

ORDINANCE NO. 2430

AN ORDINANCE EXTENDING THE FRANCHISE OF ROATS WATER SYSTEM, INC. THROUGH JULY 1, 2027

Recitals

A. On June 7, 2000, the City granted by ordinance franchises to Roats Water System, Inc. ("Roats") and Avion Water Company ("Avion") to provide water service to specific areas within the Bend city limits. See Ordinance Nos. NS-1747 (Roats), NS-1748 (Avion). The franchises each had a twenty-year term.

B. In July 2007, the City amended Avion's agreement by, among other things, extending the term of the franchise for an additional seven years, through July 1, 2027. Ordinance No. NS-2060. Roats' franchise was not similarly extended.

C. The initial term of Roats' franchise (the "Franchise") expired in October 2020. To provide additional time for the City and Roats to negotiate a new agreement, the City extended the Franchise through December 31, 2021. See Ordinance No. NS-2386. Negotiations proceeded in good faith between October 2, 2020 and November 29, 2021. However, the parties were not able to reach a final agreement.

D. Several of the items being negotiated with Roats are equally applicable to Avion. The City and Roats agreed that it would be preferable for both the public and the franchisees for Avion to also be involved in any subsequent franchise negotiations.

E. Accordingly, the City and Roats agreed it was in the best interests of both parties to extend the term of Roats' franchise from December 31, 2021, the current expiration date, through July 1, 2027, to align its termination with Avion's franchise.

F. Aligning the termination dates of both water service franchises will allow the City to negotiate the renewal of Roats and Avion's franchise agreement simultaneously, and ensure that the two franchisees are subject to substantially similar franchise terms and conditions.

G. The terms of Roats' existing agreement are sufficient to protect the City's interest in managing its right-of-way.

THE CITY OF BEND ORDAINS AS FOLLOWS:

Section 1. The term of the Franchise, as amended, is extended and shall continue from December 31, 2021 through July 1, 2027.

Section 2. Continued use of City rights of way by Roats after December 31, 2021, shall be deemed acceptance of the extension by Franchisee.

Section 3. The City Council finds that this ordinance is necessary for the health, safety and welfare of the public, and finds that an emergency exists. To

limit the amount of time Roats is operating in the right-of-way without a franchise, the ordinance is necessary on an emergency basis and will be effective immediately upon adoption on its second reading.

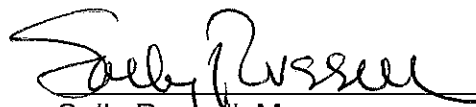
Section 4. If any provision, section, phrase or word of this ordinance or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions that can be given effect without the invalid provision or application.

First Reading: December 15, 2021

Second reading and adoption by roll call vote: January 5, 2022

YES: Mayor Sally Russell
Mayor Pro Tem Gena Goodman-Campbell
Councilor Barb Campbell
Councilor Melanie Kebler
Councilor Anthony Broadman
Councilor Megan Perkins
Councilor Rita Schenkelberg

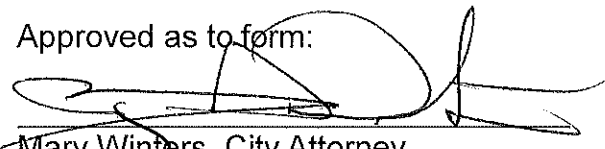
NO: None


Sally Russell, Mayor

ATTEST:


Robyn Christie, City Recorder

Approved as to form:


Mary Winters, City Attorney

**WATER SERVICE FRANCHISE - ROATS WATER SYSTEM, INC.
(ORDINANCE NS-1747)**

Section 1: Short Title.

This ordinance shall be known as the "Roats Water System Franchise." The purpose of this ordinance is to promote and ensure the efficient allocation, regulation and use of domestic water and its provision to Bend residents and to avoid duplication of facilities, capital expenditure and other related resources.

Section 2: Definitions.

For the purpose of this ordinance, the following terms shall have the meaning provided below:

- (1) "City" is the City of Bend, Oregon.
- (2) "Company" is Roats Water System, Inc., the grantee of the rights under this franchise, and its successors or assigns.
- (3) "Council" is the City Council of the City of Bend.
- (4) "Person" means any person, firm, partnership, association, corporation, company or organization of any kind.
- (5) "Facilities" shall mean all real property, fixtures and equipment used by Company in the provision of water services throughout its system, whether located inside or outside of City, and includes, but is not limited to, main transmission lines, distribution systems and all other things used in the provision of water services by Company.
- (6) "Urban Growth Boundary" shall mean those properties within City's present city limits and the Urban Growth Boundary as they now exist and as they may change from time to time in the future.

Section 3: Grant of Authority.

City grants to Company the right and privilege to construct, erect, operate and maintain its facilities, in, upon, along, across, above, over and under the streets, alleys, and public ways now laid out or dedicated, and all extensions thereof, and additions thereto, for the provision of water services in City. This franchise is non-exclusive in that the City reserves the right to operate a water system within the public ways and to grant a similar use of streets, alleys and public ways to another person. The City will not serve new customers within the Company's Water Service Area, unless the Company will not serve the customer(s) or the utility is not providing service that meets the standards of a public water utility. The City will not provide service to new customers within the

11.21

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Company's water service area without first providing the Company ten days written notice. This notice shall not be required in the case of an emergency.

Section 4: Compliance with Laws, Rules and Regulations.

At all times during the term of this franchise, Company shall comply with all applicable laws, rules and regulations of the United States of America, the State of Oregon, and the City of Bend; including appropriate agencies and subdivisions thereof. Company shall be subject to the lawful exercise of the police power of City and to such reasonable regulations as City may from time to time hereafter adopt. Company shall have 30 days after written notice to remedy any non-compliance. If any non-compliance cannot reasonably be remedied within 30 days, City shall not declare a default for non-compliance provided Company is taking reasonable steps to remedy the non-compliance as soon as is reasonably practicable. This 30 day notice requirement shall not apply in emergency-type situations where the preservation of public health, safety or welfare requires that immediate action be taken.

