

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3413
October 26, 1988

R E S O L U T I O N

(RES. W-3413) BIG BASIN SANITATION COMPANY (SEWER)
(BBSC). ORDER AUTHORIZING A GENERAL RATE INCREASE
PRODUCING \$3,236 OR 84.8% ADDITIONAL ANNUAL REVENUE.

BBSC, by draft advice letter accepted by the Water Utilities Branch (Branch) on August 18, 1988, requested authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for sewer service by \$3,384 or 88.7%. BBSC estimates that 1989 gross revenue of \$3,816 at present rates would increase to \$7,200 at proposed rates and would produce a rate of return on rate base of 4.23%. BBSC serves 24 residential flat rate sewer customers in an unincorporated area known as Big Basin Woods Subdivision approximately three miles northeast of Boulder Creek in Santa Cruz County.

The present rates became effective July 16, 1985 pursuant to Resolution W-3248 dated June 21, 1985 which authorized a general rate increase.

The Branch made an independent analysis of BBSC's summary of earnings. BBSC is a division of Big Basin Water Company which provides water service to BBSC's sewer customers and about 475 others in an adjacent area. Decision (D.)88-08-020 granted the water company a general rate increase on August 10, 1988. Most of BBSC's expense estimates were derived either from figures adopted by D.88-08-020 or Resolution W-3248, with escalation to 1989 for inflation. Appendix A shows BBSC's and the Branch's estimated summary of earnings at present, proposed and adopted rates.

BBSC and the Branch differ only in their estimates of purchased power; all other differences are minor and result from the purchased power estimates.

The Branch's figure for purchased power is lower than BBSC's. BBSC based its estimate on recorded power consumption for the first five months of 1988 annualized for the entire year. The Branch noted that power use decreased significantly when one of two effluent pumps was overhauled in July, 1988; the other pump was last overhauled in 1985. The Branch used the average recorded power consumption from 1984 to 1987 and the latest power rates effective May 17, 1988 as the basis for its estimate.

The Branch's estimates for income taxes reflect current tax rates under the federal Tax Reform Act of 1986 and the corresponding state rates for 1989.

Almost all of BBSC's plant was contributed many years ago, most of it before BBSC came under Commission jurisdiction in 1972. Records of the historical cost of contributed plant are not available, so the Branch has shown it as zero in Appendix A. This treatment has no effect on rate base.

BBSC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 4.23%. After Branch's adjustments, the resulting summary of earnings at BBSC's proposed rates shows a rate of return of 13.96%. The Branch recommends a rate of return of 10.50%, the midpoint of the 10.25% to 10.75% standard rate of return range recommended by the Accounting and Financial Branch of the Commission Advisory and Compliance Division for small 100% equity financed water utilities.

BBSC was informed of the Branch's differing views of expenses and rate of return and has stated that it accepts the Branch's estimates.

A notice of the proposed rate increase and public meeting was mailed to each customer on August 23, 1988. No letters of protest have been received.

Two engineers from the Branch and several representatives from BBSC were available at a public meeting in Boulder Creek on September 15, 1988. No members of the public or customers attended the meeting.

Branch engineers conducted a field investigation of BBSC's service area on September 15, 1988, checking visible portions of the system and reviewing methods of operation. BBSC's records were inspected during an earlier visit on August 25, 1988. The investigation revealed that service is satisfactory. No major problems were found.

There are no outstanding Commission orders requiring system improvements. According to the California Regional Water Quality Control Board, Central Coast Region, BBSC's operations meet all applicable standards.

BBSC currently charges all customers a \$13.25 monthly flat rate. At the Branch's recommended rate shown in Appendix B, the monthly bill for all customers would increase from \$13.25 to \$24.50.

The Branch recommends that the Commission authorize an increase in gross revenue of \$3,236 or 84.8%. This increase provides a 10.50% estimated rate of return on rate base in test year 1989.

