CASE: UW 176

PUBLIC UTILITY COMMISSION
OF
OREGON

EXHIBIT 100

Joint Testimony in Support of the Stipulation

February 18, 2020

Q. Who is sponsoring this testimony?

A. This Joint Testimony is jointly sponsored by Oregon Public Utility Commission (PUC or Commission) Staff (Staff), Aspen Lakes Utility Company, LLC (Aspen Lakes or Company), Aspen Lakes Estates Owners, Inc. (HOA), and Aspen Lakes Golf Course (Golf Course) (each a Party, and collectively the Parties or Joint Parties).

Q. Please state your names and qualifications.

A. My name is Stephanie Yamada. I am a Senior Utility Analyst in the Telecommunications and Water Division of the Oregon Public Utility Commission. My witness qualification statement is included in Exhibit Joint Parties/101.

My name is Matt Cyrus. I am the Manager Member of Aspen Lakes. I have been the Manager Member of the utility from its formation in 1996 to the present. I am also the Manager Member of the Aspen Lakes Golf Course, L.L.C. and have been since its formation in 2000.

My name is Chuck Fadeley. I am testifying on behalf of the HOA. I am a practicing attorney in Sisters, Oregon, and my business address is PO Box 1408, Sisters, OR 97759. I have been in private practice in Oregon for 39 years and my clients include consumer-owned electric utilities. I have also served as the Deschutes County Justice of the Peace on a part-time basis since 2004.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to introduce and support the Stipulation entered into by the Joint Parties in Docket No. UW 176, Aspen Lakes' request for a general rate revision.

Q. Did you prepare any exhibits for this docket?

A. Yes. We prepared Exhibit Joint Parties/101, consisting of one page, Exhibit Joint Parties/102, consisting of 13 pages, and Exhibit Joint Parties/103, consisting of eight pages.

Q. How is your testimony organized?

A. Our testimony is organized as follows:

ISSUE 1. SUMMARY RECOMMENDATION

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

A. The Joint Parties recommend that the Commission adopt the Stipulation agreed to by the Joint Parties in UW 176. The Joint Parties agreed to a revenue requirement of $199,984, which represents an increase of 0.44 percent, or $885, over 2018 test year revenues. The Joint Parties also agreed to a 9.5 percent rate of return on a rate base of $65,680.

ISSUE 2. COMPANY DESCRIPTION AND REGULATORY HISTORY

Q. Please describe Aspen Lakes.

A. Aspen Lakes is a rate- and service-regulated water utility serving customers in the vicinity of the Aspen Lakes Golf Course in Sisters, Oregon. Specifically, the utility provides domestic water service to the Golf Course clubhouse and restrooms, the HOA recreation facility, and 115 residential lots, 81 of which were developed as of the date of the Company's filing. The utility also provides irrigation water service to the Golf Course, the HOA recreation facility, and 77 residential lots. The utility provides sewer service to certain properties for which septic service is unavailable, including the Golf Course clubhouse, a Golf Course restroom, and 14 residential lots. The system was originally constructed and began providing service in 1996. The owners of the utility are Keith Cyrus (40 percent ownership), Matt Cyrus (40 percent ownership), and Pamela Mitchell (20 percent ownership).

Q. When did Aspen Lakes become subject to PUC regulation?

A. Aspen Lakes became subject to the Commission's rate regulation jurisdiction with Order No. 19-002, issued January 7, 2019, in Docket No. WJ 34. That docket was initiated in response to a petition filed by the HOA alleging that Aspen Lakes' rates exceeded the threshold levels set forth in OAR 860-036-1910, and that at least 20 percent of the customers had petitioned the Commission requesting rate regulation as set forth in OAR 860-036-1920. In Order No. 19-002, the Commission also ordered Aspen Lakes to file a request for a general rate revision no later than June 11, 2019.

The present docket represents Aspen Lakes' first general rate revision under PUC rate regulation.

ISSUE 3. SUMMARY OF ASPEN LAKES' GENERAL RATE FILING

Q. Please describe Aspen Lakes' general rate filing.

A. Aspen Lakes submitted its request for a general rate revision (Application) on June 11, 2019, as required by Order No. 19-002. The Company selected a test year of January 1, 2018 to December 31, 2018. The Company's Application proposed total annual revenues of $289,278, representing an approximately 45 percent increase over test year revenues of $199,099. The Company's request included a proposed 9.5 percent rate of return on a rate base of $311,216.

Q. What are the current rates? What rate increases did Aspen Lakes propose in its Application?

A. Aspen Lakes' actual current and proposed rates are shown in Table 1.

Table 1: Actual Current vs. Aspen Lakes' Proposed Rates

Customers			Current Rates		Proposed Rates	
Customer Type	**Service Type**	**Rate Type**	**Rate**	**Included Gallons**	**Rate**	**Included Gallons**
Residential	Domestic	1" Base	$22.00	3,000	$25.93	0
Residential	Domestic	1.5" Base	$35.00	3,000	$51.85	0
Residential	Domestic*	Variable	$2.00	N/A	$3.86	N/A
Commercial	Domestic	1" Base	$22.00	3,000	$25.93	0
Commercial	Domestic	1.5" Base	$35.00	3,000	$51.85	0
Commercial	Domestic	2" Base	$60.00	3,000	$82.97	0
Commercial	Domestic	3"+ Base	$125.00	10,000	$155.56	0
Commercial	Domestic*	Variable	$2.00	N/A	$3.86	N/A
Residential	Irrigation	1" Base	N/A	-	$51.14	0
Residential	Irrigation*	Variable	$2.00	N/A	$1.14	N/A
Commercial	Irrigation	2" Base	$550.00	50,000	$1,613.83	0
Commercial	Irrigation**	Variable	$1.20	N/A	$0.97	N/A
All	Fire	Base	$22.00	N/A	$31.44	N/A
Bare Lot	Sewer	Base	$35.00	N/A	$41.74	N/A
Residential	Sewer	Base	$70.00	N/A	$83.48	N/A
Commercial	Sewer	Base	$500.00	N/A	$596.49	N/A

* Rate is per 1,000 gallons.
** Rate is per 7,500 gallons.

Q. What are the effects of Aspen Lakes' proposed rates on average customers?

A. The impact of Aspen Lakes' proposed rates on customers' average bills is summarized in Table 2.

Table 2: Bill Impacts of Aspen Lakes' Proposed Rates

Customer Type	Service Type	Size	Average Bill at Current Rates	Average Bill at Proposed Rates	% Average Bill Change
Residential	Domestic	1"	$29.78	$41.92	41%
Residential	Irrigation	1"	$61.57	$86.34	40%
Commercial	Domestic	1"	$23.98	$30.71	28%
Commercial	Domestic	2"	$109.18	$178.96	64%
Commercial	Irrigation	2"	$1,956.26	$2,749.53	41%
All	Fire	N/A	$22.00	$31.44	43%
Bare Lot	Sewer	N/A	$35.00	$41.74	19%
Residential	Sewer	N/A	$70.00	$83.48	19%
Commercial	Sewer	N/A	$500.00	$596.49	19%

Q. What are the primary drivers for the Company's requested rate increase?

A. In its Application, Aspen Lakes states that it is seeking a rate increase because the "[c]urrent rate structure is insufficient to cover expenses."[1] As discussed previously, with Order No. 19-002, the Commission required Aspen Lakes to submit a request for a general rate revision no later than June 11, 2019.

[1] Application, Page 4.

ISSUE 4. AFFILIATED INTEREST / COST DETERMINATION ISSUES

Q. Please discuss any relationships between Aspen Lakes and its affiliates that are relevant to the present proceeding.

A. Aspen Lakes shares affiliated interest relationships as defined in ORS 757.015 with three companies: Aspen Lakes Golf Course, Sisters Aggregate and Construction (SAC), and Wildhorse Meadows, LLC (Wildhorse) (each an Affiliate and collectively the Affiliates). Pursuant to these relationships, certain goods and services are exchanged related to the provision of utility service, as described below. On February 4, 2019, Aspen Lakes submitted separate applications for Commission approval of affiliated interest agreements with each of these Affiliates, and Docket Nos. UI 410, UI 411, and UI 412 were opened in response to those applications. Docket No. UI 410 addressed the provision of certain goods and services to Aspen Lakes by the Golf Course, including office space, bookkeeping services, meter reading, and other labor. Docket No. UI 411 addressed Aspen Lakes' rental of certain equipment owned by SAC. Docket No. UI 412 addressed Aspen Lakes' use of certain land and water permits owned by Wildhorse for the provision of utility services. The Commission approved all three of Aspen Lakes' affiliated interest agreement applications on April 26, 2019, with Order Nos. 19-158, 19-159, and 19-160, respectively. In each of the three dockets, the Commission limited its approval to Aspen Lakes' relationship with the affiliate in question, and deferred any determination regarding the costs for services provided, including compliance with the lower of cost or market requirement found in OAR 860-036-2230(2)(e), to the present general rate proceeding.

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

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

Q. Please describe the goods and/or services provided to Aspen Lakes by the Golf Course.

A. Aspen Lakes currently receives a large number of services from the Golf Course. Because the utility and the Golf Course are operated out of a shared office, the Golf Course provides the utility with office space, phone lines, electricity, internet, and access to a copy machine, as well as garbage, security, and cleaning services. Aspen Lakes also receives certain postage services from the Golf Course and is currently covered under the Golf Course's general liability insurance policy. Furthermore, Golf Course employees perform a number of services on behalf of the utility, including bookkeeping, meter reading, and inspection/repairs of the water system. Finally, plant assets owned by the Golf Course are used to provide pressurization and distribution of irrigation water to Aspen Lakes' irrigation customers. Currently, Aspen Lakes pays the Golf Course $500 monthly for office space rental and $600 monthly for bookkeeping services. The other goods and services provided to Aspen

Lakes by the Golf Course are considered to be included in the payments for bookkeeping and office space rental.