Section 5: Company Liability, Indemnification of City and Insurance.

- (1) Company shall at all times conduct its operations under this franchise, including installation, construction or maintenance of its facilities, in a safe and workmanlike manner so as not to present a danger to the public or City.
- (2) Company shall pay, save harmless and indemnify City from any loss or claim against City on account of or in connection with any activity of Company in the construction, operation or maintenance of its facilities and services.
- (3) This franchise shall not be effective until Company secures, and shall at all times be conditioned upon Company maintaining, a comprehensive liability insurance policy which shall contain the following provisions:
 - (a) Bodily injury policy limits of \$500,000 for each person and \$500,000 for each occurrence.
 - (b) Property damage policy limits of \$500,000.
 - (c) An endorsement for completed operations coverage.
 - (d) A designation of City, its officers, agents and employees, as an additional insured for liability arising from or in connection with this franchise.
 - (e) An endorsement requiring 10 days' written notice to City prior to the cancellation of the insurance coverage.
 - (f) A certificate evidencing insurance as described in this ordinance shall be deposited with City.

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- (g) In the event that City's tort liability limits are raised by the Oregon Legislature to exceed the limits described in this Section, Company shall obtain and maintain insurance in the amount of City's tort liability limits.

Section 6: Facilities and Service Standards.

For the term of this franchise, Company shall construct, operate and maintain its facilities and provide services as follows:

- (1) Company shall provide its customers with good quality water services; and supply potable water to its customers in compliance with all applicable laws, rules and regulations.
- (2) Company shall construct and maintain those portions of its facilities that are located within the City of Bend and within the Urban Growth Boundary surrounding the City, as it exists and changes, in compliance with City and State standards for the provision of the service. Compliance with City standards shall include, but not be limited to:
 - (a) Standards for construction and installation of the water system, including the use of C-900 or ductile iron pipe and restoration of City streets.
 - (b) Provision of standard City fire flows throughout the water system, subject to verification by the Fire Department with notice. At least annually or upon request by the City, the Company will provide the City with a written report of individual hydrant conditions.
 - (c) City inspection and approval of system design and installation pursuant to generally accepted practices and standards in the water utility area.
 - (d) Compliance with City construction standards shall be required only for facilities which are constructed or installed after the commencement of this franchise.
- (3) Company shall maintain and improve its facilities according to generally accepted practices and standards in the regional water utility industry.
- (4) Company's service to properties within the City shall be confined to the properties shown on the map entitled "Water Service Area Exhibit ()" which is marked EXHIBIT A, attached hereto and incorporated by reference herein. Company shall not serve any other properties within the City.
- (5) Unless prohibited by law or the Oregon Public Utilities Commission in cases where City provides sewer services to a Company customer, Company agrees to terminate

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the service of Company's customer, at the request of City, if the customer becomes delinquent in the payment of the customer's sewer service bill.

Section 7: Company Rules.

Company shall have authority to promulgate such reasonable rules and regulations governing the conduct of its business as shall be reasonably necessary to enable Company to exercise its rights and perform its obligations under this franchise, and to assure uninterrupted service to its customers pursuant to Company's rules and regulations. Company rules and regulations shall be subject to the provisions of this ordinance and any other governmental regulations. A copy of said rules and all amendments thereto shall be filed with the Office of City Manager.

Section 8: Conditions on Street Occupancy.

Company agrees to comply with the following conditions:

- (1) Use. All facilities installed by Company within the Urban Growth Boundary after the date of this ordinance shall be so located as to cause minimum interference with the proper use of streets, alleys and other public ways and places, and to cause minimum interference with the rights or reasonable convenience of property owners who adjoin any of the streets, alleys or other public ways or places. Company shall obtain street cut permits for all street cuts and shall comply with the provisions of City's street cut ordinance.
- (2) Restoration. In case of any disturbance of pavement, sidewalk, driveway or other surfacing by Company, Company shall, at its own cost and expense and in a manner approved by City, replace and restore all paving, sidewalk, driveway or surface of any street or alley disturbed, in a good condition as before the disturbance. If Company fails to make restoration as required, City shall cause the repairs to be made at the expense of Company.
- (3) Relocation. City may require Company to change the location of any facility within the public right of way when the public convenience requires such change or removal and the expense thereof shall be paid by Company. City shall give Company reasonable notice of any changes required and Company shall have a reasonable time within which to make the requested change. If Company refuses to make the change requested by City or does not make the change within a reasonable time after the request of City, City may make the change and collect the cost of making said change from Company.
- (4) Placement of Facilities. Company shall not place its facilities where they will interfere with any existing gas, electric or telephone fixtures or sewer or water facility. All facilities placed in the City street shall be placed as City directs.

Section 9: Notice of Intent to Sell.

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Company shall not enter into any binding agreement to sell, assign, dispose of or transfer in any manner whatsoever any interest in this franchise, nor transfer, permit transfer of controlling interest in the Company, without first providing to the City sixty (60) days written notice of Company's intent to sell.

Section 10: Transfer of Franchise.

Company shall not sell, assign, dispose of or transfer in any manner whatsoever any interest in this franchise or in the technical facilities used with this franchise, nor transfer or permit transfer of controlling interest in Company without prior written approval of Council. Such approval shall be based upon the following criteria: Company shall be required to demonstrate to the satisfaction of the Council that Company's proposed purchaser, assignee or transferee has such financial and managerial resources are sufficient to maintain the then current quality of service and to comply fully with the terms of this franchise prior to the Council granting such approval. Such approval, based upon the above criteria, shall not be reasonably withheld by the Council. If the PUC approves the transfer, the transfer shall be presumed to be reasonable.