FINDINGS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rate recommended by the Branch (Appendix B) is reasonable and should be authorized.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. The rate increase authorized herein is justified and the resulting rate is just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Big Basin Sanitation Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule No. 1. Its filing shall comply with General Order 96-A. The effective date of the revised rate schedule shall be the date of filing.
2. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on October 26, 1988. The following commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
JOHN B. OHANIAN
Commissioners



VICTOR R. WEISSÉR
Executive Director

APPENDIX A

BIG BASIN SANITATION COMPANY

SUMMARY OF EARNINGS
Test Year 1989

Item	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
Operating Revenue					
Flat Rate	\$ 3,816	\$ 7,200	\$ 3,816	\$ 7,200	\$ 7,052
Total Revenue	3,816	7,200	3,816	7,200	7,052
Operating Expenses					
Purchased Power	1,880	1,880	1,421	1,421	1,421
Employee Labor	0	0	0	0	0
Materials	320	320	320	320	320
Contract Work	2,790	2,790	2,790	2,790	2,790
Office Salaries	170	170	170	170	170
Management Salaries	110	110	110	110	110
Office Supplies	55	55	55	55	55
Office Rental	130	130	130	130	130
Accounting & Legal	265	265	265	265	265
Insurance	0	0	0	0	0
Vehicle Expense	660	660	660	660	660
General Expense	20	20	20	20	20
Reg. Comm. Expense	200	200	200	200	200
Subtotal Expenses	6,600	6,600	6,141	6,141	6,141
Depreciation	150	150	150	150	150
Property Taxes	310	310	310	310	310
Payroll Taxes	0	0	0	0	0
Income Taxes	0	0	0	137	103
Total Deductions	7,060	7,060	6,601	6,738	6,704
Net Revenue	(3,244)	140	(2,785)	462	348
Rate Base					
Average Plant	3,536	3,536	3,536	3,536	3,536
Avg. Depr. Reserve	226	226	226	226	226
Net Plant	3,310	3,310	3,310	3,310	3,310
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Supplies	0	0	0	0	0
Rate Base	3,310	3,310	3,310	3,310	3,310
Rate of Return	(Loss)	4.23%	(Loss)	13.96%	10.50%

APPENDIX B
BIG BASIN SANITATION COMPANY
Schedule No. 1

GENERAL RESIDENTIAL SERVICE

APPLICABILITY

Applicable to General Residential Sewer Service.

TERRITORY

The area known as Big Basin Woods Subdivision, Tracts 410 and 450, located approximately 3 miles northeast of Boulder Creek on Big Basin Highway, in Santa Cruz County.

RATES

Single Family Residence - \$24.50 per month. (I)

APPENDIX C

BIG BASIN SANITATION COMPANY

COMPARISON OF RATES

	<u>Per Service Connection Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Increase</u>
<u>General Residential Service</u>			
Single Family Residence	\$ 13.25	\$ 24.50	\$ 11.25

APPENDIX D
Page 1

BIG BASIN SANITATION COMPANY

ADOPTED QUANTITIES
Test Year 1989

Federal Tax Rate:	15%
State Tax Rate:	9.3%
Local Franchise Rate:	0.0%
Uncollectible Rate:	0.0%

Expenses:

1. Purchased Power

Pacific Gas & Electric Co.	
Rate Schedule	A-1P
Effective Date of Schedule	5/17/88
KWh Used Total	14,060
KWh Used-Summer	7,600
KWh Used-Winter	6,460
\$/kWh - Summer	0.10424
\$/kWh - Winter	0.08570
Summer Charge	\$ 792
Winter Charge	554
Service Charge	75
Total Purchased Power	1,421

2. Payroll

Total Payroll	\$ 280
Payroll Taxes	0

3. Ad Valorem Taxes

Tax Rate	\$ 310
Assessed Value	1.010%
	\$30,693

Service Connections

Flat Rate Residential	24
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APPENDIX D
Page 2

BIG BASIN SANITATION COMPANY

ADOPTED INCOME TAX CALCULATIONS
Test Year 1989

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenues	\$ 7,052	\$ 7,052
2.	Operating Expenses	6,141	6,141
3.	Taxes Other Than Income	310	310
4.	Depreciation	150	150
5.	Interest	0	0
6.	State Tax		42
7.	Taxable Income for State Tax	451	
8.	State Tax (@ 9.3%)	42	
9.	Taxable Income for FIT		409
10.	Federal Income Tax (@ 15%)		61
11.	Total Income Tax		103