

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch**

**RESOLUTION W-5086
April 7, 2016**

RESOLUTION

(RES. W-5086) LIVE OAK SPRINGS WATER COMPANY. ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING AN ADDITIONAL ANNUAL REVENUE OF \$37,468, OR 44.05%, FOR TEST YEAR 2016; AND THE ESTABLISHMENT OF TARIFF SCHEDULE NO. 9M, MEASURED SERVICE FOR TRUCKS, FOR BULK WATER SALES.

SUMMARY

By Advice Letter (AL) 30-W, filed on September 9, 2015, and supplemental AL 30-W-A filed on October 21, 2015, Live Oak Springs Water Company (Live Oak) seeks a rate increase in revenues of \$53,300, or 62.70%, to recover increased operating expenses and utility plant investments. Live Oak also requests Commission authority to establish a new service tariff, Schedule No. 9M, Measured Service for Trucks, to allow the company to sell bulk water at a quantity rate of \$9.00 per hundred cubic feet (CCF).

This Resolution grants Live Oak an increase in gross annual revenues of \$37,468 or 44.05% for Test Year (TY) 2016, estimated to provide a Rate of Return of 10.80%.

This Resolution grants Live Oak the authority to establish a new service tariff, Schedule No. 9M, Measured Service for Trucks for bulk water sales exclusively from Well No. 1 (W1)¹ and for non-potable use only with the pumping restrictions and monthly monitoring of the groundwater levels set forth in the Schedule No. 9M in Appendix B of this Resolution. The Division of Water and Audits (Division) recommends: 1) a bulk water quantity rate of \$15.00 per CCF instead of \$9.00 proposed by Live Oak to make the cost of the bulk water comparable to what Live Oak's customers will pay for a similar amount of water through their water service; 2) sharing net revenues from bulk water sales (50/50) between the utility and its customers, since these revenues are

¹ W1 is an existing water utility well that is not part of Live Oak's water distribution system's approved source of supply.

incremental to the revenues authorized for Live Oak's TY 2016 General Rate Case; and 3) making Schedule No. 9M effective after Live Oak installs the necessary equipment to meter water sales and monitor groundwater levels.

BACKGROUND

Live Oak is a Class D investor-owned water utility with 96 service connections in the unincorporated community of Live Oak Springs, located near the City of Boulevard in San Diego County. Live Oak's water system currently consists of one approved groundwater well numbered 2 (W2), with an estimated source supply capacity of 60 gallons per minute (gpm), and three 20,000 gallon water storage tanks. Based on the source capacity report completed in 2013, the San Diego County Department of Environmental Health (DEH) determined that Live Oak can meet its current demand with W2, but recommends that Live Oak add a secondary approved source of water supply, to comply with the requirements set forth in Section 64554(c) of the California Code of Regulations (CCR) for community water systems using groundwater as their primary source of water supply.² Additionally, the DEH in its December 30, 2015 water system inspection report (Inspection Report) is requiring Live Oak to submit a written plan for securing a secondary approved source.

Live Oak has requested authority under General Order (GO.) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$53,300 or 62.70% for TY 2016 which is estimated to produce a Rate of Margin (ROM) of 20.21%. Live Oak's interim rates became effective on October 21, 2015, by AL 31-W which authorized an interim rate increase of \$762, or 0.8%, based on Consumer Price Index, subject to refund or decrease, relative to the rates established in this General Rate Case (GRC). Live Oak's last GRC was granted on August 12, 2010 by Commission Resolution (Res.) W-4839 which authorized a rate increase in revenues of \$22,393, or 30.70% for TY 2010.

Live Oak in this GRC also requests Commission authority to establish a new service tariff, Schedule No. 9M, Measured Service for Trucks, to sell bulk water at a rate of \$9.00 per CCF. In support of its new tariff request, Live Oak provided a source capacity study for W1 and W2 which was prepared by the environmental consulting firm

² November 17, 2015 San Diego County Department of Environmental Health memorandum regarding the review of Live Oak Springs source capacity study and testing.

