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State Water Resources Control Board  
Division of Drinking Water

March 17, 2020

System No. 3610109

Chris Cummings, General Manager  
Sheep Creek Water Company  
P.O. Box 291820  
Phelan, CA 92329  
[sheepcreek@verizon.net](mailto:sheepcreek@verizon.net)

**COMPLIANCE ORDER NO.05\_13\_18R\_002A1**  
**SOURCE CAPACITY VIOLATION**

Enclosed is Compliance Order No. 05\_13\_18R\_002A1 (hereinafter "Order"), issued to the Sheep Creek Water Company public water system (hereinafter "System"), public water system. Please note there are legally enforceable deadlines associated with this Order.

The System will be billed at the State Water Resources Control Board's (hereinafter "State Water Board"), hourly rate for the time spent on issuing this Order. California Health and Safety Code (hereinafter "CHSC"), Section 116577, provides that a public water system must reimburse the State Water Board for actual costs incurred by the State Water Board for specified enforcement actions, including but not limited to, preparing, issuing and monitoring compliance with an order. At this time, the State Water Board has spent approximately 2 hour(s) on enforcement activities associated with this violation.

The System will receive a bill sent from the State Water Board in August of the next fiscal year. This bill will contain fees for any enforcement time spent on the System for the current fiscal year.

Any person who is aggrieved by a citation, order or decision issued under authority delegated to an officer or employee of the state board under Article 8 (commencing with CHSC, Section 116625) or Article 9 (commencing with CHSC, Section 116650), of the Safe Drinking Water Act (CHSC, Division 104, Part 12, Chapter 4), may file a petition with the State Water Board for reconsideration of the citation, order or decision.

E. JOAQUIN ESQUIVEL, CHAIR | EILEEN SOBECK, EXECUTIVE DIRECTOR

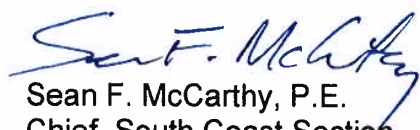
Petitions must be received by the State Water Board within 30 days of the issuance of the citation, order or decision by the officer or employee of the state board. The date of issuance is the date when the Division of Drinking Water mails a copy of the citation, order or decision. If the 30th day falls on a Saturday, Sunday, or state holiday, the petition is due the following business day by 5:00 p.m.

Information regarding filing petitions may be found at:

[http://www.waterboards.ca.gov/drinking\\_water/programs/petitions/index.shtml](http://www.waterboards.ca.gov/drinking_water/programs/petitions/index.shtml)

If you have any questions regarding this matter, please contact Hector Cazares of my staff at (909) 383-4312 or me at (909) 383-4328.

Sincerely,



Sean F. McCarthy, P.E.  
Chief, South Coast Section  
Southern California Field Operations Branch

Enclosures:

Certified Mail No. 7017 0660 0001 1704 8464

cc: David Alaniz, SB County EHS, via email at [David.Alaniz@dph.sbcounty.gov](mailto:David.Alaniz@dph.sbcounty.gov)  
Gabriela Garcia, SB County EHS via email at [Gabriela.Garcia@dph.sbcounty.gov](mailto:Gabriela.Garcia@dph.sbcounty.gov)

2  
3 **STATE OF CALIFORNIA**  
4 **STATE WATER RESOURCES CONTROL BOARD**  
5 **DIVISION OF DRINKING WATER**  
6

7 **Name of Public Water System:** Sheep Creek Water Company

8 **Water System No:** 3610109

9  
10 **Attention:** Chris Cummings, General Manager

11 P.O. Box 291820

12 Phelan, CA 92329  
13

14 **Issued:** March 17, 2020  
15

16 **AMENDED COMPLIANCE ORDER FOR VIOLATION OF CALIFORNIA HEALTH**  
17 **AND SAFETY CODE SECTION 116555(a)(3) AND**  
18 **CALIFORNIA CODE OF REGULATIONS, TITLE 22, SECTION 64554**  
19

20 **SOURCE CAPACITY VIOLATION**

21 **2018**  
22

23 The California Health and Safety Code (hereinafter "CHSC"), Section 116655 authorizes  
24 the State Water Resources Control Board (hereinafter "State Water Board"), to issue a  
25 compliance order to a public water system when the State Water Board determines that  
26 the public water system has violated or is violating the California Safe Drinking Water  
27 Act (hereinafter "California SDWA"), (CHSC, Division 104, Part 12, Chapter 4,

1 commencing with Section 116270), or any regulation, standard, permit, or order issued  
2 or adopted thereunder.

3  
4 The State Water Board, acting by and through its Division of Drinking Water (hereinafter  
5 "Division"), and the Deputy Director for the Division, hereby issues Compliance Order  
6 No. 05\_13\_18R\_002A1 (hereinafter "Order") pursuant to Section 116655 of the CHSC  
7 to the Sheep Creek Water Company (hereinafter "System"), for violation of CHSC,  
8 Section 116555(a)(3), requiring a reliable and adequate supply of pure, wholesome,  
9 healthful, and potable water, and California Code of Regulations (hereinafter "CCR"),  
10 Title 22, Section 64554, setting source capacity requirements.

