

WILLAMETTE WATER COMPANY
"A Water Utility"

July 6, 2007

Ms. Vikie Bailey-Goggins
Oregon Public Utility Commission
P.O.Box 2148
Salem, OR 97308-2148

RE: WILLAMETTE WATER COMPANY Affiliated Interest Application with
FRONTIER RESOURCES, LLC

Dear Ms. Bailey-Goggins:

This is a cover letter for the above referenced affiliated interest application. I have included an original and three copies of the Application and associated Exhibits A to E.


I have also filed this application and exhibits electronically to the filing Center at PUC.FilingCenter@state.or.us.

I am requesting that Exhibit A, with its confidential information on Frontier payroll be treated as protected information.

I would also like to notify you and the appropriate PUC staff that I will be out of the country returning Monday July 30, so will be unable to respond during that time period to information requests. I have communicated this to Mike Dougherty and he still encouraged us to file at this time and get in the process.

Thanks you for your assistance.

Sincerely,



Jeff Demers
Director of Operations

July 6, 2007

**Willamette Water Company
P.O.Box 876
Veneta, OR 97487**

Vikie Bailey-Goggins
Oregon Public Utility Commission
PO Box 2148
Salem, OR 97308-2148

RE: WILLAMETTE WATER COMPANY Affiliated Interest Application with **FRONTIER RESOURCES, LLC** pursuant to ORS 757.495 and OAR 860-036-0730

Dear Ms. Bailey-Goggins:

This affiliated interest application is submitted in the manner and form indicated by OAR 860-036-0730.

INFORMATION REQUIREMENTS

(a) The applicant's exact name and the address of its principal business office;

Willamette Water Company. P.O.Box 876, 25275 Loten Way, Veneta, OR 97487

(b) The name and address of the person authorized on the water utility's behalf, to receive notices, inquiries, and communications regarding the information;

Jeff Demers, P.O.Box 876, Veneta, OR 97487

(c) A statement describing the relationship between the water utility and the contracting entity as defined by ORS 757.015 and 757.490;

Willamette Water Company (Utility) and Frontier Resources, LLC (contracting entity) share the same principal shareholder (Greg Demers).

(d) The amount, kind, and ratio to total voting securities held, if applicable;

N/A

(e) A list of all officers and directors of the affiliated interest who are also officers or directors of the applicant;

Greg Demers: President of both Willamette Water Company and Frontier Resources, LLC

Jeff Demers: Director of Operations and Secretary, Willamette Water Co; Vice President, Frontier Resources, LLC.

(f) The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract;

Greg Demers is principal shareholder of both Willamette Water Co and Frontier Resources, LLC. Frontier Resources, LLC receives a management fee from Willamette Water Company for management services provided by Greg and Jeff Demers.

(g) A description of the goods or services to be provided, the cost incurred in providing each of the goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services;

Frontier Resources, LLC provides the following **goods and services** to Willamette Water Company:

Financial management: cash management, financial reporting, financial budgets, all accounting needs, revenue collection, customer billing, accounts payable, tax matters, etc.

Management, Administration, Operations: Strategic Planning, Capital Development. Direct all operational and administrative functions: Customer service, cross connection program, repairs and maintenance, water quality assurance, leak detection, new service connections, engineering and main construction, regulatory compliance, rate administration, community/governmental/vendor/customer/PUC communications.

Office space, utilities, equipment, transportation to conduct company business, cell phone.

Costs:

The attached management services agreement and 2007 Budget of Expenditures details the associated costs. An annual breakdown is as follows:

Accounting:	\$18,764
Management:	102,362
Office Rent/Utilities:	7,800
Auto:	5,340
Cell Phone:	720.00
Total:	<u>\$134,987</u>

These fees are based on the affiliated company's cost, which is on a par with market value. Methodology used for pricing management and accounting fees is taking applicable Frontier employee's loaded wage multiplied by documented hours worked on utility's behalf. Market value information on similar positions is attached.

(Confidential information on Frontier Resources payroll cost attributable to Willamette Water Company operation is attached under requested protective order (EXHIBIT A).

