment shall be made on undisputed amounts by Owner within 15 days of receipt of invoice. Payment shall be made in immediately available funds.

(b) In the event that any portion of the Contractor invoice is disputed by Owner, Owner shall pay that portion of the invoice that is not disputed and promptly proceed with dispute resolution as provided in ARTICLE 8 of this Agreement. If any payment required to be made by either party hereunder is not paid when due, such payments, if not disputed, shall bear interest thereon from the date such payment was due to the date of receipt of payment by the party owed.

(c) Late payments shall bear interest at the rate of eight percent (8%) per annum. Additionally, if a sum that is not being disputed is not paid within thirty (30) days after written notice that it is due, then a late charge equal to one percent (1%) of the sum past due shall be payable by the party that failed to pay, and such late charge shall be paid within ten (10) days after written demand from the other party.

(d) In the event that any portion of the Contractor's invoice is disputed by Owner, Owner may withhold amounts equal to one hundred fifty percent (150%) of the reasonable cost to cure the reason for the withholding, if any.

3.3 Change Orders

Owner and Contractor may, by Change Order, without invalidating the Agreement, order changes in the Services. All changes in the Services authorized by applicable Change Order shall be performed in accordance with the general requirements for the Services set forth in this Agreement. Only Owner's and Contractor's Contract Representatives are authorized to execute Change Orders.

3.1 Audit Rights

Owner shall have the right to audit all Reimbursable Costs incurred and paid by Owner for a period of two (2) years after the applicable Contract Year. If such audit shows that any amount previously paid by Owner to Contractor did not constitute a Reimbursable Cost, Owner may: (a) recover such amount from Contractor; or (b) deduct such amount from any payment that thereafter may become due to Contractor.

ARTICLE 4 TERM

4.1 Term

The initial term of this Agreement shall be five (5) years, starting on the Commencement Date and ending on the day that is five (5) years later. Unless sooner terminated pursuant to this Agreement, the term of this Agreement shall be automatically renewed for successive terms of five (5) years each, unless either Party gives notice to the other Party at least ninety (90) days, but not more than one hundred eighty (180) days, prior to the termination of the then-existing term.

4.2 Contract Years

The initial Contract Years for this Agreement include the following:

Contract Year	Rate
Year 1	June 1, 2019 to December 31, 2019
Year 2	January 1, 2020 to December 31, 2020
Year 3	January 1, 2021 to December 31, 2021
Year 4	January 1, 2022 to December 31, 2022
Year 5	January 1, 2023 to December 31, 2023

4.3 Termination

(a) Either Party may terminate this Agreement: (i) in the event of breach by the other Party which is not cured within thirty (30) days' written notice thereof, or if the breach is one that cannot be cured within such time period, within such additional time as may be reasonable provided the defaulting Party is undertaking reasonable efforts to cure the breach; (ii) upon the other Party's insolvency, bankruptcy, suspension of business, assignment of assets for the benefit of creditors, voluntary dissolution, or appointment of a trustee for all or a substantial portion of the Party's assets; or (iii) for convenience upon ninety (90) day's notice.

(b) Upon termination of this Agreement for any reason, Contractor shall be compensated for all Reimbursable Costs incurred by Contractor to and including the date of termination and all out-of-pocket costs and damages related to or arising out of the termination.

(c) Upon expiration or termination of this Agreement: (i) Contractor shall remove its personnel from the premises where the System is located; (ii) Contractor shall leave the System in as good condition as it was on the Commencement Date, normal wear and tear and casualty excepted; (iii) Owner shall pay Contractor all compensation due and owing hereunder including but not limited to any and all unpaid Reimbursable Costs; (iv) title to all materials, equipment, tools, supplies, consumables, spare parts and other items purchased or obtained by Contractor on a Reimbursable Cost basis hereunder shall pass immediately to and vest in Owner; (v) Owner shall assume and become liable for any contracts or obligations that Contractor may have undertaken with third parties in connection with the Services; (vi) the parties shall cooperate in taking all

reasonable steps required to effect Owner's assumption of such contracts and obligations; and (vii) to the fullest extent permitted by law, Owner shall indemnify, defend, reimburse and hold harmless Contractor for all liabilities under such contracts and obligations arising after the date of any such assumption.

ARTICLE 5 OWNER RESPONSIBILITIES

5.1 Capital Funding

Owner shall pay for all Capital Improvements and Major Repairs. Any loss, damage or injury resulting solely from Owner's failure to provide Capital Improvements or Major Repairs and/or funds when reasonably requested by Contractor shall be the sole responsibility of Owner.

5.1 Approval of Annual Management Plan and Budget

Owner shall be responsible for approval of the Annual Management Plan and Annual Management Budget.

ARTICLE 6 INSURANCE

6.1 General

(a) Subject to additional coverages or increased claims coverage amounts as may be set forth in the System Agreements, Owner and Contractor shall obtain and maintain the insurance set forth in this ARTICLE 6. Such insurance may be maintained under individual or blanket insurance policies.

(b) On or before the date on which insurance must be provided, each party shall furnish certificates of insurance to the other party evidencing the insurance required pursuant to this Agreement. Each party shall cooperate with the other to ensure collection from insurers for any loss under any such policy.

(c) To the fullest extent permitted by law, the Owner and Contractor waive all rights against each other and any of their subcontractors, sub-subcontractors, agents and employees, each of the other for damages caused by fire or other causes of loss to the extent covered by property insurance obtained pursuant to Section 6.3 or other insurance applicable to the System.

(d) To the fullest extent permitted by law, Owner shall cause its general liability and any excess insurers to name Contractor as an additional insured and Owner shall cause its consultants, contractors and subcontractors performing services or work at the Site to name Contractor as additional insured on their general liability and any excess insurance policies and provide evidence of compliance upon request.

6.2 Contractor Insurance

Contractor shall, and shall ensure that its Subcontractors, secure and maintain in full force

and effect throughout the term of this Agreement insurance coverage for commercial general liability (bodily injury and property damage), automobile liability and workers' compensation insurance with limits that are required by appropriate regulatory agencies or the following limits, whichever are greater: commercial general liability, \$2,000,000 combined single limit per occurrence and aggregate; automobile liability, \$1,000,000 combined single limit per occurrence and aggregate; workers' compensation, statutory limit; pollution legal liability, \$1,000,000 per occurrence, \$1,000,000 aggregate, and \$5,000,000 umbrella liability.

6.3 Owner Insurance

(a) Owner shall, and shall ensure that its subcontractors, secure and maintain in full force and effect throughout the term of this Agreement insurance coverage for commercial general liability (bodily injury and property damage), automobile liability and workers' compensation insurance with limits that are required by appropriate regulatory agencies or the following limits, whichever are greater: commercial general liability, \$2,000,000 combined single limit per occurrence and aggregate; automobile liability, \$1,000,000 combined single limit per occurrence and aggregate; workers' compensation, statutory limit; and pollution legal liability, \$1,000,000 per occurrence, \$1,000,000 aggregate.

(b) The Owner shall secure and maintain property insurance that shall include, without limitation, insurance against the perils of fire and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, earthquake, flood, and windstorm.

(c) Owner will maintain the following insurances throughout the term of this Agreement, and shall provide Contractor with Certificates of Insurance to demonstrate compliance with this provision:

- (i) Property Damage Insurance for all property including Owner supplied vehicles and equipment for the full fair market value of such property.
- (ii) Liability Insurance for all vehicles and equipment provided by Owner and operated by Contractor under this Agreement.

ARTICLE 7 INDEMNITY AND LIMITS

7.1 Indemnification

(a) *Owner General Indemnity.* To the fullest extent permitted by law, Contractor shall indemnify, defend, reimburse and hold harmless Owner, the members thereof, and their respective officers, directors, employees, agents, affiliates and representatives, from and against any and all third-party claims for bodily injury or property damage arising out of or in any way connected with, but only to the extent of, any gross negligence, fraud or willful misconduct of Contractor.

(b) *Contractor General Indemnity.* To the fullest extent permitted by law, Owner shall indemnify, defend, reimburse and hold harmless Contractor, its officers, directors, employees, agents, affiliates and representatives from and against any and all third-party claims for bodily

injury or property damage arising out of or in any way connected with, but only to the extent of, any gross negligence, fraud or willful misconduct of Owner.

7.2 Limits of Liability and Remedy

(a) Except for liabilities arising out of (i) breach of the confidentiality obligations of this Agreement, or (ii) the indemnification obligation in Section 7.1, neither party will be liable for any special, indirect, incidental, exemplary, punitive or consequential damages, including but not limited to lost profits, lost revenue, lost data, replacement goods, or interruption of use of the System, whether in contract, tort, negligence or otherwise, even if such party has been advised of the possibility thereof. The foregoing restrictions shall not apply to a claim by Contractor for Owner's failure to pay amounts owed under this Agreement.

(b) The aggregate liability of Contractor with respect to claims of Owner arising out of Contractor's negligence and the performance or nonperformance of obligations under this Agreement shall in no event exceed, during any Contract Year, the annual Reimbursable Cost markup payable to Contractor during such Contract Year. The limitation in this Section 7.2 shall not apply to Contractor's indemnification obligations under Section 7.1.

(c) Owner covenants that it will not, under any circumstances, bring a lawsuit or claim against Contractor's individual employees, officers, directors, shareholders or agents and that Owner's sole remedy will be against Contractor.

7.3 Force Majeure

(a) If either Owner or Contractor is rendered wholly or partially unable to perform its obligations under this Agreement (other than payment obligations) due to a an event, condition or circumstance beyond the reasonable control of, and not due to the fault or negligence of, the party affected, including without limitation, explosion, fire, flood, earthquake, act of God, strike or other labor dispute, war, insurrection or riot, actions or failures to act by governmental entities or officials (a "**Force Majeure Event**"), the party affected by such Force Majeure Event shall be excused from whatever performance is impaired by such Force Majeure Event, provided that the affected party promptly, upon learning of such Force Majeure Event and ascertaining that it will affect its performance hereunder: (i) promptly gives notice to the other party stating the nature of the Force Majeure Event, its anticipated duration, and any action being taken to avoid or minimize its effect and (ii) uses its reasonable commercial efforts to remedy its inability to perform. The suspension of performance shall be of no greater scope and no longer duration than that which is necessary.

(b) No obligations of either party which arose before the occurrence causing the suspension of performance and which could and should have been fully performed before such occurrence shall be excused as a result of such occurrence. The burden of proof shall be on the party asserting excuse from performance due to a Force Majeure Event.

7.4 Other

(a) In no event shall either party, its Subcontractors or their officers or employees be liable for special, indirect or consequential damages, whether such liability arises in breach of

contract or warranty, tort including negligence, strict or statutory liability, or any other cause of action.

ARTICLE 8 DISPUTE RESOLUTION

8.1 Dispute Resolution

All claims, disputes and other matters in question between Contractor and Owner arising out of, or relating to this Agreement, or any breach under this Agreement will, if the parties cannot resolve their differences, be resolved by the dispute resolution procedures set forth below.

8.2 Negotiation and Mediation

(a) In the event a dispute arises as defined in Section 8.1, the aggrieved party shall promptly provide written notification of the dispute to the other party within thirty (30) days after such dispute arises. Contractor and Owner commit to first try to settle any dispute through direct discussions of the parties' management representatives. In the event the dispute has not been resolved within thirty (30) days after receipt of initial written notification of the dispute, a meeting shall be held promptly thereafter between the parties, attended by senior officers of the Contractor and Owner, to further attempt in good faith to negotiate a resolution of the dispute. If within thirty (30) days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, the dispute between the parties shall be submitted to nonbinding mediation in a prompt and timely fashion in good faith. If the parties cannot agree to an alternative form of mediation, then mediation will be administered by the American Arbitration Association ("AAA") under its Construction Industry Mediation Rules, unless the use of such rules are waived by mutual stipulation of both parties. All negotiations and meetings conducted pursuant to this paragraph shall be confidential and treated as compromise and settlement discussions not admissible in any legal proceeding involving this Agreement.

(b) The parties may, but are not required to be, represented by counsel in mediation.

(c) The requirement for mediation will not alter or modify the time limitations otherwise provided for claims under Applicable Law and no conduct or settlement negotiation during mediation will be considered a waiver of any right to assert that claim procedures were not followed.

8.3 Litigation

If Contractor and Owner do not resolve their dispute through mediation, either party may pursue their allowable remedies provided by law. The exclusive venue for any mediation or trial proceeding will be in the state court of Multnomah County in the State of Oregon.

ARTICLE 9 MISCELLANEOUS PROVISIONS

9.1 Contract Representatives

The Contract Representatives for this Agreement are:

Contractor: Thomas J. Puttman
Puttman Capital, LLC
620 SW Fifth Avenue, Suite 1100
Portland, Oregon 97204
Phone: 503-224-3454
Email: thomas.puttman@puttman.com

Owner: Thomas J. Puttman
South Coast Water Company, LLC
620 SW Fifth Avenue, Suite 1100
Portland, Oregon 97204
Phone: 503-224-3454
Email: thomas.puttman@puttman.com

9.2 Notices

Whenever this Agreement requires that notice be provided to the other party, such notice shall be in writing and addressed as set forth in Section 9.1. Notices will be deemed to have been validly given: (a) upon receipt if hand delivered or sent by overnight courier service, or (b) four (4) days after being sent by registered or certified mail, postage prepaid; provided, that any notice shall not be effective as to a party unless addressed to that party's addressees for notices. Either party may change the persons or address(es) for notice by a written notice to the other party given pursuant to this Section.

9.3 Confidentiality

(a) Each party agrees, both during and after the term of this Agreement, to hold the Confidential Information of the other party in the strictest confidence and not to disclose such Confidential Information to any third party. Each party shall, however, be permitted to disclose relevant aspects of such Confidential Information to its officers, employees, attorneys, auditors, or a government agency, on a need-to-know basis, provided that it has undertaken to protect the Confidential Information to the same extent as required under this Agreement. Each party shall give the other party notice immediately upon learning of any unauthorized use or disclosure of Confidential Information.

(b) The obligations set forth in this Section 9.3 do not apply if and to the extent the party receiving Confidential Information (the "**Receiving Party**") establishes that:

- (i) the information disclosed to the Receiving Party was already known to the Receiving Party, without obligation to keep it confidential;

- (ii) the Receiving Party received the information in good faith from a third party lawfully in possession thereof without obligation to keep such information confidential;
- (iii) the information was publicly known at the time of its receipt by the Receiving Party or has become publicly known other than by a breach of this Agreement;
- (iv) the information is independently developed by the Receiving Party without use of the other Party's Confidential Information; or
- (v) the information is required to be disclosed by applicable statute or regulation or by judicial or administrative process; provided that, in the case of (i) through (iv) above, such circumstances are demonstrated with written evidence thereof and that, in the case of (iv) above, the Receiving Party will use reasonable efforts under the circumstances to notify the other party of such requirements so as to provide such party the opportunity to obtain such protective orders or other relief as the compelling court or other entity may grant.

9.4 Assignment

Except as otherwise permitted by this Agreement, neither Owner nor Contractor may assign its rights or obligations under this Agreement without the prior written consent of the other party hereto, which consent shall not unreasonably be withheld.

9.5 Amendments

No amendments or modifications of this Agreement shall be valid unless evidenced in writing and signed by Contract Representatives of both parties.

9.6 No Waiver

It is understood and agreed that any delay, waiver or omission by Owner or Contractor with respect to enforcement of required performance by the other under this Agreement shall not be construed to be a waiver by Owner or Contractor of any subsequent breach or default of the same or other required performance on the part of Owner or Contractor.

9.7 Representations and Warranties

Each party represents and warrants to the other party that: (a) such party has the full power and authority to execute, deliver and perform this Agreement and to carry out the transactions contemplated hereby; (b) the execution, delivery and performance by such party of this Agreement, does not and will not materially conflict with any legal, contractual, or organizational requirement of such party; and (c) there are no pending or threatened legal, administrative, or other proceedings that if adversely determined, could reasonably be expected to have a material adverse effect on such party's ability to perform its obligations under this Agreement.

9.8 Relationship of the Parties

Each party is an independent contractor, and nothing in this Agreement shall be construed to create relationships of employer and employee, partnership, or joint ventures. No Party hereto shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of any other Party or to bind any other Party to any contract, agreement or undertaking.

9.9 Governing Law

This Agreement will be governed by the laws of the State of Oregon without giving effect to principles of conflicts of laws.

9.10 Partial Invalidity

If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the rest of this Agreement shall remain in full force and effect and in no way be affected, impaired or invalidated.

