

2 WASHINGTON UTILITIES AND TRANSPORTATION
3 COMMISSION,
4
5 COMPLAINANT,
6 V.
7 INLAND TELEPHONE COMPANY,
8
9 RESPONDENT.

11 DOCKET NO. UT-050606

12 DIRECT TESTIMONY
13 OF JOHN P. COONAN
14 ON BEHALF OF INLAND TELEPHONE COMPANY
15
16

17
18 October 21, 2005
19

1 Q: PLEASE STATE YOUR NAME AND GIVE YOUR BUSINESS
2 ADDRESS FOR THE RECORD.

3 A. John P. Coonan. My business address is 103 South Second Street, Roslyn, WA
4 98941.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am the Treasurer of Inland Telephone Company ("Inland").

7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

8 A. The purpose of my testimony is to explain the reasons that Inland filed to
9 remove that portion of Inland's service territory that encompasses the Suncadia Resort
10 property ("Resort") from Inland's designated service area as defined on the service area
11 map contained in the tariff.

12 Q. PLEASE DESCRIBE WHY INLAND MADE THE TARIFF FILING
13 THAT HAS BEEN SUSPENDED IN THIS DOCKET.

14 A. Inland made the filing to better define the area in which Inland can reasonably
15 provide service to those customers that request Inland's service. Inland prides itself on
16 being responsive to customer needs and providing excellent quality of service to its
17 customers. In order to provide excellent quality service, Inland needs to have access to
18 customers and each customer's premises in order to install service, repair any problems
19 with the service and so on. This past year, it became obvious to Inland that the owners
20 of the Resort were not going to allow Inland to have the type of access to customers
21 that Inland needs to provide high-quality service to customers. In fact, it appeared that
22 Inland would not have any access to the customer premises, making it impossible to
23 provide service.

1 Q. WHAT LED INLAND TO THE CONCLUSION THAT IT WOULD NOT
2 BE ABLE TO GET ACCESS TO THE SUNCADIA RESORT AREA IN A WAY
3 THAT WOULD ALLOW IT TO PROVIDE THE TYPE OF SERVICE THAT
4 YOU DESCRIBE?

5 A. We had been discussing and negotiating the provision of service within the
6 Resort with Suncadia Resort LLC ("Suncadia") and its predecessor entity(ies) for more
7 than six years. During the course of those discussions, there were a number of ways in
8 which Inland tried to accommodate the business plan for Suncadia and its predecessors.
9 Essentially, what it boiled down to is that unless Inland agreed to some form of revenue
10 sharing for telecommunications services, Suncadia was not going to allow Inland to
11 serve the Resort.

12 Q. WHAT DO YOU MEAN BY REVENUE SHARING?

13 A. Suncadia wanted to be paid a portion of the revenues received by Inland from
14 telecommunications service within the Resort as a condition of allowing Inland to have
15 access to the customers. While much of this discussion was verbal, I am attaching as
16 Exhibit No. ____ (JPC-2), a letter of August 27, 2004 from Suncadia concerning
17 revenue sharing and utility issues. I am also attaching as Exhibit No. ____ (JPC-3), a
18 form of Memorandum of Understanding that outlines revenue sharing concepts.
19 Suncadia was clearly tying the two concepts -- revenue sharing and a service easement
20 -- together.

21 Q. WHY WOULDN'T INLAND AGREE TO REVENUE SHARING?

22 A. We viewed the sharing of revenue from regulated services as an impermissible
23 activity under the statutes that control our activities. We must charge tariffed rates.

1 There is no provision that we know of that would allow Inland to share revenues it
2 receives under its tariff with third parties.

3 We continued to discuss ways in which Inland might provide service to the
4 Resort. However, it became clear to those of us at Inland that we would not be able to
5 accommodate the desires and objectives of Suncadia. This became very clear to us
6 when a potential customer asked for service and we were not able to provide that
7 service. Suncadia employees or representatives told the prospective customer that
8 Inland was not willing to provide the service, when in fact, all that we could obtain
9 from Suncadia at the time would be a six month, temporary easement. Using a six
10 month temporary easement to provide long-term service does not make good business
11 sense nor is it in the public interest.

