



May 31, 2022

To: 22 Station Homeowners

In accordance with the Civil Code and the governing documents of the 22 Station Owners Association, the Association's Annual Budget Report and Annual Policy Statement is enclosed. At the May 2022 Station Board meeting, the Board approved the 22 Station FY 2022-2023 Budget which includes a 11% increase in the Regular Assessments effective June 2022. Despite the large increase in Regular Assessments in FY 2021-2022, a further increase is necessary for FY2022-2023 to match assessments with planned and likely year over year increases in expenses.

- Property Management is indexed to inflation and will increase 4%
- Liberty Electric is proposing additional rate (per KWH) increases: 21% increase in the summer (June – September) months and lowering rates 6% in the other months, for an estimated net impact of a 5% increase in electricity expense if no change in consumption.
- Propane price per gallon has increased during the past year reflecting the dynamics of the global energy markets.
- Consumption of energy may increase: increase above or to pre-pandemic levels depending on the weather.
- Other Utilities (Water and Sewage) have informed customers of a 5% rate hike.
- Insurance policy adjusted for additional risk premiums (e.g., wildfires)

Liberty Electric's proposed rate structure also includes a \$100,000 fee per meter. 22 Station has seven (7) meters. Three (3) meters are dedicated to the Commercial Units. The costs associated with these three (3) meters are passed through to the Commercial Units. Four (4) meters serve the Common Areas and the Residential Units. The expenses of these four (4) meters are the responsibility of 22 Station. The PUC is scheduled to render a decision in June.

- The PUC may reject, amend, or accept a portion or all of the Liberty Utilities proposal. The net effect is uncertain, unknown, unpredictable and may be extraordinary.
- Also, it is not clear whether this per meter surcharge will be a one-time (one year) event or a recurring charge.

The \$100,000 per meter expense or \$400,000 for the four (4) 22 Station meters that serve the Common Areas and Residential Units does indicate an order of magnitude of the additional amount that Liberty is seeking and which it will try to obtain either in KWH rate increases, per meter charges, or other means. \$400,000 would double the current annual electricity budget estimate of \$380,000. \$400,000 represents a 22% increase in total expenses. In the meantime, 22 Station is evaluating how to, and if feasible preparing to, consolidate the seven (7) meters to fewer meters and submeters. We will also have to consider whether meter reduction and consolidation lead to a higher rate classification – large commercial (vs. the current small or medium commercial) and the consequences and relative rate and expense impact. The 22 Station FY 2022-2023 budget does NOT include Liberty Electric's proposed \$100,000 per meter fee.

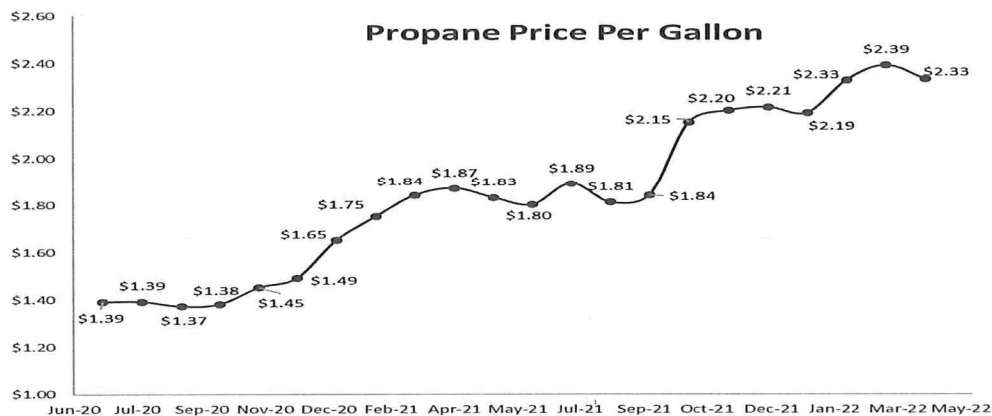
Another known, unknown is the price of propane during the next fiscal year. During the past twenty months the price of propane has increased inexorably with occasional step function surges (see chart below). Prospectively, the price of gas will be volatile likely in an upward direction ([U.S. Natural Gas Prices Are Fueling Inflation, and There's No Relief in Sight - Bloomberg](#)). The actual propane prices throughout FY2022-FY2023 may exceed the projected prices estimated in May 2022. At the same consumption levels, an actual propane price 10% greater than projected would require a 2% increase in Assessments to match revenue with expenses.

