

# SIERRA PARK WATER COMPANY

P. O. Box 424, Mi Wuk Village, CA 95346, (209)586-3098

TO: All Sierra Park Water Company Shareholders  
FROM: Kirk Knudsen, SPWC President  
SUBJECT: May 24, 2015 Annual Meeting  
DATE: April 9, 2015

Enclosed is official notice of the upcoming SPWC Annual Meeting of Shareholders, a Proxy Form, and proposed 2015/2016 budget. Ideally you will be able to attend the meeting. However if you cannot attend or wish not to, voting by proxy will allow you to have your voice heard. If you intend to have a Board member vote your proxy be advised it must be returned in the enclosed envelope no later than May 20, 2015. Please review all enclosed information carefully.

## HELP WANTED!

Your current board members have taken the Water Company off to a great start -- but they can't go on forever. Some members of our team are ready to move on, focusing instead on long-postponed travel plans. **There will be upcoming vacancies on the board that must be filled** if we are to continue delivering the Park services you all expect. If you are a shareholder, please consider becoming a board member for 2015-2016 -- we need your help! Throw your hat in the ring by calling the number above to get on the ballot at the Annual Meeting.

## REGARDING THE PROPOSED 2015/2016 BUDGET

The enclosed proposed budget is subject to modification; here is why. As of this mailing, the Water Company is still awaiting a proposed decision from Administrative Law Judge (ALJ) Long on the Application for a Certificate of Public Convenience and Necessity (CPCN) to become the regulated water company of Sierra Park. The Application was submitted on September 20, 2013. As of December 10, 2014, all requisite filings for that case were submitted to the ALJ. It has since been learned that given the caseload at the California Public Utilities Commission issuance of a proposed decision and final decision in cases such as ours can take quite some time.

In the hopeful event we do receive a ruling between the time this is sent and the Annual Meeting, all issues relating to that ruling, the impact it would have on operations, and of course rates as approved by the CPUC will be on the Annual Meeting agenda.

WATER	2013/2014	2014/2015	2015/2016 Proposed
Bill:			
Developed Lot	\$968	\$966	\$955
Undeveloped Lot	\$890	\$899	\$909

Pending the successful resolution of the Application and approval of rates adequate to provide financial viability, the Water Company will have a clear mandate to move into a new future. One of the first objectives will be to take whatever action is necessary in order to reconcile any and all delinquent payments.

The budget as proposed here for 2015/2016 is essentially what was filed for consideration by the CPUC for 2014/2015 as part of the case proceedings; but with adjustments made for the upcoming year.

#### HIGHLIGHTS

Two things worthy of note in the 2014/2015, 2015/2016, and beyond budgets is that first and foremost, as a for-profit water company we are allowed by the CPUC to make up to a maximum profit (or 'Return of Margin') of 21.69%. Second, the 2014/2015 budget, if and as approved by the CPUC, includes funding for a Capital Improvements Special Study as recommended by the Staff of the CPUC. What does this mean?

If you have been following along in the minutes of the Water Company Board meetings, the Board has identified and budgeted in 2014/2015 for capital improvement projects necessary to upgrade the water system to improve system performance and reduce future unexpected pipe failure likelihood. However, the implementation of these improvements was put on hold early in 2014 with expectation of hearing from the CPUC on our Application and authorized rates.

Now with a CPUC Staff proposed Study, the Water Company will be able to perform a more thorough and encompassing analysis of what our system needs, when it will need it, and the costs over time to implement it. Additionally, with the Study conducted under the auspices of the CPUC, setting of Water Company rates in the future should be relatively straightforward.

Kirk Knudsen

**NOTICE OF ANNUAL MEETING OF  
SHAREHOLDERS OF  
SIERRA PARK WATER COMPANY, INC.**

Notice is given that the annual meeting of the shareholders of Sierra Park Water Company, Inc. (the "Corporation"), will be held at the Recreation Hall, which is located on Wheeler Road, Long Barn, California, on May 24, 2015, at 11:30 AM. Shareholder registration for the meeting will take place at the Recreation Hall from 7:30 to 8:45 AM. To be considered and acted on will be:

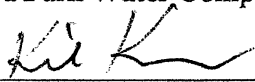
1. Election of Directors. The board of directors of the Corporation (the "Board") intends at this time to present the following nominees for election by the shareholders to the Board:

