

## Management and Operations Agreement

This Management and Operations Agreement (this “**Agreement**”) dated as of \_\_\_\_\_, 2021 (the “**Effective Date**”), is entered into between Cascadia Water, LLC, a Washington limited liability company (“**Owner**”) and Gem State Infrastructure, LLC, an Idaho limited liability company (“**Operator**”). Owner and Operator are affiliates (“**Affiliates**”), and may be referred to herein individually as a “**Party**” and collectively as the “**Parties**.”

### Recitals

WHEREAS, Owner would like to engage Operator to provide water services to the Pelican Point water supply and distribution system owned by Owner located in Moses Lake, Washington (the “**Water System**”);

WHEREAS, Operator operates in the water services industry, and Owner is a water utility providing service in the State of Washington;

WHEREAS, Operator’s employees are familiar with and experienced in all facets of the water utility business and are qualified to aid, assist and advise Owner in its business operations;

WHEREAS, as a result of certain economies of scale and Operator’s experience and expertise, Operator is able to provide a range of management and operations services relating to Owner’s business, and Owner wishes to obtain these management and operations services from Operator;

WHEREAS, Operator provides services similar to those provided to Owner;

WHEREAS, Owner cannot obtain superior quality and diversification of services on a comparable economic basis elsewhere; and

WHEREAS, Owner is a water utility regulated for rates and service by the Washington Utilities and Transportation Commission (“**Commission**”) and subject to Commission rules and regulations regarding affiliate interests;

**NOW, THEREFORE**, in consideration of the mutual covenants hereinafter contained, the Parties agree as follows:

### Agreement

- 1. Services.** Operator shall make qualified employees available to perform or assist in the performance of services to be rendered for Owner by Operator as set forth on the attached **Exhibit A** (the “**Services**”). Operator will render Services to Owner in a professional, timely and workmanlike manner consistent with the standards of the water utility industry. Operator will comply with all laws in connection with its performance of the Services. Operator will follow Owner policies and procedures, if any, related to the Services. Owner will (a) notify Operator of any deficiencies or potential problems with the Water System that it is aware of; and (b) provide all documents reasonably needed by Operator to perform the Services (e.g., maps, water facility reports, and routine maintenance schedules required for the Water System).
- 2. Payment for Services.** Services shall be rendered by Operator for Owner at cost, without any profit markup. Services are rendered at cost and subject to review by the Commission during general rate cases. In consideration for the services to be rendered by Operator for Owner as hereinbefore provided, the cost thereof will be accrued and allocated to Owner in the period the services are performed.
- 3. Term and Termination.** This Agreement is binding upon the Parties as of the Effective Date. This Agreement shall be the sole agreement by and between the Parties concerning the subject matter hereof and shall supersede all such prior agreements, written or oral. This Agreement shall continue in force and effect until terminated by either of the Parties hereto giving the other Party ninety (90)

days' notice in writing. Alternatively, if either Party ceases to be an Affiliate of the other Party at any time, then this Agreement shall be terminated automatically at such time without further action.

4. **Confidentiality.** The Parties acknowledge and agree that certain non-public information supplied by each to the other during the term of this Agreement may be proprietary or confidential. All such non-public information shall be received in confidence and kept confidential (unless otherwise required by applicable law and consistent with the Commission's mandate to ensure that service is safe, adequate and efficient, and in all respects just and reasonable).
5. **Force Majeure.** Operator will not be responsible for the failure or delay in the performance of any particular service if caused by an act of God (including but not limited to fire, flood, hurricane, earthquake, drought, explosion, and unusually severe weather), acts or threats of terrorism, act of public enemy, war, hostilities, invasion, government acts or regulations, embargo, quarantine, epidemic, labor stoppages beyond its reasonable control, accident, or cause similar or dissimilar to the foregoing beyond its control. If Operator is rendered wholly or partially unable to carry out its obligations under this Agreement as a result of an event of Force Majeure, then its obligations pursuant to this Agreement will be suspended only during the continuance of such Force Majeure event, and for no longer period. Upon the commencement of such Force Majeure event, Operator will notify Owner and will resume performance of its obligations as soon as practicable.
6. **Amendments.** This Agreement may not be amended except in writing signed by both Parties.
7. **Governing Law.** This Agreement is to be construed and enforced in accordance with Washington law, without giving effect to any conflict of law rule.
8. **Counterparts.** This Agreement may be executed in several counterparts, each of which will be an original, all of which will constitute one and the same instrument. A facsimile, PDF or other electronic signature will be considered an original.

The Parties entered into and signed this Agreement as of the Effective Date.

**Operator:** **Gem State Infrastructure, LLC**

By: \_\_\_\_\_  
Leslie Abrams-Rayner  
General Manager  
Gem State Infrastructure, LLC  
250 NW BLVD Suite 203  
Coeur D Alene ID 83814  
Phone: 1.877.755.9287  
Email: [leslie@gemstate-water.com](mailto:leslie@gemstate-water.com)

**Owner:** **Cascadia Water, LLC**

By: \_\_\_\_\_  
Culley Lehman  
General Manager  
Cascadia Water, LLC  
18181 SR 525  
PO Box 549  
Freeland, WA 98249  
Phone: 360.331.7388  
Email: [culley@cascadiawater.com](mailto:culley@cascadiawater.com)

## **EXHIBIT A**

### **SERVICES**

Operator to perform “Services,” which include operation and maintenance of the Water System on a day to day basis, and the performance of all tasks necessary for the safe and reliable functioning of the Water System including, but not limited to, those set forth below.

1. Manage and maintain safe and reliable drinking water.
2. Perform customer billing and A/R as well as general customer service.
3. Ensure all of the Water System daily operational and maintenance activities are completed in accordance with acceptable public health practices and water industry standards.
4. Perform water quality monitoring, maintain adequate records, and take follow-up action, if necessary, to comply with state and federal drinking water regulations.
5. Implement preventive maintenance programs, and inspect system components for malfunctions, keep adequate records, and make needed repairs.
6. Analyze, review and record instrument readings and laboratory tests, determine causes of any malfunctions; adjust components accordingly, and maintain a record of these actions.
7. Implement a cross-connection control program.
8. Determine and implement remedial actions in emergencies. This includes following directions of DOH to address the situation.
9. Operator will pass along any and all documents about the Water System to Owner.
10. Be available 24 hours a day, seven days a week for emergency service.
11. Have a back-up operator.
12. Read Meters every month when possible and pass the readings on to Owner.
13. Turn all the valves in the system every 6 months.
14. Flush fire hydrants or blow off valves every 6 months.
15. Maintain relationships with all agencies to ensure the Water System remains in good standing.
16. Work with subcontractors to perform specialized maintenance on pumps, motors, and electrical components.
17. Maintain certified operator licensure.
18. Provide customer service including responding to complaints, inquiries, emergencies, etc.
19. Respond to and be available on an “on call” basis for “utility locates.”