Dudek³. The source capacity study was reviewed by DEH's senior hydrogeologist, who recommends that W2 not be used as a source of water for export at this time until the company has a secondary approved source of supply to comply with Section 64554(c) of the CCR that can meet an estimated Maximum Daily Demand (MDD) of 36,653 gallons per day (gpd). Live Oak's request for a new tariff is discussed in the Rates and Rate Design section of this resolution.

Live Oak is currently operating under a court appointed Trustee by the United States Bankruptcy Court (U.S. Bankruptcy Court)⁴, which is overseeing Live Oak's utility operations and its compliance with the U.S. Bankruptcy Court's directives. Accordingly, the Division staff consulted with the appointed Trustee in all matters related to Live Oak's GRC request.

NOTICE, PROTESTS, AND PUBLIC MEETING

In accordance with GO. 96-B, Live Oak served a copy of AL 30-W and supplemental AL 30-A-W to its service list on September 9 and October 21, 2015, respectively. A notice of the proposed rate increase was mailed to each customer and to the general service list on November 17, 2015.

Five customer letters were timely received and the utility replied. The customers questioned the magnitude of the rate increase and raised concerns about the company's proposal to sell bulk water and its impact on the area's aquifers. An informal public participation meeting was held on December 9, 2015, at the Boulevard Fire Training/Community Room located at 39919 Ribbonwood Road in Boulevard, California. The meeting started at 5:30 PM and approximately 25 customers attended the meeting. Staff from the Division provided an overview of the Commission's GRC process for Class B, C, and D water utilities,⁵ and Live Oak provided an overview of its rate increase request and also explained the reasons for the proposed rate increase. Customers expressed concerns over the magnitude of the rate increase, company's responsiveness to water service issues, and having Mr. Nazar Najor as the utility

³ Dudek's August 2015 Draft Source Capacity Study.

⁴ On June 29, 2015 Mr. Kipperman from Corporate Management Incorporated was appointed by the United State Bankruptcy Court as the Trustee in Bankruptcy Case No. 13-11672-LT11.

⁵ As defined in General Order 96-B Water Industry Rules Section 1.2., Class B, C, and D investor-owned water utilities serve 2,001 through 10,000, 501 through 2,000, and less than 500 service connections, respectively.

manager. Division staff and Live Oak's representatives answered customers' questions until approximately 8:00 PM.

DISCUSSION

The Division made an independent analysis of Live Oak's rate increase request. Appendix A provides Live Oak's and the Division's estimated Summary of Earnings (SOE) at present, requested and recommended rates for TY 2016. Live Oak was informed of the Division's differing views of revenues, expenses, and rate base estimates.

Operating Expenses

The Division reviewed operating revenue and expenses including employee labor, materials, contract work, transportation expenses, other volume related expenses, office and management salaries, office supplies and expenses, insurance, general expense, depreciation, and taxes other than income. The Division verified the operating expenses by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

For general expenses, the Division's recommended amount is higher because it includes \$3,037 for annual Drinking Water Program fees (annual water system operating fee and permit and inspection related fees) which the company booked to account 408 as taxes other than income. The Division therefore moved this expense to the general expense account and adjusted the taxes other than income account accordingly.

Utility Plant and Rate Base

For TY 2016, the Division's analysis of Live Oak's rate base estimate included examining utility plant-in-service from the company's last rate increase authorized by Res. W-4839 in 2010, utility plant additions, material and supplies, working cash, and depreciation reserve. The Division's rate base estimate for TY 2016 is lower than Live Oak's estimate because the Division's average accumulated depreciation amount includes an additional \$10,738 in depreciation expense for 2015 used in calculating Live Oak's net plant and the rate base amount. The Division also reduced utility plant by \$10,476 and \$10,914 in 2013 and 2014, respectively for payroll expenses capitalized by the company that were not fully supported for inclusion as utility plant. Accordingly, Live Oak should revise its 2013 and 2014 annual reports to reflect these plant

adjustments. Furthermore, the Division recommends that Live Oak maintain a work order system to support and justify future work performed on its water system.⁶ Live Oak's and the Division's rate base estimates for TY 2016 are provided in Appendix A of this resolution.

