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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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5 In the Matter of the Application of the)
6 Odd Fellows Sierra Recreation Association,) Application No. 13-09-023
7 a California corporation, and Sierra Park)
8 Water Company, Inc., a California corporation)
9 for a Certificate of Public Convenience and)
10 Necessity to Operate a Public Utility Water)
11 System near Long Barn, Tuolumne County,)
12 California and to Establish Rates for Service)
13 and For Sierra Park Water Company, Inc. to)
14 issue stock)

15 AND RELATED MATTER) Case 12-03-017
16 _____)
17

COMMENTS on California Public Utilities Commission Division of Water and Audits STAFF REPORT ON APPLICATION OF Odd Fellows Sierra Recreation Association and Sierra Park Water Company, Inc. For Certificate of Public Convenience and Necessity A. 13-09-023 AND Complaint by Fred Coleman, Steven Wallace, Larry L. Vaughn and Ruth Dargitz Vs Odd Fellows Sierra Recreation Association C 13-03-017 September 30, 2014

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23 October 11, 2014

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13 **COMMENTS on California Public Utilities Commission Division of Water**
14 **and Audits STAFF REPORT ON APPLICATION OF Odd Fellows Sierra**
15 **Recreation Association and Sierra Park Water Company, Inc. For Certificate**
16 **of Public Convenience and Necessity A. 13-09-023 AND Complaint by Fred**
17 **Coleman, Steven Wallace, Larry L. Vaughn and Ruth Dargitz Vs Odd**
18 **Fellows Sierra Recreation Association C 13-03-017 September 30, 2014**

19 **INTRODUCTION**

20 The complainants have concerns about some of the issues raised in the Staff
21 Report for the APPLICATION OF THE ODD FELLOWS SIERRA
22 RECREATION ASSOCIATION AND THE SIERRA PARK WATER
23 COMPANY, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND
24 NECESSITY A. 13-09-023 and the COMPLAINT OF FRED COLEMAN,
25 STEVE WALLACE, LARRY L. VAUGHN and RUTH DARGITZ VS. ODD
FELLOWS SIERRA RECREATION ASSOCIATION C. 12-03 -017.

1 Complainants appreciate the Staff Report but need to clarify misinformation that
2 was provided to Staff as well as make available information to them that they
3 requested, but was not provided by either the Recreation Association or the
4 Water Company. Complainants, in discussing issues in the Report, are in no
5 way being critical of Staff or the Report. Complainants are aware that Staff was
6 hindered in their efforts because of the information and documents that they
7 requested but failed to receive.

8 **CONCERNS**

9 1. Page 2 Section 1.1 Description of Water System, last Paragraph

10 There are conclusions reached and statements made in the Report as a
11 result of incorrect information. The claim that the Recreation Association
12 (OFSRA) provided water to the Odd Fellows Homeowners' Association
13 (OFSHA) who then provided this water to the lot owners in the
14 subdivision is misleading. The Recreation Association, as the only
15 member of the Odd Fellows Sierra Homeowners' Association, sold water
16 to themselves and then, acting as the Homeowner's Association, sold the
17 water illegally to lot owners who were not members of the Homeowners'
18 Association.¹

19 The second misleading item concerns the reason why, in
20 2011-2012, the Homeowners' Association Board did not turn certain
21 funds over to the Recreation Association. For one year, June 2011 to May
22 2012, a Homeowners' Association Board of Directors was elected by the
23

24
25 ¹ Complainants addressed this issue on page 5, Lines 12-25 of their Response of Opponents to Reply of Applicants
Filed March 14, 2014.

1 lot owners in the subdivision.² During that period from June 2011 to May
2 2012 the Homeowners' Association Board of Directors paid the
3 Recreation Association \$69,350.00 per the terms of the Water Use
4 Agreement. This was done to comply with the terms of the Water Use
5 Agreement and on the advice of the attorney for the Homeowners' Board
6 of Directors. The other fees referred to were denied because the
7 Recreation Association's Board of Directors refused to provide the
8 documents requested to verify their demands, just as they did with the
9 documents requested by the DWA for their Report. The Recreation
10 Association's Board of Directors demanded that the Homeowners'
11 Association Board of Directors turn over all the money that the
12 Homeowners' Association collected without providing any documentation
13 to substantiate what the money was being used for.

