

CASE: UW 192
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 Lakeshore Water Company, LLC (collectively,
4 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 Lakeshore Water Company, LLC (Lakeshore or Company) since
11 its acquisition in 2018. I am a licensed professional engineer and certified
12 planner, specializing in utility investment, development, and management. I
13 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 Docket No. UW 192, Lakeshore's request
17 for a general rate revision. The Stipulation of the Joint Parties, concurrently
18 filled, 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 6, 2022, with additional discussions on September 13, 2022, and

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

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

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

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

8 A. No.

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

10 A. Yes. We prepared Exhibit Joint Parties/101, consisting of one page, Exhibit
 11 Joint Parties/102, consisting of six pages, Exhibit Joint Parties/103, consisting
 12 of 91 pages, and Exhibit Joint Parties/104, consisting of 14 pages.

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

14 A. Our testimony is organized as follows:

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ISSUE 1 – SUMMARY RECOMMENDATION

- Q. Please summarize The Joint Parties’ recommendation in this case.**
- A. The Joint Parties recommend that the Commission adopt in its entirety the Stipulation agreed to in Docket No. UW 192. The Parties agreed to a revenue requirement of \$30,769, which represents an increase of 36.79 percent, or \$8,276, compared to test-year revenues of \$22,493. The Parties agreed to a 7.25 percent rate of return on a rate base of \$32,681, as summarized on the Revenue Requirement summary found in Exhibit Joint Parties/102, Yamada-Puttman/1-2.

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

2 **Q. Please describe Lakeshore.**

3 A. Lakeshore is a rate and service-regulated water utility serving 49 domestic
4 customers in the vicinity of Veneta, Oregon. The system was originally
5 constructed and began providing service in 1990. 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.¹
8 Puttman Capital is owned by Thomas J. Puttman.

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

10 A. Yes. The sale of Lakeshore was previously approved by the Commission with
11 Order No. 19-070, issued March 1, 2019, in Docket No. UP 386. The present
12 case is the first rate case under current ownership.

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

14 A. Lakeshore's last general rate case was Docket No. UW 66, as Marina Water,
15 with rates effective November 1, 1999.

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

ISSUE 3 – SUMMARY OF LAKESHORE’S GENERAL RATE FILING**Q. Please describe Lakeshore’s general rate case application.**

A. Lakeshore 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, Lakeshore proposed total annual revenues of \$31,685, representing an increase of 40.86 percent over test-year revenues of \$22,493. The Company’s request reflected a Rate of Return (ROR) of 9.5 percent on a rate base of \$36,591.

Q. What rate changes did Lakeshore propose in its Application?

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

Table 1: Company Proposed Rate Changes

	Current	Proposed
Residential Base Rate	\$20.01	\$33.00
Residential Variable Rate per 100 Gal	\$0.36	\$0.33
Usage Allowance	2,000 gal	None

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

A. Lakeshore’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 needed capital investment.”²

² Lakeshore Application for a General Rate Revision, Question 11.

ISSUE 4 – AFFILIATED INTERESTS

1
2 **Q. Please describe the relationships between Lakeshore and its affiliates.**

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

10 **Q. Has the Commission approved affiliated interest agreements between**
11 **Lakeshore and the Affiliates?**

12 A. Yes. Such agreements were previously approved with Order No. 20-060,
13 issued March 3, 2020, in Docket No. UI 431. In that docket, the Commission
14 limited its approval to Lakeshore's relationship with the Affiliates and deferred
15 any determination regarding the costs for services provided, including
16 compliance with the lower of cost or market requirement found in
17 OAR 860-036-2230(2)(e), to the Company's next general rate proceeding.

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

20 A. OAR 860-036-2230(2)(e) states that when services or supplies are sold to a
21 water utility by an affiliate, sales must be recorded in the water utility's
22 accounts at the affiliate's cost or the market rate, whichever is lower.

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

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

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

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

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

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

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

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

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

Table 2: Company Proposed Affiliate Transactions

Service	Account	Affiliate	Amount
Management	634	Puttman Capital	\$766
O&M	636	Puttman Infrastructure	\$1,776
Customer Service	637	Puttman Infrastructure	\$1,155
TOTAL			\$3,697

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	\$762
O&M	636	Puttman Infrastructure	\$1,132
Customer Service	637	Puttman Infrastructure	\$1,827
TOTAL			\$3,722

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

11 **Q. Does the provision of goods and services to South Coast by the**
12 **Affiliates comply with the requirement in OAR 860-036-2230(2)(e) that**
13 **such transactions be booked at the lower of the affiliate's cost or the**
14 **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 revenue requirement of \$30,769, which
5 represents an increase of \$8,276, or 36.79 percent, over test-year revenues.

6 The agreed-upon amounts included in each account are summarized in the
7 Adjustment Summary, included as Exhibit Joint Parties/102,
8 Yamada-Puttman/3-4, and explained in more detail below.

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

11 A. Lakeshore proposed to include the test-year amount of \$2,185 in this account,
12 and the Joint Parties made no adjustment to that amount. This amount
13 consists of payments to CenturyLink for telephone services. The Company
14 provided invoices from CenturyLink in response to Staff's DR 10.

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

16 A. Lakeshore proposed to include the reported test-year amount of \$2,823 in this
17 account. This amount consists of payments to Lane Electric, and the Company
18 provided invoices in response to Staff's DR 10. The Joint Parties agreed to
19 make no adjustment to the Company's proposal of \$2,823.

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

22 A. The Company proposes no adjustment to the test-year amount of \$843. In
23 response to Staff's DR 10, the Company provided invoices from Oregon Water

1 Services showing chlorine purchases totaling \$792. The Joint Parties agreed
2 to reduce this account to that amount, resulting in a decrease of \$51.

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

4 A. The Company proposed no change to the test-year amount of \$83.
5 Information provided in response to Staff's DR 10 suggests that this amount
6 consists largely of envelopes. The Joint Parties made no adjustment to the
7 Company's proposal of \$83.

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

9 A. The Joint Parties agreed to make no adjustment to the test-year amount of
10 \$293.

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

13 A. This account totaled \$3,727 in the test-year, and the Company initially
14 proposed to reduce this amount to \$0. In response to Staff's DR 10.a. and
15 10.b., the Company provided invoices from Oregon Water Services
16 documenting \$2,134 of the test-year amount. The Joint Parties agreed to
17 include \$1,000 in this account.

18 **Q. Please explain the amount included in Account 634 (Contract
19 Services – Management).**

20 A. The Company initially proposed \$766 in this account. The Joint Parties agreed
21 to include a total of \$762. This amount reflects management services provided
22 by Puttman Capital as summarized below.

Table 4: Puttman Management Services

Position	Hours
General Manager	4.00
Project Manager	1.88
Admin & Accounting	2.00
Total	7.88

1 **Q. Please explain the amount included in Account 635 (Contract**
2 **Services – Testing).**

3 A. The Company initially proposed no adjustment to the test-year amount of
4 \$1,417 and provided invoices demonstrating that amount in response to
5 Staff's DR 10. The Joint Parties agreed to move \$225 relating to the consumer
6 confidence report to Account 674 (Consumer Confidence Report), resulting in a
7 total of \$1,192 in this account.

8 **Q. Please explain the amount included in Account 636 (Contract**
9 **Services – Labor).**

10 A. The Company initially proposed \$10,293 in this account. The Joint Parties
11 agreed to include \$9,501. This amount includes \$7,800 for system operation
12 services provided by Oregon Water Services, \$569 attributable to a test-year
13 pump repair, and \$1,132 for O&M services provided by Puttman Infrastructure.
14 The anticipated annual O&M labor to be provided by Puttman Infrastructure is
15 summarized in Table 5.

Table 5: Puttman O&M Services

Position	Hours
General Manager	2.00
Project Manager	2.00
Utility Manager/Senior Operator	1.00
Admin & Accounting	10.15
Total	15.15

1 **Q. Please explain the amount included in Account 637 (Contract**
2 **Services – Billing/Collection).**

3 A. The Company initially proposed \$1,155 in this account. The Joint Parties
4 agreed to include \$1,827 in this account for customer-related services provided
5 by Puttman Infrastructure. The anticipated annual customer service labor to be
6 provided by Puttman Infrastructure is summarized in Table 6.