#### 11 12 **STATEMENT OF FACTS**

13 The System is classified as a community public water system with a population of 3,354  
14 serving 1,183 connections. The System operates under Domestic Water Supply Permit  
15 No. 78-007 issued by the State Water Board on February 9, 1978.

16  
17 The System relies on six (6) groundwater wells: Wells 2A, 3A, 4A, 5, 8, 11 and one (1)  
18 tunnel source which is also classified as groundwater.

19  
20 As a result of Compliance Order No. 05-13-18R-002 the State Water Board imposed a  
21 service connection moratorium which directed the System to not make any additional  
22 service connections to its water system, including any such service connections for  
23 which a "will serve" letter was issued at any time by the System, but for which a building  
24 permit was not issued prior to the date of Compliance Order No. 05-13-18R-002.

25  
26 On November 28, 2018 the State Water Board permitted Well 11 as an approved potable  
27 source for the System. The well is equipped to supply up to 251 gallons per minute (gpm)  
28 into the distribution system per the initial pump test completed on July 16, 2018.

1  
2 On January 14, 2019 the System completed a feasibility report addressing the water  
3 source capacity issue which included an assessment of consolidation with a nearby  
4 public water system. The feasibility report has been attached to this Order as Appendix  
5 1. The feasibility study discussed cost estimates, including the operation and  
6 maintenance (O&M) costs, and the potential environmental impacts of each of the  
7 options considered. The report identified and assessed two alternatives; either maintain  
8 the System as an independent water purveyor by drilling and operating additional water  
9 supply wells to meet MDD requirements or have the System consolidate with Phelan  
10 Pinon Hills Community Services District. In accordance with the feasibility study the cost  
11 for consolidation would amount to a net present value of \$3.4 million dollars including  
12 operation and maintenance costs in comparison to the net present value of \$6.5 million  
13 dollars including operation and maintenance costs to maintain the System as a public  
14 water purveyor and drill additional sources. Based on the cost analysis of the feasibility  
15 report, the consolidation with Phelan Pinon Hills Community Services District would be  
16 the more feasible alternative. However, based on discussions with the System's general  
17 manager and the System's board of directors, the preferred alternative was identified in  
18 the report as maintaining the System as an independent water purveyor by drilling and  
19 operating additional water supply wells to meet MDD requirements.  
20

21 On August 17, 2019 the System held a special meeting for System shareholders to  
22 present the alternatives for compliance. Based on the System's voting procedure the  
23 shareholders gave authority to proceed with drilling the additional sources required to  
24 meet the System's source capacity requirements rather than consolidate with Phelan  
25 Pinon Hills Community Services District. This information was provided by the System  
26 to the Division from a letter submitted by the System on August 28, 2019. The letter has  
27 been attached to this Order as Appendix 2.  
28



1 On August 28, 2019 the Division received a corrective action plan which stated that with  
2 the approval of the System's shareholders, the System's board of directors is prepared  
3 to proceed with the development of additional water source facilities to bring the System  
4 into compliance with source capacity requirements. Based on the timeline included in  
5 the corrective action plan the System will be in compliance with source capacity  
6 requirements by no later than October 1, 2023. The corrective action plan was approved  
7 by the Division on January 3, 2020 and has been attached to this Order as Appendix 2.  
8 As part of the corrective action plan's approval the Division has addressed financial  
9 concerns on the feasibility of this project. Within the approval the Division has stated that  
10 the System should assess all the financial risks that could result from this project and  
11 has advised the System to be prepared in budgeting the project without causing financial  
12 hardship on the System or its shareholders.

13  
14 CHSC, Section 116555(a)(3) requires all public water systems to provide a reliable and  
15 adequate supply of pure, wholesome, healthful, and potable water and CCR, Title 22,  
16 Section 64554(a) requires that public water systems shall at all times have the capacity  
17 to meet the System's maximum day demand (MDD) as established by Section 64554  
18 subsection (b).

## 19 20 DETERMINATION

21  
22 Based on the above Statement of Facts, the State Water Board has determined that  
23 without additional source capacity, the System may not be able to provide an adequate  
24 and reliable supply of water to its customers and has failed to comply with requirements  
25 from CHSC, Section 116555(a)(3) and CCR, Title 22, Section 64554. The Division has  
26 the authority under Sections 116655 (a)(2) and 116655 (b)(4) of the CHSC to take steps  
27 necessary to prevent increasing water demands for the System until such time that an  
28 adequate and proven source capacity is provided.