12 **Q. YOU MENTIONED SUNCADIA RESORT LLC'S BUSINESS PLAN,**
13 **HAVE YOU REVIEWED THEIR BUSINESS PLAN?**

14 A. No. We only know what they told us. In that sense, it became clear to Inland
15 that Suncadia viewed telecommunications service as a profit center for their operation.
16 I want to stress that there is nothing wrong with that viewpoint. However, it was not a
17 viewpoint that Inland could accommodate through revenue sharing of regulated
18 revenues. That meant if Suncadia wanted to move in another direction, Inland believed
19 it was time to step away and let Suncadia pursue their business plan.

1 Q. WHY NOT KEEP THE SUNCADIA RESORT AREA WITHIN THE
2 TARIFFED SERVICE AREA AS DESCRIBED ON INLAND'S SERVICE AREA
3 MAP?

4 A. It became clear to us that customers might expect that Inland is the responsible
5 entity for providing service and contact Inland for service. This had happened on a
6 couple of occasions, once on a referral from Qwest telling the potential customer that
7 the area was within Inland's service territory. This then requires our employees to
8 explain that we cannot reach the customer to have access to that customer and have to
9 refer that customer to Suncadia for information on obtaining service. To the extent that
10 either the customer believes Inland is stringing them along or Suncadia describes Inland
11 as being unreasonable, then Inland's image is tarnished. Part of our overall offering of
12 quality service to our customers is offering an image of a company that is cooperative
13 and willing to help its customers. If that image is going to be tarnished, then the overall
14 customer base may not have the same view of Inland as it holds today. This is a very
15 important issue to Inland.

16 Q. WHY DO YOU NEED A PERPETUAL EASEMENT TO PROVIDE
17 SERVICE IN THE SUNCADIA RESORT AREA?

18 A. We need an easement for a very long period of time in order to be able to be
19 there and provide service to customers. We access our customers physically in one of
20 two ways. We either access them through public rights-of-way where we have a
21 franchise that entitles us to put our equipment in the public rights-of-way or we access
22 them through standard utility easements over private property, which are perpetual in
23 nature.

1 The Resort has no public rights-of-way within it. All of the roads are private
2 roads. Without an easement, Inland is physically unable to provide service. Suncadia
3 has provided perpetual utility easements to other utilities. Attached as Exhibit No.
4 _____ (JPC-4) is an easement granted to Puget Sound Energy by Suncadia's
5 predecessor.

6 Further, Inland's facilities have depreciation lives which are controlled by
7 maximum depreciation rates allowed by the Washington Utilities and Transportation
8 Commission. Telecommunications plant is normally depreciated over a fairly lengthy
9 period of time. Just from an economic perspective, in order to provide service to the
10 Resort would mean that Inland would need to be able to provide the service through the
11 life of the facilities it installs in the area. A six month or other short-term easement
12 does not make good business sense. To illustrate, assume that under a short-term
13 easement Inland installed facilities. Those facilities would generally be buried or in
14 conduit. At the end of a six month or other short-term lease, Inland could be forced to
15 leave its facilities in place without recovering the cost of the facilities or go through a
16 very costly removal process. Either way the costs for service within the Resort are then
17 borne by Inland's other customers. This is not fair to other customers that Inland serves
18 in other portions of its service territories.

19 Another possibility is that at the end of the term of the easement, Suncadia
20 could demand unacceptable terms for renewal of the easement, such as sharing of
21 regulated revenue. Would the Commission require Inland to continue to serve the
22 customer as carrier of last resort under conditions that (1) are illegal, as Inland
23 understands the concept of sharing revenues from regulated services, and (2) require

1 Inland's other customers to subsidize a revenue stream to Suncadia? Is that in the
2 public interest?

3 **Q. WHY CAN'T INLAND SIMPLY INSTALL ITS UTILITY FACILITIES**
4 **WITHIN THE PRIVATE ROADS?**

5 A. To do so would be trespass. Inland has no right to be on private roads unless
6 the property owner grants us an easement.

7 We do have the statutory option to condemn an easement. However, that
8 appears to us to be an expensive, time-consuming option. It is adversarial in nature and
9 we do not believe that approach is a viable option at the present time.