Table 6: Puttman Customer Services

Position	Hours
General Manager	1.00
Project Manager	6.00
Admin & Accounting	10.00
Customer Service	16.40
Total	33.40

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

9 A. This account totaled \$878 in the test-year, and the Company proposed no
10 adjustment to that amount. In response to Staff's DR 10, the Company
11 provided information indicating that the test-year amount consisted of yard care
12 services and an aluminum sign. The Joint Parties made no adjustment to the
13 Company's proposal of \$878.

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

1 A. The Company proposed no adjustment to the test-year amount of \$2,504, and
2 provided documentation of its insurance costs in response to Staff's DR 10.

3 The Joint Parties made no adjustment to the Company's proposal of \$2,504.

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

6 A. In its Application, the Company initially proposed to include \$5,201 relating to
7 PUC rate case preparation in rate base. The Joint Parties agreed to move this
8 item to Account 666 and amortize it over five years, resulting in an annual total
9 of \$1,040 in this account.

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

12 A. The Joint Parties agreed to include \$132 in this account, which reflects the
13 current PUC Fee rate of 0.43 percent of gross revenues.

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

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

19 **Q. Please explain the amount included in Other Expense Account 1**
20 **(Permit Fees).**

21 A. This account totaled \$205 in the test-year, and the Company proposed no
22 adjustment to that amount. The Company provided documentation for this

1 expense in response to Staff's DR 10. The Joint Parties made no adjustments
2 to the Company's proposal of \$205 in this account.

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

5 A. The test-year expense in this account was \$5,201. The Company initially
6 proposed to reduce this account to \$0 and to include this amount in rate base
7 under Account 301 (Organization). As discussed elsewhere in this testimony,
8 the Joint Parties agreed to move this item to Account 666 (Amortization of Rate
9 Case) with a five-year amortization period. The resulting total in this account is
10 \$0.

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 PUC Rate Case items from the Company's
6 Plant schedule. This change resulted in a \$1,040 decrease to Depreciation
7 Expense. The Joint Parties also removed depreciation from the Water Rights
8 item in Account 303 (Land and Land Rights) because assets in that account do
9 not depreciate. This change resulted in additional decrease of \$85 to
10 Depreciation Expense. The resulting total in this account is \$2,185.

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

12 A. The Company proposed no change to the test-year amount of \$219 in this
13 account and provided its Lane County tax statement in response to Staff's
14 DR 10. The Joint Parties agreed to include the test-year amount of \$219 in this
15 account.

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

18 A. The Joint Parties included \$413 in this account, representing a federal tax rate
19 of 21 percent applied to federal taxable income of \$1,965.

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

22 A. The Joint Parties included \$139 in this account, representing a state tax rate of
23 6.6 percent applied to state taxable income of \$2,104.

ISSUE 7 – RATE BASE

1
2 **Q. Please summarize the utility rate base agreed to by the Joint Parties.**

3 A. The Joint Parties' agreed-upon rate base is summarized in Table 3 below.

Table 7: Rate Base Summary

Account		Utility Proposed	Adjustments	Stipulated
101	Utility Plant in Service	\$37,494	\$(5,201)	\$32,293
108	- Accumulated Depreciation	\$3,357	\$(1,125)	\$2,232
151	+ Materials & Supplies	\$500	\$0	\$500
WC	+ Working Cash	\$1,954	167	\$2,120
Total Rate Base		\$36,591	\$(3,909)	\$32,681

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

6 A. As shown in the Company's response to Staff's DR 16⁶ and the Plant schedule
7 submitted with the Application, Lakeshore's proposed Utility Plant in Service of
8 \$37,494 consisted of the items shown in Table 8.

⁶ See Exhibit Joint Parties/103, Yamada-Puttman/88-90, Lakeshore's response to Staff's DR 16.

Table 8: Proposed Plant

Item	Name and No. of Plant Account	Cost (including labor)	In Service Date
Asset Mgmt System	301 - Organization	\$5,653	Apr 2020
Billing System	301 - Organization	\$3,972	Sep 2020
PUC Rate Case	301 - Organization	\$5,201	Jan 2020
Water Rights	303 – Land and Land Rights	\$1,127	Apr 2020
Emergency Plan	311 – Pumping Equipment	\$517	Mar 2020
Treatment Plant - Control Panel	320 – Water Treatment Equip.	\$11,150	Dec 2019
Treatment Plant	320 – Water Treatment Equip.	\$9,874	Jan 2020
TOTAL		\$37,494	

1 As discussed previously in this testimony, the Joint Parties agreed to
2 remove the \$5,201 PUC Rate Case item from rate base and amortized it over
3 five years in Account 666. The resulting total in this account is \$32,293. The
4 Joint Parties also moved the \$5,653 Asset Management Program and \$3,972
5 Billing System from Account 301 (a non-depreciating account) to Account 347
6 (Electronic/Computer Equipment) with an asset life of five years. This change
7 had no net effect on rate base.

8 **Q. Please explain the amount included in Account 108 (Accumulated**
9 **Depreciation).**

10 A. The removal of depreciation associated with the PUC Rate Case and Water
11 Rights items (discussed previously) resulted in a corresponding decrease to
12 Accumulated Depreciation of \$1,125. After these adjustments, this account
13 totals \$2,232. As discussed previously in this testimony, the Joint Parties

1 moved the Asset Management System and Billing System from Account 301 to
2 Account 347. Because Lakeshore's proposal included a five-year asset life for
3 these items, the move had no net effect on depreciation.

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

A. The Joint Parties agreed to include Working Cash of \$2,120, which represents one twelfth of total operating expenses.

1

ISSUE 8 – CAPITAL STRUCTURE

2

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

3

A. In its Application, Lakeshore 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 Lakeshore'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)	\$16,341	50.00%	5.00%	2.50%
Total Equity	\$16,341	50.00%	9.50%	4.75%
Total Debt + Equity	\$32,681	100.00%		7.25%

9

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

10

11

A. While Lakeshore 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

1

ISSUE 9 – RATE SPREAD

2

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

3

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

Table 10: Rate Spread

Service	Revenue
Residential	\$30,019
Miscellaneous Services	\$750
TOTAL REVENUE	\$30,769

4

Q. Please explain how revenues were allocated to Miscellaneous

5

Services.

6

A. The Joint Parties agreed to allocate \$750 to Miscellaneous Services. The

7

remainder of the revenue requirement is collected through Schedule No. 1

8

residential domestic rates.

ISSUE 10 – RATE DESIGN**Q. Please describe the rate components for Lakeshore’s Schedule No. 1 Residential Domestic service.**

A. Lakeshore’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. Lakeshore’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 an allocation of \$18,011 to base rates and \$12,008 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.”⁷ 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.”⁸ 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.

⁷ Principles of Water Rates, Fees, and Charges (M1) (6th Edition). American Water Works Association, 2012, Page 324.

⁸ Ibid.

Table 11: Schedule No. 1 Residential Domestic Base Rates

Meter Size	Count	Factors	Customer Equivalency	% of Total	Year 1 Base Rate
5/8"	49	1.0	49	100%	\$30.63
3/4"		1.5	-	0%	\$45.95
1"		2.5	-	0%	\$76.58
1 1/2"		5.0	-	0%	\$153.16
2"		8.0	-	0%	\$245.05
3"		15.0	-	0%	\$459.47
4"		25.0	-	0%	\$765.79
6"		50.0	-	0%	\$1,531.57
8"		80.0	-	0%	\$2,450.51
TOTAL	49		49	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 Lakeshore'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 49. Under
12 Questions 31 and 33 of its Application, the Company indicated a total customer
13 count of 48. In response to Staff's DR 18, the Company provided test-year
14 consumption information reflecting a total customer count of 49.

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

3 A. The Schedule No. 1 commodity rate was calculated based on annual
4 residential domestic consumption of 4,026,271 gallons (or 40,263 100-gallon
5 units). The commodity rate revenue allocation was divided by the number of
6 consumption units to arrive at a commodity rate. The resulting commodity rate
7 is \$0.30 per unit.