Kirk Knudsen \_\_\_\_\_  
 Michael Lechner \_\_\_\_\_  
 Wanda Lenhardt \_\_\_\_\_  
 Bill Ordwein \_\_\_\_\_  
 Heidi Ordwein \_\_\_\_\_

2. Annual Report and Budget. The Chairman of the Board shall report on the transactions and matters related to the Corporation from the prior year and shall present for action by the shareholders, and request that the shareholders ratify and approve, the annual budget for the Corporation previously approved by the Board.
3. Such other business as may be properly presented at the meeting for action by the shareholders. If you do not expect to be present at the meeting and wish your shares to be voted, you may complete the attached form of proxy and mail it in the enclosed addressed envelope.

Date: April 9, 2014

Sierra Park Water Company, Inc.

By:   
Kirk Knudsen, President

**PROXY INSTRUCTIONS**  
**ANNUAL MEETING OF**  
**SHAREHOLDERS OF**  
**SIERRA PARK WATER COMPANY, INC.**

As a shareholder in Sierra Park Water Company, Inc. (the "Corporation") you have the right to vote on matters presented to the shareholders for action at the annual meeting. The Board of Directors of the Corporation strongly urges your, and your co-owners, participation at the annual meeting. Important matters will be presented for the vote and approval of the shareholders including the election of the members of the Board of Directors for 2015/2016 and the ratification and approval of the 2015/2016 budget adopted by the Board of Directors.

It is very important that every shareholder participates in the voting processes, but we recognize that not everyone can attend the annual meeting and our bylaws provide for voting by proxy. We hope to have as many shareholders present at the annual meeting as possible but we do understand that many things can cause our shareholders to be unable to attend in person. Voting through a proxy will allow your voice to be heard.

The following is a blank form of proxy for the upcoming annual meeting of the shareholders that you can use to exercise your voting privilege without being present. In the event you cannot or do not wish to vote your share(s) in person at the annual meeting it is very important that you do so by proxy. You may grant a co-owner of your property, any other shareholder or other third-party, the right to vote your share(s) by proxy. Please be sure to sign, date and deliver this proxy to your proxy holder in advance of the annual meeting as that person will need to present the signed and dated proxy, along with appropriate identification, at the time of the annual meeting to be able to vote on your behalf by proxy.

In the event you cannot attend and do not have someone you would like to assign your proxy to, the members of the current Board of Directors are willing to exercise your proxy for you. Current Board members are Kirk Knudson, Michael Lechner, Heidi Ordwein, Bill Ordwein, and Wanda Lenhardt. All proxies designated to current board members must be received by the Corporation at P.O. Box 424, Mi Wuk Village, California, 95346, **no later than May 20, 2015.**

[Signature page to Proxy]

Date: \_\_\_\_\_

By: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

Share Number(S) \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

**SHAREHOLDER:** THIS PROXY SHOULD BE MARKED, DATED, AND SIGNED BY THE SHAREHOLDER EXACTLY AS HIS OR HER NAME APPEARS ON THE SHARE CERTIFICATE(S), AND RETURNED PROMPTLY TO THE CORPORATION. A CORPORATION, LIMITED LIABILITY COMPANY, TRUST OR OTHER ENTITY, SHOULD SIGN ITS NAME BY AN OFFICER, TRUSTEE OR OTHER AUTHORIZED PERSON, DESIGNATING THE TITLE HELD.

**YOUR NAME AS IT APPEARS ON YOUR STOCK  
CERTIFICATE IS:**

\_\_\_\_\_

SIERRA PARK WATER COMPANY, INC.

PROXY

The undersigned shareholder(s) of Sierra Park Water Company, Inc., a California corporation (the "Corporation"), appoint(s) \_\_\_\_\_ [Print Name] as proxy and attorney-in-fact, with full power of substitution, to represent the undersigned at the annual meeting of shareholders to be held on May 24, 2015, at 11:00 AM, at the Recreation Hall which is located on Wheeler Road, Long Barn, California and at any adjournment of that meeting, and to vote all shares of stock that the undersigned would be entitled to vote if personally present, on the matters and in accordance with any instructions set forth below.

The proxy holder shall be entitled to cast the number of votes the undersigned would be entitled to cast if personally present, for or against any proposal, including the election of members of the board of directors, and any and all other business that may come before the meeting.