14 The next issue concerns the termination of services. The services
15 provided through contracts with the one member Homeowners'
16 Association were water and roads. Both contracts were set to expire in
17 October 2011. However, through mutual agreement these contracts were
18 extended to January 2012. The Recreation Association held a
19 stockholders' meeting on December 3, 2011 and a motion was approved
20 to let the two agreements expire in January 2012. Thus, the Licensing
21 Agreement and the Water Use Agreement both expired in January 2012 as
22 a result of unilateral action by the Recreation Association.

2. Page 3 Section 1.2 Paragraph 1

24 ² Until this election occurred, the Recreation Association Board of Directors also served as the Board of Directors
25 for the Homeowners' Association. Only members of the Recreation Association, Odd Fellows and Rebekahs
(about eighty property owners in the subdivision), could vote for the Recreation Association Board of Directors.

1 Complainants question the need to hire another consultant to examine
2 the water system. The lot owners already paid for the consulting work
3 recently completed by Domenichelli and Associates, Inc.

4 3. Page 3 Section 1.2 Paragraph 2

5 The water lines in the subdivision were replaced from 1973-1975.
6 Therefore, they are forty years old, not sixty as stated.³ This is confirmed
7 in a report by Chris A. Lemke of the California Department of Health
8 Services.⁴

9 4. Page 4 Section 1.2 Paragraph 2

10 Domenichelli and Associates' Report was used by the Recreation
11 Association to justify their high water rate. The Recreation Association
12 provided Domenichelli and Associates with their budget and the firm only
13 added their suggestions for capital improvements to the Recreation
14 Association's existing budget.⁵

15 5. Page 4 Section 1.4 Paragraph 4

16 Several issues and questions arise in this section:

- 17 a. The Water Company has already issued stock in violation of
18 CPUC regulations.
- 19 b. If the California Water Resource Control Board can issue a permit
20 that allows a water company to operate, why does a water
21 company need Commission approval?
- 22 c. If the Water Company does not have a lease with either the
23 Service Company or the Recreation Association, why did the

24 ³ Page 17 Lines 11-14 Response of Opponents to Reply of Applicants Filed March 14, 2014.

25 ⁴ Page 26 Lines 17-25 Response of Opponents to Reply of Applicants Filed March 14, 2014.

⁵ Page 35 Lines 4-12 Response of Opponents to Reply of Applicants Filed March 14, 2014.

1 company make lease payments to the Service Company and the
2 Recreation Association in 2013-2014?

3 6. Page 5 Section 1.5 Paragraph 1

4 The Water Company was not formed until the spring of 2013. The
5 Water Company took over operation of the water system, from the
6 Recreation Association, on June 1, 2013.

7 7. Page 6 Section 2 Paragraph 4

8 Water was provided under the terms of the Water Use Agreement for
9 twenty-five years. The agreement set the amount to be paid for water at
10 \$69,350.00. Therefore, there was no need for the Recreation Association
11 to account for water costs unless there was a dramatic increase in the
12 Recreation Association's expense in delivering water to the subdivision.
13 The Recreation Association was the only member of the Homeowners'
14 Association. The same board served for both associations until fiscal year
15 2011-2012. Under the terms of the Water Use Agreement, the amount
16 charged for water could have been increased in any given year by the
17 Recreation Association. Since the Recreation Association did not increase
18 the amount billed to the lot owners for water, it must be assumed that
19 there was never a substantial increase in the Recreation Association's
20 costs of delivering water. Such an increase never took place until the
21 CPUC became involved in the subdivision.

22 8. Page 6 Section 2 Paragraph 4

23 Approval of the budget by the lot owners was questionable since the
24 meetings in May of each year were advertised as those of the Recreation
25 Association and the Homeowners' Association. Since only eighty lot
owners or less were members of the Recreation Association and there was

1 only one member of the Homeowners' Association (the Recreation
2 Association's one property), the legality of the lot owners voting on a
3 budget was questionable. The assessment resulting from such a meeting
4 was voluntary, not mandatory.

5 9. Page 7 Section 2 Paragraphs 4 and 5

6 Without the financial information requested from the Recreation
7 Association, a valid water rate cannot be accurately determined. If the
8 Recreation Association does not segregate records for the water service
9 offered, the fee that they charged cannot be properly verified for its
10 accuracy or honesty. Since staff was "unable to find sufficient
11 explanation to justify many of the expenditures claimed", other factors
12 should be used to determine a fair rate charged to lot owners and the rate
13 the Recreation Association claimed for 2012-2013 should be disallowed.
14 Complainants request that Staff conduct a forensic audit of the Recreation
15 Association's financial records for at least the years 2010-2011,
16 2011-2012, and 2012-2013 to accurately determine the cost of providing
17 water to the subdivision in 2012-2013. Such an audit will also assist Staff
18 in determining a fair rate for the Water Company.