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

10 A. Yes. The Company's response to Question 31 of the rate case application
11 shows test-year consumption of 3,841,010 gallons. In response to Staff's
12 DR 18, the Company provided a summary of test-year consumption totaling
13 4,026,271 gallons. The Joint Parties used the latter amount for the purpose of
14 calculating rates in this case.

15 **Q. Did the Joint Parties agree to any other changes to Lakeshore's rates?**

16 A. Yes. Currently, Lakeshore's base rate includes a monthly 2,000 gallon usage
17 allowance. The Joint Parties agreed to eliminate the included usage allowance
18 such that the Company will charge for all consumption going forward.

19 Additionally, as shown in the proposed tariff submitted with the Application, the
20 Company proposed to price several Miscellaneous Services "at cost." In
21 response to Staff's DR 20, the Company stated, "[b]ecause we rely on a
22 contractor for these services, we cannot anticipate the exact associated cost

1 for each item, ahead of being invoiced by the contractor.”⁹ The contractor
2 referenced here is Oregon Water Services. The Joint Parties agreed to the
3 proposed “at cost” pricing for the Company’s miscellaneous services.

4 **Q. What effect do the Joint Parties’ agreed-upon rates have on average**
5 **customer bills?**

6 A. The change in average bills resulting from the Parties’ agreed-upon rates is
7 summarized on the Revenue and Bill Comparison found in Exhibit Joint
8 Parties/102, Yamada-Puttman/5.

⁹ See Exhibit Joint Parties/103, Yamada-Puttman/91, Lakeshore’s response to Staff’s DR 20.

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ISSUE 11 – CUSTOMER COMMENTS

Q. Did Lakeshore notify customers of its requested rate increase?

A. Yes. Pursuant to OAR 860-036-2030, customers must be notified within 15 days of the filing of a request for a general rate revision. Lakeshore also filed a copy of the customer notice along with its Application.

Q. Did any customers contact the Commission regarding Lakeshore’s proposed rate increase?

A. Yes. Three customers contacted the Commission with comments relating to this docket. The comments themselves are attached as Exhibit 104.

Q. Please summarize the concerns expressed by customers in this docket.

A. Two customers expressed general dissatisfaction with the degree of the rate increase proposed by the Company. As discussed throughout this testimony, the revenue requirement agreed to by the Joint Parties results from documented costs of the Company. The degree of the increase is influenced by the fact that customers have not experienced any rate increases in 23 years. Additionally, one customer expressed dissatisfaction with the Company’s planned transition from monthly to quarterly billing. The Company has since decided to forego the transition and continue billing on a monthly basis.

1

ISSUE 12 – OTHER ISSUES

2

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

3

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

4

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

5

A. Yes. As shown in the Stipulation, the Joint Parties agreed that Lakeshore 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.

8

9

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

10

11

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

12

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17

Q. Does this conclude your testimony?

18

A. Yes.

**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

Company Proposed Increase
40.86%

Stipulated Increase
36.79%

Revenue Requirement

		Test Year	Company Adjustments	Company Proposed Totals	Adjustments to Company Totals	Stipulated Totals
REVENUES						
460	Unmetered			\$ -		\$ -
461.1	Residential	22,493	9,192	\$ 31,685	(1,666)	\$ 30,019
461.2	Commercial			\$ -		\$ -
462	Fire Protection Sales			\$ -		\$ -
465	Irrigation Water Sales			\$ -		\$ -
466	Water Sales for Resale			\$ -		\$ -
471	Miscellaneous Services			\$ -	750	\$ 750
475	Cross Connection Control			\$ -		\$ -
	Other			\$ -		\$ -
				\$ -		\$ -
	Total Revenue	\$ 22,493	\$ 9,192	\$ 31,685	\$ (916)	\$ 30,769

Acct .						
OPERATING EXPENSES						
601	Salaries and Wages - Employees			\$ -	\$ -	\$ -
603	Salaries and Wages - Officers			\$ -	\$ -	\$ -
604	Employee Pension & Benefits			\$ -	\$ -	\$ -
610	Purchased Water			\$ -	\$ -	\$ -
611	Telephone/Communications	2,185		\$ 2,185	\$ -	\$ 2,185
615	Purchased Power	2,823		\$ 2,823	\$ -	\$ 2,823
616	Fuel for Power Production			\$ -	\$ -	\$ -
617	Other Utilities			\$ -	\$ -	\$ -
618	Chemical / Treatment Expense	843		\$ 843	\$ (51)	\$ 792
619	Office Supplies	83		\$ 83	\$ -	\$ 83
619.1	Postage	293		\$ 293	\$ -	\$ 293
620	O&M Materials/Supplies			\$ -	\$ -	\$ -
621	Repairs to Water Plant	3,727	(3,727)	\$ -	\$ 1,000	\$ 1,000
631	Contract Svcs - Engineering			\$ -	\$ -	\$ -
632	Contract Svcs - Accounting			\$ -	\$ -	\$ -
633	Contract Svcs - Legal			\$ -	\$ -	\$ -
634	Contract Svcs - Management Fees	2,252	(1,486)	\$ 766	\$ (3)	\$ 762
635	Contract Svcs - Testing	1,417		\$ 1,417	\$ (225)	\$ 1,192
636	Contract Svcs - Labor	10,293		\$ 10,293	\$ (791)	\$ 9,501
637	Contract Svcs - Billing/Collection	3,397	(2,242)	\$ 1,155	\$ 672	\$ 1,827
638	Contract Svcs - Meter Reading			\$ -	\$ -	\$ -
639	Contract Svcs - Other	878		\$ 878	\$ -	\$ 878
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	2,504		\$ 2,504	\$ -	\$ 2,504
658	Workers' Comp Insurance			\$ -	\$ -	\$ -
659	Insurance - Other			\$ -	\$ -	\$ -
666	Amortz. of Rate Case			\$ -	\$ 1,040	\$ 1,040
667	Gross Revenue Fee (PUC)			\$ -	\$ 132	\$ 132
670	Bad Debt Expense			\$ -	\$ -	\$ -
671	Cross Connection Control Program			\$ -	\$ -	\$ -

		Test Year	Company Adjustments	Company Proposed Totals	Adjustments to Company Totals	Stipulated Totals
673	Training and Certification			\$ -	\$ -	\$ -
674	Consumer Confidence Report			\$ -	\$ 225	\$ 225
675	Miscellaneous Expense			\$ -	\$ -	\$ -
OE1	Other Expense 1 - Permit Fees	205		\$ 205	\$ -	\$ 205
OE2	Other Expense 2 - PUC	5,201	(5,201)	\$ -	\$ -	\$ -
OE3	Other Expense 3			\$ -	\$ -	\$ -
OE4	Other Expense 4			\$ -	\$ -	\$ -
OE5	Other Expense 5			\$ -	\$ -	\$ -
TOTAL OPERATING EXPENSE		\$ 36,100	\$ (12,656)	\$ 23,444	\$ 1,999	\$ 25,443

OTHER REVENUE DEDUCTIONS

403	Depreciation Expense	3,310		\$ 3,310	\$ (1,125)	\$ 2,185
406	Amort of Plant Acquisition Adjustment	-		\$ -	\$ -	\$ -
407	Amortization Expense	-		\$ -	\$ -	\$ -
408.11	Property Tax	219		\$ 219	\$ -	\$ 219
408.12	Payroll Tax	-		\$ -	\$ -	\$ -
408.13	Other	-		\$ -	\$ -	\$ -
409.10	Federal Income Tax	924		\$ 924	\$ (511)	\$ 413
409.11	Oregon Income Tax	311		\$ 311	\$ (172)	\$ 139
409.13	Extraordinary Items Income Tax	-		\$ -	\$ -	\$ -
TOTAL REVENUE DEDUCTIONS		\$ 40,864	\$ (12,656)	\$ 28,208	\$ 191	\$ 28,399
Net Operating Income		\$ (18,371)	\$ 21,848	\$ 3,476	\$ (1,107)	\$ 2,369