A summary of the job/task descriptions provided by Frontier Resources to Willamette Water Company under the AI agreement is attached as Exhibit B.

Office Rent and utilities is \$650 per month, calculated at \$1.75 per sq foot on 371 sq feet.

Auto allowance: 1000 miles per month @ .445 per mile

Cell Phone: \$60 per month

(h) An estimate of the amount the water utility will pay annually for the goods or services and the accounts in which it will record the charges;

As outlined in attached contract and section (g), total annual amount is \$134,987.

Accounting: #632; Management: # 634; Office Rent and utilities: 641; Auto: #650; Cell # 619.2

(i) The reasons, in detail, relied upon by the water utility for procuring the proposed goods or services from the affiliate and benefits, if any, utility customers and the general public will derive from the provision of goods or services,

Under prior shareholder ownership and management, Willamette Water Company had on their payroll the general manager and president, vice president, director of operations, accounting clerk and field operator. With the exception of the accounting clerk, all employees were also shareholders in the Company. Their payroll compensation was below market, in part due to the fact that they were issued shares in the Company as added consideration. When these shareholder/employees sold their shares the utility was basically left with no employees to operate the utility.

Under new ownership and management, decision was made to contract with the affiliated company Frontier Resources for the above described services as the personnel involved in providing these services were already on the Frontier payroll (General manager, director of operations, accounting and administrative staff). The proportionate share of their time spent on utility business would be charged to the utility at Frontier's actual cost. This avoided the added expense of maintaining a separate payroll department with payroll taxes, employee benefits, etc.

The benefits the customers receive from this arrangement are:

1. Office hours and customer service now available 5 days a week, 8 hours per day which is a substantial improvement over the services provided by the former owners--10 hours per week and only on Tuesday and Wednesday, 9 am to 2 pm.

2. Avoided added expense of separate payroll department. with payroll taxes, employee benefits, etc.
3. Upgraded accounting and customer service software to provide customers with more timely, accurate and reliable meter readings, account information, billings and credits, etc.
4. Affiliated company shares common ownership with utility, assuring that quality of services provided to utility will be at a high level to reflect ownership's major investment in the water system and its commitment to delivering quality, reliable water service.
5. Old ownership was financially and operationally struggling, looking for a buyer for the system, the general manager was incapacitated due to age and poor health, investment in infrastructure and operations at minimal levels with corresponding deferred maintenance. New ownership is better capitalized, making investment in infrastructure and repairs to assure continued quality service. The customers will benefit in both the short- and long-term from this commitment.

(j) A description of the procurement process and the reasons, in pertinent detail appropriate to the complexity of the procurement, relied upon by the water utility for procuring the proposed goods or services without a competitive procurement process, if such a process is not used,

As mentioned, when the previous shareholders sold their shares, the utility was left bereft of all management, financial, customer service and field operational staff. It was critical to immediately put a team in place and as most of those elements could be provided without service interruption by Frontier Resources under an affiliated company agreement that decision was made by ownership. Subsequent ownership investigation into the feasibility of contracting out the entire management and operation of the system revealed that there were no "turn key" options available. While competitive arrangements have been made for specific services such as water testing, emergency repairs, service connections, line locates, etc. There were no good alternatives to providing the hands on, ownership involved management that Frontier Resources is currently providing.

(k) Transfer prices in contracts or agreements for the procurement of goods or services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process;

As stated, the prices associated with management and accounting services in the attached contract are based on actual Frontier Resources cost, which is comparable to market values.

To support this assertion, Frontier Management obtained wage rate information from the Oregon Employment Department as well as wage and salary information presented and approved by the PUC during a recent rate case in Central Oregon. (These findings are attached as EXHIBIT C). In brief, the Director of Operations position is at an hourly loaded rate of \$71.09 per hour; Customer service/accounting clerk at \$21.47 per hour (90th percentile) and Financial Managers at \$45.62 per hour. With some variance, these hourly rates essentially compare with the Frontier Resources cost data submitted under protected cover (Exhibit A).