The other known, unknown is Property and Casualty insurance expense. For many years, 22 Station has had a P&C insurance policy with Farmers Insurance. First Ascent and Palisades Village Neighborhood Company also have P&C policies with Farmers Insurance. In late April 2022, when policy renewal with a possible modest increase in premiums usually occurs, Farmers declined to renew the P&C policies of all three Associations which expire June 30, 2022. 22 Station and the other Associations are seeking P&C coverage with other insurance carriers. Brokers have indicated that because of the insurance companies' assessment of risk associated with wildfires, a new P&C policy for 22 Station may cost two or three times the existing P&C policy. The projected insurance expense in the FY2022-2023 budget is a three-fold increase year over year. However, the brokers have also indicated that given the extraordinary conditions in the insurance markets, the future premiums could greatly exceed three times the existing P&C policy expense. The actual expense for the new P&C policy may exceed the projected insurance expense in the FY2022-2023 budget.

Depending on the decisions of the PUC later this year, the movement of propane prices, and the actual expense of the new P&C policy, if necessary, 22 Station will adjust Assessments during FY2022-2023 to match revenues with expenses.

In addition, at 22 Station and First Ascent Board meetings, 22 Station and First Ascent approved the purchase of two 12,000-watt portable generators. We have been experiencing less reliable electricity service. During a sustained power outage, Palisades Tahoe Hospitality will deploy these generators to provide limited electricity in the Palisades Conference Room in Building 5 for lighting, charging personal devices, and small appliances (e.g., a coffee maker, hotplate, or small microwave). Palisades Tahoe Resort may also provide electricity in the Olympic House.

22 Station and First Ascent with Palisades Tahoe Hospitality have contingency plans to provide battery powered lighting for the 22 Station and First Ascent Common Areas. However, back-up power generation for the Units is not feasible. When a power outage is a possibility, the recommendation is that homeowners and their guests have battery powered lighting and other emergency items available in their Units.



Source: Amerigas invoices

Annual Budget Report

- FY 2021-22 Budget
- FY 2022-23 Budget
- FY 2021-22 and FY 2022-23 Assessments by Unit Type, Assessment Schedule, and Payment Options
- FY 2022-23 Reserve Study Summary and Reserve Fund Disclosure Summary
- Summary of the Association's Insurance non-renewal and current position. Earthquake Insurance Disclosure statement.

Annual Policy Statement

- Notice of Person Receiving Communications to the Association
- Notice of Right to Request an Alternative Mailing Address
- Notice of Posting Location by General Notice and Right to Receive General Notices by Individual Delivery
- Notice of Right to Receive Meeting Minutes
- Notice of Priority of Assessment Payments, Receipts and Overnight Assessment Payment Address
- Delinquent Payment and Amenity Suspension Policy
- Assessment Collection Policy
- Alternative Dispute Resolution and Internal Dispute Resolution Procedures
- Unit renovation/Alteration Procedure Doc

Additional Policies and Procedures

- Reserve Fund Policy
- Damage Loss Policy
- Key Policy

Please contact Stacia Lange with any questions and/or concerns, by phone at (530) 584-6232 or by email at stacialange@palisadestahoe.com.

Sincerely,

22 Station Owners Association Board of Directors
Arthur Chiang, President, Residential Board Member
Jon Grant, Treasurer, Residential Board Member
Mike DeGroff, Commercial Board Member