



Oregon

Kate Brown, Governor

Public Utility Commission

201 High St SE Suite 100

Salem, OR 97301

Mailing Address: PO Box 1088

Salem, OR 97308-1088

Consumer Services

1-800-522-2404

Local: 503-378-6600

Administrative Services

503-373-7394

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OREGON PUBLIC UTILITY COMMISSION

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**RE: Docket No. UW 189– In the Matter of ASPEN LAKES UTILITY COMPANY, LLC,
Request for a General Rate Revision.**

Attached for filing are the following:

- **UW 189 Joint Testimony**
 - Exhibit 100: Joint testimony
 - Exhibit 101: Witness Qualification Statement
 - Exhibit 102: Summary Tables
 - Exhibit 103: Data Request Responses & Attachments

- **Addition documents include with this filing are following:**
 - Motion to admit,
 - Witness declarations from Yamada, Cyrus, and Fadeley,
 - UW 189 Stipulation with Attachment A (Revenue Requirement) and Attachment B (Tariff), and

/s/ Kay Barnes

Kay Barnes

Oregon Public Utility Commission

C: (971) 375-5079

Kay.barnes@puc.oregon.gov

CASE: UW 189
WITNESS: YAMADA-CYRUS-FADELEY

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 100

**Joint Testimony
in Support
of the Stipulation**

May 13, 2022

1 **Q. Who is sponsoring this testimony?**

2 A. This Joint Testimony is jointly sponsored by Public Utility Commission of
3 Oregon (PUC or Commission) Staff , Aspen Lakes Utility Company, LLC
4 (Aspen Lakes or Company), and Aspen Lakes Estates Owners, Inc. (HOA)
5 (each a Party, and collectively the Parties or Joint Parties).

6 **Q. Please state your names and qualifications.**

7 A. My name is Stephanie Yamada. I am a Senior Utility Analyst in the Rates,
8 Finance and Audit Division of the PUC. My witness qualification statement is
9 included in Exhibit Joint Parties/101.

10 My name is Matt Cyrus. I am the Manager Member of Aspen Lakes. I have
11 been the Manager Member of the utility from its formation in 1996 to the
12 present. I am also the Manager Member of the Aspen Lakes Golf Course,
13 L.L.C. (Golf Course) and have been since its formation in 2000.

14 My name is Chuck Fadeley. I am testifying on behalf of the HOA. I am a
15 practicing attorney in Sisters, Oregon, and my business address is
16 PO Box 1408, Sisters, OR 97759. I have been in private practice in Oregon for
17 41 years and my clients include consumer-owned electric utilities. I have also
18 served as the Deschutes County Justice of the Peace on a part-time basis
19 since 2004.

20 **Q. What is the purpose of your testimony?**

21 A. The purpose of our testimony is to introduce and support the Stipulation
22 entered into by the Joint Parties in UW 189, Aspen Lakes' request for a general
23 rate revision.

1 **Q. Did the Parties reach a settlement in this docket?**

2 A. Yes. The Stipulation entered into by the Joint Parties resolves all issues in this
3 docket.

4 **Q. Did you prepare any exhibits for this docket?**

5 A. Yes. We prepared Exhibit Joint Parties/101, consisting of one page, Exhibit
6 Joint Parties/102, consisting of 11 pages, and Exhibit Joint Parties/103,
7 consisting of 63 pages.

8 **Q. How is your testimony organized?**

9 A. Our testimony is organized as follows:

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ISSUE 1 – SUMMARY RECOMMENDATION

Q. Please summarize the Joint Parties' recommendation in this case.

A. The Joint Parties recommend that the Commission adopt in its entirety the Stipulation agreed to in Docket No. UW 189. The Parties agreed to a revenue requirement of \$161,705, which represents a decrease of 12.79 percent, or \$23,720, compared to test year revenues of \$185,425 included in the Company's Application. The Parties agreed to a 5.28 percent rate of return on a rate base of \$64,026. These figures are summarized on the Revenue Requirement summary found in Exhibit Joint Parties/102, Yamada-Cyrus-Fadeley/1-2.

ISSUE 2 – COMPANY DESCRIPTION AND REGULATORY HISTORY**Q. Please describe Aspen Lakes.**

A. Aspen Lakes is a rate- and service-regulated water utility serving customers in the vicinity of the Aspen Lakes Golf Course in Sisters, Oregon. Specifically, the utility provides domestic water service to the Golf Course clubhouse and restrooms, the HOA recreation facility, and 88 residential lots. The utility also provides irrigation water service to the Golf Course, the HOA recreation facility, and 82 residential lots. The utility provides wastewater service to the Golf Course clubhouse, a Golf Course restroom, the HOA recreation facility, and eight residential lots. The HOA recreation facility receives wastewater services through a separate system from the Company and therefore is differently situated from the other wastewater customers. The system was originally constructed and began providing service in 1996. The owners of the utility are Keith Cyrus (40 percent ownership), Matt Cyrus (40 percent ownership), and Pamela Mitchell (20 percent ownership).¹

Q. When did Aspen Lakes become subject to PUC regulation?

A. Aspen Lakes became subject to the Commission's rate regulation jurisdiction with Order No. 19-002, issued January 7, 2019, in Docket No. WJ 34. That docket was initiated in response to a petition filed by the HOA alleging that Aspen Lakes' rates exceeded the threshold levels set forth in OAR 860-036-1910, and that at least 20 percent of the customers had

¹ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/1, Aspen Lakes' response to Staff's DR 2.

1 petitioned the Commission requesting rate regulation as set forth in
2 OAR 860-036-1920.

3 **Q. Please describe Aspen Lakes' previous general rate proceeding.**

4 A. In Order No. 19-002, the Commission ordered Aspen Lakes to file a request for
5 a general rate revision no later than June 11, 2019. In compliance with that
6 order, the Company submitted a rate case application on that date, and the
7 matter was docketed as UW 176. That docket represented Aspen Lakes' first
8 general rate proceeding under PUC regulation. With Order No. 20-108, the
9 Commission adopted a Stipulation (UW 176 Stipulation) among Aspen Lakes,
10 the HOA, Staff, and the Golf Course (the UW 176 Parties). The UW 176
11 Parties agreed that, prior to the assertion of PUC rate regulation in WJ 34,
12 Aspen Lakes had not been in the practice of keeping records in a manner that
13 would be useful for determining the Company's cost of service.²
14 Consequently, the UW 176 Stipulation included provisions that required Aspen
15 Lakes to keep adequate records throughout 2020, and to file quarterly reports
16 reflecting that information within 60 days of the end of each calendar quarter of
17 2020.³ The UW 176 Stipulation also required Aspen Lakes to submit a general
18 rate revision filing reflective of the 2020 information no later than
19 June 30, 2021.⁴

² UW 176 Joint Testimony in Support of the Stipulation, Joint Parties/100, Yamada-Cyrus-Fadeley/13 at 14-17.

³ UW 176 Stipulation, Page 2 at 15 to Page 3 at 24.

⁴ UW 176 Stipulation, Page 3 at 25 to Page 4 at 2.

1 **Q. Did Aspen Lakes comply with all recordkeeping, quarterly reporting**
2 **and rate case filing provisions included in the UW 176 Stipulation?**

3 A. Not entirely. Pursuant to the 60-day requirement described previously, the four
4 2020 calendar year quarterly reports would have been due on May 30, 2020,
5 August 29, 2020, November 29, 2020, and March 1, 2021, respectively. Aspen
6 Lakes filed reports for the first three quarters on January 22, 2021, and filed the
7 fourth quarterly report on March 26, 2021. Furthermore, Aspen Lakes did not
8 submit a general rate revision filing by the June 30, 2021 deadline stated in the
9 UW 176 Stipulation, however, it received extensions as described below.

10 Aspen Lakes also did not use the 2020 calendar year information in its general
11 rate revision filing, however, the parties in this proceeding have agreed to an
12 alternate period.

13 **Q. Please describe the changes made to the requirement for Aspen Lakes**
14 **to file a general rate revision by June 30, 2021.**

15 A. On June 30, 2021, Aspen Lakes filed a request in Docket No. UW 176 for a 60-
16 day extension to submit its general rate revision filing. Aspen Lakes' request
17 was granted on July 12, 2021, with Order No. 21-220, which revised the
18 deadline to August 30, 2021. Aspen Lakes did not submit a general rate
19 revision filing by that date and on October 1, 2021, the HOA filed a motion
20 requesting an ALJ conference to discuss the issue of Aspen Lakes' general
21 rate revision filing. Aspen Lakes filed a request for a second 60-day extension
22 on October 5, 2021, and the HOA filed an opposing response on the same day.
23 Aspen Lakes' request for a second extension was granted on

1 October 11, 2021, with Order No. 21-239, which further extended the deadline
2 to November 1, 2021.

ISSUE 3 – SUMMARY OF ASPEN LAKES’ GENERAL RATE FILING

Q. Please describe Aspen Lakes’ general rate case application.

A. Aspen Lakes filed its Application for a General Rate Revision (Application) in the present docket on November 1, 2021, in compliance with the revised deadline established with Order No. 21-239. The Company selected a test year of October 1, 2020, to September 30, 2021. In its Application, Aspen Lakes proposed total annual revenues of \$206,858, representing an increase of 11.56 percent over test year revenues of \$185,425. The Company’s request reflected a Rate of Return (ROR) of 48.03 percent on a rate base of \$35,640.

Q. Do the Joint Parties agree that the use of Aspen Lakes’ selected test year is acceptable for the purpose of establishing rates in this case?

A. Yes. Although the UW 176 Stipulation required Aspen Lakes to use a 2020 test year, the Joint Parties agreed to use Aspen Lakes’ proposed test year of October 1, 2020, to September 30, 2021, in this case. As discussed elsewhere in this testimony, the agreed-upon test year included a 2021 pump repair totaling \$47,038, which the Joint Parties agreed to remove from Account 621 (Repairs to Water Plant). Excluding that amount, Aspen Lakes’ total cost in the agreed-upon test year was not significantly different from its 2020 cost as reported in the Company’s 2020 quarterly reports and Annual Results of Operations Report. Furthermore, the Joint Parties agree that the use of the more current information included in the agreed-upon test year is beneficial, as the 2020 test year concluded nearly one year prior to the filing of the present case.

1 **Q. What rate changes did Aspen Lakes propose in its Application?**

2 A. Aspen Lakes did not propose any rate changes.

3 **Q. What are the primary drivers for Aspen Lakes' requested revenue**
4 **increase?**

5 A. Aspen Lakes experienced a pump failure in the test year that halted irrigation
6 pumping for several weeks and "resulted in a decrease in sales for irrigation
7 water to both the golf course and residential users."⁵ Aspen Lakes' proposed
8 revenue increase is related to an anticipated return to normal consumption,
9 which Aspen Lakes expects to "result in an increase in sales, and therefore,
10 revenue, in spite of an unchanged rate."⁶

⁵ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/2, Aspen Lakes' response to Staff's DR 8.

⁶ *Ibid.*

ISSUE 4 – AFFILIATED INTERESTS

1
2 **Q. Please describe the relationships between Aspen Lakes and its**
3 **affiliates.**

4 A. Aspen Lakes shares affiliated interest relationships as defined in ORS 757.015
5 with three companies: Aspen Lakes Golf Course, Sisters Aggregate and
6 Construction (SAC), and Wildhorse Meadows, LLC (Wildhorse) (each an
7 Affiliate and collectively the Affiliates).⁷ Aspen Lakes transacts with the
8 Affiliates for the provision of certain goods and services.

9 **Q. Has the Commission previously approved affiliated interest**
10 **agreements between Aspen Lakes and the Affiliates?**

11 A. Yes. Such agreements were previously approved in Docket Nos. UI 410,
12 UI 411, and UI 412. Docket No. UI 410 addressed the provision of certain
13 goods and services to Aspen Lakes by the Golf Course, including office space,
14 bookkeeping services, meter reading, and other labor. Docket No. UI 411
15 addressed Aspen Lakes' rental of certain equipment owned by SAC. Docket
16 No. UI 412 addressed Aspen Lakes' use of certain land and water permits
17 owned by Wildhorse for the provision of utility services. The Commission
18 approved all three of Aspen Lakes' affiliated interest agreement applications on
19 April 26, 2019, with Order Nos. 19-158, 19-159, and 19-160, respectively. In
20 each of the three dockets, the Commission limited its approval to Aspen Lakes'
21 relationship with the affiliate in question, and deferred any determination
22 regarding the costs for services provided, including compliance with the lower

⁷ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/1, Aspen Lakes' response to Staff's DR 2.

1 of cost or market requirement found in OAR 860-036-2230(2)(e), to the
2 Company's next general rate proceeding. As discussed previously, in that
3 proceeding, the UW 176 Parties determined that sufficient records did not exist
4 at that time, including those necessary to determine compliance with the lower
5 of cost or market requirement.

6 **Q. What is the lower of cost or market requirement found in**
7 **OAR 860-036-2230(2)(e)?**

8 A. OAR 860-036-2230(2)(e) states that when services or supplies are sold to a
9 water utility by an affiliate, sales must be recorded in the water utility's
10 accounts at the affiliate's cost or the market rate, whichever is lower.

11 **Q. Please describe the goods and/or services provided to Aspen Lakes by**
12 **the Golf Course.**

13 A. Because the utility and the Golf Course are operated out of a shared office, the
14 Golf Course provides the utility with office space, phone lines, electricity,
15 internet, postage, and access to a copy machine, as well as garbage, security,
16 and cleaning services. Furthermore, Golf Course employees perform a
17 number of services on behalf of the utility, including bookkeeping, meter
18 reading, and inspection/repairs of the water system.

19 **Q. Please describe the goods and/or services provided to Aspen Lakes by**
20 **SAC.**

21 A. The Equipment Rental Agreement between Aspen Lakes and SAC specifies
22 that Aspen Lakes will pay \$1,500 monthly for 24/7 access to five pieces of
23 equipment, and that any use exceeding eight hours per instance will be

1 charged an additional hourly rate.⁸ The five pieces of equipment and
2 corresponding hourly overage rates are shown in Table 1.⁹

Table 1: Equipment Rented from SAC

Item	Hourly Overage Rate
Case 580K Backhoe	\$80
International Dump Truck	\$100
Ditchwitch Rock Saw	\$150
John Deere 892ELC Excavator	\$250
Freightliner truck w/ lowboy	\$250

3 Aspen Lakes did not propose to include any costs related to the rental of
4 equipment from SAC in the present case.

5 **Q. Please describe the goods and/or services provided to Aspen Lakes by**
6 **Wildhorse.**

7 A. The land on which the utility's facilities reside, both wells serving the system,
8 and Water Permit G-11578 (used primarily for the provision of irrigation water)
9 are owned by Wildhorse. According to Aspen Lakes, the Company pays 10
10 percent of all utility revenues to Wildhorse for the use of Wildhorse's property
11 pursuant to an Easement Agreement between Aspen Lakes and
12 Wildhorse.^{10,11}

13 **Q. What affiliate transactions did Aspen Lakes propose to include in rates**
14 **in the present proceeding?**

⁸ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/3, Equipment Rental Agreement with SAC, provided in response to Staff's DR 22.

⁹ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/4, Aspen Lakes' response to Staff's DR 5.

¹⁰ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/5, Aspen Lakes' response to Staff's DR 23.

¹¹ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/6, Aspen Lakes' Easement Agreement with Wildhorse, provided in response to Staff's Data Request 23.

- 1 A. Aspen Lakes proposed to include test year transactions with Affiliates as
2 summarized in Table 2.^{12,13}

Table 2: Transactions with Affiliates

Property Transacted	Account	Affiliate	Amount
Employee Salaries & Wages	601	Golf Course	\$6,000.00
Officer Salaries & Wages	603	Golf Course	\$4,500.00
Rent Office Space	641	Golf Course	\$6,000.00
Telephone	611	Golf Course	\$672.00
Office Supplies	619	Golf Course	\$100.37
Postage	619.1	Golf Course	\$563.54
Materials & Supplies O&M	620	Golf Course	\$2,270.31
Bookkeeping	632	Golf Course	\$7,200.00
Meter Reading	638	Golf Course	\$2,086.45
Copier Rent	642	Golf Course	\$86.25
Use of Land	641	Wildhorse	\$16,388.00
TOTAL			\$45,866.92

- 3 **Q. Did the Joint Parties agree to include these affiliate transactions in**
4 **rates?**

- 5 A. Yes. The Joint Parties agreed to include all of Aspen Lakes' proposed affiliate
6 transactions in rates. The amounts included in each expense account are
7 discussed later in this testimony.

- 8 **Q. Does the provision of the previously-described goods and services to**
9 **Aspen Lakes by its affiliates comply with the requirement in**
10 **OAR 860-036-2230(2)(e) that such transactions be booked at the lower**
11 **of the affiliate's cost or the market rate?**

¹² See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/22, Aspen Lakes' response to Staff's DR 6.

¹³ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/23, Exhibit DR6A to Aspen Lakes' response to Staff's DR 6.

1 A. Not in all cases. In some cases, the amount agreed to by the Joint Parties is
2 higher than the affiliate's cost, but lower than or equal to the comparable
3 market rate for equivalent goods and services. For example, as summarized in
4 the Staff Report adopted in Docket No. UI 412, the cost to Wildhorse
5 associated with Aspen Lakes' use of its property is likely lower than the
6 \$16,388 agreed to by the Joint Parties. The equivalent market rate would be
7 complex to estimate given that the utility is physically and geographically tied to
8 the land in question—it would not be possible for Aspen Lakes to utilize any
9 land other than that which is currently owned by Wildhorse. Furthermore, the
10 cost for Aspen Lakes to obtain an irrigation water right equivalent to that
11 currently owned by Wildhorse would likely be subject to dispute.
12 Consequently, the Joint Parties agree that while the agreed-upon amount may
13 exceed the associated cost to Wildhorse, it is likely less than the comparable
14 market rate for equivalent goods and services.

ISSUE 5 – OPERATING EXPENSES

1
2 **Q. Please summarize the revenue requirement agreed to by the Joint**
3 **Parties.**

4 A. The Joint Parties agreed to a total revenue requirement of \$161,705, which
5 represents a decrease of \$23,720, or 12.79 percent, compared to test period
6 revenues included in the Company's Application. The agreed-upon amounts
7 included in each account are summarized in the Adjustment Summary,
8 included as Exhibit Joint Parties/102, Yamada-Cyrus-Fadeley/3-5, and
9 explained in more detail below.

10 **Q. Please explain the amount included in Account 601 (Employee Salaries**
11 **and Wages).**

12 A. In its Application, Aspen Lakes proposed to include \$6,000 in this account, and
13 the Joint Parties made no adjustment to that amount. This amount consists of
14 \$500 monthly payments to the Golf Course for utility operation provided by the
15 Golf Course Superintendent.¹⁴ This individual "is responsible for maintaining
16 the water and sewer system (along with Septech)" and "do[es] the meter
17 reading, coordinate[s] irrigation hookups, respond[s] to homeowner calls, fix[es]
18 system leaks and generally deal[s] with day to day system operation."¹⁵

19 **Q. Please explain the amount included in Account 603 (Officer Salaries**
20 **and Wages).**

¹⁴ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/24, Aspen Lakes' response to Staff's DR 26.

¹⁵ *Ibid.*

1 A. Aspen Lakes proposed to include \$4,500 in this account, and the Joint Parties
2 made no adjustment to that amount. This amount consists of \$375 monthly
3 payments to the Golf Course for Matt Cyrus' management services. Mr. Cyrus
4 "deals with the overall management and operation of the Utility, including
5 dealing with legal, bookkeeping, PUC, water testing, contracting, and
6 homeowner issues and complaints."¹⁶ The included amount represents 5 hours
7 of labor per month at \$75 per hour.¹⁷

8 **Q. Please explain the amount included in Account 611**
9 **(Telephone/Communications).**

10 A. Aspen Lakes proposed to include the test year amount of \$672 in this account,
11 and the Joint Parties made no adjustment to that amount. This amount
12 consists of \$56 monthly payments to the Golf Course for the use of its
13 telephone and internet services. In response to Staff's Data Request (DR) 9,
14 Aspen Lakes provided invoices from Bend Broadband showing that the cost to
15 the Golf Course totaled \$12,536 for these services in the test year. The utility's
16 \$56 monthly payment represents approximately five percent of that amount.
17 This allocation is "based on a percentage of phone and computer use on utility
18 matters."¹⁸

19 **Q. Please explain the amount included in Account 615 (Purchased Power).**

20 A. Aspen Lakes proposed to include \$59,601 in this account, representing the
21 actual test year amount. The Company provided bills from Central Electric

¹⁶ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/25, Aspen Lakes' response to Staff's DR 27.

¹⁷ *Ibid.*

¹⁸ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/26, Aspen Lakes' response to Staff's DR 29.

1 Cooperative supporting that amount in response to Staff's DR 9. As discussed
2 elsewhere in this testimony, Aspen Lakes experienced a pump failure in the
3 test year that halted irrigation pumping for several weeks. Because such a
4 failure is not likely to recur, the Joint Parties agreed to increase test year
5 consumption by approximately 13 percent over the test year amount for the
6 purpose of calculating rates in this case. The Joint Parties applied the same
7 increase to the test year purchased power cost to account for the expected
8 increase in pumping compared to the actual test year amount. This adjustment
9 resulted in an increase of \$7,698, for a total of \$67,299 in this account.

10 **Q. Please explain the amount included in Account 619 (Office Supplies).**

11 A. Aspen Lakes proposed to include the test year amount of \$128 in this account,
12 and the Joint Parties made no adjustment to that amount. This amount
13 consists of the actual cost of supplies (namely paper and envelopes) supplied
14 by the Golf Course as well as five percent of the total cost for copier services
15 provided by Solutions Yes. Aspen Lakes provided documentation for these
16 costs in response to Staff's DR 9.

17 **Q. Please explain the amount included in Account 619.1 (Postage).**

18 A. Aspen Lakes proposed to include the test year amount of \$563 in this account,
19 and the Joint Parties made no adjustment to that amount. This amount
20 consists of the actual cost for postage provided by the Golf Course.

21 **Q. Please explain the amount included in Account 620 (O&M Materials &**
22 **Supplies).**

1 A. Aspen Lakes proposed to include the test year amount of \$4,856 in this
2 account, and the Joint Parties made no adjustment to that amount. Aspen
3 Lakes provided documentation supporting the test year amount in response to
4 Staff's DR 9.

5 **Q. Please explain the amount included in Account 621 (Repairs to Water**
6 **Plant).**

7 A. Aspen Lakes proposed to include \$47,038 in this account, which was entirely
8 attributable to the pump failure that the Company experienced in its test year.¹⁹
9 The Joint Parties agreed to capitalize that amount and include it instead in
10 Account 311 (Pumping Equipment). The Joint Parties agreed to include
11 \$8,200 in this account for anticipated general repair costs.

12 **Q. Please explain the amount included in Account 631 (Contract**
13 **Services—Engineering).**

14 A. The Joint Parties agreed to include \$2,600 in this account. This amount
15 reflects one fifth of a \$13,000 contract for engineering services.

16 **Q. Please explain the amount included in Account 632 (Contract**
17 **Services—Accounting).**

18 A. Aspen Lakes proposed to include \$7,895 in this account. This amount includes
19 \$695 attributable to tax preparation services provided by the Company's CPA,
20 for which the Company provided test year documentation in response to Staff's
21 DR 9. The remaining \$7,200 consists of \$600 monthly payments to the Golf
22 Course for bookkeeping services. The cost to the Golf Course associated with

¹⁹ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/27, Aspen Lakes' response to Staff's DR 32.

1 bookkeeping labor is \$30 per hour, “including base pay, overtime, and
2 employer contributions for FICA, unemployment, etc.”²⁰ Aspen Lakes provided
3 a detailed log of time spent on bookkeeping activities during calendar year
4 2021, which totaled 280.2 hours.²¹ The Joint Parties agreed to include 280.2
5 hours of bookkeeping labor at a rate of \$30 per hour, for a total of \$8,406
6 attributable to bookkeeping services. This adjustment results in an increase of
7 \$1,206, for a total of \$9,101 in this account.

8 **Q. Please explain the amount included in Account 633 (Contract**
9 **Services—Legal).**

10 A. Aspen Lakes proposed to include the test year amount of \$4,019 in this
11 account, and provided attorney invoices supporting that amount in response to
12 Staff’s DR 9. The Joint Parties agreed to remove \$609 relating to Aspen
13 Lakes’ request to extend the deadline for its general rate revision, resulting in a
14 total of \$3,410 in this account.

15 **Q. Please explain the amount included in Account 634 (Contract**
16 **Services—Testing).**

17 A. Aspen Lakes proposed to include the test year amount of \$1,209 in this
18 account. The Joint Parties agreed to increase this amount by \$665 to reflect
19 the annual average of anticipated testing costs over the next three years.²²
20 The resulting total in this account is \$1,874.

²⁰ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/28, Aspen Lakes’ response to Staff’s DR 30.

²¹ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/29, Exhibit 30C to Aspen Lakes’ response to Staff’s DR 30.

²² See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/36, Aspen Lakes’ response to Staff’s DR 33.

1 **Q. Please explain the amount included in Account 638 (Meter Reading).**

2 A. Aspen Lakes proposed to include the test year amount of \$2,086 in this
3 account, and the Joint Parties made no adjustment to that amount. Aspen
4 Lakes provided documentation of test year meter reading services in response
5 to Staff's DR 9. The included amount reflects 63.67 hours of labor attributable
6 to meter reading.

7 **Q. Please explain the amount included in Account 641 (Rental of**
8 **Building/Real Property).**

9 A. Aspen Lakes proposed to include \$22,388 in this account, and the Joint Parties
10 made no adjustment to that amount. The amount includes \$6,000 attributable
11 to \$500 monthly payments to the Golf Course for office space rental and
12 \$16,388 to Wildhorse for the use of its property, including the land on which the
13 utility's facilities reside and the utility's use of Water Permit G-11578 for the
14 provision of irrigation services.

15 **Q. Please explain the amount included in Account 642 (Rental of**
16 **Equipment).**

17 A. Aspen Lakes proposed to include the test year amount of \$260 in this account,
18 and the Joint Parties made no adjustment to that amount. The costs included
19 in this account relate to copier rent. The Company provided documentation of
20 these costs in response to Staff's DR 9.

21 **Q. Please explain the amount included in Account 657 (General Liability**
22 **Insurance).**

1 A. The Company's proposed amount of \$3,757 consists of standalone insurance
2 coverage for the utility,²³ which was previously covered by the Golf Course
3 policy. The Joint Parties made no adjustment to the Company's proposed
4 amount.

5 **Q. Please explain the amount included in Account 667 (PUC Gross**
6 **Revenue Fee).**

7 A. The Joint Parties agreed to include \$695 in this account, which reflects the
8 current PUC Fee rate of 0.43 percent of gross revenues.

9 **Q. Please explain the amount included in Account 671 (Cross Connection**
10 **Control Program).**

11 A. Aspen Lakes proposed to include the test year amount of \$715 in this account,
12 and the Joint Parties made no adjustment to that amount. The test year
13 amount relates to four backflow repairs that were performed during the test
14 year. The Company provided documentation of these costs in response to
15 Staff's DR 9.