ATTACHMENTS

Willamette Water Company

July 6, 2007

Page 5

(l) A copy of the proposed contract or agreement between the water utility and the contracting entity; and

A copy of the contract or agreement must be included. (Attached as Exhibit D)

(m) Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.

Please include copies as an attachment if applicable. (Attached as Exhibit E)

For the reasons set forth above, **Willamette Water Company**

respectfully requests that the Commission issue an order approving the affiliated

interest contract between **Willamette Water Company** and

Frontier Resources, LLC, pursuant to the provisions of

ORS 757.495 and OAR 860-0386-730.

DATE: July 6, 2007

Willamette Water Company



Jeff Demers

Director of Operations

EXHIBIT B

Job /Task Descriptions of Frontier Employees under AI Agreement

President and General Manager- Greg Demers

Responsible for short and long range strategy and financing of the organization. Directs capital program development and financial resources. Overall responsibility for managing, planning, financing, coordinating and administering activities of the water company.

Secretary and Director of Operations- Jeff Demers

Directs Operations and all administrative functions. Manages and directs the certified water systems operator, with oversight of system operations and maintenance, water quality assurance, leak detection/repairs and installation and design of mainline extensions and service connections. Directs Customer Service, administers all engineering/construction programs and special projects. Responsible for all public/community/utility/intergovernmental/PUC relations and compliance with applicable regulatory requirements. Directs and manages Controller and the Accounting, Budget, Rate Administration and Contract Operations.

Controller- Lavern Wilson

Responsible for planning, organizing, directing and participating in all accounting functions. Prepares and analyzes monthly statements and budgets, applies general cost and accounting principles to work assignments. Assists the Director of Operations with Rate Administration and other analysis as needed, helps with tax issues, and tax return preparation.

Bookkeeper/Customer Service Rep- Debbie Chamberlain

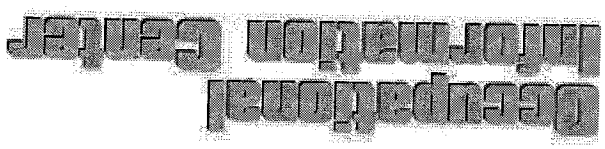
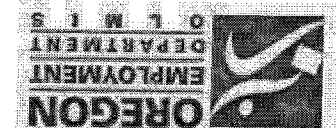
Responsible for handling billing and revenue collection, accounts payable and backflow tracking. Take customer calls and handle basic inquiries and problems related to billing, meter reading, leaks, cross connection issues, disconnects and reconnects.

EXHIBIT C

1 FTE per year

2080 hours

Index No.	Position / Responsibility	Years of Experience	Prevaling Hourly Wage,		Annual @ 2080 hr/year
			Unloaded State of Oregon	Prevaling Hourly Wage, Loaded	
9	Director	38.00	37.81	71.09	147,867.20
5	Utility Superintendent, Dist. & Trans. Systems	18.00	25.26	38.72	80,537.60
10	Superintendent, wells, meters	12.00	25.26	33.30	69,264.00
2	USO2, field work	20.00	23.54	32.29	67,163.20
3	USO1, field work	7.00	19.84	23.28	48,422.40
1	USO1, field work	5.00	19.84	19.99	41,579.20
12	USO1, field work	0.33	19.84	19.99	41,579.20
13	USO1, field work, meter reading	2.25	19.84	19.99	41,579.20
15	USO1, field work	0.25	19.86	19.99	41,579.20
6	USO1, field work	4.00	19.84	19.59	40,747.20
7	USO1, field work	1.50	19.84	19.59	40,747.20
8	Admin. Asst	1.25	17.11	18.71	38,916.80
4	Accts. Rcvbl., new service, backflow, GL	5.50	14.29	17.83	37,086.40
11	USO1, field work, meter reading	1.50	15.05	17.05	35,464.00
14	Utility Worker	0.33	15.11	14.48	30,118.40