19 Since the Water Company did not comply with Staff's request for
20 financial information, their rates should also be suspended until such time
21 as the requested information is made available.⁶

22 In various filings with the CPUC, Complainants provided an accurate
23 method to determine water costs and rates for the subdivision. In one
24 such filing the costs for water in Budget years 2010-2011, 2011-2012, and

25 ⁶ By going to www.varvayanis.com/sp Staff can access Sierra Park Budgets from 1965-2013 and their accounting from 1985-2013 found under Sierra Park Documents and Information.

1 2012-2013 were discussed in detail.⁷ Tuolumne Utility District's rates
2 were also discussed and shown to be lower than those of either the
3 Recreation Association or the Water Company.⁸ Water Director Ron
4 Hawke in his 2011 Annual Report to the Drinking Water Program ending
5 December 31, 2011 stated that the annual flat rate for water was \$190.00
6 or \$16.00 per month. At the Odd Fellows Sierra Recreation Association
7 Annual General Meeting May 29, 2011 Water Director Ron Hawke
8 reported on the cost of water. He said: "At this point , it is my hope that
9 our foreseeable future needs will be met with our current rate of funding
10 for the Water Reserve, namely \$16,380 per year, which calculates out to
11 \$3.75 per month per lot." Director Hawke went on to say: "The operating
12 cost, as proposed in our budget for 2011 to 2012, is \$19,050, which
13 includes maintenance of the system and water testing and other actions to
14 maintain our system to CDPH standards. This amounts to \$4.35 per
15 month per lot. The total cost for operating and reserves, comes to \$8.10
16 per lot per month." Michael Lechner, the vice-president of the proposed
17 water company, said that the actual cost of water was \$100.00 per lot per
18 year⁹.

18 The formation of the Service Company and the Water Company in
19 2013 brought a dramatic increase in costs to the lot owners in the
20 subdivision.

21 For example:

23 ⁷ Exhibit 12 in the Rebuttal Filed by Opponents October 14, 2013 to the Joint Filing of Application.

24 ⁸ Pages 19-21 Sections XXXI and XXXII in the Rebuttal Filed by Opponents October 14, 2013 to the Joint Filing
25 of Application.

⁹ Page 43 Lines 5-17 Response of Opponents to Reply of Applicants Filed March 14, 2014.

- a. The budget proposed by the Recreation Association for 2011-2012 was \$302,120.00.
- b. The Recreation Association's reported costs for 2013-2014 was \$99,950.00.
- c. The Service Company's budget for 2013-2014 was \$196,855.00.
- d. The Water Company's budget for 2013-2014 was \$343,659.00.
- e. The total for 2013-2014 for the three corporations was \$640,464.00.

Complainants are concerned about such a dramatic increase in charges to lot owners. In 2011-2012 the proposed budget of \$302,120.00 covered all costs, including water delivery for Sierra Camp Subdivision, roads, structures owned by the Recreation Association, equipment maintenance, fuel, insurance, accounting, taxes, etc. as well as the Recreation Association's approximately 490 acres which included their timber land. Water alone is now \$343,659.00 for the subdivision and to maintain a generator which is the Water Company's sole piece of equipment. Complainants urge Staff and the Commission to consider this dramatic increase in the water charge as well as the other increases before approving the Water Company's Application. There are more economical avenues to follow than what is proposed by the Applicant. Water charges are too high for a subdivision with approximately forty homes occupied full time, no overhead, a less than a full-time employee, and untreated water.

10. Page 8 Section 2.1 Paragraph 2

The Water Company failed to supply backup documentation to Staff. Such documentation should be required and verified before a rate is established for the Water Company and its Application is approved.

11. Page 8 Footnote 21

Time cards should be provided for the Caretaker in order to verify that the correct amount was collected by the Water Company from the Service Company for the Caretaker's time that was devoted to working on Service Company jobs.¹⁰

12. Page 12 Section 3 Paragraphs 4 and 5

In calculating the water rate and any reimbursements to the lot owners, Staff should consider that there are seventy-two acres served by the water system that are not part of the subdivision. Areas included in this seventy-two acres are the playground, picnic area, and apple orchard. There is also a shop, recreation hall, and dog park. For these areas, there are two 2-inch connections and three irrigation connections. None of the seventy-two acres are needed or required by the subdivision. These areas were owned exclusively by the Recreation Association and either have been or will be turned over to the Service Company. This use of water should be figured into the water rate and will help reduce the rate for the lot owners. Judge Long commented on the need for the Recreation Hall (clubhouse) to pay for its water.¹¹ Despite Judge Long's statement concerning the service connection for the Recreation Hall, a fee has never been budgeted or collected for such connection.