## DIRECTIVES

To ensure that the water supplied by the System is at all times reliable and adequate, the System is hereby directed to take the following actions:

1. Upon receipt of this Order, the Division continues to impose a service connection moratorium on the System and directs the System to not make any additional service connections to its water system, including any such service connections for which a "will serve" letter was issued at any time by the System, but for which a building permit was not issued prior to the date of Compliance Order No. 05-13-18R-002 being issued. As used in this Order, "will serve" letter means any form of notice, representation or agreement that the System will supply water to a property, parcel or structure
2. Per Section 116530 of the California Health and Safety Code, the Division requires that information related to the System's financial capacity be submitted no later than **August 31, 2020**. For the purpose of this directive, the financial information must include, but is not limited to the following:
  - a. An overall evaluation of the financial health of the system by a Certified Public Accountant or appropriately qualified financial officer. The evaluation must include and take into consideration audited financial statements from the past 5 years, monthly revenue and expenses from the past 5 years, management and status of outstanding debt and impending debt that will be accrued as a result of the requirements outlined in this Order and from any other planned water system expenses, documentation demonstrating how funding for the requirements outlined in this Order will be secured and financed, information on the expected increase in operational expenses due to the requirements outlined in this Order, management and status of the System's reserve funds, and information on

1 the System's rate structure and any proposed rate increases that are  
2 anticipated. The evaluation must include a concluding statement on the  
3 System's overall current and anticipated financial health.

4 b. An asset management plan (AMP) must be completed by the System. The  
5 AMP must include an inventory of the System's infrastructure components,  
6 a description of the components' condition, age, service history, and useful  
7 life, criteria to determine when to repair, rehabilitate or replace assets, a  
8 prioritization of critical assets, long term funding strategies, and a timeline  
9 delineating the schedule for the System's asset management plan.

10 c. A summary of operational costs associated with operation of Well 11. The  
11 summary must consider average operational costs and usage since the  
12 issuance of the Division's permit for Well 11 on November 28, 2018.

13 d. The System must complete the Financial Assessment Questionnaire for  
14 Disadvantaged Medium/Large Community Water Systems included in  
15 Appendix 3 of this Order. The questionnaire provides several resources  
16 and guidance documents that are available to assist the System in  
17 completing items a & b of this directive.  
18

19 3. As stated in Directive No. 8 of Compliance Order No. 05-13-18R-002 the System  
20 must perform the State Water Board approved Corrective Action Plan, and each  
21 and every element of said plan, according to the time schedule set forth therein.  
22

23 4. In accordance with CCR, Title 22, Section 64554(a), a public water system must  
24 at all times have adequate source capacity to meet the highest 10-year MDD,  
25 which for the System would be 1,970,000 gallons per day recorded from July  
26 2014. Using the System's most conservative production yield records from July  
27 2018, the System only produced a combined source flow of 720,000 gallons per  
28 day. Since the System's lowest production yield in July 2018, Well 11 was  
29 installed, adding an additional 360,000 gallons per day in source capacity.



1 Therefore, the System must construct and submit permit application(s) for  
2 additional water supply sources until an additional 890,000 gallons per day of  
3 production is achieved, which equates to the difference between the System's 10-  
4 year MDD and its lowest record of production. The System shall achieve  
5 compliance with all source capacity requirements as described in CCR, Title 22,  
6 Section 64554 no later than **December 1, 2023**. A source capacity evaluation has  
7 been included in Appendix 4 of this Order.  
8

9 5. Per the State Water Board approved Corrective Action Plan, the System shall  
10 have Well No. 12 constructed and equipped for operation into the distribution  
11 system no later than **June 1, 2022**.  
12

13 6. Per the State Water Board approved Corrective Action Plan, the System shall  
14 have Well No. 13 constructed and equipped for operation into the distribution  
15 system no later than **November 1, 2022**.  
16

17 7. Per the State Water Board approved Corrective Action Plan, if deemed necessary  
18 to comply with source capacity demand requirements as described in Directive 3  
19 of this Order, the System shall have Well No. 14 constructed and equipped for  
20 operation into the distribution system by no later than **June 1, 2023**.  
21

22 8. Per the State Water Board approved Corrective Action Plan, if deemed necessary  
23 to comply with source capacity demand requirements as described in Directive 3  
24 of this Order, the System shall have Well No. 15 constructed and equipped for  
25 operation into the distribution system by no later than **November 1, 2023**.  
26

27 9. The System must complete and submit to the Division pump tests for all sources  
28 demonstrating compliance with the source capacity requirements described in  
29 Directive 3 of this Order no later than **December 1, 2023**. Pump tests shall be

1 completed in accordance with the procedures stated under CCR, Title 22, Section  
2 64554(f).

3  
4 10. On or before **April 10, 2020** and every three months thereafter, submit a report  
5 to the State Water Board in the form provided as Appendix 5 showing actions  
6 taken during the previous quarter (calendar three months) to comply with the  
7 Corrective Action Plan.

8  
9 11. On or before **April 10, 2020** and every month thereafter, submit a report to the  
10 State Water Board summarizing source production and consumption data for the  
11 previous month.

12  
13 12. On or before **April 17, 2020** complete and return to the State Water Board the  
14 "Notification of Receipt" form attached to this Order as Appendix 6. Completion  
15 of this form confirms that the System has received this Order and understands  
16 that it contains legally enforceable directives with due dates.

17  
18 All submittals required by this Order, with exception of analytical results, must be  
19 electronically submitted to the State Water Board at the following address. The subject  
20 line for all electronic submittals corresponding to this Order must include the following  
21 information: Water System name and number, compliance order number and title of the  
22 document being submitted.