Q. Please describe the goods and/or services provided to Aspen Lakes by SAC.

A. The Equipment Rental Agreement between Aspen Lakes and SAC specifies that Aspen Lakes will pay $1,500 monthly for 24/7 access to five pieces of equipment, and that any use exceeding eight hours per instance will be charged an additional hourly rate.[2] The five pieces of equipment and corresponding hourly overage rates are shown in Table 3.

Table 3: Equipment Rented from SAC

Item	Hourly Overage Rate
Case 580K Backhoe	$50
International Dump Truck	$50
Ditchwitch Rock Saw	$100
John Deere 892ELC Excavator	$150
Freightliner truck w/ lowboy	$150

Q. Please describe the goods and/or services provided to Aspen Lakes by Wildhorse.

A. The land on which the utility's facilities reside, both wells serving the system, and Water Permit G-11578 (used primarily for the provision of irrigation water) are owned by Wildhorse. According to Aspen Lakes, it pays 10 percent of all

[2] *See* Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/8, Equipment Rental Agreement with SAC, provided in response to Staff's Data Request 32.

utility revenues to Wildhorse for the use of Wildhorse's property pursuant to an Easement Agreement between Aspen Lakes and Wildhorse.[3]

Q. Do the payments made by Aspen Lakes to the Affiliates in exchange for goods and services as described previously comply with the requirement of OAR 860-036-2230(2)(e) that such transactions be booked at the lower of the affiliate's cost or the market rate?

A. It is not currently possible to determine whether the Affiliate transactions comply with the "lower of cost or market" requirement of OAR 860-036-2230(2)(e). When assessing compliance with that rule, Staff generally aims to compare the affiliate's cost of providing the services to the estimated cost of acquiring equivalent goods and services, at equivalent levels to those provided by the affiliate, at local market rates in the utility's vicinity. Such an analysis requires documentation of the affiliate's cost for providing the services in question, the quantity of goods and services provided, and an assessment of the market for similar goods and services. In this case, Aspen Lakes has not previously been in the practice of keeping records that would indicate either the Affiliates' costs or the quantity of goods and services provided. For example, while Golf Course employees perform work on behalf of the utility, those employees do not separately log the amount of time spent performing utility labor versus that spent performing Golf Course labor. Furthermore, although Aspen Lakes sometimes utilizes equipment owned by

[3] *See* Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/2-7, Easement Agreement with Wildhorse, provided in response to Staff's Data Request 32.

SAC as described in the Equipment Rental Agreement, the utility has not been in the practice of recording its usage of such equipment, nor has it recorded the cost to SAC of making this equipment available. In response to several Staff data requests, the utility was unable to produce documentation indicating the quantity and associated cost of services provided by Affiliates. Because the services exchanged between Aspen Lakes, Wildhorse, SAC, and the Golf Course have historically been heavily intermingled without sufficient recordkeeping to indicate the quantity and associated cost of services provided to Aspen Lakes by each Affiliate, it is not possible to compare these costs to market costs in order to assess whether these transactions comply with the "lower of cost or market" requirement of OAR 860-036-2230(2)(e).

Q. Did the Joint Parties encounter other issues in determining the level of costs incurred by Aspen Lakes in providing water and sewer service?

A. Yes. Similar to its lack of experience tracking Affiliates costs, Aspen Lakes has not previously been in the practice of keeping cost information in a manner that provide records that are useful for determining of the Company's cost of providing either water or sewer services.

Q. Did the Joint Parties agree to provisions that would make it possible to determine Aspen Lakes' compliance with the lower of cost or market rule and to enable the establishment of rates based on known and measured utility cost information in the future?

A. Yes. As detailed in Paragraph 3 of the Stipulation, the Joint Parties agreed that Aspen Lakes will begin documenting all exchanges of goods and services with the Affiliates in a manner necessary to determine compliance with the rule and to establish rates based on known and accurate cost information. Specifically, for each good or service transacted with any Affiliate, beginning January 1, 2020, Aspen Lakes will document both the quantity of such good or service received and the cost to the affiliate of providing the good or service. Additionally, Aspen Lakes will utilize the same accounts shown in the Commission's Annual Results of Operations Report for recording domestic water revenues and expenses, and will record wastewater revenues and expenses according to the National Association of Regulatory Utility Commissioners' (NARUC) 1996 Uniform System of Accounts for Class C Wastewater Utilities. Aspen Lakes will also track all rate base items relating to both domestic water and wastewater service in the appropriate utility plant and depreciation accounts. Aspen Lakes will submit quarterly reports to the Commission throughout 2020 demonstrating its compliance with the items discussed here. Finally, Aspen Lakes will file another application for a general rate revision reflecting its documented 2020 figures no later than June 30, 2021. The intent of these recordkeeping and general rate case requirements is to compile information necessary to assess the utility's compliance with OAR 860-036-2230(2)(e) and to enable the establishment of rates based on known and measured utility cost information in the future.

Q. Are there other relevant issues regarding the Affiliates that may affect this proceeding?

A. Yes. Although the Chapter 11 bankruptcy proceeding pertaining to the Golf Course has now been dismissed, the Golf Course's two secured creditors are positioned to pursue state court collection remedies, including an action by GT Capital, LLC pending in Deschutes County (Case No. 18CV13848) for the appointment of a receiver, and non-judicial foreclosure proceedings by Lewis Hanson and Company, Inc. In the event of appointment of a receiver or foreclosure, while the Golf Course and the utility would no longer be considered affiliated interests pursuant to ORS 757.015, it is unclear whether, and to what extent, the utility might continue to receive services from the Golf Course. It is possible that the utility would need to purchase the services currently provided by the Golf Course from unaffiliated third parties, which could affect the utility's operating costs. Furthermore, the Golf Course is currently Aspen Lakes' largest consumer of water by a wide margin—approximately 85 percent of all water consumption among Aspen Lakes' customers is attributable to the Golf Course. Although rates in this proceeding are designed assuming that the Golf Course will maintain its current need for water, a change in the Golf Course's operations could significantly affect the amount of revenue that the utility is able to collect. As approximately 34 percent of the total revenue requirement is attributable to the Golf Course, an inability to collect revenues associated with the Golf Course could negatively impact the utility's ability to operate.

Q. Do the Joint Parties' agreed-upon provisions reduce uncertainty regarding the potential negative effects of the Golf Course's financial situation on utility customers?

A. Yes. As discussed previously, the Joint Parties agreed that Aspen Lakes will file another rate case no later than June 30, 2021. It is expected that the bankruptcy proceeding will have fully concluded by that time and that the future of the Golf Course will consequently be less uncertain. At that time, rates for Aspen Lakes can be established with consideration of the Golf Course's expected ongoing usage requirements and the services that the Golf Course is expected to provide to the utility going forward. The Stipulation also requires Aspen Lakes to inform the Commission and the parties in this proceeding of any material changes in its ability to provide safe, reliable, and adequate service. The loss of the Golf Course as a customer, or the failure of the Golf Course to continue providing services to the Company, would trigger this provision, giving the Commission and the Company's remaining customers an opportunity to begin preparing for such a change.

ISSUE 5. REVENUE REQUIREMENT ISSUES

Q. Please summarize the revenue requirement agreed to by the Joint Parties.

A. Based on the information currently available and subject to Aspen Lakes' filing of the General Rate Revision no later than June 30, 2021, the Joint Parties agreed to a total revenue requirement of $199,984.

Q. Please explain how the Joint Parties calculated the agreed-upon revenue requirement.

A. As discussed previously, Aspen Lakes came under PUC rate regulation in early 2019, and the utility was not in the practice of maintaining detailed records regarding its operations during its 2018 test year. While a significant portion of the utility's operations depend on services provided by Affiliates, the specific amounts and costs of such services used by the utility in the test year or otherwise are not documented. As also discussed previously, Aspen Lakes has not previously been in the practice of keeping cost information in a manner that provides useful records for determining the Company's cost of providing either water or sewer services in the test year or otherwise. As such, it was not possible to establish a comprehensive understanding of the utility's finances such that rates could be established based solely on known and documented cost information. Where actual expenses could be documented, the Parties used those figures to help determine the revenue requirement. Where such expenses could not be documented, which was most operating expense accounts, the Joint Parties agreed to utilize estimates based on figures reported by seven rate-regulated water utilities in Central Oregon: Seventh Mountain Golf Village Water Company, Avion Water Company, Inc., Oregon Water Utilities—Cline Butte, Inc., Crooked River Ranch Water Company, Long Butte Water System, Inc., Metolius Meadows Property Owners Association, Inc., and Roats Water System, Inc. Specifically, figures were taken from those companies' 2018 Annual Results of Operations Reports as submitted to the Commission. The sum of the seven utilities' expenses was calculated for each expense account and then divided by the total number of customers across all seven utilities to find the average cost per customer. The average cost per customer was then multiplied by Aspen Lakes' total customer count to estimate the amount attributable to Aspen Lakes. As discussed later in this testimony, for some accounts, methods other than the per-customer average method described here were used to estimate the amount attributable to Aspen Lakes. The amounts that the Joint Parties agreed to include in each expense account are shown on the Revenue Requirement included in Exhibit Joint Parties/102, Pages 1-2.

Q. For which expense accounts did the Joint Parties agree to use methods other than the per-customer average method to estimate the amount attributable to Aspen Lakes?

A. The Joint Parties agreed to use methods other than the per-customer average method for the following expense accounts: 615 Purchased Power, 635 Contract Services—Testing, 641 Rental of Building/Real Property, 642 Rental of Equipment, 657 General Liability Insurance, 666 Amortization of Rate Case, 667 Gross Revenue Fee, 675 Miscellaneous Expense, 403 Depreciation Expense, 408.11 Property Tax, 409.10 Federal Income Tax, and 409.11 Oregon Income Tax. Each of these accounts is discussed below. The methods used to determine the amount to include in each account are summarized in the Adjustment Summary included in Exhibit Joint Parties/102, Pages 3-5.

