



**BEFORE THE PUBLIC UTILITIES COMMISSION OF  
THE STATE OF CALIFORNIA**

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FRED COLEMAN, STEVE WALLACE, LARRY L. VAUGHN, RUTH DARGITZ VAUGHN,	)	<b>CASE NO. C-1203017</b>
	)	
Complainants,	)	
vs.	)	
ODD FELLOWS SIERRA RECREATION ASSOCIATION, INC.,	)	
	)	
Defendant	)	
	)	
	)	
	)	

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**RESPONSE TO THE REPORT OF THE ODD FELLOWS SIERRA  
RECREATION ASSOCIATION DATED DECEMBER 7, 2012.**

**December 20, 2012**

1 **BEFORE THE PUBLIC UTILITIES COMMISSION OF**  
2 **THE STATE OF CALIFORNIA**

3  
4 FRED COLEMAN, STEVE WALLACE, )  
LARRY L. VAUGHN, RUTH DARGITZ ) **CASE NO. C-1203017**  
5 VAUGHN, )  
6 Complainants, )  
7 vs. )  
8 ODD FELLOWS SIERRA RECREATION )  
ASSOCIATION, INC., )  
9 Defendant )  
10

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12  
13 **RESPONSE TO THE REPORT OF THE ODD FELLOWS SIERRA RECREATION**  
14 **ASSOCIATION DATED DECEMBER 7, 2012**

15 Pursuant to Administrative Law Judge Angela Minkin's November 30, 2012 ruling, the  
16 Complainants file this report with regard to CPUC Proceeding C-1203017 (filed March 12,  
17 2012):

- 18  
19 1. There seems to be some confusion on the part of the Court and possibly others about the  
20 relationship between Defendant Odd Fellows Sierra Recreation Association (OFSRA)  
21 and the International Order of Odd Fellows (IOOF). There is no legal connection or  
22 affiliation between Defendant and IOOF. In 1986 the Grand Lodge of the State of  
23 California IOOF sent a letter to Defendant asking them to stop using the Odd Fellow  
24 name. At Defendant's Annual meeting on May 25, 1986 on page two under Corporate  
25 Restructuring, a letter was mentioned that requested that Odd Fellows not be used in the

1 Recreation Association's corporate name. A vote was taken at Defendant's meeting to  
2 continue with the plan to use Odd Fellows in the name of Defendant's corporation  
3 (Exhibit "A").  
4

5 2. In their various filings, Defendant claims that there are 364 lots in the subdivision. The  
6 Final Subdivision Public Report on May 21, 1959 reports: "the subdivision is divided into  
7 365 parcels" (Exhibit "B"). Now Defendant is providing water to another parcel, about  
8 two acres with a residence, that they recently purchased. This property was rezoned  
9 Rural Residential and is now for sale. Connecting this property to the water system  
10 increases the number of residential connections to 312. This two acre parcel is not part of  
11 the subdivision but benefits from the water system.  
12

13 3. Defendant is continuing their practice of billing undeveloped lots for water despite stating  
14 in their Final Subdivision Public Report on May 21, 1959 on page two under water:  
15 "Nominal annual water assessment charge is made to lot owner after water hook-up is  
16 made." (Exhibit "B").  
17

18 4. In a recent survey of the subdivision to determine the actual number of vacant lots not  
19 connected to the water system, Larry Vaughn and Steve Wallace counted 311 developed  
20 lots with houses connected to the water system. This is consistent with Water Director  
21 Hawke's 2011 Annual Report that states, as of December 31, 2011, there were 304 active  
22 connections (Exhibit "C").  
23

24 5. The exhibits in Defendant's filing on December 7, 2012 are unique in that at the general  
25 meetings in May each year for Defendant's shareholders and subdivision lot owners the

1 budgets presented have never resembled anything close to what Defendant has now  
2 produced. Complainants would be interested in knowing who was responsible for  
3 drafting these documents and where the data that was used came from. Nothing this  
4 detailed has ever been produced or made available prior to the Court ordering Defendant  
5 to show their water costs for budget years 2010-2011, 2011-2012, and 2012-2013.  
6

