

FRANK B & ASSOCIATES

WATER MANAGEMENT CONSULTING

Email and Mailed

October 23, 2009

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

Subject: Live Oak Springs Company and GRC Application

Dear Mr. Kahlon:

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

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

Should you need any additional information please let me know.

Sincerely,



Frank Brommenschenkel
Frank B & Associates

CC: Nazar Najor

Attachments

Live Oak Springs Water Company Workpapers, Page 1

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

7 **Operatng Expenses**

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

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

Copy to Page 1, Line 32

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

Income Tax Calculations

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

METHOD A

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

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

Transcribe to Page 1, Line 30

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

OR

METHOD B

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

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

Transcribe to Page 1, Line 30

Return on Margin

OR

METHOD C

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

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

Transcribe to Page 1, Line 30

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