16 **Q. Please explain the amount included in Account 675 (Miscellaneous**
17 **Expense).**

18 A. Aspen Lakes proposed to include the test year amount of \$4,949 in this
19 account, and provided documentation of that amount in response to Staff's
20 DR 9. The Joint Parties agreed to remove \$42 attributable to a late penalty
21 assessed by the Oregon Department of Revenue. The Joint Parties also
22 removed \$3,355 relating to a water right permit amendment that was

²³ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/37, Aspen Lakes' response to Staff's DR 10.

1 determined to be attributable to Wildhorse. The resulting amount included in
2 this account is \$1,552.

3 **Q. Please explain the amount included in Other Expense Account 1**
4 **(Wastewater Sludge Removal).**

5 A. Aspen Lakes proposed to include the test year amount of \$8,535 in this
6 account, which is attributable to septic pumping. Aspen Lakes provided
7 documentation supporting this total in response to Staff's DR 9. The test year
8 amount included \$2,600 attributable to pumping eight residential septic tanks at
9 a cost of \$325 each. The Joint Parties agreed to include one fifth of that
10 amount in anticipation that such pumping will occur approximately once every
11 five years. This adjustment resulted in a decrease of \$2,080, for a total of
12 \$6,455 in this account.

13 **Q. Please explain the amount included in Other Expense Account 2**
14 **(Wastewater Materials & Supplies).**

15 A. Aspen Lakes proposed to include the test year amount of \$1,754 in this
16 account, and provided test year invoices from SepTech supporting that
17 amount. The Joint Parties agreed to reduce this amount by \$500, resulting in a
18 total of \$1,254 in this account.

19 **Q. Please explain the amount included in Other Expense Account 3**
20 **(Wastewater Contract Services—Testing).**

21 A. Aspen Lakes proposed to include the test year amount of \$5,213 in this
22 account, and provided test year invoices from SepTech supporting that

1 amount. The Joint Parties made no adjustment to the Company's proposed
2 amount.

3 **Q. Please explain the amount included in Other Expense Account 4**
4 **(Wastewater Contract Services—Other).**

5 A. Aspen Lakes proposed to include the test year amount of \$826 in this account,
6 and provided test year invoices from SepTech supporting that amount. The
7 Joint Parties agreed to reduce this amount by \$500, resulting in a total of \$326
8 in this account.

ISSUE 6 – OTHER REVENUE DEDUCTIONS

1
2 **Q. Please explain the amount included in Account 403 (Depreciation**
3 **Expense).**

4 A. Aspen Lakes did not propose to include any Depreciation Expense in its
5 Application. As discussed elsewhere in this testimony, the Joint Parties made
6 two adjustments to the Company's Invested Plant schedule, including the
7 addition of \$47,038 attributable to the test year pump repair and the movement
8 of a \$20,000 pumphouse asset from Account 303 to Account 304. Because
9 assets in Account 303 do not depreciate, the movement of the pumphouse to
10 Account 304 with a 35-year asset life resulted in a \$571 increase to
11 Depreciation Expense. The Joint Parties agreed to include five months of
12 depreciation on the pump repair totaling \$980, which reflects an in-service date
13 of August 1, 2021. These changes resulted in a Depreciation Expense of
14 \$1,551, which were added to Account 403.

15 **Q. Please explain the amount included in Account 408.11 (Property Tax).**

16 A. Aspen Lakes proposed to include the test year amount of \$1,692 in this
17 account, and provided a Deschutes County property tax statement supporting
18 that amount in response to Staff's DR 9. That amount represented 1.29
19 percent of the Real Market Value of Aspen Lakes' taxable assets. The Joint
20 Parties agreed to apply the same percentage to the \$47,038 capitalized pump
21 improvement described elsewhere in this testimony. This change resulted in
22 an increase of \$607, for a total of \$2,299 in this account.

1 **Q. Please explain the amount included in Account 409.10 (Federal Income**
2 **Tax).**

3 A. The Joint Parties included \$429 in this account, representing a federal tax rate
4 of 21 percent applied to federal taxable income of \$2,043.

5 **Q. Please explain the amount included in Account 409.11 (Oregon Income**
6 **Tax).**

7 A. The Joint Parties included \$144 in this account, representing a state tax rate of
8 6.6 percent applied to state taxable income of \$2,187.

ISSUE 7 – RATE BASE

Q. Please summarize the utility rate base agreed to by the Joint Parties.

A. The Joint Parties' agreed-upon rate base is summarized in Table 3 below.

Table 3: Rate Base Summary

Account		Utility Proposed	Adjustments	Stipulated
101	Utility Plant in Service	\$885,585	\$47,038	\$932,623
108	- Accumulated Depreciation	\$559,264	\$31,284	\$590,548
271	- CIAC	\$865,585	\$0	\$865,585
272	+ Accu. Amortz. of CIAC	\$559,264	\$15,447	\$574,711
WC	+ Working Cash	\$15,640	\$(2,815)	\$12,825
Total Rate Base		\$35,640	\$28,386	\$64,026

Q. Please explain the amount included in Account 101 (Utility Plant in Service).

A. In its Application, Aspen Lakes proposed to include \$885,585 in Utility Plant in Service, consisting of \$865,585 in Contributions in Aid of Construction (CIAC) and \$20,000 in invested plant. The \$20,000 in invested plant was attributable to the Company's pumphouse, which was put into service in 1996.²⁴ The Joint Parties moved this asset from Account 303 (Land and Land Rights) to Account 304 (Structures and Improvements) to more accurately reflect the nature of the asset. The Joint Parties also added the cost of test year pump repairs totaling \$47,038 to Account 311 (Pumping Equipment), as discussed previously under Account 621. This change results in a total Utility Plant in Service of \$932,623. The Company's invested plant assets are summarized on the Invested Plant summary found in Exhibit Joint Parties/102, Yamada-Cyrus-Fadeley/10. The

²⁴ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/38, Aspen Lakes' response to Staff's DR 11.

1 Company's CIAC assets are summarized on the CIAC Plant summary found in
2 Exhibit Joint Parties/102, Yamada-Cyrus-Fadeley/11.

3 **Q. Please explain the amount included in Account 108 (Accumulated**
4 **Depreciation).**

5 A. In its Application, Aspen Lakes proposed Accumulated Depreciation of
6 \$559,264, which was entirely attributable to CIAC assets. That amount
7 reflected depreciation on those assets through the end of 2020. The Joint
8 Parties agreed to move depreciation through to the end of 2021, resulting in an
9 increase of \$15,447. Because the pumphouse was moved from a non-
10 depreciating account (Account 303) to a depreciating account (Account 304)
11 with an in-service date of January 1, 1996, and an asset life of 35 years, that
12 change increased Depreciation Expense by \$14,857. The inclusion of the
13 2021 pump repair on the Invested Plant schedule increased Accumulated
14 Depreciation by an additional \$980, resulting in a total of \$590,548 in this
15 account.

16 **Q. Please explain the amount included in Account 271 (Contributions in**
17 **Aid of Construction).**

18 A. Aspen Lakes' Application reflected \$865,585 in CIAC assets. The Joint Parties
19 made no adjustments to that amount.

20 **Q. Please explain the amount included in Account 272 (Accumulated**
21 **Amortization of CIAC).**

22 A. As discussed previously, Aspen Lakes proposed \$559,264 in this account, and
23 the Joint Parties increased this amount by \$15,447 to include 2021

1 depreciation on CIAC assets. This adjustment results in a total of \$574,711 in
2 this account.

3 **Q. Please explain the amount included in Working Cash.**

4 A. The Joint Parties agreed to include Working Cash of \$12,825, which
5 represents one twelfth of total operating expenses.

ISSUE 8 – CAPITAL STRUCTURE

Q. What cost of capital did Aspen Lakes propose in its Application?

A. In its Application, Aspen Lakes proposed an ROR of 48.03 percent.

Q. What cost of capital did the Joint Parties agree to?

A. The Joint Parties agreed to an overall ROR of 5.28 percent, which is computed using a Return on Equity (ROE) of 9.5 percent. The calculation of Aspen Lakes' weighted capital costs is summarized in Table 4.

Table 4: Weighted Capital Costs

Item	Amount	Capital Structure	Cost	Wtd. Cost
Debt (SBA Loan)	\$47,038	73.47%	3.75%	2.76%
Total Equity	\$16,988	26.53%	9.50%	2.52%
Total Debt + Equity	\$64,026	100.00%		5.28%

Q. Please describe Aspen Lakes' debt.

A. Aspen Lakes entered into a loan agreement with the U.S. Small Business Administration effective June 9, 2020 (SBA Loan).²⁵ Pursuant to the Loan Authorization and Agreement provided by Aspen Lakes, the loan amount is \$87,400, and the annual interest rate is 3.75 percent.²⁶ The loan term is 30 years, and the terms of the agreement require Aspen Lakes to pay monthly principal and interest payments of \$426 beginning 12 months from the effective date of the loan.²⁷ Under the terms of the loan agreement, "all tangible and intangible personal property" of Aspen Lakes is granted as collateral.²⁸ The

²⁵ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/39, Aspen Lakes' response to Staff's DR 12.

²⁶ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/40, SBA Loan Agreement, Exhibit DR12A to Aspen Lakes' response to Staff's DR 12.

²⁷ *Ibid.*

²⁸ *Ibid.*

1 purpose of the loan was to “create operating capital to cover costs resulting
2 from unexpected costs associated with PUC regulation and to provide
3 contingency funds to be able to cover unexpected costs such as the pump
4 failure in July.”²⁹

5 **Q. Has Aspen Lakes received PUC approval for the SBA Loan?**

6 A. No. The terms of the Stipulation agreed to by the Joint Parties require Aspen
7 Lakes to file a Utility Financing application to seek approval of the loan no later
8 than May 31, 2022.

9 **Q. Please describe the debt amount included in the Cost of Capital**
10 **calculation described previously.**

11 A. The Joint Parties agreed to include \$47,038, which is equal to the cost of the
12 test year pump repair described previously. The Joint Parties agreed to use
13 the annual interest rate associated with the SBA Loan of 3.75 percent.

14 **Q. Please describe the equity amount included in the Cost of Capital**
15 **calculation described previously.**

16 A. The Joint Parties agreed to include equity equal to the difference between the
17 agreed-upon rate base of \$64,026 and the included debt balance of \$47,038.

²⁹ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/39, Aspen Lakes’ response to Staff’s DR 12.

ISSUE 9 – RATE SPREAD

Q. What rate spread did the Joint Parties agree to?

A. The Joint Parties agreed to the rate spread summarized in Table 5 below.

Table 5: Rate Spread

Service	Revenue
Residential & Commercial Domestic	\$23,492
Residential & Commercial Irrigation	\$40,990
Golf Course Irrigation	\$65,166
Residential Wastewater	\$ 6,440
Commercial Wastewater	\$ 740
Golf Course Wastewater	\$10,678
Cross Connection Control	\$ 1,600
Miscellaneous Services	\$12,600
TOTAL REVENUE	\$161,705

Q. Please explain how revenues were allocated to Cross Connection Control and Miscellaneous Services.

A. The Cross Connection Control and Miscellaneous Services revenues agreed to by the Joint Parties are equal to the test year amounts.

Q. Please explain how revenues were allocated to domestic, irrigation, and wastewater services.

A. The Joint Parties agreed to allocate revenues primarily according to two “Weighted Allocator” calculations: the “Domestic & Irrigation Weighted Allocator” and the “All Services Weighted Allocator.” These allocation factors reflect a weighting of the consumption and customer count attributable to each service. The allocation method used for each account is summarized in the Allocation Summary found in Exhibit Joint Parties/102, Yamada-Cyrus-Fadeley/6-7.

1 **Q. Please explain the Domestic & Irrigation Weighted Allocator.**

2 A. For this allocation methodology, the Joint Parties agreed to use a weighting of
3 68 percent to consumption and 32 percent to customer count. The calculation
4 for the Domestic & Irrigation Weighted Allocator is summarized in Table 6.

Table 6: Domestic & Irrigation Weighted Allocator

Line	Item	Residential & Commercial Domestic	Residential & Commercial Irrigation	Golf Course Irrigation
A	Consumption	6,063,288	34,287,867	206,674,400
B	% of Total Consum.	2.45%	13.88%	83.67%
C	Weight	68%	68%	68%
D	Allocation (BxC)	1.67%	9.44%	56.89%
E	Customer Count	91	82	1
F	% of Total Cust.	52.30%	47.13%	0.57%
G	Weight (1-C)	32%	32%	32%
H	Allocation (FxG)	16.74%	15.08%	0.18%
I	Wtd. Alloc. (D+H)	18.40%	24.52%	57.08%

5 This methodology was primarily used to allocate costs that are unrelated to the
6 provision of wastewater services.

7 **Q. Please explain the All Services Weighted Allocator.**

8 A. For this allocation methodology, the Joint Parties agreed to use a 50/50
9 weighting of consumption and customer count. The calculation of the All
10 Services Weighted Allocator is summarized in Table 7. This methodology was
11 primarily used to allocate costs that are related to all of the Company's
12 services, including wastewater services.

Table 7: All Services Weighted Allocator

Line	Item	Residential & Commercial Domestic	Residential & Commercial Irrigation	Golf Course Irrigation	Waste- Water
A	Consumption	6,063,288	34,287,867	206,674,400	0
B	% of Total Consum.	2.45%	13.88%	83.67%	0.00%
C	Weight	50%	50%	50%	50%
D	Allocation (BxC)	1.23%	6.94%	41.83%	0.00%
E	Customer Count	91	82	1	10
F	% of Total Cust.	49.46%	44.57%	0.54%	5.43%
G	Weight (1-C)	50%	50%	50%	50%
H	Allocation (FxG)	24.73%	22.28%	0.27%	2.72%
I	Wtd. Alloc. (D+H)	25.96%	29.22%	42.10%	2.72%

1 **Q. Were the Weighted Allocator factors used to allocate all accounts?**

2 A. No. The Weighted Allocator factors were not used to allocate Account 615
3 (Purchased Power), Account 631 (Contract Services—Engineering), Account
4 635 (Contract Services—Testing), Other Expense Account 1 (Wastewater
5 Sludge Removal), Other Expense Account 2 (Wastewater Materials &
6 Supplies), Other Expense Account 3 (Wastewater Contract Services—Testing),
7 or Other Expense Account 4 (Wastewater Contract Services—Other).

8 **Q. Please explain how the amount included in Account 615 (Purchased
9 Power) was allocated.**

10 A. In response to Staff's DR 9, Aspen Lakes provided its test year electric bills
11 from Central Electric Cooperative. Aspen Lakes pays for electricity at three
12 separate pumping locations that each relate to different services provided by

1 the Company.³⁰ Aspen Lakes' test year Purchased Power cost at each
2 location is summarized in Table 8.

Table 8: Test Year Purchased Power Cost

Account	Affected Services	% of Total
Aspen Lakes/North Lake	Irrigation	45.67%
Hwy 126 & Camp Polk	Domestic and irrigation	53.23%
Lady Caroline Dr.	Wastewater	1.10%
TOTAL		100.00%

3 The Joint Parties agreed to allocate the Purchased Power expense in the
4 proportions shown above. The 45.67 percent attributable to irrigation service
5 was further allocated to Golf Course Irrigation and Residential & Commercial
6 Irrigation using an irrigation-only Weighted Allocator, as summarized in
7 Table 9.

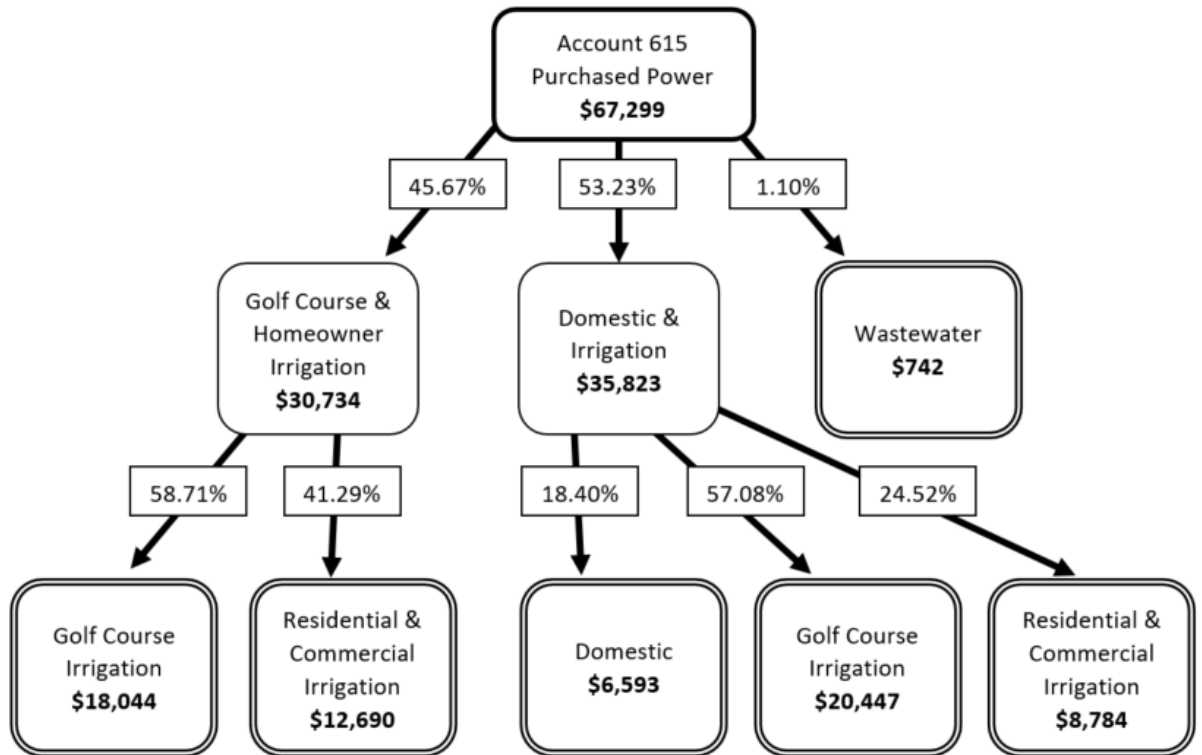
Table 9: Irrigation Only Weighted Allocator

Line	Item	Residential & Commercial Irrigation	Golf Course Irrigation
A	Consumption	34,287,867	206,674,400
B	% of Total Consum.	14.23%	85.77%
C	Weight	68%	68%
D	Allocation (BxC)	9.68%	58.32%
E	Customer Count	82	1
F	% of Total Cust.	98.80%	1.20%
G	Weight (1-C)	32%	32%
H	Allocation (FxG)	31.61%	0.39%
I	Wtd. Alloc. (D+H)	41.29%	58.71%

8 The 53.23 percent attributable to domestic and irrigation services was further
9 allocated to Residential & Commercial Domestic, Residential & Commercial

³⁰ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/57, Aspen Lakes' response to Staff's DR 31.

1 Irrigation, and Golf Course Irrigation using the Domestic & Irrigation Weighted
 2 Allocator described previously. A visual representation of the Purchased
 3 Power allocation is provided below.



4 **Q. Please explain how the amount in Account 635 (Contract Services—**
 5 **Testing) was allocated.**

6 A. The Joint Parties agreed to assign 100% of the testing cost to domestic service
 7 because water quality testing is directly related to the provision of potable
 8 water.

9 **Q. Please explain how the amounts in Accounts 631 (Contract Services—**
 10 **Engineering), Other Expense 1 (Wastewater Sludge Removal), Other**
 11 **Expense 2 (Wastewater Materials & Supplies), Other Expense 3**

1 **(Wastewater Contract Services—Testing), and Other Expense 4**
2 **(Wastewater Contract Services—Other) were allocated.**

3 A. The Joint Parties agreed to assign 100% of these accounts to wastewater
4 service because the costs in these accounts are specifically related to the
5 provision of those services.

6 **Q. Please explain how Miscellaneous Services and Cross Connection**
7 **Control revenues were used to offset the revenue allocations**
8 **described previously.**

9 A. The Joint Parties agreed to include Miscellaneous Services and Cross
10 Connection Control revenues at the test year amounts of \$12,600 and \$1,600,
11 respectively. These amounts represent portions of the \$161,705 revenue
12 requirement that will be collected from sources other than domestic, irrigation,
13 and wastewater rates. Consequently, the Joint Parties agreed to reduce the
14 previously-described revenue allocations by these amounts. The Joint Parties
15 allocated the \$12,600 revenue offset using the All Services Weighted Allocator.
16 The \$1,600 revenue offset was allocated using the Domestic & Irrigation
17 Weighted Allocator.

18 **Q. Did the Joint Parties agree to any other adjustments to the previously-**
19 **described revenue allocations?**

20 A. Yes. After performing the allocations described previously, the Joint Parties
21 agreed to reallocate \$2,000 from Golf Course Irrigation to Residential &
22 Commercial Irrigation. This change resulted in a final allocation of \$23,492 to
23 Residential and Commercial Domestic service, \$40,990 to Residential &

1 Commercial Irrigation, \$65,166 to Golf Course Irrigation, and \$17,858 to
2 Wastewater services.

3 **Q. How was the \$17,858 Wastewater allocation further distributed to**
4 **Residential, Commercial, and Golf Course rates?**

5 A. The Joint Parties agreed to assign \$6,440 to Residential Wastewater, \$740 to
6 Commercial Wastewater, and \$10,678 to Golf Course Wastewater. These
7 amounts were calculated by assigning specific test year costs to the various
8 wastewater services.

ISSUE 10 – RATE DESIGN

1
2 **Q. Please describe the rate components for Aspen Lakes' Schedule No. 1**

3 **Residential and Commercial Domestic service.**

4 A. Aspen Lakes' Schedule No. 1 service rates consist of a monthly base rate,
5 which is assessed regardless of the quantity of water used, and a commodity
6 rate (also known as a variable or usage rate), which is assessed per unit of
7 water consumed. Aspen Lakes' water is measured in units of 1,000 gallons.

8 The base rate provides a reliable revenue stream that enables the Company to
9 cover its fixed costs even during the portions of the year when water
10 consumption is low. Residential and commercial service is combined on
11 Schedule No. 1 because there is no meaningful distinction between the service
12 that the Company provides to residential and commercial domestic customers.

13 **Q. Please describe the rate design associated with the agreed-upon**
14 **revenue allocation of \$23,492 to Schedule No. 1 Residential and**
15 **Commercial Domestic service.**

16 A. In designing water rates, Staff typically allocates 60 percent of associated
17 revenues to base rates, and 40 percent to commodity rates. The Joint Parties
18 agreed to do the same in this case, resulting in an allocation of \$14,095 to
19 base rates and \$9,397 to commodity rates.

20 **Q. Please explain how base rates are developed.**

21 A. Water base rates are typically designed such that customers with larger meter
22 sizes pay higher rates than those with smaller meters. This is because "the
23 safe operating flow, or capacity, of a particular size of meter is essentially the

1 limiting factor in terms of the demand that can be exerted on the water system
2 through the meter.”³¹ Furthermore, “the potential demand or capacity
3 requirements placed on the water system...is generally an accepted basis for
4 determining the level of charge applicable to the customer.”³² As such, Staff
5 typically uses a standard set of factors, sometimes referred to as “AWWA
6 factors,” to determine the appropriate relative differences in base rates for
7 different meter sizes. For example, the standard factor for a 5/8-inch base rate
8 is 1 and the standard factor for a 1-inch base rate is 2.5, which means that a
9 customer with a 1-inch meter would typically pay a base rate that is
10 approximately 2.5 times that of a customer with a 5/8-inch meter.

11 **Q. What are the Joint Parties’ agreed-upon base rates for Schedule No. 1**
12 **Residential and Commercial Domestic service?**

13 A. The Joint Parties agreed to use the standard factors to allocate base rates in
14 this case. The resulting Schedule No. 1 base rates are summarized in
15 Table 10.

³¹ Principles of Water Rates, Fees, and Charges (M1) (6th Edition). American Water Works Association, 2012, Page 324.

³² *Ibid.*

Table 10: Schedule No. 1 Residential & Commercial Domestic Base Rates

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"	0	1.0	-	0.00%	\$0	\$4.92
3/4"	0	1.5	-	0.00%	\$0	\$7.39
1"	89	2.5	223	93.29%	\$13,149	\$12.31
1 1/2"	0	5.0	-	0.00%	\$0	\$24.62
2"	2	8.0	16	6.71%	\$946	\$39.40
3"	0	15.0	-	0.00%	\$0	\$73.87
4"	0	25.0	-	0.00%	\$0	\$123.12
6"	0	50.0	-	0.00%	\$0	\$246.24
8"	0	80.0	-	0.00%	\$0	\$393.99
TOTAL	91		239	100.00%	\$14,095	

1 **Q. Why did the Joint Parties include base rates for meter sizes for which**
2 **there are no current customers?**

3 A. The Joint Parties calculated base rates at various meter sizes for both
4 domestic and irrigation service to address the hypothetical possibility of
5 customers being added at new meter sizes in the future. The Joint Parties
6 recognize that, while such a scenario is unlikely, the presence of rates for
7 various meter sizes in Aspen Lakes' tariff would provide clarity regarding the
8 appropriate rates to be charged should such a scenario arise.

9 **Q. What customer counts did the Joint Parties use to calculate base**
10 **rates?**

11 A. All base rates agreed to by the Joint Parties were calculated using the average
12 number of customers present in the test year. The Company provided

1 customer counts for each service at the beginning and end of the test year in
2 its Application.³³

3 **Q. Please explain how the Schedule No. 1 Residential and Commercial**
4 **Domestic commodity rate was calculated.**

5 A. The Schedule No. 1 commodity rate was calculated based on annual
6 residential domestic consumption of 5,554,618 gallons and commercial
7 domestic consumption of 508,670 gallons, for a total of 6,063,288 gallons (or
8 6,063 units of 1,000 gallons) attributable to this rate schedule.^{34,35} The
9 revenue allocation of \$9,397 was divided by the number of annual consumption
10 units, resulting in a rate of \$1.55 per 1,000-gallon unit.

11 **Q. Please describe the rate design associated with the agreed-upon**
12 **revenue allocation of \$40,990 to Schedule No. 2 Residential and**
13 **Commercial Irrigation service.**

14 A. The Joint Parties agreed to the same allocation of 60 percent to base rates and
15 40 percent to commodity rates that was used for the Residential and
16 Commercial Domestic rate design. The resulting allocation is \$24,594 to base
17 rates and \$16,396 to commodity rates.

18 **Q. What are the Joint Parties' agreed-upon base rates for Schedule No. 2**
19 **Residential and Commercial Irrigation service?**

³³ Application, Page 12, Question 31.

³⁴ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/58, Aspen Lakes' response to Staff's DR 16.

³⁵ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/59, Exhibit DR16A to Aspen Lakes' response to Staff's DR 16.

- 1 A. The Schedule No. 2 base rates are summarized in Table 11. These rates were
2 developed using average customer counts and the standard allocation factors
3 discussed previously.