10 **Q. WOULD INLAND LIKE TO SERVE THE SUNCADIA RESORT AREA?**

11 A. Yes, if Inland could have access on reasonable terms and conditions. The
12 Resort, once it is built out, will have approximately 2,800 residential connections, three
13 golf courses, and a number of businesses according to Suncadia. Given the densities in
14 the area, it is intuitive to Inland that the average cost of service in the Resort should be
15 less than Inland's average cost of service in the current Roslyn exchange.

16 In addition, Inland is in the business of providing telecommunications service.
17 If it could do so in the Resort, Inland would be very willing to provide
18 telecommunications service. However, it does not seem appropriate to be forced to be
19 the carrier of last resort in an area that Inland cannot access.

20 **Q. HAVE YOU DONE AN ANALYSIS OF THE COST OF SERVICE FOR**
21 **THE SUNCADIA RESORT AREA?**

22 A. No. We have not done a full cost of service analysis which would take into
23 account full engineering, design of facilities, locations where the facilities might be

1 installed and so on. We have had preliminary reviews by CHR Solutions in 2000 and
2 by the Martin Group in 2002, to obtain preliminary estimates. However, those
3 estimates were not true cost of service studies by any means.

4 **Q. WHAT DO YOU THINK OF THE CONCERN THAT HAS BEEN**
5 **EXPRESSED THAT INLAND SHOULD BE REQUIRED TO KEEP THE AREA**
6 **WITHIN ITS SERVICE TERRITORY ON THE CHANCE THAT THE**
7 **TELECOMMUNICATIONS VENDOR SELECTED BY SUNCADIA RESORT**
8 **LLC FAILS, DECLARES BANKRUPTCY OR OTHERWISE GOES OUT OF**
9 **BUSINESS?**

10 A. Why should Inland be required to keep an area in its service territory that it is
11 not being allowed to serve just in case someone else may go out of business? It does
12 not make sense to me. In addition, in order to evaluate the likelihood of such a claim,
13 information concerning the financial arrangement between Suncadia and the vendor, in
14 this case Intelligent Community Services ("ICS"), is needed. The extent of the
15 investment that ICS is making, the type of investment and the nature of the service
16 arrangement would all help evaluate whether the claim is a mere theoretical possibility
17 or one that has some merit. Inland has tried to obtain that information, but has been
18 unable to get the information it needs from ICS or Suncadia. Without that information,
19 coupled with my understanding that Suncadia will own the fiber, I must assume that the
20 odds of ICS failing to continue to provide service to the Resort for the foreseeable
21 future is highly remote or speculative, at best. This assumption is supported by the fact
22 that the Commission has approved ICS' request for registration with a finding that ICS
23 is financially responsible. Thus, there is no basis to assume financial failure. A mere

1 theoretical possibility should not require Inland to be held in indentured servitude for
2 an area that it cannot serve. In addition, if ICS does happen to fail, Inland will still not
3 have access to the area and will be physically unable to provide service. There are
4 other designated ETCs in this area that may not need easements since they are wireless
5 carriers. Do their obligations to serve include carrier of last resort responsibilities? If
6 so, why should Inland be forced to serve this area under untenable conditions?

7 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

8 **A.** For the present, it does.



August 27, 2004

Douglas W. Weis
President
Inland Telephone Company
103 S. 2nd Street
P.O. Box 171
Roslyn, WA 98941

Re: Suncadia Fiber to the Premises Network

Dear Doug:

Thank you for your letter of August 20, 2004 requesting that we agree to a Master Utility Easement by September 3, 2004. We appreciate your expression of good will and share your concern regarding schedule. We wish to advance our discussion further with Inland but still await critical information to do so. The proposed blanket easement was sent to our legal counsel for review and comment, but the form you proposed is not acceptable since any such easement must be carefully crafted to work in concert with a Master Agreement between us. The proposed easement grants sweeping rights under terms and provisions that would dramatically expand and conflict with the details of the kind of Master Agreement we have discussed. Broad issues and details regarding an acceptable Master Agreement have not been addressed by Inland. These fall into two categories.