13. Page 13 Section 3 Paragraph 4

Complainants have a concern about the statement that the employee devotes 61% of his time to Water Company activities. Minutes of the Water Company Board of Directors' meetings provide Human Resource

¹⁰ Complainants suggest a solution to this confusing system in Number 14 below.

¹¹ Prehearing Conference Transcript July 1, 2013 Page 88-89.

1 Director Heidi Odwein's reports, as well as other Director's reports, about
2 the employees (Caretaker and part time employee) and what they did for
3 the Water Company from June 2013 to June 2014:

- 4 a. June 2013 - Two employees, one full time and one part time.
- 5 b. July 2013 - Part time employee working four days a week.
- 6 c. August 2013 - Part time employee still working four days a week.
- 7 d. September 2013 - Caretaker had to work some overtime in order
8 to assist fire suppression operations. Still one full time employee
9 and one half time employee.
- 10 e. October 2013 - Insulation of well housing done (pipes inside well
11 house).
- 12 f. December 2013 - During winter months most of the work is either
13 keeping the roads clear or on other winter projects.
- 14 g. January 2014 - Caretaker not working because he is out on
15 non-industrial disability. Volunteers have been taking care of
16 immediate needs of the Park.
- 17 h. February 2014 - Caretaker still out on disability.
- 18 i. March 2014 - Caretaker released to return to work. While he was
19 out someone was found to plow the roads, couple of employees
20 hired on a temporary basis, and a few contractors identified.
- 21 j. April 2014 - Caretaker continues to work on projects determined
22 to be a priority.
- 23 k. May 2014 – Nothing to report.
- 24 l. June 2014 - Caretaker out ill. Nothing to report on water.

25 Minutes of the Sierra Park Services Board of Directors' meetings
provide Human Resource Director Heidi Ordwein's report, as well as
other Director's reports, about the employees (Caretaker and part time

1 employee) and what they did for the Service Company from June 2013 to
2 June 2014:

- 3 a. June 2013 - Mark (Caretaker) has been working on fire
4 prevention. He has cut the brush back on the meadow side of
5 Jordan Way East. He has mowed and tilled it as well. The pine
6 needles have been removed.
- 7 b. July 2013 - Mark coordinating with the contractor on the new
8 basketball court. Signage throughout the Park is being reviewed
9 and if necessary replaced. The tank farm road gate built and
10 signage was attached. Weeding, ditch clearing, mowing and all
11 other grounds areas are being continuously worked on. Sprinklers
12 around the apple orchard have been replaced. Yvonne Peter is
13 working with Mark regarding additional areas that need to be
14 addressed such as the corporation yard¹² and matters relating to
15 the buildings. Mark is clearing large items and debris left at the
16 needle dump. Under Buildings/Common Areas it was reported
17 that each well had been identified with a number, Mark was
18 addressing yearly cleanup at the corporation yard, shed area, and
19 tank area. This will include grading the roads to the water tanks
20 and spreading sand at the lake (beach). Mark is preparing a list of
21 equipment work that needs to be completed in preparation for
22 winter. Chains will be repaired for winter. Mark will flush fire
23 hydrants by the end of July and done by the first of August. Bar

24
25

¹² Some of the Recreation Association's/Service Company's equipment and supplies stored in a fenced yard and building. Some of the parts, supplies, and generator belonging to the Water Company might also be stored here.

1 ditches and raking are in progress. Fire extinguishers need to be
2 serviced and Mark to coordinate this.

3 c. August 2013 - Ditch and culvert work in progress.

4 d. September 2013 - Part time employee working four days a week.
5 Under roads it was stated that ditches and culvert cleaning still
6 being done. The report went on to state that this has become a
7 four month project.

8 e. October 2013 - The ditch and culvert cleaning has not been
9 completed. Flushing of the fire hydrants still needs to be done.
10 Equipment needs to be serviced and the buildings prepared.
11 Under Buildings/Common Area the cleaning of the Lodge/ floors/
12 bathrooms/ kitchen is scheduled.

13 f. November 2013 - Under roads Mark removed the old letters from
14 the entry sign and painted it. Ditches have been cleared for
15 winter. Under Buildings/Common Area the lake drained and
16 buoys removed.