Table 11: Schedule No. 2 Residential & Commercial Irrigation Base Rates

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"	0	1.0	-	0.00%	\$0	\$9.74
3/4"	0	1.5	-	0.00%	\$0	\$14.60
1"	81	2.5	203	96.20%	\$23,659	\$24.34
1 1/2"	0	5.0	-	0.00%	\$0	\$48.68
2"	1	8.0	8	3.80%	\$935	\$77.89
3"	0	15.0	-	0.00%	\$0	\$146.05
4"	0	25.0	-	0.00%	\$0	\$243.41
6"	0	50.0	-	0.00%	\$0	\$486.82
8"	0	80.0	-	0.00%	\$0	\$778.91
TOTAL	82		211	100.00%	\$24,594	

- 4 **Q. Did the Joint Parties make any changes to the Company's test year**
5 **consumption for the purpose of calculating irrigation commodity**
6 **rates?**

- 7 A. Yes. The Company's consumption totaled 212,707,060 across all irrigation
8 services in the test year,³⁶ representing a 12.9 percent decrease from the
9 UW 176 total of 244,133,138 gallons. The Company stated that the "decrease
10 was a result of a pump failure that lasted several weeks and significantly
11 reduced the amount of water that was able to be delivered to both the golf
12 course and domestic irrigation during that period."³⁷ In order to normalize the
13 irregular irrigation consumption caused by the pump failure, the Joint Parties

³⁶ *Ibid.*

³⁷ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/61, Aspen Lakes' response to Staff's DR 14.

1 agreed to utilize irrigation consumption figures from UW 176. Residential
 2 irrigation consumption was calculated on a per-customer basis and applied to
 3 the test year average customer count. Because commercial and golf course
 4 irrigation have only one customer each, no change was made to the UW 176
 5 amount for those services. The Joint Parties' adjusted irrigation consumption
 6 figures are summarized in Table 12.

Table 12: Normalized Irrigation Consumption

Customer Class	DR 16 Total Annual Consumption	UW 176 Consumption per Customer	Adjusted Consumption
Irrigation - Residential	30,431,098	369,428	29,923,667
Irrigation - Commercial	2,571,900	4,364,200	4,364,200
Irrigation - Golf	179,704,062	206,674,400	206,674,400
Total	212,707,060		240,962,267

7 **Q. Please explain how the Schedule No. 2 Residential and Commercial**
 8 **Irrigation commodity rate was calculated.**

9 A. The Schedule No. 2 commodity rate was calculated based on annual
 10 residential irrigation consumption of 29,923,667 gallons and commercial
 11 irrigation consumption of 4,364,200 gallons, for a total of 34,287,867 gallons
 12 (or 34,288 units of 1,000 gallons) attributable to this rate schedule. The
 13 revenue allocation of \$16,396 was divided by the number of annual
 14 consumption units, resulting in a rate of \$0.48 per 1,000-gallon unit.

15 **Q. Please describe the rate design associated with the agreed-upon**
 16 **revenue allocation of \$65,166 to Schedule No. 3 Golf Course Irrigation**
 17 **service.**

- 1 A. The Joint Parties agreed to the same allocation of 60 percent to base rates and
2 40 percent to commodity rates that was used for the residential and
3 commercial rate designs. The resulting allocation is \$39,100 to base rates and
4 \$26,066 to commodity rates. As there is currently only one Golf Course
5 Irrigation customer, the base rate allocation was divided by 12 to arrive at a
6 monthly base rate of \$3,258.30. The full list of Golf Course Irrigation rates
7 agreed to by the Joint Parties is included in Table 13.

Table 13: Schedule No. 2 Residential & Commercial Irrigation Base Rates

Meter Size	Customers	Factors	Customer Equivalency	% of Total	Revenue Allocation	Base Rate
5/8"		1.0	-	0.00%	\$0	\$407.29
3/4"		1.5	-	0.00%	\$0	\$610.93
1"		2.5	-	0.00%	\$0	\$1,018.22
1 1/2"		5.0	-	0.00%	\$0	\$2,036.44
2"	1	8.0	8	100.00%	\$39,100	\$3,258.30
3"		15.0	-	0.00%	\$0	\$6,109.31
4"		25.0	-	0.00%	\$0	\$10,182.18
6"		50.0	-	0.00%	\$0	\$20,364.36
8"		80.0	-	0.00%	\$0	\$32,582.98
TOTAL	1		8	100.00%	\$39,100	

- 8 As discussed previously, the Joint Parties agreed to use a consumption figure
9 of 206,674,400 gallons (or 206,674 units) attributable to Golf Course Irrigation
10 service. Dividing the commodity rate revenue allocation by this amount results
11 in a commodity rate of \$0.13 per unit.

- 12 **Q. Please describe the rate design associated with the agreed-upon**
13 **revenue allocations of \$6,440 to Residential Wastewater, \$740 to**
14 **Commercial Wastewater, and \$10,678 to Golf Course Wastewater.**

- 1 A. Because there is no consumption component associated with wastewater
2 service, wastewater revenues were allocated entirely to base rates. Base rates
3 were calculated by dividing the annual revenue allocation for each service by
4 the associated customer count, and further dividing by 12 to arrive at a monthly
5 rate. The wastewater rates agreed to by the Joint Parties are summarized in
6 Table 14.

Table 14: Wastewater Rates Summary

Service	Customers	Revenue Allocation	Base Rate
Residential	8	\$6,440	\$67.08
Commercial	2	\$740	\$30.83
Golf Course	1	\$10,678	\$889.82

- 7 **Q. Did the Joint Parties agree to any other changes to Aspen Lakes'**
8 **rates?**

- 9 A. Yes. The Joint Parties agreed to eliminate both domestic and wastewater fees
10 associated with bare lots. The Parties also agreed to establish a new Golf
11 Course Wastewater rate. Previously, commercial and Golf Course wastewater
12 rates were combined.

- 13 **Q. What effect do the Joint Parties' agreed-upon rates have on average**
14 **customer bills?**

- 15 A. The change in average bills resulting from the Parties' agreed-upon rates is
16 summarized on the Rate Comparison found in Exhibit Joint Parties/102,
17 Yamada-Cyrus-Fadeley/8. The Parties' agreed-upon rates would result in a bill
18 decrease for all customer classes other than Golf Course Irrigation.

ISSUE 11 – OTHER ISSUES**Q. Did Aspen Lakes notify customers of its requested rate increase?**

A. Yes. Pursuant to OAR 860-036-2030, customers must be notified within 15 days of the filing of a request for a general rate revision. Aspen Lakes filed a draft customer notice along with its Application, and subsequently worked with Staff to make necessary modifications to comply with the OAR. The Company provided a written copy of the revised notice to all customers within 15 days of the Application's filing.

Q. Did any customers contact the Commission regarding Aspen Lakes' proposed rate increase?

A. One customer, Steve Loveland, filed comments in the present case.³⁸ Mr. Loveland expressed concerns regarding whether the revenue requirement proposed by Aspen Lakes was tied to actual, documented costs of the Company. Mr. Loveland also expressed concern regarding payments made by the Company to its Affiliates. As discussed previously, the revenue requirement agreed to by the Joint Parties is based on actual test year costs, and Aspen Lakes provided documentation of its test year costs in response to Staff's DRs. The Joint Parties also reviewed the affiliate transactions included in the agreed-upon revenue requirement, and agree that the included amounts are appropriate.

Q. Did the Joint Parties agree on a rate effective date?

³⁸ See Exhibit Joint Parties/103, Yamada-Cyrus-Fadeley/62, Public Comment filed by Steve Loveland.

1 A. No. Aspen Lakes will file tariffs as directed in accordance with a final order
2 issued in this docket.

3 **Q. Does this conclude your testimony?**

4 A. Yes.

CASE: UW 189
WITNESS: YAMADA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 101

Witness Qualification Statement

May 13, 2022

WITNESS QUALIFICATION STATEMENT

NAME: Stephanie Yamada

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst
Rates, Finance and Audit Division

ADDRESS: 201 High St SE, Suite 100, Salem, OR, 97301

EDUCATION: Master of Business Administration
Western Governors University

Bachelor of Science in Accounting
University of Oregon

EXPERIENCE: I have been employed with the Public Utility Commission of Oregon since 2013. I am currently a Senior Utility Analyst in the Rates and Regulation Section of the Rates, Finance and Audit Division. My responsibilities include leading research and providing technical support on a wide range of technical and policy issues for water and telecommunications companies. I have analyzed and addressed numerous telecommunications issues including special contracts, promotional concessions, tariff changes, price listings, numbering issues, service abandonment, property sales, and price plans, and provided testimony in UM 1895. With regard to water, I have analyzed and addressed numerous issues including tariff changes, property sales, affiliated interest transactions, financing requests, revenue requirement calculations, cost of service, rate spread, and rate design. I have also served as case manager on several water rate cases, and have provided testimony in UW 163, UW 166, UW 173, UP 384, UW 176, and UW 181.

CASE: UW 189
WITNESS: YAMADA-CYRUS-FADELEY

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 102

Summary Tables

May 13, 2022

Revenue Requirement

Company Proposed Increase
11.56%

Stipulated Increase
-12.79%

REVENUES

#	Account	Test Year	Company Adjustments	Company Proposed Totals	Joint Parties' Adjustments	Stipulated Totals
460	Unmetered	7,403	(3,003)	\$ 4,400	(4,400)	\$ -
461.1	Residential	39,708	6,020	\$ 45,728	(23,933)	\$ 21,795
461.2	Commercial	3,388	(100)	\$ 3,288	(1,592)	\$ 1,696
465	Irrigation Water Sales	43,232	1,518	\$ 44,750	(3,760)	\$ 40,990
475	Cross Connection Control	1,600		\$ 1,600	-	\$ 1,600
467	Water sales to golf/recreation	62,359	770	\$ 63,129	2,037	\$ 65,166
471	Miscellaneous Services	12,600	(4,400)	\$ 8,200	4,400	\$ 12,600
	Wastewater	15,135	20,628	\$ 35,763	(17,905)	\$ 17,858
	Total Revenue	\$ 185,425	\$ 21,433	\$ 206,858	\$ (45,153)	\$ 161,705

Acct . OPERATING EXPENSES

601	Salaries and Wages - Employees	6,000		\$ 6,000	\$ -	\$ 6,000
603	Salaries and Wages - Officers	4,500		\$ 4,500	\$ -	\$ 4,500
604	Employee Pension & Benefits	-		\$ -	\$ -	\$ -
610	Purchased Water	-		\$ -	\$ -	\$ -
611	Telephone/Communications	672		\$ 672	\$ -	\$ 672
615	Purchased Power	59,601		\$ 59,601	\$ 7,698	\$ 67,299
616	Fuel for Power Production	-		\$ -	\$ -	\$ -
617	Other Utilities	-		\$ -	\$ -	\$ -
618	Chemical / Treatment Expense	-		\$ -	\$ -	\$ -
619	Office Supplies	128		\$ 128	\$ -	\$ 128
619.1	Postage	563		\$ 563	\$ -	\$ 563
620	O&M Materials/Supplies	4,856		\$ 4,856	\$ -	\$ 4,856
621	Repairs to Water Plant	47,038		\$ 47,038	\$ (38,838)	\$ 8,200
631	Contract Svcs - Engineering	-		\$ -	\$ 2,600	\$ 2,600
632	Contract Svcs - Accounting	7,895		\$ 7,895	\$ 1,206	\$ 9,101
633	Contract Svcs - Legal	4,019		\$ 4,019	\$ (609)	\$ 3,410
634	Contract Svcs - Management Fees	-		\$ -	\$ -	\$ -
635	Contract Svcs - Testing	1,209		\$ 1,209	\$ 665	\$ 1,874
636	Contract Svcs - Labor	-		\$ -	\$ -	\$ -
637	Contract Svcs - Billing/Collection	-		\$ -	\$ -	\$ -
638	Contract Svcs - Meter Reading	2,086		\$ 2,086	\$ -	\$ 2,086
639	Contract Svcs - Other	-		\$ -	\$ -	\$ -
641	Rental of Building/Real Property	22,388		\$ 22,388	\$ -	\$ 22,388
642	Rental of Equipment	260		\$ 260	\$ -	\$ 260
643	Small Tools	-		\$ -	\$ -	\$ -
648	Computer/Electronic Expenses	-		\$ -	\$ -	\$ -
650	Transportation	-		\$ -	\$ -	\$ -
656	Vehicle Insurance	-		\$ -	\$ -	\$ -
657	General Liability Insurance	-	3,757	\$ 3,757	\$ -	\$ 3,757

Acct . **OPERATING EXPENSES**

658	Workers' Comp Insurance	-		\$ -	\$ -	\$ -
659	Insurance - Other	-		\$ -	\$ -	\$ -
666	Amortz. of Rate Case	-		\$ -	\$ -	\$ -
667	Gross Revenue Fee (PUC)	662	57	\$ 719	\$ (24)	\$ 695
670	Bad Debt Expense	-		\$ -	\$ -	\$ -
671	Cross Connection Control Program	715		\$ 715	\$ -	\$ 715
673	Training and Certification	-		\$ -	\$ -	\$ -
674	Consumer Confidence Report	-		\$ -	\$ -	\$ -
675	Miscellaneous Expense	4,949		\$ 4,949	\$ (3,397)	\$ 1,552
OE1	Wastewater sludge removal	8,535		\$ 8,535	\$ (2,080)	\$ 6,455
OE2	WW Materials & Supplies	1,754		\$ 1,754	\$ (500)	\$ 1,254
OE3	Wastewater Contract Serv-Testing	5,213		\$ 5,213	\$ -	\$ 5,213
OE4	WW Contract Serv-Other	826		\$ 826	\$ (500)	\$ 326
OE5	Other Expense 5	-		\$ -	\$ -	\$ -
	TOTAL OPERATING EXPENSE	\$ 183,869	\$ 3,814	\$ 187,683	\$ (33,779)	\$ 153,904

OTHER REVENUE DEDUCTIONS

403	Depreciation Expense			\$ -	\$ 1,551	\$ 1,551
406	Amort of Plant Acquisition Adjustment			\$ -	\$ -	\$ -
407	Amortization Expense			\$ -	\$ -	\$ -
408.11	Property Tax	1,692		\$ 1,692	\$ 607	\$ 2,299
408.12	Payroll Tax			\$ -	\$ -	\$ -
408.13	Other			\$ -	\$ -	\$ -
409.10	Federal Income Tax		274	\$ 274	\$ 155	\$ 429
409.11	Oregon Income Tax	150	(58)	\$ 92	\$ 52	\$ 144
409.13	Extraordinary Items Income Tax			\$ -	\$ -	\$ -
	TOTAL REVENUE DEDUCTIONS	\$ 185,711	\$ 4,030	\$ 189,741	\$ (31,413)	\$ 158,328
	Net Operating Income	\$ (286)	\$ 17,403	\$ 17,117	\$ (13,739)	\$ 3,378

UTILITY RATE BASE

101	Utility Plant in Service	885,585		\$ 885,585	\$ 47,038	\$ 932,623
105	+ Construction Work in Progress			\$ -	\$ -	\$ -
108	- Accumulated Depreciation of Plant	559,264		\$ 559,264	\$ 31,284	\$ 590,548
271	- Contributions in Aid of Construction	865,585		\$ 865,585	\$ -	\$ 865,585
272	+ Accumulated Amortization of CIAC	559,264		\$ 559,264	\$ 15,447	\$ 574,711
281	- Accumulated Deferred Income Tax			\$ -	\$ -	\$ -
	- Excess Capacity			\$ -	\$ -	\$ -
	= NET RATE BASE INVESTMENT	\$ 20,000	\$ -	\$ 20,000	\$ 31,201	\$ 51,201

Plus: (working capital)

151	Materials and Supplies Inventory			\$ -	\$ -	\$ -
	Working Cash (Total Op Exp /12)		15,640	\$ 15,640	\$ (2,815)	\$ 12,825
	TOTAL RATE BASE	\$ 20,000	\$ 15,640	\$ 35,640	\$ 28,386	\$ 64,026
	Rate of Return		-1.43%		48.03%	5.28%

Adjustment Summary

REVENUES

#	Account	Company Proposed Totals	Joint Parties' Adjustments	Stipulated Totals	Explanation of Adjustment
461.1	Residential	\$ 45,728	\$ (23,933)	\$ 21,795	See rate spread.
461.2	Commercial	\$ 3,288	\$ (1,592)	\$ 1,696	See rate spread.
465	Irrigation Water Sales	\$ 44,750	\$ (3,760)	\$ 40,990	See rate spread.
475	Cross Connection Control	\$ 1,600	\$ -	\$ 1,600	Test year amount.
467	Water sales to golf/recreation	\$ 63,129	\$ 2,037	\$ 65,166	See rate spread.
471	Miscellaneous Services	\$ 8,200	\$ 4,400	\$ 12,600	Test year amount.
	Wastewater	\$ 35,763	\$ (17,905)	\$ 17,858	See rate spread.
	Total Revenue	\$ 206,858	\$ (45,153)	\$ 161,705	

Acct . OPERATING EXPENSES

601	Salaries and Wages - Employees	\$ 6,000	\$ -	\$ 6,000	No adjustment.
603	Salaries and Wages - Officers	\$ 4,500	\$ -	\$ 4,500	No adjustment.
604	Employee Pension & Benefits	\$ -	\$ -	\$ -	
610	Purchased Water	\$ -	\$ -	\$ -	
611	Telephone/Communications	\$ 672	\$ -	\$ 672	No adjustment.
615	Purchased Power	\$ 59,601	\$ 7,698	\$ 67,299	Increased to adjust for test year pump failure.
616	Fuel for Power Production	\$ -	\$ -	\$ -	
617	Other Utilities	\$ -	\$ -	\$ -	
618	Chemical / Treatment Expense	\$ -	\$ -	\$ -	
619	Office Supplies	\$ 128	\$ -	\$ 128	No adjustment.
619.1	Postage	\$ 563	\$ -	\$ 563	No adjustment.
620	O&M Materials/Supplies	\$ 4,856	\$ -	\$ 4,856	No adjustment.
621	Repairs to Water Plant	\$ 47,038	\$ (38,838)	\$ 8,200	Capitalized test year amount.
631	Contract Svcs - Engineering	\$ -	\$ 2,600	\$ 2,600	1/5 of the current \$13,000 contract
632	Contract Svcs - Accounting	\$ 7,895	\$ 1,206	\$ 9,101	Increased bookkeeping based on actual test year hours.
633	Contract Svcs - Legal	\$ 4,019	\$ (609)	\$ 3,410	Removed extension filing costs.
634	Contract Svcs - Management Fees	\$ -	\$ -	\$ -	
635	Contract Svcs - Testing	\$ 1,209	\$ 665	\$ 1,874	Adjusted to three-year average.
636	Contract Svcs - Labor	\$ -	\$ -	\$ -	
637	Contract Svcs - Billing/Collection	\$ -	\$ -	\$ -	
638	Contract Svcs - Meter Reading	\$ 2,086	\$ -	\$ 2,086	No adjustment.
639	Contract Svcs - Other	\$ -	\$ -	\$ -	

641	Rental of Building/Real Property	\$ 22,388	\$ -	\$ 22,388	No adjustment.
642	Rental of Equipment	\$ 260	\$ -	\$ 260	No adjustment.
643	Small Tools	\$ -	\$ -	\$ -	
648	Computer/Electronic Expenses	\$ -	\$ -	\$ -	
650	Transportation	\$ -	\$ -	\$ -	
656	Vehicle Insurance	\$ -	\$ -	\$ -	
657	General Liability Insurance	\$ 3,757	\$ -	\$ 3,757	No adjustment.
658	Workers' Comp Insurance	\$ -	\$ -	\$ -	
659	Insurance - Other	\$ -	\$ -	\$ -	
666	Amortz. of Rate Case	\$ -	\$ -	\$ -	
667	Gross Revenue Fee (PUC)	\$ 719	\$ (24)	\$ 695	Automatic calculation.
670	Bad Debt Expense	\$ -	\$ -	\$ -	
671	Cross Connection Control Program	\$ 715	\$ -	\$ 715	No adjustment.
673	Training and Certification	\$ -	\$ -	\$ -	
674	Consumer Confidence Report	\$ -	\$ -	\$ -	
675	Miscellaneous Expense	\$ 4,949	\$ (3,397)	\$ 1,552	Removed water right permit amendment costs.
OE1	Wastewater sludge removal	\$ 8,535	\$ (2,080)	\$ 6,455	Removed 4/5 of 8 house septic pumping.
OE2	WW Materials & Supplies	\$ 1,754	\$ (500)	\$ 1,254	Reduced by \$500.
OE3	Wastewater Contract Serv-Testing	\$ 5,213	\$ -	\$ 5,213	No adjustment.
OE4	WW Contract Serv-Other	\$ 826	\$ (500)	\$ 326	Reduced by \$500.
OE5	Other Expense 5	\$ -	\$ -	\$ -	
	TOTAL OPERATING EXPENSE	\$ 187,683	\$ (33,779)	\$ 153,904	

OTHER REVENUE DEDUCTIONS

403	Depreciation Expense	\$ -	\$ 1,551	\$ 1,551	Moved pumphouse to Account 304; added pump repair.
406	Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	
407	Amortization Expense	\$ -	\$ -	\$ -	
408.11	Property Tax	\$ 1,692	\$ 607	\$ 2,299	Added property tax associated with \$47,038 pump improvement.
408.12	Payroll Tax	\$ -	\$ -	\$ -	
408.13	Other	\$ -	\$ -	\$ -	
409.10	Federal Income Tax	\$ 274	\$ 155	\$ 429	Automatic adjustment.
409.11	Oregon Income Tax	\$ 92	\$ 52	\$ 144	Automatic adjustment.
409.13	Extraordinary Items Income Tax	\$ -	\$ -	\$ -	
	TOTAL REVENUE DEDUCTIONS	\$ 189,741	\$ (31,413)	\$ 158,328	
	Net Operating Income	\$ 17,117	\$ (13,739)	\$ 3,378	

UTILITY RATE BASE

101	Utility Plant in Service	\$ 885,585	\$ 47,038	\$ 932,623	Added pump repair.
105	+ Construction Work in Progress	\$ -	\$ -	\$ -	
108	- Accumulated Depreciation of Plant	\$ 559,264	\$ 31,284	\$ 590,548	Added pump repair & pumphouse. Adjusted through 2021.
271	- Contributions in Aid of Construction	\$ 865,585	\$ -	\$ 865,585	
272	+ Accumulated Amortization of CIAC	\$ 559,264	\$ 15,447	\$ 574,711	Adjusted through 2021.
281	- Accumulated Deferred Income Tax	\$ -	\$ -	\$ -	
	- Excess Capacity	\$ -	\$ -	\$ -	
	= NET RATE BASE INVESTMENT	\$ 20,000	\$ 31,201	\$ 51,201	

Plus: (working capital)

151	Materials and Supplies Inventory	\$ -	\$ -	\$ -	
	Working Cash (Total Op Exp /12)	\$ 15,640	\$ (2,815)	\$ 12,825	1/12th of operating expenses.
	TOTAL RATE BASE	\$ 35,640	\$ 28,386	\$ 64,026	
	Rate of Return	48.03%	0.00%	5.28%	

Allocation Summary

Allocator	Res/Com Domest.	Res/Com Irrig.	Golf Course Irrigation	Wastewater
Domestic & Irr Wtd Alloc	18.40%	24.52%	57.08%	0%
All Services Wtd Alloc	25.96%	29.22%	42.10%	2.72%

Acct . **OPERATING EXPENSES**

601	Salaries and Wages - Employees	\$	6,000
603	Salaries and Wages - Officers	\$	4,500
611	Telephone/Communications	\$	672
615	Purchased Power	\$	67,299
619	Office Supplies	\$	128
619.1	Postage	\$	563
620	O&M Materials/Supplies	\$	4,856
621	Repairs to Water Plant	\$	8,200
631	Contract Svcs - Engineering	\$	2,600
632	Contract Svcs - Accounting	\$	9,101
633	Contract Svcs - Legal	\$	3,410
635	Contract Svcs - Testing	\$	1,874
638	Contract Svcs - Meter Reading	\$	2,086
641	Rental of Building/Real Property	\$	22,388
642	Rental of Equipment	\$	260
657	General Liability Insurance	\$	3,757
667	Gross Revenue Fee (PUC)	\$	695
671	Cross Connection Control Program	\$	715
675	Miscellaneous Expense	\$	1,552
OE1	Wastewater sludge removal	\$	6,455
OE2	WW Materials & Supplies	\$	1,254
OE3	Wastewater Contract Serv-Testing	\$	5,213
OE4	WW Contract Serv-Other	\$	326
	TOTAL OPERATING EXPENSE	\$	153,904

All Services Wtd Alloc	\$	1,557	\$	1,753	\$	2,526	\$	163
All Services Wtd Alloc	\$	1,168	\$	1,315	\$	1,895	\$	122
All Services Wtd Alloc	\$	174	\$	196	\$	283	\$	18
Blended - DR 31	\$	6,593	\$	21,474	\$	38,490	\$	742
All Services Wtd Alloc	\$	33	\$	37	\$	54	\$	3
All Services Wtd Alloc	\$	146	\$	165	\$	237	\$	15
Domestic & Irr Wtd Alloc	\$	894	\$	1,191	\$	2,772	\$	-
Domestic & Irr Wtd Alloc	\$	1,509	\$	2,011	\$	4,680	\$	-
100% WW	\$	-	\$	-	\$	-	\$	2,600
All Services Wtd Alloc	\$	2,362	\$	2,660	\$	3,832	\$	247
All Services Wtd Alloc	\$	885	\$	996	\$	1,436	\$	93
100% Domestic	\$	1,874	\$	-	\$	-	\$	-
Domestic & Irr Wtd Alloc	\$	384	\$	511	\$	1,191	\$	-
All Services Wtd Alloc	\$	5,811	\$	6,542	\$	9,426	\$	608
All Services Wtd Alloc	\$	67	\$	76	\$	109	\$	7
All Services Wtd Alloc	\$	975	\$	1,098	\$	1,582	\$	102
All Services Wtd Alloc	\$	180	\$	203	\$	293	\$	19
Domestic & Irr Wtd Alloc	\$	132	\$	175	\$	408	\$	-
All Services Wtd Alloc	\$	403	\$	453	\$	653	\$	42
100% WW	\$	-	\$	-	\$	-	\$	6,455
100% WW	\$	-	\$	-	\$	-	\$	1,254
100% WW	\$	-	\$	-	\$	-	\$	5,213
100% WW	\$	-	\$	-	\$	-	\$	326
	\$	25,149	\$	40,858	\$	69,867	\$	18,030

OTHER REVENUE DEDUCTIONS

403	Depreciation Expense	\$	1,551
408.11	Property Tax	\$	2,299
409.10	Federal Income Tax	\$	429
409.11	Oregon Income Tax	\$	144

Net Operating Income	\$	3,378
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TOTAL REVENUE	\$	161,705
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Revenue Collected from Non-Rate Sources:

Misc. Services Revenue	\$	(12,600)
Cross Connection Control Revenue	\$	(1,600)

Joint Parties' Agreed-Upon Offset
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TOTAL REVENUE FROM RATES	\$	147,505
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Allocator	Res/Com Domest.	Res/Com Irrig.	Golf Course Irrigation	Wastewater
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Domestic & Irr Wtd Alloc	\$ 286	\$ 380	\$ 885	\$ -
All Services Wtd Alloc	\$ 597	\$ 672	\$ 968	\$ 62
All Services Wtd Alloc	\$ 111	\$ 125	\$ 181	\$ 12
All Services Wtd Alloc	\$ 37	\$ 42	\$ 61	\$ 4