7 6. The claim by Defendant that the actual cost of providing water for 2010-2011 was  
8 \$158,312.39 or \$434.92 per lot and that the actual cost of providing water for 2011-2012  
9 was \$187,754.35 or \$515.81 per lot does not correspond to what Defendant reported  
10 earlier. On page six of the Small Water System 2011 Annual Report to the Drinking  
11 Water Program for the Year Ending December 31, 2011 under Item 6 Water Rates,  
12 Director Ron Hawke reported that the cost for water was \$190 per year with an average  
13 monthly residential cost of \$16.00 per month (Exhibit "C"). On the last page of the  
14 report Water Director Hawke submitted for 2011 there is a disclosure that explains the  
15 code sections and penalties for any person who knowingly makes any false statement on  
16 any report or document submitted for the purposes of compliance (Exhibit "C"). Who is  
17 telling the truth about the cost of water, Water Director Hawke or Defendant in their  
18 December 7, 2012 filing to the CPUC? The cost Water Director Hawke cites in his report  
19 for 2011 is even higher than what he reported on May 29, 2011 at the Odd Fellows Sierra  
20 Recreation Association Annual Meeting when he said: "The operating cost, as proposed  
21 in our budget for 2011 to 2012, is \$19,050, which includes maintenance of the system and  
22 water testing and other actions to maintain our system to CDPH standards." He went on  
23 to say that this amounted to \$4.35 per month per lot. The total cost for operating the  
24 water system plus reserves for 2011-2012, according to Water Director Hawke, totaled  
25 \$8.10 per month per lot. (Exhibit "D" Page Two). Using the amount given by Water

1 Director Hawke of \$8.10 per month the yearly cost per lot totaled \$97.20. Using  
2 Defendant's formula of 364 lots times \$97.20 equaled a total income for water of  
3 \$35,380.80 with \$19,050 applied to the cost of supplying water and \$16,330.80 collected  
4 for the Water Reserve Fund. This is considerably less than the cost Defendant now  
5 claims it spent for providing water for 2011-2012 of \$515.81 per lot per year. What  
6 caused the cost to rise so dramatically?

7  
8 7. Based on Defendant reporting in their December 7, 2012 filing that they budgeted  
9 \$122,984 for water for budget year 2010-2011 and had expenses of \$158,312.39 that  
10 resulted in loss of \$35,328.39, it is inconceivable that Director Hawke presented a budget  
11 (Exhibit "D" page 2) for providing water to the lot owners of only \$19,050 for the 2011 -  
12 2012 budget year. His proposal was close to half of what Defendant claims to have lost  
13 the previous year, 2010-2011. It would be reasonable to assume that if Defendant  
14 actually did budget \$122,984 for water in 2010-2011 and ended the year with a cost of  
15 \$158,312.39 and a deficit of \$35,328.39 that Defendant would have budgeted at least  
16 \$158,312.39 or more for water in 2011-2012 to compensate for the previous year's loss  
17 plus inflation, not the \$19,050.00 reported by Water Director Hawke for budget year  
18 2011-2012.

19  
20 8. The amount Water Director Hawke reported for the cost of providing water for 2011-  
21 2012, \$19,050, is more consistent with the history of water costs in the "Park" than what  
22 Defendant is now claiming. One example of this is the 2008 Annual Report to the  
23 Drinking Water Program for Year Ending December 31, 2008 in which Water Director  
24 Varvayanis reported that the current monthly average water rate was \$4.48 (Exhibit "E"  
25 Page 2 Item 6B Water Rates). At \$4.48 a month the water charge was \$53.76 a year per

1 lot. Taking Defendant's formula of 364 lots times \$53.76 gives a total cost for water of  
2 \$19,568.64 for that year.

3  
4 9. Complainants analysis of Defendants invoices and records show that the cost of water  
5 was much lower than what is now claimed by Defendant. Because of this, Defendant  
6 should be required to provide proof that their claims for the cost of water are valid. If  
7 Defendant's claims are accurate, they should be willing to provide the Commission, the  
8 Court, and the Complainants with their proof, all records, policies, and invoices, which  
9 substantiate their exhibits related to the cost of water. Anyone can put figures on a sheet  
10 of paper. For such figures to be relevant, documents used to formulate them must be  
11 provided. Otherwise, the only thing presented is a series of papers with a bunch of  
12 meaningless numbers.

13  
14 10. In Defendant's (Exhibit "A") item 1.2, Maintain Water System for 2010-2011, Defendant  
15 claims an expense of \$20,848.00. They do not clarify what (13) +3k from 8.91 means  
16 and how it fits into water maintenance. On the Defendant's Budget Report Period Ended  
17 May 31 2011 Maintain Water is shown as costing only \$3,912.00 (Exhibit "F") and not  
18 even close to what Defendant is now claiming. Complainants requests proof, all invoices  
19 and any other documents used by Defendant, which proves Defendant's claim of  
20 \$20,848.00 for water maintenance for 2010-2011.