Section 11: City Right in Franchise.

City shall have the right to inspect all construction or installation of Company facilities, subject to the provisions of this ordinance and to make such inspections as it shall find necessary to ensure compliance with governing laws, rules and regulations.

Section 12: No Franchise Fee.

City shall not charge a franchise fee for Company's service unless City's water utility pays a comparable fee and the fee is approved by the P.U.C.

Section 13: Rate and Service Regulation.

City shall not regulate Company's rates so long as Company's rates are regulated by the Oregon Public Utility Commission or comparable governmental entity.

Section 14: Company Records and Reports.

Company shall keep accurate books of account at an office within the State of Oregon throughout the term of this franchise. Company shall produce its books of account for inspection by City at any time during normal business hours, after reasonable notice by City, and City may audit Company's books from time to time. City may require periodic reports from Company relating to its operations and revenue within City. Prior to requesting periodic reports, City shall first review the annual report submitted by Company to the P.U.C.

Section 15: System Data.

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Company shall maintain, at a local office, current maps and other operational data relating to its facilities and system operations in the City of Bend. City may inspect these maps and data at any time during normal business hours.

Section 16: Enforcement of Franchise.

City and Company shall have all remedies provided by law, including termination of this franchise, to enforce the terms and conditions of this franchise. Failure to enforce any provision of this ordinance shall not be construed as a waiver of a breach of any other term, condition or obligation of this ordinance.

Section 17: Franchise Term.

This franchise is granted for a term of 20 years beginning with the acceptance of this franchise by Company.

Section 18: Acceptance of Franchise.

Within 30 days from the effective date of this ordinance, Company shall file with the City Recorder a written, unconditional acceptance of this franchise and all of its terms and conditions. If Company fails to do so, this ordinance shall be void and of no effect whatsoever.

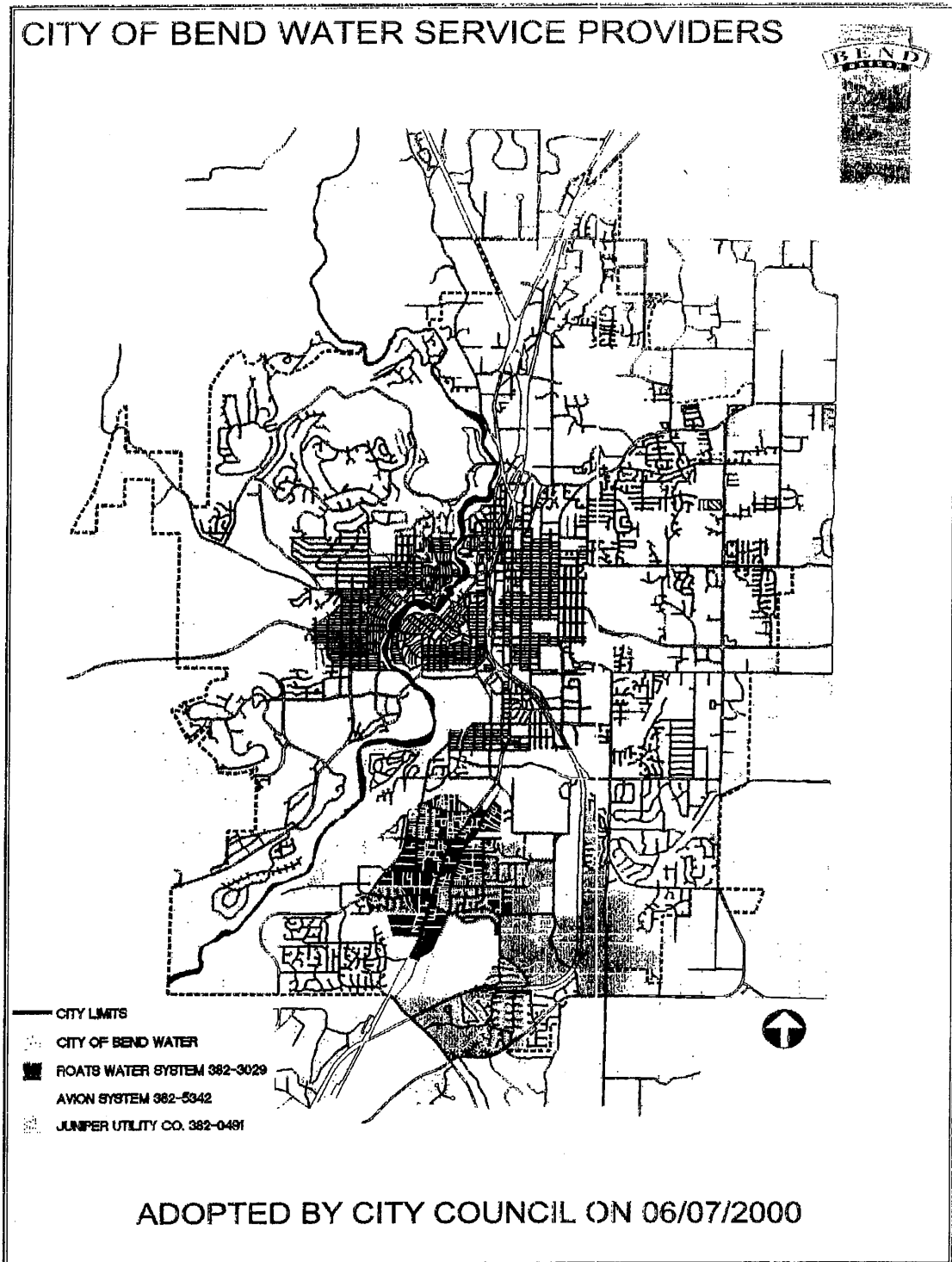
Section 19: Franchise a Contract.