All Services Wtd Alloc	\$ 877	\$ 987	\$ 1,422	\$ 92
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\$ 27,057	\$ 43,064	\$ 73,384	\$ 18,200
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All Services Wtd Alloc	\$ (3,270)	\$ (3,682)	\$ (5,305)	\$ (342)
Domestic & Irr Wtd Alloc	\$ (294)	\$ (392)	\$ (913)	\$ -

\$ -	\$ 2,000	\$ (2,000)	\$ -
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\$ 23,492	\$ 40,990	\$ 65,166	\$ 17,858
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Rate Comparison

Service	Class	Size	Base Rates			Variable Rates			Average Bills		
			Current	Stipulated	Change	Current	Stipulated	Change	Current	Stipulated	Change
Domestic	Residential	1"	\$ 23.21	\$ 12.31	-47%	3.57	\$ 1.55	-57%	\$ 41.86	\$ 20.41	-51%
Domestic	Commercial	2"	\$ 74.26	\$ 39.40	-47%	3.57	\$ 1.55	-57%	\$ 146.33	\$ 70.69	-52%
Domestic	Bare Lot	N/A	\$ 22.00	None	-100%	N/A	None	-100%	\$ 22.00	None	-100%
Irrigation	Residential	1"	\$ 20.79	\$ 24.34	17%	0.79	\$ 0.48	-39%	\$ 45.11	\$ 39.12	-13%
Irrigation	Commercial	2"	\$ 66.54	\$ 77.89	17%	0.79	\$ 0.48	-39%	\$ 353.85	\$ 252.46	-29%
Irrigation	Golf Course	2"	\$ 3,250.00	\$ 3,258.30	0%	0.13	\$ 0.13	0%	\$ 5,488.97	\$ 5,497.27	0%
Wastewater	Bare Lot	N/A	\$ 35.00	None	-100%	N/A	None	-100%	\$ 35.00	None	-100%
Wastewater	Golf Course	N/A	None	\$ 889.82	N/A	N/A	N/A	N/A	N/A	\$ 889.82	N/A
Wastewater	Residential	N/A	\$ 70.00	\$ 67.08	-4%	N/A	N/A	N/A	\$ 70.00	\$ 67.08	-4%
Wastewater	Commercial	N/A	\$ 500.00	\$ 30.83	-94%	N/A	N/A	N/A	\$ 500.00	\$ 30.83	-94%

Rate Reconciliation

Service	Class	Size	Customers	Consumption	Base Rate	Base Revenue	Variable Rate	Variable Revenue	Total Revenue
Domestic	Residential	1"	89	5,578,778	\$ 12.31	\$ 13,149	\$ 1.55	\$ 8,646	\$ 21,795
Domestic	Commercial	2"	2	484,510	\$ 39.40	\$ 946	\$ 1.55	\$ 751	\$ 1,696
Irrigation	Residential	1"	81	29,923,667	\$ 24.34	\$ 23,659	\$ 0.48	\$ 14,309	\$ 37,968
Irrigation	Commercial	2"	1	4,364,200	\$ 77.89	\$ 935	\$ 0.48	\$ 2,087	\$ 3,022
Irrigation	Golf Course	2"	1	206,674,400	\$ 3,258.30	\$ 39,100	\$ 0.13	\$ 26,066	\$ 65,166
Wastewater	Golf Course	N/A	1	N/A	\$ 889.82	\$ 10,678	N/A	\$ -	\$ 10,678
Wastewater	Residential	N/A	8	N/A	\$ 67.08	\$ 6,440	N/A	\$ -	\$ 6,440
Wastewater	Commercial	N/A	2	N/A	\$ 30.83	\$ 740	N/A	\$ -	\$ 740
Total Revenue from Rates			185	247,025,555					\$ 147,505
Cross Connection Control Revenues									\$ 1,600
Miscellaneous Services Revenues									\$ 12,600
TOTAL REVENUE									\$ 161,705

Invested Plant

Acct No.	Account Description	Date Acquired	Utility Plant Orig Cost	Less Excess Capacity Adj to Plant	Total Adj Plant	NARUC Asset Life	Annual Deprec	Final Month of Deprec	2021	Accum. Deprec.	Remaining Plant
301	Organization		-	-	-	-	-		-	-	-
302	Franchises		-	-	-	-	-		-	-	-
303	Land and Land Rights		-	-	-	-	-		-	-	-
304	Structures and Improvements	1/1/1996	20,000	-	20,000	35	571	Dec 2030	571	14,857	5,143
305	Collecting and Impounding Reservoirs		-	-	-	50	-		-	-	-
306	Lake, River and Other Intakes		-	-	-	35	-		-	-	-
307	Wells and Springs		-	-	-	25	-		-	-	-
308	Infiltration Galleries and Tunnels		-	-	-	25	-		-	-	-
309	Supply Main		-	-	-	50	-		-	-	-
310	Power Generation Equipment		-	-	-	30	-		-	-	-
311	Pumping Equipment	8/1/2021	47,038	-	47,038	20	2,352	Jul 2041	980	980	46,058
320	Water Treatment Equipment		-	-	-	20	-		-	-	-
330	Distribution Reservoir and Standpipes		-	-	-	50	-		-	-	-
331	Transmission and Distribution Mains		-	-	-	50	-		-	-	-
333	Services		-	-	-	30	-		-	-	-
334	Meters and Meter Installations		-	-	-	20	-		-	-	-
335	Hydrants		-	-	-	40	-		-	-	-
336	Cross Connection Control		-	-	-	15	-		-	-	-
339	Other Plant		-	-	-	30	-		-	-	-
340	Office Furniture and Equipment		-	-	-	20	-		-	-	-
341	Transportation Equipment		-	-	-	7	-		-	-	-
343	Tools, Shop, and Garage Equipment		-	-	-	15	-		-	-	-
344	Laboratory Equipment		-	-	-	15	-		-	-	-
345	Power Operated Equipment		-	-	-	10	-		-	-	-
346	Communication Equipment		-	-	-	10	-		-	-	-
347	Electronic/Computer Equipment		-	-	-	5	-		-	-	-
348	Miscellaneous Equipment		-	-	-	10	-		-	-	-

TOTALS	Various	67,038	-	67,038	Various	2,923	Various	1,551	15,837	51,201
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Original Plant In Service Cost	67,038
Less: Excess Capacity	-
"Used & Useful" Plant	67,038
Less Accum Depreciation	15,837
NET PLANT	51,201

Depreciation Expense	1,551
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CIAC Plant

Acct No.	Account Description	Date Acquired	Utility Plant Orig Cost	Less Excess Capacity Adj to Plant	Total Adj Plant	NARUC Asset Life	Annual Deprec	Final Month of Deprec	2021	Accum. Deprec.	Remaining Plant
301	Organization		-	-	-	-	-		-	-	-
302	Franchises		-	-	-	-	-		-	-	-
303	Land and Land Rights		-	-	-	-	-		-	-	-
304	Structures and Improvements	Various	174,000	-	174,000	35	5,507	Various	4,257	135,686	38,314
305	Collecting and Impounding Reservoirs		-	-	-	50	-		-	-	-
306	Lake, River and Other Intakes		-	-	-	35	-		-	-	-
307	Wells and Springs	Various	75,000	-	75,000	25	3,000	Various	-	75,000	-
308	Infiltration Galleries and Tunnels		-	-	-	25	-		-	-	-
309	Supply Main	Various	57,000	-	57,000	50	1,140	Various	1,140	29,640	27,360
310	Power Generation Equipment		-	-	-	30	-		-	-	-
311	Pumping Equipment	Various	42,500	-	42,500	20	2,125	Various	-	42,500	-
320	Water Treatment Equipment		-	-	-	20	-		-	-	-
330	Distribution Reservoir and Standpipes		-	-	-	50	-		-	-	-
331	Transmission and Distribution Mains	Various	422,500	-	422,500	50	8,450	Various	8,450	219,700	202,800
333	Services		-	-	-	30	-		-	-	-
334	Meters and Meter Installations	Various	30,585	-	30,585	20	1,529	Various	-	30,585	-
335	Hydrants	Various	64,000	-	64,000	40	1,600	Various	1,600	41,600	22,400
336	Cross Connection Control		-	-	-	15	-		-	-	-
339	Other Plant		-	-	-	30	-		-	-	-
340	Office Furniture and Equipment		-	-	-	20	-		-	-	-
341	Transportation Equipment		-	-	-	7	-		-	-	-
343	Tools, Shop, and Garage Equipment		-	-	-	15	-		-	-	-
344	Laboratory Equipment		-	-	-	15	-		-	-	-
345	Power Operated Equipment		-	-	-	10	-		-	-	-
346	Communication Equipment		-	-	-	10	-		-	-	-
347	Electronic/Computer Equipment		-	-	-	5	-		-	-	-
348	Miscellaneous Equipment		-	-	-	10	-		-	-	-

TOTALS	Various	865,585	-	865,585	Various	23,351	Various	15,447	574,711	290,874
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Original Plant In Service Cost	865,585
Less: Excess Capacity	-
"Used & Useful" Plant	865,585
Less Accum Amort of CIAC	574,711
NET PLANT	290,874

Depreciation Expense	15,447
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CASE: UW 189
WITNESS: YAMADA-CYRUS-FADELEY

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 103

**Data Request Responses
and Other Attachments**

May 13, 2022

DR-2. Please describe the ownership structure of Aspen Lakes and any affiliated interests as defined in ORS 757.015 (Affiliate). For each company, please include the amount or portion of ownership held by each owner.

Answer: Aspen Lakes Utility Company, LLC is owned by Keith Cyrus (40%), Matt Cyrus (40%), and Pamela Mitchell (20%). Affiliated companies include Aspen Lakes Golf Course, LLC which is owned by Keith Cyrus (40%), Matt Cyrus (40%), and Pamela Mitchell (20%), Wildhorse Meadows, LLC which is owned by Keith Cyrus (40%), Matt Cyrus (40%), and Pamela Mitchell (20%), and Sisters Aggregate & Construction, LLC which is owned by Keith Cyrus (33.33%), Matt Cyrus (33.33%), and Pamela Mitchell (33.33%).

DR-8. Aspen Lakes' Application requests a revenue increase of 11.56 percent and states that the "Company does not seek any change in its current rates." Please explain the drivers behind the proposed increase in revenues given that the Company proposes no rate changes

Answer: The utility experienced a pump failure that lasted for several weeks during the test year that resulted in a decrease in sales for irrigation water to both the golf course and residential users. It is anticipated that a return to normal deliveries will result in an increase in sales, and therefore, revenue, in spite of an unchanged rate.

Equipment Rental Agreement

Entered into this 1st day of January 2022, between Aspen Lakes Utility Co, LLC (Renter) and Sisters Aggregate & Construction, LLC (Rentee) for equipment rental and standby availability.

Whereas: Renter has needs for various pieces of excavation equipment on an occasional basis, but needs it available 24 hours per day, seven days per week in order to make repairs timely and restore service, and

Whereas: Rentee owns various pieces of equipment needed by Renter and desires to rent them on an occasional, as needed, 24 hour availability basis.

For the monthly fee of \$500, Rentee shall make the below listed equipment available, without operator, to Renter on a 24 hour, seven day basis for incidental work. Any use exceeding 4 hours in any one instance will be charged at the listed hourly rate.

1. Case 580K backhoe - \$80 per hour
2. International Dump Truck - \$100 per hour
3. Ditchwitch Rock Saw - \$150 per hour
4. John Deere 892ELC excavator - \$250 per hour
5. Freightliner truck w/ lowboy - \$250 per hour

By: Keith Cyrus
Sisters Aggregate & Construction, LLC

By: MAY
Aspen Lakes Utility Co, LLC

DR-5. Have there been any changes in the provision of goods and/or services to Aspen Lakes by its Affiliates since the Company's previous rate case (UW 176), as described on pages 10 to 12 of the Joint Testimony submitted in that docket? If so, please describe such changes, including the amount of any increase or decrease in costs to Aspen Lakes.

Answer: Yes. The changes are as follows in redline:

Table 3: Equipment Rented from SAC

Case 580K Backhoe	\$50 \$80
International Dump Truck	\$50 \$100
Ditchwitch Rock Saw	\$100 \$1150
John Deere 892ELC Excavator	\$150 \$250
Freightliner truck w/ lowboy	\$150 \$250

Q. Please describe the goods and/or services provided to Aspen Lakes by Wildhorse.

A. The land on which the utility's facilities reside, both wells serving the system, **the DEQ permitted waste water treatment facility**, and Water Permit G-11578 (used primarily for the provision of irrigation water) are owned by Wildhorse. According to Aspen Lakes, it pays 10 percent of all utility revenues to Wildhorse for the use of Wildhorse's property pursuant to an Easement Agreement between Aspen Lakes and Wildhorse.

DR-23. In response to Staff's DR 5, Aspen Lakes indicated that it pays 10 percent of all utility revenues to Wildhorse Meadows LLC (Wildhorse) for the use of Wildhorse's property pursuant to an Easement Agreement. Regarding Aspen Lakes' use of Wildhorse property,

- a. Please provide a copy of the Easement Agreement between Aspen Lakes and Wildhorse.
- b. Please provide the total cost to Wildhorse associated with Aspen Lakes' use of its property.
- c. Please include all documentation, analyses, and narrative explanations necessary to support the answer.

Answer:

- a. Ground Lease Agreement provided as Exhibit DR23A.
- b. Lease payment terms provided in Exhibit DR23A.
- c. Wildhorse Meadows, LLC owns the real property and irrigation water rights for the property being leased by both Aspen Lakes Golf Course, LLC and Aspen Lakes Utility Company, LLC. The Golf Course pays rent for the use of the facilities, as does the utility company. Wildhorse Meadows recently spent a significant amount of money to prove up on irrigation water used by both the Golf Course and residential customers and paid a certified water rights examiner to file the water rights proof with the State of Oregon, provided as Exhibit DR23C1. The Wildhorse Meadows, LLC Water Rights are also provided as Exhibit DR23C2. Per the lease agreement, if the utility company fails to pay for the use of the property, it loses access to the property. The sewer treatment facility occupies roughly two acres of property and the domestic water pump station an additional acre.

69432 101

16
10

DESCHUTES COUNTY OFFICIAL RECORDS
NANCY BLANKENSHIP, COUNTY CLERK

2004-73953



\$106.00

00324377200400739530160168

12/10/2004 04:21:09 PM

D-EAS Cnt=1 Str=4 TRACY
\$80.00 \$11.00 \$10.00 \$5.00

RECORDATION REQUESTED BY:

Wildhorse Meadows, LLC
16900 Aspen Lakes Drive
Sisters, OR 97759

WHEN RECORDED MAIL TO:

David R. Ludwig
Farleigh Wada & Witt, P.C.
121 S.W. Morrison Street, Suite 600
Portland, OR 97204

SEND TAX NOTICES TO:

Wildhorse Meadows, LLC
16900 Aspen Lakes Drive
Sisters, OR 97759

I HEREBY CERTIFY THIS TO
BE AN EXACT COPY OF THIS
ORIGINAL MS
ESCROW OFFICER

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

EASEMENT AGREEMENT

THIS EASEMENT AGREEMENT (the "Agreement") is entered into as of the 17th day of November, 2004, by and between WILDHORSE MEADOWS, LLC, an Oregon limited liability company ("Wildhorse"), and ASPEN LAKES UTILITY COMPANY, L.L.C., an Oregon limited liability company ("Utility Company").

RECITALS:

A. Wildhorse is the owner of certain real property located in Deschutes County, Oregon, a legal description of which is attached as **Exhibit "A"** and by this reference incorporated herein (the "Golf Course Property");

B. The Utility Company has installed, maintains, and operates two (2) water wells and the pumps, pipelines, meters, ditches, facilities, structures, and all other equipment, appurtenances and improvements relating to the wells (collectively, the "Wells") on the Golf Course Property, and desires to continue to maintain and operate the Wells located on the Golf Course Property;

C. The Utility Company also has installed, maintains, and operates a sewer system and the pumps, pipelines, ditches, facilities, structures, and all other equipment, appurtenances and improvements relating to the sewer system (collectively, the "Sewer System") on the Golf Course Property and desires to continue to maintain and operate such Sewer System on the Golf Course Property; and

D. The Utility Company desires that Wildhorse grant an easement for purposes of: (i) access, ingress and egress on, over, under, through and across certain areas of the

Golf Course Property, as more particularly depicted on a map of the Golf Course Property attached hereto as **Exhibit "B"** and incorporated herein by reference (the "Easement Area"); (ii) using, operating, maintaining, improving, repairing and/or replacing the Wells and/or the Sewer System; (iii) extracting and distributing water from the Wells for irrigation, drinking and fire prevention relating to the Golf Course Property and the operation thereof; and (iv) constructing, using, operating, maintaining, improving, repairing and/or replacing all other water works, pumps, meters, ditches, structures, facilities and other equipment necessary to accomplish the foregoing purposes (collectively, the "Improvements").

NOW, THEREFORE, the parties agree as follows:

1. Easement. Wildhorse conveys to the Utility Company a nonexclusive easement for purposes of: (i) access, ingress and egress on, over, under, through and across the Easement Area; (ii) using, operating, maintaining, improving, repairing and/or replacing the Wells and/or Sewer System; (iii) extracting and distributing water from the Wells for irrigation, drinking and fire prevention relating to the Golf Course Property and the operation thereof; and (iv) constructing, using, operating, maintaining, improving, repairing and/or replacing all other Improvements necessary to accomplish the foregoing purposes (collectively, the "Easement"). The map of the Golf Course Property attached hereto as **Exhibit "B"** and by this reference incorporated herein shows the location of the Wells, the Sewer System, and any and all Improvements.

2. Consideration. The Utility Company shall pay to Wildhorse ten percent (10%) of all revenues that the Utility Company receives from the supplying of water and from the provision of sewer and waste water treatment services to the Golf Course Property and all other customers of the Utility Company per quarter in arrears in consideration for this Easement. The first payment shall be on the tenth (10th) day following the end of the first full quarter of the term of this Agreement and subsequent payments shall be due on the tenth (10th) day following the end of each quarter thereafter. In the event of the commencement of this Agreement at a time other than the beginning of a month, the amount due for the first quarter shall include the period between the date of the commencement of this Agreement and the beginning of the first full quarter hereunder. In the event of the termination of this Agreement at a time other than the end of a full quarter, then the amount due shall be for a period between the date of the end of the last full quarter of this Agreement and the date of the termination of this Agreement. The Utility Company shall accompany each payment due hereunder with a statement of the Utility Company's revenues from the provision of water and of sewer and waste water treatment services to the Golf Course Property and all other customers of the Golf Course Property during such quarter.

3. Limitations on Use of Easement. The parties agree that the Easement shall be used exclusively for the purposes set forth in Section 1 hereof, and shall not be used for any other purpose without Wildhorse's prior written consent.

4. Term. The term of this Agreement shall commence on the date hereof and shall continue in perpetuity or on such date that this Agreement is terminated pursuant to Section 10.

5. Maintenance, Repair, and Replacement. The Utility Company shall, at its sole cost and expense, and for the benefit of Wildhorse, as fee owner of the Easement Area, maintain, or cause to be maintained, the Wells, the Sewer System and the Improvements in good working order and condition and shall improve, repair, and/or replace the Wells, the Sewer System and/or Improvements as needed during the term of this Agreement. Wildhorse shall maintain the surface of the Easement Area. In the event of any damage or destruction to the Wells, the Sewer System, the Improvements and/or Easement Area, the Utility Company shall promptly repair same at the sole cost and expense of the Utility Company in order that the Golf Course Property is restored to its original condition prior to such damage or destruction. Any damage or destruction to the Wells, the Sewer System, the Improvements and/or the Easement Area caused by Wildhorse shall be repaired or replaced at the sole cost and expense of Wildhorse.

6. Compliance with Laws. The Utility Company shall at all times during the term of this Agreement comply with all applicable local, state, and federal laws that govern or regulate the Wells, the Sewer System, the Improvements and the use of the water.

7. Permits. The Utility Company shall at all times during the term of this Agreement at its sole cost and expense obtain and maintain all required permits, licenses, and approvals required by applicable local, state, or federal agencies for the Wells, the Sewer System, the Improvements and the use of the water.

8. Insurance. The Utility Company shall maintain during the term of this Agreement insurance with financially sound and reputable insurance companies in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated. If requested by Wildhorse, the Utility Company shall furnish reasonably satisfactory evidence of such insurance.

9. Indemnification. The Utility Company shall defend, indemnify, and hold Wildhorse harmless from any and all claims, actions, proceedings, costs, damages, and liabilities, including reasonable attorney's fees, arising out of or in any way related to the use, operation, maintenance, improvements, repair and/or replacement of the Wells, the Sewer System, any Improvements and the supplying of water and the provision of sewer and waste water treatment services.

10. Default.

a. Event of Default. In the event a party fails to timely perform and satisfy any of the duties and obligations of such party in accordance with the terms and conditions herein and such default is not cured within thirty (30) days after the non-defaulting party gives the defaulting party written notice thereof or, if such default cannot be cured within thirty (30) days, failure within such time to commence and pursue curative action with reasonable diligence, such failure shall constitute an event of default ("Event of Default") under this Agreement.

b. Remedies. Upon the occurrence of an Event of Default by either party and the expiration of the grace period, the non-defaulting party shall have all rights and remedies now or hereinafter existing at law or in equity.

c. Termination of Water and Sewer Services Agreement. In the event the Utility Company defaults under that certain Water and Sewer Services Agreement (the "Water Agreement"), dated November 17, 2004, by and between the Utility Company and Aspen Lakes Golf Course, L.L.C., an Oregon limited liability company ("Aspen Lakes"), and the Utility Company fails to cure such default within the applicable grace period, then such default shall constitute an Event of Default under this Agreement. Upon the occurrence of such an Event of Default under this Agreement, in addition to any of its other rights and remedies hereunder, Wildhorse may terminate this Agreement and the Easement granted hereunder by written notice to the Utility Company. If Wildhorse terminates this Agreement and the Easement granted hereunder, then the Utility Company shall have the right to remove as soon as reasonably practicable after receipt of such notice any of the Utility Company's property located on the Golf Course Property not permanently affixed to such property. The Utility Company shall repair any physical damage resulting from such removal.

11. Miscellaneous Provisions.

a. Binding Effect. This Agreement shall run with the land and shall be binding on and inure to the benefit of the parties and their respective heirs, personal representatives, successors, and assigns.

b. Assignment. The Utility Company shall not assign this Agreement or any of the rights, interests or obligations herein without the prior written consent of Wildhorse.

c. Notices. All notices and other communications under this Agreement must be in writing and shall be deemed to have been given if delivered personally, sent by facsimile (with confirmation), mailed by certified mail, or delivered by an overnight delivery service (with confirmation) to the parties to the following addresses or facsimile numbers (or at such other address or facsimile number as a party may designate by like notice to the other parties):

If to Wildhorse: Wildhorse Meadows, LLC
Attn: Matt Cyrus
16900 Aspen Lakes Drive
Sisters, OR 97759
Phone: (541) 548-0835
Facsimile: (541) 548-0481

If to Utility Company: Aspen Lakes Utility Company, L.L.C.
Attn: Matt Cyrus
16900 Aspen Lakes Drive
Sisters, OR 97759
Phone: (541) 548-0835

Facsimile: (541) 548-0481

Any notice or other communication shall be deemed to be given (a) on the date of personal delivery, (b) at the expiration of the second (2nd) day after the date of deposit in the United States mail, or (c) on the date of confirmed delivery by facsimile or overnight delivery service.

d. Amendments. This Agreement may be amended only by an instrument in writing executed by all the parties.

e. Counterparts. This Agreement may be executed in counterparts, each of which will be considered an original and all of which together will constitute one and the same agreement.

f. Facsimile Signatures. Facsimile transmission of any signed original document, and retransmission of any signed facsimile transmission, shall be the same as delivery of an original. At the request of either party, the parties shall confirm facsimile transmitted signatures by signing an original document.

g. Waiver. Any provision or condition of this Agreement may be waived at any time, in writing, by the party entitled to the benefit of such provision or condition. Waiver of any breach of any provision shall not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

h. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon, without regard to conflict-of-laws principles.

i. Attorney's Fees. If any suit or action is instituted to interpret or enforce the provisions of this Agreement, to rescind this Agreement, or otherwise with respect to the subject matter of this Agreement, the party prevailing on an issue shall be entitled to recover with respect to such issue, in addition to costs, reasonable attorney's fees incurred in preparation or in prosecution or defense of such suit or action as determined by the trial court, and if any appeal is taken from such decision, reasonable attorney's fees as determined on appeal.

j. Severability. If any provision of this Agreement shall be invalid or unenforceable in any respect for any reason, the validity and enforceability of any such provision in any other respect and of the remaining provisions of this Agreement shall not be in any way impaired.

k. Entire Agreement. This Agreement (including the documents and instruments referred to in this Agreement) constitutes the entire agreement and understanding of the parties with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, among the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

WILDHORSE:

WILDHORSE MEADOWS, LLC, an Oregon limited liability company

By: Keith Cyrus
Keith Cyrus, Member and Manager

By: Matthew Cyrus
Matthew Cyrus, Member and Manager

By: Pamela K. Mitchell
Pamela K. Mitchell, Member and Manager

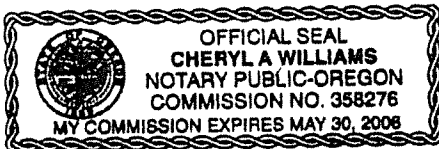
UTILITY COMPANY:

ASPEN LAKES UTILITY COMPANY, L.L.C., an Oregon limited liability company

By: Matthew Cyrus
Title: Managing Member

STATE OF OREGON)
County of Dickinson) ss.

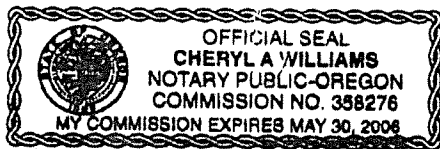
On this 2 day of Dec, 2004, before me, the undersigned Notary Public, personally appeared Keith Cyrus, Member and Manager of Wildhorse Meadows, LLC, an Oregon limited liability company (the "Limited Liability Company"), personally known to me or proved to me on the basis of satisfactory evidence to be an authorized agent of the Limited Liability Company and that he executed the Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the Limited Liability Company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute this Agreement and in fact executed the Agreement on behalf of the Limited Liability Company.



Cheryl Williams
Notary Public for Oregon
My Commission Expires: 5/30/06

STATE OF OREGON)
County of Deuel) ss.

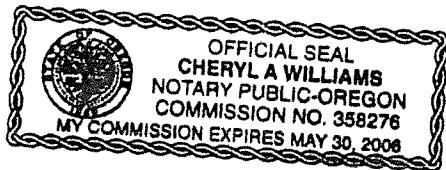
On this 2 day of Dec, 2004, before me, the undersigned Notary Public, personally appeared Matthew Cyrus, Member and Manager of Wildhorse Meadows, LLC, an Oregon limited liability company (the "Limited Liability Company"), personally known to me or proved to me on the basis of satisfactory evidence to be an authorized agent of the Limited Liability Company and that he executed the Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the Limited Liability Company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute this Agreement and in fact executed the Agreement on behalf of the Limited Liability Company.