21  
22 11. In Defendant's (Exhibit "B") item 1.2 Maintain Water System for 2011-2012 Defendant  
23 claims an expense of \$21,737.00. They do not clarify what (13) + 23k from 8.91 means  
24 and how it fits into water maintenance. On Defendant's Budget Report Ended April 30,  
25 2012 the cost for Maintain Water is shown as \$7,415.00 (Exhibit "G") which is

1 considerably less than what Defendant now claims. Complainants request proof, all  
2 invoices and any other documents used by Defendant, that substantiate Defendant's claim  
3 of \$21,737.00 for water maintenance for 2011-2012.  
4

5 12. In Defendant's (Exhibit "A") \$15,755.54 is shown as the amount of insurance billed to  
6 water for 2010-2011. The total cost for insurance in Defendant's budget for 2010-2011  
7 was \$19,969.00 (Exhibit "F"). Charging such a large amount to water seems  
8 unreasonable considering all that Defendant insures. A summary of Defendant's  
9 insurance, with the exception of the Directors and Officers Liability Policy and the  
10 Workman's Compensation Policy, is provided in (Exhibit "H"). In breaking this exhibit  
11 down the total value of the property insured was \$1,068,244.00. The total premium for  
12 property was \$3,033.58. The total property value for wells two, five, and well six was  
13 \$43,744.00 which includes the three well houses, three pumps, and three pump panels.  
14 The property value of these three wells amounts to 4% of the total property value covered  
15 in the insurance policy. When 4% is applied to the section of the rate that applies to  
16 property, the charge allotted to water for insurance in 2010-2011 was \$121.42. This  
17 summary is from May 31, 2010 and was generated as a result of a meeting between the  
18 insurance agent and Fred Coleman and Steve Wallace. The document details what  
19 Defendant insures. An earlier document of the Defendant also shows what was insured  
20 by Defendant in 2006 (Exhibit "I"). It is hard to comprehend how Defendant now claims  
21 that a majority of the items it insures falls under water when water was not mentioned in  
22 either exhibit referenced above except in relationship to the three wells. In examining  
23 Defendant's insurance policies it is clear that they are an accumulation of homeowner's  
24 type policies with basic coverage for the board of directors, automotive, general liability,  
25 and basic facilities coverage that includes a rider for the well pumps and an exclusion for

1 a major portion of the water system including the storage tanks. The distribution system  
2 is not specifically covered. Complainants request proof, invoices and policies, which  
3 substantiate the claim Defendant makes concerning their insurance billing for water for  
4 2010-2011. Since the subdivision's water is not treated, it might be difficult for  
5 Defendant to acquire a liability policy that covers the water system.

6  
7 13. In Defendant's (Exhibit "B") \$23,967 is shown as the amount of insurance charged to  
8 water for 2011-2012. In budget year 2011-2012 Defendant budgeted \$32,000.00 for  
9 insurance but by April 30, 2012 they reported spending only \$16,398.00 (Exhibit "G"). If  
10 inflation is applied to the 4% used in item twelve and is increased to 7% and that is  
11 applied to the \$3,033.58 for property in item twelve then the cost of insurance applied to  
12 water in 2011-2012 was \$212.35. The same concerns and requests mentioned in number  
13 twelve apply here.

14  
15 14. For 2012-2013 adding 3% to the 7% in item thirteen gives 10% to apply to the \$3,033.35  
16 cost for insuring property. This equates to \$303.33 as water's share of the insurance cost  
17 for 2012-2013

18  
19 15. In the 2010-2011 budget year Defendant claims Water Utilities totaled \$11,278.40. The  
20 utility bills for wells two, five and six, the wells supplying water to the subdivision, do  
21 not indicate that the amount Defendant claims is accurate. From 5/25/2010 to 5/23/2011  
22 the utility bills for wells two, five, and six total \$5,716.45 (Exhibit "J") {Note – In this  
23 Exhibit there are graphs and charts showing all of Defendant's utility connections and the  
24 corresponding charges and kWh from 9/26/2007 -11/19/2012}. An accounting of  
25 Defendant's total power usage for the period from June 1, 2010 to May 31, 2011 as



1 reported by their utility provider totals \$11,583.51 with the water responsible for  
2 \$5,716.45 (Exhibit “K”). (Note – the PG&E bills for operating the pumps supplying  
3 drinking water include well two which is used only for irrigation from a hose bib  
4 connection. Such irrigation takes place in the area where the well is located and should  
5 not be considered part of the water system. In the early 1990’s, there was a problem with  
6 this well and Defendant traded identification numbers with another well in order to avoid  
7 a Health Department ruling concerning this particular well {well #two}). Defendant also  
8 fails to mention that for three or four months each year they irrigate, from the drinking  
9 water supplied by wells five and six, their apple orchard and other areas totaling about  
10 three acres. The water system also supplies water to Defendant’s cabin, the recreation  
11 hall Defendant owns, and to one of their shops. Defendant passes all of these costs for  
12 their water use on to the lot owners. Complainants request proof that all of the utility  
13 charges for water be verified with meter numbers and invoices along with an explanation  
14 of why water is being charged for utilities that are not related to the pumping of water.