23  
24 Eric J. Zúñiga, District Engineer

25 [Dwpdist13@waterboards.ca.gov](mailto:Dwpdist13@waterboards.ca.gov)  
26

1 The State Water Board reserves the right to make modifications to this Order as it may  
2 deem necessary to protect public health and safety. Such modifications may be issued  
3 as amendments to this Order and shall be effective upon issuance.

4  
5 Nothing in this Order relieves the System of its obligation to meet the requirements of  
6 the California SDWA (CHSC, Division 104, Part 12, Chapter 4, commencing with Section  
7 116270), or any regulation, standard, permit or order issued or adopted thereunder.

#### 8 9 **PARTIES BOUND**


10 This Order shall apply to and be binding upon the System, its owners, shareholders,  
11 officers, directors, agents, employees, contractors, successors, and assignees.

#### 12 13 **SEVERABILITY**

14 The directives of this Order are severable, and the System shall comply with each and  
15 every provision thereof notwithstanding the effectiveness of any provision.

1 **FURTHER ENFORCEMENT ACTION**

2 The California SDWA authorizes the State Water Board to issue a citation or order with  
3 assessment of administrative penalties to a public water system for violation or continued  
4 violation of the requirements of the California SDWA or any regulation, permit, standard,  
5 citation, or order issued or adopted thereunder including, but not limited to, failure to  
6 correct a violation identified in a citation or compliance order. The California SDWA also  
7 authorizes the State Water Board to suspend or revoke a permit that has been issued to  
8 a public water system if the public water system has violated applicable law or  
9 regulations or has failed to comply with an order of the State Water Board, or to petition  
10 the superior court to take various measures against a public water system that has failed  
11 to comply with an order of the State Water Board, including issuance of an injunction to  
12 enforce a compliance plan, enjoining further service connections, or any other relief that  
13 may be required to ensure compliance with the SDWA and applicable regulations. The  
14 State Water Board does not waive any further enforcement action by issuance of this  
15 Order.

16  
17  
18  
19   
20 Sean F. McCarthy, P.E.

March 17, 2020  
Date

21 Chief, South Coast Section

22 Southern California Field Operations Branch  
23  
24

***Sheep Creek Water Company***  
***4200 Sunnyslope Rd.***  
***P.O. Box 291820***  
***Phelan, CA 92329-1820***  
***Office (760) 868-3755/Fax (760) 868-2174***  
***Email [sheepcreek@verizon.net](mailto:sheepcreek@verizon.net) / [www.sheepcreekwater.com](http://www.sheepcreekwater.com)***

## **CORRECTIVE ACTION PLAN**

**SWRCB Compliance order NO 05-13-18R002**

**June 2019**

**Updated August 28, 2019**

Sheep Creek Water Company (SCWC) is a private Shareholder owned Water Company with approximately 1,400 shareholders totaling 8,000 shares in the company servicing a portion of the community of Phelan. The majority of SCWC's water supplies come from an underground Tunnel and 5 ground water wells within the Swarthout Canyon. The SCWC water system is recognized by the State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW) as Sheep Creek Water Company (Water System No. CA3610109). The water system is classified as a Community Water System and supplies water for domestic purposes to the unincorporated portions of San Bernardino County in Phelan, CA. DDW regulates the water system under Domestic Water Supply Permit No.78-007 as issued on February 9, 1978 with the newest permit amendment for Well #11 dated November 28, 2018.

Due to drought conditions in the State of California and below average rainfall in the area, in 2016, water supplies within the Swarthout Canyon continued to decline. February 2016, SCWC was capable of producing 3,001 gpm supplying an allotment of 1,000 cubic per share to the 8,000 shares available in the company. May 2016 supply dropped to 2,569 gpm with weekly drops in production and water levels. By the end of August 2016 production on the SCWC supply was down to 640 gpm. Due to the drops in production, the Board of Directors began to lower the allotment on shares to cut water use to remain within production. SCWC received water from Phelan Pinon Hills Community Service District (PPHCSD) from August 2, 2016 through September 6, 2016.

In preparation of the 2017 summer and continued lack of recharge in the Sheep Creek Canyon, the Board of Directors continued to cut the allotment to keep consumption within the available production. In spring 2018, SCWC began to see additional drops in production and water levels with the high of 1,301 gpm in February 2018 and the lowest production in July 2018 at 502 gpm. The Board of Directors continued to implement drastic cuts in the water allotment along with implementing a tiered water rate and increasing overage charges. SCWC began to receive water from PPHCSD on August 10, 2018 and on August 22, 2018, SCWC notified the SWRCB that SCWC will continue to purchase water from PPHCSD. SCWC purchased water from PPHCSD until August 30, 2018.

On August 30, 2018, SCWC received a Compliance order from the SWRCB for a Source Capacity Violation due to SCWC unable to meet the Max Day Demands (MDD). The highest recorded MDD was on July 12, 2014 with a total production of 1.78 million gallons per day (MGD). Upon the receipt of the Compliance Order, SCWC was nearly complete with a secondary source of supply within the Mojave



Water Agency boundaries located in the Alto Sub Basin. Well #11 was approved and permitted by the SWRCB, DDW on November 28, 2018 with a production of 251 gpm.