[Signature]
Notary Public for Oregon
My Commission Expires: 5/30/06

STATE OF OREGON)
County of Deuel) ss.

On this 2 day of Dec, 2004, before me, the undersigned Notary Public, personally appeared Pamela K. Mitchell, Member and Manager of Wildhorse Meadows, LLC, an Oregon limited liability company (the "Limited Liability Company"), personally known to me or proved to me on the basis of satisfactory evidence to be an authorized agent of the Limited Liability Company and that she executed the Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the Limited Liability Company, for the uses and purposes therein mentioned, and on oath stated that she is authorized to execute this Agreement and in fact executed the Agreement on behalf of the Limited Liability Company.

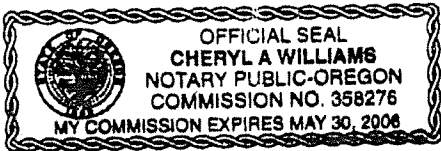


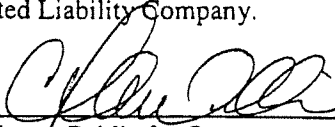
[Signature]
Notary Public for Oregon
My Commission Expires: 5/30/06

STATE OF OREGON)
County of Deuel) ss.

On this 2 day of Dec, 2004, before me, the undersigned Notary Public, personally appeared Matthew K. Cyrus, Member, of Aspen Lakes Utility Company, L.L.C., an Oregon limited liability company (the "Limited Liability Company"), personally known to me or proved to me

on the basis of satisfactory evidence to be an authorized agent of the Limited Liability Company and that he/she executed the Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the Limited Liability Company, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute this Agreement and in fact executed the Agreement on behalf of the Limited Liability Company.





Notary Public for Oregon
My Commission Expires: 5/30/06

EXHIBIT "A"

Legal Description of Golf Course Property

See attached.

Order No. 058263
Page 6

EXHIBIT "A"
LEGAL DESCRIPTION

Parcels located in Section 1 of Township 15 South and Range 10 East of the Willamette Meridian, and a parcel located in Section 6 of Township 15 South and Range 11 East of the Willamette Meridian, Deschutes County, Oregon as shown on this map and fully described as follows:

PARCEL A:

Beginning at a 5/8" iron rod at the northeast corner of said Section 1; thence South 00°05'30" East 2654.95 feet to a 1/4" iron rod at the east 1/4 corner of said Section 1; thence South 89°49'39" West 1332.18 feet to a 5/8" iron rod at the center - east 1/16th corner; thence South 00°06'38" East 2640.63 feet, along the west line of the east 1/4 of the southeast 1/4 to a 5/8" iron rod on the northerly right-of-way of Highway 126; thence following said northerly right-of-way, 46.76 feet along the arc of a 13720.99 foot radius curve left (the long chord of which bears South 89°53'04" West 46.76 feet) to a 5/8" iron rod; thence South 89°58'55" West 1446.90 feet to a 5/8" iron rod; thence 143.58 feet along the arc of an 1808.64 foot radius curve right (the long chord of which bears North 87°43'53" West 143.55 feet) to a 5/8" iron rod; thence leaving said northerly right-of-way, North 29°45'13" West 210.78 feet; thence South 60°14'47" West 128.02 feet to the northeasterly right-of-way of Camp Polk Road; thence along said northeasterly right-of-way, North 29°45'13" West 394.49 feet to a 5/8" iron rod; thence 153.36 feet along the arc of an 1879.86 foot radius curve right (the long chord of which bears North 27°25'00" West 153.32 feet) to a 5/8" iron rod; thence North 25°04'46" West 1231.02 feet to a 5/8" iron rod; thence 472.61 feet along the arc of a 2894.79 foot radius curve left (the long chord of which bears North 29°45'24" West 472.06 feet) to a 5/8" iron rod on the southerly right-of-way of Aspen Lakes Drive; thence leaving said northeasterly right-of-way of Camp Polk Road and following said southerly right-of-way of Aspen Lakes Drive, North 57°37'54" East 575.86 feet to a 5/8" iron rod on the southerly right-of-way of Lady Caroline Drive; thence leaving said southerly right-of-way of Aspen Lakes Drive and following said southerly right-of-way of Lady Caroline Drive, 60.96 feet along the arc of a 480.00 foot radius curve right (the long chord of which bears South 24°07'44" East 60.92 feet) to a 5/8" iron rod at the northerly most corner of Lot 20 of said subdivision; thence South 20°29'26" East 18.06 feet to a 5/8" iron rod; thence 135.49 feet along the arc of a 520.00 foot radius curve left (the long chord of which bears South 27°57'18" East 135.11 feet) to a 5/8" iron rod at the easterly most corner of said Lot 20; thence leaving said southerly right-of-way of Lady Caroline Drive, South 46°14'40" West 227.51 feet to a 5/8" iron rod at the southerly most corner of said Lot 20; thence South 29°47'09" East 556.35 feet to a 5/8" iron rod at the southerly most corner of Lot 23; thence North 36°34'26" East 179.58 feet to a 5/8" iron rod at the southwest corner of Lot 24; thence North 84°01'53" East 189.89 feet to a 5/8" iron rod at the southwest corner of Lot 25; thence North 84°20'23" East 381.96 feet to a 5/8" iron rod at the southwest corner of Lot 27; thence North 88°08'36" East 185.04 feet to a 5/8" iron rod at the southwest corner of Lot 28; thence South 84°41'47" East 754.16 feet to a 5/8" iron rod at an angle point in the southerly boundary of Lot 31; thence North 27°18'45" East 484.29 feet to a 5/8" iron rod at the southerly most corner of Lot 34; thence North 21°31'36" East 243.54 feet to a 5/8" iron rod at the easterly most corner of said Lot 34; thence North 38°00'56" West 129.34 feet to a 5/8" iron rod on the southeasterly right-of-way of Lady Caroline Drive, on the boundary of Golf Course Estates at Aspen Lakes Phase 3; thence following said southeasterly right-of-way of Lady Caroline Drive and said Phase 3 boundary, North 43°55'13" East 114.64 feet to a 5/8" iron rod; thence 138.81 feet along the arc of a 540.00 foot radius curve left (the long chord of which bears North 36°33'22" East 138.43 feet) to a 5/8" iron rod; thence North 29°11'30" East 151.08 feet to a 5/8" iron rod; thence 229.35 feet along the arc of a 540.00 foot radius curve left (the long chord of which bears North 17°01'27" East 227.63 feet) to a 5/8" iron rod;

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thence 146.59 feet along the arc of a 770.00 foot radius curve left (the long chord of which bears North 00°35'49" West 146.37 feet) to a 5/8" iron rod; thence 144.66 feet along the arc of a 370.00 foot radius curve left (the long chord of which bears North 17°15'04" West 143.74 feet) to a 5/8" iron rod; thence 41.55 feet along the arc of a 480.00 foot radius curve right (the long chord of which bears North 25°58'17" West 41.54 feet) to a 5/8" iron rod; thence leaving said southeasterly right-of-way of Lady Caroline Drive, South 79°29'44" East 74.94 feet to a 5/8" iron rod; thence North 22°12'47" East 168.63 feet to a 5/8" iron rod; thence North 37°06'41" East 163.06 feet to a 5/8" iron rod; thence North 75°26'53" East 130.00 feet to a 5/8" iron rod; thence South 85°48'29" East 173.53 feet to a 5/8" iron rod; thence North 82°58'21" East 156.19 feet to a 5/8" iron rod; thence North 77°20'49" East 172.68 feet to a 5/8" iron rod; thence North 61°21'18" East 160.98 feet to a 5/8" iron rod; thence North 11°51'46" West 135.95 feet to a 5/8" iron rod; thence North 00°02'15" East 189.85 feet to a 5/8" iron rod; thence North 13°44'49" West 279.51 feet to a 5/8" iron rod; thence South 83°11'46" West 340.98 feet to a 5/8" iron rod; thence North 73°40'42" West 508.62 feet to a 5/8" iron rod; thence North 76°07'09" West 161.87 feet to a 5/8" iron rod; thence North 83°36'08" West 178.72 feet to a 5/8" iron rod at the northwest corner of Lot 78 of said Phase 3 subdivision; thence leaving said Phase 3 boundary, North 03°07'58" West 742.91 feet to the north line of said Section 1; thence North 89°39'21" East 1718.24 feet to the point of beginning.

PARCEL B:

Beginning at a 2-1/2" iron pipe at the northwest corner of said Section 1; thence South 00°05'15" East 794.99 feet, along the west line of said Section 1, to a 5/8" iron rod on the northeasterly right-of-way of Camp Polk Road; thence leaving said west line and following said northeasterly right-of-way, South 22°17'07" East 21.15 feet to a 5/8" iron rod; thence 206.23 feet along the arc of a 550.87 foot radius curve right (the long chord of which bears South 11°33'37" East 205.03 feet) to a 5/8" iron rod; thence South 00°50'07" East 76.12 feet to the point of beginning; thence leaving said northeasterly right-of-way, North 86°17'57" East 542.44 feet; thence North 65°27'23" East 239.99 feet; thence North 36°40'27" East 185.58 feet; thence North 29°26'13" East 183.26 feet; thence North 30°35'14" East 126.12 feet; thence North 57°52'04" East 48.69 feet; thence North 64°56'48" East 327.42 feet; thence North 86°56'18" East 100.26 feet; thence South 74°11'43" East 286.33 feet; thence North 88°36'06" East 127.05 feet; thence North 05°39'17" West 52.45 feet; thence North 85°01'35" East 68.58 feet; thence North 40°47'35" East 157.83 feet; thence South 87°06'25" East 307.51 feet; thence South 84°17'57" East 189.50 feet; thence South 81°20'47" East 185.46 feet; thence North 89°58'21" East 185.53 feet; thence South 86°58'13" East 179.93 feet; thence South 65°03'44" East 169.60 feet; thence South 33°46'44" East 167.79 feet; thence South 22°17'25" East 186.47 feet; thence North 71°04'55" East 161.60 feet; thence 24.28 feet along the arc of a 2154.99 foot radius curve right (the long chord of which bears South 03°27'20" East 24.28 feet); thence South 03°07'58" East 271.71 feet to the northerly right-of-way of Royal Coachman Drive; thence following said northerly right-of-way, 32.59 feet along the arc of a 443.00 foot radius curve left (the long chord of which bears South 89°37'42" West 32.58 feet) to a 5/8" iron rod; thence South 87°31'15" West 77.27 feet to a 5/8" iron rod on the boundary of Golf Course Estates at Aspen Lakes Phase 2; thence leaving said northerly right-of-way and following said Phase 2 boundary, North 02°28'45" West 4.00 feet to a 5/8" iron rod; thence 54.67 feet along the arc of a 1020.00 foot radius curve left (the long chord of which bears South 85°59'07" West 54.67 feet) to a 5/8" iron rod; thence South 84°26'59" West 200.69 feet to a 5/8" iron rod; thence North 33°56'34" West 357.48 feet to a 5/8" iron rod; thence North 52°22'27" West 327.16 feet to a 5/8" iron rod; thence North 76°25'02" West 431.08 feet to a 5/8" iron rod; thence South 56°18'45" West 98.83 feet to a 5/8" iron rod; thence South 12°31'41" East 159.78 feet to a 5/8" iron rod; thence South 06°10'07" West 165.82 feet to a 5/8" iron rod; thence South 14°34'02" West 120.24 feet to a 5/8" iron rod; thence South 67°00'02" West 210.91 feet to a 5/8" iron rod; thence South 55°44'09" West 159.78 feet to a 5/8" iron rod; thence South 46°53'56" West 154.38 feet to a 5/8" iron rod; thence South 64°20'18" West 157.29 feet to a 5/8" iron rod; thence North 13°48'03" West 30.00 feet to a 5/8" iron rod;

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thence North 89°26'18" West 318.62 feet to a 5/8" iron rod; thence South 73°30'45" West 168.19 feet to a 5/8" iron rod; thence South 77°28'31" West 107.45 feet to a 5/8" iron rod; thence North 87°06'40" West 359.25 feet to a 5/8" iron rod; thence leaving said Phase 2 boundary, South 68°29'31" West 118.85 feet to a 5/8" iron rod at the adjusted northwest corner of Lot 42 of Golf Course Estates at Aspen Lakes Phase 1 on the boundary of said Phase 1 subdivision; thence following said Phase 1 boundary, South 13°13'44" West 272.80 feet to a 5/8" iron rod; thence South 10°13'56" East 179.02 feet to a 5/8" iron rod; thence South 36°12'59" East 220.83 feet to a 5/8" iron rod; thence South 21°07'01" East 936.42 feet to a 5/8" iron rod; thence North 61°17'43" East 431.83 feet to a 5/8" iron rod on the southwesterly right-of-way of Royal Coachman Drive; thence following said southwesterly right-of-way, 196.32 feet along the arc of a 480.00 foot radius curve right (the long chord of which bears South 39°32'40" East 194.96 feet) to a 5/8" iron rod; thence South 27°49'38" East 5.15 feet to a 5/8" iron rod on the northwesterly right-of-way of Aspen Lakes Drive; thence leaving said southwesterly right-of-way and following said northwesterly right-of-way, South 57°37'54" West 589.15 feet to a 5/8" iron rod on said northeasterly right-of-way of Camp Polk Road; thence leaving said northwesterly right-of-way and following said northeasterly right-of-way, 6.43 feet along the arc of a 2894.79 foot radius curve left (the long chord of which bears North 36°28'46" West 6.43 feet) to a 5/8" iron rod; thence North 36°32'35" West 1548.95 feet to a 5/8" iron rod; thence 278.87 feet along the arc of a 447.46 foot radius curve right (the long chord of which bears North 18°41'21" West 274.38 feet) to a 5/8" iron rod; thence North 00°50'07" West 455.15 feet to the point of beginning.

PARCEL C:

Beginning at a 5/8" iron rod at the westerly most corner of Lot 43 of Golf Course Estates at Aspen Lakes Phase 1 and on the easterly right-of-way of Royal Coachman Drive; thence following said easterly right-of-way, 89.99 feet along the arc of a 580.00 foot radius curve right (the long chord of which bears North 18°34'58" West 89.90 feet) to a 5/8" iron rod; thence North 14°08'17" West 159.06 feet to a 5/8" iron rod; thence 122.06 feet along the arc of a 280.00 foot radius curve right (the long chord of which bears North 01°38'59" West 121.10 feet) to a 5/8" iron rod at the southwesterly corner of Lot 76 of Golf Course Estates at Aspen Lakes Phase 2; thence leaving said easterly right-of-way and following the boundary of said Phase 2, South 72°32'35" East 200.00 feet to a 5/8" iron rod; thence South 87°34'38" East 325.36 feet to a 5/8" iron rod; thence North 65°47'07" East 171.57 feet to a 5/8" iron rod; thence North 70°43'18" East 172.29 feet to a 5/8" iron rod; thence North 44°55'51" East 177.08 feet to a 5/8" iron rod; thence North 66°48'39" East 170.94 feet to a 5/8" iron rod; thence South 19°15'57" East 70.00 feet to a 5/8" iron rod; thence North 69°16'08" East 804.33 feet to a 5/8" iron rod; thence South 85°15'25" East 146.42 feet to a 5/8" iron rod; thence North 85°13'31" East 373.77 feet; thence leaving said Phase 2 boundary, South 17°10'55" East 221.39 feet to a 5/8" iron rod at the northwest corner of Lot 97 of Golf Course Estates at Aspen Lakes Phase 3; thence following the boundary of said Phase 3, South 17°10'55" East 499.00 feet to a 5/8" iron rod; thence South 10°02'44" East 275.42 feet to a 5/8" iron rod; thence South 13°02'10" East 189.50 feet to a 5/8" iron rod; thence North 88°34'47" East 107.59 feet to a 5/8" iron rod on the northerly right-of-way of said Lady Caroline Drive; thence following said northerly right-of-way, South 29°11'30" West 114.64 feet to a 5/8" iron rod; thence 128.53 feet along the arc of a 500.00 foot radius curve right (the long chord of which bears South 36°33'22" West 128.18 feet) to a 5/8" iron rod; thence South 43°55'13" West 114.64 feet to a 5/8" iron rod on the boundary of said Golf Course Estates at Aspen Lakes Phase 1; thence leaving said Phase 3 boundary and following said Phase 1 boundary, 84.62 feet along the arc of a 730.00 foot radius curve right (the long chord of which bears South 47°14'28" West 84.57 feet) to a 5/8" iron rod; thence South 50°33'44" West 210.90 feet to a 5/8" iron rod; thence 110.15 feet along the arc of a 1020.00 foot radius curve left (the long chord of which bears South 47°28'06" West 110.10 feet) to a 5/8" iron rod; thence South 44°22'28" West 85.26 feet to a 5/8" iron rod; thence 248.52 feet along the arc of a 280.00 foot radius curve right (the long chord of which bears South 69°48'04" West 240.45 feet) to a 5/8" iron rod;

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thence North 84°46'19" West 48.85 feet to a 5/8" iron rod; thence 105.93 feet along the arc of a 520.00 foot radius curve left (the long chord of which bears South 89°23'33" West 105.74 feet) to a 5/8" iron rod; thence South 83°33'24" West 204.40 feet to a 5/8" iron rod; thence 125.27 feet along the arc of a 980.00 foot radius curve right (the long chord of which bears South 87°13'07" West 125.19 feet) to a 5/8" iron rod; thence North 89°07'10" West 110.17 feet to a 5/8" iron rod; thence 153.02 feet along the arc of a 1020.00 foot radius curve left (the long chord of which bears South 86°34'58" West 152.88 feet) to a 5/8" iron rod; thence South 82°17'06" West 20.76 feet to a 5/8" iron rod; thence 82.16 feet along the arc of a 980.00 foot radius curve right (the long chord of which bears South 84°41'12" West 82.14 feet) to a 5/8" iron rod; thence South 87°05'18" West 154.34 feet to a 5/8" iron rod; thence 280.96 feet along the arc of a 280.00 foot radius curve right (the long chord of which bears North 64°09'56" West 269.32 feet) to a 5/8" iron rod; thence North 35°25'10" West 101.50 feet to a 5/8" iron rod; thence 125.07 feet along the arc of a 480.00 foot radius curve right (the long chord of which bears North 27°57'18" West 124.72 feet) to a 5/8" iron rod; thence North 20°29'26" West 18.06 feet to a 5/8" iron rod; thence 66.59 feet along the arc of a 520.00 foot radius curve left (the long chord of which bears North 24°09'32" West 66.54 feet) to a 5/8" iron rod; thence North 27°49'38" West 104.96 feet to a 5/8" iron rod; thence 160.76 feet along the arc of a 520.00 foot radius curve left (the long chord of which bears North 36°41'03" West 160.12 feet) to a 5/8" iron rod on the southerly right-of-way of Green Drake Court; thence leaving said northerly right-of-way and following said southerly right-of-way, North 48°07'22" East 82.32 feet to a 5/8" iron rod; thence 256.77 feet along the arc of a 730.00 foot radius curve right (the long chord of which bears North 58°11'58" East 255.45 feet) to a 5/8" iron rod; thence North 68°16'33" East 30.00 feet to a 5/8" iron rod; thence leaving said Phase 1 boundary, North 68°16'33" East 175.00 feet to a 5/8" iron rod at the westerly most corner of Lot 18 of said Phase 1; thence leaving said southerly right-of-way, South 38°50'05" East 266.47 feet to a 5/8" iron rod on said Phase 1 boundary; thence following said Phase 1 boundary, North 57°55'46" East 786.53 feet to a 5/8" iron rod; thence North 45°57'28" East 344.47 feet to a 5/8" iron rod; thence North 68°39'56" East 99.24 feet to a 5/8" iron rod; thence leaving said Phase 1 boundary, North 36°04'40" East 134.88 feet to a 5/8" iron rod on said Phase 1 boundary; thence North 06°56'23" West 341.05 feet, along said Phase 1 boundary, to a 5/8" iron rod; thence leaving said Phase 1 boundary, South 87°10'38" West 202.98 feet to a 5/8" iron rod on said Phase 1 boundary; thence following said Phase 1 boundary, South 66°26'30" West 360.56 feet to a 5/8" iron rod; thence South 54°26'22" West 329.58 feet to a 5/8" iron rod; thence South 63°52'11" West 800.18 feet to a 5/8" iron rod; thence leaving said Phase 1 boundary, South 56°38'30" West 179.06 feet to a 5/8" iron rod on said Phase 1 boundary; thence following said Phase 1 boundary, South 21°53'47" East 294.55 feet to a 5/8" iron rod on the northerly right-of-way of said Green Drake Court; thence following said northerly right-of-way, South 48°07'22" West 35.00 feet to a 5/8" iron rod on said easterly right-of-way of Royal Coachman Drive; thence leaving said northerly right-of-way and following said easterly right-of-way, 11.70 feet along the arc of a 520.00 foot radius curve left (the long chord of which bears North 50°37'02" West 11.70 feet) to a 5/8" iron rod; thence North 51°15'42" West 165.61 feet to a 5/8" iron rod; thence 68.01 feet along the arc of a 980.00 foot radius curve right (the long chord of which bears North 49°16'25" West 68.00 feet) to a 5/8" iron rod; thence leaving said easterly right-of-way, North 14°19'14" East 240.33 feet to a 5/8" iron rod; thence North 48°35'49" West 145.30 feet to a 5/8" iron rod; thence South 61°07'48" West 158.88 feet to the point of beginning.

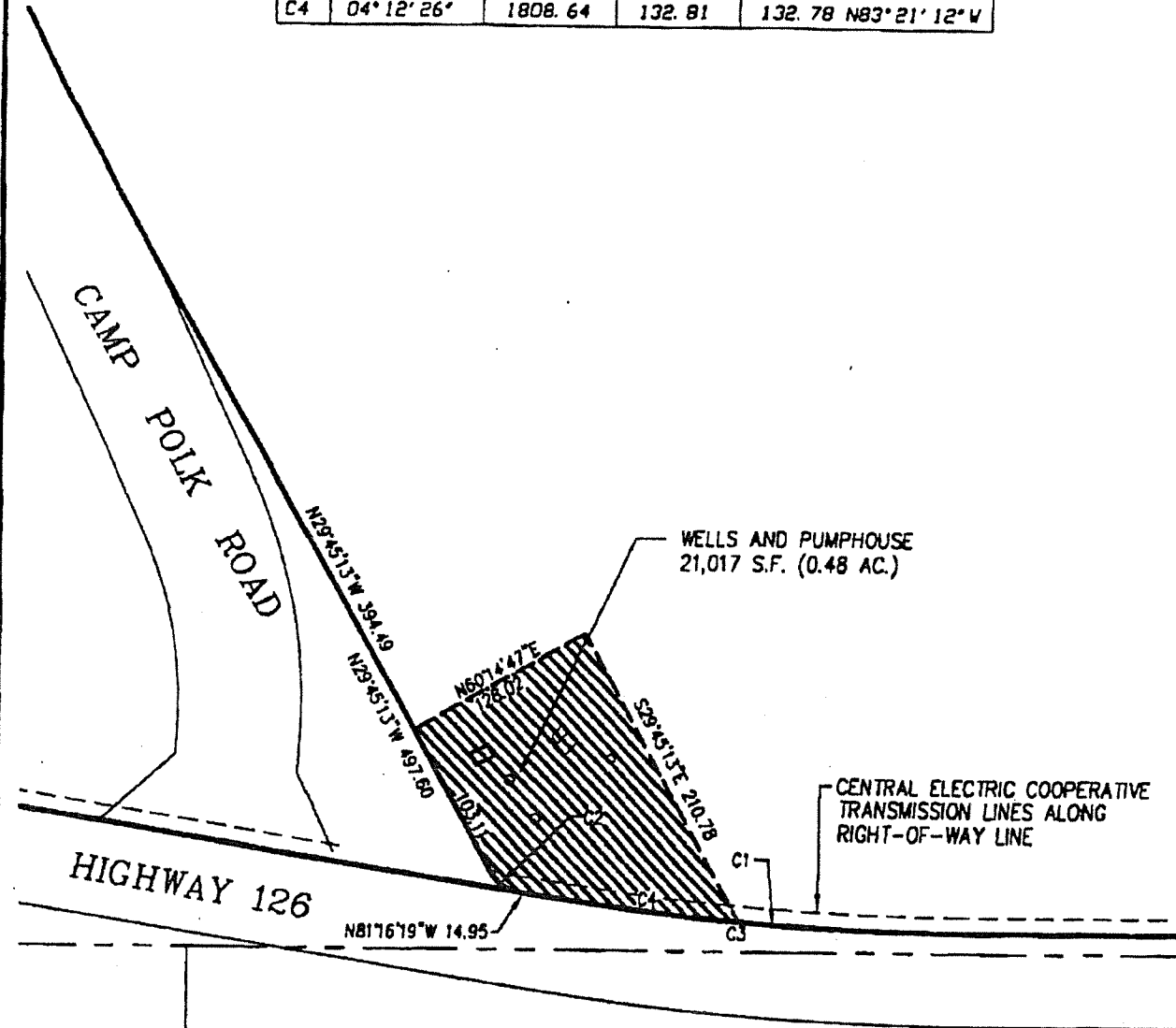
EXHIBIT "B"

Map of the Golf Course Property Showing the Depiction of the Easement Area
and the Location of the Wells, Sewer System, and Ditches and Pipelines

See attached.