The first category is the business terms of the proposed agreement including the scope of services Inland would provide (local and long distance OTS, VOIP, internet, CATV, security, private network, etc), initial cost and ownership, and reversionary ownership of conduits, fiber, inner ducts and raceways, the quality standards and levels of service Inland will guarantee, pricing of services to us and to our business and home owners, revenue sharing to Suncadia, agreement to accommodate Suncadia's third party vendors who are prepared to provide revenue sharing to Suncadia for access to customers in the community we are creating, acceptable assurances by Inland of its ability to perform its commitments under the Master Agreement and remedies that will be available to Suncadia in the event Inland fails to perform as agreed and in accordance with the agreed schedules, duration of Agreement and criteria for early termination, renewal, renegotiation of rates and revenue sharing and similar details many of which are not addressed at all, and others of which appear as blanks in your proposal.

The second category is the technical design, performance, equipment, fiber counts, proprietary equipment, phasing, digital and analog performance, and similar issues that are discussed further in the attached summary from Vector Resources. Again, many of these are not addressed or appear as blanks in your proposal.

Exhibit No. _____ (JPC-2)
Page 11 of 20

The Master Utility Easement cannot exist in perpetuity and it must not conflict with nor expand Inland's rights beyond those in any final Master Agreement we might enter into. The easement requires proper legal descriptions, referenced tariffs and schedules, and must provide for approval of and control of proposed vault locations and aesthetic designs. Further, if the date of Master Utility Easement precedes the date of the Master Agreement it must be clearly subject to and extinguishable if we fail to reach a Master Agreement or under other circumstances that will be defined in that Master Agreement. For these reasons we cannot prepare an appropriately crafted Master Utility Easement until all of these relevant issues are agreed to within the Master Agreement.

We respectfully request that your deadline for the Master Utility Easement be withdrawn and that we receive prompt response regarding the many open issues remaining before us, including your providing us with the details and performance assurances we require.

Sincerely,



Paul Eisenberg
Senior Vice President
MountainStar Resort Development, LLC
Dba Suncadia

Cc: Bill Hunt
Rob Lowe
Jeff Allen
Hal Krisle
Jeff Zukerman
Richard Petersen

Memorandum of Understanding
MountainStar Development LLC and Inland Telephone Co.

Page 1 of 4

I. PURPOSE:

This document is a Memorandum of Understanding (MOU) between the MountainStar Resort Development LLC (MountainStar), a Delaware limited liability company, and Inland Telephone Co. (Inland Telephone) and its affiliates for Telecommunications services as described herein.

The purpose of this MOU is to establish an understanding between the above-mentioned entities concerning their respective roles and responsibilities for the implementation of various telecommunications services. This MOU is to ensure the effective and efficient delivery of said services at the MountainStar Resort Development located in Kittitas County, Washington.

Parties to this document shall coordinate and perform the activities and services described herein within the scope of legislative requirements governing the parties' respective programs, services, and agencies.

Further, the content of this MOU will be utilized to develop a contractual agreement between the parties, upon which services described herein will be delivered.

II. INTRODUCTION:

MountainStar and Inland Telephone and its affiliates enter into this MOU with the understanding that all principles of the (Telecommunication Act of 1996) must be complied with, including but not limited to:

1. All customers, including those with special needs, will have access to a core set of services at each residential dwelling.
2. Open Access – Customers will have access to multiple service providers.

The implementation of this memorandum is intended to accomplish the following:

1. To establish how infrastructure components are provided, and who will pay for each infrastructure components.
2. To provide competitively priced telecommunication services to businesses and residents of MountainStar.
3. Where possible provide these services in a "bundle" to reduce costs, and simplify billing.
4. To establish guidelines for revenue sharing for various services as described herein.
5. To establish a method of penalty for non-performance of either party
6. To establish the time and/or other trigger for the provision of services not currently available, in the future.

III. PERIOD OF PERFORMANCE

This MOU shall commence on the date it is executed _____ (date) and terminate on _____ (date), unless otherwise terminated by agreement of all parties.

Within sixty (60) days of the execution of this MOU, Inland Telephone agrees to make available to the MountainStar development, all services presently available by Inland Telephone.

