

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UW 173

In the Matter of

ILLAHE ESTATES WATER SYSTEM,

Request for a General Rate Revision.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

Illahe Estates Water System (Illahe) filed an application for a general rate revision on December 18, 2017, requesting an increase in its annual revenues for water service from \$121,572 to \$193,181 (58.9 percent) and an increase in its annual revenues for wastewater service from \$80,765 to \$104,843 (29.81 percent). In Order No. 17-517, entered December 18, 2017, we suspended Illahe's filing for a period not to exceed nine months from January 18, 2018 (until October 18, 2018).

A Public Comment Hearing and Prehearing Conference were held in Salem, Oregon, on February 6, 2018. No members of the public attended the public comment hearing or the prehearing conference. Parties to the proceeding are Illahe and Staff of the Public Utility Commission of Oregon.

On April 26, 2018, Illahe and Staff filed a stipulation that settles all issues in this docket. The stipulation is attached as Appendix A. Also on April 26, 2018, Staff filed testimony in support of the stipulation. The stipulation and supporting testimony are received as evidence.

On May 4, 2018, the administrative law judge (ALJ) issued a bench request asking for more information regarding the federal corporate income tax rate used to calculate the federal income tax expense agreed to by the stipulating parties. On May 10, 2018, Staff filed testimony and an exhibit in response to the bench request. Staff's testimony and exhibit are received as evidence.

II. BACKGROUND

Illahe is a water and wastewater utility serving approximately 274 water and 266 wastewater customers in Salem, Oregon. Illahe is organized as a limited liability company and is owned by Hiland Water Corporation, which owns and operates a number of water utilities throughout Oregon.

Illahe first began providing water service in 1966. Illahe's most recent rate case was UW 78, which was completed in February 2003. Hiland's acquisition of Illahe was approved on January 11, 2010.¹ The present rate case is Illahe's first rate case under Hiland ownership.

In 2016, we approved a Master Service Affiliated Interest Agreement (MSA) between Hiland and Illahe.² The MSA specifies the method by which costs incurred at the Hiland level are allocated to Hiland's various subsidiaries.

III. THE STIPULATION

The stipulating parties propose that we adopt an annual revenue requirement of \$169,708 for water service (a 39.59 percent increase) and \$102,917 for wastewater service (a 27.43 percent increase). The revenue requirement is based on a 9.5 percent rate of return on a combined water/wastewater rate base of \$571,938. The parties agree that the stipulation results in rates that are fair and reasonable and recommend they become effective for service rendered on and after July 19, 2018.

The parties agree that Illahe's rate design will apply a 60/40 split between monthly base rates and commodity rates. They agree that Illahe will annually update the information found in Exhibit 1 of the Hiland Master Service Agreement. They further agree that Illahe will engage a minimum of five financial institutions to attempt to obtain debt financing prior to using equity to finance future capital projects.

A. Revenue Requirement

Illahe filed its rate request using a 2016 test year. In their stipulation, the parties agree to bring all figures forward to reflect calendar year 2017. They agree to use 2017 figures to

¹ *In the Matter of Illahe Estates Water System, Inc. Sale of Illahe Estates Water System to Hiland Water Corp*, Docket No. UP 254, Order No. 10-012 (Jan 11, 2010).

² *In the Matter of Illahe Gold Club Estates, Request for Approval of an Affiliated Interest Agreement with Hiland Water Corp*, Docket No. UI 365, Order No. 16-101 (Mar 8, 2016).

address the relative staleness of Illahe's 2016 test year, given that the rates resulting from this rate case will go into effect in the latter half of 2018.

Staff notes that Illahe's costs can be divided into four broad categories: (1) direct water costs directly attributable to Illahe's water operations; (2) direct wastewater costs directly attributable to Illahe's wastewater operations; (3) indirect Illahe-specific costs incurred at the Illahe level and allocated to Illahe water and Illahe wastewater; and (4) indirect Hiland costs incurred at the Hiland level and allocated to Hiland's various subsidiaries, including Illahe. The parties did not make any changes to Hiland's indirect cost allocation method established in docket UI 365.

Costs that are not directly assigned to either water or wastewater represent indirect costs at the Illahe level. According to Illahe, these costs "are fairly represented based on the number of connections in the system."³ Because the company has nearly equal numbers of water and wastewater customers, the parties agree that a 50/50 allocation of indirect Illahe costs between water and wastewater is appropriate.

All of the agreed-upon adjustments are summarized in Exhibit Staff/102, Yamada/5-8. The most significant adjustments are explained in more detail in Staff's testimony, some of which are summarized below.

1. Salary and Wages

In its application, Illahe requested an Employee Salaries and Wages expense of \$41,575 for water and \$30,749 for wastewater. These amounts included an increase attributable to bringing an intern from part-time to full-time status, plus a 5.9 percent increase applied to direct and indirect test year wages.

The stipulating parties agree to include the full amount of Illahe's proposed increase attributable to increasing one employee from part-time intern to full-time employee status. They also agree to use a salary escalation factor of 3 percent in lieu of the 5.9 percent proposed by Illahe. The resulting adjustments are \$1,138 for water and \$842 for wastewater.

2. Employee Pension and Benefits

In its filing, Illahe did not request any increase to Employee Pension & Benefits. However, in response to discovery, Illahe indicated that Hiland implemented a company-sponsored plan in 2017, whereby Hiland matches employee retirement contributions up

³ See Staff/103, Yamada/4, Illahe's Response to Staff Data Request 17.

to 3 percent of wages. Accordingly, the parties agree to include Hiland's contributions to this plan at an amount equal to 3 percent of Salaries and Wages. For water service, this adjustment results in a \$1,195 increase to Employee Pensions & Benefits expenses above the test year amount. For wastewater service, the adjustment results in an \$888 increase.

3. Testing

For water service, the parties agree to increase the 2016 testing expense by \$693, resulting in a new water testing expense of \$11,443. That figure was derived from an average of the costs that Illahe expects to incur for testing over the next three years.

4. Amortization of Rate Case

In preparing its rate case, Illahe incurred \$3,500 in legal fees and \$16,661 in consulting fees, for a total of \$20,181. The parties agree to amortize this amount over three years, resulting in a \$6,727 charge to Illahe's revenue requirement.

5. Depreciation Expense

In its application, Illahe proposed a depreciation expense of \$33,287 for water, but this figure appears to have resulted from an inadvertent error. The parties agree to a depreciation expense of \$15,434 for water, which represents calendar year 2017 depreciation in Illahe's water plant assets, a reduction of \$17,853 from the amount requested in the application.

6. Annual Affiliated Interest Report

The parties agree to a condition whereby Illahe is required to file an updated version of the information found in Exhibit 1 of the MSA approved in docket UI 365 at the same time that it files the Annual Affiliated Interest Report required by OAR 860-036-2360. The annual filing of this information is intended to give us more visibility into costs that might vary from the initial amounts approved in docket UI 365.

7. *Utility Plant*

a. *Water*

The parties agree to include \$237,926 in water assets that were put into service after or excluded from rate base in UW 78. Most of the increase is attributable to the inclusion of \$123,648 for a reservoir and \$83,832 for automated meters and associated software.

The reservoir item relates to a 250,000-gallon reservoir with an original cost of \$247,295 that was initially put into service in October 2001. As explained in Order No. 03-133, the reservoir may not have been fully used and useful at that time and the parties in UW 78 agreed to exclude 50 percent of the reservoir's cost from the rates established in that case. The proposed inclusion of \$123,648 in this case represents the 50 percent of the reservoir cost that was excluded from rates in UW 78. The parties agreed to include the full cost in utility plant in this case because the reservoir is now 100 percent used and useful.

As explained in Staff's testimony, prior to 2017, Illahe's most recent investment in meters had been in 1985. Those meters had become "very old and inaccurate"⁴ and their replacement seemed appropriate.

While the cost to replace the meters with manually-read meters was \$59,000, Illahe believes that automated meters provide significantly greater value at only a slightly higher cost. Automated meters can be read more quickly and without the possibility of human data entry error. The new meters also provide increased accuracy and detailed consumption data that can be used by both customers and the utility to track usage patterns and detect leaks.

b. *Wastewater*

The parties agree to include \$27,456 in wastewater assets that relate to necessary improvements performed on the sewer lift station in 2011.

8. *Cost of Capital*

The parties stipulated to a 9.5 percent return on equity for both water and wastewater. Because Illahe has no debt, the rate of return is also 9.5 percent.

The parties further agree that Illahe will be required to engage a minimum of five financial institutions to attempt to obtain debt financing prior to using shareholder equity

⁴ Staff/100, Yamada/20.

to finance future capital projects. As the company's rate base currently is financed entirely with equity and debt financing can often be cheaper, the use of debt could result in lower capital costs to ratepayers in future rate cases.