9.11 Captions

Titles or captions of Sections contained in this Agreement are inserted as a matter of convenience and for reference, and do not affect the scope or meaning of this Agreement or the intent of any provision hereof.

9.12 Priority

If the terms and conditions of this Agreement vary or are inconsistent with any portion of the Exhibits, the terms of this Agreement shall control and be given priority, and the provisions of the Exhibits shall be subject to the terms of this Agreement.

9.13 Entire Agreement

This Agreement contains the entire agreement between the parties and supersedes all prior and contemporaneous agreements, whether oral or written, between the parties with respect to the subject matter of this Agreement. Neither party will be bound by or be deemed to have made any representations, warranties, commitments or other undertakings with respect to the subject matter of this Agreement that are not contained in this Agreement.

9.14 Counterparts and Execution


This Agreement may be executed in counterparts. Each counterpart will be considered an original, and all of them, taken together, will constitute a single Agreement. Facsimile or electronic signatures will be deemed original signatures for all purposes under this Agreement. When properly signed, this Agreement may be delivered by facsimile or electronically, and any such delivery will have the same effect as physical delivery of a signed original.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

CONTRACTOR:

PUTTMAN CAPITAL, LLC,
an Oregon limited liability company

By: 
Print Name: *Thomas J. Puttman*
Title: *Manager*

OWNER:

**SOUTH COAST WATER COMPANY,
LLC,**
an Oregon limited liability company

By: Puttman Capital, LLC
Its: Manager


By: 
Print Name: *Thomas J. Puttman*
Title: *Manager*

EXHIBIT A MANAGEMENT SERVICES SCOPE OF WORK

Contractor shall perform the Services listed in this **EXHIBIT A** in accordance with the standards required under ARTICLE 2 of the Agreement.

1. Management Programs

In addition to those responsibilities described in the Agreement, Contractor shall be responsible for the establishment and implementation of the following programs, standards and procedures, which are included in the "**Services**" to be provided by Contractor.

1.1. **Communications Program.** The program for establishing Company communications and coordination between Contractor, Owner and additional parties defined by Owner. Specific activities include:

- (a) Quarterly Manager Report.
- (b) Annual Manager Report.

1.2. **Financial Management Program.** The program for identifying, monitoring and reporting overall financial performance of the Company. Specific activities include:

- (a) Annual Management Services Plan.
- (b) Annual Management Services Budget. A Preliminary Annual O&M Services Budget is included in Exhibit C.
- (c) Monthly Invoicing and Accounts Payable. Prepare and submit monthly invoices. Pay accounts payable.

1.3. **Investment Program.** The program for organizing and executing investments into the Company.

- (a) Capital Calls. Prepare and execute capital calls.
- (b) Utility Valuation. Work with utility valuation consultant to estimate Company value. Utility valuation will be completed annually.

1.4. **Tax and Accounting Program.** The program managing tax obligations of the Company. Specific activities include:

- (a) Annual Tax Return. Work with accountant to prepare annual tax return. Tax returns will be submitted no later than the 15th of March each year.
- (b) K1 Preparation and Distribution. Work with accountant to prepare K1s and distribute. Distribute K1s no later than the 15th of March each year.

- (c) Depreciation Schedule. Work with accountant to prepare Company asset schedule and depreciation schedule. Review depreciation schedule annually.
- (d) Tax Incentives. Work with account to identify potential tax incentives for Company. Incentive assessment activities will be billed in addition to the Monthly Management Fee.

1.5. **Legal Program.** The program for managing the legal affairs of the Company. Specific activities include:

- (a) Agreements. Work with attorney to prepare contractor agreements for the Company. Review agreements annually for compliance.

1.6. **Banking Program.** The program for managing Company banking and debt financing products. Specific activities include:

- (a) Bank Accounts. Set up and manage Company checking and savings accounts.
- (b) Capital Reserve. Maintain and monitor Company capital reserve.
- (c) Debt Financing. Assess debt financing and line of credit options. Debt financing activities will be billed in addition to the Monthly Management Fee.

1.7. **Insurance Program.** The program maintaining adequate insurance coverages for the Company based on industry standards and specific Company requirements. Specific activities include:

- (a) Insurance Plans. Work with insurance provide to set up appropriate insurance plans for the System. Review insurance plans annual and adjust as needed.
- (b) Contractor Insurance Monitoring. Review insurance coverages for all Contractors to the System to insure compliance with System requirements.

1.8. **Regulatory Program.** The program to monitoring compliance with utility permits.

- (a) Annual Permit Review. Annual review utility permits to ensure compliance.

1.9. **Records Management Program.** The records management program for maintaining the traceability and documentation of Company activities. Specific activities include:

- (a) Records Management. Maintain hard copy and electronic copy of Company activities.

2. Specific Requirements

None.

EXHIBIT B REIMBURSABLE COSTS

The Reimbursable Costs listed in this **EXHIBIT B** shall be paid to the Contractor in accordance with the requirements of ARTICLE 3 of the Agreement.

1. Reimbursable Costs

Reimbursable Costs	
Management	Monthly Management Labor
Direct Expenses	Rent
	Professional Services
	Insurance
	Taxes
	Franchise Fees
	Permit Fees
Miscellaneous	Travel
	Other reimbursable costs not included in categories listed above

2. Labor Rates

See the following Rate Schedule. Labor for emergency and after hour responses will be invoiced at time and a half times the Labor Rates. Labor performed on Holidays will be invoiced at two times the Labor Rates.



Puttman Rate Schedule
Year 2019

Rate Schedule	
Labor Classification	Hourly Rate
1 Utility Manager	\$ 222.00
2 Project Manager	\$ 95.00
3 Senior Operator	\$ 79.00
4 Operator	\$ 55.00
5 Administration & Accounting	\$ 104.00
6 Customer Service	\$ 50.00
7	
8	
9	
10	
Summary	

EXHIBIT C
PRELIMINARY ANNUAL MANAGEMENT SERVICES BUDGET

Contractor shall perform the Services based on the Annual Management Budget listed in this **EXHIBIT C** in accordance with the standards required under Section 2.3 of the Agreement.

South Coast Water Company
Water Utility

**PUTTMAN
INFRASTRUCTURE**

Annual Budget Estimate

	Total
O&M	
O&M Labor	\$ 18,370
O&M Admin Labor	\$ 828
Emergency & After Hours Response Labor	\$ -
Repairs	\$ 1,000
Materials Management	\$ 500
Support Services	\$ -
Testing & Reporting	\$ 3,318
Auto	\$ -
Utilities	\$ -
Liability Insurance	\$ -
IT	\$ -
Customer Service & Billing	
Customer Service Labor	\$ 5,308
Billing	\$ 600
Customer Engagement (annual meeting, newsletter, etc.)	\$ 1,017
IT (website, billing system)	\$ 600
Management	
Utility Management	\$ 11,076
PUC Coordination	\$ 1,329
Direct Expenses	
Rent	\$ -
Professional Services	\$ 250
Insurance	\$ 1,500
Property Taxes	\$ 825
Franchise Fee	\$ -
Permit Fees	\$ 250
Utilities	\$ 3,600
Other	\$ -
Total	\$ 50,371



South Coast Water Company
Water Utility

Management Budget Estimate

Task	Utility Manager \$222	Project Manager \$95	Senior Operator \$79	Operator \$55	Admin & Accounting \$104	Customer Service \$50	Total	Materials Cost	Contractors	Mark Up	Total Cost
Management Services											
Utility Management	32	32			8		\$ 10,976	\$ 100	\$ -	0%	\$ 11,076
PUC Coordination	4				4		\$ 1,304	\$ 25	\$ -	0%	\$ 1,329
Total	36	32	0	0	12	0	\$ 12,280	\$ 125	\$ -		\$ 12,405

**PUTTMAN
INFRASTRUCTURE**

Utility:

SOUTH COAST WATER COMPANY

Agreement for:

CUSTOMER SERVICES

Date:

June 1, 2019

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EXHIBITS

The following Exhibits are attached hereto and incorporated by this reference:

- Exhibit A Customer Services Scope of Work
- Exhibit B Reimbursable Costs
- Exhibit C Preliminary Annual Customer Services Budget

CUSTOMER SERVICES AGREEMENT

THIS CUSTOMER SERVICES AGREEMENT (the “**Agreement**”) is made and entered into as of this first day of January, 2019 by and between Puttman Infrastructure, Inc., an Oregon limited liability company with its principal place of business at 620 SW Fifth Avenue, Suite 1100, Portland, OR 97204 (“**Contractor**”), and South Coast Water Company, LLC, an Oregon limited liability company with its principal place of business at 620 SW Fifth Avenue, Suite 1100, Portland, Oregon 97204 (“**Owner**”).

RECITALS

WHEREAS, Owner owns a water utility (the “**Company**”) that provides water service to customers in Dunes City, Oregon.

WHEREAS, Owner desires to contract for customer service support of the Company, and Contractor has agreed to provide such customer services for the Company on the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and the recitals that are incorporated herein by this reference, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions

“**Agreement**” means this “Customer Services Agreement,” including its amendments, attachments, exhibits, appendices and any other document or documents that are incorporated by reference.

“**Annual Customer Services Budget**” has the meaning set forth in Section 2.3.

“**Annual Customer Services Plan**” has the meaning set forth in Section 2.3.

“**Applicable Laws**” means any applicable law, regulation, ordinance, rule, order or determination of any federal, state, county or municipal authority.

“**Change Order**” is a written agreement prepared by Contractor or Owner after the execution of this Agreement, requiring a change in the Services and the amount of the adjustment, if any, in the Annual Customer Services Budget.

“**Commencement Date**” the meaning set forth in Section 4.2.

“**Company**” has the meaning set forth in the Recitals.

“**Confidential Documents or Information**” is defined in Section 9.3.

“**Consumer Price Index**” means annual consumer price index for OR-WA published by the US Bureau of Labor Statistics for the previous Contract Year.

“**Contract Representative**” means the person authorized by Contractor and Owner to represent it in connection with this Agreement. Contract Representatives for each party are defined in Section 10.1. Either party may change its Contract Representative by written notice to the other party.

“**Contract Year**” has the meaning set forth in Section 4.2.

“**Contractor**” shall have the meaning set forth in the preamble to this Agreement.

“**Owner**” shall have the meaning set forth in the preamble to this Agreement.

“**Prudent Practice**” means practices, methods and acts that, in the exercise of reasonable judgment on the facts known (or that reasonably should have been known) at the time a decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices.

“**Reimbursable Costs**” are described in Exhibit B.

“**Services**” shall mean the customer services provided to the Company as more fully described in Exhibit A.

“**Subcontractor**” shall mean a person or entity who has a direct contract with the Contractor to perform a portion of the Services.

“**Term**” means the period of time designated in Section 4.1 during which Contractor shall provide the Services contemplated by this Agreement.

ARTICLE 2 CUSTOMER SERVICES

2.1 General

Starting on the Commencement Date and continuing throughout the remainder of the term of this Agreement, Contractor shall provide customer services to the Company consistent with the terms of this Agreement. In particular, the following shall apply:

(a) *Customer Services for Company*. Contractor shall provide customer services to the Company in conformance with all Applicable Laws, Prudent Practice, and the Customer Services Scope of Work.

(b) *Qualified Customer Services Personnel*. Contractor shall provide all personnel and Subcontractors as are reasonably necessary to perform the Services. Contractor may, in its sole

discretion, assign one or more Subcontractors to perform a portion of the Services. Such personnel and Subcontractors shall have the appropriate qualifications, licenses, certifications, skills, training, and experience to perform the Services.

(c) Any services not explicitly described as being performed by Contractor or its Subcontractors are excluded. If agreed to by Change Order, Contractor shall provide additional services. This Agreement shall apply to all additional services performed by Contractor or its Subcontractors by Change Order.

2.2 Customer Services Scope of Work

(a) Customer Services Scope of Work. Contractor will provide the Services described in Exhibit A.

2.3 Annual Customer Services Plan and Budget

(a) Preliminary Annual Customer Services Plan and Budget. At least ninety (90) days before the beginning of each Contract Year, Contractor shall prepare and submit to Owner a proposed Annual Customer Services Budget and Annual Customer Services Plan for the Contract Year.

(b) Owner Review and Approval of Annual Customer Services Plan and Budget. Owner shall review Contractor's proposed Annual Customer Services Budget and Annual Customer Services Plan within thirty (30) days following receipt of the proposals. Owner may, by written request, propose changes, additions, deletions and modifications to the proposals. If requested by Contractor, Owner shall provide Contractor any cost information in Owner's possession from previous Contract Years applicable to items in the proposed Annual Customer Services Budget. Owner and Contractor will then meet and use commercially reasonable efforts to agree upon a final Annual Customer Services Budget and Annual Customer Services Plan, which shall be approved in writing by both parties.

(c) Final Annual Customer Services Plan and Budget. The final Annual Customer Services Budget and Annual Customer Services Plan shall remain in effect throughout the applicable Contract Year, subject to revisions and amendments proposed by either party and agreed to in writing by the other party.

(d) Notification. Contractor shall notify Owner as soon as reasonably possible of any significant deviations or discrepancies from the projections contained in the Annual Customer Services Budget or Annual Customer Services Plan.

(e) Dispute. If the parties are unable to reach agreement concerning any item or portion of the Annual Customer Services Budget for any Contract Year by November 1 of the prior Contract Year, the Annual Customer Services Budget shall be an amount equal to (1) the prior Contract Year's Annual Customer Services Budget plus (2) CPI plus 2% of the prior Contract Year's Annual Customer Services Budget but not to exceed 5%.

2.4 Customer Services Reporting

Contractor shall, during the term of this Agreement, furnish or cause to be furnished to Owner the following reports concerning the Services:

(a) *Quarterly Customer Services Report*. Contractor shall submit quarterly: (i) a progress report covering all activities during such month with respect to the Services, including a listing of any significant management problems, planned remedial actions, and major activities planned for the next reporting period; and (ii) an itemized statement of all Reimbursable Costs paid or incurred monthly during the quarter.

(b) *Annual Customer Services Report*. Within sixty (60) days after the end of each Contract Year, Contractor shall submit an annual report describing, in detail substantially similar to that contained in the quarterly reports referred to in Section 2.4(a): (i) the Company activities and customer services data for such Contract Year; (ii) a comparison of such Company activities and customer services data with the goals set forth in the Annual Customer Services Plan and Annual Customer Services Budget for such Contract Year and an explanation of any substantial deviations. Within thirty (30) days after submission of each annual report, Contractor shall meet with Owner to review and discuss the report.

(c) Upon obtaining knowledge thereof, Contractor shall promptly notify Owner in writing of: (i) any litigation, claims, disputes or actions concerning the Company or the Services; (ii) any refusal or threatened refusal to grant, renew or extend any license, permit, authorization or consent relating to the Company or the Services; and (iii) any investigation by any governmental authority relating to the Company or the Services.

(d) Contractor shall monitor, record, generate, prepare and submit on behalf of Owner all customer services data and information that: (i) Owner must report to any person or entity under any System Agreement; (ii) Owner must report to any government agency or other person or entity under applicable Laws; or (iii) Owner reasonably requests.

ARTICLE 3 COMPENSATION AND PAYMENT

3.1 Cost of Services

As compensation to Contractor for performance of the Services hereunder, Owner shall reimburse Contractor for all costs incurred by Contractor in performing the Services at cost plus 0%, including but not limited to the costs set forth in Exhibit B (“**Reimbursable Costs**”), as follows:

(a) Contractor shall not incur Reimbursable Costs unless they are incurred in accordance with the applicable Annual Customer Services Budget except in the case of an emergency.

(b) If Contractor becomes aware that Reimbursable Costs will exceed the amount provided in the applicable Annual Customer Services Budget by ten percent (10%) or more, Contractor shall use reasonable efforts to notify Owner within ten (10) days and shall not, without

Owner's approval, perform any further Services that will cause or increase a budget overrun except in the event of an emergency.

(c) If Owner refuses to authorize expenditures in excess of the Annual Customer Services Budget, Contractor shall be relieved of those obligations under this Agreement that cannot be performed without the expenditures Owner refuses to approve.

3.2 Payment

(a) Contractor shall provide invoices to Owner by the fifteenth (15th) day of each month for the Reimbursable Costs incurred for the previous month after the Commencement Date. Payment shall be made on undisputed amounts by Owner within 15 days of receipt of invoice. Payment shall be made in immediately available funds.