As required by the SWRCB Compliance Order, a feasibility study by Infrastructure Engineering Corporation (IEC) was completed with two alternative plans for bringing SCWC into compliance. Due to SCWC being a Shareholder owned company overseen by a Board of Directors elected by the Shareholders, the Board began exploring both alternatives for compliance. The Board of Directors planned to present both alternatives to the Shareholders at the SCWC Annual Shareholders Meeting on May 11, 2019 but did not have enough information regarding consolidation to ask for a vote. SCWC sent a letter to the SWRCB-DDW on April 19, 2019 requesting an extension of time to have a vote of the Shareholders as to the preferred alternative of compliance. On May 10, 2019, the SWRCB-DDW granted SCWC an extension of time until August 31, 2019 for preferred plan of compliance.

The following timeline for Shareholder approved alternative compliance plan:

- Revised Compliance Plan Due- June 1, 2019
- PPHCSD Discussions and Consolidation Plan- June 2019 – July 2019
  - SCWC proposed consolidation plan to be submitted to PPHCSD- June 7, 2019
  - Appraisal of Sheep Creek Water District- July 1, 2019
  - Additional Committee Meeting(s) to discuss proposed consolidation
- Discuss with SWRCB-DFA for available funding opportunities
- Prepare Special Shareholders Meeting- July – August 2019
  - Prepare agenda with proposed alternatives of compliance
  - Prepare information and material for Shareholders- July 1 – 12, 2019
  - Send information to Shareholders for Special Meeting- July 17, 2019
- Special Shareholders Meeting- August 17, 2019
  - Vote of the Shareholders to approve preferred alternative for compliance
- Notify SWRCB-DDW of Shareholder approved alternative for compliance- August 30, 2019

### **Drill Additional Well for Source Capacity Compliance**

SCWC has taken action over the past several years to reduce the systems MDD. SCWC began reducing water allotments along with reducing demand in May 2015 with the implementation of the Governor of California's Drought Regulation, mandating a 20% reduction in all water use. Along with the reductions in 2015, the SCWC Board of Directors continued to reduce water allotments as water levels and production began and continued to fall. The SCWC Board of Directors also implemented a Tiered water rate structure to reduce additional water use over Shareholders allotment.

SCWC began taking action to alleviate the source capacity issues with the approval of Well #11, to be located outside of the company's exiting well field and drilled within the Alto Sub Basin located within the Mojave Water Agencies Boundaries. CEQA was completed in early 2018 and the well was drilled and completed by fall 2018. The SWRCB approved the well into the system in November 2018 after the Source Capacity Violation was issued. The increased capacity of .36 MGD combined with the lowest capacity of .72 MGD brings the total pumping capacity of SCWC to 1.08 MGD leaving a deficit of .70 MGD. The 1.08 MGD does not take into account the regulation of the highest producing source being taken offline.

With the recommendation from the required feasibility study that was completed by IEC, up to four additional wells will need to be drilled within the SCWC water district. The assumption of four wells is based on the recently completed SCWC Well #11. Well #11 was drilled to a depth of 1,500 feet with a production of 250 GPM at a water level of approximately 950 feet below ground surface. Following approval from the SCWC Shareholders to move forward, the Board of Directors will begin the process for the installation of the first well (Well #12) in the project. SCWC will continue to drill the additional wells as needed to produce the additional .70 MGD. With the assumption that the additional wells produce .36 MGD as Well #11, a total of three wells may need to be drilled to meet the SWRCB regulation for a water systems MDD.

SCWC will locate the new wells within the best location of existing pipeline infrastructure. With locating the wells within areas of the water system that have larger diameter pipelines, this will reduce the infrastructure needed to connect the wells to the system along with reducing the cost to the Shareholders. As of this time, the cost, construction, water production and water quality for all additional wells are being based on the newly completed Well #11. Water quality is unknown and is not taken into account in the proposed timeline. Water quality will be addressed if necessary following the completion of title 22 water quality sampling.

With Shareholder approval to drill additional wells, the following will be completed for compliance:

- Continue working with CRWA for funding of new wells and possible infrastructure upgrades
- CEQA compliance for each well project needed
  - If possible, projects to be combined
- Installation of Well #12 & 13
  - Drill well with estimated depth of 1,500 feet
  - 12 – 16 inch diameter casing with estimated 500 foot louvered section
  - Test pump well with estimated production of 250 GPM or .36 MGD
  - Application for Southern California Edison- Electrical Service
  - Installation of pumping equipment
  - Well head pipe work
  - Onsite and offsite pipe work to connect to water system- Estimated distance 500 feet
  - Installation of electrical equipment and SCE service
- Installation of Well #14 & 15 (If Necessary for Compliance)
  - Drill well with estimated depth of 1,500 feet
  - 12 – 16 inch diameter casing with estimated 500 foot louvered section
  - Test pump well with estimated production of 250 GPM or .36 MGD
  - Application for Southern California Edison- Electrical Service
  - Installation of pumping equipment
  - Well head pipe work
  - Onsite and offsite pipe work to connect to water system- Estimated distance 2800 feet
  - Installation of electrical equipment and SCE service

**Funding** SCWC has been working with the California Rural Water Association (CRWA) for two years to acquire grant funding to bring SCWC into compliance and complete additional projects within the water district. SCWC will continue to work with CRWA to seek funding from SWRCB-DFA for

completion of the additional wells as recommend in the Final Engineering Report that was submitted in July 2019.