City and Company intend that this franchise shall constitute a contractual obligation between City and Company with respect to Company's service and facilities outside of City and within the Urban Growth Boundary. The parties contemplate that the City's corporate limits will expand through annexation within the Urban Growth Boundary throughout the term of this franchise through City's annexation of properties within the Urban Growth Boundary. The parties intend that the terms and conditions of this franchise shall apply to Company's activities outside the current City limits, but within the Urban Growth Boundary, as a contractual obligation so that as properties served by Company are annexed there will not be any significant difference in facilities or service standards.

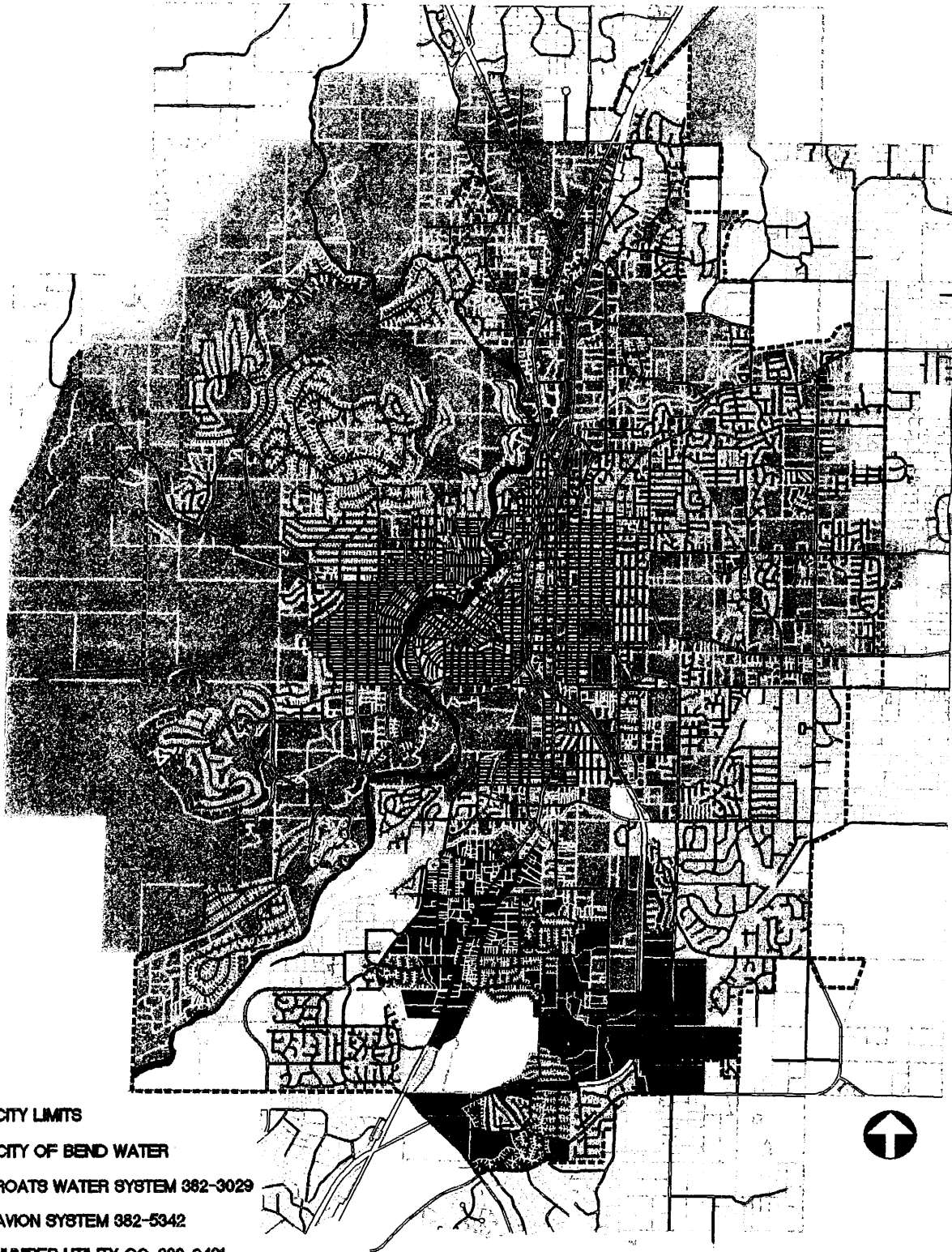
Section 20: Constitutionality.

If any section, subsection, clause or portion of this ordinance is for any reason held invalid or is rendered unconstitutional by a court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision and such holding shall not affect the constitutionality of the remaining portion hereof. If for any reason the franchise fee is invalidated or amended by the act of any court or governmental agency, then the highest reasonable franchise fee allowed by law shall be the franchise fee allowed by this franchise.

[Section 11.21.1 through 11.21.20 added by Ord. NS-1747, passed June 7, 2000]



CITY OF BEND WATER SERVICE PROVIDERS



ADOPTED BY CITY COUNCIL ON 06/07/2000

Roats Water System, Inc.

61147 Hamilton Lane
Bend, Oregon 97702-2697
Telephone: (541) 382-3029
Fax: (541) 382-2292
Email: roats@hwy97.net

File

RC 16120

October 2, 2000

Patty Stell,
Recorder, City of Bend
710 NW Wall Street
Bend OR 97701

Re: City of Bend Ordinance No. NS-1747
Roats Water System Franchise



Dear Ms. Stell:

Roats Water System, Inc. hereby accepts Ordinance No. NS-1747 in its' entirety.

Enclosed is a copy of Roats Water System Oregon Public Utility Commission tariff regulations.