(b) In the event that any portion of the Contractor invoice is disputed by Owner, Owner shall pay that portion of the invoice that is not disputed and promptly proceed with dispute resolution as provided in ARTICLE 8 of this Agreement. If any payment required to be made by either party hereunder is not paid when due, such payments, if not disputed, shall bear interest thereon from the date such payment was due to the date of receipt of payment by the party owed.

(c) Late payments shall bear interest at the rate of eight percent (8%) per annum. Additionally, if a sum that is not being disputed is not paid within thirty (30) days after written notice that it is due, then a late charge equal to one percent (1%) of the sum past due shall be payable by the party that failed to pay, and such late charge shall be paid within ten (10) days after written demand from the other party.

(d) In the event that any portion of the Contractor's invoice is disputed by Owner, Owner may withhold amounts equal to one hundred fifty percent (150%) of the reasonable cost to cure the reason for the withholding, if any.

3.3 Change Orders

Owner and Contractor may, by Change Order, without invalidating the Agreement, order changes in the Services. All changes in the Services authorized by applicable Change Order shall be performed in accordance with the general requirements for the Services set forth in this Agreement. Only Owner's and Contractor's Contract Representatives are authorized to execute Change Orders.

3.1 Audit Rights

Owner shall have the right to audit all Reimbursable Costs incurred and paid by Owner for a period of two (2) years after the applicable Contract Year. If such audit shows that any amount previously paid by Owner to Contractor did not constitute a Reimbursable Cost, Owner may: (a) recover such amount from Contractor; or (b) deduct such amount from any payment that thereafter may become due to Contractor.

ARTICLE 4 TERM

4.1 Term

The initial term of this Agreement shall be five (5) years, starting on the Commencement Date and ending on the day that is five (5) years later. Unless sooner terminated pursuant to this Agreement, the term of this Agreement shall be automatically renewed for successive terms of five (5) years each, unless either Party gives notice to the other Party at least ninety (90) days, but not more than one hundred eighty (180) days, prior to the termination of the then-existing term.

4.2 Contract Years

The initial Contract Years for this Agreement include the following:

Contract Year	Rate
Year 1	June 1, 2019 to December 31, 2019
Year 2	January 1, 2020 to December 31, 2020
Year 3	January 1, 2021 to December 31, 2021
Year 4	January 1, 2022 to December 31, 2022
Year 5	January 1, 2023 to December 31, 2019

4.3 Termination

(a) Either Party may terminate this Agreement: (i) in the event of breach by the other Party which is not cured within thirty (30) days' written notice thereof, or if the breach is one that cannot be cured within such time period, within such additional time as may be reasonable provided the defaulting Party is undertaking reasonable efforts to cure the breach; (ii) upon the other Party's insolvency, bankruptcy, suspension of business, assignment of assets for the benefit of creditors, voluntary dissolution, or appointment of a trustee for all or a substantial portion of the Party's assets; or (iii) for convenience upon ninety (90) day's notice.

(b) Upon termination of this Agreement for any reason, Contractor shall be compensated for all Reimbursable Costs incurred by Contractor to and including the date of termination and all out-of-pocket costs and damages related to or arising out of the termination.

(c) Upon expiration or termination of this Agreement: (i) Contractor shall remove its personnel from the premises where the System is located; (ii) Contractor shall leave the System in as good condition as it was on the Commencement Date, normal wear and tear and casualty excepted; (iii) Owner shall pay Contractor all compensation due and owing hereunder including but not limited to any and all unpaid Reimbursable Costs; (iv) title to all materials, equipment, tools, supplies, consumables, spare parts and other items purchased or obtained by Contractor on a Reimbursable Cost basis hereunder shall pass immediately to and vest in Owner; (v) Owner shall assume and become liable for any contracts or obligations that Contractor may have undertaken with third parties in connection with the Services; (vi) the parties shall cooperate in taking all

reasonable steps required to effect Owner's assumption of such contracts and obligations; and (vii) to the fullest extent permitted by law, Owner shall indemnify, defend, reimburse and hold harmless Contractor for all liabilities under such contracts and obligations arising after the date of any such assumption.

ARTICLE 5 OWNER RESPONSIBILITIES

5.1 Approval of Annual Customer Services Plan and Budget

Owner shall be responsible for approval of the Annual Customer Services Plan and Annual Customer Services Budget.

ARTICLE 6 INSURANCE

6.1 General

(a) Subject to additional coverages or increased claims coverage amounts as may be set forth in the System Agreements, Owner and Contractor shall obtain and maintain the insurance set forth in this ARTICLE 6. Such insurance may be maintained under individual or blanket insurance policies.

(b) On or before the date on which insurance must be provided, each party shall furnish certificates of insurance to the other party evidencing the insurance required pursuant to this Agreement. Each party shall cooperate with the other to ensure collection from insurers for any loss under any such policy.

(c) To the fullest extent permitted by law, the Owner and Contractor waive all rights against each other and any of their subcontractors, sub-subcontractors, agents and employees, each of the other for damages caused by fire or other causes of loss to the extent covered by property insurance obtained pursuant to Section 6.3 or other insurance applicable to the System.

(d) To the fullest extent permitted by law, Owner shall cause its general liability and any excess insurers to name Contractor as an additional insured and Owner shall cause its consultants, contractors and subcontractors performing services or work at the Site to name Contractor as additional insured on their general liability and any excess insurance policies and provide evidence of compliance upon request.

6.2 Contractor Insurance

Contractor shall, and shall ensure that its Subcontractors, secure and maintain in full force and effect throughout the term of this Agreement insurance coverage for commercial general liability (bodily injury and property damage), automobile liability and workers' compensation insurance with limits that are required by appropriate regulatory agencies or the following limits, whichever are greater: commercial general liability, \$2,000,000 combined single limit per occurrence and aggregate; automobile liability, \$1,000,000 combined single limit per occurrence and aggregate; workers' compensation, statutory limit; pollution legal liability, \$1,000,000 per

occurrence, \$1,000,000 aggregate, and \$5,000,000 umbrella liability.

6.3 Owner Insurance

(a) Owner shall, and shall ensure that its subcontractors, secure and maintain in full force and effect throughout the term of this Agreement insurance coverage for commercial general liability (bodily injury and property damage), automobile liability and workers' compensation insurance with limits that are required by appropriate regulatory agencies or the following limits, whichever are greater: commercial general liability, \$2,000,000 combined single limit per occurrence and aggregate; automobile liability, \$1,000,000 combined single limit per occurrence and aggregate; workers' compensation, statutory limit; and pollution legal liability, \$1,000,000 per occurrence, \$1,000,000 aggregate.

(b) The Owner shall secure and maintain property insurance that shall include, without limitation, insurance against the perils of fire and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, earthquake, flood, and windstorm.

(c) Owner will maintain the following insurances throughout the term of this Agreement, and shall provide Contractor with Certificates of Insurance to demonstrate compliance with this provision:

- (i) Property Damage Insurance for all property including Owner supplied vehicles and equipment for the full fair market value of such property.
- (ii) Liability Insurance for all vehicles and equipment provided by Owner and operated by Contractor under this Agreement.

ARTICLE 7 INDEMNITY AND LIMITS

7.1 Indemnification

(a) Owner General Indemnity. To the fullest extent permitted by law, Contractor shall indemnify, defend, reimburse and hold harmless Owner, the members thereof, and their respective officers, directors, employees, agents, affiliates and representatives, from and against any and all third-party claims for bodily injury or property damage arising out of or in any way connected with, but only to the extent of, any gross negligence, fraud or willful misconduct of Contractor.

(b) Contractor General Indemnity. To the fullest extent permitted by law, Owner shall indemnify, defend, reimburse and hold harmless Contractor, its officers, directors, employees, agents, affiliates and representatives from and against any and all third-party claims for bodily injury or property damage arising out of or in any way connected with, but only to the extent of, any gross negligence, fraud or willful misconduct of Owner.

7.2 Limits of Liability and Remedy

(a) Except for liabilities arising out of (i) breach of the confidentiality obligations of this Agreement, or (ii) the indemnification obligation in Section 7.1, neither party will be liable for any special, indirect, incidental, exemplary, punitive or consequential damages, including but not limited to lost profits, lost revenue, lost data, replacement goods, or interruption of use of the System, whether in contract, tort, negligence or otherwise, even if such party has been advised of the possibility thereof. The foregoing restrictions shall not apply to a claim by Contractor for Owner's failure to pay amounts owed under this Agreement.

(b) The aggregate liability of Contractor with respect to claims of Owner arising out of Contractor's negligence and the performance or nonperformance of obligations under this Agreement shall in no event exceed, during any Contract Year, the annual Reimbursable Cost markup payable to Contractor during such Contract Year. The limitation in this Section 7.2 shall not apply to Contractor's indemnification obligations under Section 7.1.

(c) Owner covenants that it will not, under any circumstances, bring a lawsuit or claim against Contractor's individual employees, officers, directors, shareholders or agents and that Owner's sole remedy will be against Contractor.

7.3 Force Majeure

(a) If either Owner or Contractor is rendered wholly or partially unable to perform its obligations under this Agreement (other than payment obligations) due to a an event, condition or circumstance beyond the reasonable control of, and not due to the fault or negligence of, the party affected, including without limitation, explosion, fire, flood, earthquake, act of God, strike or other labor dispute, war, insurrection or riot, actions or failures to act by governmental entities or officials (a "**Force Majeure Event**"), the party affected by such Force Majeure Event shall be excused from whatever performance is impaired by such Force Majeure Event, provided that the affected party promptly, upon learning of such Force Majeure Event and ascertaining that it will affect its performance hereunder: (i) promptly gives notice to the other party stating the nature of the Force Majeure Event, its anticipated duration, and any action being taken to avoid or minimize its effect and (ii) uses its reasonable commercial efforts to remedy its inability to perform. The suspension of performance shall be of no greater scope and no longer duration than that which is necessary.

(b) No obligations of either party which arose before the occurrence causing the suspension of performance and which could and should have been fully performed before such occurrence shall be excused as a result of such occurrence. The burden of proof shall be on the party asserting excuse from performance due to a Force Majeure Event.

7.4 Other

(a) In no event shall either party, its Subcontractors or their officers or employees be liable for special, indirect or consequential damages, whether such liability arises in breach of contract or warranty, tort including negligence, strict or statutory liability, or any other cause of action.

ARTICLE 8 DISPUTE RESOLUTION

8.1 Dispute Resolution

All claims, disputes and other matters in question between Contractor and Owner arising out of, or relating to this Agreement, or any breach under this Agreement will, if the parties cannot resolve their differences, be resolved by the dispute resolution procedures set forth below.

8.2 Negotiation and Mediation

(a) In the event a dispute arises as defined in Section 8.1, the aggrieved party shall promptly provide written notification of the dispute to the other party within thirty (30) days after such dispute arises. Contractor and Owner commit to first try to settle any dispute through direct discussions of the parties' management representatives. In the event the dispute has not been resolved within thirty (30) days after receipt of initial written notification of the dispute, a meeting shall be held promptly thereafter between the parties, attended by senior officers of the Contractor and Owner, to further attempt in good faith to negotiate a resolution of the dispute. If within thirty (30) days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, the dispute between the parties shall be submitted to nonbinding mediation in a prompt and timely fashion in good faith. If the parties cannot agree to an alternative form of mediation, then mediation will be administered by the American Arbitration Association ("AAA") under its Construction Industry Mediation Rules, unless the use of such rules are waived by mutual stipulation of both parties. All negotiations and meetings conducted pursuant to this paragraph shall be confidential and treated as compromise and settlement discussions not admissible in any legal proceeding involving this Agreement.

(b) The parties may, but are not required to be, represented by counsel in mediation.

(c) The requirement for mediation will not alter or modify the time limitations otherwise provided for claims under Applicable Law and no conduct or settlement negotiation during mediation will be considered a waiver of any right to assert that claim procedures were not followed.

8.3 Litigation

If Contractor and Owner do not resolve their dispute through mediation, either party may pursue their allowable remedies provided by law. The exclusive venue for any mediation or trial proceeding will be in the state court of Multnomah County in the State of Oregon.

ARTICLE 9 MISCELLANEOUS PROVISIONS

9.1 Contract Representatives

The Contract Representatives for this Agreement are:

Contractor: Thomas J. Puttman
Puttman Infrastructure, Inc.
620 SW Fifth Avenue, Suite 1100
Portland, Oregon 97204
Phone: 503-224-3454
Email: thomas.puttman@puttman.com

Owner: Thomas J. Puttman
South Coast Water Company, LLC
620 SW Fifth Avenue, Suite 1100
Portland, Oregon 97204
Phone: 503-224-3454
Email: thomas.puttman@puttman.com

9.2 Notices

Whenever this Agreement requires that notice be provided to the other party, such notice shall be in writing and addressed as set forth in Section 9.1. Notices will be deemed to have been validly given: (a) upon receipt if hand delivered or sent by overnight courier service, or (b) four (4) days after being sent by registered or certified mail, postage prepaid; provided, that any notice shall not be effective as to a party unless addressed to that party's addressees for notices. Either party may change the persons or address(es) for notice by a written notice to the other party given pursuant to this Section.

9.3 Confidentiality

(a) Each party agrees, both during and after the term of this Agreement, to hold the Confidential Information of the other party in the strictest confidence and not to disclose such Confidential Information to any third party. Each party shall, however, be permitted to disclose relevant aspects of such Confidential Information to its officers, employees, attorneys, auditors, or a government agency, on a need-to-know basis, provided that it has undertaken to protect the Confidential Information to the same extent as required under this Agreement. Each party shall give the other party notice immediately upon learning of any unauthorized use or disclosure of Confidential Information.

(b) The obligations set forth in this Section 9.3 do not apply if and to the extent the party receiving Confidential Information (the "**Receiving Party**") establishes that:

- (i) the information disclosed to the Receiving Party was already known to the Receiving Party, without obligation to keep it confidential;
- (ii) the Receiving Party received the information in good faith from a third party lawfully in possession thereof without obligation to keep such information confidential;

- (iii) the information was publicly known at the time of its receipt by the Receiving Party or has become publicly known other than by a breach of this Agreement;
- (iv) the information is independently developed by the Receiving Party without use of the other Party's Confidential Information; or
- (v) the information is required to be disclosed by applicable statute or regulation or by judicial or administrative process; provided that, in the case of (i) through (iv) above, such circumstances are demonstrated with written evidence thereof and that, in the case of (iv) above, the Receiving Party will use reasonable efforts under the circumstances to notify the other party of such requirements so as to provide such party the opportunity to obtain such protective orders or other relief as the compelling court or other entity may grant.

9.4 Assignment

Except as otherwise permitted by this Agreement, neither Owner nor Contractor may assign its rights or obligations under this Agreement without the prior written consent of the other party hereto, which consent shall not unreasonably be withheld.

9.5 Amendments

No amendments or modifications of this Agreement shall be valid unless evidenced in writing and signed by Contract Representatives of both parties.

9.6 No Waiver

It is understood and agreed that any delay, waiver or omission by Owner or Contractor with respect to enforcement of required performance by the other under this Agreement shall not be construed to be a waiver by Owner or Contractor of any subsequent breach or default of the same or other required performance on the part of Owner or Contractor.

9.7 Representations and Warranties

Each party represents and warrants to the other party that: (a) such party has the full power and authority to execute, deliver and perform this Agreement and to carry out the transactions contemplated hereby; (b) the execution, delivery and performance by such party of this Agreement, does not and will not materially conflict with any legal, contractual, or organizational requirement of such party; and (c) there are no pending or threatened legal, administrative, or other proceedings that if adversely determined, could reasonably be expected to have a material adverse effect on such party's ability to perform its obligations under this Agreement.

9.8 Relationship of the Parties

Each party is an independent contractor, and nothing in this Agreement shall be construed to create relationships of employer and employee, partnership, or joint ventures. No Party hereto

shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of any other Party or to bind any other Party to any contract, agreement or undertaking.

9.9 Governing Law

This Agreement will be governed by the laws of the State of Oregon without giving effect to principles of conflicts of laws.

9.10 Partial Invalidity

If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the rest of this Agreement shall remain in full force and effect and in no way be affected, impaired or invalidated.

9.11 Captions

Titles or captions of Sections contained in this Agreement are inserted as a matter of convenience and for reference, and do not affect the scope or meaning of this Agreement or the intent of any provision hereof.

9.12 Priority

If the terms and conditions of this Agreement vary or are inconsistent with any portion of the Exhibits, the terms of this Agreement shall control and be given priority, and the provisions of the Exhibits shall be subject to the terms of this Agreement.