Rate of Return

In accordance with Commission ratemaking policies adopted for Class C and D water utilities by Decision (D.) 92-03-09, two methods can be used for ratemaking, the ROR and ROM methods.⁷ D. 92-03-09 directs the Division to calculate the company's rates and revenue requirement using both of these methods and to recommend the ratemaking method resulting in the greater return.⁸ Live Oak's rate increase request was based on a ROM of 20.21%. In this instance, the Division determined that the ROR method produced the higher revenue requirement. The Division's current recommended range of ROR for Class D water utilities is between 10.80% and 11.80%.⁹ For Live Oak's TY 2016 GRC, the Division recommends a ROR of 10.80%, based on the quality of service provided and management of the company's operations. Using a ROR of 10.80%, the Division calculates a revenue requirement of \$122,530 for TY 2016. By comparison, the revenue requirement would be \$119,143 using the recommended ROM of 20.21% for Class D water utilities. Therefore, the Division recommends that the ROR method be used for Live Oak's TY 2016 GRC.

Rates and Rate Design

Live Oak's rate structure consists of one rate schedule: Schedule No. 1, General Metered Service. The rates proposed by the Division for TY 2016 are provided in Appendix B. At the recommended rates, a monthly customer's bill for a customer with a 5/8 x 3/4-

⁶ Work orders should be used to account for repairs and maintenance, and work performed on utility plant, such as plant improvements, retirements and additions, and should have sufficient detail to capture the labor, materials, and related expenses to support the utility plant improvements.

⁷ The revenue requirement and rates under the ROR method are based on company's rate base and under the ROM method the revenue requirement is based on the company's overall expenses which include operating and maintenance and depreciation expenses, income and other taxes, and an operating margin percentage.

⁸ D. 92-03-093, Ordering Paragraph 8.

⁹ Division of Water and Audits' March 12, 2015 memorandum on the recommended Rates of Return and Rates of Margin for Class C and D Water Utilities:
<http://www.cpuc.ca.gov/NR/ronlyres/BOB16EBF-3955-4C03-BDE7-C74A83462991/0/2015DWAMemoROR.pdf>.

inch meter size service connection with an average water consumption of 5.73 CCF (4,285 gallons) will increase from \$74.23 to \$106.92 or 44.05% in TY 2016. A comparison of customer bills at present and recommended rates is provided in Appendix C of this resolution.

Tariff Schedule 9M

The Division agrees with the DEH's hydrogeologist recommendation not to use Live Oak's W2 for bulk water sales, and to only consider the use of this well, once Live Oak complies with Section 64554(c) of the CCR.

The Division however supports granting Live Oak the authority to conduct bulk water sales from W1, since this off-line well is not part of the water system's approved water sources and based on the source capacity study conducted by Dudek, the operation of W1 does not interfere with the operation of W2 or other private wells.¹⁰ The Division, however, recommends granting Live Oak the authority to sell bulk water from W1 with the following conditions:

- 1) Bulk water sales must be conducted exclusively from W1 and for non-potable water use only, since W1 is not permitted for potable use;
- 2) All bulk water sales must be done by contract, metered, and fully documented;
- 3) Live Oak must monitor and record monthly groundwater levels for W1 using a pressure transducer;
- 4) Live Oak should report annually bulk water sales and the recorded groundwater levels to the DEH and the Division;
- 5) Water extraction from W1 is limited to a pumping rate of 11 to 12 gallons per minute with a maximum drawdown of 50 feet;¹¹
- 6) All costs and revenues associated with its bulk water sales must be tracked in the Bulk Water Sales Balancing Account (BWSBA), approved herein; and
- 7) Net revenues from bulk water sales are subject to sharing (50/50) between Live Oak and its customers, since these revenues are incremental to the revenues authorized for Live Oak's TY 2016 GRC.

¹⁰ Dudek's August 2015 Source Capacity Study, pg. 26

¹¹ Limits are based on Dudek's source capacity study for W1 which observed a maximum drawdown of 42.45 feet after 10 continuous days of pumping at a constant flow rate test of 12 gpm (pg. 27 of Dudek's Source Capacity Study) and consultation with the DEH's senior hydrogeologist.

Tariff Schedule No. 9M should become effective after Live Oak installs the necessary equipment for metering water sales and monitoring groundwater levels. Furthermore, non-compliance with any of the conditions above should result in an automatic suspension of Live Oak's tariff Schedule No. 9M and all bulk water sales.