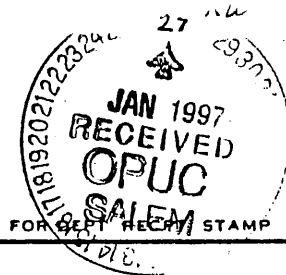
The City of Bend will be named as an additional insured on the Roats Water System liability insurance and a certificate of insurance will be forwarded to the city.

Please contact me if additional information is required.

Sincerely,

William K. Roats

William K. Roats
Owner/President



Roats Water System, Inc.



ROATS WATER SYSTEM, INC.
An Oregon Corporation

Naming Rates For
Water Service

At

Bend, Oregon
and Vicinity

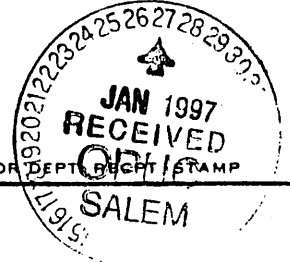
And

Containing Rules and Regulations
Governing Service

ISSUED _____ EFFECTIVE January 20, 1997

ISSUED BY Roats Water System, Inc.

By W. K. Roats TITLE President



Roats Water System, Inc.

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4	Fire Service Rates	5
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ISSUED BY Roats Water System, Inc.

By W. K. Roats TITLE President

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Utility Program

Roats Water System, Inc.

SCHEDULE NO. 2

METERED RATES

Available: To customers of the corporation at Bend, Oregon and Vicinity.

Applicable: To residential and commercial premises served through a single meter.

Metered Rate Per Month: Base charge plus \$.71 (seventy one cents) per 100 cubic feet.

Base Charge Per Month: Dependent upon the size of meter.

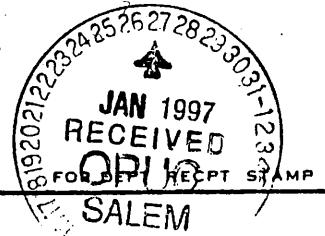
<u>Meter Size</u>	<u>Base Charge</u>
5/8", 3/4", 1"	\$22.01
1 1/2"	25.89
2"	34.62
3"	86.54

Special Provisions:

1. Water used during the construction of buildings, etc., shall be metered whenever practicable, and charges made at rates specified in this schedule; when the setting of a meter is impracticable, the amount of water used shall be estimated and charges made accordingly.
2. The same customer disconnecting and reconnecting service within the same 12-month period will be billed a minimum charge of \$5.00 per month at the time of reconnection. The charge is to defray fixed overhead costs of maintaining service.

ISSUED W.S. Roat EFFECTIVE January 20, 1999

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Roats Water System, Inc.

SCHEDULE NO. 3MISCELLANEOUS SERVICE CHARGES

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

Connection Charge for New Service (Rule 6):

Meter Set Charge	
Standard 5/8 x 3/4" Service	= \$300
Larger than 5/8 x 3/4" Service	= \$300 plus additional costs
Fireflow Charge	= \$.50 per square foot measured by building outside dimensions

Meter Tests (Rule 15):

First test within 12 month period	= No charge
Second test within 12 month period	= \$20.00

Late Payment Charge (Rule 16): = 1 1/2%

Returned Check Charge (Rule 18): = \$20.00

Trouble Call Charge (Rule 26): = \$25.00 per hour

Reconnection Charge (Rule 27):
 = \$20.00 during normal office hours
 = \$30.00 after normal office hours

Shut-off Trip Charge (Rule 27): = \$10.00

Unauthorized Restoration of Service Charge (Rule 28): = Reconnection charge plus costs

Damage/Tampering Charge (Rule 31): = At cost

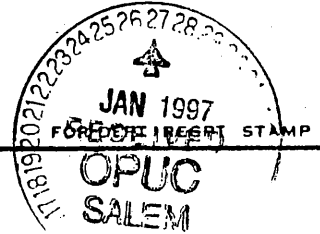
ISSUED _____ EFFECTIVE January 20, 1997

ISSUED BY Roats Water System, Inc.

W. K. Roats

President

Roats Water System, Inc.



SCHEDULE NO. 4

FIRE SERVICE RATES

Available: To fire service customers of the company in the area of Deschutes County.

Applicable: To fire service customers with privately-owned and maintained fire service lines and standpipes connected to company mains. Also to include company owned fire hydrants or standpipes benefitting commercial customers.

Base Charge Per Month: Dependent upon the size of service installed.

FIRE SERVICES

4" Supply and smaller	\$ 5.00
6" Supply	\$11.00
8" Supply	\$15.00
10" Supply and larger	\$25.00

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ISSUED BY Roats Water System, Inc.

By W. K. Roats

TITLE President

ROATS WATER SYSTEM, INC.

SCHEDULE NO. 5RESIDENTIAL/MULTI-RESIDENTIAL DEVELOPMENT CHARGEResidential Development Charge (Rule 6a):

Charge Based on Lot Size

Less than 4,000 sq. ft.	\$ 975.00
At least 4,000 sq. ft., but less than 6,000 sq. ft.	1,375.00
At least 6,000 sq. ft., but less than 10,000 sq. ft.	1,975.00
At least 10,000 sq. ft., but less than 20,000 sq. ft.	2,675.00
20,000 sq. ft. or more	3,175.00

Master Meter Development Charge (Rule 6a):

Meter Size

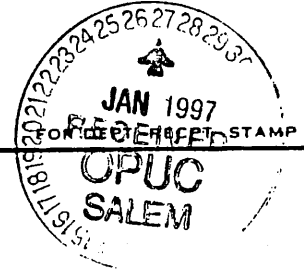
3" meter - serves up to 12 households	\$ 9,360.00
4" meter - serves up to 33 households	25,740.00
6" meter - serves up to 67 households	52,260.00
8" meter - serves up to 117 households	91,260.00
10" meter - serves up to 183 households	142,740.00

For master meter development projects less than 12 households, all units will be individually metered. For development projects with household counts falling between the above meter count ranges, the Master Meter Development Charge will be prorated at \$780 per household.