9.13 Entire Agreement

This Agreement contains the entire agreement between the parties and supersedes all prior and contemporaneous agreements, whether oral or written, between the parties with respect to the subject matter of this Agreement. Neither party will be bound by or be deemed to have made any representations, warranties, commitments or other undertakings with respect to the subject matter of this Agreement that are not contained in this Agreement.

9.14 Counterparts and Execution


This Agreement may be executed in counterparts. Each counterpart will be considered an original, and all of them, taken together, will constitute a single Agreement. Facsimile or electronic signatures will be deemed original signatures for all purposes under this Agreement. When properly signed, this Agreement may be delivered by facsimile or electronically, and any such delivery will have the same effect as physical delivery of a signed original.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

CONTRACTOR:

PUTTMAN INFRASTRUTURE, INC.,
an Oregon corporation

By: 
Print Name: *Thomas J. Puttman*
Title: *President and CEO*

OWNER:

**SOUTH COAST WATER COMPANY,
LLC,**
an Oregon limited liability company

By: Puttman Capital, LLC
Its: Manager


By: 
Print Name: *Thomas J. Puttman*
Title: *Manager*

EXHIBIT A CUSTOMER SERVICES SCOPE OF WORK

Contractor shall perform the Services listed in this **EXHIBIT A** in accordance with the standards required under ARTICLE 2 of the Agreement.

1. Customer Services Programs

In addition to those responsibilities described in the Agreement, Contractor shall be responsible for the establishment and implementation of the following programs, standards and procedures, which are included in the "Services" to be provided by Contractor.

1.1. **Communications Program.** The program for establishing Company communications and coordination between Contractor, Owner, Company, Customers and additional parties defined by Owner. Specific activities include:

- (a) Quarterly Customer Services Report.
- (b) Annual Customer Services Report.
- (c) Company Website.
- (d) Annual Customer Newsletter.
- (e) Annual Customer Meeting.
- (f) Customer Service Phone Line.
- (g) Emergency Call Service.

1.2. **Financial Management Program.** The program for identifying, monitoring and reporting overall financial performance of the Company. Specific activities include:

- (a) Annual Customer Services Plan.
- (b) Annual Customer Services Budget. A Preliminary Annual Customer Services Budget is included in Exhibit C.
- (c) Monthly Customer Invoicing. Prepare and submit monthly invoices. Pay accounts payable.
- (d) Customer Collections. Service provided as needed.

1.3. **Records Management Program.** The records management program for maintaining the traceability and documentation of Company activities. Specific activities include:

- (a) Records Management. Maintain hard copy and electronic copy of Company activities.

2. Specific Requirements

None.

EXHIBIT B REIMBURSABLE COSTS

The Reimbursable Costs listed in this **EXHIBIT B** shall be paid to the Contractor in accordance with the requirements of ARTICLE 3 of the Agreement.

1. Reimbursable Costs

Reimbursable Costs	
Customer Service	Monthly Customer Service Labor
Customer Invoicing	Materials
	Postage
	Customer Invoicing Software
Customer Communications	Monthly Website Hosting
	Website Updates
	Customer Call Number
	Emergency Call Service
	Post Office Box
Miscellaneous	Travel
	Other reimbursable costs not included in categories listed above

2. Labor Rates

See the following Rate Schedule. Labor for emergency and after hour responses will be invoiced at time and a half times the Labor Rates. Labor performed on Holidays will be invoiced at two times the Labor Rates.



Puttman Rate Schedule
Year 2019

Rate Schedule

Labor Classification		Hourly Rate	
1	Utility Manager	\$	222.00
2	Project Manager	\$	95.00
3	Senior Operator	\$	79.00
4	Operator	\$	55.00
5	Administration & Accounting	\$	104.00
6	Customer Service	\$	50.00
7			
8			
9			
10			

Summary

EXHIBIT C
PRELIMINARY ANNUAL CUSTOMER SERVICES BUDGET

Contractor shall perform the Services based on the Annual Customer Services Budget listed in this **EXHIBIT C** in accordance with the standards required under Section 2.3 of the Agreement.

South Coast Water Company
Water Utility

**PUTTMAN
INFRASTRUCTURE**

Annual Budget Estimate

	Total
O&M	
O&M Labor	\$ 18,370
O&M Admin Labor	\$ 828
Emergency & After Hours Response Labor	\$ -
Repairs	\$ 1,000
Materials Management	\$ 500
Support Services	\$ -
Testing & Reporting	\$ 3,318
Auto	\$ -
Utilities	\$ -
Liability Insurance	\$ -
IT	\$ -
Customer Service & Billing	
Customer Service Labor	\$ 5,308
Billing	\$ 600
Customer Engagement (annual meeting, newsletter, etc.)	\$ 1,017
IT (website, billing system)	\$ 600
Management	
Utility Management	\$ 11,076
PUC Coordination	\$ 1,329
Direct Expenses	
Rent	\$ -
Professional Services	\$ 250
Insurance	\$ 1,500
Property Taxes	\$ 825
Franchise Fee	\$ -
Permit Fees	\$ 250
Utilities	\$ 3,600
Other	\$ -
Total	\$ 50,371

South Coast Water Company
Water Utility



Customer Services Budget Estimate											
Service Task	Utility Manager \$222	Project Manager \$95	Senior Operator \$79	Operator \$55	Admin & Accounting \$104	Customer Service \$50	Labor Cost	Materials Cost	Contractors	Mark Up	Total Cost
Customer Services											
Customer Service	1	2			24	48	\$ 5,308	\$ -	\$ -	0%	\$ 5,308
Billing							\$ -	\$ 600	\$ -	0%	\$ 600
Customer Engagement (annual meeting, newsletter, etc.)	4				1		\$ 992	\$ 25	\$ -	0%	\$ 1,017
IT (website, billing system)							\$ -	\$ 600	\$ -	0%	\$ 600
Total	5	2	0	0	25	48	\$ 6,300	\$ 1,225	\$ -		\$ 7,525

**PUTTMAN
INFRASTRUCTURE**

Utility:

SOUTH COAST WATER COMPANY

Agreement for:

**OPERATIONS & MAINTENANCE
SERVICES**

Date:

June 1, 2019

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EXHIBITS

The following Exhibits are attached hereto and incorporated by this reference:

- Exhibit A O&M Services Scope of Work
- Exhibit B Reimbursable Costs
- Exhibit C Preliminary Annual O&M Services Budget
- Exhibit D System Description
- Exhibit E System Capacity and Characteristics
- Exhibit F Permits

OPERATIONS & MAINTENANCE SERVICES AGREEMENT

THIS OPERATION AND MAINTENANCE SERVICES AGREEMENT (the “**Agreement**”) is made and entered into as of this first day of June, 2019 by and between Puttman Infrastructure Inc., an Oregon corporation with its principal place of business at 620 SW Fifth Avenue, Suite 1100, Portland, OR 97204 (“**Contractor**”), and South Coast Water Company, LLC, an Oregon limited liability company with its principal place of business at 620 SW Fifth Avenue, Suite 1100, Portland, Oregon 97204 (“**Owner**”).

RECITALS

WHEREAS, Owner owns a lake intake (“**Water Supply**”), water treatment plant (“**Treatment Plant**”), treated water storage reservoir, distribution pumps and water mains (“**Distribution System**”) and customer service laterals and meters (“**Customer Services**”) that provides water service to customers in Dunes City, Oregon. The Water Supply, Treatment Plant, Distribution System and Customer Services are collectively referred to as the “**System**” and described further in Exhibit D.

WHEREAS, Owner desires to contract for operation and maintenance of the System, and Contractor has agreed to provide such operation and maintenance services for the System on the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and the recitals that are incorporated herein by this reference, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions

“**Agreement**” means this “Operations and Maintenance Services Agreement,” including its amendments, attachments, exhibits, appendices and any other document or documents that are incorporated by reference.

“**Annual O&M Budget**” has the meaning set forth in Section 2.3.

“**Annual O&M Plan**” has the meaning set forth in Section 2.3.

“**Applicable Laws**” means any applicable law, regulation, ordinance, rule, order or determination of any federal, state, county or municipal authority.

“**Business Day**” means any day except a Saturday, Sunday, or a Federal Reserve Bank holiday.

“**Capital Improvement**” means any improvements for (a) the purchase of new equipment or System items that cost more than one thousand (\$1,000); or (b) Major Repairs; or (c) improvements that are planned, non-routine, and budgeted by the Owner.

“**Change Order**” is a written agreement prepared by Contractor or Owner after the execution of this Agreement, requiring a change in the Services and the amount of the adjustment, if any, in the Annual O&M Budget; provided, that such changes and/or adjustments must allow for the System to be operated in compliance with Applicable Law and this Agreement.

“**Commencement Date**” the meaning set forth in Section 5.2.

“**Confidential Documents or Information**” is defined in Section 10.3.

“**Consumer Price Index**” means annual consumer price index for OR-WA published by the US Bureau of Labor Statistics for the previous Contract Year.

“**Contract Representative**” means the person authorized by Contractor and Owner to represent it in connection with this Agreement. Contract Representatives for each party are defined in Section 10.1. Either party may change its Contract Representative by written notice to the other party.

“**Contract Year**” has the meaning set forth in Section 5.2.

“**Contractor**” shall have the meaning set forth in the preamble to this Agreement.

“**Customer Services**” has the meaning set forth in the Recitals.

“**Distribution System**” has the meaning set forth in the Recitals.

“**Force Majeure**” means any act, event or condition excusing performance of this Agreement as set forth in Section 8.3.

“**Major Repairs**” means those Repairs that significantly extend equipment or System service life and cost more than one thousand (\$1,000).

“**Operating Manuals or Documents**” means the operation and maintenance manuals, as-built drawings, specifications, spare parts lists, vendors’ manuals, warranty requirements, procedures (including those for maintenance of the System and environmental and safety compliance), and similar materials with respect to the System.

“**Owner**” shall have the meaning set forth in the preamble to this Agreement.

“**Performance Standards**” is defined in Section 3.1.

“**Preventative Maintenance**” means those routine and/or repetitive activities required or recommended by the equipment or System manufacturer or Contractor to maximize the service life of the System.

“**Prudent Practice**” means practices, methods and acts that, in the exercise of reasonable judgment on the facts known (or that reasonably should have been known) at the time a decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices.

“**Reimbursable Costs**” are described in Exhibit B.

“**Repairs**” means those non-routine/non-repetitive activities required for operational continuity, safety, and performance generally resulting from failure or to avert a failure of the System or some component thereof.

“**Services**” shall mean the operation and maintenance of the System as more fully described in Exhibit A.

“**Site**” means the location of the System, which is in Dunes City, Oregon.

“**Subcontractor**” shall mean a person or entity who has a direct contract with the Contractor to perform a portion of the Services at the Site.

“**System**” has the meaning set forth in the Recitals.

“**System Agreements**” means any agreements necessary to operate the System, including any permits and licenses required for the operation and maintenance of the System.

“**Term**” means the period of time designated in Section 5.1 during which Contractor shall provide the Services contemplated by this Agreement.

“**Treatment Plant**” has the meaning set forth in the Recitals.

“**Unforeseen Circumstances**” means any event or condition which has an effect on the rights or obligations of the parties under this Agreement, or upon the System, which is beyond the reasonable control of the party relying thereon and constitutes a justification for the delay in or non-performance of action required by this Agreement, including but not limited to (a) an act of God, landslide, lightening, earthquake, tornado, fire, explosion, flood, failure to process sufficient property rights, acts of public enemy, war blockage, sabotage, insurrection, riot or civil disturbance or a pandemic event; (b) any change in law, regulation, rule, requirement, interpretation or statute adopted, promulgated, issued or otherwise specifically modified or changed by any local, state, federal or other governmental body; (c) labor disputes, strikes, work slowdowns or work stoppages; (d) the presence of Biologically Toxic Substances in the influent or the presence of hazardous wastes, materials or liquids in the influent or raw water supply, which detrimentally affect the infrastructure or process of the System; and (e) loss of or inability to obtain service from a utility necessary to furnish power for the operation and maintenance of the System.

“**Water Supply**” has the meaning set forth in the Recitals.

ARTICLE 2 OPERATION AND MAINTENANCE SERVICES

2.1 General

Starting on the Commencement Date and continuing throughout the remainder of the term of this Agreement, Contractor shall operate and maintain the System consistent with the terms of this Agreement. In particular, the following shall apply:

(a) Operation and Maintenance of System. Contractor shall operate and maintain the System in conformance with all Applicable Laws, Prudent Practice, and in a manner that shall safely process, produce and deliver treated water consistent with the Performance Standards and O&M Services Scope of Work.

(b) Qualified O&M Personnel. Contractor shall provide all personnel and Subcontractors as are reasonably necessary to perform the Services. Contractor may, in its sole discretion, assign one or more Subcontractors to perform a portion of the Services. Such personnel and Subcontractors shall have the appropriate qualifications, licenses, certifications, skills, training, and experience to perform the Services.

(c) Contractor not Responsible for System Design or Construction. The Services do not include review of the System's design and construction, including but not limited to drawings, specifications, submittals or other information. The Contractor neither designed nor constructed the System and Contractor has not made any representations or warranties concerning the adequacy of the System's design and construction. Owner represents and warrants that the System's design and construction is adequate and, if the Operating Manuals are followed, will operate as intended.

(d) Any services not explicitly described as being performed by Contractor or its Subcontractors are excluded. If agreed to by Change Order, Contractor shall provide additional services. This Agreement shall apply to all additional services performed by Contractor or its Subcontractors by Change Order.

2.2 O&M Scope of Work

(a) O&M Services Scope of Work. Contractor will provide the Services described in Exhibit A.

2.3 Annual O&M Plan and Budget

(a) Preliminary Annual O&M Services Plan and Budget. At least ninety (90) days before the beginning of each Contract Year, Contractor shall prepare and submit to Owner a proposed Annual O&M Budget and Annual O&M Plan for the Contract Year.

(b) Owner Review and Approval of Annual O&M Services Plan and Budget. Owner shall review Contractor's proposed Annual O&M Budget and Annual O&M Plan within thirty (30) days following receipt of the proposals. Owner may, by written request, propose changes, additions, deletions and modifications to the proposals. If requested by Contractor, Owner shall

provide Contractor any cost information in Owner's possession from previous Contract Years applicable to items in the proposed Annual O&M Budget. Owner and Contractor will then meet and use commercially reasonable efforts to agree upon a final Annual O&M Budget and Annual O&M Plan, which shall be approved in writing by both parties.

(c) Final Annual O&M Services Plan and Budget. The final Annual O&M Budget and Annual O&M Plan shall remain in effect throughout the applicable Contract Year, subject to revisions and amendments proposed by either party and agreed to in writing by the other party.

(d) Notification. Contractor shall notify Owner as soon as reasonably possible of any significant deviations or discrepancies from the projections contained in the Annual O&M Budget or Annual O&M Plan.

(e) Dispute. If the parties are unable to reach agreement concerning any item or portion of the Annual O&M Budget for any Contract Year by November 1 of the prior Contract Year, the Annual O&M Budget shall be an amount equal to (1) the prior Contract Year's Annual O&M Budget plus (2) CPI plus 2% of the prior Contract Year's Annual O&M Budget but not to exceed 5%.

2.4 Operator Reporting

Contractor shall, during the term of this Agreement, furnish or cause to be furnished to Owner the following reports concerning the Services:

(a) Monthly Operator Report. With each invoice, Contractor shall submit: (i) a progress report covering all activities during such month with respect to the Services, including a listing of any significant operating problems, planned remedial actions, and major activities planned for the next reporting period; and (ii) an itemized statement of all Reimbursable Costs paid or incurred in such month.

(b) Annual Operator Report. Within sixty (60) days after the end of each Contract Year, Contractor shall submit an annual report describing, in detail substantially similar to that contained in the monthly reports referred to in Section 2.4(a): (i) the System activities and operating data for such Contract Year; (ii) a comparison of such System activities and operating data with the goals set forth in the Annual O&M Plan and Annual O&M Budget for such Contract Year and an explanation of any substantial deviations. Within thirty (30) days after submission of each annual report, Contractor shall meet with Owner to review and discuss the report.

(c) Upon obtaining knowledge thereof, Contractor shall promptly notify Owner in writing of: (i) any litigation, claims, disputes or actions concerning the System or the Services; (ii) any refusal or threatened refusal to grant, renew or extend any license, permit, authorization or consent relating to the System or the Services; and (iii) any investigation by any governmental authority relating to the System or the Services.