SCWC is working with a funding consultant, Waterfunder LLC, for private funding along with possible additional grant funding that may be available. The options for payment of the loans will be put to the Shareholders to vote on payment options.

Estimated cost per well is based on similar design as Well #11:

- \$900,000 per well with pipeline & electrical installation
  - Estimated cost per share per well for loan repayment- \$150 per share
    - Estimated cost is based on 10 year loan with assessment collection cost
  - Estimated cost per service connection per month per well for loan repayment- \$8.00 per service- \$960 per meter service
    - Estimated cost is based on 10 year loan with interest
- Upon approval by the SWRCB-DDW, as additional source capacity becomes available, SCWC can begin issuing new service connections with the additional funds to be available for the wells or any outstanding loans lowering the cost to the existing water users and Shareholders.

**Timeline for Compliance** With approval of the SCWC Shareholders to move forward with drilling additional wells within the SCWC water system, staff will begin moving forward with well locations for the additional wells. The plan is to work on the first two wells concurrently if possible to cut time on the project. Following approval of locations from the Board of Directors, CEQA documents will be completed and submitted. During the CEQA process, property acquisition will be completed, necessary permitting will begin and Bids will be submitted for well drilling. Following completion of test pumping, SCE application will be made, pumping equipment installed, on and off site pipe work will be completed concurrently. Documentation will be submitted to SWRCB-DDW for approval of a new water source.

## Estimated Project Timeline

ID	Task Name	Duration	Estimated Start Date	Estimated Completion Date
1.	<b>Project</b>		<b>September 2019</b>	<b>June 2023</b>
2.	Funding, Applications & Approvals		September 2020	
3.	Well Site Location & Acquisition		January 2020	
4.	CEQA Wells 12 & 13			<b>October 2020</b>
	a. Initial Study	3 months		
	b. Lead Agency Submittal	2 months		
	c. Review & Comment Period	30 days		
	d. Mitigation	4 Months		
5.	Engineering & Permitting	4 months		
6.	<b>Bid Project/Award Contract</b>	<b>60 days</b>		<b>November 2020</b>
7.	<b>Well No 12</b>		January 2021	

SWRCB Compliance Order NO. 05-13-18R002

8. Drill, Case, Test Well	60 days	
9. Well Site Acquisition- Well 14 & 15	3 Months	
10. CEQA Wells 14 & 15 (see Item 4 a-d)	10 months	
11. Construct Well Site and Offsite Pipeline	90 days	
12. Equipment Lead Time	60 days	
13. SCE Application for Service	6 months	
14. County Permit	30 days	
15. DDW Permit	45 days	
16. Well 12 Complete	0 days	<b>December 2021</b>
17. <b>Well No 13</b>		June 2021
18. Drill, Case, Test Well	60 days	
19. Construct Well Site and Offsite Pipeline	90 days	
20. Equipment Lead Time	60 days	
21. SCE Application for Service	6 months	
22. County Permit	30 days	
23. DDW Permit	45 days	
24. Well 13 Complete	0 days	<b>May 2022</b>
25. <b>Well No 14- If Necessary</b>		January 2022
26. Drill, Case, Test Well	60 days	
27. Construct Well Site and Offsite Pipeline	90 days	
28. Equipment Lead Time	60 days	
29. SCE Application for Service	6 months	
30. County Permit	30 days	
31. DDW Permit	45 days	
32. Well 14 Complete	0 days	<b>December 2022</b>
33. <b>Well No 15- If Necessary</b>		June 2022
34. Drill, Case, Test Well	60 days	
35. Construct Well Site and Offsite Pipeline	90 days	
36. Equipment Lead Time	60 days	
37. SCE Application for Service	6 months	
38. County Permit	30 days	
39. DDW Permit	45 days	
40. Well 15 Complete	0 days	<b>May 2023</b>
41. Compliance with SWRCB		<b>June 2023</b>

## **Appendix 3**

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### **Financial Assessment Questionnaire for Disadvantaged Medium/Large Community Water Systems**



## **Financial Assessment Questionnaire for Disadvantaged Medium/Large CWS**

### **Asset Management**

- 1) Do you have as-built drawings and maps of all water system facilities showing the locations of each water source, treatment facilities, pumping plant(s), storage tanks, water mains, isolation valves, etc.? Choose an item. When were the schematic drawings and maps last updated? Click or tap to enter a date.
- 2) Do you have an asset inventory? Choose an item.
- 3) Do you evaluate assets for their condition and/or criticality of repair, rehabilitation, or replacement? Choose an item. What is the date of the last evaluation? Click or tap to enter a date.
- 4) Do you have an asset management plan? Choose an item. What is the date of the plan? Click or tap to enter a date.