B. Rate Spread and Rate Design

1. Water

As described in Staff's testimony, the parties undertook a thorough review of Illahe's water rate structure and rate design to bring the company's practices closer to industry norms while recognizing unique aspects of Illahe's situation. Thus, the parties agree to move to a monthly (from bi-monthly) billing structure, change the unit of measurement of the commodity from 100 cubic feet to 100 gallons, collapse all residential and commercial customers into a single class, and establish a new class for restaurant wastewater.

With respect to collapsing residential and commercial water customers into a single customer class, the parties note that Illahe's cost to provide water does not vary based on the type of customer or the purpose for which the water is used because all customers receive the same water, pumped from the same sources, and delivered through the same pipes. The parties agree that meter size is the most meaningful distinction between water customers, and that the costs associated with serving customers of larger meter sizes are appropriately reflected in base rates that differ with line size.

So far as the base rates are concerned, Staff most often applies a set of factors for determining the appropriate base rates for different meter sizes.⁵ In this case, the parties agree to a modified set of factors designed to make progress toward the standard set of factors while also mitigating rate shock for Illahe's current customers.

Because the current rate structure is non-standard, setting base rates using the full standard factors would cause substantial rate shock, with some customers experiencing large rate decreases and others experiencing large rate increases. For example, if the new 4" base rate were calculated using the full standard factor, then Illahe's single 4" customer would experience a base rate increase of approximately 500 percent. While the parties agree that the inequities in the current rate structure should be corrected, they

⁵ For example, the standard factor for a 5/8" base rate is 1 and the standard factor for a 1" base rate is 2.5, which means that a customer with a 1" meter would typically pay a base rate that is approximately 2.5 times that of a customer with a 5/8" meter. Staff/100, Yamada/24.

agree to rates in this case that “make some progress toward making that correction,”⁶ rather than making the correction at this time.⁷

2. *Wastewater*

The parties agree to a single flat monthly residential/commercial wastewater rate rather than a rate that varies by line size because wastewater line sizes are not known in all cases. Furthermore, while the size of a water customer’s meter is indicative of the potential demand for water that the customer could place on the system, the sizing of wastewater connections is more closely related to clogging potential rather than considerations relating to system capacity. Thus, the parties agree that base rates that vary by line size are not appropriate for wastewater service in this case. Because all non-restaurant wastewater customers pay the same flat rate under Illahe’s current rate structure, maintaining a single flat wastewater rate reduces the potential for rate shock.

The parties agree to develop a separate rate for restaurant wastewater because Illahe’s only non-residential wastewater customer is a 2” restaurant customer which is solely responsible for certain maintenance costs. Thus the parties designed a higher wastewater rate for the restaurant to capture annual hydro-power cleaning costs, plus a portion of general wastewater costs.

3. *Stipulated Rates and Customer Bills*

The impact of the stipulated rates on current customers’ bills is shown below:

Current Customer Class	Meter/Line Size	Average Monthly Bill at Current Rates	Average Monthly Bill at Stipulated Rates	% Change
Water – Residential	5/7” or 3/4”	\$31.07	\$42.30	36%
Water – Residential	1”	\$35.29	\$51.82	47%
Water – Residential	1 1/2”	\$47.52	\$83.17	75%
Water – Residential	3”	\$528.18	\$766.38	45%
Water – Commercial/Industrial	1”	\$36.17	\$52.97	46%

⁶ Staff/100, Yamada/26.

⁷ As Staff explains, the greatest anomaly is with respect to the 3” meter rate, compared to the 4” meter rate. The full standard factor was used to develop the 3” base rate, while a lesser factor was used to develop the 4” meter base rate. Thus, the 4” meter rate is lower than the 3” meter rate in this case. However, “as progress toward the use of the full standard factors at other meter sizes is made in future rate cases, the 4” rate will eventually exceed the 3” rate.” Staff/100, Yamada/27.

Water – Commercial/Industrial	1 ½”	\$104.89	\$101.01	-4%
Water – Commercial/Industrial	2”	\$235.01	\$322.48	37%
Water – Commercial/Industrial	4”	\$98.22	\$229.84	134%
Water – Irrigation	1 1/2 “	\$113.36	104.56	-8%
Wastewater – Residential	Any Size	\$24.94	\$29.41	18%
Wastewater – Commercial	Any Size	\$636.92	\$751.90	18%

IV. ALJ’S BENCH REQUEST

As noted above, on May 4, 2018, the ALJ issued a bench request asking for more information regarding the federal corporate income tax rate used to calculate the federal income tax expense agreed to by the stipulating parties. The question arose because the parties based their stipulation on a 2017 test year while the rates will go into effect in 2018.

On May 10, 2018, Staff submitted testimony in response to the bench request. Staff states that the parties “did not make an exception to the use of the 2017 test year figures for the purpose of calculating federal income tax rates because doing so did not seem to be consistent with the treatment of all other figures in this case.”⁸ In any event, Staff indicates that the use of 2017 tax rates results in a lower federal income tax expense for Illahe than would the use of the 2018 tax rate. Using the 2017 rates, \$50,000 of Illahe’s taxable income falls in the 15 percent tax bracket, with the remaining \$15,779 falling into the 25 percent tax bracket—an effective tax rate of 17.40 percent. Using the 2018 rate, all of Illahe’s taxable income would be taxed at 21 percent. The use of the 2018 federal tax rate would result in an increase in taxable income for both state and federal tax purposes.

V. RESOLUTION

We find the stipulation to be a reasonable resolution of the issues presented and adopt it in its entirety. We acknowledge the effort that was required to address rate structure and rate design anomalies and appreciate the thorough discussion of these matters that explains the parties’ reasonable resolution of these issues.

⁸ Staff/200, Yamada/2.

Staff's testimony fully explains the basis for each adjustment to Illahe's test year rate calculations and provides a high degree of confidence that we can confirm the view of the stipulating parties that their proposed rates are fair and reasonable.

Staff's response to the ALJ's bench request fully explains the basis for the calculation of income tax in the stipulation.

VI. ORDER

IT IS ORDERED that:

- 1. Advice No. 17-2 filed by Illahe Estates Water System, LLC, is permanently suspended.
- 2. The stipulation between Illahe Estates Water System, LLC, and the Staff of the Public Utility Commission of Oregon, attached as Appendix A, is adopted.
- 3. Illahe Estates Water System, LLC, is authorized to file its tariffs in accord with the stipulation, with an effective date of July 19, 2018.

Made, entered, and effective JUN 22 2018


 Megan W. Decker
 Chair


 Stephen M. Bloom
 Commissioner




 Letha Tawney
 Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UW 173

In the Matter of
Illahe Estates Water System, LLC
Request for a General Rate Revision

STIPULATION

Illahe Estates Water System, LLC (Illahe or Company), appearing by and through Silas Olson, General Manager of Hiland Water Corporation (Hiland), and the Public Utility Commission of Oregon Staff (Staff), appearing by and through its attorney, Elizabeth Uzelac, Assistant Attorney General, hereafter collectively referred to as the Stipulating Parties, enter into this Stipulation resolving all issues in this case.

1. The Stipulating Parties support entering into evidence, without requiring any Stipulating Party to lay a foundation for its admission, this Stipulation, Staff's written Testimony in Support of the Stipulation (Exhibit Staff/100), and additional supporting exhibits (Exhibit Staff/101-103).

2. The Stipulating Parties agree to support and recommend that the Commission adopt a revenue increase of 39.59 percent for water service and 27.43 percent for wastewater service over 2016 test period revenues. The increase results in a revenue requirement of \$169,708 for water service and \$102,917 for wastewater service, for a combined total revenue requirement of \$272,624. Additionally, the Stipulating Parties agree that Illahe will have an opportunity to earn a 9.5 percent rate of return on a total combined water/wastewater rate base of \$571,938. The stipulated revenue requirement and adjustments are included for review as Attachment A to this Stipulation.

1 3. The Stipulating Parties agree to and support the rates, fees, rules, and regulations
2 contained in Attachment B to this Stipulation, which includes Illahe's tariff sheets PUC Oregon
3 No. 1, Original Sheet Nos. 1-25.

4 4. The Stipulating Parties agree to and support rates being effective for service
5 rendered on and after July 19, 2018.

6 5. The Stipulating Parties agree that Illahe's rate design will apply a 60/40 split
7 between monthly base rates and commodity rates.

8 6. The Stipulating Parties agree that Illahe shall file an updated version of the
9 information found in Exhibit 1 of the Hiland Master Service Agreement (Docket No. UI 365)
10 annually at the same time that it files the Annual Affiliated Interest Report required by
11 OAR 860-036-2360.

12 7. The Stipulating Parties agree that Illahe shall engage a minimum of five financial
13 institutions to attempt to obtain debt financing prior to using shareholder equity to finance future
14 capital projects.