Example: 20 households = 4" meter
 $20 \times \$780 = \$15,600$

ISSUED _____ EFFECTIVE December 15, 1999
 ISSUED BY Roats Water System, Inc.
 BY W. K. Roats TITLE President

Roats Water System, Inc.



RULES AND REGULATIONS

Rule 1: Jurisdiction of the Commission

All Rules and Regulations herein shall be subject to the general Rules and Regulations of the Public Utility Commission of Oregon.

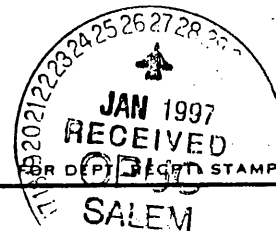
Rule 2: Definitions

- a) "Company" shall mean Roats Water System, Inc.
- b) "Applicant" shall mean any person, business, or organization who applies for service, or reapplies for service at the same or different location after service has been discontinued, except as noted in the definition of "customer".
- c) "Commission" shall mean the Public Utility Commission of Oregon.
- d) "Customer" shall mean any person, business, or organization who has applied for, been accepted, and is currently receiving service. A customer who voluntarily discontinues service and subsequently requests service at the same or different premises within 20 days after discontinuance retains customer status.
- e) "Residential premises" shall mean any dwelling and its land, and may be a house, apartment, cottage, cabin, mobile home, or trailer house.
- f) "Commercial premises" shall mean any premises at which a customer carries on any major activity of gaining a livelihood or performing a public service. Such activity may be of a business, industrial, professional, or public nature.
- g) "Main" shall mean the pipe, preferably four inches or larger in diameter, laid in the street, alley, or other right-of-way, for the distribution of water to customers. It shall not include service lines.
- h) "Service line" shall mean the pipe, valves, stops, fittings, and meter and meter box, if any, laid from the main to the property line of the premises served.
- i) "Customer line" shall mean the pipe, stops, and fittings leading from the property line to the building served, excluding the meter and meter box.

ISSUED _____ EFFECTIVE January 20, 1997

ISSUED BY Roats Water System, Inc.

By W. K. Roats TITLE President



Roats Water System, Inc.

RULES AND REGULATIONS - Continued

A. Application for Service

Rule 3: Application for Service

Application for water service must be made for each individual premises served, identifying the applicant, the premises to be served, the billing address if different, the type of use to which the water is to be put, and agreeing to conform to the Rules and Regulations of the company as a condition for receiving such service. The applicant shall, at this time, pay any scheduled fees or deposits.

Rule 4: Change in Identity or Use

An application must be made to, and approved by, the company upon a change in the identity of a customer at any premises, or the type of use to which the water is put.

Rule 5: Deposit for Service

In accordance with the Commission's rules for credit establishment and deposit waiver, an applicant or a customer may be required to make a deposit to secure payment of bills for service. The deposit shall not exceed the estimated bill for two months' average service.

The company shall pay interest on deposits at the rate established by the Commission. After the customer has paid bills for service for twelve consecutive months without having had service discontinued for nonpayment or 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 company shall promptly and automatically refund the deposit plus accrued interest.

ISSUED _____ EFFECTIVE January 20, 1997

ISSUED BY Roats Water System, Inc.

By W. K. Roats TITLE President

ROATS WATER SYSTEM, INC.

RULES AND REGULATIONS - Continued

A. Application for Service - Continued

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Rule 6: Connection Charge

An applicant requesting permanent water service at a premise not previously supplied with permanent water service by the Company shall be required to pay the service line connection charge listed on Schedule No. 3.

The fireflow charge is assessed in addition to the meter set charge and applies to a new water service only when fireflow requirements are imposed by the fire department on a new structure, or a structure being remodeled requiring a building permit which requires changes in existing fireflow requirements, or a structure whose use is changing to the extent that it now for the first time has fireflow requirements. If the structure being built or remodeled is in addition to an existing structure which already satisfied fireflow requirements, then the fireflow charge will apply only to the additional structure.

The fireflow charge applies when the imposed fireflow requirements involve either a fire suppression system in the structure or fire hydrant(s) in the vicinity. The fireflow charge also applies when the structure benefits from fire hydrant(s) which already exist in the vicinity sufficient to satisfy the imposed fireflow requirements.

Rule 6a: Residential/Multi-Residential Development Charge

The residential development charge is assessed (based on the lot size) on any lot or lots for which a permanent new water service is established to serve one or more residential dwellings. The residential development charge is assessed in addition to the meter set charge.

A residential development located on a single tax lot for which a master metered water service is established to serve multiple residences, shall (in lieu of the charge based on lot size) be assessed a residential development charge based on the size of the master water meter required to serve the development (including all areas to be served in future phases of the development).

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ISSUED BY Roats Water System, Inc.

BY W. K. Roats TITLE President

ROATS WATER SYSTEM, INC.

RULES AND REGULATIONS - Continued

A. Application for Service - Continued

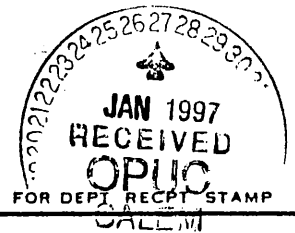
Rule 6a: Residential Development Charge - continued

Subsequent to setting the master meter and payment of its fee, if lots within the master metered development become separately identified tax lots, the developer(s) of these separately identified tax lots will then be assessed an additional charge equal to the greater of (a) or (b), and reduced by (c); where (a) is a residential development charge (based on each individual new lot size), (b) is the meter set charge, and (c) is the fee previously paid to set the master meter for this development. In the event that this calculation produces a number less than zero, no refund will be given, and the amount of the fee shall be zero.