15  
16 16. How can Defendant claim that the utility charges for water in 2010-2011 totaled  
17 \$11,278.40 when their total utility bill was \$11,583.51? Based on this gross overcharge,  
18 records and invoices to verify every item charged to water in Defendant’s December 7,  
19 2012 filing should be made available to the Commission, the Court, and Complainant.

20  
21 17. In the 2011-2012 budget year Defendant claims utility charges for water of \$13,204.05.  
22 Utility bills for the period 5/24/2011 – 5/21/2012 show a total of \$6,446.24 for wells two,  
23 five, and six (Exhibit “J”). The problem with well two and Defendant’s irrigation  
24 mentioned in number fifteen applies in 2011-2012 as well. Based on Defendant charging  
25

1 most of their power usage to water in 2010-2011, it is reasonable to assume that they did  
2 the same for 2011-2012 as well as budgeting that way in 2012-2013.

3  
4 18. Defendant states that the Professional Services charged to water in budget year 2010-  
5 2011 was \$22,265.00. A listing of Professional Service charges, based on invoices  
6 Complainants have in their possession, shows that Defendant spent \$22,265.36 during  
7 budget year 2010-2011 with a total of \$2,249.10 spent for water (Exhibit "L"). For the  
8 invoices, see (Exhibit "L-1"). (Note- There is a charge for \$5,000 that does not have an  
9 invoice. This is a deductible for the D&O liability policy carried by Defendant. It  
10 resulted from a suit against the board and a document from the court is included in  
11 {Exhibit "L-1"} that verifies this.).

12  
13 19. Actual water costs based on data, invoices, charges, determining actual labor costs by  
14 taking trips to check mileage and the time required for such trips in performing water  
15 related duties, and a knowledge of how the water system operates as a result of many  
16 years of service on the Defendant's Board by Fred Coleman, Steve Wallace, and Charles  
17 Varvayanis, a past director and Water Director who is now consulting with Complainants,  
18 helped in formulating the next three exhibits. These exhibits include a detailed report on  
19 the labor costs associated with water. For budget year 2010-2011, water costs were  
20 computed at \$34,319.43 (Exhibit M"). For budget year 2011-2012, water costs were  
21 computed at \$25,038.32 (Exhibit "N"). For budget year 2012-2013, costs were estimated  
22 at \$29,705.56 because the budget year is only half over (Exhibit "O"). In examining the  
23 Performance Objectives for the caretaker (Exhibit "P") the duties pertaining to water  
24 (highlighted by Complainant) shows that Complainant is more accurate in calculating the  
25 actual labor costs for water than is Defendant. Another item indicating that Defendant is

1 inflating its labor charge for water concerns the \$42,000 Defendant charged to water for  
2 labor in 2012-2013. Dividing the \$42,000 labor charge for water by \$25.00 per hour  
3 gives a total of 1680 hours a year or, based on an eight hour work day, 210 days each year  
4 just for water. Based on Complainant's exhibits "M", "N", and "O" Defendant's claim of  
5 \$42,000 does not seem reasonable. This does not give much time for the caretaker to  
6 perform his other duties listed in (Exhibit "O"). In fact, this exhibit shows that most of  
7 the caretaker's duties each year do not involve water. A current log of the caretaker's  
8 daily activities is not available. However, a log is available from a former caretaker that  
9 shows the many duties required each year in the subdivision that do not involve water  
10 (Exhibits "Q" and "Q-1").

11  
12 20. Defendant's practice of overcharging for water continues with their December 7, 2012  
13 filing. For example, Defendant did the same thing on April 8, 1990 when the  
14 Defendant's Board of Directors closed their meeting and immediately opened as the  
15 Board of Directors of the Odd Fellows Sierra Homeowner's Association (OFSHA) and  
16 proceeded to raise the water fee to \$104,800.00 for the 1990-1991 business year (Exhibit  
17 "R"). This increase was passed even though Defendant knew that the actual cost for  
18 delivering water to the lot owners was substantially less because they submitted a report  
19 on May 27, 1990 as the Odd Fellows Recreation Association, Inc. that listed water system  
20 costs for 1990-1991 as \$14,636.00 (Exhibit "S"). This was much lower than the  
21 \$104,800.00 they voted to charge the lot owners for water back in April.