March 8, 2007

Oregon Labor Market Information System

Occupational Report

for Financial Managers (11-3031) , Oregon Statewide

Start over

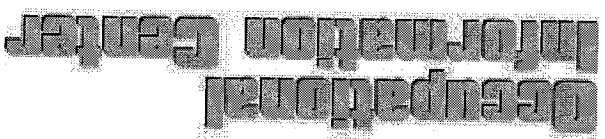
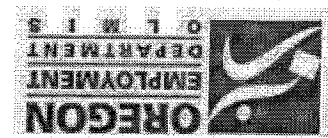
Wages

for Financial Managers

Region	Percentiles (hourly wages)					Avg Hourly (\$/hr)	Avg Annual
	10th	25th	50th (median)	75th	90th		
-----2006 Wages -----							
Oregon Statewide	\$25.86	\$33.19	\$42.89	\$53.91	\$69.37	\$45.62	\$94,894
Clatsop / Columbia / Tillamook	24.94	30.92	40.49	46.85	53.57	39.68	82,538
Multnomah / Washington	30.38	38.03	47.03	56.06	NA	49.46	102,875
Marion / Polk / Yamhill	28.38	31.30	36.97	45.17	57.17	40.16	83,528
Benton / Lincoln / Linn	24.04	29.81	37.57	46.50	55.01	38.21	79,480
Lane	23.04	30.14	41.69	54.15	66.24	43.61	90,703
Douglas	21.22	27.45	35.71	43.43	55.41	37.86	78,744
Coos / Curry	23.02	25.08	29.74	41.30	50.36	34.24	71,221
Jackson / Josephine	23.86	26.80	33.25	41.77	52.03	35.98	74,857
Crook / Deschutes / Jefferson	27.57	30.62	36.01	50.11	55.91	40.73	84,722
Klamath / Lake	23.54	26.37	33.54	42.10	48.40	34.72	72,211
Morrow / Umatilla	25.26	28.89	33.76	44.87	53.52	36.51	75,938
Clackamas	26.49	32.91	43.44	64.14	NA	50.98	106,038

Data Sources and Limitations

Oregon Employment Department - PRISM - WorkSource Oregon - Privacy / Accessibility



March 8, 2007

Oregon Labor Market Information System

Occupational Report

for Bookkeeping, Accounting, And Auditing Clerks (43-3031) , Oregon Statewide

Start over

Wages for Bookkeeping, Accounting, And Auditing Clerks

Region	Percentiles (hourly wages)					Avg Hourly (\$/hr)	Avg Annual
	10th	25th	50th (median)	75th	90th		
----- 2006 Wages -----							
Oregon Statewide	\$9.75	\$11.78	\$14.29	\$17.54	\$21.47	\$15.07	\$31,354
Clatsop / Columbia / Tillamook	9.40	10.87	13.06	16.10	18.93	13.74	28,566
Multnomah / Washington	11.19	13.04	15.92	19.42	22.31	16.41	34,134
Marion / Polk / Yamhill	10.68	12.26	14.25	17.18	21.01	15.21	31,644
Benton / Lincoln / Linn	9.61	11.53	13.56	16.53	19.51	14.19	29,505
Lane	9.04	10.85	13.39	16.57	20.64	14.15	29,438
Douglas	9.07	10.08	12.25	15.62	19.10	13.79	28,687
Coos / Curry	8.42	9.73	12.27	16.31	21.96	13.99	29,108
Jackson / Josephine	9.07	10.92	13.33	16.14	18.90	13.68	28,435
Gilliam / Hood River / Sherman / Wheeler / Wasco	9.31	10.88	14.26	17.31	26.36	15.50	32,234
Crook / Deschutes / Jefferson	9.22	10.32	12.73	15.85	18.57	13.52	28,121
Klamath / Lake	8.82	9.84	11.94	15.21	17.29	12.63	26,267
Morrow / Umatilla	9.08	10.37	12.73	15.32	17.37	13.09	27,227
Baker / Union / Wallowa	9.31	10.20	11.71	14.31	16.99	12.42	25,846
Grant / Harney / Malheur	8.28	9.41	11.38	13.62	17.68	12.03	25,024
Clackamas	10.89	12.26	14.12	18.08	22.36	15.59	32,422

Data Sources and Limitations

Willamette Water Company Management Agreement

This Management Agreement (Agreement) is made by and between Frontier Resources, LLC (Manager) and Willamette Water Company (Company), an Oregon limited liability company, and shall upon the execution hereof by the parties constitute the sole agreement between the parties with respect to management of the Company located in Veneta, Lane County, Oregon.