Any commercial development within the master metered residential development area shall be assessed a fireflow charge instead of the residential development charge. The fireflow charge will be assessed on the entire structure containing the commercial enterprise, even though a portion of the structure may be for residential use. The lot occupied by the commercial development shall be excluded from any residential development charge.

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ISSUED BY Roats Water System, Inc.
BY W. K. Roats TITLE President



Roats Water System, Inc.

RULES AND REGULATIONS - Continued

B. Types of Service

Rule 7: Types of Use

Water service may be supplied for residential use, commercial use, industrial use, irrigation, temporary construction, or fire prevention, and the service may be supplied on a metered basis. The company shall file separate rate schedules for each type of use and basis of supply.

Rule 8: Separate Control of Service

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

Rule 9: Multiple Residences

An apartment house, mobile home park, motel, trailer camp, or any other property consisting of more than one residential premises may be deemed by the owner of the property to be a single commercial premises. In this case, the premises shall be served through one service line, and the owner shall be deemed to be the customer.

C. Refusal of Service

Rule 10: Company Facilities

The company shall not accept an application for service or materially change service to a customer, if, in the best judgement of the company, it does not have adequate facilities to render the service applied for, or if the desired service is of a character that is likely to unfavorably affect service to other customers.

Rule 11: Customer Facilities

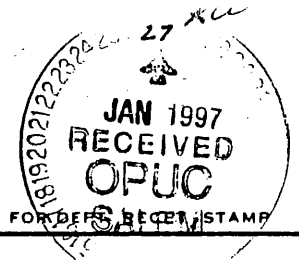
The company shall refuse to serve an applicant or customer whose facilities do not comply with applicable plumbing codes or, if in the best judgement of the company, are of such a character that safe and satisfactory service cannot be given.

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BY W. K. Roats

TITLE President



Roats Water System, Inc.

RULES AND REGULATIONS - Continued

C. Refusal of Service - Continued

Rule 12: Customer Accounts

The company may refuse to serve an applicant until receipt of full payment of overdue amounts or other obligations related to a prior account of the applicant with the company.

The company may refuse to serve an applicant until receipt of full payment of overdue amounts when the following circumstances exist: (1) An overdue amount has been incurred by a person at a service address; (2) The applicant resided at the service address indicated in (1) during the time the overdue amount was incurred; and (3) the person indicated in (1) will reside at the applicant's service address.

Service shall not be refused for matters not related to water service, or for residential service due to obligations in connection with non-residential service.

Rule 13: Appeal

If service is refused, the company shall inform the applicant or customer of the reasons and of the Commission's appeal and complaint process.

D. Meters

Rule 14: Meter Setting

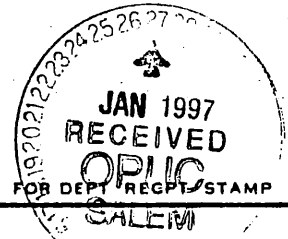
All meters shall be set at convenient locations, accessible to the company and subject to its control. The meter will normally be placed in a meter box or vault between the street curb and property line. Each meter box or vault shall be provided with a suitable cover.

When the above is not convenient and both customer and company agree, the meter may be placed near or inside a building in a suitable location.

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RULES AND REGULATIONS - Continued

D. Meters - Continued

Rule 15: Meter Testing

A customer may request the company to test the service meter; such test shall be made within 20 working days of the receipt of such request at no cost to the customer. Test results shall be given to the customer.

If a customer requests a meter test more often than once in any twelve month period, the deposit listed on Schedule No. 3 to recover the cost of the test may be required of the customer. If the meter is found to register more than two percent fast under conditions of normal operation, the utility shall refund the deposit to the customer.

E. Billing

Rule 16: Due Dates / Late Payment Charge

Bills are due and payable when rendered by deposit in the mail or other reasonable means of delivery. Meters shall be read at monthly intervals, and the bill rendered immediately thereafter.

The late payment charge listed on Schedule No. 3 shall be applied to all unpaid amounts carried forward to the next month's billing statement.

All bills become delinquent if not paid within 15 days of the established due dates (OAR 860-21-125 requires a minimum of 15 days). If permitted to become delinquent, water service may be terminated after notice as provided in Rule 27 - Turning Water Off / Reconnection Charge.

Rule 17: Information

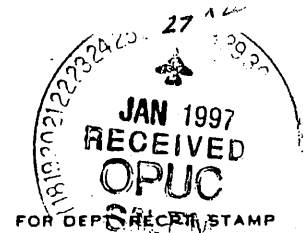
All bills shall state the delinquent date of the bill and the type of rate schedule or schedule number under which the bill was computed. All metered bills shall show the readings of the meter at the beginning and end of the period of service to which the bill applies, the dates of the meter readings, the amount of water consumed, and any other information necessary to the computation of the bill. However, when there is good reason for so doing, estimated bills may be submitted.

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RULES AND REGULATIONS - Continued

E. Billing - Continued

Rule 18: Returned Check Charge

The returned check charge listed on Schedule No. 3 shall be billed for each occasion a customer submits a check for payment which is not honored, for any reason, by a bank or other financial institution.

Rule 19: 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 thirty-day month.

For metered services, the meter will be read upon opening and closing a customer's account. Consumption will be charged at scheduled rates, and any minimum monthly charge will be prorated.

Rule 20: Adjustment of Bills

When an under or overbilling occurs, the company shall provide written notice to the customer detailing the circumstances, period of time, and amount of adjustment. If it can be shown that the error was due to some cause, the date of which can be fixed, the over or undercharge shall be computed back to such date. If no date can be fixed, the company shall refund the overcharge or rebill the undercharge for no more than six months' usage. In no event shall an over or underbilling be for more than three years' usage.