The Division also recommends a quantity rate of \$15.00 per CCF for bulk water sales instead of \$9.00 per CCF proposed by the company to make the cost of the purchase water more comparable to what Live Oak's customers pay for the same quantity of water through their water service.

Bulk Water Sales Balancing Account

The Division recommends that Live Oak establish the BWSBA to record the costs and revenues associated with the company's bulk water sales which are subject to sharing with its customers. Live Oak should therefore add to the preliminary statement of its tariff the BWSBA, as provided in the Appendix B of this resolution.

COMPLIANCE

Live Oak has been filing annual reports as required. Live Oak is in compliance with the State Water Resources Control Board's (SWRCB) Division of Drinking Water applicable water quality standards for safe drinking water.¹² However, Live Oak in 2015 did not comply with all of the water sampling requirements required by Title 22 of the CCR.¹³ Live Oak also failed to provide the necessary documentation to demonstrate that the significant leak observed during the system inspection was repaired.

The Division therefore puts Live Oak on notice and reminds the company that Section 702 of the Public Utilities Code mandates:

Every public utility shall obey and comply with every order, decision, direction, or rule made or prescribed by the commission in the matters specified in this part, or any other matter in any way relating to or affecting its business as a public utility, and shall do everything necessary or proper to secure compliance therewith by all of its officers, agents, and employees.

¹² The San Diego County Department of Environmental Health is the agency responsible for Live Oak's water quality oversight since the water system has less than 200 service connections.

¹³ DEH's January 29, 2016 notice of violation.

Furthermore, failure to comply with the Commission's orders or required actions by the DEH may be penalized per the authority provided by Res. W-4799.

Live Oak Source Supply

Section 64554(c) of the CCR requires community water systems, such as Live Oak, to have two approved sources of water supply. Live Oak currently has only one approved source of water supply, W2, and is therefore not in compliance with this CCR requirement. The DEH in its Inspection Report is requiring Live Oak to submit a plan to bring the water system into compliance by securing a secondary approved source of water supply that can meet a MDD of 36,653 gpd. Live Oak has indicated to Division staff that it is working towards securing a secondary source of supply and intends to use the additional revenues obtained from its rate increase and the bulk water sales towards this purpose. The Division will therefore closely monitor the company's progress towards developing a secondary source(s) and its compliance with Section 64554(c) of the CCR.

UTILITY SAFETY

Safety for water utilities considers a number of factors such as water quality, system design, operation and maintenance, and service. One of the highest safety priorities for the Commission is ensuring that water utilities serving water for human consumption provide water that is not harmful or dangerous to health. As previously noted, Live Oak is in compliance with the SWRCB's applicable water quality standards for safe drinking water. However, as also noted above, Live Oak in 2015 did not fully comply with the water sampling required by Title 22 of the CCR. The Division will therefore work with the DEH to ensure that Live Oak complies with the required water sampling and also with Section 64554(c) of the CCR.

COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

Accordingly, this proposed resolution was mailed to the utility and its service list, and made available for public comment on March 8, 2016.

One customer comment letter was timely received. The customer questioned why the proposed resolution does not address San Diego Superior Court Case No. 37-2013-00074858-CU-PT-CTL (Superior Court Case), where the Commission petitioned for the appointment of a receiver to assume possession and operation of Live Oak. This resolution does not address the referenced Superior Court Case because the case was dismissed per the Commission's March 17, 2014 motion to dismiss its request given the appointment of the trustee by the U.S. Bankruptcy Court.

The customer also takes issue with the proposed resolution's recommendation to grant Live Oak the authority to establish tariff Schedule 9M for bulk water sales, citing Dudek's source capacity study as inadequate and DEH's review of the study as incomplete. The customer however does not present any evidence to support its claims. Furthermore, the proposed tariff Schedule 9M requires the company to monitor and report groundwater levels, and sets a limit on the maximum drawdown the company can pump from W1 to reduce the risk of over drafting and protect the source.

Live Oak filed timely comments on the proposed resolution. Live Oak takes issue with the recommendation to restrict bulk water sales exclusively from W1 because it limits the company's potential to increase its revenues. The company also believes that this restriction will prohibit Live Oak from selling bulk water sales from W2 or other water sources in the future. As noted in the proposed resolution, bulk water sales from W2 can be considered after the company complies with Section 64554(c) of the CCR¹⁴ which requires Live Oak to have a secondary approved source that meets the system's MDD.