### **Strategic Plans - Master Plan / Capital Improvement Plan / Facility Replacement and Refurbishment Plan**

- 5) Do you have a Master Plan (MP), Capital Improvement Plan (CIP), or another strategic plan? Choose an item. What is the date of the last update? Click or tap to enter a date.
- 6) What percent of your annual budget is allocated to CIP reserve? Choose an item. How often is the CIP Reserve funded? Choose an item. Is the annual amount funded to the CIP reserve equal to or greater than the amount of depreciation of system assets? Choose an item.

### **Reserves Management**

- 7) Do you maintain separate reserve funds? Choose an item.  
If so, do you have the following types of reserve funds:
  - a. Debt Choose an item. What percent of your budget is deposited annually? Choose an item.
  - b. Operations Choose an item. What percent of your budget is deposited annually? Choose an item.
  - c. Emergency Choose an item. What percent of your budget is deposited annually? Choose an item.
  - d. Capital Choose an item. What percent of your budget is deposited annually? Choose an item.
- 8) Are there specific deposit and withdrawal policies or guidelines for the reserve accounts? Choose an item.
- 9) Do you have mutual aid arrangements in place? Choose an item.
  - a. Do you have a funding mechanism in place to support mutual aid requests? Choose an item.

### **Debt Management**

- 10) Do you have any outstanding private, State, or Federal loans related to the water system? Choose an item. If so, what is the date of final debt payout? Click or tap to enter a date. Is the water system delinquent or in default on any debt(s)? Choose an item.
- 11) Are all the necessary debt reserve requirements met? Choose an item.
- 12) Is the water system utilizing long-term debt to finance operations? Choose an item.

### **Financial Budgeting**

- 13) Is your drinking water system budget maintained separately from other utility or service budgets? Choose an item.
- 14) Does your drinking water system prepare an annual budget document for the upcoming year's operating plan, clearly identifying the projected revenue? Choose an item. Is this budget adopted before the beginning of the fiscal year? Choose an item.

### **Financial Planning**

- 15) Have revenues been sufficient to cover expenses for the past three years? Choose an item.
- a. Are total revenues sufficient to cover total expenses (including the debt payment, CIP upgrades, and the costs of emergency maintenance)? Choose an item.
  - b. Are rates high enough to meet short term and long-term needs? Choose an item.
  - c. Is there a formal growth-pays-for-growth policy and is it reflected in the rate structure? Choose an item.
  - d. When was the last rate increase? Click or tap to enter a date.
  - e. When were water rates last evaluated? Click or tap to enter a date.
- 16) What percentage of customers do not pay their bill? Choose an item. Is non-payment absorbed into the budget? Choose an item. Are there reserves maintained to make-up for customer non-payment? Choose an item.

### **Financial Accounting**

- 17) Does the water system have formal accounting systems and written procedures for financial records? Choose an item.
- 18) Who records financial transactions? Choose an item. Who approves financial transactions? Choose an item.
- 19) How often are bank statements reconciled against the water system's accounting records? Choose an item. Who performs the reconciliation? Choose an item.

### **Financial Reporting**

- 20) Are financial reports/standard financial statements prepared for review by the governing board/auditor?  
Choose an item. How often? Choose an item. Are these reports and standards routinely made available to system customers? Choose an item.

### **Board Members Training**

- 21) Have board members received training on financial budgeting and obligations, if applicable? Choose an item.

## **Appendix 4**

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### **Source Capacity Evaluation**

### 10-year (2009 to 2018) MDD Source Capacity Evaluation for Sheep Creek Water Company (3610109)

	Parameter:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Production	Max Day (MG)	1.83	1.68	1.9	1.78	1.76	1.97	1.14	1.54	1.06	1.09
	Date	Aug-12th	Jul-25th	Jun-6th	Aug-26th	Jul-13th	Jul-4th	Aug-8th	June-30th	June-30th	May-8th
	Max Month (MG)	36.35		35.05	39.15	38.96	39.81	29.49	35.7	25.49	22.71
	Date	Aug.	July	July	August	July	July	August	August	August	August
	Annual (MG)	279.21	264.84	270.34	304.3	333.38	330.16	260.24	252.51	223.5	197.99
Purchased	Max Day (MG)	0	0	0	0	0	0	0	0	0	0
	Date	-	-	-	-	-	-	-	-	-	-
	Max Month (MG)	0	0	0	0	0.08	0	0	4.06	0	5.52
	Date	-	-	-	-	-	-	-	-	-	-
	Annual (MG)	0	0	0	0	0.08	0	0	4.64	0	5.52
Sold	Max Day (MG)	0.6	0	0	0	0	0	0	0	0	0
	Date	Aug-11th	-	-	-	-	-	-	-	-	-
	Max Month (MG)	2.6	0	0	0	0.92	0	0.25	0	0	0
	Date	August	-	-	-	June	-	-	-	-	-
	Annual (MG)	2.6	0	0	0	0.92	0	0.41	0	0	0
Daily Basis	Max Day Demand (MDD)	1.23	1.68	1.9	1.78	1.76	1.97	1.14	1.54	1.06	1.09
	Avg. Hr Flow	0.05	0.07	0.08	0.07	0.07	0.08	0.05	0.06	0.04	0.05
	PHD = Avg. Hr x 1.5	0.08	0.11	0.12	0.11	0.11	0.12	0.07	0.10	0.07	0.07
Yearly Basis	Annual Demand	276.61	264.84	270.34	304.3	332.54	330.16	259.83	257.15	223.5	203.51
	Avg. Daily Usage	0.76	0.73	0.74	0.83	0.91	0.90	0.71	0.70	0.61	0.56
	MDD = Avg. Daily*2.25(MDD)	1.71	1.63	1.67	1.88	2.05	2.04	1.60	1.59	1.38	1.25
	Peak Hourly Demand (PHD)	0.11	0.10	0.10	0.12	0.13	0.13	0.10	0.10	0.09	0.08