CURVE TABLE

NO.	DELTA	RADIUS	LENGTH	CHORD
C1	04° 32' 55"	1808.64	143.59	143.55 N87° 43' 53" W
C2	51° 31' 05"	25.00	22.48	21.73 N55° 30' 46" W
C3	08° 45' 22"	1808.64	276.40	276.13 N85° 37' 40" W
C4	04° 12' 26"	1808.64	132.81	132.78 N83° 21' 12" W



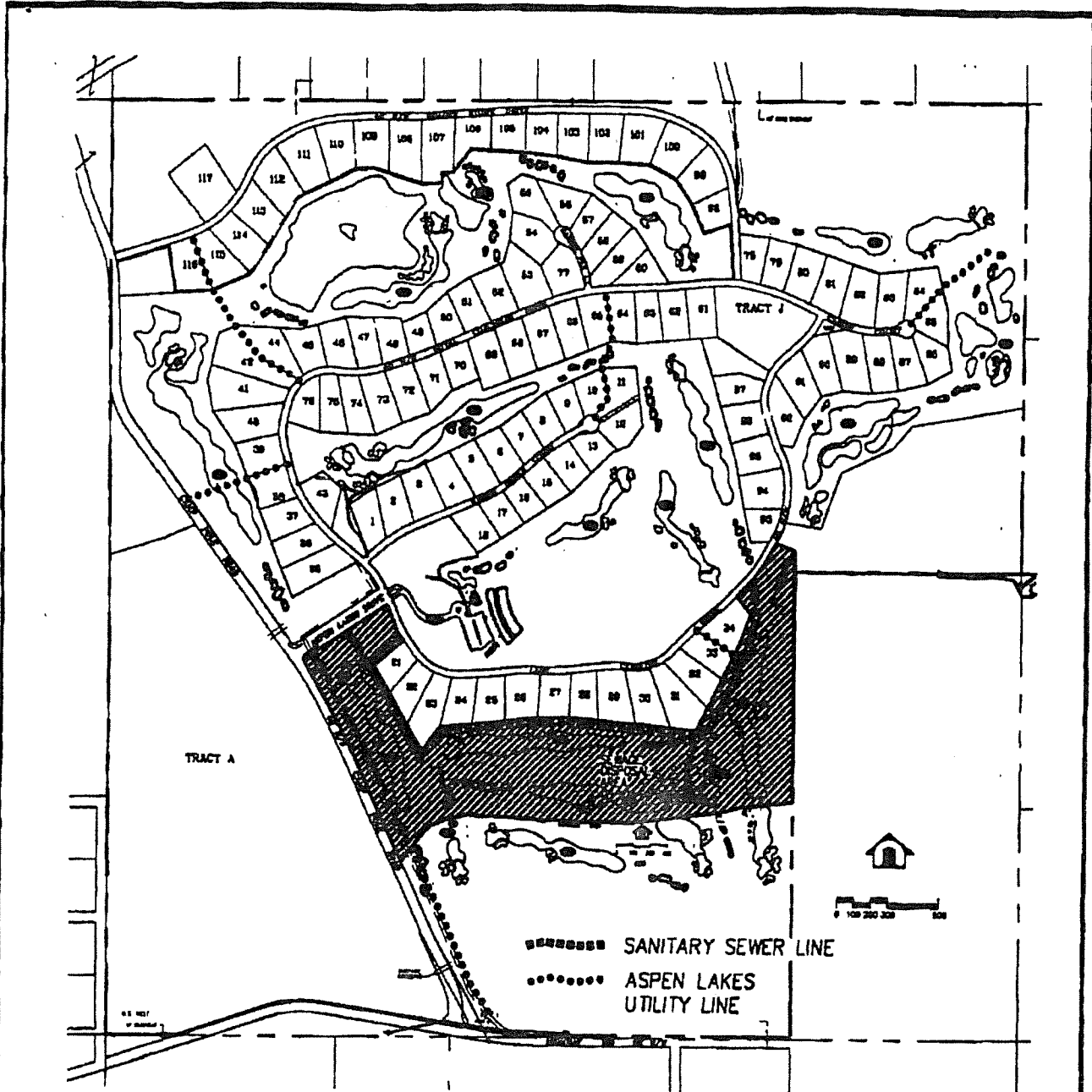
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1 OF 2

scale 1"=100' design JCC
date 12-01-04 drawn SMW
file SVEM01CYR\0018.DWG

DE
DAVID EVANS
AND ASSOCIATES INC.
709 NW Wall Street, Suite 102
Bend, Oregon 97701 (541) 389-7814

EXHIBIT B
ASPEN LAKES UTILITY COMPANY
SYSTEM EASEMENT
LOCATED IN THE SW 1/4, SEC. 1,
T.15S., R.11E., W.M.
DESCHUTES COUNTY, OREGON



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2 OF 2

scale AS SHOWN design JCP

date 12-2-04 drawn SMW

file SVEM-C-CYR0018.DWG



**DAVID EVANS
AND ASSOCIATES INC.**
708 NW Wall Street, Suite 102
Bend, Oregon 97701 (541) 389-7814

EXHIBIT B
ASPEN LAKES UTILITY COMPANY
LOCATED IN SECTION 1, T.15S., R.10E., W.M.
AND IN SECTION 6, T.15S., R.11E., W.M.,
DESCHUTES COUNTY, OREGON

DR-6. Please list each good and/or service purchased by Aspen Lakes from each Affiliate in the test year. For each good or service, please clearly identify the Affiliate with which the utility transacted, the account in which the cost was recorded, and provide the total dollar amount transacted in the test year.

Answer: See Exhibit DR6A.

Aspen Lakes Utility Company
 Test Year : 10/01/2020 to 09/30/2021

Question 6.

Transactions with Affiliated Interests

Product or Service Transacted	Affiliate Name	Number & Name of Account in which Transaction was Recorded	Amount Paid by Utility
Salaries & Wages - Employees	Aspen Lakes Golf Course	601 - Salaries & Wages - Employees	\$ 6,000.00
Salaries & Wages - Officers	Aspen Lakes Golf Course	603 - Salaries & Wages - Officers	\$ 4,500.00
Rent Office Space	Aspen Lakes Golf Course	641 - Rent Building / Property	\$ 6,000.00
Telephone	Aspen Lakes Golf Course	611 -Telephone/Communications	\$ 672.00
Office Supplies	Aspen Lakes Golf Course	619 - Office Supplies	\$ 100.37
Postage	Aspen Lakes Golf Course	619.1 - Postage	\$ 563.54
Materials & Supplies O&M	Aspen Lakes Golf Course	620 - Materials & Supplies O&M	\$ 2,270.31
General Liability Insurance			
Bookkeeping	Aspen Lakes Golf Course	632 - Contractual Services - Accounting	\$ 7,200.00
Meter Reading	Aspen Lakes Golf Course	638 - Contract Serv - Meter Reading	\$ 2,086.45
Copier Rent	Aspen Lakes Golf Course	642 Rent of Equipment	\$ 86.25
Use of land	Wildhorse Meadows, LLC	641 - Rent Building / Property	\$ 16,388.00
			\$ 45,866.92

DR-26. In response to Staff's DR 9, Aspen Lakes provided documentation showing that the Company pays \$500 per month (\$6,000 annually) for system operation. The documentation suggests that this work was performed by Josh Knapp for the first nine months of the test year, and by Mike Gruber for the last three months of the test year. Regarding this function,

- a. Has Mike Gruber permanently replaced Josh Knapp in this role? Please explain.
- b. Please provide a narrative description of the duties carried out in this role.
- c. Please provide the number of labor hours associated with the performance of this function in the test year.
- d. Please provide the total cost to Aspen Lakes Golf Course associated with this function in the test year.

Answer:

- a. Josh was the previous Golf Course Superintendent and was replaced by interim Superintendent, Mike Gruber, who has been replaced by Bob Flutter. It is the position more than the person.
- b. The golf course Superintendent is responsible for maintaining the water and sewer system (along with Septech). They do the meter reading, coordinate irrigation hookups, respond to homeowner calls, fix system leaks and generally deal with day to day system operation.
- c. The Superintendent hours and compensation allocated to Aspen Lakes is estimated with the Golf Course paying the salary. Aspen Lakes is investigating the method of reimbursement.
- d. The Superintendent hours and compensation allocated to Aspen Lakes is estimated with the Golf Course paying the salary. Aspen Lakes is investigating the method of reimbursement.

DR-27. In response to Staff's DR 9, Aspen Lakes provided documentation showing that the Company pays \$375 per month (\$4,500 annually) to Matt Cyrus for management services. Regarding this function,

- a. Please provide a narrative description of the duties carried out in this role.
- b. Please provide the number of labor hours associated with the performance of this function in the test year.
- c. Please provide the total cost to Aspen Lakes Golf Course associated with this function in the test year.
- d. Does the provision of services from Matt Cyrus to Aspen Lakes require an Affiliated Interest application to be filed pursuant to ORS 757.495 and OAR 860-036-2210? Please explain why or why not. If yes, please specify when such application will be filed

Answer:

- a. Matt Cyrus deals with the overall management and operation of the Utility, including dealing with legal, bookkeeping, PUC, water testing, contracting, and homeowner issues and complaints.
- b. The \$375 represents 5 hours per month at \$75 per hour. The actual hours vary by month, with some being far more, such as during rate cases, and some months being slightly lower, if everything is running smoothly. The 5 hours is a monthly estimate.
- c. Matt Cyrus has not, in the past, been paid for his services because the utility has never collected in its rates to compensate for those services. His services, however, should not be provided for free and Aspen Lakes should be paying for those services.
- d. Since Mr. Cyrus services have been historically provided without compensation and there is no contract for those services, ORS 757.495 is not applicable. Should compensation for Mr. Cyrus services be provided, Aspen Lakes will submit an Affiliated Interest application.

DR-29. In response to Staff's DR 6, Aspen Lakes indicated that it paid \$672 (\$56 per month) to Aspen Lakes Golf Course for telephone/communications (Account 611) in the test year. Please explain how the cost of telephone/communications is apportioned to Aspen Lakes from Aspen Lakes Golf Course.

Answer: Bend Broadband monthly charges to that Golf Course is provided as Exhibit DR29A, showing a monthly bill of \$1,090.07. Aspen Lakes' bookkeeper estimated an allocated \$56.00, or approximately 5%, of the monthly bill, based on a percentage of phone and computer use on utility matters.

DR-32. Aspen Lakes proposes an expense of \$47,038 in Repairs to Water Plant (Account 621). Please provide the portion of this amount that is attributable to the pump failure experienced by Aspen Lakes in the test year, as referenced in the Company's response to Staff's DR 8.

Answer: All of this expense was associated with the repairs to the large well pump.

DR-30. In response to Staff's DR 6, Aspen Lakes indicated that it paid \$7,200 (\$600 per month) to Aspen Lakes Golf Course for bookkeeping services in the test year. Regarding the bookkeeping services provided to Aspen Lakes,

- a. Please provide a narrative description of the duties carried out in this role.
- b. Please provide the number of labor hours associated with the performance of this function in the test year.
- c. Please provide the total cost to Aspen Lakes Golf Course associated with this function in the test year.

Answer:

- a. The bookkeeper does all of the bookkeeping for the utility, including sending out invoices, receiving payments, keeping the accounts, fielding homeowner questions and complaints, as well as occasionally reading meters and verifying meter readings.
- b. This assumes a total of 5 hours per week at \$30 per hour in total cost, including base pay, overtime, and employer contributions for FICA, unemployment, etc. Actual time worked averaged 5.3 hours per week and most contract bookkeepers cost \$35-\$45 per hour. Given, the recent drastic increase in wages over the past year and the fact that the current bookkeeper is slated to retire, it will likely cost \$40 per hour to replace her and increased hookups will likely result in additional time. We should budget 5.5 hours per week at \$40 per hour for a monthly total of \$880 or \$10,560 per year.
- c. Provided as Exhibit DR30C.

Office/Bookkeeper time for Aspen Lakes Utility

Date	Beg time	End time	Total Tim	Description	Minutes
1/5/2021	17:15	17:30	0:15	recv pmnts and info regarding sale of lot 70, backup	15
1/5/2021	17:30	18:30	1:00	Enter meter readings into spreadsheet	60
1/6/2021	10:40	12:10	1:30	review readings , re-read meters-Call R Smith re: high reading left msg, tried email, finally connected w/Mrs. Smith	90
	13:25	17:22	3:57	creating invoices	237
	17:30	18:20	0:50	review invoices for errors, apply credits identify accounts for statements	50
1/7/2021	13:18	17:15	3:57	statements/review print, fold, stuff add water quality report	237
1/8/2021	13:13	15:16	2:03	create email statement, send invoices, stmts, and Water quality report, reply emails, email georges Septic re: status of pumping	123
1/11/2021	11:50	12:05	0:15	Russ Smith in office about overage, he paid bill	30
1/12/2021	15:09	15:39	0:30	enter pmnts, reconcile bank, backup	30
1/13/2021	13:23	13:34	0:11	recv pmt, enter bill	11
1/14/2021	13:15	15:15	2:00	Update timetracking worksheet thru Dec	120
	17:06	17:20	0:14	Make Bank Deposit (1 way)	14
1/15/2021	11:00	11:02	0:02	Answer email - Scott Bulloch	2
	15:50	15:58	0:08	Rec Pmts & Backup	8
	15:17	16:28	1:11	recv and prepare title company report & fax-resend copy inv to mM Heiman	71
1/18/2021	12:03	12:57	0:54	enter pmnts - Kibby email	54
1/20/2021	13:51	13:58	0:07	recv p[mts	7
	15:30	15:50	0:20	Pay Bills, backup	20
1/21/2021	13:11	14:00	0:49	recv pmnts, ck to sec. of state, stmt to Shear	49
1/22/2021	13:16	14:00	0:44	returned call to Mike Peyton re: high gal check Desch County Dial re lot 98 new owner not recorded yet, recv pmnts, email with Matt Cre PUC filing	44
1/25/2021	11:59	14:45	2:46	call to Trtek, correspondence to Loofburrow,Beebe,stmt l67 Braun, update customer list & 2021 Backflow worksheet	166
1/26/2021	10:23	11:15	0:52	read meter lot 91 Peyton, email Western Title, form & fax, Stmt to 25 Lamoreaux	52
	11:50	12:31	0:41	setup new owners L98,pro-rate create invoices & mail new application	41
1/29/2021	14:45	15:40	0:55	recv pmt, create new account, map&calculate 1099's	55
1/30/2021	15:24	16:30	1:06	enter pmnts, create 1099-NEC	66
1/31/2021	14:10	14:55	0:45	create Fed 1096 for NEC, I wire state 1099's	45
2/1/2021	10:58	11:03	0:05	read meter lot 1 house sold.	5
	11:25	11:27	0:02	call -left msg Sheryl Went re:annual discount	2
2/2/2021	16:14	17:06	0:52	Prepare 1099 Misc and 1096 for Feds, recv pmnts, & backup QB	52
2/3/2021	12:30	13:38	1:08	recv pmnts, recv Western Title request lot 100, new owner notice lot 4 setup, enter bill OAWU	68
2/4/2021	15:02	15:44	0:42	Title co demands: l92, l 100 prepared and emailed	42
2/5/2021	13:13	14:55	1:42	enter meter readings, reread 84, another followup w/Georges Septic	102
2/8/2021	11:12	17:28	6:16	enter pmnts recvd, create invoices, review apply credits, print invoices statements	376
2/10/2021	16:50	18:04	1:14	create statements, Email invoices & statements,send 2nd copies, backup	74

Office/Bookkeeper time for Aspen Lakes Utility

Date	Beg time	End time	Total Tim	Description	Minutes
2/11/2021	12:55	13:15	0:20	return call Lynda Durand, update Ellsworth address, recv pmt	20
2/15/2021	17:10	17:50	0:40	recv pmts, enter bills (CEC) backup	40
2/16/2021	14:10	14:37	0:27	Print Financials, enter pmts	27
2/18/2021	15:08	15:19	0:11	enter pmts, backup	11
2/19/2021	12:47	13:37	0:50	recv pmts, prepare deposits, update address-Hill, babckup	50
2/22/2021	13:02	14:40	1:38	recv pmts , email Murdock re: sale of L95, invoice & application to new owner L 92, enter bill-Georges	98
2/23/2021	11:25	12:00	0:35	Contact Western Title new owners L95, invoice & application sent lot 95	34
2/24/2021	11:54	12:10	0:16	recv pmts, deposit ready, backup	16
	14:25	14:45	0:20	repair JE and pay Golf Inv w/N/R funds	20
3/1/2021	13:21	14:00	0:39	recv pmts	39
3/2/2021	17:11	17:21	0:10	Recv pmt, enter bill	10
3/3/2021	10:56	11:57	1:01	Respond email form Matt, read meter-research-email Loomis lot 1	61
3/5/2021	11:49	12:04	0:15	recv pmts	15
	12:47	13:30	0:43	Enter readings, call Josh left msg RE: Irrigation reading	43
3/8/2021	10:50	16:55	6:05	Create invoices, print inv., answer calls: mary ingraham, diane mathesin	365
3/9/2021	11:55	13:26	1:31	review invoices to email, create email statements, send email, speak with dianne mathisen, send 2nd copies	91
	14:01	14:12	0:11	Resend email copy Parness lot 21	11
3/10/2021	11:02	11:40	0:38		38
3/11/2021	13:50	14:00	0:10	Recv Fran Berry pmy & questions re: septic pumping	10
3/12/2021	13:12	13:42	0:30	Redv Pmts, refund Murdoch Lot 95	30
	16:48	17:08	0:20	recv pmys, Enter bills-CEC, Edge, Deposit ready, backup	20
3/15/2021	12:10	12:22	0:12	Recv Pmts, check to ORD 2020 Corp tax pmt	12
3/18/2021	14:26	15:15	0:49	recv pmts, pay bills	49
	16:22	16:32	0:10	new owner setup,send inv & application lot 100 Drake	10
3/19/2021	13:43	14:30	0:47	Recv pmts, backup	47
3/23/2021	15:18	16:44	1:26	Update water usage spreadsheet	86
3/224/21	11:00	14:40	3:40	Finish preparing PUC Annual Fee Statement	220
	15:12	15:17	0:05	Check form & mail to PUC	5
	16:00	16:19	0:19	prepare Western Title request lot 32, fax	19
3/25/2021	12:50	16:00	3:10	Prepare 4th Qtr 202 PUC Report	190
3/26/2021	10:48	11:02	0:14	review & return phone call -lot 98 Rick Rosvall, left msg 503-381-3244	14
	16:00	16:10	0:10	Print out invoices for lot 62 david Cox request Jun 2020 to current	10
	17:20	18:27	1:07	email 4th Qtr report to PUC, work on Annual report for PUC	67
3/29/2021	12:20	17:45	5:25	work on Annual report for PUC	325
3/30/2021	11:20	11:35	0:15	Title co request lot 26 -prepare & fax	15
	13:00	13:07	0:07	Return call to Jim Staudher lot 16 RE; new hookup costs etc. email Josh for reachout to Jim	7
	13:25	14:00	0:35	recv pmts-deposit slip-backup	35

Office/Bookkeeper time for Aspen Lakes Utility

Date	Beg time	End time	Total Tim	Description	Minutes
4/1/2021	14:30	15:10	0:40	Finish PUC annual report of operations-email, recv pmts	40
4/5/2021	13:13	18:00	4:47	Enter meter readings, reread 3 meters, start invoices	287
4/6/2021	11:00	16:00	5:00	finish invoices, print 74 inv, 15 statements, email 42 plus 12 2nd copies, backup - postage (71) \$36.21	300
4/7/2021	14:39	15:26	0:47	recv pmts, bills, send Rossio re: payment check issue	47
4/13/2021	17:27	18:16	0:49	recv pmts, emails to Drake lot 100	49
4/14/2021	10:40	11:10	0:30	statement & email to Drake lot 100, recv pmts	30
4/16/2021	13:30	14:45	1:15	Letter to drake-recv pmts	75
4/19/2021	15:28	17:09	1:41	Info for Matt avg \$, recv pmts, Bills CEC	101
4/20/2021	10:47	10:58	0:11	P&L to Matt, reply to msgs	11
	11:55	12:10	0:15	return call lot 114 John Robertson, & Terry Barker for lot 16 J. Staudher re hookup	15
4/23/2021	15:20	15:45	0:25	set up new vendor CIT & invoicing for ALGC share of payment	25
4/28/2021	11:32	12:18	0:46	Begin 1st Qtr report	46
4/29/2021	11:55	12:10	0:15	Lot 16 invoice & receive pmt for new service hookup & meters J. Staudher	15
4/30/2021	13:20	13:25	0:05	Fran Berry here pay bill	5
	15:15	16:30	1:15	recv pmts	75
5/3/2021	14:08	14:17	0:09	Title Co. request lot 26 -prepare & fax	9
	14:17	15:17	1:00	new owner setup, called title Co. RE: check for lot 32, spoke with Shelly - create new vendor, SepTech-enter bills-backup	60
5/4/2021	11:45	12:46	1:01	Updated backflow list with new owners names	61
	15:40	15:56	0:16	Pay Bills, backup	16
5/5/2021	12:00	13:20	1:20	POA credit application, work on 1st Qtr PUC report	80
5/6/2021	11:03	12:00	0:57	recv pmt, finish 1st Qtr PUC report, needs review before sending, scan & email POA customer info	57
	12:13	13:45	1:32	enter meter readings into spreadsheet, read clubhouse meter, emial Josh RE: irrigation meter reading	92
	14:10	16:00	1:50	reread 5 house, 3 irrigation meters, recv pmts	110
5/7/2021	17:05	17:27	0:22	Lot 43 title co, recv pmts, backup	22
5/10/2021	11:33	18:50	7:17	create invoices-76 invoices, 18 statements	470
5/11/2021	10:50	11:12	0:22	Finish folding invoices & inserting into envelopes	22
	12:41	12:59	0:18	Close & stamp	18
	13:10	13:30	0:20	mail invoices	20
	15:36	15:51	0:15	email invoices & statements-including 2nd copies * note* Beginning 5/10 invoices-"Payments will be applied to the oldest invoices first."	15
5/12/2021	12:20	12:30	0:10	call re: lot 43-email to Matt regarding same	10
	12:57	13:04	0:07	recv pmt-reply emails	7
	16:00	16:36	0:36	return phone calls to messages	16
5/18/2021	15:15	15:50	0:35	enter bills - recv pmts	35
5/19/2021	15:45	16:25	0:40	recv pmts-change address lot 6-prepare deposit	40
5/21/2021	11:10	13:00	1:50	read meter lot 34-send application to Churchill-prepare invoice for Berry-email to berry-set up new account Churchill, no address yet-receive Staudaheer meters, called him-set up new invoice for Churchill-new setup lot 43 Nylund	110
	14:12	14:25	0:13	Transfer credit from Jones to Nylund per title co.-new invoices in memorized	13

Office/Bookkeeper time for Aspen Lakes Utility

Date	Beg time	End time	Total Tim	Description	Minutes
5/24/2021	11:30	11:47	0:17	Western Title re:Gold lot 29, fax to 541-639-3641-enter pmts	17
	14:47	15:36	0:49	recv pmts - prepare deposit for bank	49
5/27/2021	18:05	19:14	1:09	enter bills-sepTech monthly-recv pmts	69
5/31/2021	13:00	17:00	4:00	enter bills-create invoices to ALGC for copier-bill pmts-1st Qtr PUC report sent-new owners set up, Coefield & application sent	240
6/2/2021	12:12	12:17	0:05	deschutes County Dial, new owner lot 65	5
	12:34	14:00	1:26	set up new owner lot 65, invoice etc.-print meter read list to Josh-respond emails & phone call w/Jake at All Aspects Fencing re: water	86
	18:08	18:22	0:14	recv pmts	14
6/7/2021	12:30	14:15	1:45	reread missed domestic meter readings w/trevor S.	105
	17:55	18:00	0:05	recv pmts (2)	5
6/9/2021	13:26	15:00	1:34	enter meter readins-read clubhouse	94
	15:50	18:30	2:40	reconcile bank stmt-May-begin create invoices	160
6/10/2021	10:34	10:52	0:18	reread 81-tried to find 44 to verify, I could not find	18
	16:00	18:42	2:42	finish creating invoices	162
	18:50	20:14	1:24	creating opt out letter-email to Deschutes Backflow	84
6/11/2021	10:40	18:20	7:40	Create invoices, statements, Opt out Letters, print ,fold,stuff,mail & email invoices	500
6/15/2021	11:00	11:50	0:50	enter bills-recv pmts	50
	12:38	12:45	0:07	2 more pmts & backup	7
	15:05	15:08	0:03	1 pmt & change 105 to mail	3
6/16/2021	11:10	11:23	0:13	Western Title request Lot 102,prepare & fax	13
	18:22	18:33	0:11	recv pmt & research lot 113	11
6/17/2021	14:50	15:04	0:14	recv pmt M.Heiman lot 22,-bill pmts-backup	14
6/21/2021	11:50	11:54	0:04	recv pmts	4
6/23/2021	11:47	11:59	0:12	Contacted by builder for lot 65 RE; meters & connection	12
6/25/2021	11:16	11:27	0:11	Title Co request lot 62-recv pmt	11
	11:40	12:25	0:45	Letter to owners re: septic inspections	45
6/28/2021	16:45	17:15	0:30	update/review owners list-prepare prepare envelopes foe SepTech sewer notice-email Matt	30
6/29/2021	13:30	14:00	0:30	list for SepTech - print & mail letters for sewer inspections	30
6/30/2021	14:09	16:30	2:21	emails to Matt re: lot 65 Wittmer questions & Calls to Brian about meters-recv pmts,oldest invoices pd 7 Olson,14 Fadley-pay bills-backup	141
7/1/2021	11:14	11:34	0:20	To bank make deposit	20
7/2/2021	15:25	15:35	0:10	1st American title call to Bafford RE; sale lot 102	10
7/5/2021	16:15	16:20	0:05	recv pmt	5
7/6/2021	14:28	14:50	0:22	recv pmts, enter bill Edge-email Linda bafford at 1st american Title	22
7/7/2021	11:15	11:20	0:05	recv Meter readings-discovered one of new meters bad	5
	12:25	13:20	0:55	meet with Staudaher & builder re: meters,picked up 1-calculate lot 102's current bill & email to Linda Bafford	55
7/9/2021	13:10	18:55	5:45	read clubhouse-enter meter readings into spreadsheet-Chuck Gibson here, issues with emialed invoices not coming through	345
7/10/2021	15:05	18:22	3:17	finish creating invoices-apply credits-new owner set up lot 106 & 116-print invoices	197
7/11/2021	15:10	16:35	1:25	fold & stuff	85

Office/Bookkeeper time for Aspen Lakes Utility

Date	Beg time	End time	Total Tim	Description	Minutes
7/12/2021	11:20	12:00	0:40	Pay bills-recv pts-email Deschutes Backflow	
	13:00	18:20	5:20	Prepare insert RE: backflow tests and opt out reminder-insert into envelopes-close mail invoices-backup	320
7/15/2021	14:00	15:00	1:00	recv pmts- phone call from Shaunette White lot 29 Gold's to remain until aug 1 and responsible for water until then	60
7/19/2021	15:30	18:15	2:45	enter email address into groups for homeowner message RE; Irrigation water outage-pump down	165
7/20/2021	13:37	14:14	0:37	invoice for lot 115 hookup& 1 meter-reconcile bank acct-answer emails-call Nyle Head,builder for lot 115	37
	15:25	16:12	0:47	update email Bogaert-Title Co. request-recv pmts	47
7/21/2021	13:45	14:32	0:47	Recv pmts-call Tile Co. Re: 102- enter & pay bills CEC	47
	18:42	20:10	1:28	P&L copies for Matt 2017 to current_ recv pmts	88
7/23/2021	18:50	19:52	1:02	recv pmts- update group emial for Damsel Fly Ct-update new owner lot 65	62
7/26/2021	15:35	15:44	0:09	email Kaping w/Matt's phone # for builder & sewer Info - Add lot 29 White email address to notification list & customer list	9
7/28/2021	12:25	15:00	2:35	#43 phone call re locations, email application to Stutler Lot 29, Update address, enter pmts	155
7/29/2021	13:05	14:05	1:00	Title co request lot 62, enter bill, get new owner lot 86 info from title co., emails to Matt P&L, BS etc., Aug 2020 irrigation info	60
8/3/2021	15:32	16:12	0:40	recv pmts	40
8/5/2021	13:20	15:47	2:27	enter readings into spreadsheet	187
8/9/2021	14:30	15:01	0:31	Research water use restrictions-email to Matt, print OARS	31
	15:30	19:30	4:00	Create invoices	24
8/10/2021	12:39	17:20	4:41	review invoices, print, fold, stuff , post	281
	17:35	18:30	0:55	Create statements for email & send stmt-invoices	55
8/11/2021	17:08	17:30	0:22	Bill payments	15
8/12/2021	11:20	11:37	0:17	recv pmts	17
8/13/2021	13:00	13:30	0:30	recv pmts, call from Bob Hill lot 31 sold 7.15.21 to Pighin, online to Desch Dial for new owner info, mail application	30
8/16/2021	14:05	15:10	1:05	enter bill,, prepare final invoice for lot 62 Cox; setup new ciustomer & create new memorized invoice for lot 62 Stutler & Heath; recv pmts	65
8/17/2021	12:00	12:26	0:26	Call to Harder re: address and returned mail; prepare deposit; print Egge invoice for mailing	26
8/18/2021	12:56	13:35	0:39	recv pmts	39
	15:25	15:56	0:31	Phone calls: Egge lot 3 reemails, lot 97 Mansker irrigation leak, enter pmts, call to Deschutes Backflow re: 53	31
8/19/2021	11:18	11:28	0:10	recv pmts	10
	17:45	18:11	0:26	recv pmts; reconcile bank acct	26
8/24/2021	18:25	18:32	0:07	return call Jasperson left msg; Krause phone call & change address	7
8/25/2021	16:42	18:42	2:00	recv pmts; draft letter in response to Gold	120
8/25/2021			0:00	Area Power Outage	
8/27/2021	12:00	13:14	1:14	review email list, update w/new owners, create letter and email to Matt; Send out Boil Water Notice; lot 53 has no backflow device, what had been there was removed.	74