UTILITY RATE BASE

101	Utility Plant in Service	37,494		\$ 37,494	\$ (5,201)	\$ 32,293
105	Construction Work in Progress			\$ -	\$ -	\$ -
108	- Accumulated Depreciation of Plant	3,357		\$ 3,357	\$ (1,125)	\$ 2,232
271	- Contributions in Aid of Construction			\$ -	\$ -	\$ -
272	+ Accumulated Amortization of CIAC			\$ -	\$ -	\$ -
281	- Accumulated Deferred Income Tax			\$ -	\$ -	\$ -
	- Excess Capacity			\$ -	\$ -	\$ -
= NET RATE BASE INVESTMENT		\$ 34,137	\$ -	\$ 34,137	\$ (4,076)	\$ 30,061
Plus: (working capital)						
151	Materials and Supplies Inventory	500		\$ 500	\$ -	\$ 500
	Working Cash (Total Op Exp /12)	1,954		\$ 1,954	\$ 167	\$ 2,120
TOTAL RATE BASE		\$ 36,591	\$ -	\$ 36,591	\$ (3,909)	\$ 32,681
Rate of Return		-50.21%		9.50%		7.25%

Adjustment Summary

	Company Proposed Totals	Adjustments to Company Totals	Stipulated Totals	Explanation of Adjustment
REVENUES				
Unmetered	\$ -	\$ -	\$ -	
Residential	\$ 31,685	\$ (1,666)	\$ 30,019	Residential domestic revenues.
Commercial	\$ -	\$ -	\$ -	
Fire Protection Sales	\$ -	\$ -	\$ -	
Irrigation Water Sales	\$ -	\$ -	\$ -	
Water Sales for Resale	\$ -	\$ -	\$ -	
Miscellaneous Services	\$ -	\$ 750	\$ 750	Added estimate for Misc. Service revenues.
Cross Connection Control	\$ -	\$ -	\$ -	
Other	\$ -	\$ -	\$ -	
0	\$ -	\$ -	\$ -	
Total Revenue	\$ 31,685	\$ (916)	\$ 30,769	

Acct . **OPERATING EXPENSES**

601	Salaries and Wages - Employees	\$ -	\$ -	\$ -	
603	Salaries and Wages - Officers	\$ -	\$ -	\$ -	
604	Employee Pension & Benefits	\$ -	\$ -	\$ -	
610	Purchased Water	\$ -	\$ -	\$ -	
611	Telephone/Communications	\$ 2,185	\$ -	\$ 2,185	No adjustment.
615	Purchased Power	\$ 2,823	\$ -	\$ 2,823	No adjustment.
616	Fuel for Power Production	\$ -	\$ -	\$ -	
617	Other Utilities	\$ -	\$ -	\$ -	
618	Chemical / Treatment Expense	\$ 843	\$ (51)	\$ 792	Reduced to total of Oregon Water Services chorine purchases.
619	Office Supplies	\$ 83	\$ -	\$ 83	No adjustment.
619.1	Postage	\$ 293	\$ -	\$ 293	No adjustment.
620	O&M Materials/Supplies	\$ -	\$ -	\$ -	
621	Repairs to Water Plant	\$ -	\$ 1,000	\$ 1,000	Increased to \$1,000.
631	Contract Svcs - Engineering	\$ -	\$ -	\$ -	
632	Contract Svcs - Accounting	\$ -	\$ -	\$ -	
633	Contract Svcs - Legal	\$ -	\$ -	\$ -	
634	Contract Svcs - Management Fees	\$ 766	\$ (3)	\$ 762	Reflects 7.88 hours of Puttman management labor.
635	Contract Svcs - Testing	\$ 1,417	\$ (225)	\$ 1,192	Moved Consumer Confidence Report to Account 674.
636	Contract Svcs - Labor	\$ 10,293	\$ (791)	\$ 9,501	\$7,800 OWS system operation, \$569 repair, and \$1,132 for 15.15 hours Puttman labor.
637	Contract Svcs - Billing/Collection	\$ 1,155	\$ 672	\$ 1,827	Reflects 33.40 hours Puttman customer service labor.
638	Contract Svcs - Meter Reading	\$ -	\$ -	\$ -	
639	Contract Svcs - Other	\$ 878	\$ -	\$ 878	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	\$ 2,504	\$ -	\$ 2,504	No adjustment.
658	Workers' Comp Insurance	\$ -	\$ -	\$ -	

	Company Proposed Totals	Adjustments to Company Totals	Stipulated Totals	Explanation of Adjustment
659 Insurance - Other	\$ -	\$ -	\$ -	
666 Amortz. of Rate Case	\$ -	\$ 1,040	\$ 1,040	Moved \$5,201 PUC Rate Case item from Plant; amortized over 5 years.
667 Gross Revenue Fee (PUC)	\$ -	\$ 132	\$ 132	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 - Permit Fees	\$ 205	\$ -	\$ 205	No adjustment.
OE2 Other Expense 2 - PUC	\$ -	\$ -	\$ -	
OE3 Other Expense 3	\$ -	\$ -	\$ -	
OE4 Other Expense 4	\$ -	\$ -	\$ -	
OE5 Other Expense 5	\$ -	\$ -	\$ -	
TOTAL OPERATING EXPENSE	\$ 23,444	\$ 1,999	\$ 25,443	

OTHER REVENUE DEDUCTIONS

403 Depreciation Expense	\$ 3,310	\$ (1,125)	\$ 2,185	Removed PUC Rate Case and Water Rights depreciation.
406 Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	
407 Amortization Expense	\$ -	\$ -	\$ -	
408.11 Property Tax	\$ 219	\$ -	\$ 219	No adjustment.
408.12 Payroll Tax	\$ -	\$ -	\$ -	
408.13 Other	\$ -	\$ -	\$ -	
409.10 Federal Income Tax	\$ 924	\$ (511)	\$ 413	Automatic calculation at 21 percent of taxable income.
409.11 Oregon Income Tax	\$ 311	\$ (172)	\$ 139	Automatic calculation at 6.6 percent of taxable income.
409.13 Extraordinary Items Income Tax	\$ -	\$ -	\$ -	
TOTAL REVENUE DEDUCTIONS	\$ 28,208	\$ 191	\$ 28,399	
Net Operating Income	\$ 3,476	\$ (1,107)	\$ 2,369	

UTILITY RATE BASE

101 Utility Plant in Service	\$ 37,494	\$ (5,201)	\$ 32,293	Removed PUC Rate Case item.
105 Construction Work in Progress	\$ -	\$ -	\$ -	
108 - Accumulated Depreciation of Plant	\$ 3,357	\$ (1,125)	\$ 2,232	Removed PUC Rate Case and 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	\$ 34,137	\$ (4,076)	\$ 30,061	
Plus: (working capital)				
151 Materials and Supplies Inventory	\$ 500	\$ -	\$ 500	No adjustment.
Working Cash (Total Op Exp /12)	\$ 1,954	\$ 167	\$ 2,120	Automatic calculation at 1/12th of operating expenses.
TOTAL RATE BASE	\$ 36,591	\$ (3,909)	\$ 32,681	
Rate of Return	9.50%	0.00%	7.25%	Hypothetical 50/50 debt/equity capital structure.