Q. Please explain the amount included in Account 615, Purchased Power.

A. In response to Staff's Data Request 60, Aspen Lakes provided actual test year bills from Central Electric Cooperative, Inc. totaling $64,372. Because Aspen Lakes' actual test year expense was known and documented, the Joint Parties agreed to include the actual test year amount in this account.

Q. Please explain the amount included in Account 635, Contract Services—Testing.

A. The Joint Parties agreed to an amount of $1,309 in this account. In response to Staff's Data Request 11, Aspen Lakes produced invoices from Edge Analytical showing actual testing costs, as well as an email from Edge Analytical projecting the total expected testing cost over the three years from 2019 to 2021. The provided information indicated that the total testing cost to Aspen Lakes over the three-year period would be $3,926, or an average of $1,309 per year. Because documentation was available to support this figure, the Joint Parties agreed to include the three-year average amount of $1,309.

Q. Please explain the amount included in Account 641, Rental of Building/Real Property.

A. As discussed previously, the Easement Agreement between Aspen Lakes and Wildhorse requires Aspen Lakes to pay 10 percent of gross utility revenues to Wildhorse in exchange for its use of Wildhorse's property. Aspen Lakes also pays $500 monthly to the Golf Course in exchange for office space rental. In its Application, Aspen Lakes proposed an inclusion of $31,937 in this account, consisting of $26,337 attributable to Wildhorse, and $5,600 attributable to the Golf Course. However, because of a disagreement over the prudence of such an arrangement, and because information regarding the specific amount and associated cost of Aspen Lakes' usage of the Affiliates' property was not available, it was unclear whether the utility's proposed amount was appropriate for ratemaking purposes, and whether that amount complied with the lower of cost or market requirement of OAR 860-036-2230(2)(e). The Joint Parties agreed, for the purposes of this general rate revision only, to exclude the 10 percent royalty payment to Wildhorse and include the $500 monthly payments to the Golf Course for office space rental, for a total annual expense of $6,000 in this account.

Q. Please explain the amount included in Account 642, Rental of Equipment.

A. As discussed previously, the Equipment Rental Agreement between Aspen Lakes and SAC requires Aspen Lakes to pay SAC a minimum of $1,500 monthly, or $18,000 annually, for access to five pieces of equipment. Again, due to a lack of records regarding Aspen Lakes' actual usage of this equipment and the associated cost to SAC, it was not clear whether that amount was appropriate for ratemaking purposes, or whether it complied with the lower of cost or market requirement of OAR 860-036-2230(2)(e). The Joint Parties agreed, for the purposes of this general rate revision only, to reduce Aspen Lakes' proposed amount by $15,000, for a total annual expense of $3,000 in this account.

Q. Please explain the amount included in Account 657, General Liability Insurance.

A. As discussed previously, Aspen Lakes is currently covered under the Golf Course's general liability insurance policy. However, the Joint Parties agreed that Aspen Lakes would obtain a general liability insurance policy that is separate from the Golf Course's policy going forward. The Joint Parties agreed to include an annual expense of $2,000 in this account, which is the estimated annual cost of general liability insurance policy for the utility alone.

Q. Please explain the amount included in Account 666, Amortization of Rate Case.

A. In its Application, Aspen Lakes proposed to include $47,647 in legal expenses in Account 633, Contract Services—Legal. In response to Staff's Data Request 54, Aspen Lakes revised this figure to $6,000 per month, or $72,000 annually, due to the extensive involvement required by the present rate case and other Commission proceedings. However, it was unclear whether this amount was appropriate for ratemaking purposes. It was also not clear how much of the proposed legal expense was attributable to the present rate case and how much was attributable to previous proceedings that Aspen Lakes has engaged in before the Commission. As such, the Joint Parties agreed to include an amount based on the total rate case expenses incurred by other water utilities in recent rate cases. Specifically, rate case expenses incurred in Docket Nos. UW 166, UW 169, UW 173, UW 174, and UW 175 totaled $31,564 across those five cases. The Joint Parties agreed to average this amount over three years, resulting in an annual expense of $10,521 in this account.

Q. Please explain the amount included in Account 667, PUC Gross Revenue Fee.

A. The amount included in this account is based on a PUC gross revenue fee of 0.30 percent. Applied to the total revenue requirement of $199,984, the resulting expense in this account is $600.

Q. Please explain the amount included in Account 675, Miscellaneous Expense.

A. In its Application, the Company proposed to include $5,817 in this account. In response to Staff's Data Request 6, the Company provided a list of the specific costs included in that amount. In response to Staff's Data Request 16, Aspen Lakes stated that $1,200 attributable to an IRS penalty should be removed from its initially-proposed amount. In response to Staff's Data Request 17, Aspen Lakes stated that $3,108 in interest expense should also be removed from its initially-proposed amount, as Aspen Lakes no longer carries the loan to which the interest was attributable. Additionally, the Joint Parties agreed to remove $374 attributable to the PUC Gross Revenue Fee because that expense would be separately included in Account 667. The resulting annual expense agreed to by the Joint Parties after making the adjustments described here is $1,135.

Q. Please explain the amount included in Account 403, Deprecation Expense.

A. As discussed later in this testimony, the Joint Parties agreed to include $30,000 in net depreciable assets in Utility Plant. The Joint Parties assumed a 20-year useful life for these assets, resulting in an annual depreciation expense of $1,500. The Parties note that the total net plant figure of $50,000 that was agreed to by the Joint Parties includes $20,000 attributable to a water right permit in addition to the $30,000 in depreciable assets discussed here and comprised of two variable frequency drive units and one upgraded water pump. Because water right permits do not depreciate, there is no depreciation expense attributable to the water right permit.

Q. Please explain the amount in Account 408.11, Property Tax.

A. The Joint Parties agreed to include $1,863 in this account, representing the actual amount paid to Deschutes County by Aspen Lakes for its 2018-2019 property tax assessment. Aspen Lakes provided documentation of its property tax assessment in response to Staff’s Data Request 15.

Q. Please explain the amount included in Account 409.13, Oregon Income Tax.

A. The Joint Parties agreed to include $558 in this account. This amount is calculated by applying the state income tax rate of 6.6 percent to the Company's taxable income of $8,456.

Q. Please explain the amount included in Account 409.11, Federal Income Tax.

A. The Joint Parties agreed to include $1,659 in this account. This amount is calculated by subtracting the state income tax of $558 from the Company's taxable income of $8,456, and multiplying the result by the federal income tax rate of 21 percent.

Q. Please explain what the Joint Parties agreed to regarding Utility Plant.

A. In its Application, Aspen Lakes proposed to include $436,216 in net plant assets in rate base, consisting of $865,585 in Utility Plant in Service plus $125,000 in proposed adjustments, less $528,369 in Accumulated Depreciation and $26,000 in Advances for Construction. In response to Staff's Data Request 54, the Company also proposed to add $150,000 in plant assets attributable to the sewer system, for total net plant of $586,216. The Joint Parties agreed to include Aspen Lakes' $865,585 in plant assets in Contributions in Aid of Construction (CIAC), with corresponding accumulated depreciation of $528,369 included in Accumulated Amortization of CIAC, thereby excluding these assets from rate base. However, the Joint Parties agreed to include $20,000 for water permit G-11576, which is owned by Aspen Lakes and is used to provide the system with domestic water. The Joint Parties also agreed to include an additional $30,000 in net plant, representing miscellaneous depreciable assets that Aspen Lakes has put into place since the utility's construction in 1996. The resulting total net plant included in rate base is $50,000. The utility's rate base should be wholly revisited during the next rate case; at that time, the appropriate amounts to include in rates should be determined based on documentation regarding the specific assets used to provide utility services. The utility will provide such information regarding its plant assets in compliance with the documentation and reporting requirements outlined in the Stipulation.

Q. Please summarize the cost of capital agreed to by the Joint Parties.

A. In developing the agreed-upon revenue requirement, the Joint Parties agreed to use a 9.5 percent rate of return.

ISSUE 6. RATE SPREAD AND RATE DESIGN

Q. What rates did the parties stipulate to in UW 176?

A. The rates agreed to by the Joint Parties are shown in Table 4.

Table 4: Stipulated Rates

Service Type	Customer Type	Size	Base Rate	Variable Rate
Domestic	Residential & Commercial	1"	$23.21	$3.57
Domestic	Residential & Commercial	2"	$74.26	$3.57
Irrigation	Residential & Commercial	1"	$20.79	$0.79
Irrigation	Residential & Commercial	2"	$66.54	$0.79
Irrigation	Golf Course	2”	$3,250.00	$0.13
Domestic	Bare Lot	N/A	$22.00	N/A
Sewer	Bare Lot	N/A	$35.00	N/A
Sewer	Residential	N/A	$70.00	N/A
Sewer	Commercial	N/A	$500.00	N/A

Q. What are the rate components?

A. Domestic and irrigation water rates consist of a monthly base rate that is charged regardless of the quantity of water used, and a variable rate that is charged per 1,000 gallons of water used. Monthly water base rates are higher for larger meter sizes. Wastewater (sewer) rates and the domestic bare lot rate consist of a flat monthly base rate, with no variable rate component. The customer counts, Parties’ agreed-upon rates, and revenues associated with each type of customer are summarized in the Customer Data Summary included in Exhibit Joint Parties/102, Page 8.