22  
23 21. Defendant has operated the subdivision illegally for over twenty-five years. The so called  
24 "Park" happens to border land owned by Defendant, the developer of the subdivision.  
25 Defendant seems to think it is the responsibility of the property owners in the subdivision

1 to pay the taxes on Defendant's property, pay the maintenance for Defendant's property,  
2 and any other bills Defendant decides to stick the property owners with. They claim to  
3 have lost money by paying much more than what they collected over the last twenty-five  
4 years. The facts tell a different story:

- 5 a. It was illegal for Defendant to collect assessments at all since for twenty-five years  
6 only one property had recorded CC&Rs. This was the cabin owned by Defendant  
7 making them the one and only member of OFSHA. In the spring of 2011 eight or  
8 nine property owners attached CC&Rs to their chain of title. Assessments cannot be  
9 legally collected from lot owners without CC&Rs in the chain of title to their  
10 property.
- 11 b. The License Agreement and Water Use Agreement were not binding on the property  
12 owners. Both agreements were agreements with themselves since Defendant was the  
13 only member of OFSHA for twenty-five years. Consequently, there was not a valid  
14 home owner's association in the subdivision.
- 15 c. Defendant, in complaining about losing money, fails to tell the Court that a snow  
16 plow, a motor grader, an entry gate, and playground equipment were financed by  
17 special assessments on the lot owners but title to these items was kept in Defendant's  
18 name.
- 19 d. Much of the work on the water system was paid for by special assessments on the lot  
20 owners.
- 21 e. In May 2011 there was about \$135,000 in the water reserve account as well as a  
22 substantial amount in several other special accounts funded by special assessments on  
23 the lot owners. By May 2012, most of these special accounts had been depleted.
- 24 f. Defendant continually claims that they have never made a profit. However, a report  
25 dated August 11, 2010 by Defendant's accounting firm shows an income from

1 assessments of \$295,742.00 with total expenses of \$294,562.00. The amount for  
2 expenses is misleading since it includes \$88,075.00 in depreciation. Subtracting  
3 \$88,075.00 from their total expenses of \$294,562.00 gives a total for expenses of  
4 \$206,487.00 for the preceding budget year, 2009-2010. Subtracting \$206,487.00  
5 from the total collected in assessments of \$295,742.00 gives a profit of \$89,255.00.  
6 This is an actual dollar increase to Defendant's coffers of \$89,255.00 since  
7 depreciation is only on paper and used for tax purposes (Exhibit "T").  
8

9 22. The fraud in using OFSHA as a shell corporation to promote Defendant's activities and to  
10 control the subdivision, the illegal sale of water to lot owners who are not members of  
11 Defendant, Defendant's history of overcharging for water, billing without providing a  
12 cost for water but bundling the charge with other items that the lot owners are not  
13 responsible for, and using their control over the water system to maintain a strangle-hold  
14 over the subdivision are the reasons why Complainants filed their complaint with the  
15 CPUC.  
16

17 23. Defendant has inflated their water rates as proven by their own documents. Defendant's  
18 claims concerning water costs and charges for budget years 2010-2011, 2011-2012, and  
19 2012-3013 are higher than what Tuolumne Utility District (TUD) charges for treated  
20 water, not the untreated water delivered by Defendant. TUD charges about \$13.00 per  
21 month for Residential Raw Water Service. That is close to the \$16.00 Water Director  
22 Ron Hawke reported in his 2011 report (Exhibit "C"). Defendant has written down a  
23 bunch of numbers for various costs that translate to an inflated bill for water. It is now  
24 time for Defendant to present all invoices, policies, equipment listings, and anything else  
25 they have that substantiate their claims for budget years 2010-2011, 2011-2012, and


1 2012-2013 to the Commission, the Court, and the Complainants. Instead of just  
2 unsubstantiated claims for their costs, Defendant needs to come forward with the proof  
3 that their claims are fair and factual.

4  
5 **CONCLUSION**

6 Based on the evidence presented by Complainants, it is obvious that Defendant's claim  
7 for water expenses of \$208,061.71 for 2012-2013 or the \$571.00 per lot recently invoiced by  
8 Defendant is grossly inflated. Defendant's own records and documents show that this is also true  
9 for budget years 2010-2011 and 2011-2012. For the current budget year, 2012-2013, a fee for  
10 water more in line with what Water Director Hawk reported at the end of 2011 of \$16.00 per  
11 month per lot or \$192.00 per year per lot is more in line with actual cost than the abomination  
12 claimed by Defendant.

13  
14 DATED: December 20, 2012

Respectfully Submitted,

15 By:   
16 Fred Coleman