Agreements:

- I. Frontier Resources, LLC, Designated Managing Agent for the Company
 - a. The Manager is hereby designated as "Managing Agent" for the Company and shall exercise such authority and assume such responsibility as is required under this Agreement. The specific duties of the Manager, in addition to those required by law, are set forth in this Agreement and in the addendum hereto.

- II. Duties of Frontier Resources, LLC
 - a. The duties of the Manager shall include the following:
 1. Manager shall provide financial management and control of all funds of the Company, shall take custody of all monies and shall accurately account therefore to the Company.
 2. The Manager shall maintain all bank accounts for the Company.
 3. The Manager shall prepare interim Financial Statements for the Company and annual Financial Statements as required.
 4. The Manager shall prepare budgets for the Company, which will be presented for approval to the owners of the Company.
 5. Manager shall supervise all aspects of field operations, water main extensions, water quality assurance, customer service issues and regulatory requirements and communications.
 6. The Manager shall supervise those persons engaged in the day-to-day operations of the Company.
 7. The Manager shall provide office space for the Company.
 8. The Manager shall provide its own transportation and cell phone in its execution of the Company's business.

9. A more detailed list of financial related duties and other duties to be performed by the Manager is set forth in the "Addendum of Responsibilities" attached to this Agreement and made a part hereof by reference (Addendum).

III. Employment Management

- a. The Company agrees to reimburse the Manager for all the actual costs of the wages and benefits provided by the Manager to its employees that are necessary to perform the duties required to operate the Company. These benefits include holiday, sick, and vacation pay; insurance costs; workers' compensation insurance; and other employee benefits deemed necessary.

IV. Office Rent and Related Expenses.

- a. The Company agrees to pay the Manager for office space provided to the Company, and to reimburse the Manager for all the actual costs it incurs in providing transportation, cell phones and other items as is necessary to perform the duties required to operate the Company.

V. Annual Meeting and Minutes

- a. The Manager will provide assistance to the Company in preparation for the annual meeting of the members of the Company.

VI. Contracting and Insurance

- a. The Manager shall be authorized to sign contracts on behalf of the Company to the extent authorized by the owner.
- b. The Manager will be specifically named as an additional insured on the Company's insurance policies. In the event of cancellation, termination, modification, or non-renewal of the aforementioned insurance, notification of such cancellation will be provided to the Manager and the Company at least thirty (30) days prior to its cancellation.

VII. Indemnification

- a. Where the Manager has acted in its capacity as consultant or agent of the Company in any of the Company's business, and has thereby become subjected to claims for liabilities related to the conduct of the Company's business, the Company shall hold the Manager harmless and defend and indemnify the Manager against any and all such claims, including reasonable attorneys fees so incurred by the Manager, provided, however, that no such saving harmless or indemnity shall extend to any such claim from which it has been determined by a court of competent jurisdiction that the claim has arisen from a reckless or willful breach of this Agreement by the Manager (or any officer, employee or agent of the Manager) or from reckless or willful

failure by the Manager (or any officer, employee or agent of Manager) to carry out the business of the Company in a prudent, faithful and diligent manner.