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IV. GENERAL PROVISIONS

1. MountainStar will sell at a fair price, conduit runs to Inland Telephone to install cabling per network design specification (Attachment A) as indicated below:
 - a. Where six (6) runs are available, two (2) may be utilized by Inland.
 - b. Where four (4) or three (3) runs are available, one (1) may be utilized by Inland.
 - c. Where two (2) runs are available, one (1) 1- $\frac{1}{4}$ " inner duct may be placed inside one (1) 4" conduit for use by Inland with MountainStar retaining ownership of the 4" conduit.
 - d. Ownership of all 2" home runs will be retained by MountainStar
 - e. The purchase price for conduit runs will include:
 1. Cost of materials
 2. A prorated portion of the installation and design labor
 3. MountainStar will retain ownership of all conduits where inner ducts are utilized, (See IV.1.c) Inland will lease said duct space.

NOTE: Existing conduit infrastructure design is as follows:
(6), (4), or (3) 4" conduits are provided for main runs.
(1) 2" conduit is provided to each home.

2. MountainStar will provide either shared facilities or lease appropriate land to Inland Telephone for the strategic placement of repeater "Huts" in adherence to the projects Design and Review Committee's guidelines.
3. MountainStar agrees to a phased approach for more advanced services as described below:
 - a. Video on Demand (VOD)
 - b. Video Surveillance
 - c. OC3 Internet
4. Inland agrees to provide the following components of the telecommunication system at no cost to the resident or MountainStar:
 - a. Fiber cable per Vector USA specification (Attachment A)
 - b. Fiber to the home (FTTH) build out
 - c. An Optical Network Unit (ONU) at the residence with the following capabilities:
 1. 3mb data
 2. 750mhz video
 3. 2 dedicated and 3 additional voice lines
 - d. All repeater or switch equipment required to deploy services.
5. Inland agrees to provide the following services in phase one:
 - a. POTS
 - b. Long Distance (LD) service
 1. Purchase LD services through PSI Network
 - a. PSI Network will pay the revenue shared portion to MountainStar directly
 - c. Operator Services
 - d. High speed internet
 - e. Security alarm monitoring
 - f. CATV
 - g. Intranet or Extranet

Memorandum of Understanding
MountainStar Development LLC and Inland Telephone Co.

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6. Inland agrees to provide the above mentioned services at the minimum technical service level specifications as indicated below in phase one:
 - a. POTS
 1. 2 dedicated and 3 additional voice lines per residence
 2. _____
 3. _____
 - b. Long Distance (LD) service
 1. _____
 2. _____
 - c. Operator Services
 1. _____
 2. _____
 - d. High speed internet
 1. 3mb
 2. _____
 3. _____
 - e. ONU:
 1. Outputs:
 - a. Data – Cat5 data
 - b. Video – RG6 Coax
 - c. Voice –
 - f. Security alarm monitoring
 1. _____
 2. _____
 - g. CATV
 1. 750mhz video
 2. _____
 3. _____
 - h. Intranet or Extranet
 1. _____
 2. _____
7. Inland agrees to allow access for 3rd party providers of advanced services not competitively provided by Inland Telephone, including but not limited to:
 - a. Video surveillance
 - b. Private video surveillance – Office to home
 - c. VOD
8. Both parties will negotiate an appropriate “trigger” to determine the timetable for providing future advanced services. Possible trigger(s) could include but are not limited to:
 - a. Time/Date
 - b. Demographics – agreed upon source of data
 - c. Number of connections

Memorandum of Understanding
MountainStar Development LLC and Inland Telephone Co.

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9. Inland agrees to provide the future minimum technical service level specifications as indicated below based on the agreed upon trigger(s):

- a. POTS
 - 1. VoIP
 - 2. _____
 - 3. _____
- b. Long Distance (LD) service
 - 1. _____
 - 2. _____
- c. Operator Services
 - 1. _____
 - 2. _____
- d. High speed internet
 - 1. OC3
 - 2. _____
 - 3. _____
- e. ONU:
 - 1. Outputs:
 - a. Cat5 - Data
 - b. RG6 Coax - Video
 - c. _____ - Voice
 - d. Fiber (at residential owner request)
- f. Security alarm monitoring
 - 1. Video Surveillance
 - 2. _____
 - 3. _____
- g. CATV
 - 1. 750mhz video
 - 2. _____
 - 3. _____
- h. Intranet or Extranet
 - 1. _____
 - 2. _____

10. Inland agrees that once a trigger has been met, the new service(s) will be made available within 30 days.

V. CERTIFICATION:

By signing this MOU, all parties agree that the provisions contained herein are subject to all applicable, Federal, State and local laws, regulations and/or guidelines.