15 8. The Stipulating Parties have negotiated this Stipulation in good faith and
16 recommend that the Commission adopt the Stipulation in its entirety.

17 9. The Stipulating Parties agree that the Stipulation represents a compromise in the
18 positions of the Stipulating Parties. By entering into this Stipulation, no Stipulating Party shall
19 be deemed to have approved, accepted, or consented to the facts, principles, methods, or theories
20 employed by any other Stipulating Party in arriving at the terms of this Stipulation.

21 10. The Stipulating Parties agree that without the written consent of all Stipulating
22 Parties, evidence of conduct or statements, including but not limited to term sheets or other
23 documents created solely for use in settlement conferences in this docket, and conduct or
24 statements made at settlement conferences, are confidential and not admissible in the instant or
25 any subsequent proceeding, unless independently discoverable or offered for other purposes
26 allowed under ORS 40.190.

1 11. The Stipulating Parties have negotiated this Stipulation as an integrated
2 document. Accordingly, if the Commission rejects all or any material portion of this Stipulation,
3 or adds any material condition to any final order that is not consistent with this Stipulation, each
4 Stipulating Party reserves the right, upon written notice to the Commission and all parties to this
5 proceeding within 15 days of the date of the Commission's final order, to withdraw from the
6 Stipulation and to present additional evidence and argument on the record. Nothing in this
7 paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of
8 the Commission's resolution of issues that this Stipulation does not resolve.

9 12. The Stipulating Parties understand that this Stipulation is not binding on the
10 Commission in deciding Illahe's application for a general rate increase and does not foreclose the
11 Commission from addressing any other issues.

12 13. This Stipulation may be executed in any number of counterparts, each of which
13 will be an original for all purposes, but all of which taken together will constitute one and the
14 same agreement.

15 DATED this 20th day of April, 2018.

17 
18 _____
Elizabeth B. Uzelac OSB # 170507

19 Assistant Attorney General

20 Of Attorneys for PUC Staff

21
22 DATED this _____ day of April, 2018.

23
24 _____
Silas Olson

25 General Manager, Hiland Water Company

26 ILLAHE ESTATES WATER SYSTEM, LLC

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8 the Commission's resolution of issues that this Stipulation does not resolve.

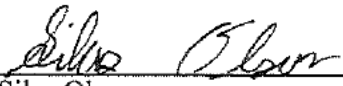
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14 same agreement.

15 DATED this _____ day of April, 2018.

16
17
18 _____
Elizabeth B. Uzelac OSB # 170507
19 Assistant Attorney General
20 Of Attorneys for PUC Staff

21
22 DATED this 20th day of April, 2018.

23
24 

Silas Olson
25 General Manager, Hiland Water Company
26 ILLAHE ESTATES WATER SYSTEM, LLC

Revenue Requirement - Water

Company Proposed Increase
58.90%

Staff Proposed Increase
39.59%

REVENUES		Test Year	Company Proposed Adjustment	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals
460	Unmetered	\$ -	\$ -	\$ -	\$ -	\$ -
461.1	Residential	\$ 107,587	\$ 62,860	\$ 170,447	\$ (20,172)	\$ 150,276
461.2	Commercial	\$ 4,687	\$ 4,186	\$ 8,873	\$ 4,621	\$ 13,495
462	Fire Protection Sales	\$ -	\$ -	\$ -	\$ -	\$ -
465	Irrigation Water Sales	\$ 3,361	\$ 5,260	\$ 8,621	\$ (8,621)	\$ -
466	Water Sales for Resale	\$ -	\$ -	\$ -	\$ -	\$ -
471	Miscellaneous Services	\$ 360	\$ (360)	\$ -	\$ 360	\$ 360
475	Cross Connection Control	\$ 5,239	\$ -	\$ 5,239	\$ -	\$ 5,239
	Other - Construction Revenue	\$ 338	\$ (338)	\$ -	\$ 338	\$ 338
		\$ -	\$ -	\$ -	\$ -	\$ -
	Total Revenue	\$ 121,572	\$ 71,609	\$ 193,181	\$ (23,473)	\$ 169,708

Acct. OPERATING EXPENSES

601	Salaries and Wages - Employees	\$ 36,347	\$ 5,229	\$ 41,575	\$ (1,139)	\$ 40,437
603	Salaries and Wages - Officers	\$ 568	\$ 34	\$ 602	\$ (16)	\$ 586
604	Employee Pension & Benefits	\$ 4,820	\$ -	\$ 4,820	\$ 1,195	\$ 6,015
610	Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -
611	Telephone/Communications	\$ 2,245	\$ -	\$ 2,245	\$ -	\$ 2,245
615	Purchased Power	\$ 15,262	\$ -	\$ 15,262	\$ (80)	\$ 15,181
616	Fuel for Power Production	\$ -	\$ -	\$ -	\$ -	\$ -
617	Other Utilities	\$ 70	\$ -	\$ 70	\$ (5)	\$ 64
618	Chemical / Treatment Expense	\$ -	\$ -	\$ -	\$ -	\$ -
619	Office Supplies	\$ 3,947	\$ -	\$ 3,947	\$ (326)	\$ 3,621
619.1	Postage	\$ 883	\$ -	\$ 883	\$ (433)	\$ 450
620	O&M Materials/Supplies	\$ 129	\$ -	\$ 129	\$ -	\$ 129
621	Repairs to Water Plant	\$ 996	\$ -	\$ 996	\$ -	\$ 996
631	Contract Svcs - Engineering	\$ -	\$ -	\$ -	\$ -	\$ -
632	Contract Svcs - Accounting	\$ 190	\$ -	\$ 190	\$ -	\$ 190
633	Contract Svcs - Legal	\$ -	\$ -	\$ -	\$ -	\$ -
634	Contract Svcs - Management Fees	\$ -	\$ -	\$ -	\$ -	\$ -
635	Contract Svcs - Testing	\$ 750	\$ 693	\$ 1,443	\$ -	\$ 1,443
636	Contract Svcs - Labor	\$ 1,253	\$ -	\$ 1,253	\$ -	\$ 1,253
637	Contract Svcs - Billing/Collection	\$ 837	\$ -	\$ 837	\$ (114)	\$ 724
638	Contract Svcs - Meter Reading	\$ -	\$ -	\$ -	\$ -	\$ -
639	Contract Svcs - Other	\$ 2,622	\$ -	\$ 2,622	\$ (2)	\$ 2,620
641	Rental of Building/Real Property	\$ 2,792	\$ -	\$ 2,792	\$ -	\$ 2,792
642	Rental of Equipment	\$ 3,133	\$ -	\$ 3,133	\$ -	\$ 3,133
643	Small Tools	\$ -	\$ -	\$ -	\$ -	\$ -
648	Computer/Electronic Expenses	\$ 104	\$ -	\$ 104	\$ (2)	\$ 102
650	Transportation	\$ 3,046	\$ -	\$ 3,046	\$ -	\$ 3,046
656	Vehicle Insurance	\$ 629	\$ -	\$ 629	\$ -	\$ 629
657	General Liability Insurance	\$ 1,106	\$ -	\$ 1,106	\$ -	\$ 1,106
658	Workers' Comp Insurance	\$ 552	\$ -	\$ 552	\$ (38)	\$ 514
659	Insurance - Other	\$ -	\$ -	\$ -	\$ -	\$ -
666	Amortz. of Rate Case	\$ -	\$ 3,364	\$ 3,364	\$ -	\$ 3,364
667	Gross Revenue Fee (PUC)	\$ -	\$ 580	\$ 580	\$ (71)	\$ 509
670	Bad Debt Expense	\$ -	\$ -	\$ -	\$ -	\$ -
671	Cross Connection Control Program	\$ -	\$ -	\$ -	\$ -	\$ -
673	Training and Certification	\$ 196	\$ -	\$ 196	\$ (46)	\$ 150
674	Consumer Confidence Report	\$ -	\$ -	\$ -	\$ -	\$ -
675	Miscellaneous Expense	\$ 446	\$ -	\$ 446	\$ (7)	\$ 439
OE1	Advertising & PR	\$ 12	\$ -	\$ 12	\$ (12)	\$ -
OE2	Stormwater	\$ 217	\$ -	\$ 217	\$ -	\$ 217
OE3	Other Expense 3	\$ -	\$ -	\$ -	\$ -	\$ -
OE4	Other Expense 4	\$ -	\$ -	\$ -	\$ -	\$ -
OE5	Other Expense 5	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL OPERATING EXPENSE	\$ 83,151	\$ 9,900	\$ 93,050	\$ (1,096)	\$ 91,955