VIII. Term of Agreement; Fees

- a. The initial term of this Agreement shall be from January 1, 2007 to December 31, 2007, and shall automatically renew for successive five-year periods after December 31, 2007, unless either party elects not to renew this Agreement for the subsequent period by providing written notice of non-renewal of this agreement no earlier than April 1 of that calendar year, nor later than July 1 of the calendar year preceding the termination of the term of the Agreement. In the event a party timely provides written notice of non-renewal of this Agreement to the other party, then this Agreement shall terminate on December 31 of the calendar year in which the notice was timely provided.
- b. The Company shall pay the Manager's fees for the Manager's work as set forth in this Agreement (Management Fee).
- c. The Management Fee shall be on account of (i) those management activities performed by the Manager as set forth in Article II and the Addendum, such as, without limitation, administration of the Company's affairs by collecting revenues, managing all field operations, water quality requirements, all customer service matters, regulatory matters, maintaining a schedule of repairs and capital improvements, implementing budgets, providing notices, attending meetings, and taking minutes (collectively, the "Management Services"), and (ii) those accounting activities performed by the Manager as set forth in Article II and the Addendum, such as, without limitation, recording and maintaining the Company accounts, preparing financial statements, and providing financial information for the preparation of budgets (collectively, the "Financial Services"). Management Fees are for the twelve-month period ending December 31 each year. The Management Fee for the calendar year beginning January 1, 2007 will be as follows:

Accounting Services and Costs	\$ 18,764
Management Costs	\$102,362
Other Administrative, HR, IT, Office Rent, Auto allowance, Cell phones Costs	\$13,860
Total Annualized Management Fee	\$134,987

The Management Fee shall be paid by the Company in equal monthly installments of \$11,248, which shall be paid on or before the 10th day of each month following the month in which services are rendered. The Management Fee shall increase on each January 1 during the term of this Agreement for the subsequent calendar year by an amount that is determined by mutual agreement of the Company and the Manager; provided that such increase shall in no event be less than three percent (3%) nor more than seven percent (7%) of the existing Management Fee, provided the relative change in the Consumer Price Index from January 1 of the previous year does not exceed 7%. Should the Consumer Price Index relative change from January 1 of the previous year exceed 7%, the Management Fee could be increased by the amount of that relative change upon mutual agreement between the Company and the Manager.

IX. Termination for Cause.

- a. If the Manager shall materially breach this Agreement or materially breach its fiduciary duty as an agent under this Agreement, the Company shall have the right to terminate this Agreement by providing written notice to Manager of such breach, subject to Manager's rights to cure as set forth below and, in the event of all uncured material breach, to order all funds of the Company to be turned over by the Manager to the Company's own officers, provided that the Manager shall be indemnified by the Company for any loss caused to the Company related to or resulting from such termination. In exercising the power to terminate under this Agreement, the Company shall state the exact nature of the Manager's material breach of this Agreement or of Manager's fiduciary duty as an agent under this Agreement in a written notice provided to Manager, and Manager shall have sixty (60) days after receipt of such notice to cure the breach. If the material breach is of such a nature that it cannot be completely cured within the 60-day period, this Agreement shall not be subject to termination so long as the Manager commences the cure of the breach within the 20-day period and thereafter proceeds diligently and in good faith to effect the cure as soon as practicable. In the event of a valid termination of this Agreement, the Company shall pay to Manager all of the Management Fee that is due and owing through the effective date of such termination.

X. Disclosure of Financial Interest

- a. Greg Demers, principal owner of Frontier Resources, LLC owns 100% of the equity interest of Willamette Water Company.

XI. Miscellaneous

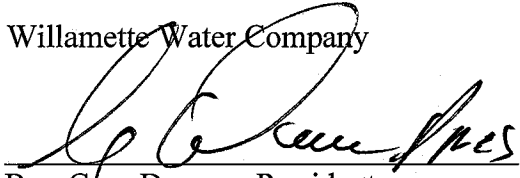
- a. This Agreement shall be governed by and construed under the laws of the State of Oregon.

- b. Notices given by the Manager to the Company pursuant to this Agreement shall be delivered in person by the Manager to any officer of the Company, either in person to the Company's corporate offices located at 25310 Jeans Road, Veneta, Oregon 97487, or by certified mail to PO Box 876, Veneta, Oregon 97487. Notices given by the Company to the Manager shall also be delivered in person by the Company to any officer of the Manager, either in person to the Manager's corporate offices located at 25310 Jeans Road, Veneta, Oregon 97487, or by certified mail to PO Box 876, Veneta, Oregon 97487.
- c. Neither party shall assign its rights under this Agreement without the other's prior written consent. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective successors and permitted assigns, if any.
- d. Manager and Company are the only parties to this Agreement and are the only parties entitled to enforce its terms. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide, any benefit or right, directly or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of the Agreement.
- e. If any term or provision of this Agreement is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular provision held to be invalid.
- f. No modification or waiver of any of the provisions, or any future representation, promise, or addition, shall be binding upon the parties unless made in writing, signed by the parties as an Addendum to this Agreement. The terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever without the written agreement of the parties.
- g. The relationship between the parties contemplated by this Agreement is that of independent entities. Nothing stated in this Agreement shall be construed as creating a partnership or joint venture between Manager and Company, or creating the relationship of employer and employee. Manager is an independent contractor of the Company in accordance with ORS 670.600.
- h. This Agreement, including the Addendum, constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement.

