

BEFORE THE STATE OF OREGON  
OREGON HEALTH AUTHORITY  
OFFICE OF ENVIRONMENTAL PUBLIC HEALTH

In the Matter of

Hiland Water Corp./ Boulder Creek  
Water System, PWS OR4100722

BILATERAL COMPLIANCE AGREEMENT

On January 4, 2011, the Oregon Health Authority, Public Health Division, Office of Environmental Public Health (Authority) filed a complaint in Lincoln County Circuit Court requesting that a special master be appointed and that Rose Lodge Water Company (Rose Lodge) be sold to a responsible party. This action was necessary because Bette Carter, the owner of Rose Lodge, failed to operate two public water systems, Bear Creek Hideout/Rose Lodge (Bear Creek) and Boulder Creek WS/Rose Lodge (Boulder Creek) in compliance with safe drinking water statutes and rules, ORS 448.115 *et seq.* and OAR 333, Division 61, thereby putting the public's health at risk. On April 12, 2011, a Lincoln County circuit court judge ordered the appointment of a special master and sale of the system.

Hiland Water Corp. (Hiland) was determined by the special master to be a responsible party and was permitted to purchase Rose Lodge and thereby the Bear Creek and Boulder Creek water systems. As a condition of that purchase, Hiland is required to enter into this Agreement with the Authority to ensure that Boulder Creek is brought into compliance with ORS 448.115 *et seq.* and OAR 333, Division 61.

Boulder Creek is a community public water system serving between 301 and 1,500 people, and is subject to regulation under ORS 448.115 to 448.290 and OAR 333-061-0005 to 333-061-0290. Hiland is a water supplier as defined in ORS 448.115(12) and OAR 333-061-0020(211), and has specific responsibilities identified in OAR 333-061-0025.

This Agreement is entered into between the Authority and Hiland, to acknowledge that the surface water treatment system and related infrastructure at Boulder Creek is currently inadequate and unable to produce water that meets the minimum requirements for disinfection, filtration, and water quality. Furthermore, this agreement is to establish a commitment by Hiland to correct any outstanding deficiencies related to the production of safe drinking water at Boulder Creek.

### AGREEMENT

Upon completion of the activities described below, if taken within the time specified in this Agreement, Boulder Creek will be considered to be in compliance with the rules specified herein.

- Agreement Activity No. 1: Hiland shall submit to the Authority, complete construction plans for Boulder Creek indicating how the raw water conveyance and surface water filtration system will be improved to produce water of sufficient quantity and meeting all the requirements of OAR 333-061-0032(4) and (5) within sixty (60) days of the date this Agreement is signed by all parties.
- Agreement Activity No. 2: Hiland shall, if necessary, apply for and secure financing for the improvements to Boulder Creek no later than six (6) months from the date this Agreement is signed by all parties.
- Agreement Activity No. 3: Hiland shall ensure that construction of the surface water treatment system and any necessary water system improvements are completed at Boulder Creek no later than six (6) months from the date the Authority issues conditional plan review approval for the treatment system and improvements.
- Agreement Activity No. 4: Hiland shall begin operation of the surface water treatment system for Boulder Creek so that the water system produces drinking water that consistently meets all applicable state and federal drinking water laws and rules as soon as possible but no later than nine (9) months from the date the Authority issues conditional plan review approval for the treatment system and improvements.

- Agreement Activity No. 5: Hiland shall publish public notice every calendar quarter for failure to comply with surface water treatment requirements. The notice shall direct water users to boil water before using the water for drinking or cooking purposes, and also include the adverse health effects language specified in OAR 333-061-0097(5)(c). The notice shall be delivered to each customer served by Boulder Creek, and shall also be posted in a conspicuous location within the areas served by the water system (OAR 333-061-025 and OAR 333-061-0042(3)(b)(C)). A copy of the notice shall be submitted to the Authority every calendar quarter, within ten days of being delivered to customers, and shall also include certification of when the notice was delivered and each location where the notice was posted. This requirement remains in effect until improvements to the surface water filtration systems are made and all system users receive drinking water that consistently meets all applicable state and federal drinking water laws and rules.

#### GENERAL PROVISIONS

This Agreement does not constitute a waiver, suspension or modification of the requirements of the Oregon Drinking Water Quality Act; ORS 448.115 to 448.285 and administrative rules OAR 333-061-0050 to 333-061-0290, which remain in full force and effect.

This Agreement does not relieve Hiland of any responsibilities or liabilities established pursuant to any applicable federal, state, or local law or regulation.

The Authority has determined that additional enforcement action is not warranted at this time, and so long as Hiland meets all of the requirements and deadlines specified in this Agreement, the Authority will forgo enforcement action which could include the assessment of civil penalties as prescribed by OAR 333-061-0090.

Dated this 15 day of March, 2012.

Melvin Olson  
Melvin Olson  
President  
Hiland Water Corp.

Dated this 16 day of March, 2012.

Joseph R. Carlson for  
Dave Leland, PE  
Program Manager  
Oregon Health Authority, Office of Environmental Public Health,  
Drinking Water Program

cc: Daniel Hough, OHA-DWP  
Fred Kalish, OHA-DWP  
Kathy Miller, Public Utility Commission of Oregon  
Shannon O'Fallon, Oregon Department of Justice