Q. Please explain how revenues were allocated to sewer and bare lot domestic customers.

A. The Joint Parties agreed to allocate sewer revenues such that the rates for sewer services would remain unchanged from test year amounts. The resulting revenue allocation to sewer is $21,240. The Joint Parties also agreed to allocate revenues to bare lot domestic customers such that those customers would continue paying $22.00 per month for access to water service (equivalent to the current Stand-By Fire Protection charge of $22.00 monthly, which the Joint Parties agreed to eliminate from rates in the present proceeding, as discussed later in this testimony). The resulting revenue allocation to bare lot domestic customers is $8,976.

Q. Please explain how miscellaneous services revenues were allocated.

A. The Joint Parties agreed to allocate $17,198 to miscellaneous services revenues based on estimated hookup fees, transfer fees, and late payment fees. In the test year, Aspen Lakes collected an average of $4,400 per hookup (including meter costs) across five hookups. In response to Staff's Data Request 53, Aspen Lakes stated that it currently performs approximately three hookups per year. The Joint Parties agreed to include $13,200 in miscellaneous revenues for hookup fees, reflecting three hookups at $4,400 each (including meter costs). The Joint Parties also agreed to include the test year amount of $2,800 for transfer fees in miscellaneous services revenues. Finally, the Joint Parties agreed to include revenues attributable to late payment fees at 0.6 percent of the total revenue requirement, which reflects the percentage of late payment fees to total revenues that Aspen Lakes reported in the test year. The resulting amount attributable to late payment fees is $1,198.

Q. Please explain how revenues were allocated to residential and commercial domestic service, residential and commercial irrigation service, and golf course irrigation service.

A. Because records attributable to many of the utility's operations in the test year or otherwise were not available (as discussed previously), it was not possible to assign revenues based on the actual cost of serving each customer class. For residential/commercial domestic, residential/commercial irrigation, and golf course irrigation services, the Joint Parties agreed to allocate revenues primarily based on a "Weighted Allocator" factor, which takes into account the services' relative differences in customer count and consumption. For instance, while the Golf Course accounts for nearly 85 percent of all consumption, as a single customer, it accounts for less than one percent of the customer base. Furthermore, while residential and commercial domestic customers account for nearly 52 percent of the customer base, they are only responsible for approximately two percent of total consumption. For each service, the Weighted Allocator blends the percentage of total consumption with the percentage of total customers attributable to that service. The Joint Parties further agreed to weight this factor 51.74311 percent to consumption and 48.25689 percent to customer count. The resulting Weighted Allocator factors attributable to each service are summarized in Table 5.

Table 5: Weighted Allocator Calculation

		Domestic (Res/ Comm)	Irrigation (Res/ Comm)	Irrigation (Golf Course)	Total
A	**Consumption**	4,648,583	32,810,155	206,674,400	**244,133,138**
B	% of Total Consum.	1.9%	13.4%	84.7%	100%
C	Weight	51.74311%	51.74311%	51.74311%	
D	Allocation (BxC)	1.0%	7.0%	43.8%	**51.74311%**
E	**Customer Count**	85	78	1	**164**
F	% of Total Cust.	51.8%	47.6%	0.6%	100%
G	Weight (1-C)	48.25689%	48.25689%	48.25689%	
H	Allocation (FxG)	25.0%	23.0%	0.3%	**48.25689%**
I	**Wtd. Alloc.** (D+H)	**26.0%**	**29.9%**	**44.1%**	**100%**

Q. Were all allocations to residential/commercial domestic, residential/commercial irrigation, and golf course irrigation performed using the Weighted Allocator method as discussed previously?

A. No. The methods used to allocate each account are summarized on the Allocation Summary shown in Exhibit Joint Parties/102, Pages 6-7. The Joint Parties agreed to eliminate the golf course portion of the Weighted Allocator calculation for four operating expense accounts: 619.1 Postage, 632 Contract Services—Accounting, 637 Contract Services—Billing/Collection, and 638 Contract Services—Meter Reading. In other words, these accounts were allocated entirely to residential/commercial domestic and irrigation services, with no portion allocated to golf course irrigation. The Joint Parties also agreed to allocate Account 635 Contract Services—Testing entirely to domestic service, because the utility does not perform water quality testing of irrigation water. The Joint Parties used the Weighted Allocator method as described previously to allocate all other expense accounts, as well as net operating income, across residential/commercial domestic, residential/commercial irrigation, and golf course irrigation services. The allocations agreed to by the Joint Parties ultimately resulted in $41,493 of the revenue requirement being allocated to residential and commercial domestic service, $46,077 to residential and commercial irrigation service, and $65,000 to golf course irrigation service.

Q. Please explain how revenues were allocated between base and variable rates.

A. For both residential/commercial domestic and golf course irrigation services, the Joint Parties agreed to allocate 60 percent of revenues to base rates and 40 percent to variable rates. For residential and commercial irrigation service, the Joint Parties agreed to allocate 43.43 percent to base rates and 56.57 percent to variable rates. As residential irrigation service is currently assessed as only a variable rate with no base rate component, this lower allocation to base rates was intended to reduce rate shock experienced by low-usage irrigation customers. The allocations used to design each rate type are shown on the Rate Design sheets included in Exhibit Joint Parties/102, Pages 9-13.

Q. Please explain how water base rates were developed.

A. Water rates are typically designed such that customers with larger meter sizes pay higher base 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 through the meter."[4] Furthermore, "the potential demand or capacity requirements placed on the water system…is generally an accepted basis for determining the level of charge applicable to the customer."[5] As such, as shown in Table 6, Staff often utilizes a standard set of factors for determining the appropriate relative differences in base rates for different meter sizes. 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. These standard factors were used to develop residential and commercial base rates for domestic and irrigation service. In Aspen Lakes' case, only the one-inch and two-inch meter sizes are used—because the two-inch factor of 8.0 is 3.2 times the one-inch factor of 2.5, the two-inch domestic and non-golf course irrigation base rates are 3.2 times higher than the associated one-inch rates.

Table 6: Meter Size Factors

Meter Size	Factor
5/8"	1
3/4"	1.5
1"	2.5
1 ½"	5
2"	8
3"	15
4"	25

[4] Principles of Water Rates, Fees, and Charges (M1) (6th Edition). American Water Works Association, 2012, Page 324.
[5] *Id.*

Q. Did the Joint Parties agree to any changes in the Company's rate structure?

A. Yes. Aspen Lakes' current domestic water base rates include a monthly usage allowance of 3,000 gallons for meter sizes under three inches and 10,000 gallons for commercial customers with meter sizes of three inches or larger. Aspen Lakes' current commercial irrigation base rate also includes a usage allowance of 50,000 gallons. The Joint Parties agreed to eliminate all usage allowances from the stipulated base rates, instead requiring customers to pay applicable variable rates for all water used. The Parties support this change because it encourages water conservation. The Joint Parties also agreed to eliminate the $22.00 monthly charge for fire protection service that is currently paid by all domestic customers, instead including associated revenues in domestic base rates. The Joint Parties agreed that domestic water customers with bare lots will continue to pay a $22.00 monthly charge for access to domestic water service, though this will now be considered a "bare lot fee" instead of a fire protection fee. The Joint Parties agreed to keep wastewater rates and the commercial water hauler rate at current levels.

Q. What impact will the stipulated rates have on current customers' bills?

A. The impact of the stipulated rates on current customers' bills is summarized in Table 7.

Table 7: Impact on Monthly Bills

Service Type	Customer Type	Meter Size	Current Average Bill	Average Bill at Stipulated Rates	% Change
Domestic	Residential	1"	$24.28	$37.98	56%
Domestic	Commercial - ALGC Restrooms	1"	$22.00	$27.63	26%
Domestic	Commercial - ALGC Clubhouse	2"	$136.95	$222.34	62%
Domestic	Commercial - HOA Rec Center	2"	$70.42	$103.57	47%
Irrigation	Residential	1"	$61.57	$45.25	-27%
Irrigation	Golf Course	2"	$3,297.66	$5,416.67	64%
Irrigation	Commercial - HOA Rec Center	2"	$600.19	$355.46	-41%
Fire	Domestic	N/A	$22.00	$0	-100%
Bare Lot	Domestic	N/A	$22.00[6]	$22.00	0%
Sewer	Bare Lot	N/A	$35.00	$35.00	0%
Sewer	Residential	N/A	$70.00	$70.00	0%
Sewer	Commercial	N/A	$500.00	$500.00	0%

Q. Does this conclude your testimony?

A. Yes.

[6] Equivalent to the current Stand-By Fire Protection charge.

CASE: UW 176

PUBLIC UTILITY COMMISSION
OF
OREGON

EXHIBIT 101

Witness Qualification Statement

February 18, 2020

WITNESS QUALIFICATION STATEMENT

NAME:	Stephanie Yamada
EMPLOYER:	Public Utility Commission of Oregon
TITLE:	Senior Utility Analyst, Telecommunications and Water Division
ADDRESS:	201 High St SE, Suite 100, Salem, OR, 97301
EDUCATION:	Master of Business Administration Western Governors University, Salt Lake City, Utah Bachelor of Science in Accounting University of Oregon, Eugene, Oregon
EXPERIENCE:	I have been employed with the Public Utility Commission of Oregon since 2013. I am currently a Senior Utility Analyst in the Telecommunications and Water 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, and UP 384.