- i. All provisions of this Agreement, the full performance of which is not required prior to termination (including, without limitation, Article VI), and all dispute resolution provisions, shall survive termination and be fully enforceable thereafter.

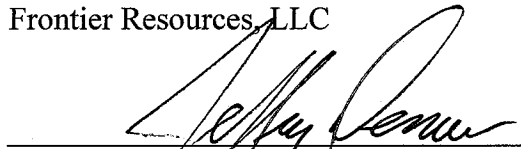
This Agreement is made this 1st day of January, 2007.

Willamette Water Company



By: Greg Demers, President

Frontier Resources, LLC



By: Jeff Demers, Vice President

ADDENDUM

MANAGEMENT AGREEMENT BETWEEN WILLAMETTE WATER COMPANY AND FRONTIER RESOURCES, LLC

Responsibilities of Frontier Resources, LLC

1. Prepare annual budgets.
2. Provide management oversight for all field operations, water main extensions, water quality assurance program, customer service program, and regulatory compliance and communication needs.
3. Provide cash management of funds of the Company, including:
 - a. Administration of financing as required; and
 - b. Management of debt repayment and compliance with banking institutions as required.
4. Prepare financial reports for the owner, including:
 - a. Balance sheet and related income statements;
 - b. Statement of cash flow, including itemization of all cash disbursements; and
 - c. Report of status of capital expenditures.
5. If and when WW will employ individuals, WW will maintain employee payroll records and prepare all government reports:
 - a. Calculate and pay all payroll and payroll-related taxes and benefits;
 - b. Produce and submit all Federal, state, and local government reporting of employee status; and
 - c. Maintain permanent records of all employees and employee related taxes and benefits.
6. Prepare all financial reports required by the PUC, including:
 - a. Preparation of periodic reports as required by the PUC; and
 - b. Management of rate application process.
7. Provide on demand and preventative maintenance support for all information systems:

- a. Maintenance of systems required for operations of the company; and
 - b. Installation of new systems as required.
8. Direct long-range planning for the Company.

MINUTES OF SPECIAL MEETING OF SHAREHOLDERS OF WILLAMETTE
WATER COMPANY

The special meeting of the Board of Directors (Board) of Willamette Water Company (Company) was held in the office of Larry O. Gildea (Gildea), 324 East 12 Avenue, Suite 2, Eugene, Oregon at 2 PM on October 1, 2006. Jeffrey Demers, Secretary of the Company, was present and prepared the Board minutes. The Board unanimously adopted the following resolution:

1. It is resolved that the Company is authorized to enter into a Management Agreement with Frontier Resources, LLC

Date: October 1, 2006



Jeffrey Demers, Secretary

MINUTES OF SPECIAL MEETING OF SHAREHOLDERS OF WILLAMETTE
WATER COMPANY

The special meeting of the shareholders of Willamette Water Company (Company) was held in the office of Larry O. Gildea (Gildea), 324 East 12 Avenue, Suite 2, Eugene, Oregon at 2 PM on October 1, 2006. Present were Gregory M Demers (Demers), Jeffrey Demers, Secretary of the Company, and corporate counsel Larry O. Gildea (Gildea). Demers waived the right to notice of the meeting. The shareholders unanimously adopted the following resolution:

1. IT IS RESOLVED that the Company is authorized to enter into a Management Agreement with Frontier Resources, LLC.

Date: October 1, 2006



Jeffrey Demers, Secretary