

FRANK B & ASSOCIATES

WATER MANAGEMENT CONSULTING

Email and Mailed

October 23, 2009

California Public Utilities Commission
Attn. Rami S. Kahlon, Director
505 Van Ness Avenue
San Francisco, CA 94102-3214

Subject: Live Oak Springs Company and GRC Application

Dear Mr. Kahlon:

In behalf of Nazar Najor, owner of the Live Oak Springs Company attached is the original and one copy of the GRC application.

The last GRC was effective on November 30, 2006. A cash flow analysis is being requested. A 24-month surcharge from the last GRC runs out at 12/31/09 so it is imperative that interim rates be in place in time to avoid the negative cash flow when that surcharge terminates. With the revenue being realized with the current surcharge there will be a 67% increase in rates, however when considering current rates without the surcharge a 102% increase in rates is necessary.

Should you need any additional information please let me know.

Sincerely,



Frank Brommenschenkel
Frank B & Associates

CC: Nazar Najor

Attachments

Live Oak Springs Water Company Workpapers, Page 1

Column		A	B	C	
Line	Acct. No.	Operating Revenue	2008 Annual Report	Is this a typical value? (If no, Please attach Explanation)	2009 Test Year Estimate (Present Rates)
1	460	Water Revenue		Yes ___ No ___	\$ 49,050
2	462	Fire Protection Revenue		Yes ___ No ___	
3	465	Un-metered Revenue	\$0	Yes ___ No ___	\$0
4	470	Metered Water Revenue	\$ 73,740	Yes ___ No ___	\$73,740
5	480	Other Water Revenue		Yes ___ No ___	
6		Total Revenue	\$ 73,740		\$ 122,790

7 **Operatng Expenses**

8	610	Purchased Water		Yes ___ No ___	\$ -		
9	615	Power	\$3,376	Yes ___ No ___	\$ 3,400		
10	618	Other Volume Related Expenses		Yes ___ No ___			
11	630	Employee Labor	\$92	Yes ___ No ___	\$92		
12	640	Materials	\$479	Yes ___ No ___	\$400		
13	650	Contract Work (Excluding H2O Testing)	\$63	Yes <u>X</u> No ___	\$10,200		
14		Water Testing Portion of Contract Work	\$ 940	Yes ___ No ___	\$4,393		
15	660	Transportation Expense	\$1,653	Yes ___ No ___	\$975		
16	664	Other Plant Maintenance	\$2,358	Yes <u>X</u> No ___	\$3,737		
17	670	Office Salaries	\$3,417	Yes <u>X</u> No ___	\$3,697		
18	671	Management Salaires	\$10,620	Yes <u>X</u> No ___	\$13,871		
19	674	Employee Pension & Benefits		Yes ___ No ___			
20	676	Uncollectable Expense	\$325	Yes <u>X</u> No ___	\$183		
21	678	Office Services and Rentals	\$6,731	Yes <u>X</u> No ___	\$4,984		
22	681	Office Supplies Expense	\$1,067	Yes <u>X</u> No ___	\$924		
23	682	Professional Services	\$10,047	Yes <u>X</u> No ___	\$3,200		
24	684	Insurance	\$2,400	Yes <u>X</u> No ___	\$1,495		
25	688	Regulatory Commission Expense	\$299	Yes <u>X</u> No ___	\$1,237		
26	689	General Expense	\$1,484	Yes <u>X</u> No ___	\$1,324		
27	Total Operating Expenses (sum of Lines 8 thru 26)		\$ 45,351		\$ 54,112	Return on	
28	403	Depreciation Expense	\$ 7,717	Yes ___ No ___	\$7,995	Margin	
29	408	Taxes Other Than Income Taxes	\$ 7,670	Yes ___ No ___	\$3,119	25%	
30	409	Income Tax on Proposed Net Income from (Page 3, Line 4 or line 6 for Line 8)			\$ 7,483	\$ 7,483	
31	Total Expense at proposed rates (Lines 27+28+29+30)				\$ 76,768	\$ 72,709	
32	Net Income (from page 2, Line 22)				\$ 25,196	\$ 17,450	
33	Total Revenue Requirement (Line 31+ Line 32)				\$ 122,790	\$ 90,159	
34	Net Change in Revenue (Column C, Line 33 Minus Column C, Line 6)				\$ 49,050	\$ 16,419	
35	Percent Change in Revenue (Column C, Line 34 divided by Column C, Line 6)				102%	22%	