#### DEMAND:

Maximum Day Demand (MDD) **1.97** MG

Production+Purchased-Sold= Demand  
Based on Year Basis

Lowest 10-year MDD: 1.06 MG

#### PRODUCTION:

Source	Capacity (gpm)
Well 2A	30
Well 3A	25
Well 4A	60
Well 5	124
Well 8	141
Well 11	251
Tunnel	122

#### Comments

Based on July 2018 production records and Well 11 pump test from November 2018

#### Active Interconnections

None

#### Emergency Interconnections

Phelan Pinon Hills CSD (3610120)

excluded from calculations, not permitted as a permanent interconnection

#### Surface Water

None

#### Production Summary

Sources	753
Interties	0
<b>Total</b>	<b>753 gpm</b>
	1.08 MGD

#### ANALYSIS:

	Value	Units	Comments
Total Source Capacity	<b>1.08</b>	MGD	Net Interconnections+GW+SW
Total Storage Capacity	<b>6.12</b>	MGD	

#### Maximum Daily Demand (Section 64554)

Maximum Daily Demand (MDD) **1.97** MGD  
1368 gpm

Is Source Capacity alone>MDD? **NO**

Does Source Capacity meet  
lowest 10-year MDD? **YES**

Additional source capacity  
required to meet highest MDD **0.89** MGD



**Peak Hourly Demand (Section 64554)**PHD  MG/hr4 hours PHD  MGSource Capacity  MG/hrStorage Capacity  MG/hrEmergency Connections  MG/hr

Assume: 50% of storage will be available during PHD

Sum of Storage & Sources  MG/hr4 hrs of Storage, & Sources  MGIs Sum of Storage & Sources >PHD? **Reliability of Source Capacity**

Can MDD be met with highest source offline?

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**Quarterly Progress Report**

**APPENDIX 5: QUARTERLY PROGRESS REPORT**

Water System: Sheep Creek Water Company	Water System No: 3610109
Compliance Order No: 05_13_18R_002A1	Violation: <b>Source Capacity</b>
Calendar Quarter:	Date:

This form should be prepared and signed by System personnel with appropriate authority to implement the directives of the Compliance Order and the Corrective Action Plan. Please attach additional sheets as necessary. The quarterly progress report must be submitted by the 10th day of each subsequent quarter, to the Division of Drinking Water, District 13 Office to the following email address: 464 W 4th Street, Room 437 San Bernardino, CA 92401.

**Summary of Compliance Plan:**

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**Tasks completed in the reporting quarter:**

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**Tasks remaining to complete:**

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**Anticipated compliance date:**

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**Printed Name**

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**Signature**

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**Title**

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**Date**

## **Appendix 6**

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### **Notification of Receipt Form**

## APPENDIX 6 – NOTIFICATION OF RECEIPT

**Compliance Order Number: 05\_13\_18R\_002A1**

**Name of Water System:** Sheep Creek Water Company

**System Number:** 3610109

### Certification

I certify that I am an authorized representative of the Sheep Creek Water Company and that Compliance Order No. 05\_13\_18R\_002A1 was received on \_\_\_\_\_. Further, I certify that the Order has been reviewed by the appropriate management staff of the Sheep Creek Water Company and it is clearly understood that Compliance Order No. 05\_13\_18R\_002A1 contains legally enforceable directives with specific due dates.

\_\_\_\_\_  
Signature of Water System Representative

\_\_\_\_\_  
Date

**THIS FORM MUST BE COMPLETED AND RETURNED TO THE STATE WATER BOARD,  
DIVISION OF DRINKING WATER, NO LATER THAN April 17, 2020**

**Disclosure:** Be advised that the California Health and Safety Code, Sections 116725 and 116730 state that any person who knowingly makes any false statement on any report or document submitted for the purpose of compliance with the Safe Drinking Water Act may be liable for, respectively, a civil penalty not to exceed five thousand dollars (\$5,000) for each separate violation or, for continuing violations, for each day that violation continues, or be punished by a fine of not more than \$25,000 for each day of violation, or by imprisonment in the county jail not to exceed one year, or by both the fine and imprisonment.