17 g. December 2013 - During the winter months, most of the work is
18 on keeping the roads clear. Mark also has to begin working on
19 cleaning the buildings. He also needs to check all equipment and
20 do maintenance.

21 h. January 2014 - Caretaker on non-industrial disability and
22 volunteers handling jobs in the Park regarding garbage and
23 general maintenance. (Garbage was another job assigned to the
24 caretaker. He called for new dumpsters and pulled the full ones
25 out and compacted them with the back hoe when necessary.)

i. February 2014 - Caretaker still out.

- 1 j. March 2014 - Caretaker returned to work. Under roads it was
2 reported that two employees were cleaning out the culverts and
3 the ditches. Under Buildings/Common Area it was reported that
4 the corporation yard has been cleaned and organized, the gate
5 fixed, and the door repaired.
- 6 k. April 2014 - The caretaker continues to work on projects
7 determined to be a priority.
- 8 l. May 2014 - The caretaker continues to work on projects
9 determined to be a priority.
- 10 m. June 2014 - Nothing reported concerning the caretaker or any
11 work.

12 The newsletters of the two entities make it clear that most of the work
13 performed in the time period reported on by the caretaker was for the
14 Service Company, not the Water Company. If 61% of the caretaker's
15 time was devoted to the Water Company, as reported by Applicant, he
16 would not have had four months to work on the ditches much less do the
17 other jobs described in the Service Company's newsletters. Complainants
18 possess one time sheet filled out by the Caretaker from 11-14-11 to 11-24-
19 11. It shows that the Caretaker checked on water from 7:30 am to 8:00
20 am six of the eight days he worked in that two week period and the
21 remainder of the day did jobs not related to water. This equates to 1½
22 hours a week on water. The duties and work of the Caretaker for water as
23 described in the Water Company's newsletters is consistent with the norm
24 for water related jobs in the subdivision for approximately twenty-five
25 years. The normal weekly duties consist of checking the tank levels and
 turning on and off the pumps when required. That equates to
 approximately 1½ hours per week as demonstrated by the time sheet

1 referred to above. The rest of the week, 38½ hours, is devoted to jobs for
2 the Recreation Association and more recently the Service Company.

3 14. Page 14 Section 3 Paragraphs 2 - 4

4 Complainants have a concern about the exaggerated amount of time
5 allotted to the caretaker's work on water as submitted to the CPUC Staff.
6 A better system, and more fair to the rate payers, would be for the
7 caretaker to work for the Service Company. Since the daily water needs
8 amount to approximately 1½ a week, it would be more than fair to have
9 the Service Company bill the Water Company a maximum of five hours a
10 week. This would cover checking the tank levels, turning on and off the
11 pumps, flushing the fire hydrants twice a year, returning customer's calls,
12 and calling in the prescribed vendor for breaks or other problems in need
13 of repair (This is usually done under the current system). Water testing,
14 reports, etc. could all be handled in the same manner. Such a method
15 would be less confusing and eliminate overcharging the water customers
16 for the caretaker's time. Complainants urge the Commission to
17 implement a detailed tracking method to insure that the caretaker's time
billed to water is fair and honest.

18 15. Page 15 Section 4.1 1 (i) and 1 (ii)

19 Staff recommended that a refund from the Recreation Association be
20 paid over a period of two years to all lot owners in four semi-annual
21 installments. Complainants paid for one year in quarterly installments as
22 ruled by Judge Minkin. Reimbursement should follow the same plan. For
23 those in the subdivision paying their water bill in one lump sum as billed
24 by the Recreation Association, they should receive their refund in one
25 lump sum. Judge Minkin advised the Recreation Association to hold
funds back in case of a refund following the required audit. Also, the

1 Water Company did not collect for water in four installments but rather
2 billed in June 2013 and June 2014 for the full yearly amount.

3 Reimbursement should follow this same procedure. Complainants
4 assumed that since Judge Minken ruled on quarterly payments made to the
5 Recreation Association for water that the same procedure would apply to
6 the Water Company's billing. If the Commission approves the
7 Application for the Water Company, Complainants urge the Commission
8 to set the collection of water payments consistent with the Tuolumne
9 Utilities District. Payment should be every two months following use of
10 the water rather than a single bill in June of the new fiscal year for the full
11 amount prior to use.