	Column	A	B	C	D	
Line	Last Approved Rate Base	Authorized by:			Amount	
1	November 30, 2006	Res. W-4615			\$ 60,887	
2	Changes to Rate Base By Year:					
3	Year Ending	Total Plant Investment	Contributed or Advanced Portion	Utility-Funded Portion		
4	2008	\$ 262,414		\$ 262,414	(Col. A-Col. B)	
5	2009	\$ 266,514		\$ 266,514		
6						
7						
8						
9						
10						
11						
12	Less Accumulated Depreciation			\$ (94,167)	Please Note Any	
13	Plus Working Cash			\$ 9,619	Large Changes	
14	Plus Materials and Supplies			\$ 1,276	Below or on	
15					Additional Sheets	
16						
17						
18	Test Year Proposed			\$ 183,241		
19	Total Ratebase Change (Sum of entries in Column C.)			\$ 183,241		
20	Test Year Estimated Ratebase (Line 19, Col. C + Line 1, Col. D) See Note				\$ 183,241	Return on Margin \$72,709
21	Requested Rate of Return (Use rate provided in cover letter)				13.75%	25%
22	Net Income (Line 20, Col. D multiplied by Line 21, Col. D)				\$ 25,196	\$ 18,177

Copy to Page 1, Line 32

Note: The ratebase you are calculating is an approximation. It does not include the accrual of depreciation reserve since your last GRC. This omission has been made to simplify the process of filing. The Commission's staff will calculate depreciation and ratebase during its investigation.

Income Tax Calculations

(USE EITHER A, B, or C, DEPENDING ON YOUR NET INCOME, PAGE 2 LINE 22)

METHOD A

TO BE USED IF NET INCOME (PAGE 2, LINE 22) IS LESS THAN \$6,630

1	Net Income (Page 2, Line 22)	\$ 25,196
2	Federal Tax (=Net Income X 0.177)	\$ 4,460
3	State Tax	\$ 800
4	Total Tax (= Federal Tax + State Tax)	\$ 5,260

Transcribe to Page 1, Line 30

Return on Margin
\$ 17,450
\$ 3,089
\$ 3,089

OR

METHOD B

TO BE USED IF NET INCOME (PAGE 2, LINE 22) IS BETWEEN \$6,630 and \$38,500

5	Net Income (Page 2, Line 22)	\$ 25,196
6	Total Tax (=Net Income X 0.297)	\$ 7,483

Transcribe to Page 1, Line 30

Return on Margin

OR

METHOD C

TO BE USED IF NET INCOME (PAGE 2, LINE 22) IS above \$38,500

7	Net Income (Page 2, Line 22)	\$ 25,196
8	Total Tax (=Net Income X 0.36)	\$ 9,070

Transcribe to Page 1, Line 30

Return on Margin
\$ 17,450
\$ 6,282

Live Oak Springs Water Company

Recorded & Test Year Estimate

23-Oct-09

	Recorded 2006	Recorded 2007	Recorded 2008	Test Year 2010
Sales:			<i>New Rev. Required</i>	\$ 49,050
Unmetered Water Revenue	\$125			\$ -
Metered Water Revenue	\$15,096	\$40,259	\$ 73,740	\$ 73,740
Fire Protection				
Total Sales	\$15,221	\$40,259	\$ 73,740	\$ 122,790
Tax & Other Expense				
Depreciation Expense	\$ 5,654	\$ 6,659	\$ 7,717	\$ 7,995
Franchise Tax				
Income Taxes				\$7,483
Property Tax				
Payroll Tax				
Other Tax (X-Conn)	\$202	\$1,485	\$ 7,670	\$3,119
Interest Expense	\$2,223	\$3,817	\$ 4,059	\$ 4,059
Total Tax & Other Expense	\$8,079	\$11,961	\$19,446	\$22,656
1 Volume Related Expense				
Purchased Water				
3 Purchased Power	\$ 4,181	\$ 2,403	\$ 3,376	\$3,400
4 Other Vol. Rel. Exp.	\$ 9,839	\$ 2,401	\$ 940	\$4,393
5 Total Volume Related Expense	\$14,020	\$4,804	\$4,316	\$7,793
6 Non-Volume Related Expense				
7 Employee Labor			\$ 92	\$ 92
8 Materials		\$321	\$ 479	\$400
9 Contract Work	\$8,916	\$647	\$ 63	\$10,200
10 Transportation	\$450	\$823	\$ 1,653	\$975
11 Other Plant Maintenance Expenses	\$6,438	\$2,414	\$ 2,358	\$3,737
12 Total Non-Volume Expense	\$15,804	\$4,205	\$4,645	\$15,404
13 General & Administrative Exp.				
14 Office salaries	\$4,458	\$3,215	\$ 3,417	\$3,697
15 Management	\$13,000	\$13,000	\$ 10,620	\$13,871
16 Employee Pension & Benefits				
17 Uncollectable Accounts Expense	\$40		\$325	\$183
18 Office Services & Rentals	\$4,392	\$3,828	\$ 6,731	\$4,984
19 Office Supplies & Expense	\$849	\$857	\$ 1,067	\$924
20 Professional Services	\$500	\$8,422	\$ 10,047	\$3,200
21 Insurance	\$2,086		\$ 2,400	\$1,495
22 Regulatory Commission Expense	\$3,040	\$373	\$ 299	\$1,237
23 General Expenses	\$534	\$1,953	\$ 1,484	\$1,324
24 Total Gen & Admin. Expense	\$28,899	\$31,648	\$36,390	\$30,915
25 Expense Capitalized				
26 Net Admin & Gen Expense	\$28,899	\$31,648	\$36,390	\$30,915
27 Total Operating Expense	\$58,723	\$40,657	\$64,797	\$76,768
Net Operating Income (Loss)	(\$51,581)	(\$12,359)	\$8,943	\$23,366
Average Plant	\$ 188,122	\$ 222,857	\$ 262,414	\$ 266,514
Avg. Accum. Depreciation	\$ 71,796	\$ 78,455	\$ 86,172	\$ 94,167
Net Plant	\$116,326	\$144,402	\$176,242	\$172,347
Less Advances				
Less Contributions			\$ -	
Mat'l & Supplies	\$958	\$1,127	\$1,276	\$1,276
Plus: Working Cash	\$1,258	\$3,154	\$5,776	\$9,619
Rate Base	\$118,542	\$148,683	\$183,294	\$183,241
Rate of Return	-43.51%	-8.31%	4.88%	12.75%
Return on Margin	-87.84%	-30.40%	13.80%	33.72%