By signatures affixed below, the parties specify their agreement:

MountainStar Resort Development, LLC

Inland Telephone Co.

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

RETURN ADDRESS:
Puget Sound Energy, Inc.
Attention: R/W Department, OBC-11N
P.O. Box 97034
Bellevue, WA 98009-9734
ATTN: M. Lamping

EASEMENT

REFERENCE #:
GRANTOR: Trendwest Investments, Inc.
GRANTEE: Puget Sound Energy, Inc.
SHORT LEGAL: Ptn of Sec. 28 & 29, T. 20N, R. 15 E. W.M.
ASSESSOR'S PROPERTY TAX PARCEL: 20-15-28000-0005; 20-15-28000-0012; 20-15-29000-0008

For and in consideration of One Dollar (\$1.00) and other valuable consideration in hand paid, TRENDWEST INVESTMENTS, INC., a Washington Corporation ("Grantor" herein), hereby conveys and warrants to PUGET SOUND ENERGY, INC., a Washington Corporation ("Grantee" herein), for the purposes hereinafter set forth, a nonexclusive perpetual easement over, under, along, across and through the following described real property ("Property" herein) in KITTITAS County, Washington:

LOTS 1A AND 2A AS DESCRIBED AND/OR DELINEATED ON THE FACE OF THAT CERTAIN SURVEY RECORDED MAY 23, 1995 UNDER AUDITOR'S FILE NO. 581722 AND FILED IN BOOK 21 OF SURVEYS, PAGES 14, 15 AND 16, RECORDS OF KITTITAS COUNTY, STATE OF WASHINGTON; BEING A PORTION OF SECTION 28, TOWNSHIP 20 NORTH, RANGE 15 EAST, W.M., KITTITAS COUNTY, STATE OF WASHINGTON;

EXCEPT THAT PORTION OF SAID LOT 2A LYING NORTHERLY OF STATE HIGHWAY 2-E (SR-903).

AND

LOT 4B AS DESCRIBED AND/OR DELINEATED ON THE FACE OF THAT CERTAIN SURVEY RECORDED MAY 23, 1995 UNDER AUDITOR'S FILE NO. 581721 AND FILED IN BOOK 21 OF SURVEYS, PAGES 12 AND 13, RECORDS OF KITTITAS COUNTY, STATE OF WASHINGTON; BEING A PORTION OF SECTION 29, TOWNSHIP 20 NORTH, RANGE 15 EAST, W.M. KITTITAS COUNTY, STATE OF WASHINGTON.

Except as may be otherwise set forth herein Grantee's rights shall be exercised upon that portion of the Property ("Easement Area" herein) described as follows:
An Easement Area _____ feet in width having _____ feet of such width on each side of a centerline described as follows:

SEE EXHIBIT "A" ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

AND ALSO DEPICTED ON ATTACHED DRAWING MARKED EXHIBIT "B".

1. Purpose. Grantee shall have the right to construct, operate, maintain, repair, replace, improve, remove, enlarge, and use the easement area for one or more utility systems for purposes of transmission, distribution and sale of gas and electricity. Such system may include, but are not limited to:

Underground facilities. Pipes, pipelines, mains, laterals, conduits, regulators and feeders for gas; conduits, lines, cables, vaults, switches and transformers for electricity; fiber optic cable and other lines, cables and facilities for communications; semi-buried or ground-mounted facilities and pads, manholes, meters, fixtures, attachments and any and all other facilities or appurtenances necessary or convenient to any or all of the foregoing.

Following the initial construction of all or a portion of its systems, Grantee may, from time to time, construct such additional facilities as it may require for such systems. Grantee shall have the right of access to the Easement Area over and across the Property to enable Grantee to exercise its rights hereunder. Grantee shall compensate Grantor for any damage to the Property caused by the exercise of such right of access by Grantee.

2. Easement Area Clearing and Maintenance. Grantee shall have the right to cut, remove and dispose of any and all brush, trees or other vegetation in the Easement Area. Grantee shall also have the right to control, on a continuing basis and by any prudent and reasonable means, the establishment and growth of brush, trees or other vegetation in the Easement Area.