(d) Contractor shall monitor, record, generate, prepare and submit on behalf of Owner all operating data and information that: (i) Owner must report to any person or entity under any System Agreement; (ii) Owner must report to any government agency or other person or entity under applicable Laws; or (iii) Owner reasonably requests.

2.5 Service Problems and Call Outs

Contractor shall ensure that personnel shall be available during normal business hours to promptly respond to service problems and call outs for the System. Contractor shall ensure that personnel will be available 24 hours a day, seven days a week by telephone to respond to any emergency calls from Owner or the System.

2.6 Owner Access to System

Contractor shall provide 24-hour per day access to the System for Owner personnel. Visits may be made at any time by any of Owner's employees or designated by Owner's Representative. Keys for the System shall be provided to Owner by Contractor. All visitors to the System shall comply with Contractor's operating and safety procedures.

2.7 Contractor Warranty

(a) Contractor warrants that the Services shall be performed in a professional manner and in accordance with: (i) any Operating Manuals; (ii) the applicable Annual O&M Plan and Annual O&M Budget; and (iii) Prudent Practice.

(b) The foregoing warranty is in lieu of all other warranties, either express or implied, including warranties of merchantability and fitness for a particular purpose.

2.8 Title, Documents, Data and Vendor Warranties

(a) All materials, documents and data prepared, developed, or generated by Contractor, its employees, representatives or Subcontractors in connection with the System or performance of the Services, including this Agreement, all manuals, drawings, plans, specifications, reports and accounts (collectively "**Operating Documents**") shall be owned by Contractor. To the extent such Operating Documents contain confidential information, such confidential information shall be considered confidential information of Contractor for purposes of Section 10.3.

(b) Effective upon expiration or termination of this Agreement, Contractor hereby grants to Owner a nonexclusive, perpetual, royalty free license to use the Operating Documents solely in connection with Owner's continued operation and maintenance of the System. Owner may disclose the Operating Documents to a successor contractor of the System provided that the contractor agrees to be bound by the confidentiality provisions of Section 10.3.

(c) Notwithstanding the provisions of Section 2.8(b), Contractor shall not disclose to third parties operating data related to the System in a form that identifies the System as belonging to Owner.

(d) For Owner's benefit, Contractor shall use commercially reasonable efforts to obtain from sellers of equipment, material, or services (other than the Services), warranties against defects in materials and workmanship to the extent such warranties are reasonably obtainable. To the extent of any such warranties actually obtained, and to the extent such liability is covered by any such warranty, Owner releases Contractor from any further liability arising with respect to such equipment, material or services (other than the Services). Unless otherwise requested, Contractor

shall administer such warranties and timely notify Owner of any defects Contractor discovers that may be covered by such warranties. To the extent Contractor incurs any costs with respect to performance of and compliance with the terms and conditions of this Section 2.8(d) (b), such costs shall be deemed Reimbursable Costs.

2.9 Limitations on Authority

Unless approved by Owner in writing or through Owner's approval of the Annual O&M Plan and Budget, Contractor shall refrain from taking any of the following actions in connection with its performance of the Services:

(a) Contractor shall not sell, lease, pledge, mortgage, or otherwise dispose of any property or assets of Owner, including any property or assets purchased by Contractor where the purchase cost is a Reimbursable Cost.

(b) Contractor shall not enter into any contract or agreement: (i) in the name of Owner; or (ii) that prohibits or otherwise restricts Contractor's right to assign such contract or agreement to Owner at any time.

(c) Except in the case of emergency, Contractor shall not make any expenditure which would be a Reimbursable Cost except in conformity with the Annual O&M Budget.

(d) Contractor shall not take any action that materially varies from the applicable Annual O&M Plan or the requirements of any System Agreement.

(e) Contractor shall not settle or compromise any claim against Owner.

ARTICLE 3 PERFORMANCE STANDARDS

3.1 Performance Standards

(a) Performance Standards. Contractor represents and warrants that the System will meet or exceed the compliance standards of the System Permits.

3.2 Permits

(a) Permits. Contractor shall be responsible for obtaining and managing all permits associated with System as described in Exhibit F.

ARTICLE 4 COMPENSATION AND PAYMENT

4.1 Cost of Services

As compensation to Contractor for performance of the Services hereunder, Owner shall reimburse Contractor for all costs incurred by Contractor in performing the Services at cost plus

0%, including but not limited to the costs set forth in Exhibit B (“**Reimbursable Costs**”), as follows:

(a) Contractor shall not incur Reimbursable Costs unless they are incurred in accordance with the applicable Annual O&M Budget except in the case of an emergency.

(b) If Contractor becomes aware that Reimbursable Costs will exceed the amount provided in the applicable Annual O&M Budget by ten percent (10%) or more, Contractor shall use reasonable efforts to notify Owner within ten (10) days and shall not, without Owner’s approval, perform any further Services that will cause or increase a budget overrun except in the event of an emergency.

(c) If Owner refuses to authorize expenditures in excess of the Annual O&M Budget, Contractor shall be relieved of those obligations under this Agreement that cannot be performed without the expenditures Owner refuses to approve.

4.2 Payment

(a) Contractor shall provide invoices to Owner by the fifteenth (15th) day of each month for the Reimbursable Costs incurred for the previous month after the Commencement Date. Payment shall be made on undisputed amounts by Owner within 15 days of receipt of invoice. Payment shall be made in immediately available funds.

(b) In the event that any portion of the Contractor invoice is disputed by Owner, Owner shall pay that portion of the invoice that is not disputed and promptly proceed with dispute resolution as provided in ARTICLE 9 of this Agreement. If any payment required to be made by either party hereunder is not paid when due, such payments, if not disputed, shall bear interest thereon from the date such payment was due to the date of receipt of payment by the party owed.

(c) Late payments shall bear interest at the rate of eight percent (8%) per annum. Additionally, if a sum that is not being disputed is not paid within thirty (30) days after written notice that it is due, then a late charge equal to one percent (1%) of the sum past due shall be payable by the party that failed to pay, and such late charge shall be paid within ten (10) days after written demand from the other party.

(d) In the event that any portion of the Contractor’s invoice is disputed by Owner, Owner may withhold amounts equal to one hundred fifty percent (150%) of the reasonable cost to cure the reason for the withholding, if any.

4.3 Change Orders

Owner and Contractor may, by Change Order, without invalidating the Agreement, order changes in the Services. All changes in the Services authorized by applicable Change Order shall be performed in accordance with the general requirements for the Services set forth in this Agreement. Only Owner’s and Contractor’s Contract Representatives are authorized to execute Change Orders.

4.1 Audit Rights

Owner shall have the right to audit all Reimbursable Costs incurred and paid by Owner for a period of two (2) years after the applicable Contract Year. If such audit shows that any amount previously paid by Owner to Contractor did not constitute a Reimbursable Cost, Owner may: (a) recover such amount from Contractor; or (b) deduct such amount from any payment that thereafter may become due to Contractor.

ARTICLE 5 TERM

5.1 Term

The initial term of this Agreement shall be five (5) years, starting on the Commencement Date and ending on the day that is five (5) years later. Unless sooner terminated pursuant to this Agreement, the term of this Agreement shall be automatically renewed for successive terms of five (5) years each, unless either Party gives notice to the other Party at least ninety (90) days, but not more than one hundred eighty (180) days, prior to the termination of the then-existing term.

5.2 Contract Years

The initial Contract Years for this Agreement include the following:

Contract Year	Rate
Year 1	June 1, 2019 to December 31, 2019
Year 2	January 1, 2020 to December 31, 2020
Year 3	January 1, 2021 to December 31, 2021
Year 4	January 1, 2022 to December 31, 2022
Year 5	January 1, 2023 to December 31, 2023

5.3 Termination

(a) Either Party may terminate this Agreement: (i) in the event of breach by the other Party which is not cured within thirty (30) days' written notice thereof, or if the breach is one that cannot be cured within such time period, within such additional time as may be reasonable provided the defaulting Party is undertaking reasonable efforts to cure the breach; (ii) upon the other Party's insolvency, bankruptcy, suspension of business, assignment of assets for the benefit of creditors, voluntary dissolution, or appointment of a trustee for all or a substantial portion of the Party's assets; or (iii) for convenience upon ninety (90) day's notice.

(b) Upon termination of this Agreement for any reason, Contractor shall be compensated for all Reimbursable Costs incurred by Contractor to and including the date of termination and all out-of-pocket costs and damages related to or arising out of the termination.

(c) Upon expiration or termination of this Agreement: (i) Contractor shall remove its personnel from the premises where the System is located; (ii) Contractor shall leave the System in as good condition as it was on the Commencement Date, normal wear and tear and casualty excepted; (iii) Owner shall pay Contractor all compensation due and owing hereunder including but not limited to any and all unpaid Reimbursable Costs; (iv) title to all materials, equipment, tools, supplies, consumables, spare parts and other items purchased or obtained by Contractor on a Reimbursable Cost basis hereunder shall pass immediately to and vest in Owner; (v) Owner shall assume and become liable for any contracts or obligations that Contractor may have undertaken with third parties in connection with the Services; (vi) the parties shall cooperate in taking all reasonable steps required to effect Owner's assumption of such contracts and obligations; and (vii) to the fullest extent permitted by law, Owner shall indemnify, defend, reimburse and hold harmless Contractor for all liabilities under such contracts and obligations arising after the date of any such assumption.

ARTICLE 6 OWNER RESPONSIBILITIES

6.1 Capital Improvements and Major Repairs

Owner shall pay for all Capital Improvements and Major Repairs. Any loss, damage or injury resulting solely from Owner's failure to provide Capital Improvements or Major Repairs and/or funds when reasonably requested by Contractor shall be the sole responsibility of Owner.

6.1 Approval of Annual O&M Plan and Budget

Owner shall be responsible for approval of the Annual O&M Plan and Annual O&M Budget.

6.2 Contractor Access to System

The Owner shall provide Contractor with access to the entire System at the Site.

6.1 Operating Manuals

Owner shall provide Contractor with the Operating Manuals and other information relevant to the Contractor's performance of the Services. Contractor shall be entitled to rely upon such information in performance of the Services.

6.2 Use of Vehicles and Equipment

(a) The Owner shall provide for Contractor's use of all vehicles and equipment currently in use at the System. Such vehicles and equipment shall be in road safe conditions. The cost of operation, maintenance and fuel for such vehicles and equipment will be a Reimbursable Cost. Such use of vehicles and equipment by Contractor shall be limited to duties and use within the course and scope of this Agreement.

(b) Owner shall provide all registrations, licenses and insurance for Owner's vehicles and equipment used in connection with the System.

6.3 Other

(a) Except as may otherwise be mutually agreed upon by the parties, Owner shall apply for and obtain all necessary permits, licenses and approvals required to allow Contractor to perform the Services in the jurisdictions where the Services are to be performed, if any.

(b) Owner shall comply with all laws applicable to the operation and maintenance of the System.

(c) Maintain and renew, with respect to all existing portions of the System, warranties, guarantees, easements, permits, authorizations and licenses that have been granted to the Owner, to the extent the maintenance thereof is not the responsibility of Contractor hereunder. All land, buildings, facilities, easements, licenses, structures, rights-of-way, equipment and vehicles presently or hereinafter acquired by Owner shall remain the exclusive property of Owner unless specifically provided for otherwise in this Agreement.

(d) Pay all amounts associated with the occupancy or operation of the System and the performance of the Service including but not limited to all excise, *ad valorem*, property, franchise, occupational and disposal taxes, or other taxes associated with the System, other than taxes imposed upon Contractor net income and/or payroll taxes for Contractor employees.

(e) Owner agrees to not offer employment or other compensation to Contractor personnel during the Term of this Agreement and for a period of two (2) years after the end date of this Agreement.

ARTICLE 7 INSURANCE

7.1 General

(a) Subject to additional coverages or increased claims coverage amounts as may be set forth in the System Agreements, Owner and Contractor shall obtain and maintain the insurance set forth in this ARTICLE 7. Such insurance may be maintained under individual or blanket insurance policies.

(b) On or before the date on which insurance must be provided, each party shall furnish certificates of insurance to the other party evidencing the insurance required pursuant to this Agreement. Each party shall cooperate with the other to ensure collection from insurers for any loss under any such policy.

(c) To the fullest extent permitted by law, the Owner and Contractor waive all rights against each other and any of their subcontractors, sub-subcontractors, agents and employees, each of the other for damages caused by fire or other causes of loss to the extent covered by property insurance obtained pursuant to Section 7.3 or other insurance applicable to the System.

(d) To the fullest extent permitted by law, Owner shall cause its general liability and any excess insurers to name Contractor as an additional insured and Owner shall cause its consultants, contractors and subcontractors performing services or work at the Site to name Contractor as

additional insured on their general liability and any excess insurance policies and provide evidence of compliance upon request.

7.2 Contractor Insurance

Contractor shall, and shall ensure that its Subcontractors, secure and maintain in full force and effect throughout the term of this Agreement insurance coverage for commercial general liability (bodily injury and property damage), automobile liability and workers' compensation insurance with limits that are required by appropriate regulatory agencies or the following limits, whichever are greater: commercial general liability, \$2,000,000 combined single limit per occurrence and aggregate; automobile liability, \$1,000,000 combined single limit per occurrence and aggregate; workers' compensation, statutory limit; pollution legal liability, \$1,000,000 per occurrence, \$1,000,000 aggregate, and \$5,000,000 umbrella liability.

7.3 Owner Insurance

(a) Owner shall, and shall ensure that its subcontractors, secure and maintain in full force and effect throughout the term of this Agreement insurance coverage for commercial general liability (bodily injury and property damage), automobile liability and workers' compensation insurance with limits that are required by appropriate regulatory agencies or the following limits, whichever are greater: commercial general liability, \$2,000,000 combined single limit per occurrence and aggregate; automobile liability, \$1,000,000 combined single limit per occurrence and aggregate; workers' compensation, statutory limit; and pollution legal liability, \$1,000,000 per occurrence, \$1,000,000 aggregate.

(b) The Owner shall secure and maintain property insurance that shall include, without limitation, insurance against the perils of fire and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, earthquake, flood, and windstorm.

(c) Owner will maintain the following insurances throughout the term of this Agreement, and shall provide Contractor with Certificates of Insurance to demonstrate compliance with this provision:

- (i) Property Damage Insurance for all property including Owner supplied vehicles and equipment for the full fair market value of such property.
- (ii) Liability Insurance for all vehicles and equipment provided by Owner and operated by Contractor under this Agreement.

7.4 Waiver of Subrogation

Owner and Contractor will provide for a waiver of subrogation against the other as to all insurances required to be carried hereunder, and each party waives any claim against the other arising in tort which are covered by their respective insurance hereunder.

ARTICLE 8 INDEMNITY AND LIMITS

8.1 Indemnification

(a) *Owner General Indemnity.* To the fullest extent permitted by law, Contractor shall indemnify, defend, reimburse and hold harmless Owner, the members thereof, and their respective officers, directors, employees, agents, affiliates and representatives, from and against any and all third-party claims for bodily injury or property damage arising out of or in any way connected with, but only to the extent of, any gross negligence, fraud or willful misconduct of Contractor.

(b) *Contractor General Indemnity.* To the fullest extent permitted by law, Owner shall indemnify, defend, reimburse and hold harmless Contractor, its officers, directors, employees, agents, affiliates and representatives from and against any and all third-party claims for bodily injury or property damage arising out of or in any way connected with, but only to the extent of, any gross negligence, fraud or willful misconduct of Owner.

8.2 Limits of Liability and Remedy

(a) Except for liabilities arising out of (i) breach of the confidentiality obligations of this Agreement, or (ii) the indemnification obligation in Section 8.1, neither party will be liable for any special, indirect, incidental, exemplary, punitive or consequential damages, including but not limited to lost profits, lost revenue, lost data, replacement goods, or interruption of use of the System, whether in contract, tort, negligence or otherwise, even if such party has been advised of the possibility thereof. The foregoing restrictions shall not apply to a claim by Contractor for Owner's failure to pay amounts owed under this Agreement.

(b) The aggregate liability of Contractor with respect to claims of Owner arising out of Contractor's negligence and the performance or nonperformance of obligations under this Agreement shall in no event exceed, during any Contract Year, the annual Reimbursable Cost markup payable to Contractor during such Contract Year. The limitation in this Section 8.2 shall not apply to Contractor's indemnification obligations under Section 8.1.