OTHER REVENUE DEDUCTIONS						
403	Depreciation Expense	\$ 33,287	\$ -	\$ 33,287	\$ (17,853)	\$ 15,434
406	Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -
407	Amortization Expense	\$ -	\$ -	\$ -	\$ -	\$ -
408.11	Property Tax	\$ 3,955	\$ -	\$ 3,955	\$ -	\$ 3,955
408.12	Payroll Tax	\$ 2,338	\$ 272	\$ 2,610	\$ 1	\$ 2,611
408.13	Other	\$ -	\$ -	\$ -	\$ -	\$ -
409.10	Federal Income Tax	\$ -	\$ 9,076	\$ 9,076	\$ (16)	\$ 9,060
409.11	Oregon Income Tax	\$ -	\$ 3,979	\$ 3,979	\$ (299)	\$ 3,680
409.13	Extraordinary Items Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUE DEDUCTIONS		\$ 122,730	\$ 23,227	\$ 145,957	\$ (19,263)	\$ 126,694
Net Operating Income		\$ (1,158)	\$ 48,382	\$ 47,224	\$ (4,211)	\$ 43,013

UTILITY RATE BASE						
101	Utility Plant in Service	\$ 721,691	\$ -	\$ 721,691	\$ 0	\$ 721,691
105	Construction Work in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
108	- Accumulated Depreciation of Plant	\$ 305,662	\$ -	\$ 305,662	\$ 1,270	\$ 306,932
271	- Contributions in Aid of Construction	\$ -	\$ -	\$ -	\$ -	\$ -
272	+ Accumulated Amortization of CIAC	\$ -	\$ -	\$ -	\$ -	\$ -
281	- Accumulated Deferred Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -
	- Excess Capacity	\$ -	\$ -	\$ -	\$ -	\$ -
= NET RATE BASE INVESTMENT		\$ 416,029	\$ -	\$ 416,029	\$ (1,269)	\$ 414,760
Plus: (working capital)						
151	Materials and Supplies Inventory	\$ 30,512	\$ (161)	\$ 30,351	\$ -	\$ 30,351
	Working Cash (Total Op Exp /12)	\$ 6,930	\$ 795	\$ 7,724	\$ (61)	\$ 7,663
TOTAL RATE BASE		\$ 453,471	\$ 634	\$ 454,104	\$ (1,330)	\$ 452,774
Rate of Return		-0.26%	0.00%	10.40%	0.00%	9.50%

Revenue Requirement - Wastewater

Company Proposed Increase
29.81%

Staff Proposed Increase
27.43%

REVENUES	Test Year	Company Proposed Adjustment	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals
Unmetered	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	\$ 72,762	\$ 22,857	\$ 95,619	\$ (2,085)	\$ 93,534
Commercial (Restaurant)	\$ 7,643	\$ 1,581	\$ 9,224	\$ (201)	\$ 9,023
Fire Protection Sales	\$ -	\$ -	\$ -	\$ -	\$ -
Irrigation Water Sales	\$ -	\$ -	\$ -	\$ -	\$ -
Water Sales for Resale	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous Services	\$ 360	\$ (360)	\$ -	\$ 360	\$ 360
Cross Connection Control	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -
0	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 80,765	\$ 24,078	\$ 104,843	\$ (1,926)	\$ 102,917

Acct.	OPERATING EXPENSES	Test Year	Company Proposed Adjustment	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals
601	Salaries and Wages - Employees	\$ 26,123	\$ 4,626	\$ 30,749	\$ (842)	\$ 29,907
603	Salaries and Wages - Officers	\$ 568	\$ 34	\$ 602	\$ (16)	\$ 586
604	Employee Pension & Benefits	\$ 3,686	\$ -	\$ 3,686	\$ 888	\$ 4,574
610	Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -
611	Telephone/Communications	\$ 861	\$ -	\$ 861	\$ -	\$ 861
615	Purchased Power	\$ 1,831	\$ -	\$ 1,831	\$ -	\$ 1,831
616	Fuel for Power Production	\$ -	\$ -	\$ -	\$ -	\$ -
617	Other Utilities	\$ 70	\$ -	\$ 70	\$ (5)	\$ 64
618	Chemical / Treatment Expense	\$ 4,686	\$ -	\$ 4,686	\$ -	\$ 4,686
619	Office Supplies	\$ 3,947	\$ -	\$ 3,947	\$ (326)	\$ 3,621
619.1	Postage	\$ 838	\$ -	\$ 838	\$ (389)	\$ 450
620	O&M Materials/Supplies	\$ 6,291	\$ -	\$ 6,291	\$ -	\$ 6,291
621	Repairs to Water Plant	\$ 456	\$ -	\$ 456	\$ (67)	\$ 389
631	Contract Svcs - Engineering	\$ -	\$ -	\$ -	\$ -	\$ -
632	Contract Svcs - Accounting	\$ 190	\$ -	\$ 190	\$ -	\$ 190
633	Contract Svcs - Legal	\$ 63	\$ -	\$ 63	\$ -	\$ 63
634	Contract Svcs - Management Fees	\$ 1,200	\$ -	\$ 1,200	\$ -	\$ 1,200
635	Contract Svcs - Testing	\$ 6,840	\$ -	\$ 6,840	\$ -	\$ 6,840
636	Contract Svcs - Labor	\$ -	\$ -	\$ -	\$ -	\$ -
637	Contract Svcs - Billing/Collection	\$ 837	\$ -	\$ 837	\$ (114)	\$ 724
638	Contract Svcs - Meter Reading	\$ -	\$ -	\$ -	\$ -	\$ -
639	Contract Svcs - Other	\$ 4,151	\$ -	\$ 4,151	\$ (2)	\$ 4,149
641	Rental of Building/Real Property	\$ 2,792	\$ -	\$ 2,792	\$ -	\$ 2,792
642	Rental of Equipment	\$ 1,287	\$ -	\$ 1,287	\$ -	\$ 1,287
643	Small Tools	\$ -	\$ -	\$ -	\$ -	\$ -
648	Computer/Electronic Expenses	\$ 104	\$ -	\$ 104	\$ (2)	\$ 102
650	Transportation	\$ 393	\$ -	\$ 393	\$ -	\$ 393
656	Vehicle Insurance	\$ 629	\$ -	\$ 629	\$ -	\$ 629
657	General Liability Insurance	\$ 1,106	\$ -	\$ 1,106	\$ -	\$ 1,106
658	Workers' Comp Insurance	\$ 552	\$ -	\$ 552	\$ (38)	\$ 514
659	Insurance - Other	\$ -	\$ -	\$ -	\$ -	\$ -
666	Amortz. of Rate Case	\$ -	\$ 3,364	\$ 3,364	\$ -	\$ 3,364
667	Gross Revenue Fee (PUC)	\$ -	\$ 314	\$ 314	\$ (6)	\$ 309
670	Bad Debt Expense	\$ -	\$ -	\$ -	\$ -	\$ -
671	Cross Connection Control Program	\$ -	\$ -	\$ -	\$ -	\$ -
673	Training and Certification	\$ 196	\$ -	\$ 196	\$ (46)	\$ 150
674	Consumer Confidence Report	\$ -	\$ -	\$ -	\$ -	\$ -
675	Miscellaneous Expense	\$ 2,137	\$ -	\$ 2,137	\$ (7)	\$ 2,130
OE1	Advertising & PR	\$ 12	\$ -	\$ 12	\$ (12)	\$ -
OE2	Stormwater	\$ -	\$ -	\$ -	\$ -	\$ -
OE3	Other Expense 3	\$ -	\$ -	\$ -	\$ -	\$ -
OE4	Other Expense 4	\$ -	\$ -	\$ -	\$ -	\$ -
OE5	Other Expense 5	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL OPERATING EXPENSE	\$ 71,845	\$ 8,338	\$ 80,183	\$ (982)	\$ 79,201

OTHER REVENUE DEDUCTIONS						
403	Depreciation Expense	\$ 6,626	\$ -	\$ 6,626	\$ 0	\$ 6,626
406	Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -
407	Amortization Expense	\$ -	\$ -	\$ -	\$ -	\$ -
408.11	Property Tax	\$ 228	\$ -	\$ 228	\$ -	\$ 228
408.12	Payroll Tax	\$ 1,915	\$ 272	\$ 2,187	\$ 1	\$ 2,188
408.13	Other	\$ -	\$ -	\$ -	\$ -	\$ -
409.10	Federal Income Tax	\$ -	\$ 2,189	\$ 2,189	\$ 196	\$ 2,385
409.11	Oregon Income Tax	\$ -	\$ 1,031	\$ 1,031	\$ (63)	\$ 968
409.13	Extraordinary Items Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUE DEDUCTIONS		\$ 80,613	\$ 11,830	\$ 92,444	\$ (848)	\$ 91,596
Net Operating Income		\$ 152	\$ 12,248	\$ 12,399	\$ (1,079)	\$ 11,321