SHAREHOLDER: IF YOU WISH TO INSTRUCT THE PROXY HOLDER REGARDING THE VOTING OF YOUR SHARES, PLEASE CHECK THE APPROPRIATE BOXES BELOW AND COMPLETE THIS FORM. WITH RESPECT TO ELECTION OF DIRECTORS, IF YOU WISH TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, DRAW A LINE THROUGH THAT NOMINEE'S NAME. YOUR SHARES WILL BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTIONS.

ANY SHAREHOLDER COMPLETING THIS PROXY WHO FAILS TO CHECK ANY BOXES OR OTHERWISE MARK THE PROXY FORM WILL BE DEEMED TO HAVE GIVEN THE PROXY HOLDER COMPLETE DISCRETION IN VOTING WITH RESPECT TO THE MATTERS LISTED BELOW.

1. Election of Directors:

FOR all nominees listed below except as indicated \_\_\_\_\_ (Check)  
WITHHOLD authority to vote for all nominees listed \_\_\_\_\_ (Check)

NOMINEES

- Kirk Knudsen \_\_\_\_\_
- Michael Lechner \_\_\_\_\_
- Wanda Lenhardt \_\_\_\_\_
- Bill Ordwein \_\_\_\_\_
- Heidi Ordwein \_\_\_\_\_

2. Annual Report and Budget (Check one):

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_ Abstain \_\_\_\_\_

[Signature appears on following page]

# Proposed 2015/2016 Water Company Budget

	A	B	C	D
1			For (6/1/2015 to 5/31/2016)	Proposed 15/16 RR and RD*
2			<b>CPUC RR &amp; RD Budget Structure for Class D Water Company</b>	
3	I		<b>Operating Revenues</b>	
4	1		Flat Rates	\$339,970
5	2		Metered Rates	
6	3		Fire Protection	
7	4		Other	
8	5		<b>Total Operating Revenues</b>	\$339,970
9				
10	II		<b>Operating Expenses</b>	
11	6		Purchased Water	
12	7		Purchased Power	\$8,039
13	8		Other Volume Related Expenses	
14	9		Employee Labor	\$30,900
15	10		Materials	
16	11		Contract Work (Excluding Water Testing)	\$2,000
17	12		Water Testing	\$3,265
18	13		Transportation Expense (Fuel)	\$2,500
19	14		Other Plant Maintenance Expense	\$53,350
20	15		Office Salaries	
21	16		Management Salaries	
22	17		Employee Pension and Benefits	\$4,700
23	18		Uncollectables	\$950
24	19		Office Service and Rentals	\$100
25	20		Office Supplies and Expenses	\$1,200
26	21		Professional Services	
27	a		Accounting	\$16,000
28	b		Legal	\$28,000
29	c		Consulting	\$23,920
30	22		Insurance	\$30,000
31	23		Regulatory Commission Expenses	\$10,000
32	24		General Expenses	\$6,230
33	25		minus expenses capitalized	
34	26		<b>Total Operating Expenses</b>	\$221,154
35				
36	III		<b>Deductibles</b>	
37	27		Depreciation Expense	\$600
38	28		Ad Valorem Taxes	
39	29		Payroll Tax	\$3,355
40	30		Taxes Other Than Income	\$2,500
41	31		States Income Taxes	\$859
42	32		Federal Income Tax	
43	33		Lease Payments for Easements	\$51,600
44	34		Reserves	\$50,000
45	35		<b>Total Deductions</b>	\$108,914
46				
47	36		Total Deductibles and Expenses	\$330,068
48	37		Net Income Before Taxes	
49				
50	IV		<b>Rate Base</b>	
51	38		Depreciation	
52	39		Rate of Margin	\$9,902
53				
54	V		<b>Revenue Requirements and Assessments</b>	
55	40		<b>Base Revenue Requirement</b>	
56	a		Base Revenue Requirement	\$339,970
57				\$13,804
58				\$326,166
59			Fixed Costs / 359 =	\$909
60			Variable Costs / 300 =	\$46
61				
62				
63	b		Annual Revenue Requirement: Developed Lots (300) =	\$955
64	c		Annual Revenue Requirement: Undeveloped Lots (59) =	\$909
65			*RR and RD (Revenue Requirement and Rate Design)	