CASE: UW 176

PUBLIC UTILITY COMMISSION
OF
OREGON

EXHIBIT 102

Exhibits in Support of Testimony

February 18, 2020

Aspen Lakes Utility Company
UW 176

Company Proposed Increase	Parties' Proposed Increase
45.29%	0.44%

Revenue Requirement

		Test Year	Company Adjustments	Company Proposed Totals	Parties' Adjustments	Parties' Proposed Totals
	REVENUES					
461.1	Residential	42,189	(268)	$ 41,921	(5,002)	$ 36,919
461.2	Commercial	19,446	(15,010)	$ 4,436	138	$ 4,574
462	Fire Protection Sales	10,888	33,253	$ 44,141	(44,141)	$ -
465	Irrigation Water Sales	87,763	55,550	$ 143,313	(97,236)	$ 46,077
467	Golf Course Irrigation	-	-	$ -	65,000	$ 65,000
471	Misc. Services	24,800	10,641	$ 35,441	(18,242)	$ 17,198
475	Cross Connection Control	100	43	$ 143	(143)	$ -
	Late Fees	1,193	512	$ 1,705	(1,705)	$ -
	Sewer	12,720	5,458	$ 18,178	3,062	$ 21,240
	Bare Lot Domestic	-	-	$ -	8,976	$ 8,976
	Total Revenue	**$ 199,099**	**$ 90,179**	**$ 289,278**	**$ (89,294)**	**$ 199,984**

Acct .	**OPERATING EXPENSES**					
601	Salaries and Wages - Employees			$ -	$ 36,277	$ 36,277
603	Salaries and Wages - Officers			$ -	$ 9,799	$ 9,799
604	Employee Pension & Benefits			$ -	$ 15,368	$ 15,368
610	Purchased Water			$ -	$ 3,919	$ 3,919
611	Telephone/Communications			$ -	$ 1,462	$ 1,462
615	Purchased Power			$ -	$ 64,372	$ 64,372
616	Fuel for Power Production			$ -	$ -	$ -
617	Other Utilities	64,372		$ 64,372	$ (64,082)	$ 290
618	Chemical / Treatment Expense			$ -	$ -	$ -
619	Office Supplies			$ -	$ 676	$ 676
619.1	Postage			$ -	$ 230	$ 230
620	O&M Materials/Supplies	1,104		$ 1,104	$ 4,967	$ 6,071
621	Repairs to Water Plant			$ -	$ 4,777	$ 4,777
631	Contract Svcs - Engineering			$ -	$ 109	$ 109
632	Contract Svcs - Accounting	7,825	12,000	$ 19,825	$ (18,971)	$ 854
633	Contract Svcs - Legal	47,647	24,353	$ 72,000	$ (71,446)	$ 554
634	Contract Svcs - Management Fees			$ -	$ 3,643	$ 3,643
635	Contract Svcs - Testing	5,204		$ 5,204	$ (3,895)	$ 1,309
636	Contract Svcs - Labor			$ -	$ 2	$ 2
637	Contract Svcs - Billing/Collection			$ -	$ 1,823	$ 1,823
638	Contract Svcs - Meter Reading			$ -	$ 2,563	$ 2,563
639	Contract Svcs - Other			$ -	$ 2,937	$ 2,937
641	Rental of Building/Real Property	31,937		$ 31,937	$ (25,937)	$ 6,000
642	Rental of Equipment	18,000		$ 18,000	$ (15,000)	$ 3,000
643	Small Tools			$ -	$ 362	$ 362
648	Computer/Electronic Expenses			$ -	$ 1,821	$ 1,821
650	Transportation			$ -	$ 3,823	$ 3,823
656	Vehicle Insurance			$ -	$ 357	$ 357

Aspen Lakes Utility Company
UW 176

		Test Year	Company Adjustments	Company Proposed Totals	Parties' Adjustments	Parties' Proposed Totals
657	General Liability Insurance			$ -	$ 2,000	$ 2,000
658	Workers' Comp Insurance	-		$ -	$ 482	$ 482
659	Insurance - Other	43,885		$ 43,885	$ (43,590)	$ 295
666	Amortz. of Rate Case			$ -	$ 10,521	$ 10,521
667	Gross Revenue Fee (PUC)		868	$ 868	$ (268)	$ 600
670	Bad Debt Expense			$ -	$ 133	$ 133
671	Cross Connection Control Program	-		$ -	$ -	$ -
673	Training and Certification			$ -	$ 580	$ 580
674	Consumer Confidence Report			$ -	$ 22	$ 22
675	Miscellaneous Expense	5,817		$ 5,817	$ (4,682)	$ 1,135
	TOTAL OPERATING EXPENSE	**$ 225,791**	**$ 37,221**	**$ 263,012**	**$ (74,847)**	**$ 188,165**

OTHER REVENUE DEDUCTIONS

		Test Year	Company Adjustments	Company Proposed Totals	Parties' Adjustments	Parties' Proposed Totals
403	Depreciation Expense		15,447	$ 15,447	$ (13,947)	$ 1,500
406	Amort of Plant Acquisition Adjust.			$ -	$ -	$ -
407	Amortization Expense			$ -	$ -	$ -
408.11	Property Tax	1,863		$ 1,863	$ -	$ 1,863
408.12	Payroll Tax			$ -	$ -	$ -
408.13	Other			$ -	$ -	$ -
409.10	Federal Income Tax	1,200	7,142	$ 8,342	$ (6,683)	$ 1,659
409.11	Oregon Income Tax	150	2,657	$ 2,807	$ (2,249)	$ 558
409.13	Extraordinary Items Income Tax			$ -	$ -	$ -
	TOTAL REVENUE DEDUCTIONS	**$ 229,004**	**$ 62,467**	**$ 291,471**	**$ (97,727)**	**$ 193,745**
	Net Operating Income	**$ (29,905)**	**$ 27,712**	**$ (2,193)**	**$ 8,433**	**$ 6,240**

UTILITY RATE BASE

		Test Year	Company Adjustments	Company Proposed Totals	Parties' Adjustments	Parties' Proposed Totals
101	Utility Plant in Service	865,585	275,000	$ 1,140,585	$ (225,000)	$ 915,585
105	+ Construction Work in Progress			$ -	$ -	$ -
108	- Accumulated Depreciation of Plant	528,369		$ 528,369	$ 0	$ 528,369
271	- Contributions in Aid of Construction	26,000		$ 26,000	$ 839,585	$ 865,585
272	+ Accumulated Amortization of CIAC			$ -	$ 528,369	$ 528,369
281	- Accumulated Deferred Income Tax			$ -	$ -	$ -
	- Excess Capacity			$ -	$ -	$ -
	= NET RATE BASE INVESTMENT	**$ 311,216**	**$ 275,000**	**$ 586,216**	**$ (536,216)**	**$ 50,000**
	Plus: (working capital)					
151	Materials and Supplies Inventory			$ -	$ -	$ -
	Working Cash (Total Op Exp /12)		19,120	$ 19,120	$ (3,440)	$ 15,680
	TOTAL RATE BASE	**$ 311,216**	**$ 294,120**	**$ 605,336**	**$ (539,656)**	**$ 65,680**
	Rate of Return	-9.61%		-0.36%		9.50%

Aspen Lakes Utility Company
UW 176

Adjustment Summary

		Company Proposed Totals	Parties' Adjustments	Parties' Proposed Totals	Explanation of Adjustment
	REVENUES				
461.1	Residential	41,921	(5,002)	$ 36,919	Residential Domestic
461.2	Commercial	4,436	138	$ 4,574	Commercial Domestic
462	Fire Protection Sales	44,141	(44,141)	$ -	Eliminated fire charge
465	Irrigation Water Sales	143,313	(97,236)	$ 46,077	Excludes Golf Course irrigation.
467	Golf Course Irrigation	-	65,000	$ 65,000	
471	Misc. Services	35,441	(18,242)	$ 17,198	Late fees, hookups, transfers.
475	Cross Connection Control	143	(143)	$ -	
	Late Fees	1,705	(1,705)	$ -	Moved to Misc. Services.
	Sewer	18,178	3,062	$ 21,240	
	Bare Lot Domestic	-	8,976	$ 8,976	
	Total Revenue	**$ 289,278**	**$ (89,294)**	**$ 199,984**	

Acct .	OPERATING EXPENSES				
601	Salaries and Wages - Employees	$ -	$ 36,277	$ 36,277	Calculated using Per-Customer Average method.
603	Salaries and Wages - Officers	$ -	$ 9,799	$ 9,799	Calculated using Per-Customer Average method.
604	Employee Pension & Benefits	$ -	$ 15,368	$ 15,368	Calculated using Per-Customer Average method.
610	Purchased Water	$ -	$ 3,919	$ 3,919	Calculated using Per-Customer Average method.
611	Telephone/Communications	$ -	$ 1,462	$ 1,462	Calculated using Per-Customer Average method.
615	Purchased Power	$ -	$ 64,372	$ 64,372	Test Year amount.
616	Fuel for Power Production	$ -	$ -	$ -	None.
617	Other Utilities	$ 64,372	$ (64,082)	$ 290	Calculated using Per-Customer Average method.
618	Chemical / Treatment Expense	$ -	$ -	$ -	None.
619	Office Supplies	$ -	$ 676	$ 676	Calculated using Per-Customer Average method.
619.1	Postage	$ -	$ 230	$ 230	Calculated using Per-Customer Average method.
620	O&M Materials/Supplies	$ 1,104	$ 4,967	$ 6,071	Calculated using Per-Customer Average method.
621	Repairs to Water Plant	$ -	$ 4,777	$ 4,777	Calculated using Per-Customer Average method.
631	Contract Svcs - Engineering	$ -	$ 109	$ 109	Calculated using Per-Customer Average method.
632	Contract Svcs - Accounting	$ 19,825	$ (18,971)	$ 854	Calculated using Per-Customer Average method.
633	Contract Svcs - Legal	$ 72,000	$ (71,446)	$ 554	Calculated using Per-Customer Average method.
634	Contract Svcs - Management Fees	$ -	$ 3,643	$ 3,643	Calculated using Per-Customer Average method.
635	Contract Svcs - Testing	$ 5,204	$ (3,895)	$ 1,309	3-yr avg--Edge Analytical. DR 11.
636	Contract Svcs - Labor	$ -	$ 2	$ 2	Calculated using Per-Customer Average method.