Office/Bookkeeper time for Aspen Lakes Utility

Date	Beg time	End time	Total Tim	Description	Minutes
	13:00	14:00	1:00	work on insurance application	60
8/30/2021	13:35	14:35	1:00	recv pmts, prepare deposit, backup file	60
9/1/2021	13:10	13:40	0:30	enter bills; recv pmts; pay bills; financial info to Darla at insurance co.	30
9/3/2021	12:10	13:35	1:25	recv pmts; email to Pighin; change address Cox lot 62 for refund	85
9/8/2021	13:50	15:40	1:50	Enter reading into spreadsheet	110
9/10/2021	11:17	13:50	2:33	begin creating invoices	153
	14:20	19:30	5:10	Continue creating invoices, Review, stuff ,mail	310
9/14/2021	17:45	18:23	0:38	recv pmts, email invoices	
9/15/2021	14:29	16:00	1:31	recv pmts; enter bills; pay bills; calculate & adjust billing to Gold (avg less 1 day) & mail another invoice	91
9/17/2021	12:43	13:02	0:19	recv pmts; change Heiman to winter address	19
9/21/2021	12:22	12:38	0:16	recv pmts	16
9/22/2021	11:24	13:45	2:21	recv pmts, answer Matt's question re: payments from golf course	141
	14:15	14:50	0:35	enter & pay bills	35
9/24/2021	18:00	18:14	0:14	Reconcile Bank statement	14
9/27/2021	11:45	13:24	1:39	recv pmts; prepare deposit; note to diana hawk	99
9/28/2021	12:10	12:16	0:06	pay bill; backup	6
10/4/2021	12:20	12:23	0:03	email to Darla Re: insurance	3
	15:57	15:59	0:02	email reply to Darla re: papers for insurance	2
10/5/2021	11:50	12:00	0:10	gather, scan & email ins papers to Darla	10
10/6/2021	15:07	15:18	0:11	send title co request	11
	17:20	18:30	1:10	readings into spreadsheet	70
10/7/2021	11:25	11:28	0:03	scan & email ins papers to Darla	3
10/9/2021	13:00	19:45	6:45	create invoices, print invoices, prepare & print statements	405
10/11/2021	11:40	14:10	2:30	fold & stuff envelopes, stamp,prepare deposit, enter bills,print bill payments	150
	15:19	15:23	0:04	call from Mike Peyton	4
	17:05	17:10	0:05	Bill pmts ready for mailing	5
10/12/2021	12:22	12:38	0:16		16
10/18/2021	11:43	12:02	0:19	Call to D. Mathiesen lot 53, recv pmts	19
	17:17	18:03	0:46	recv pmts, enter bills,reconcile bank statement, backup	46
10/21/2021	10:46	17:54	7:08	update timesheets & expenses; prepare 2nd & 3rd Qtr reports	428
10/25/2021	13:37	14:34	0:57	recv pmts; create bill pmts; call from Diane M #53	57
10/26/2021	12:16	12:26	0:10	call to Rapid Rooter RE: tomorrow's backflow repairs; call to Diane M	10
10/27/2021	11:40	12:00	0:20	Meet Rapid Rooter at Lot 53 re: backflow install	20
11/1/2021	17:15	17:45	0:30	Emergency phone call, water leak at lot 35- water shut off at backflow- this was one of the backflow repairs a few days ago.	30
11/2/2021	13:53	15:37	1:44	recv pmts (61 received)	104
11/3/2021	10:30	12:45	2:15	Review Billing for Friedli create invoice,enter bills, pay CIT online	135
11/8/2021	14:50	15:10	0:20	recv pmts, enter bills	20
11/9/2021	15:05	15:16	0:11	Begin entering meter readings	11
11/10/2021	14:45	15:30	0:45	finish entering meter readings	45
	15:40	15:55	0:15	reread meters (3)	15
11/11/2022	14:50	18:38	3:48	begin creating invoices	228
11/12/2021	11:20	15:25	4:05	finish invoices, r eview, create statements, verify with list before mailing, print,fold,stuff w/PUC rate proposal, emial invoices	245

Office/Bookkeeper time for Aspen Lakes Utility

Date	Beg time	End time	Total Tim	Description	Minutes
11/12/2021	17:00	17:27	0:27	Discovered PUC rate proposal did not go with emails , resend PUC proposal	27
11/15/2021	13:25	14:00	0:35	read main irrigation meter - off	35
11/16/2021	14:09	14:14	0:05	Call from Beebee lot 86 sold in June	
	15:37	17:07	1:30	recv pmts, prepare deposit; scheduled lot 35 repair for Friday; review lot 30 & phone call to Tim at Legacy Realty; create new owner & invoice to Mike Mansker lot 86	90
11/17/2021	11:10	11:20	0:10	recv pmts, finalize ALGC invoice	10
11/18/2022	14:33	15:04	0:31	recv pmts, prepare bill payments	31
11/22/2021	11:05	11:24	0:19	lot 65 Gurgevich re: address change	19
	13:50	15:00	1:10	recv pmts; invoice & email to Dave Hjorth lot 35 re: dcva repair	70
11/29/2021	13:30	13:38	0:08	recv pmt, receipt for cash: enter bill	8
	17:36	17:43	0:07	recv pmts	7
12/3/2021	15:40	17:35	1:55	Research Annual report renew; create bill & pay; recv pmts; prepare deposit	115
12/6/2021	16:10	17:29	1:19	read clubhouse meter; enter readings	79
12/7/2021	11:40	11:54	0:14	re-read meters (2)	14
	15:07	17:09	2:02	create invoices up to lot 65	122
12/8/2021	11:33	13:10	1:37	create remaining invoices	97
	13:55	14:55	1:00	begin review--interrupted	60
	15:05	18:27	3:22	cont. review; apply credits; create statements; fold; stuff; post	202
12/10/2022	12:37	12:47	0:10	called & emailed Banton's re: meter replacement	10
	13:30	13:45	0:15	also Notified PUC of interruption in service lot 103; Mike Gruber replaced meter	15
12/13/2021	11:20	11:57	0:37	recv pmts; return call to D. Mathiesen re; her check; backup file	37
12/14/2021	15:33	16:15	0:42	recv pmts; enter bills; deposit ready	42
12/15/2021	16:44	16:49	0:05	recv pmt	
12/16/2021	12:22	13:45	1:23	recv pmts; pay bills; calls & emails re: checks, refunds, etc. (Olivier, jasperson, Hjorth)	83
12/17/2021	16:54	17:25	0:31	Refund ck to Olivier maild morning, received new address afternoon; recv pmts; prepare deposit, backup file	31
12/20/2021	14:32	15:14	0:42	recv pmts; prepare deposit; email reply lot 72 Hughie; backup	42
12/21/2021	13:23	17:15	3:52	Update time worksheet	
12/28/2021	13:45	14:32	0:47	recv note from Wojtasek re; sale of lot 30; Desch. Cnty DIAL for new owner info; email Wojtasek reply re: check not received; set up new owner & invoice,application sent; adjust Wojtasek acct for Nov.; recv call form Jim W, will wait another week for delivery re his pmt ck	47
12/29/2021	12:00	12:34	0:34	recv pmts	34
	12:34	16:15	3:41	Work on PUC questions for rate application	221
12/30/2021	15:55	16:03	0:08	recv pmts; email J. Wojtasek ck arrived	8
	16:03	17:45	1:42	enter bill; work on PUC questions	102
			0:00		
					16812
					280.2
					HOURS

DR-33. Please provide a list showing all required water testing that Aspen Lakes expects to perform over the next three years. Please include the estimated cost for each test.

Answer: Information provided by vendor Edge Analytical based on required testing schedule. It does not including any special or other testing requests other than required compliance sampling.

2022:

Two 6-month rounds of lead and coppers: 5 samples at \$55/per sample= \$550 in 2022
Arsenic: \$31
Nitrate: \$50
SOC: \$1,320
VOC: \$187
Chemical collection Fee: \$100
Bacteria with collection Fee: \$68/sample: \$816 this year
Cost for 2022: \$3,054

2023 (prices not guaranteed/not adjusted for inflation):

Lead and copper schedule: unknown
Nitrate with collection fee: \$95
Bacteria with collection fee: \$816
Cost for 2023: \$911

For 2024 (prices not guaranteed/not adjusted for inflation):

IOC (includes Arsenic, Nitrate and Nitrite): \$295
Rad- Gross Alpha: \$138
Rad- Radium 226/228: \$261
Rad- Uranium: \$47
Chemical Collection Fee: \$100
Bacteria with collection fee: \$816
Cost for 2024: \$1,657

For 2025 (prices not guaranteed/not adjusted for inflation):

Lead and Coppers: \$275
Nitrate: \$50
SOC: \$1,320
VOC: \$187
Chemical collection Fee: \$100
Bacteria with collection Fee: \$68/sample: \$816 this year
Cost for 2025: \$2,748

DR-10. Page 9 (Question 28) of the Application shows a proposed increase to Account 657 (General Liability Insurance) of \$3,757 over the test year amount. Please explain the purpose of this increase and provide documentation demonstrating the cost.

Answer: Previously, the General Liability Insurance for the utility was wrapped into the cost, and covered by the Golf Course. Due to PUC requirements that the costs be separated and properly allocated, the utility secured its own insurance policy. It took more than six months to find an insurance company willing to insure a small utility company. See provided policy Exhibit DR10A, B and C.

DR-11. Page 15 (Question 37) of the Company's Application reflects Utility Plant in Service totaling \$20,000 and residing entirely in Account 303 (Land and Land Rights). Regarding Aspen Lakes' Utility Plant in Service balance,

- a. Please explain what this amount consists of.
- b. Does documentation exist to demonstrate the original cost of the assets(s)? If so, please provide such documentation.
- c. Does Aspen Lakes own and use any plant assets other than the \$20,000 item(s) described above to provide utility services?
- d. If the Company answered affirmatively to (c) above, does Aspen Lakes propose to include any such assets in rate base?
- e. If the Company answered affirmatively to (d) above, please provide a list of all such assets. For each asset, please include:
 - i. The name or other descriptor for the asset,
 - ii. The utility plant account in which the asset resides,
 - iii. The original in-service date of the asset,
 - iv. The original cost of the asset, and

Documentation demonstrating the original cost and in-service date of the asset. If such documentation is unavailable, please include a narrative explanation of the reason.

Answer:

- a. This is the estimated cost of the pumphouse that was built in 1996. It does not include the pumps, valves, or electrical panels.
- b. No.
- c. It owns pumps, panels, valving, piping, and the sewer treatment facility.
- d and e. Yes, but there is no current documentation to support values. The Utility just spent over \$47,000 for repairs pump repairs. The VFD drivers for each of the large pumps cost roughly \$15,000. It is estimated to cost over \$700,000 to replace the well and volume pump with a Health Department approved submersible.

The water system was placed in service in 1996 and the waste water treatment facility was placed in service in about 2002. It was never anticipated that those invoices would be needed 20 years later for a PUC rate discussion.

DR-12. Page 6 (Question 25) of the Company's Application shows an SBA loan with a current balance of \$87,400. Regarding this loan,

- a. Please explain the purpose for this loan, including what the proceeds will be used for.
- b. Please provide documentation demonstrating the amount, interest rate, date, terms, and issuer of the loan.
- c. Is Commission approval of this loan required pursuant to OAR 860-036-2150 and ORS Chapter 757? If no, please explain why not. If yes, please provide the date by which Aspen Lakes plans to submit a Utility Financing application to the Commission.

Answer:

- a. The loan was taken out to create operating capital to cover costs resulting from unexpected costs associated with PUC regulation and to provide contingency funds to be able to cover unexpected costs such as the pump failure in July.
- b. SBA loan documents attached as Exhibit DR12A.
- c. It is the Company's understanding that OAR 860-036-2150 and ORS 757.405 *et seq.* relate to the issuance by a water utility of securities and not the taking out of loans, and more specifically loans issued through the United States Small Business Administration. Loans are not generally considered securities. *See, e.g., Kirschner v. JP Morgan Chase Bank, N.A.*, 2020 U.S. Dist Lexis 90797 (SD NY 2020) (syndicated loan not a "security" under state securities laws (California, Massachusetts, Colorado or Illinois) or federal law). If it is the Commission's position that SBA loans are covered by the applicable regulations, the Company will work expeditiously to file the appropriate application.

SBA Loan #9715477806

Application #3600462856

U.S. Small Business Administration

Economic Injury Disaster Loan

LOAN AUTHORIZATION AND AGREEMENT

Date: 06.09.2020 (Effective Date)

On the above date, this Administration (SBA) authorized (under Section 7(b) of the Small Business Act, as amended) a Loan (SBA Loan #9715477806) to Aspen Lakes Utility Co., LLC (Borrower) of 16900 ASPEN LAKES DR SISTERS Oregon 97759 in the amount of eighty-seven thousand four hundred and 00/100 Dollars (\$87,400.00), upon the following conditions:

PAYMENT

- Installment payments, including principal and interest, of \$426.00 Monthly, will begin Twelve (12) months from the date of the promissory Note. The balance of principal and interest will be payable Thirty (30) years from the date of the promissory Note.

INTEREST

- Interest will accrue at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date(s) of each advance.

PAYMENT TERMS

- Each payment will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal.
- Each payment will be made when due even if at that time the full amount of the Loan has not yet been advanced or the authorized amount of the Loan has been reduced.

COLLATERAL

- For loan amounts of greater than \$25,000, Borrower hereby grants to SBA, the secured party hereunder, a continuing security interest in and to any and all "Collateral" as described herein to secure payment and performance of all debts, liabilities and obligations of Borrower to SBA hereunder without limitation, including but not limited to all interest, other fees and expenses (all hereinafter called "Obligations"). The Collateral includes the following property that Borrower now owns or shall acquire or create immediately upon the acquisition or creation thereof: all tangible and intangible personal property, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j) general intangibles, including payment intangibles and software and (k) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto.
- For loan amounts of \$25,000 or less, SBA is not taking a security interest in any collateral.

SBA Loan #9715477806

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REQUIREMENTS RELATIVE TO COLLATERAL

- Borrower will not sell or transfer any collateral (except normal inventory turnover in the ordinary course of business) described in the "Collateral" paragraph hereof without the prior written consent of SBA.
- Borrower will neither seek nor accept future advances under any superior liens on the collateral securing this Loan without the prior written consent of SBA.

USE OF LOAN PROCEEDS

- Borrower will use all the proceeds of this Loan solely as working capital to alleviate economic injury caused by disaster occurring in the month of January 31, 2020 and continuing thereafter and to pay Uniform Commercial Code (UCC) lien filing fees and a third-party UCC handling charge of \$100 which will be deducted from the Loan amount stated above.

REQUIREMENTS FOR USE OF LOAN PROCEEDS AND RECEIPTS

- Borrower will obtain and itemize receipts (paid receipts, paid invoices or cancelled checks) and contracts for all Loan funds spent and retain these receipts for 3 years from the date of the final disbursement. Prior to each subsequent disbursement (if any) and whenever requested by SBA, Borrower will submit to SBA such itemization together with copies of the receipts.
- Borrower will not use, directly or indirectly, any portion of the proceeds of this Loan to relocate without the prior written permission of SBA. The law prohibits the use of any portion of the proceeds of this Loan for voluntary relocation from the business area in which the disaster occurred. To request SBA's prior written permission to relocate, Borrower will present to SBA the reasons therefore and a description or address of the relocation site. Determinations of (1) whether a relocation is voluntary or otherwise, and (2) whether any site other than the disaster-affected location is within the business area in which the disaster occurred, will be made solely by SBA.
- Borrower will, to the extent feasible, purchase only American-made equipment and products with the proceeds of this Loan.
- Borrower will make any request for a loan increase for additional disaster-related damages as soon as possible after the need for a loan increase is discovered. The SBA will not consider a request for a loan increase received more than **two (2)** years from the date of loan approval unless, in the sole discretion of the SBA, there are extraordinary and unforeseeable circumstances beyond the control of the borrower.

DEADLINE FOR RETURN OF LOAN CLOSING DOCUMENTS

- **Borrower will sign and return the loan closing documents to SBA within 2 months of the date of this Loan Authorization and Agreement.** By notifying the Borrower in writing, SBA may cancel this Loan if the Borrower fails to meet this requirement. The Borrower may submit and the SBA may, in its sole discretion, accept documents after 2 months of the date of this Loan Authorization and Agreement.

COMPENSATION FROM OTHER SOURCES

- Eligibility for this disaster Loan is limited to disaster losses that are not compensated by other sources. Other sources include but are not limited to: (1) proceeds of policies of insurance or other indemnifications, (2) grants or other reimbursement (including loans) from government agencies or private organizations, (3)

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claims for civil liability against other individuals, organizations or governmental entities, and (4) salvage (including any sale or re-use) of items of damaged property.

- Borrower will promptly notify SBA of the existence and status of any claim or application for such other compensation, and of the receipt of any such compensation, and Borrower will promptly submit the proceeds of same (not exceeding the outstanding balance of this Loan) to SBA.
- Borrower hereby assigns to SBA the proceeds of any such compensation from other sources and authorizes the payor of same to deliver said proceeds to SBA at such time and place as SBA shall designate.
- SBA will in its sole discretion determine whether any such compensation from other sources is a duplication of benefits. SBA will use the proceeds of any such duplication to reduce the outstanding balance of this Loan, and Borrower agrees that such proceeds will not be applied in lieu of scheduled payments.

DUTY TO MAINTAIN HAZARD INSURANCE

- Within 12 months from the date of this Loan Authorization and Agreement the Borrower will provide proof of an active and in effect hazard insurance policy including fire, lightning, and extended coverage on all items used to secure this loan to at least 80% of the insurable value. Borrower will not cancel such coverage and will maintain such coverage throughout the entire term of this Loan. **BORROWER MAY NOT BE ELIGIBLE FOR EITHER ANY FUTURE DISASTER ASSISTANCE OR SBA FINANCIAL ASSISTANCE IF THIS INSURANCE IS NOT MAINTAINED AS STIPULATED HEREIN THROUGHOUT THE ENTIRE TERM OF THIS LOAN.** Please submit proof of insurance to: U.S. Small Business Administration, Office of Disaster Assistance, 14925 Kingsport Rd, Fort Worth, TX. 76155.

BOOKS AND RECORDS

- Borrower will maintain current and proper books of account in a manner satisfactory to SBA for the most recent 5 years until 3 years after the date of maturity, including extensions, or the date this Loan is paid in full, whichever occurs first. Such books will include Borrower's financial and operating statements, insurance policies, tax returns and related filings, records of earnings distributed and dividends paid and records of compensation to officers, directors, holders of 10% or more of Borrower's capital stock, members, partners and proprietors.
- Borrower authorizes SBA to make or cause to be made, at Borrower's expense and in such a manner and at such times as SBA may require: (1) inspections and audits of any books, records and paper in the custody or control of Borrower or others relating to Borrower's financial or business conditions, including the making of copies thereof and extracts therefrom, and (2) inspections and appraisals of any of Borrower's assets.
- Borrower will furnish to SBA, not later than 3 months following the expiration of Borrower's fiscal year and in such form as SBA may require, Borrower's financial statements.
- Upon written request of SBA, Borrower will accompany such statements with an 'Accountant's Review Report' prepared by an independent public accountant at Borrower's expense.
- Borrower authorizes all Federal, State and municipal authorities to furnish reports of examination, records and other information relating to the conditions and affairs of Borrower and any desired information from such reports, returns, files, and records of such authorities upon request of SBA.

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LIMITS ON DISTRIBUTION OF ASSETS

- Borrower will not, without the prior written consent of SBA, make any distribution of Borrower's assets, or give any preferential treatment, make any advance, directly or indirectly, by way of loan, gift, bonus, or otherwise, to any owner or partner or any of its employees, or to any company directly or indirectly controlling or affiliated with or controlled by Borrower, or any other company.

EQUAL OPPORTUNITY REQUIREMENT

- If Borrower has or intends to have employees, Borrower will post SBA Form 722, Equal Opportunity Poster (copy attached), in Borrower's place of business where it will be clearly visible to employees, applicants for employment, and the general public.

DISCLOSURE OF LOBBYING ACTIVITIES

- Borrower agrees to the attached Certification Regarding Lobbying Activities

BORROWER'S CERTIFICATIONS

Borrower certifies that:

- There has been no substantial adverse change in Borrower's financial condition (and organization, in case of a business borrower) since the date of the application for this Loan. (Adverse changes include, but are not limited to: judgment liens, tax liens, mechanic's liens, bankruptcy, financial reverses, arrest or conviction of felony, etc.)
- No fees have been paid, directly or indirectly, to any representative (attorney, accountant, etc.) for services provided or to be provided in connection with applying for or closing this Loan, other than those reported on SBA Form 5 Business Disaster Loan Application; SBA Form 3501 COVID-19 Economic Injury Disaster Loan Application; or SBA Form 159, 'Compensation Agreement'. All fees not approved by SBA are prohibited.
- All representations in the Borrower's Loan application (including all supplementary submissions) are true, correct and complete and are offered to induce SBA to make this Loan.
- No claim or application for any other compensation for disaster losses has been submitted to or requested of any source, and no such other compensation has been received, other than that which Borrower has fully disclosed to SBA.
- Neither the Borrower nor, if the Borrower is a business, any principal who owns at least 50% of the Borrower, is delinquent more than 60 days under the terms of any: (a) administrative order; (b) court order; or (c) repayment agreement that requires payment of child support.
- Borrower certifies that no fees have been paid, directly or indirectly, to any representative (attorney, accountant, etc.) for services provided or to be provided in connection with applying for or closing this Loan, other than those reported on the Loan Application. All fees not approved by SBA are prohibited. If an Applicant chooses to employ an Agent, the compensation an Agent charges to and that is paid by the Applicant must bear a necessary and reasonable relationship to the services actually performed and must be comparable to those charged by other Agents in the geographical area. Compensation cannot be contingent on loan approval. In addition, compensation must not include any expenses which are deemed by SBA to be unreasonable for services actually performed or expenses actually incurred. Compensation must not include

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charges prohibited in 13 CFR 103 or SOP 50-30, Appendix 1. **If the compensation exceeds \$500 for a disaster home loan or \$2,500 for a disaster business loan, Borrower must fill out the Compensation Agreement Form 159D which will be provided for Borrower upon request or can be found on the SBA website.**

- Borrower certifies, to the best of its, his or her knowledge and belief, that the certifications and representations in the attached Certification Regarding Lobbying are true, correct and complete and are offered to induce SBA to make this Loan.

CIVIL AND CRIMINAL PENALTIES

- Whoever wrongfully misapplies the proceeds of an SBA disaster loan shall be civilly liable to the Administrator in an amount equal to one-and-one half times the original principal amount of the loan under 15 U.S.C. 636(b). In addition, any false statement or misrepresentation to SBA may result in criminal, civil or administrative sanctions including, but not limited to: 1) fines, imprisonment or both, under 15 U.S.C. 645, 18 U.S.C. 1001, 18 U.S.C. 1014, 18 U.S.C. 1040, 18 U.S.C. 3571, and any other applicable laws; 2) treble damages and civil penalties under the False Claims Act, 31 U.S.C. 3729; 3) double damages and civil penalties under the Program Fraud Civil Remedies Act, 31 U.S.C. 3802; and 4) suspension and/or debarment from all Federal procurement and non-procurement transactions. Statutory fines may increase if amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

RESULT OF VIOLATION OF THIS LOAN AUTHORIZATION AND AGREEMENT

- If Borrower violates any of the terms or conditions of this Loan Authorization and Agreement, the Loan will be in default and SBA may declare all or any part of the indebtedness immediately due and payable. SBA's failure to exercise its rights under this paragraph will not constitute a waiver.
- A default (or any violation of any of the terms and conditions) of any SBA Loan(s) to Borrower and/or its affiliates will be considered a default of all such Loan(s).

DISBURSEMENT OF THE LOAN

- Disbursements will be made by and at the discretion of SBA Counsel, in accordance with this Loan Authorization and Agreement and the general requirements of SBA.
- Disbursements may be made in increments as needed.
- Other conditions may be imposed by SBA pursuant to general requirements of SBA.
- Disbursement may be withheld if, in SBA's sole discretion, there has been an adverse change in Borrower's financial condition or in any other material fact represented in the Loan application, or if Borrower fails to meet any of the terms or conditions of this Loan Authorization and Agreement.
- **NO DISBURSEMENT WILL BE MADE LATER THAN 6 MONTHS FROM THE DATE OF THIS LOAN AUTHORIZATION AND AGREEMENT UNLESS SBA, IN ITS SOLE DISCRETION, EXTENDS THIS DISBURSEMENT PERIOD.**

SBA Loan #9715477806

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PARTIES AFFECTED

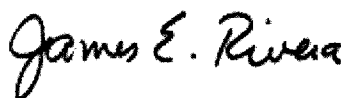
- This Loan Authorization and Agreement will be binding upon Borrower and Borrower's successors and assigns and will inure to the benefit of SBA and its successors and assigns.

RESOLUTION OF BOARD OF DIRECTORS

- Borrower shall, within 180 days of receiving any disbursement of this Loan, submit the appropriate SBA Certificate and/or Resolution to the U.S. Small Business Administration, Office of Disaster Assistance, 14925 Kingsport Rd, Fort Worth, TX. 76155.

ENFORCEABILITY

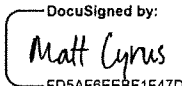
- This Loan Authorization and Agreement is legally binding, enforceable and approved upon Borrower's signature, the SBA's approval and the Loan Proceeds being issued to Borrower by a government issued check or by electronic debit of the Loan Proceeds to Borrower's banking account provided by Borrower in application for this Loan.



James E. Rivera
Associate Administrator
U.S. Small Business Administration

The undersigned agree(s) to be bound by the terms and conditions herein during the term of this Loan, and further agree(s) that no provision stated herein will be waived without prior written consent of SBA. **Under penalty of perjury of the United States of America, I hereby certify that I am authorized to apply for and obtain a disaster loan on behalf of Borrower, in connection with the effects of the COVID-19 emergency.**

Aspen Lakes Utility Co., LLC

DocuSigned by:

FD5AF6EEBF1F47D...