3. Grantor's Use of Easement Area. Grantor reserves the right to use the Easement Area for any purpose not inconsistent with the rights herein granted, provided, however, Grantor shall not construct or maintain any buildings, structures or other objects on the Easement Area and Grantor shall do no blasting within 300 feet of Grantee's facilities without Grantee's prior written consent.

4. Indemnity. Grantee agrees to indemnify Grantor from and against liability incurred by Grantor as a result of Grantee's negligence in the exercise of the rights herein granted to Grantee, but nothing herein shall require Grantee to indemnify Grantor for that portion of any such liability attributable to the negligence of Grantor or the negligence of others.

5. Abandonment. The rights herein granted shall continue until such time as Grantee ceases to use the Easement Area for a period of five (5) successive years, in which event, this easement shall terminate and all rights hereunder, and any improvements remaining in the Easement Area, shall revert to or otherwise become the property of Grantor, provided, however, that no abandonment shall be deemed to have occurred by reason of Grantee's failure to initially install its systems on the Easement Area within any period of time from the date hereof.

6. Successors and Assigns. Grantee shall have the right to assign, apportion or otherwise transfer any or all of its rights, benefits, privileges and interests arising in and under this easement. Without limiting the generality of the foregoing, the rights and obligations of the parties shall inure to the benefit of and be binding upon their respective successors and assigns.

DATED this 13TH day of JUNE, 2003.

GRANTOR:

TRENDWEST INVESTMENTS, INC., a Washington Corporation

BY: [Signature]

STATE OF WASHINGTON)
) ss
COUNTY OF KING

On this 13th day of June, 2003, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared JAN L. BARKEE to me known to be the person who signed as DIRECTOR OF DEVELOPMENT of TRENDWEST INVESTMENTS, INC., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be his/her free and voluntary act and deed and the free and voluntary act and deed of TRENDWEST INVESTMENTS, INC. for the uses and purposes therein mentioned; and on oath stated that HE was authorized to execute the said instrument on behalf of said TRENDWEST INVESTMENTS, INC..

IN WITNESS WHEREOF I have hereunto set my hand and official seal the day and year first above written.

[Signature]
(Signature of Notary)
MARY M. LAMPING
(Print or stamp name of Notary)
NOTARY PUBLIC in and for the State of Washington,
residing at RENTON
My Appointment Expires: 07-20-2005

Trendwest
Job No. 998-020-002-1002
May 14, 2003

EXHIBIT "A"

LEGAL DESCRIPTION
FOR THE UTILITIES AND ACCESS EASEMENT
ON MOUNTAINSTAR – CLE ELUM U.G.A. PROPERTY

That portion of the northeast quarter and of the northwest quarter of Section 28 AND of the northeast quarter of Section 29, Township 20 North, Range 15 East, W.M., Kittitas County, Washington, being more particularly described as follows:

COMMENCING the most westerly corner of that parcel depicted on that Record of Survey entitled: "Puget Sound Power & Light Co., Inc. – Boundary Survey of Cascade Substation" by Land & Construction Surveys, Inc. as recorded in Volume 9 of Surveys, Page 40, Recording No. 456554, Records of Kittitas County, Washington, situate in the northeast quarter of said Section 28, said corner being marked by an existing 6" diameter concrete monument with a 3" brass cap stamped: "P.S.P.L. PROP. COR.";

THENCE along the westerly line of said parcel, being defined by last said monument and the most southerly corner thereof, said corner being marked by an existing 6" diameter concrete monument with a 3" brass cap stamped: "P.S.P.L. PROP. COR.", S 61°40'25" E, 112.74 feet to the TRUE POINT OF BEGINNING;

THENCE continuing along said westerly line, S 61°40'25" E, 28.19 feet to the southerly line of the existing 100 foot wide Puget Sound Energy easement;

THENCE along said southerly line, S 73°07'30" W, 4181.31 feet;

THENCE N 36°26'39" W, 265.33 feet to the northerly line of the existing 150 foot wide Bonneville Power Administration Easement;

Trendwest
May 14, 2003
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THENCE along said northerly line, S 73°07'30" W 241.28 feet to the southerly margin of Bull Frog Road as defined by that Boundary Line Adjustment prepared by W&H Pacific entitled "Trendwest Investments, Inc. – Mountain Star Master Planned Resort – Boundary Line Adjustment – Division 1A", Project No. 834724, dated 10-08-02, which is not recorded but will be the basis of the platting of property adjoining the Cle Elum U.G.A. Property;