Aspen Lakes Utility Company
UW 176

		Company Proposed Totals	Parties' Adjustments	Parties' Proposed Totals	Explanation of Adjustment
637	Contract Svcs - Billing/Collection	$ -	$ 1,823	$ 1,823	Calculated using Per-Customer Average method.
638	Contract Svcs - Meter Reading	$ -	$ 2,563	$ 2,563	Calculated using Per-Customer Average method.
639	Contract Svcs - Other	$ -	$ 2,937	$ 2,937	Calculated using Per-Customer Average method.
641	Rental of Building/Real Property	$ 31,937	$ (25,937)	$ 6,000	$500/mo - office space rental from ALGC.
642	Rental of Equipment	$ 18,000	$ (15,000)	$ 3,000	Equipment rental from SAC.
643	Small Tools	$ -	$ 362	$ 362	Calculated using Per-Customer Average method.
648	Computer/Electronic Expenses	$ -	$ 1,821	$ 1,821	Calculated using Per-Customer Average method.
650	Transportation	$ -	$ 3,823	$ 3,823	Calculated using Per-Customer Average method.
656	Vehicle Insurance	$ -	$ 357	$ 357	Calculated using Per-Customer Average method.
657	General Liability Insurance	$ -	$ 2,000	$ 2,000	To establish separate policy for utility.
658	Workers' Comp Insurance	$ -	$ 482	$ 482	Calculated using Per-Customer Average method.
659	Insurance - Other	$ 43,885	$ (43,590)	$ 295	Calculated using Per-Customer Average method.
666	Amortz. of Rate Case	$ -	$ 10,521	$ 10,521	Average UW 166, 169, 173, 174, 175 = $31,564; 3 yr amort.
667	Gross Revenue Fee (PUC)	$ 868	$ (268)	$ 600	Automatic adjustment. PUC Fee is 0.30% of revenues.
670	Bad Debt Expense	$ -	$ 133	$ 133	Calculated using Per-Customer Average method.
671	Cross Connection Control Program	$ -	$ -	$ -	Pass-through.
673	Training and Certification	$ -	$ 580	$ 580	Calculated using Per-Customer Average method.
674	Consumer Confidence Report	$ -	$ 22	$ 22	Calculated using Per-Customer Average method.
675	Miscellaneous Expense	$ 5,817	$ (4,682)	$ 1,135	Removed IRS penalty, US Bank interest, and PUC Fee.
	TOTAL OPERATING EXPENSE	**$ 263,012**	**$ (74,847)**	**$ 188,165**	

OTHER REVENUE DEDUCTIONS

		Company Proposed Totals	Parties' Adjustments	Parties' Proposed Totals	Explanation of Adjustment
403	Depreciation Expense	$ 15,447	$ (13,947)	$ 1,500	$30K net depreciable assets over 20 years.
406	Amort of Plant Acquisition Adjust.	$ -	$ -	$ -	
407	Amortization Expense	$ -	$ -	$ -	
408.11	Property Tax	$ 1,863	$ -	$ 1,863	Deschutes County Property Tax
408.12	Payroll Tax	$ -	$ -	$ -	
408.13	Other	$ -	$ -	$ -	
409.10	Federal Income Tax	$ 8,342	$ (6,683)	$ 1,659	Calculated using 21% federal income tax rate.
409.11	Oregon Income Tax	$ 2,807	$ (2,249)	$ 558	Calculated using 6.6% state income tax rate.
409.13	Extraordinary Items Income Tax	$ -	$ -	$ -	
	TOTAL REVENUE DEDUCTIONS	**$ 291,471**	**$ (97,727)**	**$ 193,745**	
	Net Operating Income	**$ (2,193)**	**$ 8,433**	**$ 6,240**	

Aspen Lakes Utility Company
UW 176

		Company Proposed Totals	Parties' Adjustments	Parties' Proposed Totals	Explanation of Adjustment
	UTILITY RATE BASE				
101	Utility Plant in Service	$ 1,140,585	$ (225,000)	$ 915,585	
105	+ Construction Work in Progress	$ -	$ -	$ -	
108	- Accumulated Depreciation of Plant	$ 528,369	$ 0	$ 528,369	
271	- Contributions in Aid of Construction	$ 26,000	$ 839,585	$ 865,585	
272	+ Accumulated Amortization of CIAC	$ -	$ 528,369	$ 528,369	
281	- Accumulated Deferred Income Tax	$ -	$ -	$ -	
	- Excess Capacity	$ -	$ -	$ -	
	= NET RATE BASE INVESTMENT	**$ 586,216**	**$ (536,216)**	**$ 50,000**	Includes $20K water right & $30K other net assets.
	Plus: (working capital)				
151	Materials and Supplies Inventory	$ -	$ -	$ -	
	Working Cash (Total Op Exp /12)	$ 19,120	$ (3,440)	$ 15,680	
	TOTAL RATE BASE	**$ 605,336**	**$ (539,656)**	**$ 65,680**	
	Rate of Return	-0.36%	0.00%	9.50%	

Aspen Lakes Utility Company
UW 176

Allocation Summary

			Total		Domestic (Res/ Comm)		Irrigation (Res/ Comm)		Irrigation (Golf Course)	Allocation Method
	Weighted Allocator		100%		26.0%		29.9%		44.1%	
601	Salaries and Wages - Employees	$	36,277	$	9,431	$	10,849	$	15,997	Weighted Allocator
603	Salaries and Wages - Officers	$	9,799	$	2,547	$	2,930	$	4,321	Weighted Allocator
604	Employee Pension & Benefits	$	15,368	$	3,995	$	4,596	$	6,777	Weighted Allocator
610	Purchased Water	$	3,919	$	1,019	$	1,172	$	1,728	Weighted Allocator
611	Telephone/Communications	$	1,462	$	380	$	437	$	645	Weighted Allocator
615	Purchased Power	$	64,372	$	16,734	$	19,251	$	28,387	Weighted Allocator
616	Fuel for Power Production	$	-	$	-	$	-	$	-	None
617	Other Utilities	$	290	$	75	$	87	$	128	Weighted Allocator
618	Chemical / Treatment Expense	$	-	$	-	$	-	$	-	None
619	Office Supplies	$	676	$	176	$	202	$	298	Weighted Allocator
619.1	Postage	$	230	$	120	$	110	$	-	None to Golf Course
620	O&M Materials/Supplies	$	6,071	$	1,578	$	1,816	$	2,677	Weighted Allocator
621	Repairs to Water Plant	$	4,777	$	1,242	$	1,429	$	2,107	Weighted Allocator
631	Contract Svcs - Engineering	$	109	$	28	$	32	$	48	Weighted Allocator
632	Contract Svcs - Accounting	$	854	$	445	$	409	$	-	None to Golf Course
633	Contract Svcs - Legal	$	554	$	144	$	166	$	244	Weighted Allocator
634	Contract Svcs - Management Fees	$	3,643	$	947	$	1,089	$	1,606	Weighted Allocator
635	Contract Svcs - Testing	$	1,309	$	1,309	$	-	$	-	100% domestic
636	Contract Svcs - Labor	$	2	$	0	$	1	$	1	Weighted Allocator
637	Contract Svcs - Billing/Collection	$	1,823	$	951	$	872	$	-	None to Golf Course
638	Contract Svcs - Meter Reading	$	2,563	$	1,336	$	1,226	$	-	None to Golf Course
639	Contract Svcs - Other	$	2,937	$	763	$	878	$	1,295	Weighted Allocator
641	Rental of Building/Real Property	$	6,000	$	1,560	$	1,794	$	2,646	Weighted Allocator
642	Rental of Equipment	$	3,000	$	780	$	897	$	1,323	Weighted Allocator
643	Small Tools	$	362	$	94	$	108	$	160	Weighted Allocator
648	Computer/Electronic Expenses	$	1,821	$	474	$	545	$	803	Weighted Allocator
650	Transportation	$	3,823	$	994	$	1,143	$	1,686	Weighted Allocator
656	Vehicle Insurance	$	357	$	93	$	107	$	157	Weighted Allocator
657	General Liability Insurance	$	2,000	$	520	$	598	$	882	Weighted Allocator
658	Workers' Comp Insurance	$	482	$	125	$	144	$	212	Weighted Allocator
659	Insurance - Other	$	295	$	77	$	88	$	130	Weighted Allocator

Aspen Lakes Utility Company
UW 176

		Total	Domestic (Res/ Comm)	Irrigation (Res/ Comm)	Irrigation (Golf Course)	Allocation Method
	Weighted Allocator	**100%**	**26.0%**	**29.9%**	**44.1%**	
666	Amortz. of Rate Case	$ 10,521	$ 2,735	$ 3,146	$ 4,640	Weighted Allocator
667	Gross Revenue Fee (PUC)	$ 600	$ 156	$ 179	$ 265	Weighted Allocator
670	Bad Debt Expense	$ 133	$ 35	$ 40	$ 59	Weighted Allocator
671	Cross Connection Control Program	$ -	$ -	$ -	$ -	None
673	Training and Certification	$ 580	$ 151	$ 173	$ 256	Weighted Allocator
674	Consumer Confidence Report	$ 22	$ 6	$ 7	$ 10	Weighted Allocator
675	Miscellaneous Expense	$ 1,135	$ 295	$ 339	$ 501	Weighted Allocator
403	Depreciation Expense	$ 1,500	$ 390	$ 449	$ 661	Weighted Allocator
406	Amort of Plant Acquisition Adjust.	$ -	$ -	$ -	$ -	None
407	Amortization Expense	$ -	$ -	$ -	$ -	None
408.11	Property Tax	$ 1,863	$ 484	$ 557	$ 822	Weighted Allocator
408.12	Payroll Tax	$ -	$ -	$ -	$ -	None
408.13	Other	$ -	$ -	$ -	$ -	None
409.10	Federal Income Tax	$ 1,659	$ 431	$ 496	$ 731	Weighted Allocator
409.11	Oregon Income Tax	$ 558	$ 145	$ 167	$ 246	Weighted Allocator
409.13	Extraordinary Items Income Tax	$ -	$ -	$ -	$ -	None
	TOTAL REVENUE DEDUCTIONS	**$ 193,745**	**$ 52,766**	**$ 58,531**	**$ 82,449**	
	Net Operating Income	**$ 6,240**	**$ 1,622**	**$ 1,866**	**$ 2,752**	Weighted Allocator
	Total Revenue Deductions + NOI	**$ 199,984**	**$ 54,388**	**$ 60,397**	**$ 85,200**	
	% of Total	**100%**	**27.2%**	**30.2%**	**42.6%**	
	Offset for Misc. Services Revenue	$ 17,198	$ 4,677	$ 5,194	$ 7,327	
	Offset for Bare Lot	$ 8,976	$ 2,441	$ 2,711	$ 3,824	
	Offset for Sewer Revenue	$ 21,240	$ 5,776	$ 6,415	$ 9,049	
	Final Rate Spread		**$ 41,493**	**$ 46,077**	**$ 65,000**	
	% of Total Revenues		**20.7%**	**23.0%**	**32.5%**	