UTILITY RATE BASE						
101	Utility Plant in Service	\$ 439,505	\$ -	\$ 439,505	\$ 0	\$ 439,505
105	Construction Work in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
108	- Accumulated Depreciation of Plant	\$ 327,102	\$ -	\$ 327,102	\$ 0	\$ 327,102
271	- Contributions in Aid of Construction	\$ -	\$ -	\$ -	\$ -	\$ -
272	+ Accumulated Amortization of CIAC	\$ -	\$ -	\$ -	\$ -	\$ -
281	- Accumulated Deferred Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -
0	- Excess Capacity	\$ -	\$ -	\$ -	\$ -	\$ -
= NET RATE BASE INVESTMENT		\$ 112,403	\$ -	\$ 112,403	\$ 0	\$ 112,403
Plus: (working capital)						
151	Materials and Supplies Inventory	\$ -	\$ 161	\$ 161	\$ -	\$ 161
0	Working Cash (Total Op Exp /12)	\$ 5,987	\$ 695	\$ 6,682	\$ (81)	\$ 6,600
TOTAL RATE BASE		\$ 118,390	\$ 856	\$ 119,246	\$ (81)	\$ 119,164
Rate of Return		0.13%	0.00%	10.40%	0.00%	9.50%

**Containing Rules and Regulations
Governing Water Utility Service**

NAMING RATES FOR

**ILLAHE ESTATES WATER SYSTEM, LLC
PO BOX 699
NEWBERG OR 97132**

503-554-8333

Serving water in the vicinity of

Salem, Oregon

Issue Date / Filing Date		Effective for Service on or after	
Issued by Utility	Illahe Estates Water System, LLC		

Advice No.

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Issue Date / Filing Date		Effective for Service on or after	
Issued by Utility	Illahe Estates Water System, LLC		

Advice No.

SCHEDULE NO. 1**RESIDENTIAL & COMMERCIAL WATER METERED RATES**

Available: To customers of the Utility at Salem, Oregon, and vicinity.

Applicable: To residential & commercial premises receiving water service.

Base Rate

SERVICE METER SIZE	MONTHLY BASE RATE	USAGE ALLOWANCE
5/8 inch or 3/4 inch	\$27.01	none
1 inch	\$31.23	none
1½ inches	\$47.27	none
2 inches	\$81.04	none
3 inches	\$506.51	none
4 inches	\$185.72	none

Commodity/Usage Rate

COMMODITY RATE	NO. OF UNITS	MEASURING UNIT
\$0.17	Per Unit	1 unit = 100 gallons

Special Provisions:

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc., shall be metered. Charges shall be made at the rates specified in this schedule. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

Issue Date / Filing Date		Effective for Service on or after	
Issued by Utility	Illahe Estates Water System, LLC		

Advice No.

SCHEDULE NO. 2
RESIDENTIAL & COMMERCIAL WASTEWATER FLAT RATES

Available: To customers of the Utility at Salem, Oregon, and vicinity.

Applicable: To residential and commercial customers receiving wastewater service.

Flat Rate

SERVICE METER SIZE	MONTHLY BASE RATE
Any	\$29.41

Special Provisions:

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc., shall be metered. Charges shall be made at the rates specified in Schedule 1. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

Issue Date / Filing Date		Effective for Service on or after	
Issued by Utility	Illahe Estates Water System, LLC		

Advice No.

**SCHEDULE NO. 3
RESTAURANT WASTEWATER FLAT RATE**

Available: To customers of the Utility at Salem, Oregon, and vicinity.

Applicable: Special tariff for restaurants receiving wastewater service.

FLAT RATES

SERVICE METER SIZE	MONTHLY FLAT RATE
Any	\$751.90

Special Provisions:

1. These rates are based on continuous wastewater service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.
2. Water used during the construction of buildings, etc., shall be metered. Charges shall be made at the rates specified in Schedule 1. When setting of a meter is impracticable, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.

Issue Date / Filing Date		Effective for Service on or after	
Issued by Utility	Illahe Estates Water System, LLC		

Advice No.

SCHEDULE NO. 4
RESERVED FOR FUTURE USE

Available: To customers of the Utility at Salem, Oregon, and vicinity.

Applicable: To:

Special Provisions:

1. These rates are based on continuous service. Discontinuation of service may not be employed to avoid monthly charges for service. See Rule No. 26, Voluntary Discontinuance.

Issue Date / Filing Date		Effective for Service on or after	
Issued by Utility	Illahe Estates Water System, LLC		

Advice No.

**SCHEDULE NO. 5
MISCELLANEOUS SERVICE CHARGES**

This schedule lists the miscellaneous charges included in the Utility's Rules and Regulations; refer to the appropriate Rules for an explanation of charges and conditions under which they apply.

Connection Charge for New Service (Rule Nos. 8 & 9)

Standard ¾-inch service	At cost
Nonstandard ¾-inch service	At cost
Larger than ¾-inch	At cost
Irrigation hookup (if provided on separate system)	At cost

Meter Test (Rule Nos. 19 & 20)

First test within 12-month period	N/C
Second test within 12-month period	\$25

Pressure Test (Rule No. 39)

First test within 12-month period	N/C
Second test within 12-month period	\$25

Late-Payment Charge (Rule No. 21)

Pursuant to OAR 860-036-1400

Deposit for Service (Rule No. 5)

Pursuant to OAR 860-036-1220

Returned-Check Charge (Rule No. 22)

\$25 each occurrence

Trouble-Call Charge (Rule No. 35)

During normal office hours	\$30
After normal office hours on special request	\$50

Disconnection Charge Rule No. 28)

\$35

Reconnect Charge (Rule No. 29)

During normal office hours	\$25
After normal office hours on special request	\$50

Unauthorized Restoration of Service (Rule No. 30)

Disconnection/Reconnection charge plus costs

Damage/Tampering Charge (Rule No. 28)

at cost

Disconnect Site-Visit Charge (Rule No. 29)

\$35

Issue Date / Filing Date		Effective for Service on or after	
Issued by Utility	Illahe Estates Water System, LLC		

Advice No.

RULES AND REGULATIONS

Rule 1: Jurisdiction of the Commission

Water systems are subject to regulation as provided under ORS Chapter 757

Rule 2: Definitions

- A. "Applicant" means a person who does not meet the definition of a customer, who applies for service with a water utility.
- B. "Commission" shall mean the Public Utility Commission of Oregon.
- C. "Commercial service" means water service provided by the water utility that the customer uses in the promotion of a business or business product that is a source of revenue or income to the customer or others using the premises.
- D. "Customer" means a person who is currently receiving water service and is entitled to certain rights as a customer under these rules. A residential customer retains customer status for 20 calendar days following voluntary disconnection of service and must be treated as a customer if he or she reapplies for service within that 20 calendar day period.
- E. "Customer's service line" is defined as the facilities used to convey water from the point of connection to the customer's point of usage. The customer owns and maintains the customer service line.
- F. "Residential service" means water service provided for domestic or irrigation purposes in a residential area and is not considered a commercial service.
- G. "Served" for purpose of delivery of any required notice or document, unless otherwise specifically noted, means: delivered in person, by personal contact over the telephone, or in writing delivered to the party's last known address. If delivered by US Mail, the notice is considered served two calendar days after the date postmarked, the date of postage metering, or deposit in the US Mail, excluding Sundays and postal holidays.
- H. "Utility" shall mean: **Illahe Estates Water System, LLC.**
- I. "Water service connection" is defined as the facilities used to connect a water utility's distribution network to the point of connection at the customer's service line. The water utility owns and maintains the water service connection.

Issue Date / Filing Date		Effective for Service on or after	
Issued by Utility	Illahe Estates Water System, LLC		

Advice No.

APPLICATION FOR SERVICE**Rule 3: Information for Applicants and Customers (OAR 860-036-1100)**

The Utility shall provide or be able to provide customers or applicants with the following information:

- A. A copy of its approved tariffs or statement of rates;
- B. A copy of the utility's rules and regulations applicable to the type of service being provided; and
- C. The option to receive electronic copies of all written notices to be issued on the customer's account.

Rule 4: Application for Service (OAR 860-036-1200)

Application for water service must be made for each individual property to be served. The application shall identify the name of the applicant, the service address, the billing address, the contact information where the applicant can be reached, the type of water service requested and its intended use, and the name to be used to identify the account, if different than the applicant's actual name. The applicant shall, at this time, pay any scheduled fees or deposits. An application is a request for service and shall not be accepted until the applicant establishes credit as set forth in OAR 860-036-1210.

An application for service must be made where:

- A. An applicant, who has not previously been served by the Utility, requests service; or
- B. Service has been involuntarily discontinued in accordance with the Utility and Commission rules, and service is requested; or
- C. Service has been voluntarily discontinued and a request to restore service has not been made within 20 days; or
- D. There is a change in the type of use to which the water is put, or the number of premises served.