THENCE along said southerly margin, N 53°22'53" E, 29.60 feet to a line 10 feet northerly of and parallel with said northerly line of the existing 150 foot wide Bonneville Power Administration Easement;

THENCE along said parallel line, N 73°07'30" E, 209.86 feet;

THENCE N 36°26'39" W, 70.89 feet to said southerly margin of Bull Frog Road;

THENCE along said southerly margin, N 53°22'53" E, 50.00 feet;

THENCE S 36°26'39" E, 99.43 feet to said northerly line of the existing 150 foot wide Bonneville Power Administration Easement;

THENCE along said northerly line, S 73°07'30" W, 31.84 feet;

THENCE S 36°26'39" E, 244.10 feet to a line 20 feet northerly of and parallel with said southerly line of the existing 100 foot wide Puget Sound Energy easement;

THENCE along said parallel line, N 73°07'30" E, 4147.33 feet to the TRUE POINT OF BEGINNING.

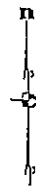
Containing 2.18 acres, more or less.

See attached Exhibit "B".

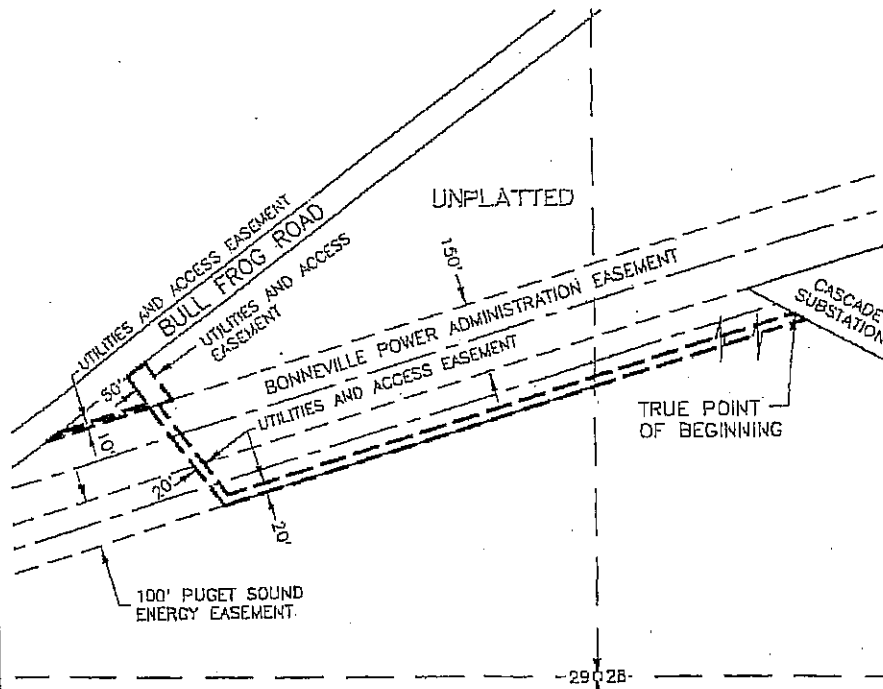
Written by: C.A.F.
Checked by: R.J.W.

EXHIBIT "B"

TO ACCOMPANY LEGAL DESCRIPTION
 FOR THE UTILITIES AND ACCESS EASEMENT ON
 MOUNTAINSTAR - CLE ELUM U.G.A. PROPERTY
 A PORTION OF THE SECTIONS 28 AND 29,
 TOWNSHIP 20 NORTH, RANGE 15 EAST, W.M.,
 KITTITAS COUNTY, WASHINGTON



SCALE : 1" = 300'



	CONSULTING ENGINEERS LLC 720 S. 348th Street Federal Way, WA 98003 www.esmcivil.com			 TECHNICAL STAFF (253) 838-8310 DORNEIL (425) 415-9144
	Civil Engineering Public Works	Land Surveying Project Management	Land Planning Landscape Architecture	

JOB NO. 998-020-002-1002
 DWG. NAME : 998\020\EXHIBITS\SR-08
 DATE : 05-14-03
 DRAWN : C.A.F.
 SHEET 1 OF 1