Rate Comparison

Rate	Current	Stipulated	Change from Current
Base Rate	\$ 20.01	\$ 30.63	53%
Variable Rate	\$ 0.36	\$ 0.30	-17%

Revenue and Bill Comparison

Current Rates*

Service	Customers	Base Rate	Base Revenue	Avg. Usage	Usage Rate	Units (gal)	Included (gal)	Usage Revenue	Total Revenue	Average Bill
Residential 5/8"	49	\$ 20.01	\$ 11,766	6,847	\$ 0.36	100	2,000	\$ 10,261	\$ 22,027	\$ 37.46

*Calculated using assumed consumption & customer counts

Stipulated Rates

Service	Customers	Base Rate	Base Revenue	Avg. Usage	Usage Rate	Units (gal)	Included (gal)	Usage Revenue	Total Revenue	Average Bill	Bill Change from Current
Residential 5/8"	49	\$ 30.63	\$ 18,011	6,847	\$ 0.30	100	-	\$ 12,008	\$ 30,019	\$ 51.05	36.28%
Misc. Service Revenue									\$ 750		
TOTAL REVENUE									\$ 30,769		

Invested Plant

Account No.	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
301	Organization	Various	-	-	-	-	-	Various	-	-	-
302	Franchises	Various	-	-	-	-	-	Various	-	-	-
303	Land and Land Rights	Various	1,127	-	1,127	-	-	Various	-	-	-
304	Structures and Improvements	Various	-	-	-	35	-	Various	-	-	-
305	Collecting and Impounding Reservoirs	Various	-	-	-	50	-	Various	-	-	-
306	Lake, River and Other Intakes	Various	-	-	-	35	-	Various	-	-	-
307	Wells and Springs	Various	-	-	-	25	-	Various	-	-	-
308	Infiltration Galleries and Tunnels	Various	-	-	-	25	-	Various	-	-	-
309	Supply Main	Various	-	-	-	50	-	Various	-	-	-
310	Power Generation Equipment	Various	-	-	-	30	-	Various	-	-	-
311	Pumping Equipment	Various	517	-	517	20	26	Various	22	22	495
320	Water Treatment Equipment	Various	21,024	-	21,024	20	1,051	Various	1,051	1,098	19,926
330	Distribution Reservoir and Standpipes	Various	-	-	-	50	-	Various	-	-	-
331	Transmission and Distribution Mains	Various	-	-	-	50	-	Various	-	-	-
333	Services	Various	-	-	-	30	-	Various	-	-	-
334	Meters and Meter Installations	Various	-	-	-	20	-	Various	-	-	-
335	Hydrants	Various	-	-	-	40	-	Various	-	-	-
336	Cross Connection Control	Various	-	-	-	15	-	Various	-	-	-
339	Other Plant	Various	-	-	-	30	-	Various	-	-	-
340	Office Furniture and Equipment	Various	-	-	-	20	-	Various	-	-	-
341	Transportation Equipment	Various	-	-	-	7	-	Various	-	-	-
343	Tools, Shop, and Garage Equipment	Various	-	-	-	15	-	Various	-	-	-
344	Laboratory Equipment	Various	-	-	-	15	-	Various	-	-	-
345	Power Operated Equipment	Various	-	-	-	10	-	Various	-	-	-
346	Communication Equipment	Various	-	-	-	10	-	Various	-	-	-
347	Electronic/Computer Equipment	Various	9,625	-	9,625	5	1,925	Various	1,113	1,113	8,512
348	Miscellaneous Equipment	Various	-	-	-	10	-	Various	-	-	-
TOTALS		Various	32,293	-	32,293	Various	3,002	Various	2,185	2,232	28,934

Original Plant In Service Cost	32,293
Less: Excess Capacity	-
"Used & Useful" Plant	32,293
Less Accum Depreciation	2,232
NET PLANT	30,061

Depreciation Expense	2,185
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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:

Lakeshore Water Company (“LWC”) 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.

Puttman Capital is an affiliate of Puttman Infrastructure, Inc. Puttman Infrastructure, Inc. provides services to Lakeshore Water Company. Both Puttman Capital and Puttman Infrastructure are owned 100% by Thomas J. Puttman.

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 431:
 - 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:

LAKESHORE 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 Lakeshore 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 Veneta, 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 quarter 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 in each 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
Lakeshore 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 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.

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:

**LAKESHORE 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
Miscellaneous	Permit Fees
	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

**PUTTMAN
INFRASTRUCTURE**

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.

Lakeshore Water Company
Water Utility

**PUTTMAN
 INFRASTRUCTURE**

Annual Budget Estimate

	Total
O&M	
O&M Labor	\$ 8,170
O&M Admin Labor	\$ 828
Emergency & After Hours Response Labor	\$ -
Repairs	\$ 750
Materials Management	\$ 250
Support Services	\$ -
Testing & Reporting	\$ 2,533
Auto	\$ -
Utilities	\$ -
Liability Insurance	\$ -
IT	\$ -
Customer Service & Billing	
Customer Service Labor	\$ 2,860
Billing	\$ 600
Customer Engagement (annual meeting, newsletter, etc.)	\$ 1,017
IT (website, billing system)	\$ 600
Management	
Utility Management	\$ 4,228
PUC Coordination	\$ 1,329
Direct Expenses	
Rent	\$ -
Professional Services	\$ 500
Insurance	\$ 1,500
Property Taxes	\$ 300
Franchise Fee	\$ -
Permit Fees	\$ 250
Utilities	\$ 3,000
Other	\$ -
Total	\$ 28,715

Lakeshore 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	8	16			8		\$ 4,128	\$ 100	\$ -	0%	\$ 4,228
PUC Coordination	4				4		\$ 1,304	\$ 25	\$ -	0%	\$ 1,329
Total	12	16	0	0	12	0	\$ 5,432	\$ 125	\$ -		\$ 5,557

The logo for Puttman Infrastructure, featuring the company name in white, uppercase letters on a blue rectangular background.

**PUTTMAN
INFRASTRUCTURE**

Utility:

LAKESHORE 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 Lakeshore 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 Veneta, 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 quarter 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 in each 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
Lakeshore 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

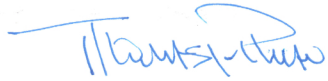
This Agreement may be executed in counterparts. Each counterpart will be considered an original, and all of them, taken together, will constitute a single Agreement. Facsimile or electronic signatures will be deemed original signatures for all purposes under this Agreement. When properly signed, this 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:

**LAKESHORE 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 (2019)**

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

**PUTTMAN
INFRASTRUCTURE**

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.

Lakeshore Water Company
Water Utility

**PUTTMAN
 INFRASTRUCTURE**

Annual Budget Estimate

	Total
O&M	
O&M Labor	\$ 8,170
O&M Admin Labor	\$ 828
Emergency & After Hours Response Labor	\$ -
Repairs	\$ 750
Materials Management	\$ 250
Support Services	\$ -
Testing & Reporting	\$ 2,533
Auto	\$ -
Utilities	\$ -
Liability Insurance	\$ -
IT	\$ -
Customer Service & Billing	
Customer Service Labor	\$ 2,860
Billing	\$ 600
Customer Engagement (annual meeting, newsletter, etc.)	\$ 1,017
IT (website, billing system)	\$ 600
Management	
Utility Management	\$ 4,228
PUC Coordination	\$ 1,329
Direct Expenses	
Rent	\$ -
Professional Services	\$ 500
Insurance	\$ 1,500
Property Taxes	\$ 300
Franchise Fee	\$ -
Permit Fees	\$ 250
Utilities	\$ 3,000
Other	\$ -
Total	\$ 28,715

Lakeshore 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			12	24	\$ 2,860	\$ -	\$ -	0%	\$ 2,860
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	13	24	\$ 3,852	\$ 1,225	\$ -		\$ 5,077

The logo for Puttman Infrastructure, featuring the company name in white, uppercase letters on a blue rectangular background.

**PUTTMAN
INFRASTRUCTURE**

Utility:

LAKESHORE 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 Lakeshore 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 well (“**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 Veneta, 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 Veneta, 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), 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 responsibility 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
Lakeshore 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

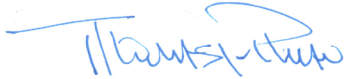
This Agreement may be executed in counterparts. Each counterpart will be considered an original, and all of them, taken together, will constitute a single Agreement. Facsimile or electronic signatures will be deemed original signatures for all purposes under this Agreement. When properly signed, this 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:

**LAKESHORE 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) Well. Inspect well monthly.
- (b) Well Pump. Inspect well pump 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.

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
Materials Management	Contract services
	Chemicals
	Materials
Support Services	Hauling
	Professional service fees
	System locates
Regulatory	Inspections and cleanings
	Specialized instrumentation, test and calibration costs
	Lab testing and materials
Auto	Permit fees
	Vehicle Use Fee
	Mileage
	Insurance
Utilities	Maintenance
	General and process utilities
	System monitoring and management
Insurance	Security
	Liability insurance
Miscellaneous	Pollution prevention insurance
	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

**PUTTMAN
INFRASTRUCTURE**

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.