Rule 5: Establishment of Credit, Surety Agreements, Deposits, Interest, and Refunds of Deposits (OAR 860-036-1210, 1220, 1230, 1240, 1250, and 1260)

The utility may require an applicant or customer to pay a deposit as a guarantee of payment for services provided. Amounts held by a water utility may not exceed one-sixth of the actual or estimated annual billing for the premises. (OAR 860-036-1220)

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Advice No.

PUC Oregon No. 1

Original Sheet No. 10

The water utility may adjust the deposit amount when a customer moves to a new location within the water utility's service area, and the anticipated bill at the new residence will be at least 20 percent greater than the basis of the existing deposit. (OAR 860-036-1220(5))

The Utility must inform any residential applicant or customer who is required to pay a deposit of the opportunity to provide a written surety agreement in lieu of paying the deposit. A surety agreement obligates another qualifying residential customer of the same utility to pay an amount up to the required deposit if the secured account is later disconnected and a balance remains owing following the due date for the closing charges. To qualify as a surety, the other residential customer must have had 12 months of continuous service with the Utility without a late payment. (OAR 860-036-1230)

The Utility shall pay interest on deposits at the rate established by the Commission. After the customer has paid its water service bills for 12 consecutive months without having had service discontinued for nonpayment, or did not have more than two occasions in which a shut-off notice was issued, and the customer is not then delinquent in the payment of bills, the Utility shall promptly and automatically refund the deposit plus accrued interest by **(check one)** (OAR 860-036-1250 and 1260):

1. Issuing the customer a refund check, or
 2. Crediting the customer's account; however, a customer is entitled to a refund upon request pursuant to OAR 860-036-1260

Rule 6: Customer Service Line (OAR 860-036-1300(2))

The customer shall own and maintain the customer service line and promptly repair all breaks and leaks. For non-metered service, the customer service line begins at the property line or utility-owned shut-off valve. For metered service, the customer service line begins on the customer's side of the meter or utility-owned shut-off valve. The Utility shall not be responsible for any damage or poor service due to inadequacy of the customer service line or any portion of the customer's plumbing. All leaks in the customer service line, faucets, and all other parts of the plumbing owned or controlled by the customer shall be promptly repaired so as not to waste water.

Rule 7: Separate Control of Service

All premises supplied with water will be served through service lines so placed as to enable the Utility to control the supply to each individual premise using a valve placed within and near the line of the street, the Utility right-of-way, or at the meter.

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Rule 8: Water Service Connections (OAR 860-036-1300)

The water service connection is defined as the facilities used to connect the Utility's distribution network to the point of connection at the customer's service line. The Utility owns, operates, maintains, and replaces the service connection when necessary and promptly repairs all breaks and leaks. The customer shall not be responsible for any damage or poor service due to inadequacy of the Utility's service lines or any portion of the Utility's plumbing.

Rule 9: Service Connection Charge (OAR 860-036-1300(3))

An applicant requesting permanent water service to a premise not previously supplied with permanent service by the Utility may be required to pay the cost of the service connection, including or excluding the meter as provided in Rule No. 8 and the Utility's Miscellaneous Service Charges in this tariff.

Rule 10: Main Line Extension Policy (OAR 860-036-1310)

A main line extension is defined as the extension of the Utility's main line necessary to provide service to a customer when the property does not currently have main line frontage.

Main line extension charges, if any, are stated in the Utility's tariff or statement of rates.

The Utility maintains a main line extension policy that lists all applicable charges; and describes the advance and refund provisions, including a description of the mechanisms for collecting and rebating the amount charged equitably among the customers who paid for the cost of the line, and provides the time period during which the advance and rebate provisions apply.

Rule 11: Types of Use

Water service may be supplied for residential, commercial, irrigation, temporary construction, special contracts, fire prevention, and other uses. The Utility shall file separate rate schedules for each type of use and basis of supply.

Rule 12: Multiple Residences/Commercial Users

An apartment building, mobile home park, motel, trailer camp, duplex, townhouse, or any property consisting of more than one residential/commercial unit, if served through one service line, shall be considered to be equivalent to the number of dwelling units when determining the customer count.

Issue Date / Filing Date		Effective for Service on or after	
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Advice No.

Rule 13: Utility Access to Private Property (OAR 860-036-1370, -1500)

Customers shall provide regular access to Utility-owned service lines that may extend onto the customer’s premises for the purposes of reading meters, maintenance, inspections, or removal of Utility property at the time service is to be discontinued. Where the customer does not cooperate in providing reasonable access to the meter or to the premises, as required by law or to determine if a health or safety hazard exists, it is grounds for disconnection.

Rule 14: Restriction on Entering a Customer Residence (OAR 860-036-1330)

No Utility employee shall enter the residence of its customers without proper authorization except in an emergency when life or property is endangered.

REFUSAL OF SERVICE

Rule 15: Refusal of Service Due to Customer Accounts (OAR 860-036-1270)

The Utility may refuse to provide service if:

- A. The applicant has amounts owing under a tariff or statement of rates; or
- B. The applicant for residential service has a roommate with amounts owing under a tariff or statement of rates, and the applicant lived with the roommate at the time the amounts owing were incurred.

Exception: If the applicant for residential service was a former residential customer with amounts owing, was involuntarily disconnected for non-payment, and applies for service within 20 calendar days of the disconnection, the Utility must provide service upon receipt of one-half of the amount owed with the remainder due within 30 calendar days. If the former customer fails to pay the remaining amounts within 30 calendar days, the Utility may disconnect service after issuing a 7-calendar day disconnection notice in accordance with OAR 860-036-1510(4).

If service is disconnected, the Utility may refuse to restore service until it receives full payment of all amounts owing, including reconnection charges allowed under OAR 860-036-1580.

Service shall not be refused for matters not related to water service.

Residential service shall not be refused due to obligations connected with nonresidential service. If service is refused under this rule, the Utility shall inform the applicant or customer of the reasons for the refusal and of the Commission’s dispute resolution process.

Issue Date / Filing Date		Effective for Service on or after	
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Advice No.

Rule 16: Refusal of Service Due to Utility Facilities (OAR 860-036-1270)

The Utility shall not accept an application for service or materially change service to a customer if the Utility does not have adequate facilities, resources or capacity to render the service applied for, or if the desired service is of a character that is likely to unfavorably affect reasonable service to other customers.

For refusal of service under this rule, the Utility shall provide a written letter of refusal to the applicant within seven calendar days, informing applicant that the details upon which the Utility's decision was based may be requested.

The details will include, but not be limited to:

- A. Provide the information required by OAR 860-036-1100(2);
- B. Explain the specific reasons for refusing water service;
- C. Inform the applicant of the right to request details upon which the Utility's decision was based; and
- D. Inform the applicant of the right to dispute the refusal by contacting the Consumer Services Section at the contact information provided in OAR 860-001-0020(2).

Rule 17: Refusal of Service Due to Customer Facilities (OAR 860-036-1270)

The Utility will refuse service to an applicant whose facilities do not comply with applicable plumbing codes or, in the best judgment of the Utility, are of such a character that safe and satisfactory service cannot be given.

If service is refused under this rule, the Utility will provide written notification to the applicant within seven calendar days stating the reason(s) for refusal and providing information regarding the Commission's complaint process.

METERS

Rule 18: Utility Meters (OAR 860-036-1350)

The Utility owns, maintains, and operates all meters. Meters placed in service will be adequate in size and design for the type of service, set at convenient locations, accessible to the Utility, subject to the Utility's control, and placed in a meter box or vault between the street curb and property line. Each meter box or vault will be provided with a suitable cover.

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Where additional meters are installed by the Utility or relocated for the convenience of the customer, the actual cost incurred for any meter relocation requested by the customer will be assessed.

The Utility shall have the right to set meters or other devices for the detection and prevention of fraud or waste without notice to the customer.

Rule 19: Meter Testing (OAR 860-036-1350)

The meter will be tested prior to or within 30 days of installation to determine it is accurate to register not more than two percent error. No meter will be allowed to remain in service if it registers an error in excess of two percent (fast or slow) under normal operating conditions. The Utility will maintain a record of all meter tests and results. Meter test result records will include:

- A. Meter identification number and location;
- B. Reason for making the test;
- C. Method of testing;
- D. The beginning and ending meter readings;
- E. Test results and conclusion; and
- F. All data taken at the time of the test.

Rule 20: Customer-Requested Meter Test (OAR 860-036-1360)

A customer may request that the Utility test the service meter once every 12 months at no cost. Such test shall be made within seven calendar days of the receipt of the request unless the customer fails to provide the Utility reasonable access to the meter. The customer or the customer's representative has the right to be present during the test, which is to be scheduled at a mutually agreeable time. Within seven calendar days of performing the requested meter test, report shall be provided to the customer stating:

- A. The name of the customer requesting the test and the service address where the meter was tested;
- B. The date the meter test was requested and the date the meter test was performed;
- C. The name of the person performing the test;
- D. The meter identification number and location;
- E. The beginning and ending meter readings; and
- F. The actual test results and conclusion.