(c) Owner covenants that it will not, under any circumstances, bring a lawsuit or claim against Contractor's individual employees, officers, directors, shareholders or agents and that Owner's sole remedy will be against Contractor.

8.3 Force Majeure

(a) If either Owner or Contractor is rendered wholly or partially unable to perform its obligations under this Agreement (other than payment obligations) due to a an event, condition or circumstance beyond the reasonable control of, and not due to the fault or negligence of, the party affected, including without limitation, explosion, fire, flood, earthquake, act of God, strike or other labor dispute, war, insurrection or riot, actions or failures to act by governmental entities or officials (a "**Force Majeure Event**"), the party affected by such Force Majeure Event shall be excused from whatever performance is impaired by such Force Majeure Event, provided that the affected party promptly, upon learning of such Force Majeure Event and ascertaining that it will affect its performance hereunder: (i) promptly gives notice to the other party stating the nature of

the Force Majeure Event, its anticipated duration, and any action being taken to avoid or minimize its effect and (ii) uses its reasonable commercial efforts to remedy its inability to perform. The suspension of performance shall be of no greater scope and no longer duration than that which is necessary.

(b) No obligations of either party which arose before the occurrence causing the suspension of performance and which could and should have been fully performed before such occurrence shall be excused as a result of such occurrence. The burden of proof shall be on the party asserting excuse from performance due to a Force Majeure Event.

8.4 Fines and Civil Penalties

(a) Contractor shall be liable for fines or civil penalties, to a maximum aggregate of five thousand dollars (\$5,000) per year, which may be imposed by a regulatory or enforcement agency for violations occurring on or after the Commencement Date, as a result of the failure to comply with the terms and conditions of any duly authorized permit, court order, administrative order, law, statute, or ordinance for reasons resulting from Contractor's breach, violation, negligence or willful misconduct during the term of this Agreement. Owner will reasonably assist Contractor to contest any such fines in administrative proceedings and/or in court prior to any payment by Contractor. Contractor shall pay the costs of contesting any such fines.

(b) Contractor shall not be liable for fines or civil penalties that result from violations (1) that occurred prior to the Commencement Date of this Agreement, (ii) for the effects of prior violations that have contributed to the assessment of any fine or civil penalty caused by Contractor's negligent operations, or (iii) are otherwise directly related to the ownership of the System.

8.5 Unforeseen Circumstances

(a) Neither party shall be liable for damages, delays, or failure to perform its obligations under this Agreement if such failure is due to any Unforeseen Circumstances beyond its reasonable control. The party invoking this clause shall notify the other party immediately by verbal communication and in writing of the nature and extent of the contingency within ten (10) working days after its occurrence, and shall take reasonable measures to mitigate any impact of the Unforeseen Circumstance.

(b) In the case of Unforeseen Circumstances, Owner agrees to pay any Costs (including without limitation all overtime charges and additional equipment charges) incurred by Contractor in connection with the Unforeseen Circumstance.

8.6 Labor Disputes

In the event activities by Owner's employee groups or unions causes disruption in Contractor's ability to perform its obligations under this Agreement, Owner, with Contractor's assistance, or Contractor at its own option, may seek appropriate injunctive court orders during any such disruption, Contractor shall operate the facilities on a best efforts basis until any such disruptions cease, but Contractor cannot assure compliance with all contract conditions.

8.7 Other

(a) Contractor's responsibility is to operate the System in compliance with current laws and regulations, to the extent of their design and physical capacity. It is not part of Contractor's scope to test for or eliminate water borne bacteria or viruses except as required by current laws and regulations.

(b) In no event shall either party, its Subcontractors or their officers or employees be liable for special, indirect or consequential damages, whether such liability arises in breach of contract or warranty, tort including negligence, strict or statutory liability, or any other cause of action.

ARTICLE 9 DISPUTE RESOLUTION

9.1 Dispute Resolution

All claims, disputes and other matters in question between Contractor and Owner arising out of, or relating to this Agreement, or any breach under this Agreement will, if the parties cannot resolve their differences, be resolved by the dispute resolution procedures set forth below.

9.2 Negotiation and Mediation

(a) In the event a dispute arises as defined in Section 9.1, the aggrieved party shall promptly provide written notification of the dispute to the other party within thirty (30) days after such dispute arises. Contractor and Owner commit to first try to settle any dispute through direct discussions of the parties' management representatives. In the event the dispute has not been resolved within thirty (30) days after receipt of initial written notification of the dispute, a meeting shall be held promptly thereafter between the parties, attended by senior officers of the Contractor and Owner, to further attempt in good faith to negotiate a resolution of the dispute. If within thirty (30) days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, the dispute between the parties shall be submitted to nonbinding mediation in a prompt and timely fashion in good faith. If the parties cannot agree to an alternative form of mediation, then mediation will be administered by the American Arbitration Association ("AAA") under its Construction Industry Mediation Rules, unless the use of such rules are waived by mutual stipulation of both parties. All negotiations and meetings conducted pursuant to this paragraph shall be confidential and treated as compromise and settlement discussions not admissible in any legal proceeding involving this Agreement.

(b) The parties may, but are not required to be, represented by counsel in mediation.

(c) The requirement for mediation will not alter or modify the time limitations otherwise provided for claims under Applicable Law and no conduct or settlement negotiation during mediation will be considered a waiver of any right to assert that claim procedures were not followed.

9.3 Litigation

If Contractor and Owner do not resolve their dispute through mediation, either party may pursue their allowable remedies provided by law. The exclusive venue for any mediation or trial proceeding will be in the state court of Multnomah County in the State of Oregon.

ARTICLE 10 MISCELLANEOUS PROVISIONS

10.1 Contract Representatives

The Contract Representatives for this Agreement are:

Contractor: Thomas J. Puttman
Puttman Infrastructure, Inc.
620 SW Fifth Avenue, Suite 1100
Portland, Oregon 97204
Phone: 503-224-3454
Email: thomas.puttman@puttman.com

Owner: Thomas J. Puttman
South Coast Water Company, LLC
620 SW Fifth Avenue, Suite 1100
Portland, Oregon 97204
Phone: 503-224-3454
Email: thomas.puttman@puttman.com

10.2 Notices

Whenever this Agreement requires that notice be provided to the other party, such notice shall be in writing and addressed as set forth in Section 10.1. Notices will be deemed to have been validly given: (a) upon receipt if hand delivered or sent by overnight courier service, or (b) four (4) days after being sent by registered or certified mail, postage prepaid; provided, that any notice shall not be effective as to a party unless addressed to that party's addressee for notices. Either party may change the persons or address(es) for notice by a written notice to the other party given pursuant to this Section.

10.3 Confidentiality

(a) Each party agrees, both during and after the term of this Agreement, to hold the Confidential Information of the other party in the strictest confidence and not to disclose such Confidential Information to any third party. Each party shall, however, be permitted to disclose relevant aspects of such Confidential Information to its officers, employees, attorneys, auditors, or a government agency, on a need-to-know basis, provided that it has undertaken to protect the Confidential Information to the same extent as required under this Agreement. Each party shall give the other party notice immediately upon learning of any unauthorized use or disclosure of Confidential Information.

(b) The obligations set forth in this Section 10.3 do not apply if and to the extent the party receiving Confidential Information (the “**Receiving Party**”) establishes that:

- (i) the information disclosed to the Receiving Party was already known to the Receiving Party, without obligation to keep it confidential;
- (ii) the Receiving Party received the information in good faith from a third party lawfully in possession thereof without obligation to keep such information confidential;
- (iii) the information was publicly known at the time of its receipt by the Receiving Party or has become publicly known other than by a breach of this Agreement;
- (iv) the information is independently developed by the Receiving Party without use of the other Party’s Confidential Information; or
- (v) the information is required to be disclosed by applicable statute or regulation or by judicial or administrative process; provided that, in the case of (i) through (iv) above, such circumstances are demonstrated with written evidence thereof and that, in the case of (iv) above, the Receiving Party will use reasonable efforts under the circumstances to notify the other party of such requirements so as to provide such party the opportunity to obtain such protective orders or other relief as the compelling court or other entity may grant.

10.4 Hazardous Materials

(a) Contractor shall not be responsible for claims directly or indirectly related to hazardous materials present at the Site before the date of this Agreement, except to the extent Contractor acted with respect to such materials in a grossly negligent manner. Owner shall defend, indemnify, reimburse and hold Contractor harmless against such claims, except to the extent such claims arise from Contractor’s grossly negligent or intentional acts.

(b) Owner shall not be responsible for claims directly related to hazardous materials at the System arising out of the grossly negligent or intentional acts of Contractor. This provision of the Agreement shall not be construed to require Contractor to take corrective action with respect to any hazardous materials at the Site before the date of this Agreement.

(c) If action is required at the Site to comply with any applicable environmental laws during the Term of this Agreement, Owner (with Contractor’s assistance) shall be responsible for the costs of compliance. Costs for such compliance action as incurred by Contractor shall constitute a Reimbursable Cost under this Agreement.

10.5 Assignment

Except as otherwise permitted by this Agreement, neither Owner nor Contractor may assign its rights or obligations under this Agreement without the prior written consent of the other party hereto, which consent shall not unreasonably be withheld.

10.6 Amendments

No amendments or modifications of this Agreement shall be valid unless evidenced in writing and signed by Contract Representatives of both parties.

10.7 No Waiver

It is understood and agreed that any delay, waiver or omission by Owner or Contractor with respect to enforcement of required performance by the other under this Agreement shall not be construed to be a waiver by Owner or Contractor of any subsequent breach or default of the same or other required performance on the part of Owner or Contractor.

10.8 Representations and Warranties

Each party represents and warrants to the other party that: (a) such party has the full power and authority to execute, deliver and perform this Agreement and to carry out the transactions contemplated hereby; (b) the execution, delivery and performance by such party of this Agreement, does not and will not materially conflict with any legal, contractual, or organizational requirement of such party; and (c) there are no pending or threatened legal, administrative, or other proceedings that if adversely determined, could reasonably be expected to have a material adverse effect on such party's ability to perform its obligations under this Agreement.

10.9 Relationship of the Parties

Each party is an independent contractor, and nothing in this Agreement shall be construed to create relationships of employer and employee, partnership, or joint ventures. No Party hereto shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of any other Party or to bind any other Party to any contract, agreement or undertaking.

10.10 Governing Law

This Agreement will be governed by the laws of the State of Oregon without giving effect to principles of conflicts of laws.

10.11 Partial Invalidity

If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the rest of this Agreement shall remain in full force and effect and in no way be affected, impaired or invalidated.

10.12 Captions

Titles or captions of Sections contained in this Agreement are inserted as a matter of convenience and for reference, and do not affect the scope or meaning of this Agreement or the intent of any provision hereof.

10.13 Priority

If the terms and conditions of this Agreement vary or are inconsistent with any portion of the Exhibits, the terms of this Agreement shall control and be given priority, and the provisions of the Exhibits shall be subject to the terms of this Agreement.

10.14 Entire Agreement

This Agreement contains the entire agreement between the parties and supersedes all prior and contemporaneous agreements, whether oral or written, between the parties with respect to the subject matter of this Agreement. Neither party will be bound by or be deemed to have made any representations, warranties, commitments or other undertakings with respect to the subject matter of this Agreement that are not contained in this Agreement.

10.15 Counterparts and Execution


This Agreement may be executed in counterparts. Each counterpart will be considered an original, and all of them, taken together, will constitute a single Agreement. Facsimile or electronic signatures will be deemed original signatures for all purposes under this Agreement. When properly signed, this Agreement may be delivered by facsimile or electronically, and any such delivery will have the same effect as physical delivery of a signed original.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

CONTRACTOR:

PUTTMAN INFRASTRUCTURE, INC.,
an Oregon corporation

By: 
Print Name: *Thomas J. Puttman*
Title: *President and CEO*

OWNER:

**SOUTH COAST WATER COMPANY,
LLC,**
an Oregon limited liability company

By: Puttman Capital, LLC
Its: Manager


By: 
Print Name: *Thomas J. Puttman*
Title: *Manager*

EXHIBIT A O&M SERVICES SCOPE OF WORK

Contractor shall perform the Services listed in this **EXHIBIT A** in accordance with the standards required under ARTICLE 2 of the Agreement.

1. O&M Programs

In addition to those responsibilities described in the Agreement, Contractor shall be responsible for the establishment and implementation of the following programs, standards and procedures, which are included in the "Services" to be provided by Contractor.

1.1. **Communications Program.** The program for establishing System communications and coordination between Contractor, Owner and additional parties defined by Owner. Specific activities include:

- (a) Monthly Operator Report.
- (b) Annual Operator Report.

1.2. **Financial Management Program.** The program for identifying, monitoring and reporting overall financial performance of the System as it relates to the O&M Services. Specific activities include:

- (a) Annual O&M Services Plan.
- (b) Annual O&M Services Budget. A Preliminary Annual O&M Services Budget is included in Exhibit C.
- (c) O&M Services Budget Review and Adjustments. Quarterly and annually, Contractor will review and compare estimated costs and actual costs and will report to Owner findings and recommendations for adjustments.
- (d) Monthly Invoicing and Accounts Payable. Prepare and submit monthly invoices. Pay accounts payable.
- (e) Vendor, Supplier and Subcontractor Management. Establishing open purchase order or contract agreements with System equipment vendors, industrial suppliers, jobbers, and maintenance contractors to ensure timely response to System operation and maintenance needs.

1.3. **Operations and Monitoring Program.** The program for developing the procedures used to operate the System as well as monitoring, evaluating, and proposing revisions to such procedures as Contractor may deem necessary. Specific activities include:

- (a) Monitoring of System Performance
- (b) Monthly System Performance Calculations and Reports

- (c) Monthly Utility Consumption Calculations and Reports
- (d) Shift Routines / Operating Practices
- (e) Diagnostic Testing
- (f) Control of Equipment
- (g) System Chemistry Control and Water Treatment
- (h) Operator Qualifications
- (i) Operating Procedures
- (j) Status of Major Equipment

1.4. **Maintenance Program.** Execution or oversight of routine preventative maintenance and routine corrective maintenance activities in accordance with the Operating Manuals, Annual O&M Plan and Prudent Practice to troubleshoot, inspect, and repair the System. Specific activities include:

- (a) Maintenance Planning. Work with Owner, and Owner's Asset Management Program (if any), to identify System repairs and prepare schedule for completing System repairs.
- (b) Maintenance Procedures. Prepare maintenance procedures for each maintenance activity.
- (c) Preventative Maintenance. Provide and document all Preventative Maintenance for the System. Owner shall have the right to inspect these records during normal business hours.
- (d) Corrective Maintenance. Provide and document all Corrective Maintenance and Repairs for the System. Provide Owner with a monthly report on the expenditures of Repairs.
- (e) Capital Improvement and Major Repair Notice. Contractor will notify Owner in writing of potential capital improvements and/or major repairs necessary to maintain System performance and permit compliance.

1.5. **Testing, Reporting and Regulatory Program.** The program for identifying testing and reporting requirements in accordance with System permits and agreements and Prudent Practices for Systems operations and maintenance. Specific activities include:

- (a) Laboratory Testing. Perform all laboratory testing and sampling currently required in the Permit. Tests may be self-performed and sent out to a third party lab at Contractor's sole discretion.

- (b) Regulatory Report Support. Prepare and submit to Owner for transmittal to appropriate agencies, all regulatory reports pertaining to routine operations and maintenance of the System specified herein. Contractor shall comply with all current local, State and Federal notice and reporting requirements, regarding violations, upsets, or emergencies related to the Treatment Plant.
- (c) Permit Renewal Support. Assist Owner with Permit renewal process by providing System information within Contractor's possession and control. Any additional assistance requested by Owner will be handled as a Change Order.

1.6. **Equipment, Parts Inventory and Materials Management Program.** The equipment, parts and materials management program which provides requirements for the following. Specific activities include:

- (a) Equipment Schedules
- (b) Procuring Materials and Tools
- (c) Parts Inventory Levels and Control (including inventory renewal)
- (d) Materials Management
 - (i) Chemicals Management

1.7. **Safety and Emergency Response Program.** The program for identifying safety and emergency response in accordance to permit and agreement requirements for the System as well as Prudent Practices for System operations and maintenance. Specific activities include:

- (a) Safety Monitoring
- (b) Accident Prevention Program
- (c) Accident Reporting
- (d) Personnel Training and Certifications
- (e) Emergency and After Hours Response. Contractor will respond to all emergencies that have the potential to impact the System or the Contractor to prevent injury or property damage. All emergency and after hours response costs are considered a Reimbursable Cost.