Lakeshore Water Company
Water Utility

**PUTTMAN
 INFRASTRUCTURE**

Annual Budget Estimate

	Total
O&M	
O&M Labor	\$ 8,170
O&M Admin Labor	\$ 828
Emergency & After Hours Response Labor	\$ -
Repairs	\$ 750
Materials Management	\$ 250
Support Services	\$ -
Testing & Reporting	\$ 2,533
Auto	\$ -
Utilities	\$ -
Liability Insurance	\$ -
IT	\$ -
Customer Service & Billing	
Customer Service Labor	\$ 2,860
Billing	\$ 600
Customer Engagement (annual meeting, newsletter, etc.)	\$ 1,017
IT (website, billing system)	\$ 600
Management	
Utility Management	\$ 4,228
PUC Coordination	\$ 1,329
Direct Expenses	
Rent	\$ -
Professional Services	\$ 500
Insurance	\$ 1,500
Property Taxes	\$ 300
Franchise Fee	\$ -
Permit Fees	\$ 250
Utilities	\$ 3,000
Other	\$ -
Total	\$ 28,715

Lakeshore 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)							\$ -	\$ -	\$ 8,170	0%	\$ 8,170
O&M Admin Labor	1	2			4		\$ 828	\$ -	\$ -	0%	\$ 828
Emergency & After Hours Response Labor							\$ -	\$ -	\$ -	0%	\$ -
Repairs							\$ -	\$ 750	\$ -	0%	\$ 750
Materials Management							\$ -	\$ 250	\$ -	0%	\$ 250
Support Services							\$ -	\$ -	\$ -	0%	\$ -
Testing & Reporting							\$ -	\$ -	\$ 2,533	0%	\$ 2,533
Auto							\$ -	\$ -	\$ -	0%	\$ -
Utilities							\$ -	\$ -	\$ -	0%	\$ -
Liability Insurance							\$ -	\$ -	\$ -	0%	\$ -
IT							\$ -	\$ -	\$ -	0%	\$ -
Total	1	2	0	0	4	0	\$ 828	\$ 1,000	\$ 10,703		\$ 12,531

EXHIBIT D SYSTEM DESCRIPTION

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

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

16. The Plant spreadsheet submitted with the Company's application shows assets with original costs totaling \$37,494. For each asset included in the spreadsheet, please provide documentation demonstrating the original cost and in-service date associated with the asset.

Company Response:

See Attachment E (2019 & 2020 Assets).

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07/29/22

Accrual Basis

Lakeshore Water Company
Custom Transaction Detail Report
 January through December 2019

Type	Date	Num	Name	Memo	Account	Clr	Split	Amount	Balance
Jan - Dec 19									
General Journal	05/22/2019	4		Record Lak...	1401 · Water Utilit...		30000 · Ope...	11,150.00	11,150.00
Deposit	08/09/2019	12503	WGF National Title Co	Refund closi...	1401 · Water Utilit...		1101 · WA T...	-18.00	11,132.00
Bill	12/31/2019	2470 ...	Puttman Infrastructure Inc	AKS Site M...	1420 · Asset impr...		20000 · Acco...	7,688.37	18,820.37
Bill	12/31/2019	2489	Puttman Infrastructure Inc	Due diligenc...	1401 · Water Utilit...		20000 · Acco...	9,717.00	28,537.37
Bill	12/31/2019	2489	Puttman Infrastructure Inc	Due diligenc...	1401 · Water Utilit...		20000 · Acco...	775.00	29,312.37
General Journal	12/31/2019	2020 ...		Record 201...	17000 · Accumula...		6980 · Depre...	-548.00	28,764.37
Jan - Dec 19								28,764.37	28,764.37

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07/29/22

Accrual Basis

Lakeshore Water Company
Custom Transaction Detail Report
January through December 2020

Type	Date	Num	Name	Memo	Account	Clr	Split	Amount	Balance
Jan - Dec 20									
Bill	01/31/2020	2630	Puttman Infrastructure Inc	Asset Mgmt...	1431 · Asset Man...		20000 · Acco...	1,979.00	1,979.00
Bill	01/31/2020	2633	Puttman Infrastructure Inc	Plant site im...	1425 · Real Prope...		20000 · Acco...	638.00	2,617.00
Bill	02/29/2020	2631	Puttman Infrastructure Inc	Asset Mgmt...	1431 · Asset Man...		20000 · Acco...	1,384.00	4,001.00
Bill	02/29/2020	2634	Puttman Infrastructure Inc	Plant site im...	1425 · Real Prope...		20000 · Acco...	1,269.00	5,270.00
Bill	02/29/2020	2667	Puttman Infrastructure Inc	Billing syste...	1432 · Billing Syst...		20000 · Acco...	979.00	6,249.00
Bill	03/31/2020	2632	Puttman Infrastructure Inc	Asset Mgmt...	1431 · Asset Man...		20000 · Acco...	1,498.00	7,747.00
Bill	03/31/2020	2635	Puttman Infrastructure Inc	Plant site im...	1425 · Real Prope...		20000 · Acco...	909.00	8,656.00
Bill	03/31/2020	2636	Puttman Infrastructure Inc	PUC Annual...	1435 · PUC		20000 · Acco...	517.00	9,173.00
Bill	03/31/2020	2650	Puttman Infrastructure Inc	PUC Annual...	1435 · PUC		20000 · Acco...	426.00	9,599.00
Bill	03/31/2020	2653	Puttman Infrastructure Inc	PUC Annual...	1435 · PUC		20000 · Acco...	426.00	10,025.00
Bill	03/31/2020	2656	Puttman Infrastructure Inc	PUC Rate C...	1435 · PUC		20000 · Acco...	804.00	10,829.00
Bill	03/31/2020	2659	Puttman Infrastructure Inc	Emergency ...	1425 · Real Prope...		20000 · Acco...	426.00	11,255.00
Bill	03/31/2020	2660	Puttman Infrastructure Inc	Water Rights	1433 · Water Rights		20000 · Acco...	138.00	11,393.00
Bill	03/31/2020	2664	Puttman Infrastructure Inc	Emergency ...	1434 · Emergenc...		20000 · Acco...	517.00	11,910.00
Bill	03/31/2020	2668	Puttman Infrastructure Inc	Billing syste...	1432 · Billing Syst...		20000 · Acco...	1,074.00	12,984.00
Bill	04/30/2020	2719	Puttman Infrastructure Inc	Work on bili...	1432 · Billing Syst...		20000 · Acco...	736.00	13,720.00
Bill	04/30/2020	2718	Puttman Infrastructure Inc	Water Rights	1433 · Water Rights		20000 · Acco...	989.00	14,709.00
Bill	04/30/2020	2717	Puttman Infrastructure Inc	PUC Rate c...	1435 · PUC		20000 · Acco...	1,625.00	16,334.00
Bill	04/30/2020	2716	Puttman Infrastructure Inc	Plant site im...	1425 · Real Prope...		20000 · Acco...	1,697.00	18,031.00
Bill	04/30/2020	2715	Puttman Infrastructure Inc	Asset mana...	1431 · Asset Man...		20000 · Acco...	792.00	18,823.00
Bill	04/30/2020	2712 ...	Puttman Infrastructure Inc	Control panel	1422 · Treatment		20000 · Acco...	9,874.08	28,697.08
Bill	05/31/2020	2777 ...	Puttman Infrastructure Inc	PUC Rate c...	1435 · PUC		20000 · Acco...	914.00	29,611.08
Bill	05/31/2020	2776 ...	Puttman Infrastructure Inc	Plant site im...	1425 · Real Prope...		20000 · Acco...	3,072.00	32,683.08
Bill	05/31/2020	2790 ...	Puttman Infrastructure Inc	Billing Upgr...	1432 · Billing Syst...		20000 · Acco...	954.00	33,637.08
Bill	09/30/2020	2912 ...	Puttman Infrastructure Inc	PUC Rate c...	1435 · PUC		20000 · Acco...	489.00	34,126.08
Bill	09/30/2020	2913 ...	Puttman Infrastructure Inc	Billing Upgr...	1432 · Billing Syst...		20000 · Acco...	229.00	34,355.08
General Journal	12/31/2020	2020 ...		Record 1 Qt...	17000 · Accumula...		6980 · Depre...	0.00	34,355.08
General Journal	12/31/2020	2020 ...		Record 2 Qt...	17000 · Accumula...		6980 · Depre...	0.00	34,355.08
General Journal	12/31/2020	2020 ...		Record 3 Qt...	17000 · Accumula...		6980 · Depre...	0.00	34,355.08
General Journal	12/31/2020	2020 ...		Record 4 Qt...	17000 · Accumula...		6980 · Depre...	0.00	34,355.08
General Journal	12/31/2020	AJE5		To record C...	17000 · Accumula...		6980 · Depre...	-13,687.00	20,668.08
Jan - Dec 20								20,668.08	20,668.08

20. 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:

- a. 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.
- b. Several of these items are covered under the Oregon Water Services invoices of Attachment D. The at cost charge for new service connection is \$450, and to reconnect to an existing service line is \$300 (P&L, excluding meter itself).