12 16. Page 15 Section 4.1 1(iv)

13 Complainants think that Staff is being overly fair to the Water
14 Company in light of the fact that the Water Company did not supply the
15 requested documents. Until all expenses can be verified, rates should be
16 reduced to an amount consistent with what is charged by the Tuolumne
17 Utilities District for raw water which is similar to the untreated water
18 provided by the Water Company to the residents of Sierra Camp
19 Subdivision.

20 17. Page 15 Section 4.12 (ii)

21 Complainants request that the special assessments be canceled in lieu
22 of the Recreation Association being required to transfer the \$132,645.00
23 collected from the lot owners as a water reserve fund during the time they
24 were the water purveyor in the subdivision.¹³ This will provide the
25 revenue needed to conduct any studies required by the Commission and

¹³ Page 26 Lines 1-11 Response of Opponents to Reply of Applicants Filed March 14, 2014.

1 contribute to any upgrades to the system suggested and/or required. Thus,
2 the fund created from special assessments on lot owners for a water
3 reserve fund would be used for the purpose for which it was created.¹⁴

4 18. Page 15 Section 4.1 3 (i)

5 Complainants agree with those items disallowed but think there is the
6 possibility of further reductions in costs.

7 19. Page 16 Section 4.2 Number 1

8 The Staff Report states that the Water Company has not justified
9 capital expenditures based on a comprehensive engineering evaluation of
10 the existing water distribution system. Despite this, the Water Company
11 has moved ahead with plans for capital expenditures that the Staff Report
states are not justified. For example:

- 12 a. In the April 2014 Newsletter of the Water Company it states that
13 an agreement was reached with Don Nessler. A motion was
14 approved to contract with Don Nessler as the Water Consultant for
15 the Water Company. The agreement with Mr. Nessler includes
16 assisting with planning for overall capital improvements. The
17 Water Company should be required to provide the CPUC Staff
18 with Mr. Nessler's credentials qualifying him as a water consultant
19 for the engineering projects the Water Company is pursuing.¹⁵

21 ¹⁴ By checking the web site given in footnote 5, Staff can see that the improvements to the water system over a
22 twenty-five year period were funded through special assessments on the lot owners in the subdivision.

23 ¹⁵ Don Nessler has a water operator's license and has filled in for the caretaker when he has been out due to illness.
24 Two of Mr. Nessler's employees also cleaned the bar ditches (non-water related jobs) and one of his employees has
25 been filling in for the caretaker as a part time caretaker while the caretaker has been off work on disability and
more recently terminated. Complainants request that any bills submitted from the Water Company for Mr. Nessler
be verified so that the Water Company cannot inflate water costs for the Service Company's work.

1 b. In the April 2014 Newsletter of the Water Company for June 2014
2 Bill Ordwein stated that some parts of the water system are over
3 50 years old but does not elaborate on what parts he is talking
4 about.¹⁶ He said that an eleven year plan has been developed.
5 Has the Water Company shared this plan with the CPUC? He
6 then explained that the fire hydrant system has to be updated and a
7 number of larger hydrants added, triggering the need for some
8 larger pipes. Bill Ordwein stated that we have to improve the
9 flow of water to the fire standpipes and to do that requires four
10 and eight inch lines (we assume that he meant to say six and eight
11 inch lines). No explanation or official requirement is given for
12 this proposal. In fact, Complainants addressed this with
13 statements made by Recreation Association Water Director Ron
14 Hawke when he indicated that there was no need to upgrade the
15 water system concerning fire suppression or the addition of six
16 and eight inch lines. The local fire chief at the time was in
17 agreement.¹⁷ In Staff's Report on page 3, the consultant,
18 Domenichelli and Associates Inc., is quoted as saying that
19 firefighting capacity is sufficient to provide several hours of flow
20 within an acceptable range. Bill Ordwein also stated that the
21 overall work will require the specialized knowledge of multiple
22 engineers. Who from the CPUC approved this plan, who are the
23 engineers who designed the plan, who are the engineers working

24 ¹⁶ Refer to footnote 4 on page 5 for an explanation of the age of the water system.

25 ¹⁷ Page 33 Lines 21-25, Page 34 Lines 1-24, and Page 35 Lines 1-4 Response of Opponents to Reply of Applicants Filed March 14, 2014.

1 on the job, how much is the plan going to cost, what is the
2 justification for the plan, and isn't all of the above in direct
3 violation of the Report and CPUC operating procedure?