Cap Imp Costs

Live Oak Springs Water Company

Capital improvement Costs

2009 Capital Improvements

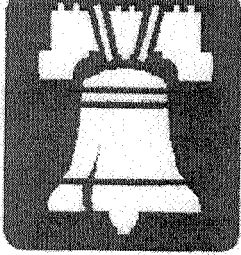
Amount	Description	Per Unit	Number	Total
\$ 3,500.00	100' of 6" mainline replacement	35 \$	100	\$ 3,500
\$ 600.00	10 each 5/8X3/4" Meters	10 \$	60	\$ 600
\$ 4,100.00	Total for 2009			\$ 4,100

2010 Capital Improvements

Amount	Description	Per Unit	Number	Total
\$ 40,000.00	Storage tank 40,000 gallons	40000 \$	1	\$ 40,000

2011 Capital Improvements

Amount	Description	Per Unit	Number	Total
<u>\$ 40,000.00</u>	Storage Tank 40,000 gallons	40000 \$	1	\$ 40,000



Philadelphia Insurance Companies
 One Bala Plaza, Suite 100, Bala Cynwyd, Pennsylvania 19004

PROPOSAL FOR INSURANCE

Quotation Number: 3938010

Proposal Date: 10/01/2009

Named Insured and Mailing Address:

Live Oak Springs Water Company
 37820 Old Highway 80
 Boulevard, CA 91905-9542

Producer: 103024

Nickie Heath Insurance Agency
 14168 Poway Rd Ste 201
 Poway, CA 92064

Contact: Alisah Hummel

Phone: (858)486-3737

Fax: (999)999-9999

Insurer: Philadelphia Indemnity Insurance Company

Policy Period From: 10/01/2009

To: 10/01/2010

Proposal Valid Until: 10/01/2009

at 12:01 A.M. Standard Time at your mailing address shown above.

Product: Municipality

Production Underwriter: Bibeau, Michael P.

Submission Type: New Business

Underwriter: Moynahan, Tim J.

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO EXTEND INSURANCE AS STATED IN THIS PROPOSAL.

THIS PROPOSAL CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

Commercial General Liability Coverage Part

PREMIUM
3,064.00

TOTAL \$ 3,064.00

The Total Premium includes Federal Terrorism Risk Insurance Act in the amount of:

118.00

Bill Plan Options:

- 25% Down & 3 Monthly Installments
- 25% Down & 5 Monthly Installments
- 25% Down & 9 Monthly Installments
- 50% Down & 2 Monthly Installments
- Fixed Annual

All Bill Plans are subject to a minimum installment of \$500

The premium shown is subject to the following terms and conditions:

A signed UM/UIM Selection/Rejection form is required upon binding. (If applicable.)

Any taxes, fees or surcharges included in the total premium shown on the proposal are not subject to installment billing.