

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
Small Water Branch

RESOLUTION NO. W-4044  
June 11, 1997

**RESOLUTION**

(RES. W-4044), BIG BASIN SEWER COMPANY (BBSC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUES OF \$8,232 OR 100.00%  
IN 1997.

BY DRAFT ADVICE LETTER FILED ON MARCH 6, 1996.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$8,232, or 100% for test year 1997.

BACKGROUND

BBSC requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for sewer service by doubling its present rates to produce additional revenues of \$8,064 or 100%. BBSC's request shows gross revenue of \$8,064 at present rates increasing to \$16,128 at proposed rates. BBSC presently provides service to 28 customers in the Big Basin Woods Subdivision located approximately 3 miles northeast of Boulder Creek, Santa Cruz County.

BBSC's last general rate increase was approved on November 1, 1988, by Resolution W-3413, which authorized an increase of \$3,236 or 84.8% in 1988.

DISCUSSION

The Small Water Branch (Branch) made an independent analysis of BBSC's operations. Appendix A shows BBSC's and the Branch's estimated summary of earnings at present, requested, and adopted rates. Appendix A also shows differences in operating revenues and operating expenses.

Under guidelines established in Decision 92-03-093 for Class C and D water utilities, Commission staff must calculate net revenues by both the rate base/return method and the operating ratio method, selecting the method that produces the most revenue. Although the guidelines are related to water utilities, the Branch believes they are appropriate for sewer utilities. In this case, the operating ratio method produces the higher revenue requirement. An operating ratio of 10%, which the Branch finds reasonable for a sewer utility of BBSC's size and operating characteristics, would warrant a rate increase of approximately 12%.

The utility was notified of this and informed the Branch that it did not want to increase rates any higher than 100% as originally requested, even though it means that the utility would still be operating at a loss.

Staff estimates present gross revenue to be \$8,232. Doubling present rates would increase revenue to \$16,464 in the test year.

BBSC's filed tariffs currently contain one rate schedule: No. 1, General Residential Service. The rates proposed by the Branch are reflected in Appendix B.

At the Branch's recommended rates shown in Appendix B, a residential customer's monthly bill will increase from \$24.50 to \$49.00 or 100.00%.

#### NOTICE AND PROTESTS

The Branch conducted an informal public meeting in the utility's service area on March 6, 1996. The date, time, and location of the meeting were specified in a notice of rate increase mailed to each customer in early February, 1996. In addition to the presence of Branch and BBSC representatives who presided over the meeting, Commissioner Josiah Neepier was in attendance. In a brief statement to the audience, Commissioner Neepier indicated that he and his fellow Commissioners were very interested in customer comments associated with small water and sewer utilities operations and general rate increases. The Branch's representative explained Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Approximately 100 customers attended the meeting. Around 30 customers made statements, asked questions, registered complaints, or made miscellaneous comments related to utilities operations. All of the customers who spoke at the meeting protested the magnitude of the increase. All other customer comments and complaints concerned the water utility, which has also requested a general rate increase.

#### FINDINGS AND CONCLUSIONS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
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 rates are just and reasonable.

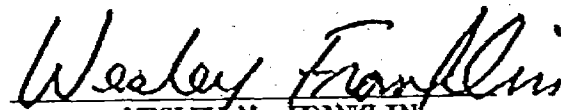
June 11, 1997

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Big Basin Sewer Company to file an advice letter incorporating the summary of earnings and the revised schedules attached to this resolution as Appendix B and concurrently to cancel its presently effective rate schedule: No. 1, General Residential Service. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of its filing.

2. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 11, 1997. The following Commissioners approved it:

  
WESLEY M. FRANKLIN  
Executive Director

P. GREGORY CONLON  
President  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
RICHARD A. BILAS  
Commissioners

APPENDIX A

Big Basin Sewer Company

SUMMARY OF EARNINGS  
 Test Year 1997

Item	: <u>Utility Estimated</u> :		: <u>Branch Estimated</u> :		
	: Present	: Requested	: Present	: Requested	: Adopted
	: Rates	: Rates	: Rates	: Rates	: Rates
Flat Rate	\$ 8,064	\$ 16,128	\$ 8,232	\$ 16,464	\$ 16,464
Total Revenue	\$ 8,064	\$ 16,128	\$ 8,232	\$ 16,464	\$ 16,464
<u>Operating Expenses</u>					
Power	2,034	2,034	3,600	3,600	3,600
Other Volume Related	0	500	500	500	500
Labor	0	1,430	0	0	0
Materials	1,100	1,100	1,100	1,100	1,100
Contract Work	4,400	3,500	3,500	3,500	3,500
Transportation	0	0	0	0	0
Plant Maintenance	0	0	0	0	0
Office Salaries	325	720	0	0	0
Management's Salaries	600	2,457	2,514	2,514	2,514
Employee benefits	0	1,382	1,382	1,382	1,382
Comp/FICA/Unemployment	0	921	918	918	918
Uncollectible Accounts	0	0	0	0	0
Office Svcs. and Rent	0	0	0	0	0
Office Supplies/Expenses	285	435	435	435	435
Professional Services	469	619	619	619	619
Insurance	0	0	0	0	0
Regulatory Expense	0	1,050	1,050	1,050	1,050
General Expense	0	0	0	0	0
Subtotal	\$ 9,213	\$ 16,198	\$ 15,618	\$ 15,618	\$ 15,618
Depreciation	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150
Payroll Taxes	0	0	0	0	0
Property Taxes	340	340	340	340	340
Income Taxes	0	5	800	800	800
Total Deductions	\$ 9,703	\$ 16,693	\$ 16,908	\$ 16,908	\$ 16,908
Net Revenue	(1,639)	(565)	(8,676)	(444)	(444)

(END OF APPENDIX A)

APPENDIX B  
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Schedule No. 1

GENERAL RESIDENTIAL SERVICE

APPLICABILITY

Applicable to 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

All Sewer connections..... \$ 49.00 per month (I)

(END OF APPENDIX B)

June 11, 1997

APPENDIX C

COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

Per Service Connection Per Month:

	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
For a single residential unit...	\$24.50	\$49.00	100%

(END OF APPENDIX C)

APPENDIX D

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Big Basin Sewer Company

ADOPTED QUANTITIES

Test Year 1997

Expenses:

1. Purchased Power (Electric)	
Vendor	Pacific Gas and Electric
Schedules	A-1 P
Effective Date	1/1/95
Total Cost (\$)	3,600
kWh Used	14,500
A-1 P Customer Charge (per meter/month)	\$12.00
\$/kWh Used (Summer rate)	\$ 0.14870
\$/kWh Used (Winter rate)	\$ 0.10193
2. Purchased water	None
3. Ad Valorem Taxes	\$ 340
Composite Tax Rate	1.010%
4. Payroll Taxes	
Total Payroll	\$ 2,514
Payroll taxes	0
<u>Service Connections:</u>	28

APPENDIX D  
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Big Basin Sewer Company

ADOPTED TAX CALCULATIONS  
Test Year 1997

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenue	\$ 16,464	\$ 16,464
2.	O & M Expenses	\$15,618	\$15,618
3.	Taxes Other Than Income	\$ 340	\$ 340
4.	Depreciation	\$ 150	\$ 150
6.	Taxable Income for State Tax	\$ 356	
7.	State Tax*	\$ 800	
8.	Taxable Income for FIT		\$ 0
9.	Federal Income Tax*		\$ 0
10.	Total Income Tax		\$ 0

California Corporate Franchise Rate 9.3%

Federal Income Tax Rates  
On first \$50,000 of taxable income 15%