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 104

Public Comments

October 25, 2022

Kinch Comments

June 6, 2022

Larry D. Kinch
25957 Marina Rd.
Veneta, Or. 97487
Phone 541-935-3885

Lakeshore Water Co.
Account No. LS027

Attn. PUC Administrative Hearing Division
P.O. Box 1088
Salem Or. 97308-1088
Lakeshore Water rate case

Ref. PUC rate case for Lakeshore Water Co.
Filed May 23, 2022 for rate increase.

Attached are copies of my questions to Tom Puttman of
Lakeshore Water Co. for your review.

June 6 2022

Larry D. Kinch
25957 Marina Rd.
Veneta, Or. 97487
Phoned 541-935-3885

Lakeshore Water Co.
Account No. LS027

Attn. Tom Puttman
Lakeshore Water Co.
P.O. Box 6620
Portland, Or. 97228

Dear Tom

Please review the attached rate increases and verify if my assumptions are correct.

July 1, 2021 letter from Lakeshore Water Co.

Current monthly bill	\$36.82
Proposed monthly bill	\$79.80

This would increase the current bill by 116.7% (\$42.98). This seems to be a pretty big jump to me.

Our current bill is calculated as follows, using March 2022 bill as an example. 3220 gallons.

Base rate is	\$20.01
<u>Which includes 2000 gallons.</u>	
Water usage	\$ 4.39
<u>Which covers 1220 gallons.</u>	
At .36/100 gallons	
Total	<hr/> \$24.40

Account Statement



Lakeshore Water Company
620 SW Fifth Ave. Ste. 1100
Portland, OR 97204
(971) 703-4242
www.puttman.com

Account Number: LS027
Service Address: 25957 MARINA DRIVE
Service Period: 02/25/2022 - 03/30/2022
Date of Bill: 04/01/2022

LARRY KINCH
25957 MARINA DRIVE
Veneta, OR 97487

Meter Number	Previous Read	Current Read	Usage (gal)
10705318	247930	251150	3,220

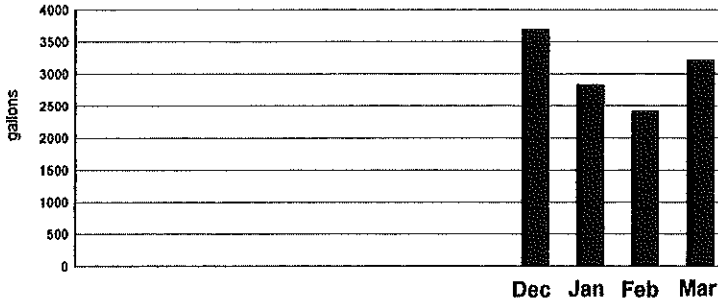
Water Usage \$4.39
Water Base \$20.01

CURRENT CHARGES \$24.40

PREVIOUS BALANCE \$0.00

TOTAL DUE \$24.40

Due Date 04/20/2022



May 24, 2022 Letter from Lakeshore Water Co.

Proposed rate adjustment would be as follows, using March 2022 as an Example. 3220 gallons

<u>Current base rate</u> is	\$20.01
Which <u>includes no water</u>	
Volumetric rate is .36/100 gallon	
3220 gallons	<u>\$11.59</u>
	\$31.60

Proposed rate adjustment would be,

<u>Proposed base rate</u>	\$33.00
<u>Includes no water</u>	
Volumetric rate is .33/100 gallon	
3220 gallons	<u>\$10.63</u>
	\$43.63

It is very hard for a 75 year old married couple to live on S.S. and I.R.A's these days, with everything increasing in price exponentially every month.

I can see that a rate increase is justified. However it will be significant, with all the other items in our budget rising faster than our income.

Medical bills

Gas

Electricity

Food

Taxes

Insurance

Phone

Auto

House

To name a few.

We appreciate you consideration.

Thank you for your time.

Larry & Anna Kinch

Additional Comments

Please send me copies of the utility's application, testimony and exhibits as noted in your May 24, 2022 Customer Notice.

I have also sent copies of your July 1, 2021, October 25, 2021, November 10, 2021 and May 24, 2022 letters, along with a copy of my March 2022 water bill and this letter to the PUC for their use.

Please confirm the proposed cost figures in the schedule on the May 24 Customer Notice.

If the figures in the current cost* schedule are correct the bill is for 5289 gallons?

Base rate (no water) *	\$20.01
Volumetric rate	
5289 gallons @ .36/100 gallons	<u>\$19.04</u>
	\$39.05

Proposed cost

Base rate (no water)	\$33.00
Volumetric rate	
5289 gallons @ .33/100 gallons	<u>\$17.45</u>
	\$50.45

The gallons need to be the same in both bills to have a true comparison don't they?

*This is misleading because our current billing (2022) includes 2000 gallons of water in the base rate. Using the 2022 base rate would produce a cost of \$31.85 not \$39.05.



Lakeshore Water Company, LLC
PO Box 6620
Portland, OR 97228

Customer Service
(971) 703-4242
customerservice@puttman.com

www.puttman.com

May 24, 2022

**RE: Customer Notice
General Rate Case Filing with the Oregon Public Utility Commission**

This notice is to inform customers that Lakeshore Water Company (“Utility”) has filed a general rate revision with the Oregon Public Utility Commission (“PUC”). This notice provides general information regarding the proposed changes and the effect it will have on customers’ bills if approved by the PUC.

Proposed Rate Adjustment

Lakeshore Water Company prepared a general rate case filing based on PUC rate case methodology and submitted the rate case to the PUC on May 23, 2022. The 2022 rate case filing proposes increasing annual revenues for the Utility to \$31,685, representing an increase of \$9,192 above the revenue of \$22,493 collected in 2020. The proposed rate adjustment represents a 40.87% increase in revenue and is requested to go into effect on January 1, 2023.

We anticipate the proposed rate adjustment will change average monthly water service costs as follows:

Service Size	Current Cost	Proposed Cost
Residential 3/4"		
Base Rate (\$/month)	\$20.01	\$33.00
Volumetric Rate (\$/100 gal)	\$0.36	\$0.33
Average Monthly Bill	\$39.05	\$55.01

Why the Proposed Rate Adjustment?

Lakeshore Water Company has not increased water rates since 1999. Over that period, operating costs for the utility, such as labor costs, vendor costs, supply, and chemical costs, have increased in line with CPI inflation – or 73.5% over 23 years. In addition, Lakeshore Water Company has made a number of small capital investments into the system to improve system reliability and enhance customer service support. These capital improvements, combined with the increase in operating costs over the last 23 years, result in the need to adjust water rates to generate higher revenue for the utility.

Oregon PUC Rate Case Process & Customer Participation

Lakeshore Water Company hosted an Open House in 2021 to discuss the water system, recent capital investments, operating cost increases, lack of rate increase since 1999, and the need to adjust rates to provide for financial viability of the Utility. As discussed at that Open House, we encourage customers to participate in the PUC rate case process. We anticipate the PUC rate case process may require 6 months to complete.