Live Oak also disagrees with the recommendation to share bulk water revenues 50/50 between the company and its customers, noting that it intended to use these additional revenues to fund infrastructure improvements and the development of a secondary

¹⁴ Pg. 6

source of supply. Furthermore, the company argues that if it is not allowed to keep 100% of the revenues from bulk water sales, the Commission should authorize additional revenues to fund the development of a secondary source. This resolution is authorizing \$37,468, or 44.05%, additional annual revenues which should provide Live Oak with additional funds for developing a secondary source. Live Oak has also not provided any specific project proposals for the Commission to consider and/or evaluate.

Live Oak also disagrees with the exclusion of \$10,476 and \$10,914 in payroll expenses from utility plant for 2013 and 2014, respectively, but does not provide any additional information or documentation to support capitalizing these expenses as utility plant.

FINDINGS

1. The Summary of Earnings (Appendix A) recommended by Division of Water and Audits (Division) is reasonable and should be adopted.
2. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
4. Live Oak should be granted authority to file a Tie 2 Advice Letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from October 21, 2015, the interim effective date, to the effective date of the new established rates by this Resolution.
5. Live Oak should be granted the authority to establish Schedule No. 9M, Measured Service for Trucks, to its service tariffs for the company's bulk water sales with the conditions set forth in Schedule No. 9M (Appendix B) and this Resolution.
6. Live Oak should be granted the authority to add to its preliminary statement of its tariffs the Bulk Water Sales Balancing Account, as provided in Appendix B of this Resolution, to track all costs and revenues from its bulk water sales subject to sharing with its customers.
7. Annual net revenues from bulk water sells should be shared (50/50) between Live Oak and its customers.

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Live Oak Springs Water Company to file a supplemental Advice Letter with the revised rate schedule attached to this Resolution as Appendix B, and concurrently cancel its presently effective rate Schedule: Schedule No. 1, General Metered Service.
2. Live Oak Springs Water Company is authorized to file a Tier 2 Advice Letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from October 21, 2015, the interim effective date, to the effective date of the new established rates by this Resolution. This Advice Letter shall become effective upon approval by the Division of Water and Audits.
3. Authority is granted to Live Oak Springs Water Company to add:
 - a. Tariff Schedule 9M, Measured Service for Trucks, included in Appendix B of this Resolution, with the conditions set forth in Tariff Schedule 9M and this Resolution; and
 - b. the Bulk Water Sales Balancing Account to its preliminary statement of its tariffs, as provided in Appendix B of this Resolution, to track all costs and revenues from its bulk water sales subject to sharing with its customers.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 7, 2016; the following Commissioners voting favorably thereon:

/s/TIMOTHY J. SULLIVAN

TIMOTHY J. SULLIVAN

Executive Director

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners

APPENDIX A
Live Oak Springs Water Company
Summary of Earnings
Test Year 2016

	<u>Live Oak</u>		<u>DWA</u>	
	Present Rates	Requested Rates	Present Rates	Recommended Rates
Operating Revenues				
Metered	\$ 85,062	\$ 138,362	\$ 85,062	\$ 122,530
Total Revenue	\$ 85,062	\$ 138,362	\$ 85,062	\$ 122,530
Operating Expenses				
610 Purchased Water	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 3,943	\$ 3,943	\$ 3,487	\$ 3,487
618 Other Volume Related Expenses	\$ 719	\$ 719	\$ 719	\$ 719
630 Employee Labor	\$ 8,891	\$ 8,891	\$ 8,891	\$ 8,891
640 Materials	\$ 180	\$ 180	\$ 180	\$ 180
650 Contract Work	\$ 10,179	\$ 10,179	\$ 8,400	\$ 8,400
660 Transportation Expenses	\$ 5,972	\$ 5,972	\$ 5,972	\$ 5,972
664 Other Plant Maintenance	\$ 882	\$ 882	\$ 882	\$ 882
670 Office Salaries	\$ 5,628	\$ 5,628	\$ 5,628	\$ 5,628
671 Management Salaries	\$ 18,054	\$ 18,054	\$ 18,054	\$ 18,054
674 Employee Pensions and Benefits	\$ 4,513	\$ 4,513	\$ 4,513	\$ 4,513
676 Uncollectable Accounts	\$ 2,315	\$ 2,315	\$ 2,315	\$ 2,315
678 Office Services and Rentals	\$ 6,661	\$ 6,661	\$ 6,661	\$ 6,661
681 Office Supplies and Expenses	\$ 1,912	\$ 1,912	\$ 1,912	\$ 1,912
682 Professional Services	\$ 3,871	\$ 3,871	\$ 3,500	\$ 3,500
684 Insurance	\$ 2,293	\$ 2,293	\$ 1,603	\$ 1,603
688 Regulatory Commission Expense	\$ 1,275	\$ 1,275	\$ 1,275	\$ 1,275
689 General Expenses	\$ 1,875	\$ 1,875	\$ 4,912	\$ 4,912
Subtotal	\$ 79,163	\$ 79,163	\$ 78,904	\$ 78,904
403 Depreciation	\$10,738	\$10,738	\$ 10,738	\$ 10,738
408 Taxes Other Than Income	\$10,406	\$10,406	\$ 5,134	\$ 5,134
409 State Income Taxes	\$ 800	\$ 3,364	\$ 1,259	\$ 2,453
410 Federal Income Taxes	\$ -	\$ 5,204	\$ -	\$ 3,795
Total Expenses	\$ 101,107	\$ 108,875	\$ 96,034	\$ 101,024
Net Revenue	\$ (16,045)	\$ 29,487	\$ (10,972)	\$ 21,506
Rate Base				
Average Plant	\$ 362,705	\$ 362,705	\$ 341,317	\$ 341,317
Average Accumulated Depreciation	\$ 148,839	\$ 148,839	\$ 155,841	\$ 155,841
Net Plant	\$ 213,866	\$ 213,866	\$ 185,476	\$ 185,476
Less:				
Contributions in Aid of Construction				
Plus:				
Construction Work in Progress	\$2,225	\$2,225	\$2,225	\$2,225
Working Cash	\$ 10,377	\$ 10,377	\$ 6,575	\$ 6,575
Materials and Supplies	\$ 4,764	\$ 4,764	\$ 4,764	\$ 4,764
Rate Base	\$ 231,232	\$ 231,232	\$ 199,041	\$ 199,041
Rate of Return	-6.94%	12.75%	-5.51%	10.80%

END OF APPENDIX A

APPENDIX B
Live Oak Springs Water Company
(Page 1 of 3)

Test Year 2016

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Live Oak Springs and Vicinity, San Diego County.

RATES

Quantity Rate:

First 300 cu. Ft., per 100 cubic feet.....	\$4.80	(I)
Over 300 cu. Ft., per 100 cubic feet.....	\$6.04	(I)

Per Meter
Per Month

Service Charge:

For 5/ 8 x 3/4-inch meter	\$ 76.06	(I)
For 3/ 4-inch meter.....	114.09	
For 1-inch meter.....	190.14	
For 1-1/ 2-inch meter.....	380.29	
For 2-inch meter.....	608.46	

The service charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(cont.)

APPENDIX B

**Live Oak Springs Water Company
(Page 2 of 3)**

Schedule No. 9M
MEASURED SERVICE FOR TRUCKS

APPLICABILITY

(N)

Applicable to all non-potable bulk water sales. Bulk water sales must be exclusively done from Well No. 1 and for non-potable use only.

TERRITORY

The unincorporated community of Live Oak Springs and Vicinity, San Diego County.

RATES

Quantity Rate:

Per 100 cu. Ft..... \$ 15.00

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. All bulk water sales must be done exclusively from Well No. 1 (W1) and for non-potable use only.
3. All bulk water sales must be done by contract, metered and documented.
4. Live Oak Springs Water Company (Live Oak) must monitor W1 ground water levels using a pressure transducer and maintain records of monthly groundwater levels.
5. Live Oak must report annually bulk water sales and the recorded monthly groundwater levels for W1 to the San Diego County Department of Environmental Health and the Division of Water and Audits;
6. Water extraction from W1 is limited to a pumping rate of 11 to 12 gallons per minute with a maximum drawdown of 50 feet.
7. All costs and revenues associated with bulk water sales must be tracked in the Bulk Water Sales Balancing Account.
8. The annual net revenues from bulk water sales should be shared (50/50) between Live Oak and its customers.
9. Live Oak's non-compliance with any of the conditions set forth in this tariff schedule will result in automatic suspension of tariff schedule and all bulk water sales.