If a customer requests a meter test more often than once in any 12-month period, and the test results indicate that the meter is registering within the two percent performance standard, the

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customer may be assessed a reasonable charge for the test if the charge is included in the Miscellaneous Service Charges Schedule. If the meter registers outside the two percent performance standard, the Utility may not charge the customer for the meter test.

BILLING

Rule 21: Billing Information and Late-Payment Charge (OAR 860-036 1100(2), 1400, and 1430)

All bills, including closing bills, are due and payable at the Utility office within at least 15 days when rendered by deposit in the mail or other reasonable means of delivery, unless otherwise specified on the bill. The date of presentation is the date on which the Utility mails the bill.

As near as practical, meters shall be read **monthly**, bimonthly, or quarterly on the corresponding day of each meter reading or billing period. The bill will be rendered immediately thereafter. The Utility will provide its customers with timely billings every month or as indicated in its tariffs or statement of rates.

All water service bills will show:

- A. Separate line items for past due balance, payments and credits, new charges, late fees, and total account balance;
- B. The date new charges are due;
- C. Calculation of new charges including base or flat rate, usage billing tiers and rates, beginning and ending meter readings, the dates the meter was read, rate schedule, billing period, and number of days in the billing period;
- D. The date any late payment charge was applied and an explanation of the terms of the late payment charge; and
- E. Any other information necessary for the computation of the bill.

A late-payment charge may be assessed against any account that has an unpaid balance when the next bill is being prepared. The charge will be computed on the delinquent balance owing at the time of preparing the subsequent month's bill at the late-payment rate specified in the Miscellaneous Service Charges Schedule. The late-payment rate is determined annually by the Commission, and the Utility will be notified of the rate.

If an account is permitted to become delinquent, the Utility may disconnect water service by giving proper notice to the customer as provided in Rules 28 & 29, prior to or after the Utility assesses the late payment charge.

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Rule 22: Returned Payment Charge

The Returned Payment Charge listed on the Miscellaneous Service Charges Schedule shall be billed for each occasion a customer submits any type of noncash payment (check, debit, electronic, etc.) that is not honored, for any reason, by a bank or other financial institution.

Rule 23: Prorating of Bills

Initial and final bills will be prorated according to the number of days service was rendered and on the basis of a 31-day month. For metered services, a reasonable effort will be made to read the meter upon opening and closing a customer's account. Consumption will be charged at scheduled rates. Any minimum monthly charge will be prorated.

Rule 24: Adjustment of Bills (OAR 860-036-1440)

When an overbilling occurs, the Utility will refund or credit amounts incorrectly collected. No refund or credit will be issued for incorrect billings which occurred more than three years before the incorrect billing was discovered.

When an underbilling occurs, the Utility will issue a bill to collect amounts owing for the 12-month period ending on the date on which the water utility issued the last incorrect bill. When such under collected amounts are billed to customers, the Utility will provide written notice to the customer detailing:

- A. The circumstances and time period of the billing error;
- B. The corrected bill amount and the amount of the necessary adjustment;
- C. The Commission's consumer complaint process; and
- D. The right for a current or former customer to enter into a time-payment agreement with the Utility.

The Utility will not bill for services provided more than two years before the underbilling was discovered. No billing adjustment will be required if a meter registers less than two percent error under conditions of normal operation. The Utility may waive rebilling or issuing a refund check when the costs make such action uneconomical.

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Rule 25: Transfer Billings (OAR 860-036-1450)

If the Utility determines that a customer owes an amount from a closed account the customer previously held with the Utility, the Utility may transfer the closed account balance to the customer's current account.

The Utility will give the customer prior notice of the transfer, including:

- A. The amount due under the prior account; and
- B. The period when the balance was incurred; and
- C. The service address under which the bill was incurred.

If the customer has an amount remaining on an existing time-payment agreement, the customer may enter into a new time-payment agreement to include the transfer. The Utility will not transfer a balance owing on a non-residential account to a residential account.

DISCONNECTION OF WATER SERVICERule 26: Voluntary Discontinuance (OAR 860-036-1560)

A customer requesting disconnection of service must provide the Utility with at least seven calendar days' advance notice. The customer is responsible for all service provided for seven calendar days following the request for disconnection or until service is disconnected, whichever comes first; or if the customer identified a specific date for disconnection in excess of seven calendar days, the customer is responsible for service rendered up to and including the requested date of disconnection.

Rates are based on continuous service. Disconnect and reconnect transactions do not relieve a customer from the obligation to pay the base rate or minimum charge that accumulates during the period of time the service is voluntarily disconnected for up to 12 months. Should the customer wish to recommence service within 12 months at the same premise, the customer will be required to pay the accumulated minimum monthly charge or base rate as if service had been continuous. The reconnection charge listed on the Miscellaneous Service Charges Schedule will be applicable at the time of reconnection.

Nothing in this rule prevents the Utility from temporarily interrupting service to protect the health and safety of its customers or to maintain the integrity of its system.

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Rule 27: Emergency Disconnection (OAR 860-036-1630)

The Utility may terminate service in emergencies when life or property is endangered without following the procedures set forth in OAR 860-036-1630. Immediately thereafter, the Utility will notify the customer and the Commission. When the emergency termination was through no fault of the customer, the Utility shall not charge the customer for disconnection or restoration of service.

Rule 28: Disconnection of Water Service Charge for Cause (OAR 860-036-1500, -1510, -1520, -1530, and 1550)

The Utility may disconnect service when:

- A. A customer fails to pay charges due for services rendered under a water utility tariff or statement of rates;
- B. A customer fails to pay a deposit, fails to timely provide a surety under OAR 860 036-1230 or comply with its terms, or fails to comply with the terms of a deposit installment agreement under OAR 860-036-1240;
- C. A customer fails to comply by the terms of a payment agreement under OAR 860 036-1240(3) or 860-036-1420;
- D. A customer provides false identification to establish or to continue service;
- E. A customer has facilities that do not comply with the applicable codes, rules, regulations, or the best practices governing safe and adequate water service, including compliance with the water utility's Cross Connection Control Program;
- F. A customer fails to provide reasonable access to the meter or premises;
- G. A customer tampers with water utility facilities or engages in theft of service or unauthorized use of water;
- H. A customer fails to comply with water restriction requirements under OAR 860-036-1670; or
- I. The Commission approves the disconnection of service.

If the disconnection is due to failure to pay a deposit, secure a surety agreement, abide by a deposit installment agreement, abide by the terms of a payment arrangement, or due to the theft of service, tampering with utility property, diverting water, or unauthorized use of water, the Utility will provide one 7-day written disconnection notice prior to disconnection. For other disconnections, the Utility will provide two written notices in advance of disconnection: one 15-day notice and one 7-day notice.

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If the disconnection is due to a customer's failure to comply with a water use restriction imposed under OAR 860-036-1670, the utility may disconnect the customer without issuing either a 15-calendar day or 7 calendar day disconnection notice.

The notices shall include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility,
- B. State that the customer's water service is subject to disconnection on or after a specific date;
- C. Provide the grounds for the proposed disconnection;
- D. State what actions the customer must take in order to avoid disconnection; and
- E. A statement that the customer may dispute the disconnection by contacting the Commission's Consumer Services Section.

If the disconnection notice is for nonpayment, the notice shall also include:

- A. The amount the customer must pay to avoid disconnection;
- B. Provide information about the customer's eligibility for a time-payment agreement provided in OAR 860-036-1420 for residential customers, unless the customer is being disconnected for failing to comply with an existing time-payment agreement or has engaged in theft of service, tampering with utility property, diverting water, or unauthorized use of water; and;
- C. A statement that once service is disconnected, the water utility will reconnect service only after the customer reapplies for service and pays all applicable charges..

The 7-calendar day and 15-calendar day advance written notices of disconnection will be hand-delivered in person to the customer or adult at the premises, or sent by the US Mail to the customer's billing address and designated representative. Mailed notices are considered served two calendar days after deposited in the US Mail, excluding Sundays and postal holidays. If the customer has requested to receive notices electronically, the Utility will provide an electronic notice in addition to the written notices.

Within 48 hours of disconnection, the Utility will make a good-faith effort to contact the customer or an adult at the residence and provide notice of the proposed disconnection. If contact is not made, the Utility shall leave a notice in a conspicuous place at the customer's premise informing the customer that service has been disconnected.