No billing adjustment shall be required if a meter registers less than two percent error under conditions of normal operation.

When a customer is required to repay an underbilling, the customer shall be entitled to enter into a time payment agreement without regard to whether the customer already participates in such an agreement. If the customer and company cannot agree upon payment terms, the Commissioner shall establish terms and conditions to govern the repayment obligation. The company shall provide written notice advising the customer of the opportunity to enter into a time payment agreement and of the Commissioner's appeal and complaint process.

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Utility Program

RULES AND REGULATIONS - ContinuedF. Responsibilities of Company and Customer - ContinuedRule 26: Trouble Call

The trouble call charge listed on Schedule No. 3 may be billed whenever a customer requests the company to visit the customer's premises to remedy a service problem and the problem is due to the customer's facilities.

Rule 27: Turning Water Off / Reconnection Charge

When a customer fails to comply with the company's rules and regulations, or permits a bill or charge to become delinquent, the company shall give 5 days' written notice before the water may be shut off (OAR 860-036-0245 requires a minimum of five days). The notice shall state the reasons for shut off and the earliest date for shut off. The notice or an accompanying notice shall inform the customer of the O.P.U.C. toll free telephone number for appeal or complaint. Service shall not be restored until the rules and regulations are complied with or payment is made in the amount overdue, and the additional reconnection charge listed on Schedule No. 3 is paid for the expense of turning the water off and on.

Service shall not be shut off for nonpayment on or the day prior to a weekend or a state or company recognized holiday.

If the company service person goes to the customer premises for the purpose of shutting the water off, and the customer pays the amount overdue prior to the water actually being shut off, a shut-off trip charge will be made as listed on Schedule No. 3.

Rule 28: Unauthorized Restoration of Service

After the water has been shut off at the curb stop or at the meter, if it should be turned on by any person not authorized by the company, the water service line may be disconnected. Service shall not be reconnected until all arrears, all costs of service disconnection and reconnection, and the reconnection charge listed on Schedule No. 3 are paid.

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RULES AND REGULATIONS - ContinuedF. Responsibilities of Company and Customer - ContinuedRule 29: Shut Off for Repairs

The company shall have the right to shut off the water supply temporarily for repairs or other necessary purposes. The company shall use all reasonable and practicable measures to notify the customer in advance of such discontinuance of service except in the case of emergency repairs. The company shall not be liable for any inconvenience suffered by the customer or damage to his property arising from such discontinuance of service.

Rule 30: Sprinkling

Special restrictions on sprinkling and other outside uses may be established by the company. Sprinkling may be prohibited entirely in cases of emergency or water shortage to maintain services for domestic purposes.

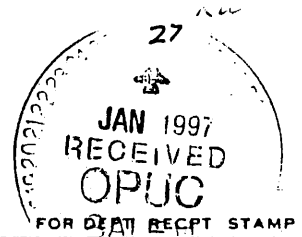
Rule 31: Damages

Should damage result to any of the company's property from molesting or willful neglect by the customer, or to a meter or meter box located in the customer's building from molesting or willful neglect by any person, the company will repair or replace such equipment and may bill the customer for the costs incurred.

G. Customer Advances and Refunds for Main ExtensionsRule 32: Definitions

- a) Reach: Any section of a main that contains no connections, branches, etc.
- b) Original customer cost of a main extension: The cost of the smallest size extension necessary to serve the customer(s) who request that extension, plus one-half the cost of any oversizing up through 12 inches deemed desirable by the company. The costs of over-sizing over 12 inches, and all costs of loop completion, shall not be included.

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RULES AND REGULATIONS - Continued

G. Customer Advances and Refunds for Main Extensions - Continued

- c) Customer cost of a reach: The original customer cost of the main extension of which the reach was a part, times the length of the reach divided by the length of that extension.
- d) Share of a reach: The customer cost of a reach divided by the number of customers to be served through that reach.
- e) Share differential: The amount the share of a reach decreases when a new customer is served through that reach.

Note: Any loop completion installed by the company shall be deemed closed at its midpoint, when determining which reaches serve a particular customer.

Rule 33: Specifications

The company shall specify the size, character, and location of pipes and appurtenances in any main extension. Main extensions shall normally be along streets, roads, highways, or other satisfactory rights-of-way. All construction work shall conform to recognized Roats Water System, Inc. standards.

Each main extension shall normally extend at least 100 feet along the frontage of the property to be served, or to the midpoint of that frontage, whichever is less.

Rule 34: Advances and Refunds

Each new customer requesting a main extension shall advance to the company the share of each reach through which he is to be served, including that main extension.

After construction of the requested main extension, the company shall refund to each new customer the total of the customer costs of the reaches through which he is served, times 50 feet divided by the total of the lengths of those reaches; further, the company shall refund to each old customer the share differential of each reach through which that customer is served.

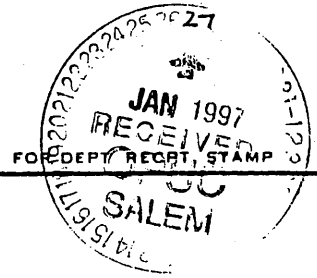
Exceptions: a) no customer shall be refunded more than the amount he originally advanced; b) no part of the distribution system installed prior to five years from the request for a main extension shall be used to calculate any customer advance or refund.

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TITLE President



Roats Water System, Inc.

RULES AND REGULATIONS - Continued

H. Cross Connection Control

Rule 35: Cross Connection Control

Pursuant to OAR 333-61, and in accordance with Roats Water System Cross Connection Regulations and Oregon Public Utility Commission rules and regulations, the company may require installation and testing of an approved backflow prevention device. Failure on the part of any customer to comply with these rules and regulations, may result in discontinuance of service in accordance with rule 27.

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