(cont.)

APPENDIX B
Live Oak Springs Water Company
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Preliminary Statement

Bulk Water Sales Balancing Account

N

Purpose: The purpose of the Bulk Water Sales Balancing Account (BWSBA) is for Live Oak Springs Water Company (Live Oak) to record all revenues obtained from its bulk water sales under Tariff Schedule 9M that are subject to sharing with its customers in accordance with Res. W- 5086, and expenses (capital, labor, and other) jointly used for water utility and bulk water sales.

Account Procedure: Live Oak shall make the following entries monthly or as applicable:

1. A credit entry equal to the revenues from the bulk water sales subject to sharing;
2. A debit entry equal to the applicable shared expenses jointly caused by the water utility and bulk water sales operations; and
3. A debit entry equal to the income (arising from bulk water sales) distributed to its customers.

N

END OF APPENDIX B

APPENDIX C
Live Oak Springs Water Company
Comparison of Rates

Test Year 2016

Metered Service					
		Present	Recommended	Percent	
		<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	
<u>Service Charge Per Meter Size:</u>					
	5/8" X 3/4-inch	\$ 52.80	\$ 76.06	44.05%	
	3/4-inch	\$ 79.20	\$ 114.09	44.05%	
	1-inch	\$ 132.00	\$ 190.14	44.05%	
	1 1/2-inch	\$ 264.00	\$ 380.29	44.05%	
	2-inch	\$ 422.40	\$ 608.46	44.05%	
<u>Quantity Charge per CCF:</u>					
	First 3.0 CCF:	\$ 3.33	\$ 4.80	44.05%	
	Over 3.0 CCF	\$ 4.19	\$ 6.04	44.05%	
<u>A monthly bill comparison for a customer with a 5/8 x 3/4-inch meter</u>					
	Usage	Present	Recommended	Amount	Percent
	per 100 cubic feet (CCF)	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
	0	\$ 52.80	\$ 76.06	\$ 23.26	44.05%
	3.0	\$ 62.79	\$ 90.45	\$ 27.66	44.05%
Average	5.7	\$ 74.23	\$ 106.92	\$ 32.70	44.05%
	7.0	\$ 79.55	\$ 114.59	\$ 35.04	44.05%
	8.0	\$ 83.74	\$ 120.63	\$ 36.89	44.05%

END OF APPENDIX C

APPENDIX D

**Live Oak Springs Water Company
Adopted Quantities
Test Year 2016**

1. Purchased Power	\$3,487
Energy Provider	San Diego Gas and Electric
Energy Tariff Schedules	PA-Commercial
2. Water Sales in Ccf	6,187
3. Active Metered Service Connections	
5/8" X 3/4-inch	89
1 1/2-inch	<u>1</u>
Total	90
4. Payroll	
Employee Labor	\$8,891
Office Salaries	\$5,628
Management Salaries	\$18,054
5. Payroll Taxes	\$2,700
6. Property Taxes	\$2,434

<u>Tax Calculations</u>	<u>EY 2016</u>
Operating Revenues	\$ 122,530
Operating Expenses	\$ 78,904
Taxes Other than Income	\$ 5,134
Depreciation	\$ 10,738
Taxable Income for State	\$ 27,754
State Taxes	\$ 2,453
Taxable Income for Federal	\$ 25,301
Federal Income Taxes	\$ 3,795

END OF APPENDIX D

LIVE OAK SPRINGS WATER COMPANY

ADVICE LETTER NO. 30 SERVICE LIST

Richard M. Kipperman
Corporate Management
rmk@corpmtg.com

Nazar Najor
Live Oak Springs Water Co.
Nazar@liveoaksprings.com

Jamelle K. MacCullough
County of San Diego
Dept. Environmental Health
Jamelle.McCullough@sdcounty.ca.gov

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