4 c. In the June 2014 Newsletter of the Water Company Bill Ordwein
5 states in his Capital Improvement Report that we have eighty
6 standpipes. However, in the Water Company's Application with
7 the CPUC it states that there are approximately forty-five
8 standpipes used as fire hydrants. By counting the standpipes
9 designated in the legend of Exhibit J of the Application, there are
10 thirty-seven standpipes listed. Also, in the 2008 Annual Report to
11 the Drinking Water Program, Water Director Charles Varvayanis
12 reported, on page two 6b, that there were forty-one standpipes.

13 d. In the June 2014 Newsletter of the Water Company Bill Ordwein
14 reported: "The first phase of the Capital Improvement Plan
15 involves isolating sections of the Park so that each section can be
16 turned off without shutting off larger areas of the Park. This
17 section of the plan is continuing." Note – There are residents of
18 the subdivision with knowledge regarding shutting down the
19 appropriate sections of the current water system without
20 impacting larger areas or modifying the system to do so. The
21 work planned by the Water Company is not necessary. This is
22 also proven by the Water Company's filings with the CPUC. In
23 their Exhibit R-2 which is a map of the water system, it is clear
24 that there are a number of four inch valves throughout the water
25 system that allow the system to shut off the four inch water lines
in sections without the expensive upgrades as proposed by Bill

1 Ordwein.¹⁸ For the two inch lines feeding the cabin mains, there
2 are also valves to shut them down in small sections without
3 impacting others in the area.¹⁹

4 e. In the July/August Newsletter of the Water Company Bill
5 Ordwein once again commented on the Capital Improvement Plan
6 and the installation of valves to isolate sections of the subdivision.

7 f. In the September 2014 Newsletter of the Water Company Bill
8 Ordwein once again, under the Capital improvement Plan,
9 discussed the installation of the valves along with the installation
10 of the new dry barrel fire hydrants.

11 Complainants are concerned about the Water Company's
12 disregard for the facts, CPUC rules and regulations, and the cost
13 to the lot owners for work that is not required or necessary.

14 20. Page 16 Section 4.2 Number 1

15 Under this section the Recreation Association has spent thousands of
16 dollars on "a" and "b". These items were done in part as a result of the
17 failed attempt to form a Community Service District. Also, under "b", the
18 pump for well six was replaced in August 2014. Therefore, the only item
19 needed is "c". There is a need to convert to meters and Complainants
20 welcome this.

21 21. Page 18 Operating Expenses

22 Under expenses Complainants are addressing two items critical in
23 determining a fair rate for lot owners and for the refund:

24 ¹⁸ Exhibit R-2 Joint Reply of Applicants to Protest Filed January 31, 2014.

25 ¹⁹ Page 16 Lines 1-25 and Page 17 Lines 1-14 Response of Opponents to Reply of Applicants Filed March 14, 2014.

1 1. Water Maintenance Actual 2007 to 2012

2 2007-2008 = \$5,247

3 2008-2009 = \$3,733

4 2009-2010 = \$3,783

5 2010-2011 = \$3,912

6 2011-2012 = \$7,415²⁰

7 Total = \$24,090 divided by 5 = \$4,818 per year average not
8 the \$31,250 on Staff Report Table 1 for 2011 and the
9 \$32,060 for 2012.

10 2. Insurance General - Actuals for all insurance 2007-2012

11 2007-2008 = \$34,814

12 2008-2009 = \$4,607

13 2009-2010 = \$21,628

14 2010-2011 = \$19,969

15 2011-2012 = \$16,398²¹

16 Total = \$97,416 divided by 5 = \$19,483.20 x 20% for
17 water's share = \$3,896.64 not the \$22,279 on Staff Report
18 Table 1 for 2011 and the \$ 22,836 for 2012.

19 The inflated charges for maintenance and insurance amounts to
20 an overcharge of \$140.00 per lot per year above the overcharges
21 already noted by Staff.

22 22. Page 18 1.1 under Section 1 Employee Expense

23 The claim that the Water Company has only one employee is false.

24 In the minutes of the Water Company's monthly meetings discussed

25 ²⁰ Taken from Recreation Association Financial Documents.

²¹ Taken from Recreation Association Financial Documents

1 above, it was reported in the minutes that the Water Company had 1½
2 employees and the part time employee often worked four days a week.

3 23. Response of Complainant Page 20 1.1 under Section 1 Member
4 Communications

5 Complainants do not think the lot owners who are not shareholders
6 in the Water Company should have to contribute to the \$1,000.00 expense
7 for the Water Company to communicate with its members.