1.8. **Records Management Program.** The records management program for maintaining the traceability and documentation of System performance and regulatory compliance-driven process parameters. Specific activities include:

- (a) Records Management. Provide computerized maintenance, process control and laboratory management systems for the System. Owner shall have the right to inspect these records during normal business hours. The maintenance program will

include documentation of spare parts inventory. This System shall be capable of providing historical data.

1.9. **Housekeeping Program.** The housekeeping/cleanliness program provides the requirements. Specific activities include:

- (a) General. System cleanliness including office, restroom and other occupied spaces. Office and lab will be kept clean and professional. Materials will be properly stored.
- (b) Equipment. Equipment condition including keeping equipment rooms and spaces clean. Tools, equipment and materials will be properly stored.
- (c) Landscape. Landscape maintenance including trimming of trees, shrubs and grass and removal of noxious weeds. Management of damaged or fallen trees over 20-ft in height would be Reimbursable Cost.

2. Specific Requirements

Contractor, as part of the Services, is also responsible these specific requirements:

2.1. Water Supply.

- (a) Lake Intake. Inspect lake intake monthly to keep free-flowing.
- (b) Pump Station. Inspect pump station monthly.
- (c) Water Supply Tank. Inspect water supply tank monthly.

2.2. Treatment Plant

- (a) Treatment Plant O&M. Within the design capacity and capability of the Treatment Plant, manage, operate, and maintain the Treatment Plant so that water produced from the Treatment Plant meets Applicable Laws and the requirements specified in the Permits, unless one of more of the following occurs:
 - (i) The raw water supply and/or characteristics or customer demand exceeds the Treatment Plant's design parameters, in which case Exhibit E specifies responsibilities and remedies.
- (b) Backwash System. Inspect backwash system monthly to ensure system is free-flowing.

2.3. Distribution System.

- (a) Storage Tanks. Inspect storage tanks monthly for leaks. Clean per the Operating Documents.
- (b) Distribution Mains. Inspect distribution mains monthly for leaks.

(c) Valves. Exercise and inspect valves per the Operating Documents.

2.4. **Customer Services**

(a) Customer Laterals. Inspect laterals monthly for leaks.

(b) Cross Connection Program. Maintain cross connection program. Perform annual backflow inspections.

(c) Meters. Inspect meters annually to ensure adequate readings. Read meters monthly.

EXHIBIT B REIMBURSABLE COSTS

The Reimbursable Costs and Labor Rates listed in this **EXHIBIT B** shall be paid to the Contractor in accordance with the requirements of ARTICLE 4 of the Agreement.

1. Reimbursable Costs

Reimbursable Costs	
O&M Labor	Monthly O&M Services Labor
Emergency and After Hours Response	O&M Labor
Maintenance and Repairs	Equipment repairs, overhauls and replacements
	Spare and replacement parts
	Materials, tools and equipment necessary to operate and maintain the System
	Shop equipment installed in System
	Authorized leased and rental equipment
	Contract services
Materials Management	Chemicals
	Materials
	Hauling
Support Services	Professional service fees
	System locates
	Inspections and cleanings
Regulatory	Specialized instrumentation, test and calibration costs
	Lab testing and materials
	Permit fees
Auto	Vehicle Use Fee
	Mileage
	Insurance
	Maintenance
Utilities	General and process utilities
	System monitoring and management
	Security
Insurance	Liability insurance
	Pollution prevention insurance
Miscellaneous	Freight and express mail charges
	Other reimbursable costs not included in categories listed above

2. Labor Rates

See the following Rate Schedule. Labor for emergency and after hour responses will be invoiced at time and a half times the Labor Rates. Labor performed on Holidays will be invoiced at two times the Labor Rates.



Puttman Rate Schedule
Year 2019

Rate Schedule	
Labor Classification	Hourly Rate
1 Utility Manager	\$ 222.00
2 Project Manager	\$ 95.00
3 Senior Operator	\$ 79.00
4 Operator	\$ 55.00
5 Administration & Accounting	\$ 104.00
6 Customer Service	\$ 50.00
7	
8	
9	
10	
Summary	

EXHIBIT C
PRELIMINARY ANNUAL O&M SERVICES BUDGET

Contractor shall perform the Services based on the Annual O&M Budget listed in this **EXHIBIT C** in accordance with the standards required under Section 2.3 of the Agreement.

EXHIBIT D SYSTEM DESCRIPTION

This **EXHIBIT D** shows the components that comprise the System as represented in the attached map.

South Coast Water Company
Water Utility

**PUTTMAN
INFRASTRUCTURE**

Annual Budget Estimate

	Total
O&M	
O&M Labor	\$ 18,370
O&M Admin Labor	\$ 828
Emergency & After Hours Response Labor	\$ -
Repairs	\$ 1,000
Materials Management	\$ 500
Support Services	\$ -
Testing & Reporting	\$ 3,318
Auto	\$ -
Utilities	\$ -
Liability Insurance	\$ -
IT	\$ -
Customer Service & Billing	
Customer Service Labor	\$ 5,308
Billing	\$ 600
Customer Engagement (annual meeting, newsletter, etc.)	\$ 1,017
IT (website, billing system)	\$ 600
Management	
Utility Management	\$ 11,076
PUC Coordination	\$ 1,329
Direct Expenses	
Rent	\$ -
Professional Services	\$ 250
Insurance	\$ 1,500
Property Taxes	\$ 825
Franchise Fee	\$ -
Permit Fees	\$ 250
Utilities	\$ 3,600
Other	\$ -
Total	\$ 50,371

South Coast Water Company
Water Utility



O&M Services Budget Estimate

Service Task	Utility Manager \$222	Project Manager \$95	Senior Operator \$79	Operator \$55	Admin & Accounting \$104	Customer Service \$50	Labor Cost	Materials Cost	Contractors	Mark Up	Total Cost
O&M Services											
O&M Labor (OWS Contract)							\$ -	\$ -	\$ 18,370	0%	\$ 18,370
O&M Admin Labor	1	2			4		\$ 828	\$ -	\$ -	0%	\$ 828
Emergency & After Hours Response Labor							\$ -	\$ -	\$ -	0%	\$ -
Repairs							\$ -	\$ 1,000	\$ -	0%	\$ 1,000
Materials Management							\$ -	\$ 500	\$ -	0%	\$ 500
Support Services							\$ -	\$ -	\$ -	0%	\$ -
Testing & Reporting							\$ -	\$ -	\$ 3,318	0%	\$ 3,318
Auto							\$ -	\$ -	\$ -	0%	\$ -
Utilities							\$ -	\$ -	\$ -	0%	\$ -
Liability Insurance							\$ -	\$ -	\$ -	0%	\$ -
IT							\$ -	\$ -	\$ -	0%	\$ -
Total	1	2	0	0	4	0	\$ 828	\$ 1,500	\$ 21,688		\$ 24,016

EXHIBIT E SYSTEM CAPACITY AND CHARACTERISTICS

Contractor shall perform the Services based on the following System Capacity and Characteristics listed in this **EXHIBIT E** of the Agreement.

1. System Capacity and Influent Characteristics

Parameter	Design
See Basis of Design document for specifics	See basis of design.

In the event any one of the Influent Characteristics exceeds the design parameters stated above, Contractor shall return the System to the characteristics required by the permit. Contractor shall not be responsible for fines or legal action as a result of violations within the period that influent exceeds design parameters, contains Biologically Toxic Substances or other substances, and the subsequent recovery period.

EXHIBIT F PERMITS

Contractor shall perform the Services to maintain compliance with permits listed in this **EXHIBIT F** in accordance with the standards required under ARTICLE 2 of the Agreement.

1. Permits

Permit	
State of Oregon	Department of Human Services

12. In response to Question 28 of the rate case application, the Company listed its test year operating expenses, other revenue deductions, and proposed changes to those amounts. For each account shown below, please provide:

c. For each account in which the Company proposes an adjustment to the test year amount, please explain the reason for the proposed change. Please include any documentation and analyses necessary to support the answer.

Item	Account	Test Year	Change	Total
a.	611 Telephone/Communications	\$2,533	\$0	\$2,533
b.	615 Purchased Power	\$4,777	\$0	\$4,777
c.	618 Chemical / Treatment Expense	\$1,812	\$0	\$1,812
d.	619 Office Supplies	\$152	\$(100)	\$52
e.	619.1 Postage	\$546	\$(366)	\$180
f.	621 Repairs to Water Plant	\$4,419	\$(3,919)	\$500
g.	634 Contract Svcs - Management Fees	\$2,545	\$(1,680)	\$865
h.	635 Contract Svcs - Testing	\$3,227	\$0	\$3,227
i.	636 Contract Svcs - Labor	\$19,761	\$0	\$19,761
j.	637 Contract Svcs - Billing/Collection	\$6,573	\$(4,338)	\$2,235
k.	639 Contract Svcs - Other	\$2,218	\$(2,218)	\$0
l.	657 General Liability Insurance	\$2,070	\$0	\$2,070
m.	675 Miscellaneous Expense	\$1,000	\$(1,000)	\$0
n.	OE2 Other Expense 2 - Permit Fees	\$327	\$0	\$327
o.	OE3 Other Expense 3 - PUC	\$3,707	\$(3,707)	\$0
p.	408.11 Property Tax	\$637	\$0	\$637

Company Response:

After having operated the Company for longer, we have found potential efficiencies that may reduce future operating expenses.

27. In response to Question 11 of the rate case application, the Company stated that it has made significant capital improvements to the system, including:

- Switching Water Sources from Siltcoos Lake to Woahink Lake.
- Construction of a New Treatment Plant & Storage Tanks
- Demolition of Old Treatment Plant
- Treatment Plante Site Security & Vulnerability Improvements
- Installation of New Customer Meters
- New Website & Customer Billing Platform

For each item listed here, please explain why the improvement was necessary and provide the total cost associated with the improvement and date the improvement occurred and came into service.

Company Response:

See Attachment F (Recent Capital Improvements Table).

South Coast Water Company
Recent Capital Improvements

Capital Improvement	Description	Name and No. of Plant Account	Date Purchased Or Constructed	Cost (including labor)	In Service Date
Asset Management Program	Preparation of asset management program including system mapping, expansion planning and asset schedules.	301. Organization	Sep-20	\$12,240	Sep-20
Billing System	Upgrade to customer billing including website, billing software and online bill pay.	301. Organization	Apr-20	\$5,722	Sep-20
System Master Plan	Preliminary plannig for system expansion, including public outreach.	301. Organization	May-20	\$3,383	May-20
Water Rights	Review and confirmation of system water rights.	303. Land and Land Rights	Apr-20	\$1,093	Apr-20
Tree Removal	Removal of hazardous trees at plant site.	304. Structures and Improvement	Dec-19	\$24,520	Dec-19
Gravel	Treatment plant improvements.	304. Structures and Improvement	12/2019-12/2020	\$14,765	Dec-20
Fencing	Treatment plant security improvements.	304. Structures and Improvement	12/2019-12/2020	\$14,287	Dec-20
AKS Mapping (update system maps and topographic survey)	Topographic survey for system planning and asset management.	304. Structures and Improvement	Dec-20	\$9,821	Dec-19
Signage	Treatment plant security improvements.	304. Structures and Improvement	Dec-20	\$976	Dec-20
Lighting	Treatment plant security improvements.	304. Structures and Improvement	Dec-20	\$3,723	Dec-20
Communications	New website.	304. Structures and Improvement	Dec-20	\$1,853	Dec-20
Old Site Demo	Treatment plant improvements (demo of old plant).	304. Structures and Improvement	Dec-20	\$3,339	Dec-20
Pump Repair	Distribution pump repair.	311. Pumping Equipment	12/2019-12/2020	\$4,055	Dec-20
Treatment Plant	New treatment plant, including change of water source.	320. Water Treatment Equipment	Dec-19	\$303,289	Dec-20

28. A public comment submitted in this case alleges that some “individuals in South Coast Water Company’s customer base...were given deals by the company and were not paying for their water.” Is this statement accurate? If so:

- a. Please describe and explain any arrangements between the Company and its customers wherein certain customers have been allowed to avoid payment for utility services rendered.
- b. Are the nonpaying (or underpaying) customers included in the provided test year customer count of 96? If not, please provide the number of such customers and the meter size associated with each for which the customer is not effectively charged for utility services.
- c. Is the consumption associated with the nonpaying (or underpaying) customers included in the provided test year consumption total of 5,538,470 gallons? If not, please provide the test year consumption associated with each such customer that is not effectively charged for utility services.

Company Response:

- a. Since receiving this question, we have requested details from the previous owner. John Scott is an SCWC customer granting the system an easement and he received free, metered water in exchange. Dave Davis is a SCWC user who is neither metered nor charged; the previous owners had not been able to locate his water line. Our plan is to sunset such arrangements so that every customer is metered and charged.
- b. Neither of the known non-paying customers mentioned are included on the customer count of 96.
- c. Not known at this time. It appears John Scott’s is while Dave Davis’ is not, based on their metering arrangements.

22. The Company's proposed Miscellaneous Service Charges tariff lists pricing "at cost" for a number of services. Regarding these services:
- a. Please explain why it is appropriate to assess these charges in a cost-based manner rather than listing specific charges for each in the tariff.
 - b. For each item proposed to be charged "at cost," please provide the average cost of providing the service.

Company Response:

Because we rely on a contractor for these services, we cannot anticipate the exact associated cost for each item, ahead of being invoiced by the contractor.

31. The Company's response to Question 11 of the application lists "Installation of New Customer Meters" as a capital investment performed by the Company. With regard to new customer meters, a written customer comment submitted in this docket on July 15, 2022, states, "I don't believe I or the majority of customers got one since they bought the system." A separate written comment submitted on the same date states, "[t]here has been no new meter installed at my residence since Oct. 2020, not sure what meters have been replaced." Regarding meter replacements, were all customers' meters replaced? If not,
- a. How many meters were replaced?
 - b. Please explain how the Company decided which meters to replace.

Company Response:

- a. Around 2017-18, prior to the Company's acquisition of the system, meters were replaced for all 94 customers. These Master Meter auto read meters increased accuracy and ease of reporting.
- b. All customers received new meters.

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 104

Public Comments

October 25, 2022

Davidson Comments

While I fully understand the need for a rate increase, 38/39% at a time is completely out of line in my opinion.

It is not the users fault that the previous owner failed to institute yearly incremental rate increases to cover the cost of improvements and increased operating cost. But now, the new owner, wants the users to cover those costs as well recoup their own investment in record time, apparently.

A plan to raise monthly rates by a maximum of 10%/ year, for 8-10 years, or even indefinitely, seems to be more in line with what other utilities do, and certainly would be MUCH more palatable to the users.

Dennis L. Davidson
83384 Spruce Ln, Florence, OR 97439

Phillips Comments

Dear PUC,

I wanted to send my comments and concerns to you regarding the case AHD-UW 191 (South Coast Water Company, LLC's request to increase water rates). I attended the meeting yesterday via Zoom but did not feel comfortable talking at the meeting. Thank you for providing other ways to comment.

I feel that such a dramatic increase (38.37% in year one and 38.89% in year 2) is a burden for most users. I worry about individuals that are on fixed incomes with such a dramatic increase. I do not believe that other cities the size of Dunes City pay this much for their water. I think that Mr. Puttman from South Coast Water is trying to quickly recoup his purchase price for buying the company at the burden of the individuals that are users of his water company. I would like to see a comparable increase to what other cities pay and over a much longer period of time.

I attended the open house meetings at Dunes City last year that Mr. Puttman mentioned last night. These meetings were not to get the public's opinions on water increases but to tell us that he was raising the rates. I know that he had already filed with the PUC a request at that time to increase rates (even higher rates than this time). People that had attended these meetings were very upset because South Coast Water had not communicated with people that are on this service regarding the increase until it was already filed. Everyone believed that the increase he wanted was sky high. Mr. Puttman did decide to cancel this previous request for an increase until later to look into other options.

At these meetings numerous individuals did bring up that they believed the base rate should remain low and individuals that use a lot of extra water should be the ones paying premium rates. Everyone thought that the burden to recoup his costs should not be on the backs of the average water user. He did not even want to talk about or discuss this option. I see that his new request, increases the base rate for users dramatically. I would like to see this changed and the base rate remain the same or at a slight increase and supplemental or extra water is charged at a much higher rate. I think it is only fair that people that use a large amount of water should pay extra for it. I have neighbors that have large lawns that water constantly and use a tremendous amount of water when I only barked my yard and have drippers on all my plants to save water. I feel that I should not be penalized with an astronomical increase in the base rate to have other individuals waste a lot of water and not pay their fair share for it.

