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Public Utility Commission of Oregon
Administrative Hearing Division

May 30, 2008

Ms. Vikie Bailey-Goggins
Mr. Michael Dougherty
Mr. Marion Anderson
Oregon Public Utility Commission
PO Box 2148
Salem, Oregon 97308-2148

Re: Seventh Mountain Golf Village Water Co.
Affiliated Interest Application – Affiliated with Dale Bernards /Braber Properties

Dear Ms. Bailey-Goggins, Mr. Dougherty and Mr. Anderson:

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

INFORMATION REQUIREMENTS

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

*Seventh Mountain Golf Village Water Co. (SMGV Water Co.)
3030 SW Moody Ave. Suite 103
Portland, Oregon 97201*

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

*Dale Bernards
c/o CRESCO, Inc.
3030 SW Moody Ave., Suite 103
Portland, Oregon 97201*

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

Dale Bernards is the Owner and President of SMGV Water Company based on a Deed dated March 17, 2005 whereby Yamazoe International transferred all of its right, title and interest to Mr. Bernards in exchange for services rendered. This sale and transfer was approved by the PUC in UP221 dated August 19, 2005.

Braber Properties and SMGV Water Company have a Land Lease Agreement dated August 2005 which was approved by the PUC. However, land rental fees were Reduced from those established in the 2005 Agreement pursuant to the Rate Case UW 116 in 2006.

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

Not Applicable.

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

*Dale Bernards is the Owner and President of SMGV Water Co.
Dale Bernards is the Acting Authority for Braber Properties which is owned
by his children, Brandt and Braden Bernards*

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

*Dale Bernards is the Owner and President of SMGV Water Co.
Dale Bernards is the Acting Authority for Braber Properties, which is owned
by his children, Brandt and Braden Bernards*

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

Mr. Bernards is directly involved in the on-going activities of the water company and has been since 1994. He is responsible for operational decisions regarding the purchase and sale of the utility's assets. He interacts with the Public Utility Commission, Deschutes County, the Homeowners' Associations and other authorities that affect the utility's operation. He enters into agreements for and on behalf of the utility with third parties and is responsible for the company's future. By way of compensation, Mr. Bernards receives a minimal salary of \$200 per month. Braber Properties owns the land upon which the utility resides and asks for a nominal monthly rent for such property. In the past Mr. Bernards has received approximately \$124 per month based upon the PUC's valuation of the land which was based upon the tax statement from Deschutes County and effected based on UW 116 in 2006.

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

The annual salary for Mr. Bernards would be capped at \$2400 and will be charged to account #603 – Officers Salary. Land rental is capped at \$1488 per year, and is charged to account #641 Land Lease/Rental – see accompanying statement.

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

Mr. Bernards has provided services to the water company for thirteen years without any compensation. He brings years of experience and history to the utility for which he has agreed to receive minimal compensation. The Utility and general public will benefit by continuing to receive his services and guidance.

The land upon which the utility resides is owned by Braber Properties. It would be cost prohibitive for the utility to relocate and continue to provide quality services at a minimal expense. Therefore, the land is invaluable to the utility and costs a minimal amount for it to maintain its current location.

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

Mr. Bernards has been involved with this utility since 1994 which brings thirteen (13) years of history and experience to the Utility. He has also been involved in the development of the properties surrounding the utility and was a previous owner of the golf course. Mr. Bernards is a homeowner at Widgi Creek and owns a condominium on 7th Mtn. Drive. He has a vested interest in the success of the utility, as an owner, customer and vendor.

- (k) Transfer prices in contracts or agreements for the procurement of goods and services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process; Please state how this contract with the affiliated interest meets the Commission's Transfer Pricing Policy standard (OAR 860-036-0739) of "lower of cost or market rate."

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Mr. Bernards is willing to provide his services to the utility for \$200 per month. Typically, officers of any corporation receive salaries far in excess of this amount. Additionally, while the land is vital to the operation of the utility, he has accepted a minimal rental for the land recognizing that the utility provides a public service and understanding the finances of its operation.

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

There is no contract or agreement between Mr. Bernards and SMGV Water Co. There is only a corporate resolution adopted in May of 2006 whereby the utility deemed it to be in its best interests to provide Mr. Bernards with an annual salary. Braber Properties and SMGV have a Land Rental Agreement which has been previously submitted and approved by the PUC.

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

A copy of the Corporate Resolution dated May 15, 2006 authorizing SMGV Water Co. to provide Mr. Bernards with an annual salary was submitted in January of 2008.

For the reasons set forth above, Seventh Mountain Golf Village Water Co. respectfully requests that the Commission continue its approval of the Affiliated Interests between Seventh Mountain Golf Village Water Co., Dale Bernards and Braber Properties pursuant to the provisions ORS 757.495 and OAR 860-0386-0730.

Sincerely,

Pathfinder Commercial Mgmt. Inc. for
Seventh Mountain Golf Village Water Co.



Nita Slater
Management/Administration

SMGV Water Co. #411
Transaction List by Vendor
 January - December 2007

Date	Type	Num	Memo/Description	Account	Amount
Braber Properties					
01/11/2007	Bill	7110-306	3rd Qtr 2006	231 Accounts Payable	1,292.27
01/19/2007	Bill Payment (Check)	3232		131 SMG12	(1,292.27)
04/20/2007	Bill	Jan - 07	Lease Pmt/Jan 07	231 Accounts Payable	123.92
04/20/2007	Bill	2-07	Lease Pmt/Feb	231 Accounts Payable	123.92
04/20/2007	Bill	3-07	Lease Pmt /March	231 Accounts Payable	123.92
04/20/2007	Bill	4-07	Lease Pmt/April	231 Accounts Payable	123.92
04/20/2007	Bill Payment (Check)	3123	Jan/Feb Lease Pmt 07	131 SMG12	(247.84)
06/09/2007	Bill Payment (Check)	3136		131 SMG12	(247.84)
06/09/2007	Bill	5107-1	May Lease Pmt	231 Accounts Payable	123.92
06/09/2007	Bill	6107	June Lease Pmt	231 Accounts Payable	123.92
08/31/2007	Bill	7731	July Lease Pmt	231 Accounts Payable	123.92
10/10/2007	Bill	71011-4	Aug/Sept/Oct	231 Accounts Payable	371.76
10/10/2007	Bill Payment (Check)	3205		131 SMG12	(247.84)
11/28/2007	Bill	71128	Nov/Dec Land Rental	231 Accounts Payable	247.84
11/28/2007	Bill Payment (Check)	3505		131 SMG12	(123.92)

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