Date: 06.09.2020

Matt Cyrus, Owner/Officer

Note: Corporate Borrowers must execute Loan Authorization and Agreement in corporate name, by a duly authorized officer. Partnership Borrowers must execute in firm name, together with signature of a general partner. Limited Liability entities must execute in the entity name by the signature of the authorized managing person.

CERTIFICATION REGARDING LOBBYING

For loans over \$150,000, Congress requires recipients to agree to the following:

1. Appropriated funds may NOT be used for lobbying.
2. Payment of non-federal funds for lobbying must be reported on Form SF-LLL.
3. Language of this certification must be incorporated into all contracts and subcontracts exceeding \$100,000.
4. All contractors and subcontractors with contracts exceeding \$100,000 are required to certify and disclose accordingly.

CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans, and Cooperative Agreements

Borrower and all Guarantors (if any) certify, to the best of its, his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal loan, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and co-operative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000.00 and not more than \$100,000.00 for each such failure.



This Statement of Policy is Posted

In Accordance with Regulations of the

Small Business Administration

This Organization Practices

Equal Employment Opportunity

We do not discriminate on the ground of race, color, religion, sex, age, disability or national origin in the hiring, retention, or promotion of employees; nor in determining their rank, or the compensation or fringe benefits paid them.

This Organization Practices

Equal Treatment of Clients

We do not discriminate on the basis of race, color, religion, sex, marital status, disability, age or national origin in services or accommodations offered or provided to our employees, clients or guests.

These policies and this notice comply with regulations of the United States Government.

Please report violations of this policy to:

**Administrator
Small Business Administration
Washington, D.C. 20416**

In order for the public and your employees to know their rights under 13 C.F.R Parts 112, 113, and 117, Small Business Administration Regulations, and to conform with the directions of the Administrator of SBA, this poster must be displayed where it is clearly visible to employees, applicants for employment, and the public.

Failure to display the poster as required in accordance with SBA Regulations may be considered evidence of noncompliance and subject you to the penalties contained in those Regulations.



**Esta Declaración De Principios Se Publica
De Acuerdo Con Los Reglamentos De La
Agencia Federal Para el Desarrollo de la Pequeña Empresa**

Esta Organización Practica

Igual Oportunidad De Empleo

No discriminamos por razón de raza, color, religión, sexo, edad, discapacidad o nacionalidad en el empleo, retención o ascenso de personal ni en la determinación de sus posiciones, salarios o beneficios marginales.

Esta Organización Practica

Igualdad En El Trato A Su Clientela

No discriminamos por razón de raza, color, religión, sexo, estado civil, edad, discapacidad o nacionalidad en los servicios o facilidades provistos para nuestros empleados, clientes o visitantes.

Estos principios y este aviso cumplen con los reglamentos del Gobierno de los Estados Unidos de América.


Favor de informar violaciones a lo aquí indicado a:

**Administrador
Agencia Federal Para el Desarrollo de la
Pequeña Empresa
Washington, D.C. 20416**

A fin de que el público y sus empleados conozcan sus derechos según lo expresado en las Secciones 112, 113 y 117 del Código de Regulaciones Federales No. 13, de los Reglamentos de la Agencia Federal Para el Desarrollo de la Pequeña Empresa y de acuerdo con las instrucciones del Administrador de dicha agencia, esta notificación debe fijarse en un lugar claramente visible para los empleados, solicitantes de empleo y público en general. No fijar esta notificación según lo requerido por los reglamentos de la Agencia Federal Para el Desarrollo de la Pequeña Empresa, puede ser interpretado como evidencia de falta de cumplimiento de los mismos y conllevará la ejecución de los castigos impuestos en estos reglamentos.

SBA Loan #9715477806

Application #3600462856

	U.S. Small Business Administration	Date: 06.09.2020
	NOTE	Loan Amount: \$87,400.00
	(SECURED DISASTER LOANS)	Annual Interest Rate: 3.75%

SBA Loan # 9715477806

Application #3600462856

1. **PROMISE TO PAY:** In return for a loan, Borrower promises to pay to the order of SBA the amount of **eighty-seven thousand four hundred and 00/100 Dollars (\$87,400.00)**, interest on the unpaid principal balance, and all other amounts required by this Note.
2. **DEFINITIONS:** **A)** "Collateral" means any property taken as security for payment of this Note or any guarantee of this Note. **B)** "Guarantor" means each person or entity that signs a guarantee of payment of this Note. **C)** "Loan Documents" means the documents related to this loan signed by Borrower, any Guarantor, or anyone who pledges collateral.
3. **PAYMENT TERMS:** Borrower must make all payments at the place SBA designates. Borrower may prepay this Note in part or in full at any time, without notice or penalty. Borrower must pay principal and interest payments of **\$426.00** every **month** beginning **Twelve (12)** months from the date of the Note. SBA will apply each installment payment first to pay interest accrued to the day SBA receives the payment and will then apply any remaining balance to reduce principal. All remaining principal and accrued interest is due and payable **Thirty (30) years** from the date of the Note.
4. **DEFAULT:** Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower: **A)** Fails to comply with any provision of this Note, the Loan Authorization and Agreement, or other Loan Documents; **B)** Defaults on any other SBA loan; **C)** Sells or otherwise transfers, or does not preserve or account to SBA's satisfaction for, any of the Collateral or its proceeds; **D)** Does not disclose, or anyone acting on their behalf does not disclose, any material fact to SBA; **E)** Makes, or anyone acting on their behalf makes, a materially false or misleading representation to SBA; **F)** Defaults on any loan or agreement with another creditor, if SBA believes the default may materially affect Borrower's ability to pay this Note; **G)** Fails to pay any taxes when due; **H)** Becomes the subject of a proceeding under any bankruptcy or insolvency law; **I)** Has a receiver or liquidator appointed for any part of their business or property; **J)** Makes an assignment for the benefit of creditors; **K)** Has any adverse change in financial condition or business operation that SBA believes may materially affect Borrower's ability to pay this Note; **L)** Dies; **M)** Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without SBA's prior written consent; or **N)** Becomes the subject of a civil or criminal action that SBA believes may materially affect Borrower's ability to pay this Note.
5. **SBA'S RIGHTS IF THERE IS A DEFAULT:** Without notice or demand and without giving up any of its rights, SBA may: **A)** Require immediate payment of all amounts owing under this Note; **B)** Have recourse to collect all amounts owing from any Borrower or Guarantor (if any); **C)** File suit and obtain judgment; **D)** Take possession of any Collateral; or **E)** Sell, lease, or otherwise dispose of, any Collateral at public or private sale, with or without advertisement.
6. **SBA'S GENERAL POWERS:** Without notice and without Borrower's consent, SBA may: **A)** Bid on or buy the Collateral at its sale or the sale of another lienholder, at any price it chooses; **B)** Collect amounts due under this Note, enforce the terms of this Note or any other Loan Document, and preserve or dispose of the Collateral. Among other things, the expenses may include payments for property taxes, prior liens, insurance, appraisals, environmental remediation costs, and reasonable attorney's fees and costs. If SBA incurs such expenses, it may demand immediate reimbursement from Borrower or add the expenses to the principal balance; **C)** Release anyone obligated to pay this Note; **D)** Compromise, release, renew, extend or substitute any of the Collateral; and **E)** Take any action necessary to protect the Collateral or collect amounts owing on this Note.

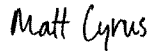
SBA Loan #9715477806

Application #3600462856

7. **FEDERAL LAW APPLIES:** When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.
8. **GENERAL PROVISIONS:** **A)** All individuals and entities signing this Note are jointly and severally liable. **B)** Borrower waives all suretyship defenses. **C)** Borrower must sign all documents required at any time to comply with the Loan Documents and to enable SBA to acquire, perfect, or maintain SBA's liens on Collateral. **D)** SBA may exercise any of its rights separately or together, as many times and in any order it chooses. SBA may delay or forgo enforcing any of its rights without giving up any of them. **E)** Borrower may not use an oral statement of SBA to contradict or alter the written terms of this Note. **F)** If any part of this Note is unenforceable, all other parts remain in effect. **G)** To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that SBA did not obtain any guarantee; did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale. **H)** SBA may sell or otherwise transfer this Note.
9. **MISUSE OF LOAN FUNDS:** Anyone who wrongfully misapplies any proceeds of the loan will be civilly liable to SBA for one and one-half times the proceeds disbursed, in addition to other remedies allowed by law.
10. **BORROWER'S NAME(S) AND SIGNATURE(S):** By signing below, each individual or entity acknowledges and accepts personal obligation and full liability under the Note as Borrower.

Aspen Lakes Utility Co., LLC

DocuSigned by:


FD5AF6EEBF1F47D...

Matt Cyrus, Owner/Officer

SBA Loan #9715477806

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SECURITY AGREEMENT

Read this document carefully. It grants the SBA a security interest (lien) in all the property described in paragraph 4.

This document is predated. DO NOT CHANGE THE DATE ON THIS DOCUMENT.

SBA Loan #9715477806

Application #3600462856



U.S. Small Business Administration SECURITY AGREEMENT

SBA Loan #:	9715477806
Borrower:	Aspen Lakes Utility Co., LLC
Secured Party:	The Small Business Administration, an Agency of the U.S. Government
Date:	06.09.2020
Note Amount:	\$87,400.00

1. DEFINITIONS.

Unless otherwise specified, all terms used in this Agreement will have the meanings ascribed to them under the Official Text of the Uniform Commercial Code, as it may be amended from time to time, ("UCC"). "SBA" means the Small Business Administration, an Agency of the U.S. Government.

2. GRANT OF SECURITY INTEREST.

For value received, the Borrower grants to the Secured Party a security interest in the property described below in paragraph 4 (the "Collateral").

3. OBLIGATIONS SECURED.

This Agreement secures the payment and performance of: (a) all obligations under a Note dated 06.09.2020, made by Aspen Lakes Utility Co., LLC, made payable to Secured Lender, in the amount of \$87,400.00 ("Note"), including all costs and expenses (including reasonable attorney's fees), incurred by Secured Party in the disbursement, administration and collection of the loan evidenced by the Note; (b) all costs and expenses (including reasonable attorney's fees), incurred by Secured Party in the protection, maintenance and enforcement of the security interest hereby granted; (c) all obligations of the Borrower in any other agreement relating to the Note; and (d) any modifications, renewals, refinancings, or extensions of the foregoing obligations.

4. COLLATERAL DESCRIPTION.

The Collateral in which this security interest is granted includes the following property that Borrower now owns or shall acquire or create immediately upon the acquisition or creation thereof: all tangible

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Application #3600462856

and intangible personal property, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j) general intangibles, including payment intangibles and software and (k) as-extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto.

5. RESTRICTIONS ON COLLATERAL TRANSFER.

Borrower will not sell, lease, license or otherwise transfer (including by granting security interests, liens, or other encumbrances in) all or any part of the Collateral or Borrower's interest in the Collateral without Secured Party's written or electronically communicated approval, except that Borrower may sell inventory in the ordinary course of business on customary terms. Borrower may collect and use amounts due on accounts and other rights to payment arising or created in the ordinary course of business, until notified otherwise by Secured Party in writing or by electronic communication.

6. MAINTENANCE AND LOCATION OF COLLATERAL; INSPECTION; INSURANCE.

Borrower must promptly notify Secured Party by written or electronic communication of any change in location of the Collateral, specifying the new location. Borrower hereby grants to Secured Party the right to inspect the Collateral at all reasonable times and upon reasonable notice. Borrower must: (a) maintain the Collateral in good condition; (b) pay promptly all taxes, judgments, or charges of any kind levied or assessed thereon; (c) keep current all rent or mortgage payments due, if any, on premises where the Collateral is located; and (d) maintain hazard insurance on the Collateral, with an insurance company and in an amount approved by Secured Party (but in no event less than the replacement cost of that Collateral), and including such terms as Secured Party may require including a Lender's Loss Payable Clause in favor of Secured Party. Borrower hereby assigns to Secured Party any proceeds of such policies and all unearned premiums thereon and authorizes and empowers Secured Party to collect such sums and to execute and endorse in Borrower's name all proofs of loss, drafts, checks and any other documents necessary for Secured Party to obtain such payments.

7. CHANGES TO BORROWER'S LEGAL STRUCTURE, PLACE OF BUSINESS, JURISDICTION OF ORGANIZATION, OR NAME.

Borrower must notify Secured Party by written or electronic communication not less than 30 days before taking any of the following actions: (a) changing or reorganizing the type of organization or form under which it does business; (b) moving, changing its place of business or adding a place of business; (c) changing its jurisdiction of organization; or (d) changing its name. Borrower will pay for the preparation and filing of all documents Secured Party deems necessary to maintain, perfect and continue the perfection of Secured Party's security interest in the event of any such change.

8. PERFECTION OF SECURITY INTEREST.

Borrower consents, without further notice, to Secured Party's filing or recording of any documents necessary to perfect, continue, amend or terminate its security interest. Upon request of Secured Party, Borrower must sign or otherwise authenticate all documents that Secured Party deems necessary at any time to allow Secured Party to acquire, perfect, continue or amend its security interest in the Collateral. Borrower will pay the filing and recording costs of any documents relating to Secured Party's security interest. Borrower ratifies all previous filings and recordings, including financing statements and

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Application #3600462856

notations on certificates of title. Borrower will cooperate with Secured Party in obtaining a Control Agreement satisfactory to Secured Party with respect to any Deposit Accounts or Investment Property, or in otherwise obtaining control or possession of that or any other Collateral.

9. **DEFAULT.**

Borrower is in default under this Agreement if: (a) Borrower fails to pay, perform or otherwise comply with any provision of this Agreement; (b) Borrower makes any materially false representation, warranty or certification in, or in connection with, this Agreement, the Note, or any other agreement related to the Note or this Agreement; (c) another secured party or judgment creditor exercises its rights against the Collateral; or (d) an event defined as a "default" under the Obligations occurs. In the event of default and if Secured Party requests, Borrower must assemble and make available all Collateral at a place and time designated by Secured Party. Upon default and at any time thereafter, Secured Party may declare all Obligations secured hereby immediately due and payable, and, in its sole discretion, may proceed to enforce payment of same and exercise any of the rights and remedies available to a secured party by law including those available to it under Article 9 of the UCC that is in effect in the jurisdiction where Borrower or the Collateral is located. Unless otherwise required under applicable law, Secured Party has no obligation to clean or otherwise prepare the Collateral for sale or other disposition and Borrower waives any right it may have to require Secured Party to enforce the security interest or payment or performance of the Obligations against any other person.

10. **FEDERAL RIGHTS.**

When SBA is the holder of the Note, this Agreement will be construed and enforced under federal law, including SBA regulations. Secured Party or SBA may use state or local procedures for filing papers, recording documents, giving notice, enforcing security interests or liens, and for any other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax or liability. As to this Agreement, Borrower may not claim or assert any local or state law against SBA to deny any obligation, defeat any claim of SBA, or preempt federal law.

11. **GOVERNING LAW.**

Unless SBA is the holder of the Note, in which case federal law will govern, Borrower and Secured Party agree that this Agreement will be governed by the laws of the jurisdiction where the Borrower is located, including the UCC as in effect in such jurisdiction and without reference to its conflicts of laws principles.

12. **SECURED PARTY RIGHTS.**

All rights conferred in this Agreement on Secured Party are in addition to those granted to it by law, and all rights are cumulative and may be exercised simultaneously. Failure of Secured Party to enforce any rights or remedies will not constitute an estoppel or waiver of Secured Party's ability to exercise such rights or remedies. Unless otherwise required under applicable law, Secured Party is not liable for any loss or damage to Collateral in its possession or under its control, nor will such loss or damage reduce or discharge the Obligations that are due, even if Secured Party's actions or inactions caused or in any way contributed to such loss or damage.

13. **SEVERABILITY.**

If any provision of this Agreement is unenforceable, all other provisions remain in effect.

SBA Loan #9715477806

Application #3600462856

14. **BORROWER CERTIFICATIONS.**

Borrower certifies that: (a) its Name (or Names) as stated above is correct; (b) all Collateral is owned or titled in the Borrower's name and not in the name of any other organization or individual; (c) Borrower has the legal authority to grant the security interest in the Collateral; (d) Borrower's ownership in or title to the Collateral is free of all adverse claims, liens, or security interests (unless expressly permitted by Secured Party); (e) none of the Obligations are or will be primarily for personal, family or household purposes; (f) none of the Collateral is or will be used, or has been or will be bought primarily for personal, family or household purposes; (g) Borrower has read and understands the meaning and effect of all terms of this Agreement.

15. **BORROWER NAME(S) AND SIGNATURE(S).**

By signing or otherwise authenticating below, each individual and each organization becomes jointly and severally obligated as a Borrower under this Agreement.

Aspen Lakes Utility Co., LLC

DocuSigned by:
Matt Cyrus
FD5AF6EEBF1F47D...

Date: 06.09.2020

Matt Cyrus, Owner/Officer

DR-31. Documentation provided by Aspen Lakes in response to Staff's DR 9 indicates that the Company receives monthly bills from Central Electric Cooperative relating to three separate service addresses:

- a. Aspen Lakes/North Lake,
- b. Highway 126 & Camp Polk, and
- c. Lady Caroline Dr Lift S.

Please identify which of the Company's services are associated with each.

Answer:

- a. This meter is for the golf course pump station that pressurizes the irrigation water for both, the golf course and the homeowner irrigation systems.
- b. This meter is for main pump station for the wells at the highway that provides well water to both the domestic water and the pond fill for the irrigation, as well as the fire flows.
- c. This meter provides the power for the sewer system lift pumps.

DR-16. Page 12 (Question 31) and Page 13 (Question 33) of Aspen Lakes' Application indicate that test year irrigation consumption for the golf course and rec center totaled 38,288 gallons monthly, or approximately 159,897,000 gallons annually. Please provide the amount of test year consumption attributable to the golf course and rec center separately.

Answer: See Exhibit DR16A for updated figures.

Wastewater (Sewer) Rates	<input type="checkbox"/> M <input checked="" type="checkbox"/> F	\$70 for Residential \$500 for Commercial \$35 for Bare Lot
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31. Q. PLEASE PROVIDE THE FOLLOWING FOR EACH CUSTOMER CLASS FOR THE MOST RECENT COMPLETED CALENDAR YEAR OF 2021.

(Count each dwelling unit, such as each mobile home, each side of the duplex, each condominium as a customer.)

A.

Customer Class	Number of Customers at Start of Year	Number of Customers at End of Year	Total Annual Revenues	Total Annual Consumption	Cubic Feet or Gal
Residential	85	88	\$ 39,708	5,335,858 5,554,618	<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal
Commercial/Industrial	Clubhouse 2	2	\$ 3,388	459,450 508,670	<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal
Irrigation Residential	80	82	\$ 43,232	31,118,019 30,431,098	<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal
Irrigation Commercial	2	2	\$ 62,359	159,897,079 182,275,962	<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal
Fire Protection			\$		<input type="checkbox"/> CF <input type="checkbox"/> Gal
Bare Lot	30	27	\$7,403	0	<input type="checkbox"/> CF <input type="checkbox"/> Gal
Wastewater Commercial	1	1	\$6,000		
Wastewater Residential	14	14	\$ 9,135		<input type="checkbox"/> CF <input type="checkbox"/> Gal
Misc. Service Revenue			\$12,600	New Hookups & meters.	
Cross Connection		••••	\$1,600		
TOTAL		39,708 • + 3,388 • + 43,232 • + 62,359 • + 7,403 • + 6,000 • + 9,135 • + 12,600 • + 1,600 • + 185,425 • *	\$184,425	196,810,406 218,770,348	<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal

UT

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THE UTILITY

5,554,618 • +
508,670 • +
30,431,098 • +
182,275,962 • +
218,770,348 • *

Question 16.
Correct totals Irrigation consumption 182,275,962
golf 179,704,062
Sec center 2,571,900
182,275,962

RATES FOR RESIDENTIAL SERVICE

Annual Consumption included in Base Rate	Proposed Residential Monthly Commodity/Usage Rate	
	<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal	Tier 1 - \$3.57 Per 1,000gal Tier 2 - \$ Per
<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal	Tier 1 - \$3.57 Per 1,000 gal Tier 2 - \$ Per	Up to: Above:

PROPOSED RATES FOR RESIDENTIAL & COMMERCIAL IRRIGATION SERVICE

Line or Meter Size	Check One	Monthly Base or Flat Rate	Commercial Consumption Included in Base Rate	Proposed Commercial Monthly Commodity/Usage Rate
1"	<input type="checkbox"/> M <input checked="" type="checkbox"/> F	\$ 20.79	0	<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal Tier 1 - \$.79 Per 1000 gal Tier 2 - \$ Per Up to: Above:
2"	<input type="checkbox"/> M <input checked="" type="checkbox"/> F	\$ 66.54	0	<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal Tier 1 - \$.79 Per 1000 gal Tier 2 - \$ Per Up to: Above:

PROPOSED RATES FOR GOLF COURSE IRRIGATION SERVICE

Line or Meter Size	Check One	Monthly Base or Flat Rate	Irrigation Consumption Included	Proposed Irrigation Monthly Commodity/Usage Rate
2"	<input type="checkbox"/> M <input checked="" type="checkbox"/> F	\$ 3250	0	<input type="checkbox"/> CF <input checked="" type="checkbox"/> Gal \$.13 Per 1000 gal

PROPOSED RATES FOR FIRE PROTECTION OR HYDRANT SERVICE

Type of Service	# of Customers	Proposed Monthly Rate
Bare Lot Domestic water rates	27	\$ 14
		\$

PROPOSED RATES FOR SPECIAL CONTRACTS

(State who the contract is with and explain the monthly charge(s) for each special contract.)

Special Contracts	Monthly Rate	Annual Rate
	\$	\$
	\$	\$
	\$	\$
	\$	\$

PROPOSED RATE FOR OTHER SERVICE NOT COVERED ABOVE

(State what the service is and explain the monthly charge(s).)

Specify Service	Check One	Estimated Annual Consumption	Monthly Rate	Annual Revenue
Wastewater (sewer) Residential	<input type="checkbox"/> M <input checked="" type="checkbox"/> F	<input type="checkbox"/> CF <input type="checkbox"/> Gal	\$ 70.00	\$ 9135
Wastewater (sewer) Commercial	<input type="checkbox"/> M <input checked="" type="checkbox"/> F	<input type="checkbox"/> CF <input type="checkbox"/> Gal	\$ 500	\$ 6000

33. Q. IF THE UTILITY'S RATE PROPOSAL WERE ADOPTED, PROVIDE THE FOLLOWING FOR EACH CUSTOMER CLASS AT THE SPECIFIED METER OR LINE SIZE.

A. The utility's **PROPOSED** number of customers, and average customer monthly bill and consumption for each customer class annual revenues, is shown below.

Customer Class	Number of Customers	Average Monthly Bill	Average Monthly Consumption	Total Annual Revenue
Residential 1"	88	\$38.93 <i>37.60</i>	444,655 <i>462,485</i>	\$45,728 <i>39,708</i>
Residential 2"	2	\$ 141.15 ✓	38,288 <i>42,389</i>	\$3,288 <i>3,388</i>
Residential Irrigation	82	\$42.39 <i>43.93</i>	2,593,168 <i>2,359,25</i>	\$44,750 <i>43,232</i>
Golf Course/Rec Center <i>irrigation</i>	2	\$ 2598.31 <i>29</i>	13,324,757 <i>13,189,664</i>	\$63,129 <i>62,359</i>
Wastewater (sewer) Residential	8	\$70		6,720
Wastewater (sewer) Commercial	1	\$500		6,000

DR-14. Aspen Lakes' Application reflects total test year consumption of approximately 196,810,400 gallons, representing a decrease of more than 19 percent from the 244,133,138 gallons used in UW 176. Regarding this decrease,

- a. Please explain the decrease in consumption between the previous rate case and the test year.
- b. Is the decrease in consumption likely to persist going forward? Please explain why or why not.

If the decrease in consumption is not likely to persist, please provide a normalized estimate of Aspen Lakes' test year consumption. Please include all explanations and analyses necessary to demonstrate how the estimate was calculated.

Answer:

- a. The decrease was a result of a pump failure that lasted several weeks and significantly reduced the amount of water that was able to be delivered to both the golf course and domestic irrigation during that period.
- b. It is anticipated that consumption will return to normal in 2022.
- c. It is estimated that the consumption will return to a number, similar to, or slightly higher than the 244,133,138 delivered in 2020. There were no abnormalities during that delivery year and no reason to assume that deliveries will not be similar, except that a few more homes will be added to the system, which will likely result in an increase in consumption.

To: Oregon PUC Hearings Division
Re: PUC rate case #UW 189

01/08/2022

RECEIVED
JAN 11 7
P.U.C.

Dear Commission,

Thank you for this opportunity to comment on the regulated water rates for our local water utility serving the Aspen Lakes residential community.

I would like to comment on two aspects of this current filing by the Aspen Lakes utility. Specifically, the history of these multiple filings along with the terms of settlement leading to this current filing. Secondly, concerns about expenses from other business interests owned by the Utility which are allocated to this rate making and the residential customer class.

This filing is, in my view, really a continuation of rates imposed by the Utility in 2017 and which ultimately resulted in PUC regulation for rate purposes.

In a formal rate case started in 2019, it was determined that there was not adequate accounting records to support the proposed and existing water rates. The parties (including PUC staff) therefor agreed that rates would be set using an assumed "revenue requirement" from the prior unregulated rates. This was approximately \$200,000 per year.

A very important condition however is that a test year, from October 2020 to September 2021 would be used to validate actual expenses. The Utility was ordered to properly account for and document all appropriate costs incurred and which were proposed to be included in the rate requirement.

That leads us to the current rate case, four months past the end of the test year.

The current rate filing from the Utility essentially uses the same revenue requirement that was previously assumed for settlement purposes.

I am concerned that there is no reconciliation in this current filing between the assumed costs and the documented, actual costs as required and ordered by the PUC.

I also wonder if it wouldn't be appropriate to use the pre-2017 rates if we are put in a position to make assumptions about the rate base, if in fact we are not able to use properly documented expenses.

My other concern is the inherent conflict of interest that the Utility has due to the number of other business interests that may have expenses charged to the Utility, (some of which may be entirely appropriate). This applies especially to the Aspen Lakes Golf Course, which uses about 80% of the water consumed from the Utility.

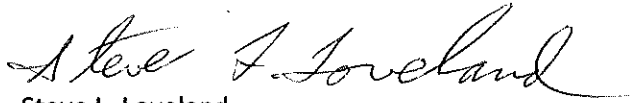
I would hope that the PUC staff could apply tests to such expenses as to their reasonableness,

fairness, and appropriateness.

In closing, let me say that for my part, and I believe that most Aspen Lakes residents would agree, that I want the Utility to succeed and with a reasonable rate of return. We simply want fair, cost based rates as part of our relationship with the Utility.

Thank you for your attention to these comments and for your public service.

Yours Truly,

A handwritten signature in cursive script that reads "Steve L. Loveland". The signature is written in black ink and is positioned above the printed name.

Steve L. Loveland

Former water utility manager in Oregon for 32 years.