I was also made aware of individuals in South Coast Water Company's customer base that were given deals by the company and were not paying for their water. I did ask Mr. Puttman at those meetings last year if this was true. He did confirm that it was and he would deal with it. He was unwilling to go into any details about this practice. I think that it is extremely unfair, unethical and maybe against the law to make deals with individuals and allow them not to pay. The rest

of us that use South Coast Water, are paying for these individual's water use. I hope that the PUC can look into this and stop this practice.

I do want to continue to have good water service with quality drinking water and I am not against a reasonable increase in a reasonable time frame. I think that what is being proposed by Mr. Puttman and South Coast Water is too high and too fast of an increase. I am hoping that the PUC will consider this and be able to adjust his request to make it fair for everyone.

Thank you for letting me voice my concerns and opinions.

Sincerely,
Wanda Phillips

Babbitt Comments

In reference to docket number UW 191, South Coast Water Co. request for rate increase.

I was able to attend the Public Comment Hearing on 7/11/22. I was pleased to see the process overview presented by Ms. Yamada that indicated the PUC really does advocate for the consumer. I would also like to be added as an Interested Party, my email address is j_babbitt@verizon.net.

Before commenting I wanted to review the various documents and do some research, which I have now done. In summary I believe the rate increase as requested by South Coast Water Co. (SCW) is unreasonably high and not justified. I will make my arguments below.

Rate Increase Calculations:

The requested rate increase over the two year period amounts to a compounded increase of 92.2% increase. This is far in excess of any CPI inflation measures over the past 14 years that SCW claims. There have been no rate increases, and I'm sure the CPI increase will come nowhere near 92.2% in the next 2 years. Breaking the requested rate increases down; the Year 1 increase asks for a 129.2% increase of actual water use and a 9.2% increase of the base rate giving the combined weighted increase of 38.4%, the Year 2 increase asks for 39.2% increase of actual water use and a 38.6% increase of the base rate giving a combined weighted increase of 38.9%. While the Customer Notice sent out by SCW is technically correct, their presentation of the increases is not clear and transparent, by not showing the actual component requested increases.

SCW Request for General Rate Revision filing:

On page 6 of the SCW Request for General Rate Revision in the answer to question 11, SCW indicates the following items as part of list to justify the rate increase:

- Switching of water source from Siltcoos Lake to Woahink Lake completed in 2018. This change in water source was completed prior to SCW being acquired by Puttman in 2019. While the debt to make this change was probably also acquired by Puttman, their assertion that they accomplished the source change is mis-leading.
- There has been no new meter installed at my residence since Oct. 2020, not sure what meters have been replaced. If meters are replaced that should represent a cost savings to SCW by utilizing new meter technologies that report usage negating the need for manual visual meter reading.

- The updating of the SCW website and customer billing platform should represent an investment by SCW that if properly implemented should have resulted in cost savings or operational efficiencies.

On page 8 in response to question 21, SCW states they have no full or part time employees. That raises the question of who performs the work for the utility? They must have some employees to perform their operations. If these employees are shared with their other interests, those employees or partial employees should be noted. If they truly have no employees then there are no labor costs, which for a typical company represent one of the largest operating costs.

On page 15 in response to question 35, SCW states they have no plans in the next 12 months to make any capital improvements or additions to their system. If that is the case why do they need such a large rate increase? If they neglected to indicate any improvements or additions how are said improvements and additions tracked to insure they are actually implemented?

On page 15 in response to question 36, SCW indicates they have not applied for any funds from the SAFE DRINKING WATER STATE REVOLVING FUND. I have no knowledge of this fund or the stipulations for getting such funds but possibly SCW could explore this option to procure funds to help with operating costs or improvements.

On page 17 in response to question 38, the arithmetic is in error, the total is incorrect based on the instructions in the "Utility Plant" column.

On page 19 in response to question 47, SCW reports service problems that they intend to correct in the next calendar year. This contradicts their response to question 35 on page 15.

Summary:

While I do think that a modest rate increase is probably appropriate. Their operating costs have most likely have increased over the past 14 years. But taking SCW's Customer Notice at face value, they indicate their operating costs have increased in the past 14 years at the CPI inflation rate of 34.3% the Year 1 rate increase provides them with a 38.37% increase, why do they need the additional 38.89% increase in Year 2? My request to the PUC would be to limit the rate increase to no more than the SCW requested Year 1 increase, with no Year 2 increase.

In comparison the City of Florence charges a base rate of \$20.38 and water usage charge of \$0.30 per 100 gallons. I realize that Florence has greater economies of scale and a much larger customer base, but if SCW wants to expand their customer base, which would increase revenues, they should make their service attractive to potential customers. There are certainly

many residences in the Dunes City service area that could benefit from reliable water service from SCW.

Thank you for your attention to this matter. If you have any questions for me I can be reached at 310-722-1632 or at j_babbitt@verizon.net

James Babbitt
83400 Osprey Way
Florence, OR 97439

310-772-1632

Jensen Comments

July 15, 2022

Oregon Public Utility Commission

Attn: AHD-UW 191

PO Box 1088

Salem, OR 97308-1088

This letter is in response to South Coast Water Company, LLC rate increase. To my knowledge the company has experienced very minimal expense increases since they purchased the utility.

- * Most, if not all, of the expenses of changing water sources was paid for with grants.
- * Demolition of the old plant involved removing their equipment, and the property owner had a difficult time getting them to remove a cement tank left on his property.
- * I don't know about security, but I imagine that it is everyone's concern no matter what business they are in.
- * New customer meters; I don't believe I or the majority of customers got one since they bought the system.
- * New website; they just incorporated the old one into the system they were using with their other utilities.

This price increase seems excessive, and considering that they have called or mailed us several times a week, to reduce water usage to keep the system from running out, I for one would not be happy with a proposed increase of over ninety-three percent [93%] over two years.

I believe that what they thought they could do was get everyone in the area who wasn't on their system to sign on and that failed. But they can't supply enough water to the customers they already have. How would they supply the new customers? I think they realize they made a bad investment and now expect their customers to pay for it!

Sincerely,

Barry Jensen

Joint Parties/104
Yamada-Puttman/8

83380 Parkway Dr.

Florence, OR 97439

Cheryl and John Ludwig Comments

Attn: AHD-UW 191

This email is in response to the rate increase proposed by South Coast Water to Dunes City residences: 38.37% year one AND 38.89% year two for a proposed increase of approximately \$91.02 ON TOP of our current water charges per month.

I believe this is excessive and would ask that the water charges be more in line with the surrounding communities.

Thank you!

Cheryl and John Ludwig

205-617-2431

cludwig89@gmail.com

83412 Parkway Dr

Florence, OR 97439

Cheryl Ludwig Comments

Cheryl Ludwig
205-617-2431
83412 Parkway Dr. Florence OR 97439.

"I object to the unreasonable increase. I think that it is too high for residents in this area. I don't object to a rate increase if it is in line with other water companies, but 38.7% this year and 38.9% next year almost 40% this year and next is unreasonable, but this is \$91.02 per month on top of our already monthly bill. I just feel that that is excessive and he needs to be more in line with the water bills for the adjoining area. There are a lot of seniors in this area and we don't have that kind of money."

Mathews & Molzen Comments

July 25, 2022

Dear Oregon Public Utility Commission,

We are writing to express our strong opposition to the request for a general rate revision by South Coast Water Company (SCWC). (Docket Number UW 191)

With the proposed rate increase, our water bill will almost double by 2024, with the base rate increasing by 50% and the volumetric rate increasing threefold.

When Mr. Thomas Puttman purchased the water company, he sent a letter dated July 19, 2019, that stated: "We look forward to providing you the same level of service, reliability, and cost effectiveness as the previous owner." In subsequent communications, he again restated the above sentiment. However, the proposed rate increase is not cost effective for the customers.

When Mr. Puttman proposed a rate increase last year, there was a general outcry in our community. Mr. Puttman withdrew his request to the PUC, and he held two Open House meetings at our city hall to discuss the need for a rate increase. There were a significant number of citizens at these meeting where concerns were raised and many recommendations were suggested. These concerns have only been minimally addressed with this latest request to the PUC for a rate increase, and none of the recommendations have been incorporated.

Some of the recommendations that SCWC customers asked Mr. Puttman to consider were:

- To propose a much lower percentage increase per year over a much longer time span. A very large rate increase over a two-year period is very burdensome for a large percentage of the customers who are on a fixed, retirement income.
- To develop a tiered volumetric rate system with high water users paying more per unit.
- To access other possible resources to assist with financing infra-structure needs, e.g., Federal and State funding, grants, etc.

After extensive research (in 2021) of local water rates, monthly base rates ranged from \$11.46 to \$41.03. Mr. Puttman's request for a base rate of \$54.51 by 2024 is significantly greater than other local water systems. (SCWC's current base rate is \$36.00.) This large increase places an unfair burden on low-income users.

Our research (in 2021) of local water bills based on 8,000 gallons of usage per month (with base rate included) ranged from \$34.09 to \$74.19. With Mr. Puttman's request for a volumetric rate increase to \$0.76 per 100 gallons, a monthly water bill (based on 8,000 gallons and including base rate) would be \$115.31 by 2024. Once again, this is significantly greater than other local water systems. (SCWC's current base rate is \$0.24 per 100 gallons. Based on 8,000 gallons and including the \$36.00 base rate, the current SCWC bill is \$55.20.) This significant untiered volumetric rate increase places an unfair burden on low-income users and does not encourage water conservation.

We are hoping that the PUC will deny the general rate revision for SCWC that Mr. Puttman is proposing, and that the PUC will assist Mr. Puttman in determining a much more reasonable

rate increase which includes incentives for customers to conserve water and protects both low-income and fixed-retirement income customers. It is also our hope that the PUC might encourage Mr. Puttman to access other possible sources to assist with financing infra-structure needs.

Sincerely,

Michael Mathews & Sandra Molzen

83619 Sauter Drive

Florence, OR 97439-8356

birdsongofoz@gmail.com

Home phone: (541) 590-3743 Cell phone: (541) 973-9595

Davis Comments

To Oregon PUC,

I am writing in regard to the proposed water rate change by South Coast Water Company that will impact residents of Dunes City, OR. While I am not opposed to a rate increase in of itself, I have the following concerns:

1. There is no distinction in water rates paid based on usage. I am a household of one person, who has very low water usage and uses minimal irrigation. My neighbors both have households of 6 or more people and irrigate. Under the proposed rate increase, I will effectively be paying the same amount as my neighbors regardless of the discrepancy in usage. Given the substantial rate increase proposed, this puts an unfair burden on myself and other smaller or water-conscious households in our community. I would like to see a rate where the base rate is lower, and costs are tiered by usage rather than solely by participation in the water service.

2. I attended both town halls hosted by South Coast Water Company over the past year, and while their rate changes are adequate to meet the needs of the existing water system, there was no mention of scaling the system to accommodate future growth. As it is, we often have water shortages in our community during peak summer months. Not only does the proposed rate change not account for system growth to meet the current demand, there is no indication of how it will meet future demand either. Given that the rate change does not account for actual water usage by households, there is no incentive for households to conserve water, which leads me to believe that water shortages will continue **despite** nearly doubling the monthly water rates. This means that in a few years, we will likely see another proposed rate change to accommodate growth of the system, and water bills will rival electricity bills for the lion's share of monthly household expenses.

3. In a rural area with a very high percentage of the population over 65 and on a fixed income, \$91.02 is a very high recurring monthly bill. With electricity and heat, residents can find ways to conserve by adjusting thermostats, turning off lights, or supplementing heat with wood. The way this proposed rate change is structured offers no opportunities for relief for more vulnerable individuals in our community. This is very concerning. I would like to see options for low-income families added to the rate plan.

Thank you for your time and attention to these concerns.

Sincerely,

Megan Davis
Dunes City Resident

Stanley Comments

Name: Ron Stanley

Cell: 541-997-3685

Issue: He knows we are nearing Aug 1, 2022, and wanted to make a comment on the rate increase for south coast water (UW 191). He asked that Consumers type it up on his behalf.

1. Amount of the rate increase consider to be too high. Feels more than double the existing rate and not comparable to other communities. Only other place could find with similar rate is in West Virginia.
2. Called South Coast Water Company and it's actually Putnam Infastructure. Part of campaign is no increase since 2008, but only owned the company for the last 3 years. Feels inaccurate and using it to pay for extension plan in area, when can't manage the customers they have now. So when saying South Coast hasn't increased since 2008, is not true, it began with Putnam purchasing the company until about 3 years ago.
3. Also had in person meetings to get community input but during pandemic and some customers were not able to attend. Normally meetings are video and recorded, but it was not done or allowed by Putnam. So information they heard was second hand by customers who attended.
4. Wife heard that PUC put company under pressure to increase rates to remain viable. Not sure if that is true or not.
5. He wanted to attend the Zoom meeting but had to become a Zoom Member and disadvantages were more than what he was willing to do.
6. He would like to request that the rates be more in line with other water companies, and not the highest in the country. He would like the PUC to not deny rate increase, but have it be $\frac{1}{3}$ to $\frac{1}{2}$ of what the company is asking for.

O'Brien Comments

The proposed rate increase by South Coast Water Company is exorbitantly high as it would effectively double water bills over the course of the next two years. While a smaller rate increase might be justified of 10% to 15% the proposal of 38.37% the first year and a rate of 38.89% the second year is unreasonable and would place an additional strain on budgets already suffering from inflation rates we haven't seen in 40 years. As a senior, single person trying to live on my SSA payments the proposed increase it would be one more burden when prices for food, gas, and services continue to spiral with no relief in sight.

Basically we in the water company service area are stuck. Most of us live on small lots with septic systems so well are out of the question, let alone the cost. The same is true for drawing water from a lake or other surface water sources. Few of us have that possibility, and again the cost would be something few could afford.

I realize that South Coast Water Company wants to make some significant capital improvements. Have they considered in getting a government grant, a bond issue, or even a stepped tier rate for the heaviest users? I would also be curious what the City of Florence, the City of Reedsport, and the Heceta Water district charge for their basic rates as I personally use far less than people raising families in the district, or do heavy watering.

Thank you for your consideration,

George O'Brien
5213 Hilltop Drive

Hooper Comments

Mr. Puttman

Attached please find a copy of your latest communication of a long series of phone calls, letters and emails regarding water conservation. I am all for water conservation as a general principle but why is it an emergency at this point in time and at this particular place? Our water source (Woahink lake) is at full capacity, we have had more than normal rainfall, why is there an emergency?

Asking for a rate hike at the same time requesting reduced service does not seem like a normal business practice...

We irrigate MWF because that fits our lifestyle best do we have to switch to the other? We ave 5 Stations for 15 minutes each which is hardley excessive but beyond your 1 hr mandate, do we need to change? Earlier communication from your office requested early morning or night irrigation. Why the change?

Needing some more information please. Thanks for your help

Tim Hooper

ps the water quality is still very good

Wirths Comments

August 1, 2022

Dear Utility Commission,

We have lived in Florence ,OR for 17 years. The water company was then run by very nice people .

Recently our local water company was bought by an outfit out of Portland, who also own several other water companies. They are not such nice people.

They have informed us that our rates will soon double !! Apparently you hold the key to this change.

They make FALSE claims of having spent lots of money to switch our water supply from Siltcoos Lake to Woahink Lake. This claim is a LIE. We all watched for what seemed like a year, as the former water company made the change....lots of construction was going on on our nearby roads. This was completed long before the Portland company became the new owners.

The new owner recently held a meeting at the local city hall to discuss the rate increase. It was well attended....standing room only. Most ALL of the people there were older folks, like us, retired on fixed incomes and scared that they won't be able to afford the new rate.

We are 82 and 85 years of age and love living here but are now quite frightened that our current water bill will go from around \$47 to \$91 !!

Please don't fall for their fake sob story. Please please please.

Sincerely,

Walter & Wendy Wirths
83403 Tsiltcoos Terrace
Florence, Oregon 97439

Ralstin Comments

This increase is excessive in general
Specifically: volumetric rate from .24 to .55 per gal. – more than doubles –
I understand cost of goods – increases – however why not go gradually on this ?
Base rate I can consider accurate increase – due to no water rate changes since 2008

Please re-consider cost increase

Thank you

Delia and Ron Ralstin

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