Copies of the Utility's application, testimony, and exhibits are available at Lakeshore Water Company's main office. To receive a copy, please write to or email:

Lakeshore Water Company
PO Box 6620
Portland, OR 97228
customerservice@puttman.com

The calculations and statements contained in the Utility's filing and this notice are not binding on the PUC.

Customers may request to receive notice of the time and place of any hearing on the proposed rate adjustment by contacting the Public Utility Commission of Oregon, Administrative Hearings Division, at 503-378-6678.

Lakeshore Water Company is glad to provide additional information about the proposed rate adjustment filing. If you are interested, please contact customer service at 971-703-4242 or email customerservice@puttman.com.

Sincerely,
Lakeshore Water Company

Copies to:

1. PUC Administrative Hearings Division, PO Box 1088, Salem OR 97308-1088
2. City of Veneta, 88184 8th St, Veneta, OR 97487

November 10, 2021

**RE: 2021 Open House
Date Confirmation**

Dear Customers,

This letter is to confirm our 2021 Open House will be held on Tuesday, November 16th from 5:30-7:00pm at the Veneta Community Center.

Our recent newsletter had the incorrect date.

We hope all can attend. See you next Tuesday.

Sincerely,
Lakeshore Water Company

October 25, 2021

RE: 2021 Customer Newsletter

To Our Valued Customers,

I hope this letter finds you well. As your water provider, our commitment to you is to provide safe, reliable and cost-effective water service. Every day, we work hard to uphold this commitment. We would like to take this opportunity to update you on recent activities at Lakeshore Water Company.

Capital Improvement Highlights

To improve water quality and reliability, we are excited to announce the following capital improvements are underway for Lakeshore Water Company:

- **New Treatment Plant & Storage Tanks** – Our storage tanks and treatment plant are original and past their useful life. This winter, we are constructing a new treatment plant and storage tank to replace the old system. The treatment plant will double the treatment capacity of the system which will improve water quality while continuing to meet State of Oregon drinking water requirements.
- **New Treatment Plant Security and Vulnerability Improvements** – Security improvements will also be made to the better protect the treatment plant from natural and manmade hazards.
- **Asset Management Program** – An asset management program was started for the system to improve system mapping, evaluate asset conditions and identify potential improvements.

Proposed Rate Adjustment & PUC Process

Lakeshore Water Company has not increased rates in some time. We are proposing to adjust rates to help recover capital improvement costs (see above) and adjust for operating cost escalations over the last decade.

As a regulated water utility, the Oregon Public Utility Commission (PUC) authorizes rate adjustments for Lakeshore Water Company. PUC rate case process generally takes 6-9 months and includes a detailed review of Lakeshore Water Company capital and operating costs. The process also includes customer engagement throughout the process and we encourage all to participate to ensure an adequate rate adjustment is achieved.

Prior to submitting a formal rate case with the PUC, we plan on hosting an **Open House on Thursday, November 16th, from 5:30-7:00pm at the Veneta Community Center.** Please join us to learn about the water system and upcoming improvements.

Online Bill Pay

Many customers have expressed interest in online bill pay. Online bill pay is currently available for all Lakeshore Water Company customers. Please see "Pay My Bill" on the website. You will need your account number.

Sincerely,
Lakeshore Water Company



Lakeshore Water Company, LLC
PO Box 6620
Portland, OR 97228

Customer Service
(971) 703-4242
customerservice@puttman.com

24-hour Emergency: 877-711-2755

www.puttman.com

July 1, 2021

**RE: Lakeshore Water Company
Customer Notice of Proposed Changes to Water Service Rate Tariffs Filed with the
Public Utility Commission**

Dear Customer,

As we shared in the 2020 Annual Customer Newsletter, we are writing to provide the 2021 Rate Schedule that has been filed with the Oregon Public Utility Commission (PUC).

PUC Customer Notice

This notice is to inform customers that Lakeshore Water Company filed a general rate revision with the Public Utility Commission. This notice provides general information regarding the utility's proposed changes and the effect it will have on customers' bills if approved by the Commission. Customers may request to receive notice of the time and place of any hearing on the matter by contacting the Public Utility Commission of Oregon, Administrative Hearings Division, at 503-378-6678. The calculations and statements contained in the water utility's filing and this notice are not binding on the Commission.

LAKESHORE WATER COMPANY submitted a general rate filing to the Commission on 06/16/2021. We are seeking to increase our annual revenues to \$45,856, representing an increase of \$23,364 above the \$22,493 we collected in 2020. The purpose of this announcement is to provide you with general information regarding the proposed rates and the effect the filing may have on you.

We anticipate the increase will change average monthly water service rates as follows:

Line Size	Current Average Monthly Bill	Proposed Average Monthly Bill
Residential		
5/8" & 3/4"	\$36.82	\$79.80

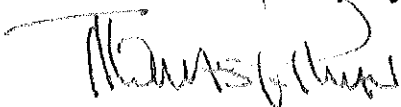
117%

- Lakeshore Water Company is seeking the above increase in rates because:
The utility needs to increase net operating income from a negative amount to a positive return in order to support proper maintenance, management and modernization of the system. By supporting the cost of capital improvements, the rate increase will result in improved service, customer satisfaction, reliability and quality.

2. Copies of the utility's application, testimony, and exhibits are available at Lakeshore Water Company's main office. To receive a copy, write to PO Box 6620, Portland, OR 97228 or customerservice@puttman.com.
3. Lakeshore Water Company can provide additional information about the rate filing. If you are interested, please contact Thomas Puttman at PO Box 6620, Portland OR 97228 or (503) 224-3454.

Should you have any questions, please reach out to us at customerservice@puttman.com. From the entire team at Lakeshore Water Company, we thank you for the opportunity to serve you.

Sincerely,
Lakeshore Water Company


Thomas J. Puttman, PE, AICP, LEED AP
General Manager

TJP/jp

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

JUL 13, 2021

LARRY D. KINCH
25957 MARINA RD.
VENETA OR. 97487
PHONE (541) 935-3885

LAKE SHORE WATER CO.
ACCOUNT NO. LS027

ATTN. TOM PUTTMAN
LAKE SHORE WATER CO.
P.O. BOX 6620
PORTLAND, OR. 97228

DEAR TOM,

PLEASE SEND ME A COPY OF YOUR RATE REVISION APPLICATION, TESTIMONY, AND EXHIBITS DOCUMENTS.

LIVING ON S.S. AND ANNUITY INCOME REQUIRES US WATCH OUR EXPENSES CLOSELY. A 117% INCREASE IN OUR WATER BILL ALONG WITH EVERYTHING ELSE THAT IS GOING UP (THANK YOU JOE BIDEN) SEEMS AN AWFULLY BIG LEAP IN YOUR RATES.

THANK YOU, LARRY D. KINCH

Rietveld Comments

RECEIVED

JUL 14 2022

7-11-22

P.U.C.

Dear Sir :

At the first of the year, Lakeshore Water Co. sent a letter informing me that bills would be sent every 3 months. My last payment was on 4-8-22 for the month of March.

Now I will receive 3 minimums due plus the increase of summer water!
Who does that?

I had a small landscape maintenance business for over 25 years. The time it takes to do something is the same.

1 x 1 or 1 x 2 or 1 x 3

Efficiency does not increase by delaying a job. Now you will most likely have to send out past due or termination notices, more office time for you.

It wasn't broke, why fix it.

Tim Rietveld
25990 Marina Rd
Veneta OR 97487
541-935-3584
tjparrotfish@pacinfo.com

Hughes Comments

This increase is well beyond reasonable. With inflation at 9% our cost of living is going up substantially for the next many months as it is now.

This company purchased the district and made improvements to a water system that was providing water to our satisfaction. We are reasonable and could see small increases over time but this is outrageous! It is not our fault the previous owner did not increase rates.

Does the electric utility get to increase rates double digits? Or any other service provider? They bought a system they want to make \$\$ on, maybe they should have vetted the project better. Why should customers pay for their mistake. They should see a return over time like the rest of us instead of a drastic increase such as this.

We are not receiving any additional value.

Sincerely,

Mike and Lori Hughes
25975 Marina Rd.
Veneta, OR 97487

541 513-5570