8 24. Page 20 1.1 under Section 1 Water Administration Consulting

9 The amounts recommended in this section \$16,100.00 and
10 \$16,200.00 do not correspond to Staff's Table 1 Line Item Consulting.
11 From 2013 through 2015 Table 1 indicates that consulting is less than
12 \$9,000.00 per year. This seems reasonable to Complainants while the
13 Water Company is in the formation stages. For the 2013-2014 fiscal year
14 the Water Company budgeted \$36,000 for Water Administration
15 Consulting. However, as of April 30, 2014 the Water Company had spent
16 nothing from this budget category.²² Examining past Recreation
17 Association budgets indicates that consulting was not a part of these early
18 budgets until they attempted to form a Community Service District.

19 25. Actual number of lots and service connections served by the water system

20 Staff continues to refer to the subdivision being composed of 364
21 lots.²³ Such information is inaccurate. The Subdivision Report states that
22 the subdivision is composed of 365 lots. Added to this number is a two

23 ²² Sierra Park Water Company Board of Directors Meeting Minutes for May 10, 2014 Page 4 Budget Report.

24 ²³ This number, 364, comes from the Recreation Association because, until the formation of the Service Company
25 and the Water Company, the Recreation never paid an assessment on their property with CC&R's and referred to as
the Caretaker's cabin. Thus, the Recreation Association promoted the idea of 364 properties that were assessed
rather than the true number of 365.

1 acre parcel outside the subdivision with a 2½ inch connection to the water
2 system, (APN 031-010-25).²⁴ There is also a lot owned by the Recreation
3 Association that they have never paid an assessment on,
4 (APN 031-052-16).²⁵ A five acre parcel outside the subdivision sold to
5 the Cardoza's and with a water agreement (APN 031-091-23).²⁶ There
6 are also the connections mentioned earlier. These connections are the two
7 commercial service connections, the shop and the Recreation Hall, and the
8 three agricultural connections. This information should assist Staff in
9 determining how to adjust the water rate based on the correct number of
10 connections.

11 **CONCLUSION**

12 Complainants complement Staff on their report considering the lack
13 of cooperation on the part of the Recreation Association and the Water
14 Company in providing the requested financial documents. Any concerns
15 expressed by Complainants were not directed at Staff or their Report but
16 the Recreation Association and the Water Company. Dealing with these
17 two corporations has instilled a deep distrust and lack of confidence in
18 anything that they say or do. It is the lack of cooperation by the
19 Recreation Association and the Water Company that should result in the
20 Commission denying the Application by the Water Company. If, during
21 the application stage, the Water Company demonstrates such lack of
22 cooperation with CPUC Staff, what will the future bring if they receive
23 the Commission's approval to operate as a water company?

24 ²⁴ Page 11 Lines 11-22 Response of Opponents to Reply of Applicants Filed March 14, 2014.

25 ²⁵ Page 12 Lines 1-9 Response of Opponents to Reply of Applicants Filed March 14, 2014. This lot might be transferred to the Service Company.

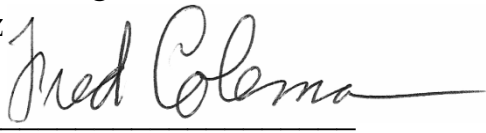
26 ²⁶ Page 18 Lines 24-25 and Page 19 Lines 1- 4.

1 A major problem with approving the Water Company's Application
2 is the extremely high rates. The lot owners in the subdivision would be
3 much better served by the rate charged and the service provided by a large
4 water company such as the Tuolumne Utilities District. This becomes
5 even more apparent if the Application is approved and the Water
6 Company hires a manager. Such a move would increase the yearly cost of
7 water per lot to approximately \$300.00 per year. In Complainants
8 discussion above it is obvious that a water employee is needed no more
9 than five hours a week. Sierra Camp Subdivision is small with
10 approximately forty homes occupied full time. Approving the Application
11 for the Water Company is a mistake for the lot owners in the subdivision.
12 There are more economical and efficient ways to deliver water to the lot
13 owners than with the proposed Water Company.

14 There is also the question of trust. It is hard to believe what the
15 Water Company says. For example, the Water Company told the CPUC
16 that there was one employee. However, the minutes of their meetings
17 clearly refer to more than one employee.

18 Should the Application be approved, further examination of the rates
19 charged in the past and those proposed for the future need to be verified
20 and closely monitored.

21 Respectfully submitted,
22 Fred Coleman, Steven Wallace,
23 Larry H. Vaughn, and Ruth
24 Dargitz

25 By: 
Fred Coleman