Aspen Lakes Utility Company
UW 176

Customer Data Summary

Service Type	Customer Type	Size	Count	Consumption (Gal)	Proposed Rates: Base Rate	Proposed Rates: Variable Rate	Proposed Rates: Variable Unit (Gal)	Proposed Rates: Allowance (Gal)	Proposed Revenue: Annual Base Rate Revenue	Proposed Revenue: Annual Variable Revenue	Proposed Revenue: Total Annual Revenue
Domestic	Residential	1"	81	4,022,653	$ 23.21	$3.57	1,000	-	$ 22,557	$ 14,362	$ 36,919
Domestic	Commercial - ALGC #15 Restroom	1"	1	22,410	$ 23.21	$3.57	1,000	-	$ 278	$ 80	$ 358
Domestic	Commercial - ALGC #5 Restroom	1"	1	7,320	$ 23.21	$3.57	1,000	-	$ 278	$ 26	$ 305
Domestic	Commercial - HOA Rec Center	2"	1	98,500	$ 74.26	$3.57	1,000	-	$ 891	$ 352	$ 1,243
Domestic	Commercial - ALGC Clubhouse	2"	1	497,700	$ 74.26	$3.57	1,000	-	$ 891	$ 1,777	$ 2,668
			85	4,648,583							
Irrigation	Residential	1"	77	28,445,955	$ 20.79	$0.79	1,000	-	$ 19,213	$ 22,599	$ 41,812
Irrigation	Commercial - HOA Rec Center	2"	1	4,364,200	$ 66.54	$0.79	1,000	-	$ 798	$ 3,467	$ 4,266
Irrigation	Commercial - Golf Course	2"	1	206,674,400	$ 3,250.00	$0.13	1,000	-	$ 39,000	$ 26,000	$ 65,000
			79	239,484,555							
Fire Protection	Domestic	N/A	83	0	$ -	N/A	N/A	-	$ -	$ -	$ -
Bare Lot	Domestic	N/A	34	0	$ 22.00	N/A	N/A	-	$ 8,976	$ -	$ 8,976
Sewer	Bare Lot	N/A	6	0	$ 35.00	N/A	N/A	-	$ 2,520	$ -	$ 2,520
Sewer	Residential	N/A	8	0	$ 70.00	N/A	N/A	-	$ 6,720	$ -	$ 6,720
Sewer	Commercial	N/A	2	0	$ 500.00	N/A	N/A	-	$ 12,000	$ -	$ 12,000
									Misc. Service Revenue		17,198
									TOTAL REVENUE		**$ 199,984**

Aspen Lakes Utility Company
UW 176

Rate Design

Residential and Commercial Domestic

Revenue Allocation: **41,493**

Allocated to Base Rates:	60.00%
Allocated to Commodity Rates:	40.00%

Base Rates

Revenue Allocation: **24,896**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
1"	83	2.5	208	92.84%	$ 23,114	**$ 23.21**
2"	2	8.0	16	7.16%	$ 1,782	**$ 74.26**
TOTAL	85		224	100.00%	$ 24,896	

Commodity Rate

Revenue Allocation: **16,597**

Annual Consumption	4,648,583	Gallons
Unit of Measurement	1,000	Gallons
Annual Units of Consumption	4,649	Units
Commodity Rate:	**$ 3.57**	per unit

Rate Design

Commercial and Residential Irrigation

Revenue Allocation: **46,077**

Allocated to Base Rates:	43.43%
Allocated to Commodity Rates:	56.57%

Base Rates

Revenue Allocation: **20,011**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
1"	77	2.5	193	96.01%	$ 19,213	**$ 20.79**
2"	1	8.0	8	3.99%	$ 798	**$ 66.54**
TOTAL	78		201	100.00%	$ 20,011	

Commodity Rate

Revenue Allocation: **26,066**

Annual Consumption	32,810,155	Gallons
Unit of Measurement	1,000	Gallons
Annual Units of Consumption	32,810	Units
Commodity Rate:	**$ 0.79**	per unit

Rate Design

Golf Course Irrigation

Revenue Allocation: **65,000**

Allocated to Base Rates:	60.00%
Allocated to Commodity Rates:	40.00%

Base Rates

Revenue Allocation: **39,000**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
2"	1	8.0	8	100.00%	$ 39,000	**$ 3,250.00**
TOTAL	1		8	100.00%	$ 39,000	

Commodity Rate

Revenue Allocation: **26,000**

Annual Consumption	206,674,400	Gallons
Unit of Measurement	1,000	Gallons
Annual Units of Consumption	206,674	Units
Commodity Rate:	**$ 0.13**	per unit

Aspen Lakes Utility Company
UW 176

Rate Design

Sewer

Revenue Allocation: **21,240**

Allocated to Base Rates:	100.00%
Allocated to Commodity Rates:	0.00%

Base Rates

Revenue Allocation: **21,240**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
Commercial Sewer	2	14.3	29	56.50%	$ 12,000	**$ 500.00**
Residential Sewer	8	2.0	16	31.64%	$ 6,720	**$ 70.00**
Bare Lot Sewer	6	1.0	6	11.86%	$ 2,520	**$ 35.00**
TOTAL	16		51	100.00%	$ 21,240	

Commodity Rate

Revenue Allocation: -

Annual Consumption	-	Gallons
Unit of Measurement	-	Gallons
Annual Units of Consumption	-	Units

Commodity Rate: **$ -** per unit

Aspen Lakes Utility Company
UW 176

Rate Design

Bare Lot Domestic

Revenue Allocation: **8,976**

Allocated to Base Rates:	100.00%
Allocated to Commodity Rates:	0.00%

Base Rates

Revenue Allocation: **8,976**

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
N/A	34	1.0	34	100.00%	$ 8,976	**$ 22.00**
TOTAL	34		34	100.00%	$ 8,976	

Commodity Rate

Revenue Allocation: -

Annual Consumption	-	Gallons
Unit of Measurement	-	Gallons
Annual Units of Consumption	-	Units
Commodity Rate:	$ -	per unit

CASE: UW 176

PUBLIC UTILITY COMMISSION
OF
OREGON

EXHIBIT 103

Exhibits in Support of Testimony

February 18, 2020

32. Please provide a copy of all contracts and written agreements that exist between Aspen Lakes and any "affiliated interest" to Aspen Lakes as defined in ORS 757.015.

RECORDATION REQUESTED BY:

Wildhorse Meadows, LLC
16900 Aspen Lakes Drive
Sisters, OR 97759

WHEN RECORDED MAIL TO:

David R. Ludwig
Farleigh Wada & Witt PC
121 S.W. Morrison Street, Suite 600
Portland, OR 97204

SEND TAX NOTICES TO:

Wildhorse Meadows, LLC
16900 Aspen Lakes Drive
Sisters, OR 97759

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

EASEMENT AGREEMENT

THIS EASEMENT AGREEMENT (the "Agreement") is entered into this ____ day of ______________, 2004, by and between WILDHORSE MEADOWS, LLC, an Oregon limited liability company ("Wildhorse"), and ASPEN LAKES UTILITY COMPANY, L.L.C., an Oregon limited liability company ("Utility Company").

RECITALS:

A. Wildhorse is the owner of certain real property located in Deschutes County, Oregon, a legal description of which is attached as **Exhibit "A"** and by this reference incorporated herein (the "Golf Course Property");

B. Utility Company has installed, maintains, and operates two (2) water wells and the pumps, pipelines, meters, ditches, facilities, structures, and all other equipment, appurtenances and improvements relating to the wells (collectively, the "Wells") on the Golf Course Property, and desires to continue to maintain and operate the Wells located on the Golf Course Property;

C. Utility Company also has installed, maintains, and operates a sewer system and the pumps, pipelines, ditches, facilities, structures, and all other equipment, appurtenances and improvements relating to the sewer system (collectively, the "Sewer System") on the Golf Course Property and desires to continue to maintain and operate such Sewer System on the Golf Course Property; and

Utility Company desires that Wildhorse grant an easement for purposes of: (i) access, ingress and egress on, over, under, through and across certain areas of the Golf Course

Property, as more particularly described on **Exhibit "B-1"** and as more particularly depicted on **Exhibit "B-2"** attached hereto and incorporated herein by reference (the "Easement Area"); (ii) using, operating, maintaining, improving, repairing and/or replacing the Wells and/or the Sewer System; (iii) extracting and distributing water from the Wells for irrigation, drinking and fire prevention relating to the Golf Course Property and the operation thereof; and (iv) constructing, using, operating, maintaining, improving, repairing and/or replacing all other water works, pumps, meters, ditches, structures, facilities and other equipment necessary to accomplish the foregoing purposes (collectively, the "Improvements"). NOW, THEREFORE, the parties agree as follows:

1. Easement. Wildhorse conveys to Utility Company a nonexclusive easement for purposes of: (i) access, ingress and egress on, over, under, through and across the Easement Area; (ii) using, operating, maintaining, improving, repairing and/or replacing the Wells and/or Sewer System; (iii) extracting and distributing water from the Wells for irrigation, drinking and fire prevention relating to the Golf Course Property and the operation thereof; and (iv) constructing, using, operating, maintaining, improving, repairing and/or replacing all other Improvements necessary to accomplish the foregoing purposes (collectively, the "Easement"). A map of the Golf Course Property showing the location of the Wells, the Sewer System, and any and all Improvements is attached hereto as **Exhibit "C"** and by this reference incorporated herein.