Disconnection of Water Service to Tenants:

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- A. If a water utility's records show that a residential billing address is different from the service address, the water utility must mail a duplicate notice to the service address, unless the utility has verified that the service address is occupied by the customer.
- B. If a water utility's records show that the service location is a master-metered, multi-dwelling service address, the water utility must provide a duplicate of the 7-calendar day disconnection notice to each unit at the service address. The disconnection notice must be addressed to "Tenant." The envelope must bear a bold notice stating, "IMPORTANT NOTICE REGARDING DISCONNECTION OF WATER UTILITY SERVICE." Tenant notices may not include the dollar amount owing.
- C. The water utility must notify the Consumer Services Section at least seven calendar days before disconnecting service to a master-metered, multi-dwelling premise.

Time Payment Agreements (OAR 860-036-1420)

Customers who are notified of pending disconnection, due to reasons other than theft of service, tampering, unauthorized use of water, or failure to abide by the terms of a Time Payment Plan, may choose between two Time Payment Agreement options. The Utility will offer such customers a choice of a levelized-payment plan and an equal-pay arrearage plan. The Utility and customer may mutually agree to an alternate payment arrangement provided it be in writing and signed by all parties.

Disconnection for Failure to Comply With a Time Payment Agreement (OAR 860-036-1510(4)(b))

A time-payment agreement disconnection occurs when a customer fails to comply with the terms of a written time-payment agreement between the customer and the Utility, or the Utility permits a time-payment agreement charge to become delinquent. The Utility will give the customer a 7- day written notice before the water service may be disconnected.

Rule 29: Disconnection, Reconnection and Field Visit Charge (OAR 860-036-1580)

Disconnection and Reconnection Charges

When service was disconnected pursuant to (OAR 860-036-1500), the Utility may charge the disconnect fee and reconnect fee stated in its tariff prior to reconnecting service.

Field Visit Charge

The Utility may assess a field visit charge whenever the Utility visits a residential service address intending to reconnect or disconnect service, but due to customer action, the Utility is unable to complete the reconnection or disconnection at the time of the visit. The field visit charge is listed in the tariff.

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Rule 30: Unauthorized Restoration of Service (OAR 860-036-1590)

After the water has been disconnected or shut off at the curb stop or at the meter, if any person not authorized by the Utility should turn it on, the water service line may be disconnected as provided by OAR 860-036-1510.

Rule 31: Unauthorized Use (OAR 860-036-1590)

No person shall be allowed to make connection to the Utility mains, or to make any alteration to service connections, or to turn a curb stop off or on to any premises without written permission of the Utility. If the Utility discovers that a customer tampered with or engaged in unauthorized use of utility property facilities, the Utility shall notify the customer of the violations and may take one or more of the following actions:

- A. Repair or restore the facilities and charge the customer the costs incurred;
- B. Adjust the customer's prior billing for loss of revenue under applicable tariffs or schedule of rates;
- C. Initiate a service disconnection as provided by OAR 860-036-1510;
- D. Require a new application for service that accurately reflects the customer's proposed water use; and
- E. Assess a deposit for restored or continued service.

Rule 32: Interruption of Service (OAR 860-036-1630, -1640)

The Utility may perform an unscheduled interruption of service as necessary to protect the health and safety of its customers or to maintain the integrity of its system. If an unscheduled interruption of service is required, the water utility must:

- A. Make a reasonable effort to notify the customers affected and the Consumer Services Section in advance of the interruption;
- B. Report the unscheduled interruption to the Consumer Services Section at the contact information provided in OAR 860-001-0020(2), and
- C. Restore service as soon as it is reasonably possible after resolving the issue, unless other arrangements are agreed to by the affected customers.

The Utility may schedule water service interruptions for maintenance and repairs in such a manner that reasonably minimizes customer inconvenience. The Utility will provide advance written notice to all customers affected by any scheduled service interruption, and will post the notice in the utility's office and on its website, if available. The notice will include:

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- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- B. The date, time, and estimated duration of the scheduled interruption;
- C. The purpose of the interruption;
- D. A statement cautioning customers to avoid using water during service interruptions to prevent debris in the customers' service lines; and
- E. The contact information for the Consumer Services Section provided in OAR 860 001-0020(2).

Notices of scheduled interruptions of service must be served by a door hanger or personal delivery to an adult at the affected premises at least five calendar days in advance of the service interruption or by US Mail at least ten calendar days prior to the service interruption. In addition electronic notice must be provided to customers who requested to receive notices electronically.

Rule 33: Water Usage Restrictions (OAR 860-036-1670)

The Utility shall exercise due diligence to furnish a continuous and adequate supply of water to its customers. During times of water shortage, the Utility will equitably apportion its available water supply among its customers with regard to public health and safety. In times of water shortages, the Utility may restrict water usage after providing written notice to its customers and the Consumer Services Section. Notice will also be posted in the Utility's office and on its website, if available. The notification must state the reason and nature of the restrictions, the date restrictions will become effective, the estimated date the restrictions end, and that failure to comply with the restrictions is grounds for disconnection.

If a customer fails to comply with the water restrictions after receiving written notification, the Utility will provide a separate written warning letter to the customer including:

- A. The date;
- B. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- C. The customer's name, account number, mailing address, service address if different;
- D. The water use restrictions and statement of how the customer is violating those restrictions;
- E. A statement that the customer's water service is subject to disconnection on or after a specific date;
- F. A warning to the customer that failure to immediately comply with the restrictions may result in disconnection of service; and

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G. A statement that the customer may dispute disconnection by contacting the Consumer Services Section. The notice must include the Consumer Services Section’s contact information provided in OAR 860-001-0020(2).

If a customer fails to comply with the water restrictions after receiving written notification and the warning letter, the Utility will consult with the Consumer Services Section to determine if disconnection is appropriate.

SERVICE QUALITY

Rule 34: Adequacy of Water Service (OAR 860-036-1600)

The Utility will maintain its facilities according to industry rules, regulations, and standards and in such condition to provide safe, adequate, and continuous service to its customers.

The Utility will not intentionally diminish the quality of service below the level that can reasonably be provided by its facilities.

Rule 35: Trouble Call

The trouble-call charge listed on the Miscellaneous Service Charges Schedule may be billed whenever a customer requests that the Utility visit the customer’s premises to remedy a service problem and the problem is due to the customer’s facilities.

Rule 36: Water Purity (OAR 860-036-1610)

The Utility will provide a domestic water supply that is free from bodily injurious physical elements and disease-producing bacteria and reasonably free from elements that cause physical damage to customer property, including but not limited to pipes, valves, appliances, and personal property.

Rule 37: Water Pressure (OAR 860-036-1650)

The Utility will maintain adequate water pressure. In general, water pressure measuring between 45 and 80 pounds per square inch in the water mains is considered adequate. However, adequate pressure may vary depending on each individual water system.

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The Utility may temporarily reduce or increase water pressure for fire flows, noticed repairs and maintenance, scheduled or emergency flushing, and unscheduled or emergency repairs and outages.

Rule 38: Pressure Surveys (OAR 860-036-1650)

The Utility will maintain permanent pressure recording gauges at various locations to measure the system's water pressure, and will have a portable gauge to measure water pressure in any part of the system. The Utility will maintain all pressure gauges in good operating condition, test periodically for accuracy, and recalibrate or replace when necessary.

Rule 39: Customer-Requested Pressure Test (OAR 860-036-1660)

Upon customer request, the Utility will perform a water pressure test within seven calendar days of the request. The first pressure test in any 12- month period will be at no charge. If the customer requests an additional pressure test within any 12-month period at the same premises, the Utility will assess the customer a charge in accordance with the service charges set forth in Schedule 9 of the tariff. The pressure will be measured at a point adjacent to the meter on the customer service line or other reasonable point most likely to reflect the actual service pressure.

The Utility will provide a written report to the customer within seven calendar days of the pressure test. The report will include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- B. The customer's name and service address where the pressure was tested;
- C. The date the pressure test was requested and the date the pressure test was performed;
- D. The name of the company or employee performing the test;
- E. The place where the pressure was measured;
- F. The actual pressure reading; and
- G. The conclusion based on the test result.

Rule 40: Utility Line Location (One Call Program)

The Utility and its customers will comply with the requirements of OAR 952-001-0010 through and including OAR 952-001-0090 (One Call Program) regarding identification and notification of underground facilities.

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Rule 41: Cross Connection/Backflow Prevention Program (OAR 860-036-1680)

All customers must comply with the Utility's Cross Connection Control Program to protect the water system from contamination. A customer's failure to comply is grounds for disconnection under OAR 860-036-1500.

The Utility will comply with the rules and regulations for the Cross Connection/Backflow Prevention Program, as provided in ORS Chapter 333 and the Utility's approved Backflow Prevention tariff or statement of rates.

Rule 42: Partial Payment

Partial payments or one payment for more than one service, absent written instructions from the customer, will be applied in the following order:

- (a) Past due regulated tariffed charges;
- (b) Currently due regulated tariffed charges;
- (c) Non-regulated tariffed services;
- (d) Non-tariffed services.

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