2. Consideration. The Utility Company shall pay to Wildhorse ten percent (10%) of all revenues that Utility Company receives from the supplying of water and from the provision of sewer and waste water treatment services to the Golf Course Property and all other customers of the Utility Company per quarter in arrears in consideration for this Easement. The first payment shall be on the tenth (10th) day following the end of the first full quarter of the term of this Agreement and subsequent payments shall be due on the tenth (10th) day following the end of each quarter thereafter. In the event of the commencement of this Agreement at a time other than the beginning of a month, the amount due for the first quarter shall include the period between the date of the commencement of this Agreement and the beginning of the first full quarter hereunder. If this Agreement is terminated, pursuant to Section 10 hereof, at a time other than the end of a full quarter, then the amount due shall be for a period between the date of the end of the last full quarter of this Agreement and the date of the termination of this Agreement. The Utility Company shall accompany each payment due hereunder with a statement of the Utility Company's revenues from the provision of water and of sewer and waste water treatment services to the Golf Course Property and all other customers of the Golf Course Property during such quarter.

3. Limitations on Use of Easement. The parties agree that the Easement shall be used exclusively for the purposes set forth in Section 1 hereof, and shall not be used for any other purpose without Wildhorse's prior written consent.

4. Term. The term of this Agreement shall commence on the date hereof and shall continue in perpetuity or on such date that this Agreement is terminated pursuant to Section 10.

5. Maintenance, Repair, and Replacement. The Utility Company shall, at its sole cost and expense, and for the benefit of Wildhorse, as fee owner of the Easement Area, maintain, or cause to be maintained, the Wells, the Sewer System and the Improvements in good working order and condition and shall improve, repair, and/or replace the Wells, the Sewer System and/or Improvements as needed during the term of this Agreement. Wildhorse shall maintain the surface of the Easement Area. In the event of any damage or destruction to the Wells, the Sewer System, the Improvements and/or Easement Area, the Utility Company shall promptly repair same at the sole cost and expense of the Utility Company in order that the Golf Course Property is restored to its original condition prior to such damage or destruction. Any damage or destruction to the Wells, the Sewer System, the Improvements and/or the Easement Area caused by Wildhorse shall be repaired or replaced at the sole cost and expense of Wildhorse.

6. Compliance with Laws. Utility Company shall at all times during the term of this Agreement comply with all applicable local, state, and federal laws that govern or regulate the Wells, the Sewer System, the Improvements and the use of the water.

7. Permits. Utility Company shall at all times during the term of this Agreement at its sole cost and expense obtain and maintain all required permits, licenses, and approvals required by applicable local, state, or federal agencies for the Wells, the Sewer System, the Improvements and the use of the water.

8. Insurance. Utility Company shall maintain during the term of this Agreement insurance with financially sound and reputable insurance companies in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated. If requested by Wildhorse, Utility Company shall furnish reasonably satisfactory evidence of such insurance.

9. Indemnification. Utility Company shall defend, indemnify, and hold Wildhorse harmless from any and all claims, actions, proceedings, costs, damages, and liabilities, including reasonable attorney's fees, arising out of or in any way related to the use, operation, maintenance, improvements, repair and/or replacement of the Wells, the Sewer System, any Improvements and the supplying of water and the provision of sewer and waste water treatment services.

10. Termination. Upon any default by the Utility Company under that certain Water and Sewer Services Agreement, dated November 17, 2004, by and between the Utility Company and Aspen Lakes Golf Course, L.L.C., an Oregon limited liability company, as amended, this Agreement shall automatically terminate and the parties shall have no further liability to one another.

11. Miscellaneous Provisions.

a. Binding Effect. This Agreement shall run with the land and shall be binding on and inure to the benefit of the parties and their respective heirs, personal representatives, successors, and assigns.

b. Assignment. The Utility Company shall not assign this Agreement or any of the rights, interests or obligations herein without the prior written consent of Wildhorse.

c. Notices. All notices and other communications under this Agreement must be in writing and shall be deemed to have been given if delivered personally, sent by facsimile (with confirmation), mailed by certified mail, or delivered by an overnight delivery service (with confirmation) to the parties to the following addresses or facsimile numbers (or at such other address or facsimile number as a party may designate by like notice to the other parties):

If to Wildhorse:	Wildhorse Meadows, LLC Attn: Matt Cyrus 16900 Aspen Lakes Drive Sisters, OR 97759 Phone: (541) 548-0835 Facsimile: (541) 548-0481
If to Utility Company:	Aspen Lakes Utility Company, L.L.C. Attn: Matt Cyrus 16910 Aspen Lakes Drive Sisters, OR 97759 Phone: (541) 548-0835 Facsimile: (541) 548-0481

Any notice or other communication shall be deemed to be given (a) on the date of personal delivery, (b) at the expiration of the second (2nd) day after the date of deposit in the United States mail, or (c) on the date of confirmed delivery by facsimile or overnight delivery service.

d. Amendments. This Agreement may be amended only by an instrument in writing executed by all the parties.

e. Counterparts. This Agreement may be executed in counterparts, each of which will be considered an original and all of which together will constitute one and the same agreement.

f. Facsimile Signatures. Facsimile transmission of any signed original document, and retransmission of any signed facsimile transmission, shall be the same as delivery of an original. At the request of either party, the parties shall confirm facsimile transmitted signatures by signing an original document.

g. Waiver. Any provision or condition of this Agreement may be waived at any time, in writing, by the party entitled to the benefit of such provision or condition. Waiver of any breach of any provision shall not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

h. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon, without regard to conflict-of-laws principles.

i. Attorney's Fees. If any suit or action is instituted to interpret or enforce the provisions of this Agreement, to rescind this Agreement, or otherwise with respect to the subject matter of this Agreement, the party prevailing on an issue shall be entitled to recover with respect to such issue, in addition to costs, reasonable attorney's fees incurred in preparation or in prosecution or defense of such suit or action as determined by the trial court, and if any appeal is taken from such decision, reasonable attorney's fees as determined on appeal.

j. Severability. If any provision of this Agreement shall be invalid or unenforceable in any respect for any reason, the validity and enforceability of any such provision in any other respect and of the remaining provisions of this Agreement shall not be in any way impaired.

k. Entire Agreement. This Agreement (including the documents and instruments referred to in this Agreement) constitutes the entire agreement and understanding of the parties with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, among the parties with respect to such subject matter.

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

WILDHORSE:

WILDHORSE MEADOWS, LLC, an Oregon limited liability company

By:________________________________
Title:______________________________

UTILITY COMPANY:

ASPEN LAKES UTILITY COMPANY, L.L.C., an Oregon limited liability company

By:________________________________
Title:______________________________

STATE OF OREGON)
) ss.
County of ________________)

On this ____ day of ___________, 2004, before me, the undersigned Notary Public, personally appeared ____________________, ____________________, of Wildhorse Meadows, LLC, an Oregon limited liability company (the "Limited Liability Company"), personally known to me or proved to me on the basis of satisfactory evidence to be an authorized agent of the Limited Liability Company and that he/she executed the Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the Limited Liability Company, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute this Agreement and in fact executed the Agreement on behalf of the Limited Liability Company.

____
Notary Public for Oregon
My Commission Expires:________________

STATE OF OREGON)
) ss.
County of ________________)

On this ____ day of ___________, 2004, before me, the undersigned Notary Public, personally appeared ____________________, ____________________, of Aspen Lakes Utility Company, L.L.C., an Oregon limited liability company (the "Limited Liability Company"), personally known to me or proved to me on the basis of satisfactory evidence to be an authorized agent of the Limited Liability Company and that he/she executed the Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the Limited Liability Company, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute this Agreement and in fact executed the Agreement on behalf of the Limited Liability Company.

____
Notary Public for Oregon
My Commission Expires:________________

Equipment Rental Agreement

Entered into this 1st day of January 2015, between Aspen Lakes Utility Co, LLC (Renter) and Sisters Aggregate & Construction, LLC (Rentee) for equipment rental and standby availability.

Whereas: Renter has needs for various pieces of excavation equipment on an occasional basis, but needs it available 24 hours per day, seven days per week in order to make repairs timely and restore service, and

Whereas: Rentee owns various pieces of equipment needed by Renter and desires to rent them on an occasional, as needed, 24 hour availability basis.

For the monthly fee of $1,500, Rentee shall make the below listed equipment available, without operator, to Renter on a 24 hour, seven day basis for incidental work. Any use exceeding 8 hours in any one instance will be charged at the listed hourly rate.

1. Case 580K backhoe - $50 per hour
2. International Dump Truck - $50 per hour
3. Ditchwitch Rock Saw - $100 per hour
4. John Deere 892ELC excavator - $150 per hour
5. Freightliner truck w/ lowboy - $150 per hour

By: Matt S
Sisters Aggregate & Construction, LLC

By: Kelly Cyrus
Aspen Lakes Utility Co, LLC